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**Article**

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Michiel Schoemaker, André Nijhof, Jan Jonker\*

## **Human Value Management.**

# **The Influence of the Contemporary Developments of Corporate Social Responsibility and Social Capital on HRM\*\***

In both practice-oriented and academic discourses the concepts of corporate social responsibility (CSR) and human resource management (HRM) are often treated separately. It is argued here that this is an outdated approach. Starting from the observation that organisations develop towards open systems, it becomes obvious that CSR and HRM are intertwined. In open systems cooperative action is based on the willingness of humans to bring in and develop their talents as part of communities of work. The proper functioning of organisations becomes dependent on shared values between networks of people. At the same time these networks broaden the perception of what (new) roles and functions organisation should fulfil. This brings in the notion of CSR. Organisations are expected to encompass a broadening range of responsibilities combining the delivery of added value in the market place with broadening responsibilities. These developments require a repositioning of the role and perception of HRM towards a new strategic approach labelled here as Human Value Management. This paper offers an exploration of this HVM approach by comparing it to HRM and linking it to CSR. As such it offers a conceptual framework enabling the formulation of a series of questions for future research.

Key words: **Human Value Management, Human Resource Management, Social Capital, Corporate Social Responsibility**

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## 1. Introduction

The position and function of the business enterprise in contemporary society is changing. On the one hand business is still focused on the customer and the market place. Consequently, much attention needs to be paid to how emerging issues are internally organised to deliver added value(s) to the customers. Parallel to this more internally-oriented development, organisations have to function in a more and more complex societal context. Doing business is no longer only making profits; organisations also have to behave in a way we have gradually started to call “socially responsible”. This quest for new and expanding responsibilities – often called Corporate Social Responsibility (CSR) – implies taking into account issues beyond the conventional business scope. CSR refers to a growing appeal asking organisations to take a broader “social responsibility” into account, behaving accordingly in an accountable manner thus behaving as “good corporate citizens”. CSR can thus be seen as internalising externalities in the broader societal context. In the worldwide quest for developing an ISO-standard for CSR many parties consider the following definition of CSR (ISO 26000: 13):

“Social Responsibility refers to the activities of an organization aimed at contributing to a sustainable society and environment, as well as maintaining the organization’s continued existence, by minimizing negative impacts and maximizing positive impacts on the society and environment through proactive stakeholder communications and engagement throughout the organization’s sphere of influence. Social responsibility is about organizational initiatives that start with, but go beyond, meeting legal requirements and that contribute to social acceptance. An organization only obtains its social acceptance by observing national laws and applicable international agreements and by responding to an ever-changing society that has constantly changing expectations”.

The central underlying notion is that organisations should act beyond their classic “business” boundaries, not only generating profit but also (and at the same time) contributing to the “glue” and “cohesion” of society, taking into account the social and ecological environment. This challenges the belief, most established in Anglo-Saxon economies, that social issues are peripheral to the challenges of corporate management. A fundamental reason for the emergence of the CSR debate is the interconnectivity, interdependence and increasing transactivity of the organisation with its social, political, economical and ecological environment. Classical organisational boundaries have become more or less obsolete or redundant. What once was ‘outside’ the organisation is now ‘inside’ and vice versa. An organisation is forced to be an open ‘system’ operating as a flexible network in an unpredictable and complex environment. Key words in the CSR debate at large are, among others, transparency, accountability and inclusivity. Given the developments of the past decade in this field it is reasonable to assume that CSR is indeed becoming important. As companies seem to move from being social factors into social actors, they are faced with new strategic issues. Or as Davis (2005) states “...companies must build social issues into (their) strategy in a way that reflects their actual business importance.” A very good example of this development is the pharmaceutical firm Novo Nordisk. This organisation has incorporated societal goals (the fight against diabetes) into the companies mission, goals and strategy. Likewise the logistics company TNT gives support to the World Food Program.

