

# European Corporate Sustainability Framework

- ECSF -

## for managing complexity and corporate transformation

by  
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### *abstract*

**The European Corporate Sustainability Framework (ECSF) is a new generation management framework, aimed to meet increased corporate complexity and support corporate transformation towards more sustainable ways of doing business. It is a multi-layer, integral business framework with an analytical, contextual, situational and dynamic dimension.**

**Analytically, the framework is structured according to four focus points - the constitutional, conceptual, behavioural and evaluative perspective - providing integrative designs of complex and dynamic phenomena. The framework includes coherent sets of business philosophies, approaches, concepts and tools that structures corporate realities and generates sequences of steps in order to obtain adequate institutional structures, a road to corporate transformation and higher performance levels.**

## § I. Introduction

### 1.1 Complexity

Complexity within the business environment has increased dramatically. The various developments that have caused complexity to increase can be structured along the definition of life conditions. According to Beck and Cowan (1996), life conditions, and thus also corporate conditions, depend on historic *times*, geographical *places*, existential *problems* and societal *circumstances*.

Complexity grows over time, simply because evolution is proceeding “irreversibly in the direction of increasing differentiation/integration, increasing organization and increasing complexity” (Ken Wilber 2000: p. 19;74). A practical example can be found in the various contemporary quality management systems, oriented either at products, processes, the organization as a whole, the industry or the chain in which the organisation functions or oriented at society at large. Shifting from one level to the next is like transforming into a new paradigm. The value and belief system, the internal organization, decision-making and working procedures, in short, the institutional arrangements of each next level clearly show increased complexity.

History demonstrates the emergence of more profound quality management systems over time and especially the current attention for Corporate Social Responsibility (CSR) and Corporate Sustainability (CS), referring to the corporations’ new role within society, indicates a much higher level of complexity.

With respect to geographical places, globalization directly comes to mind. Made possible by innovations in transport, telecommunication and computer technology, many companies have opened consumer markets and / or production units in all corners of the world. Also small companies – one location and one market – are undergoing the impact of international competition. In addition to managing the technologies facilitating globalization, the increased complexity is often associated with the consequence of managing people from different cultures and backgrounds, and operating in many countries, each with different habits and regulations.

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Many of the existential problems, often ethical challenges, relate to globalization. With varying cultures and legal systems, what ethical norms will be taken as references? What to do when cheap production costs appear to be related to child labour? What if nothing can be arranged without paying excessive bribes? There were times when management could just ignore these topics, being responsible only to owners who were interested in maximum yields to their financial investments. Nowadays companies are challenged to balance and include a variety of sometimes conflicting interests from various stakeholders.

In addition, the globalization, technology and expectations of consumers have boosted the speed of progress, as indicated in, for instance, shortening production cycles.

The question is: are management executives able to keep up with this growing complexity? Are their competences and underlying values fit to match these new challenges? Are there adequate concepts and tools available, since existing management tools - by definition - have a limited tenability and relevant domain? Existing models have been designed to be used in specific circumstances. As long as these situations continue to occur, these models and tools will keep their status and practical use. Unfortunately, management tools do not carry tags with specific prescriptions for usage and unintended side effects. Besides, the enormous flood of novel management tools and concepts that have been introduced into the market recently, compete for attention, making it extra difficult for executives to select the most adequate tools in order to manage complexity and achieve the desired results. Furthermore, as progress continues, new - not just different - challenges emerge and corporate executives often need new tools and concepts to match these new circumstances.

### **1.2 A new generation business framework**

The Erasmus University Rotterdam's affiliate ERBS BV is leading the EU-financed, international research project, titled the "European Corporate Sustainability Framework", ECSF. The members of the ECSF Consortium are committed to developing a 'new generation' multi-layer business framework with a contextual, situational, analytical and dynamic dimension. It provides coherent sets of corporate institutional arrangements, including or based upon value systems, management philosophies, methodologies, business concepts and related sets of tools and measurement practices. The ECSF project aims to facilitate companies who intending to improve their performance, try to include the interests of various stakeholders into corporate decision making, and become more sustainable operating organizations. With the final deliverance of the project to the European Commission in December 2003, this paper describes the progress the consortium has made so far.

### **1.3 Structure and content**

In chapter 2 we will analyse the features of a framework that has been successful over the last 10 years: the European Model for Business Excellence, or the EFQM model for short. In chapter 3 we integrate four separate management models into one elegant business framework. In chapter 4 we introduce the SqEME approach and elaborate on the analytical dimension of ECSF. Consequently applying the SqEME approach while designing ECSF has generated generic cases, forming the layers of the framework. Chapter 5 describes these layers briefly: they are the contexts and value systems, management situations and business dynamics.

## **§ 2. Evolution in business concepts and tools: The EFQM Case**

We will shortly elaborate on the introduction, success and current dilemmas of the EFQM model, as lessons to be learned for the ECSF project.

### **2.1 The EFQM model**

EFQM was founded in 1988 by the Presidents of 14 major European companies (Bosch, BT, Bull, Ciba-Geigy, Dassault, Electrolux, Fiat, KLM, Nestlé, Olivetti, Philips, Renault, Sulzer, Volkswagen) with the endorsement of the European Commission. Jacques Delors, EC President at the time, addressed these presidents when stating: "the battle for quality is one of the prerequisites for the success of your companies and for our competitive success".

The impetus for this powerful management network - which now has more than 800 members - was the need to develop a European framework for quality improvement along the lines of the Malcolm Baldrige Model in the USA and the Deming Prize in Japan. Both these awards had demonstrably improved service and manufacturing quality in the organizations that used them.

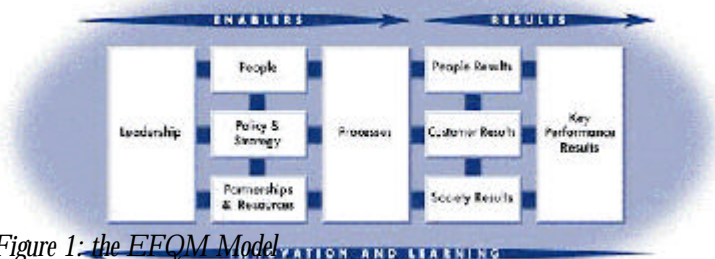


Figure 1: the EFQM Model

From the outset, EFQM has been driven by a vision of helping create strong European organizations that practise the principles of Total Quality Management (TQM) in the way they do business and in their relationships with their employees, shareholders, customers and in the communities in which they operate.

The above ideas and discussions resulted in a framework, presented in 1991, including nine areas for management attention, five enablers and four results areas. This model has been the basis for the European Quality Award, first awarded in 1992, but also a self-assessment tool for companies dealing with quality. It effectively helped companies to improve their management information systems and planning and control cycles and made them more fit to challenge the rapidly changing business environment. Nowadays the model is broadly accepted and is being used by large and small organizations, including, remarkably, many government- and not-profit-making organizations.

## 2.2 Differentiations within the EFQM model

The emergence of the EFQM model was - in philosophical terms - a successful integration and a sublimation with respect to its contemporary concepts and tools. However, since its start many new ideas and improvements have been launched and put into practice. We will shortly introduce a few of these innovations - or differentiations of the prevailing concept - that can be used alongside or on top of the EFQM model. These differentiations are ranked according to the EFQM's management attention areas.

### Leadership:

In the last decade, leadership attracted a lot of attention and many 'new' leadership styles were developed. A contribution in line with the EFQM model and especially with the strategy considerations as presented in the next differentiation, was presented by Robert Quinn (1999). He distinguished roles of managers that are adequate for specific situations. With a focus on stability and efficiency a manager should act as a controller and coordinator. Where human relations are predominant, a manager should behave as a mentor/coach and stimulate his/her people. In the next situation, predominantly focusing on adaptive and innovative processes, the leader must try to innovate or at least facilitate R&D teams and then move on to being a transformer, facilitating for instance corporate change or production systems. Ultimately, having adapted or having successfully innovated, it is time to market and become a role model for the client oriented marketers. The next role is being a production oriented manager and then the circle starts again with the focus on efficiency and control functions.