It is at the interface of the organisation and its context that the importance of CSR really becomes apparent. Organisations can no longer just produce a good or deliver a service and bring it to the “market place”. Organisations have to make clear what their function in society is and what societal issues and problems mean to them, which one’s they will address and how they will address them. The challenge is to incorporate externalities in organisational actions while at the same time using the capabilities and capacities of the organisation to contribute to the traditional business role. In essence CSR addresses the reconfiguration of the balance between institutions that together make up society (Habisch/Jonker 2005). This implies the development of social capital in addition to (organisational) human capital (Schoemaker/Jonker 2005). While human capital refers to the capabilities and virtues of the workforce, social capital refers to the shared values and active connections that bind members of networks together and make cooperative action possible.<sup>1</sup> The consequence of this wider societal perspective is a number of new organisational themes are emerging, such as values, identity and internal competence development (Jonker/Schoemaker 2004). Organisations depend more and more on their social capital to be able to combine the delivery of added value in the market place with social responsibility (Cohen/Prusak 2001).

These themes taken as a whole suggest an emerging movement towards a value(s)-driven perspective of the organisation. In order to become visible this perspective needs to be translated into a business strategy and materialise in a subsequent business proposition. This perspective puts a strong emphasis not only on the changing role of the company as a societal actor, but also on its employees as being the everyday human representatives of that organisation. As a consequence they ought to be the primary carriers of the organisational values, thus representing the organisation’s identity. On the contrary, in the contemporary human resource (HRM) debate a strong one-dimensional emphasis is put on internal performance management (Pauwe 2004). The focus is on optimising organisational processes through the use of dedicated human resources. This focus is grounded in an implicit view of the organisation as a closed system. The growing attention to CSR and social capital suggests that this closed-system perspective is more and more under pressure. Against this background it becomes relevant to investigate the possible relations between human resources management, corporate social responsibility and social capital.

This leads to a central question we would like to explore here. *What is the nature and possible impact of the relation between corporate social responsibility (CSR) and social capital (SC) on human resource management (HRM)?* Furthermore we would like to investigate what the possible consequences are for the existing mainstream conception of HRM? These questions will be elaborated by succinctly exploring the different capital discussions. More particularly we will highlight the development of social capital. We presume that a balanced configuration of diverse (tangible and intangible) capitals is a prerequisite for the organisation to function as an open system. After this exploration

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<sup>1</sup> If the core of CSR is about expanding responsibilities how does that relate to social capital? We think that when CSR is approached as a fundamental issue it is not only about addressing social (and) (or) environmental issue but also about maintaining the ‘stock’ of social capital in a specific community.

we will continue by proposing a limited number of strategies useful in developing these capitals. After this exploration of the possible consequences for HRM we will conclusively propose an agenda for further research based on what we call the concept of the responsible organisation. Central to this concept and the research agenda stands the hypothesis that the “density” of social capital influences the effectiveness of the organisation as an open system (McEwan 2001). The creation and maintenance of this density should be a fundamental part of a deliberate organisational strategy in that respect. This exploration will finally advocate that in the future HRM should be gradually replaced by Human Value Management (HVM).

## **2. The organisation as an open system**

The contemporary organisation can be seen as an open system. The production of goods and the creation and delivery of services occurs in value-chains and networks mainly functioning beyond the boundaries of the conventional conception of the functional organisation. Goods are created from raw materials, services are created from human-transformed information and applied knowledge. Both are derived from (business) concepts, and materialise on the basis of a portfolio of processes. In earlier days this could be done in a ‘closed’ workplace, where labour and capital was brought in and (mostly) physical goods were produced. Everything happened in one location, sequential in time. Once produced, the goods or services were brought to the market-place. In the present this is different. The production of goods as well as many services has become complex – taking place across time at various locations sometimes sequential, sometimes parallel. The dynamics, due to changes in the environment, due to short production and innovation cycles, have grown. As a result of these developments over the last decade the rise of the networked organisation can be observed. This networked organisation can be distinguished from “pure” networks (e.g. networks of professionals in the consultancy industry) to networked strategic alliances e.g. the automotive industry where many organisations interact and work together to construct cars. This implies that the modern organisation operates as a nexus of flexible networks where production in space and time is often fragmented and displaced (Castells 2000; Schoemaker 2003a). This is the open system in everyday organisational practice. But not all organisations have (yet) evolved into networks – nor will all existing organisations do so. The pace of organisational change and the reactions of organisations towards changes in the environment differ. In section three we’ll describe different strategies towards change.