### Strategy and Policy: Four Phase Model®

The Four Phase Model (Hardjono, 1995) is an elegant and powerful model for managers and management consultants to analyze the present state of organizations and to determine the most likely strategy to further improve their organizations. The Four Phase Model structures various organizational control points and possible interventions and is able to provide guidelines for a program of organizational change. The premise on which the Four Phase Model is based is that organizations are striving to increase their total assets in a continuous process of exchanging one asset for another. This exchange takes place within a company but also with the various stakeholders. The four basic assets are material -, commercial -, socialization - and intellectual assets.

The strategic actions, aimed at increasing the total sum of assets, are structured according to the main corporate focus (external or internal, control or change) and strategic orientation (effectiveness, efficiency, flexibility or creativity). According to the model, corporate strategies naturally demonstrate a specific rhythm of shifting from one strategic orientation to the next, adding, each time, new values and competences, and thus increasing their total assets. When companies stagnate - ignore the market

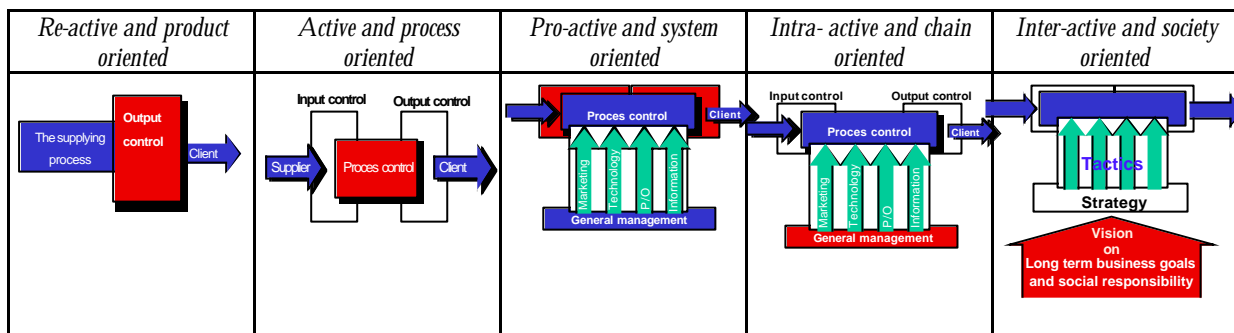
responses and changing circumstances – current strategies will turn to reverse effects: bureaucracy instead of efficiency and rigidity instead of control, chaos in stead of change, etcetera.

### People Management: Human Capital Management

The choice and positioning of this management attention area shows that people are *not* resources and that Human *Resource* Management is, according to the EFQM principles, not appropriate. Human Capital Management (HCM) (Van Marrewijk & Timmers, 2002) emphasizes the alignment between the individual and the organization. The alignment with the employees (the human capital) takes place in three domains: the 'Corporate Identity and Values', 'Human Operations' and 'Human Development'. The outcomes at the individual levels are commitment, dedication, and motivation respectively, while at corporate level the performance relates to a great workplace, higher productivity and the development of required competences.

### Process: INK Management Model

The Dutch Institute for Quality (INK) has created a variant of the EFQM model adding a sequence of various grades of complexity, discussed in short above, [primarily orientation at products, processes, the organization as a whole, its industry or chain, or at society as whole]. The model includes a practical assessment tool, which also helps companies to set out a path for ongoing improvement.



### People Results: Investors in People

'Investors in People' is the international standard which sets a level of good practice for training and development of people in order to achieve business goals. The standard provides a framework for improving business performance and competitiveness, through a planned approach in setting and communicating business objectives and by developing people to meet these objectives. The result, is that what people can do and are motivated to do, matches what the organization needs them to do. The process is cyclical and should engender the culture of continuous improvement.

The Investors in People Standard is based on four key principles:

- Commitment ... to invest in people to achieve business goals
- Planning ... how skills, individuals and teams are to be developed to achieve these goals
- Action ... to develop and use necessary skills in a well defined and continuing programme directly tied to business objectives
- Evaluating ... outcome of training and development for individuals' progress towards goals, the value achieved and future needs.

These four key principles are a cyclical process and are broken down into 12 indicators, against which organizations wishing to be recognised as an 'Investor in People' will be assessed. The principles suitably match the approach of the EFQM model and Human Capital Management. As a differentiation, it can be linked to 'people management' as much as 'people results'.

### Impact on Society: multiple levels of CSR and Corporate Sustainability

The creation of this attention area was on its own a breakthrough, but in practice - while preparing for the arrival of EFQM assessors - many companies had difficulties with integrating this concept within their decision and policy-making. They either preferred to ignore it, or they had trouble in identifying the stakeholders and integrate their interests, or they implemented a societal approach to business operations.

In the latter case the impact on society was shown in the other 8 attention areas of the EFQM model, instead of only this one.

#### Result areas: Business Balanced Score Card

In the early 1990s Robert Kaplan and David Norton introduced the balanced scorecard approach providing a prescription of what companies should measure in order to 'balance' the financial perspective. The balanced scorecard is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results.

Kaplan and Norton describe the innovation of the balanced scorecard as follows: "The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation."

The balanced scorecard suggests that we view the organization from four perspectives, and to develop metrics, collect data and analyse it relative to each of these perspectives:

- The Learning and Growth Perspective
- The Business Process Perspective
- The Customer Perspective
- The Financial Perspective

These perspectives coincide with Hardjono's/Four Phase Model's basic assets.

### **2.3 Lessons to be learned from EFQM**

The above selection of new management tools is only a fragment of the number of management innovations released in the last decade. It can be considered as offspring of the EFQM model, adding a rich variety of concepts and tools that - in principle - can be pieced together into one management framework. Therefore, although presented as a model, we believe the EFQM - right from the beginning - introduced a framework. It structures the managements attention areas, it focuses on specific business goals, such as customer orientation, it provides (situational) assessment tools, it creates loops - from policy to process, results and learning - and it offers an open platform for bringing in additional tools and related management concepts. In addition, it was quickly introduced in the open domain, allowing business consultants to work with the concept, while introducing it in the market. With a supporting organization in Brussels and a network of local representatives, the EFQM organisation includes over 800 members all over Europe. The number of organizations applying it to structure business operations is much larger.

In the introduction, the underlying principles, such as results orientation, customer focus, partnership development and public responsibility were emphasized, but nowadays these principles are hardly mentioned. With the loss of the founding and leading principles, the EFQM model has become instrumental, losing its framework character, suggesting that tools can be applied within context-less situations.

Its name has already been changed into management model for Business Excellence, introducing a notion synonym for quality. At the website - [www.efqm.org](http://www.efqm.org) - it is often mentioned that this model facilitates sustainability, but no serious arguments are provided to support this claim. Having lost its framework characteristics, the EFQM model has - as any model - a limited domain. The present one does not include the various advanced levels of corporate sustainability.

Furthermore, in ten years , the EFQM has kept to its original, relatively simple structure and has therefore not been able to include the various differentiations. Adopting the new tools to keep up with contemporary developments, while continuing to use the EFQM approach, an increasing number of corporate executives are less satisfied with the support from the EFQM organization. The combinations between the EFQM model and its new differentiations are becoming fuzzier, the total approach less adequate and slowly the EFQM model is becoming more and more out-of-date.

### **§ 3. Structuring management tools and concepts through ECSF**

From evolution we can tell that a period of differentiation is often followed by an integration at a higher level, turning a 'heap' into a 'whole' (Wilber, 1996). The EFQM model was once a big step in management evolution, inviting the development of related concepts and tools. Nowadays we are looking for a new type of framework with the capacity to integrate formerly independent, separate management tools and concepts.

### **3.1 Management References**

The basic assumption of the ECSF project is that management principles, models and even hypotheses have their value, but only in a certain context. This context depends on historical *times*, geographical *places*, existential *problems* and societal *circumstances*. Or rephrased in business terms: the market circumstances, the strategy of the organization, the history of the organization and its organizational culture. All This changes over time and has its own dynamics and rhythm.