This open system concept of the networked organisation has two consequences. On the one hand managers and employees have to be aware for whom and with whom they are working. Since complexity and dynamics have grown in the modern organisation, so has unpredictability and uncertainty. In order to produce, managers are depending on other actors in the value-chains and networks. This was to a certain extent also true in the industrial age where organisations were seen as closed systems since e.g. employees were managed as if they were machines. However, if the organisation is converted into an open system, the manageability of work and “makeability” of the organisation has diminished. In order to stay in business, the interaction and amalgamation of organisations with other organisations becomes a prerequisite for

survival if not continuity. Professionals have to interact with others; networks with networks. This increased interaction perspective becomes crucial despite the fact that organisations have become more technology concentrated. No doubt structures and systems are important but the intelligent collaboration between humans is the only reason that value-chains and networks function (Collins/Poras 2000). A first consequence of the transformation of the organisation into an open system is its dependency on human capital in order to make it work. Later we will refer to this as the (human) talent and social capital dependency of the contemporary organisation.

On the other hand, organisations as open systems are forced to become transparent – a primordial condition for interaction and collaboration. Every day they interact with customers, government, NGOs, media etc. This is especially true in the service industry where employees have thousands of interactive moments with stakeholders every day. Due to this, the appraisal of the performance of an organisation by stakeholders has become an economic and a social appraisal: economic in terms of turnover, profit, quality-price, market value, and social in terms of: “do they practise what they preach?”. This social side of the performance-appraisal is becoming more and more important in an age where conventional ‘industries’ are moving into delivering services. Based on transparency, external stakeholders can judge the behaviour of employees on a day-to-day basis. This growing need for transparency – not as a kind of mantra but a day-to-day fact of organisational life – requires from employees awareness of their acts and how their behaviour shapes the organisation as a constant and dynamic flux hardly framed by a classical structure and chains of command. So a second consequence of the organisation as an open system is the growing importance of the behaviour of employees as part of the economic and “social” performance appraisal of external stakeholders.

So far, some of the consequences of the organisation as an open system have been described. If we want to elaborate these further, it becomes relevant to look at some fundamental changes in society and stipulate the consequences of those changes for organising<sup>2</sup>. We also want to look briefly at these changes in order to be able to describe the implications for strategic personnel management. Jonker and Schoemaker (2005: 3) have identified seven changes in society that have vast and often still unexplored consequences for how organisations operate:

1. A *shift in the balance of power* between the market, government and society: governments are withdrawing – or at least struggling with their position – and market organisations are becoming influential actors.
2. The *ecological exploitation*. The ecological footprint of different societies demonstrates that never before has mankind consumed its natural resources at such a

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2 We have an interesting additional debate here: do dynamics in the context stimulate organisations to become open systems or is it the other way around. Is the fact that organisations are by themselves seeking for organisational configurations with a more open or loosely coupled character igniting the dynamics in the context? Although we implicitly assume a kind of outside-in causality in this paper the other way around is worth investigating.



rapid pace. Despite vigorous efforts to bring this to a slower pace, no evocative signs in that respect can be observed.

3. *The appearance of new societal divides*, not only in terms of economic access but also in terms of technological and educational access.
4. The creation of *a society based upon spaces* and structured around flows, networks and instant arrangements.
5. The rise of *a society based upon individualism* instead of collectivism grounded in a bundle of legitimising rights – the citizen becomes a consumer.
6. The shift of the dominant ‘world perspective’, leading to a puzzling ‘*global village view*’ of *a society* no longer based on a geographical, locally historical or cultural regularity.
7. Finally, the *changing influence of (traditional) institutional* arrangements created by the nation state and others thus impacting the social fabric and –cohesion.