The enormous number of management tools and concepts that is presently available is overwhelming for most corporate executives: they simply cannot see the wood for the trees. One of the ECSF deliverables to the European Commission is the structuring of business tools and concepts into coherent frameworks, adequately linked to specific management situations. Looking for basic structures, we have chosen for the following founding models:

- **Spiral Dynamics:** this evolutionary concept provides the basic ideal type contexts, indicated in colour codes [blue, orange, green, yellow and turquoise]. Each context represents a dominant world view and offers related value systems and subsequent institutional structures, matching it.
- **Four Phase Model:** this management concept provides four basic strategic orientations. Being primarily oriented either internally or externally and focused on control or change, four orientations can be distinguished: market effectiveness, efficiency, flexibility and creativity.
- **INK Management Model:** this model, a variant of the EFQM model distinguishes five quality orientations, each transcending and including the previous ones, resulting in increasing complexity: the orientations are: product, process, organizations, chain/industry, society. The later quality orientation corresponds with an advanced/sophisticated definition of corporate sustainability.
- **EFQM Model:** the management attention areas, especially the enablers can be used as substructures: leadership, strategy and policy, people management, resource management and process management.

According to Spiral Dynamics, there are five contexts. Per context, many situations can be distinguished: the four basic strategic orientations of the Four Phase Model and the five grades of complexity of the INK model make up a basic structure with 20 management situations. Combined with the five enablers of the EFQM model, it adds up to 100 situations, and thus 500 context/situations! In practice some combinations cannot exist. A more realistic estimate is 52 situations, times four enablers (strategy and policy is already dealt with) is 208 management aspects. Each situation can now be defined in terms of these four models, making up the full universe of the management/business administration discipline. Per situation, the most adequate interventions can be selected, to be used as references for management practice.

The other way around: management tools and concepts can be judged according to their relevant domains. Which situations is a specific tool useful in, i.e. fit for the purpose. The ECSF consortium is preparing a book with management tools in which each tool is classified with respect to the basic structures above.

We know from practice some of the 'white spots' in our framework: context/situations that do not have tools available. Particularly monitoring, benchmarking and self-assessment tools are currently not available in more complex situations. When we have finished the inventory, we will be able to show these omissions systematically. Within the ECSF consortium we will try to develop some of these tools.

## **§ 4. Four windows on (corporate) reality**

### **4.1 SqEME® approach**

For centuries we have applied a reductionist approach to complex phenomena especially in science and business. By breaking down complex entities in parts, we have achieved a lot, but we have also lost the coherence between related phenomena and we apparently refused to take responsibility for the greater wholes. Nowadays, science is scattered into sub-sub-sub branches and the business world is being held responsible for the negative effects of globalization.

In the Netherlands we came across the SqEME® approach, used in process management and we adapted it in order to structure complexities. It is a holistic approach, using four focus points in analyzing the same complex reality. These four integral and complementary images form a transparent design of a complexity. The views through these windows partly overlap, but by using one image as a point of reference in analyzing the next, one can get a more detailed impression of the reality at hand.

The four windows are named: Constitution, Chemistry, Conduct and Control. Each of these windows will be introduced shortly.

By *constitution* we mean all elements of an entity or phenomenon that makes up the basic and founding characteristics. From these structures one can develop the sense of direction. In the case of an organization we think of the factual items, such a shoe factory in the Netherlands, as well as the figurative aspects such as the ambition, passion, drivers and basic principles. Looking at constitutional aspects we see the world view of corporate representatives, their awareness and core value systems, making up the context of business operations. The corporate history, culture and identity can give a dominant input to the sense of direction. On a more specific level, mission statements, corporate objectives, strategic considerations and quality orientations add important impulses to the corporation's sense of direction.

Knowing the direction, one must first understand its situation and influencing factors before any implementation can start. Management needs norms for specific actions. SqEME refers to *Chemistry*, understanding the cause and effect relationships, emphasising the working of relevant processes and mechanisms, and knowing what elements can be combined. It also refers to the 'chemistry between people'. Therefore, this window has also to do with 'communication': especially in dealing with complexity, it is essential to combine a variety of people with relevant experiences and competences. It is about creating a vision of their realities. Through reflections, exchanges and conversations between experts and experienced people [staff, management and work floor, as well as outside experts] understanding and direction result in norms referring to among other things timing, quantity, extent, sequence, what, who and to whom. In the end, norms are based on the understanding of all relevant aspects that (potentially) impact the process of achieving the desired results. When you comprehend these aspects you can determine 'when to do what'.

Obviously, the next focus point is action-oriented. With *Conduct* we look at the actual happenings in an organization, its corporate behaviour. This lively image shows the specific interventions, their responses to major challenges, but also the procedures, tasks, assignments and contracts. In short, the full institutional framework of an organization.

The next window focuses on evaluation and monitoring the achievements. SqEME labelled this frame of reference as *Control*, more or less to come up with a fourth C. Indeed, in specific contexts one can see control systems, but in the generic case it is about learning. Besides, as complexity grows, the illusion of control becomes more apparent. Monitoring includes self-assessment tools, Management Information Systems and a Business Balanced Scorecard - with or without sustainable indicators (KPIs) - for actual decision-making. Furthermore, it includes reporting procedures and benchmarking techniques. All these measurements are important aspects of learning loops, as much as direction, norms and action. For a summary of the analytical approach, see matrix 1.

<b>SqEME - 4C Approach</b>	<b>Constitution</b>	<b>Chemistry</b>	<b>Conduct</b>	<b>Control</b>
<b>Alternative phrasing</b>	Drivers	Communication, Content	Action	Monitoring
<b>Elements</b>	<ul style="list-style-type: none"> <li>• Mission, ambition</li> <li>• Strategic orientation</li> <li>• Values, identity</li> </ul>	<ul style="list-style-type: none"> <li>• Vision</li> <li>• Understanding</li> <li>• Cause &amp; effect</li> <li>• Structures &amp; processes</li> </ul>	<ul style="list-style-type: none"> <li>• Actions &amp; Interventions</li> <li>• Procedures</li> <li>• Contracts &amp; tasks</li> </ul>	<ul style="list-style-type: none"> <li>• Control system</li> <li>• (Self)-Assessments</li> <li>• MIS &amp; KPIs</li> <li>• Reporting</li> <li>• Benchmarking</li> </ul>
<b>Results</b>	Direction	Norms	Achievement	Evaluation
<b>Focus</b>	<i>Where to go</i>	<i>How to get there</i>	<i>What to do</i>	<i>Where are we</i>

Matrix 1.

The four windows can easily be recognized in discussions. Some people immediately start talking about taking action, start doing something. Other demonstrate his or her understanding of the matter, advising others how

they should do it. In dispute people often stand up providing clarity by discussing ambitions and sense of direction. Another respectable position in debates is the question “what is the beef? What will the results be (for me)?”. These are four natural positions and at the same time they are complementary. Balanced and consistently worked out in detail, the combined views from these focus points provide a complex design of the institutional fabric.

There is no specific sequence in using the frames of reference. You can start making arguments from any position, as long as you include the output from any other window into your considerations. Since companies - by definition - are action oriented, they feel at ease in *Conduct* and most of them have learned to match it with *Control*. Without the input from the ‘soft’ left-hand side, they are engaged in an iterative trail and error process. By clarifying the constitutional aspects and by openly discussing the concepts and understanding for developing norms, the actions and institutional framework can be made more effectively. Pooling expertise from various backgrounds, bringing together multi-disciplinary information, engage in strategic conversations and scenario planning are ways of making the ‘theoretical’ *Chemistry* more practical.

## **§ 5 Structuring the ECSF**

### **5.1 Contexts**

We have consistently applied the SqEME approach while designing the European Corporate Sustainability Framework. The focus points, discussed above, generate basic questions. For instance, a first order constitutional question is: “what does your world look like? How do you perceive reality? What do you think are the prevailing challenges?”