These changes imply that organisations in general, including NGOs and civil society, are becoming implicitly responsible for trying to find ways to recalibrate the ‘distorted’ balance between institutions in society (Jonker/Welford 2005). In that respect organisations can no longer perceive themselves as societal *factors*, they already have to become societal *actors*. Many organisations are in the middle of a process of discovery (Cramer et al. 2004) to act in response to this growing demand for a changing responsibility. They are in a process of discovering CSR as a strategic issue and are developing and implementing CSR-related strategies. However, the notion of CSR covers such a broad field of issues that it is difficult to focus on and elaborate a specific approach. What even makes it a bit puzzling is that it can be developed from many different angles. Yet what all this demonstrates is that corporate social responsibility –leaving aside whether this is an acronym that will last – has indeed become an important management issue.

Unfortunately we won’t elaborate any further on that discussion here. In response we will propose in section three a number of CSR strategies. We conclude for now that when an organisation is (re)acting as a societal actor towards these changes in society, thus trying to embed CSR in its strategy and day-to-day operations, this organisation can be labelled as responsive.

### 3. Emerging strategies for CSR

Based on our research so far three CSR strategies have been identified (Nijhof et al. 2004): (1) risk orientation, (2) identity orientation and (3) world-view perspective. We developed these labels while in the process of discovering how organisations combine doing business whilst in parallel shaping their newly perceived responsibilities. Furthermore the outcomes of this research provide some preliminary insights into how organisations implement CSR. The results of this research show that these strategies not only differ in scope, but also in the underpinning (collective) competencies used to be successful in a changing environment. Before looking at the consequences of these findings, we’ll first elaborate on the content of the three different strategies.

### 1. *Risk orientation on CSR (outside-in)*

Companies that choose a risk orientation towards CSR will most likely experience a high exposure on societal issues. It might be that the size of the company is such that it sees CSR as unavoidable. Visibility, therefore, is one of the reasons to opt for a risk orientation. Also, if the production process involves danger, a risk orientation is a logical choice. If such a situation is at hand there will most likely already be contact or confrontation with NGOs. It might also be that the company produces a highly contested product, such as genetically modified food ingredients. What also could be the case is that they have to deal with issues regarding labour conditions in developing countries such as health (HIV) or child labour. Finally, in the case of high environmental emissions a risk orientation seems to be more appropriate than any of the other two strategic approaches. Therefore the main drivers for CSR are to be found in the external environment of the company. Of course, internal values, motives and drivers can be complementary. CSR in this approach is about risk control, about safeguarding the reputation of the company (van Tulder/van der Zwart 2005). Through CSR the company tries to live up to the expectations of stakeholders and to provide an answer to external demands. Entering into a dialogue to learn more about demands, criticism, and suggestions is an integrated part of CSR in this approach. Through specific projects a company can try to satisfy the needs and demands of external parties such as NGOs. Typical questions that guide the discovery of and strategy development of CSR in this approach are: “Who are relevant stakeholders?”, “What is an appropriate way to learn about their needs and expectations?” and “How to balance the diverse interests of different stakeholders?” Given its responsive character a risk orientation tends to be defensive in nature trying to avoid reputation and legal damage.

### 2. *Identity orientation on CSR (inside-out)*

The main issue in a strategic inside-out approach of CSR is describing and strengthening the organisational identity, and then communicating it to the outside world. In a typical situation, there are no huge risks or immediate urgency that need to be taken care of. Environmental emissions are not particularly harmful, poisonous or visible and the reputation of the company is not one of a huge polluter. The product or services are not likely to be very controversial either. There are no major issues such as, for instance, child labour to deal with. The characteristic company that chooses this approach is not likely to have many disputes with its direct surroundings. What drives such a company then towards taking up the issue of CSR? It might be the top management, the CEO who declares that the company ‘must act responsibly’. Or it might be that the market that the company is active in is considered to be ‘sensitive’, for instance health-care, drugs or food. Or maybe the employees are urging the company to get engaged in CSR more strongly. The main focus of CSR is not to deal with very specific issues or risks. It is about defining the corporate identity, making the company more transparent, trying to develop a system of accounting for one’s actions (Driscoll/Hoffman 2000). The main purpose is not to have a dialogue per se. The communication process is mostly one-sided: inside – out. It is about exploring and defining CSR above all internally and then informing stakeholders. Typical questions for or-