Along with changing circumstances, individuals and organizations tend to adapt their perception of reality. Related to these realities individuals and organizations develop value systems, as coping mechanisms to match the challenges offered by their current life conditions. According to Dr. Clare Graves, mankind has developed eight core value systems, as responses to prevailing circumstances (Cowan & Beck (1996) Spiral Dynamics). A value system is a way of conceptualizing reality and encompasses a consistent set of values, beliefs and corresponding behaviour and can be found in individual persons, as well as in companies and societies.

The development of value systems occurs in a fixed order: Survival, Security, Energy & Power, Order, Success, Community, Synergy, and Holistic life system. Each new value system includes and transcends the previous ones, thus forming a natural hierarchy, or holarchy (Wilber, 1995).

A value system develops in reaction to specific environmental challenges and threats: the systems brighten or dim as life conditions change. If, for instance, societal circumstances change, inviting corporations to respond and consequently reconsider their role within society, it implies that corporations have to re-align their value systems and all their business institutions (such as mission, vision, policy deployment, decision-making, reporting, corporate affairs, et cetera) to these new circumstances. New corporate ambition levels can make contemporary institutions obsolete and their practices inadequate. This could be an explanation for the Ernst & Young’s recent surveys outcomes, indicating that 93% of large companies consider CSR as potentially profitable activities, with 73 % discussing it within their boards but with only 11% actually implementing it.

When the possibilities a value system offers are no longer sufficient to manage existing circumstances, it is a possible to move on to the next value system. The conclusion that a current pattern of behaviour or institutional framework is no longer adequate to tackle a problem, can be an incentive to change their perception on reality, opening new opportunities for change. Along with adopting new values, enabled by an increased awareness, humans start new patterns of behaviour and organizations create new institutions in line with the gradually emerging value system.

### **5.2 Multiple levels of Corporate Sustainability**

These constitutional questions raised above have brought us the concept of contexts, one of the layers of the ECSF. Individuals and groups develop and apply values and support institutional structures, in order to cope with the prevailing challenges. Inappropriate responses provoke new attempts, until new strategies emerge, ultimately resulting in a sequence of development stages. Therefore a ‘one solution fits all’ definition for Corporate Social Responsibility (CSR) / Corporate Sustainability (CS) should be abandoned, accepting more specific definitions matching the development, awareness and ambition levels of organizations.

Each organization should choose its own specific ambition and approach regarding corporate sustainability, matching the organization’s aims and intentions and aligned with the organization’s strategy, as an appropriate

response to the circumstances in which it operates. We have worked a sequence of CS ambitions levels and their supporting institutional structures. It has resulted in a full matrix with six different contexts and four corporate dimensions [Principles, People, Planet and Profit]. Please refer to other ECSF documents, for instance, at the site: [www.erbs.nl](http://www.erbs.nl)

### 5.3 Situations

We have seen that it is important that a management framework distinguishes the predominant context(s) in which an organization functions. By raising additional questions, generated by the ECS framework, the contexts can be refined into more detailed situations.

As we have seen in chapter 3, within a particular (business) context, many management situations can be distinguished. Second order constitutional questions, such as “what is your market situation? What are your objectives?” and “What kind of quality orientations do you need?” generate input for determining the strategic considerations and quality orientations. These choices determine the boundaries of business situations. Once again, in chapter 3, we have seen that separate management models have been blended together in an elegant management framework, structuring different business situations, generating specific interventions and listing the tools that can be applied adequately and thus forming the next layer of ECSF.

### 5.4 ECSF dynamics: changes, shifts and transformations

Applying the SqEME approach as in figure 2, each window provides information that can be used to check the consistency of the whole. Clarifying the constitutional, conceptual, behavioural and evaluative dimension of the complexity at hand offers opportunities to improve the consistency of the contemporary arrangements, i.e. institutional structure, and its performance. Applying SqEME in this way results in incremental improvements, or (small) changes. Changes occur within specific context/situations. Shifts occur between situations and transitions between contexts.

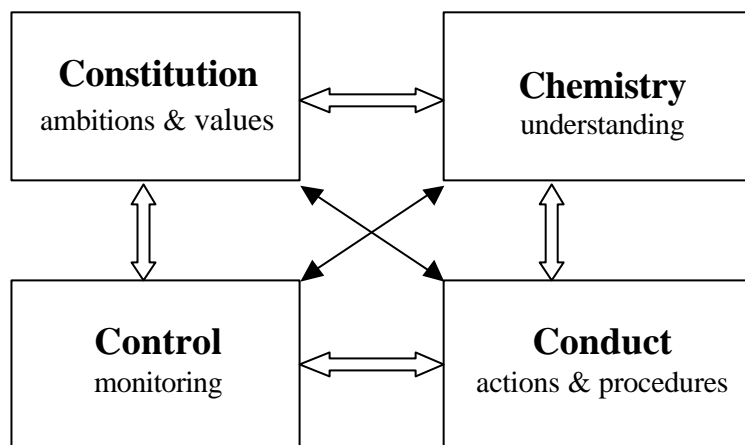


Figure 2. consistency check

The ECSF approach includes two elegant diagnostic tools to determine the company’s present context(s) and situation(s). It is a reconnaissance of the company’s market situation and a value audit describing the company’s cultural profile. The outcomes of these diagnoses can be pinpointed exactly within the framework. Also the company’s ambition can be situated exactly. We only need to trace the track from A to B, generating, step by step, a sequence of actions and thus creating an outline of the shift and/or transition towards the envisaged level of, for instance, corporate sustainability and societal responsibility. These A to B tracks can occur between contexts (transition), between situations (due to a shift in (strategic)-orientation) and within a context/situation, aimed at completing a contemporary institutional arrangement.

The actions, or intervention, can be related to the organization’s level of complexity, the strategic orientation, the corporate stage of development and to the various management attention areas [such as leadership, people management, operations, etc]. These actions are placed within the quality-learning loop [plan-do-check-adapt] and therefore need to be backed up by process indicators and a management information system.

## 5.5 Conclusions

As we have seen, the European Corporate Sustainability Framework includes four features, or layers:

- A. The framework distinguishes ideal type contexts with related value systems and supporting institutional structures, stressing the evolutionary dimension of business development and corporate sustainability.
- B. The framework provides the characteristics of business situations, offering:
  - a basic structure for ranking existing management tools and concepts, according to their fitness for use and tenability.
  - an overview of business contexts and management situations, where executives have to work with inadequate tools or without any tools at all.
  - An overview of features that the missing tools should offer.
- C. Having defined four characteristic points of view, the framework offers an analytical approach for analysing and ultimately improving institutional structures.
- D. Having distinguished contexts, situations and an analytical approach, the ESC Framework is able to generate, step by step, the actions management need to take (1) to improve the consistency within a specific structure, resulting in a better performance, (2) to facilitate shift to new business orientations and (3) to transform to new business realities, to new levels of corporate sustainability and creating new institutional structures matching the new ambitions.

With these four features, the framework is a multi-layer construction, a big chest of drawers, and for each situation - simply open the drawer - there is a full set of business institutions, management tools and concepts. However, it is a complicated framework, but users do not need to know all its aspects. By determining A and B, the user will get a Management Reference, indicating the various steps that, theoretically and experiments-based, will lead to the espoused situation. The framework can be used as an expert system, raising the right questions as well as providing the best answers.

In practice, some drawers are still empty, others are not fully filled and lacking coherence. So there is still a lot of work to do.

The context of this paper is not suited for demonstrating the various capabilities of the framework. Please refer to the project website and [www.ecsf.org](http://www.ecsf.org) for more information. With the project outcomes to be delivered to the European Commission by December 2003, we would welcome corporate involvement to test and apply the results in practice.

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## Notes

1. The IiP-Standard was developed during 1990 by the British National Training Task Force in partnership with leading national business, personnel, professional and employee organisations such as the Confederation of British Industry (CBI), Trades Union Congress (TUC) and the Institute of Personnel and Development (IPD). The work was supported by the Employment Department. [see als [www.iipuk.co.uk](http://www.iipuk.co.uk)]

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