organisations working on CSR from an identity orientation are: “What is our role in society?”, “What are our values?” and “How can we incorporate and strengthen our values in our operations?” Given its internally value driven focus this strategic approach is closely related to the value-driven organisational approach elaborated previously.

### 3. *World view orientation on CSR (integrated)*

There is a third group of companies that approach CSR from a world view orientation. The main difference with the previous strategies is that the focus shifts from the role of a single organisation towards the roles and responsibilities of different stakeholders, like suppliers, consumers and governments, in the whole production and consumption chain. Typically, organisations adopting a world-view orientation on CSR make their own organisation subservient to contributing to the gradual solution of an important societal issue. These companies are also called double goal companies because they explicitly acknowledge issues like animal rights or employee equality as company goals next to an economic objective. Well known examples are The Body Shop and Ben & Jerries. In this strategy, meaning is developed through reflecting on the role and function of the organisation in the whole production and consumption chain. The important goals of this strategy are not only to reduce environmental damage or social inequalities. What is fundamental here is the awareness that the issues at hand are too complex and too far-reaching to be solved by one stakeholder or one organisation alone. It is the intentional joint effort(s) of the various parties involved that could lead to adequately addressing and if possible solving the problem. It should come as no surprise that the main drivers for CSR stem from the interaction and dialogue with a diverse groups of stakeholders. Balancing their needs and expectations and translating these into activities aimed at incorporating CSR into the entire supply-(and) (or) production chain could be considered the final target. The issues worth addressing arise from various stakeholder dialogues. In these dialogues the roles and responsibilities of the parties involved are also discussed and clarified as well as common- and individual “profits”. Central questions here are: “Who are the relevant parties given a particular production and consumption chain? ”, “What can be the contribution of each of these parties to solve the issues at hand?” and “How can we stimulate partnerships and other forms of action in order to initiate a joint approach?” The answers to these questions must lead to activities in core processes in order to make this strategy relevant for the whole value chain. Given its encompassing focus this strategic approach is the most complex to put into use. For the people involved it requires a way of thinking that goes definitely beyond classical organisational boundaries. It also can be hypothesised that when applied fully-fledged it has the ability to incorporate the previous two approaches and as such offers fertile ground for advancing the thinking on CSR in strategic terms. An overview of the different archetypical orientations towards CSR is presented in Figure 1.

When we relate these research findings to the previously elaborated notion of social capital it becomes noticeable that organisations use their social capital in different ways. Organisations using the strategy of a *risk orientation* stick more to a traditional approach to human resource management. This HRM approach is based on the paradigmatic assumption that the organisation is a closed system. Organisations using the

Figure 1: Overview of different strategic approaches towards CSR

	<b>Identity orientation (Inside-out)</b>	<b>Risk orientation (Outside-in)</b>	<b>World view orientation (Integrated)</b>
<b>Focus point</b>	Strengthening organisational identity	Preventing reputation and legal damage	Reflecting on the organisation's position in society
<b>Perspective</b>	Inside-out	Outside-in	Integrated
<b>Origin of responsibility</b>	Organisational values	External stakeholders	Dialogue with all parties involved
<b>Role of stakeholders</b>	Limited role of external stakeholders	Agenda setting and multi stakeholder dialogue	Partnerships
<b>Impact</b>	Primary and secondary processes	Projects	Supply chain and society at large
<b>Functional ownership</b>	Top management	Public Relations	Line management

other two strategies – *identity orientation* or *world-view perspective* – are trying to operate more from the paradigmatic assumption that the organisation is an open system. The concept of the networked organisation thus comes back into focus. Subsequently these organisations are often in a process of shifting towards an approach of HRM based on the acceptance of various stakeholders, contrasting needs and expectations, new roles and responsibilities and the talents and competencies this all requires.

Where do these lines of argument meet regarding the organisation as an open system and the emerging quest for CSR due to fundamental changes in society? From our point of view the bridge is created by (organisational) values; they are becoming critical. Developing a contextual meaning of CSR is not a question of adopting a ready-made model, concept or strategy, but concentrates on the development of meaning created in action (Jonker et al. 2003). We consider the process of creating meaning in action as the development and maintenance of a specific organisational identity (Hatch/Schulz 2004); an identity grounded in the values of an organisation. These values shape what we will call the “community of work” (Schoemaker 2003a). These values are the “guidelines” for the day-to-day action of employees. That is why managing human talent and social capital in the contemporary business enterprise is becoming so important. However, values are hard to grasp and often not easy to define or discover – they are in every respect intangible assets. Intentional human behaviour on the other hand – guided by those values – is (re)created every day through common acts. It is in and through this ongoing behaviour that values can be discovered, framed and possibly aligned. As a consequence, the acts of the individual employees become an imperative *intangible* asset for the success of the contemporary organisation acting as an open system. This is what we would like to call the intangible social capital of the organisation.

#### 4. Intangible capital

Organisations use four types of capital in order to produce goods or services: financial capital, natural resources, technology/information and labour. We will disregard the

financial capital and natural resources here and concentrate on information and labour in order to highlight the importance of social capital and give some insight into this rather new form of capital. Labour was used to manage the shop floor. In conventional functional organisations it was standardised and thus replaceable. Talents were in those types of organisations of less or no importance. The contemporary organisation is still dependent on financial capital, natural resources are important in production industries, but are becoming less important in the service industry. The dependency on technology and its growing intensity, and the role of information as a commodity and a product are both tremendous and expanding at a pace not witnessed ever before. Against this background the content, importance and use of labour as a type of capital in the networked organisation has decisively changed. Although labour in many workplaces is still standardised, it is often no longer easily replaceable given its human-bound nature. Labour is for many organisations no longer a “resource” but is based on available social capital expressed in individual talents. These talents of employees are more and more the true assets that are enabling the creation of added value (Legge 1995). Therefore the fourth form of capital, labour, becomes integrated into social capital.

Talent is the “above average giftedness towards a task through which an employee creates added value in his or her work” (Schoemaker 2003a: 4). Talent is unambiguously linked to the individual person; individuals ‘own’ these talents. It is only the individual person (male or female) that can decide to put to use his or her talents and to develop them further in terms of dedicated competencies. Talents are indisputably used on an everyday basis while working. The added-value created is based upon the talents of individuals (Beer et al, 1984). The development of talents needs to be approached from a long-term perspective and is thus linked with one’s career. It is in their jobs that individuals can value the merit of their talents. The core of many activities of an individual employee nowadays is in organising the processes of interaction with diversified clients. Organising with talents requires a second-order form of networks. In section two the networked organisation has been discussed as an organisational “structure” enabling the production of goods or services. This structure can have the form of “pure” networks, network organisations or strategic alliances. As a consequence line-structures in many workplaces have transformed into network-structures. These could be called first-order networks (the network as a structure). At the same time the nature and quality of the social networks between people becomes more important. These could be labelled as second-order networks (people with all their relationships forming “human” networks). The growing attention to second-order networks can be demonstrated in an intensifying actual debate regarding social capital.

“Social capital consists of the stock of active connections among people: the trust, mutual understanding, and shared values and behaviours that bind the members of human networks and communities and make cooperative action possible.” (Cohen/Prusak 2001: 4). The idea of social capital puts an emphasis on the relations between people in general and the network, between employees and clients, in order to function successfully as an organisation (Baker 2000). A central assumption is the existence and maintenance of a “network” of relations between an individual and its

social environment. These relations are of fundamental importance to make a service-providing organisation work. The durability of these relations is based upon trust, mutual understanding and shared norms and values that lead to acts and activities that connect people (Gratton/Ghosal 2003). The nature and content of those second-order networks are extremely valuable for each and every individual to carry out his or her job and thus for the organisation as a whole. Social capital is created and maintained through investing talents in networks and work. Social capital is therefore a crucial capital for contemporary organisations. On the one hand it shapes the organisation through the creation of second order networks, on the other hand it ties people together through common values. Talent alone is not enough; people want to belong to something. Each person has a “sense of belonging” (Weick 1995). People fundamentally want to belong to something and be a member of a “community”. The modern network organisation tends to become such a community as well: a community of work (Schoemaker 2003). Looking at organisations through this perspective, individuals perceive the membership of an organisation as a way to develop their personal identity. To work in an organisation offers ample opportunities to invest and develop one’s talents leading to the creation of self-esteem reinforcing one’s personality. The basic condition is that people are willing to do so. To invest and develop one’s talents is intentionally leading to the deployment of activities in the community at hand.

This brings us back one more time to the concept of values. The creation of human networks (see also the Cohen and Prusak’s definition), the creation of communities of work isn’t a random process. Maybe some coincidence is in operation, but in principle these communities are formed around a set of values leading to a commonly held dominant value-orientation. Social identity theory (Tajfel 1981, 1982; Turner 1987; Hogg 1996) elaborates how individuals, through a process of (self) orientation and (self) categorising position themselves in society, thus choosing a community – or various communities – they consider belonging to. It goes beyond the scope of this paper to elaborate this field of theory, but social identity theory demonstrates that values are an important anchor point for communities. The behaviour of individuals is anchored in specific values and norms (Sarup 1996). Becoming a member of a group depends on the congruence of values and norms on an individual and a group level (Gioia 1998). The stronger this congruence, the stronger the group will behave according to this specific and clear set of values and norms. These values and norms also constitute the group’s identity. Organisational identity leads to rhetorical questions such as: who are we anyway as a group, as a department, as an organisation? What do we stand for? Organisational identity is (a) what is taken by organisational members as *central* to the organisation, (b) what makes the organisation *distinctive* from other organisations and (c) what is perceived by members to be an *enduring* or continuing feature linking the present organisation with the past (and presumably the future) (Albert/Whetten 1985: 264). A clear organisational identity gives a group a past, present and future and shapes the borders of the group. It is this identity that creates a specific community of work (Schoemaker 2003a). Communities of work tend to behave as flexible networks of people, where the organisational identity provides the “glue”. Individuals are socialised and identify with these communities of work. People belonging to a community of work permanently face a complex balancing act across

three dimensions: (1) between rights and duties, (2) between what is demanded internally and externally and (3) between personal and collective needs and expectations. This balancing act is essential in the process of socialising and recognition and therefore key in shaping a community of work with a specific identity. It is assumed that in the end the organisational identity, based upon embedded values and norms, determines what happens in a community of work (Schoemaker 2003a).

To manage contemporary organisations means not only to pay attention to the business and its related core competences, but also to consciously develop the nature of the communities of work in order to achieve the tangible and intangible outcomes desired (Schoemaker/Jonker 2005). New issues which organisations are confronted with are by definition value-driven.

What are the consequences of this line of thought? Unquestionably we have to consider the contemporary 'organisation' as an intangible value 'system' leading to first- and second order networks. There are several reasons why this is pertinent:

1. Values shape the community of work, connect necessary talents to the organisation and provide the groundwork for a specific identity;
2. Values also lay the foundation for the organisation to function as a societal actor. Organisations that are in a quest to embed CSR in their strategy should make these values explicit to all stakeholders;
3. Values provide the basis for the continuous creation of social capital, inside and outside the organisation;
4. Values guide the behaviour of employees in their interaction with stakeholders, inside and outside the organisation.

Making the contemporary business enterprise work thus becomes a question of attracting and engaging appropriate talents in order to make the organisation work. In order for this to come through managing<sup>3</sup> individuals, it can only be based on recognised values derived from – and leading to – an organisational identity. It is only in this process of interaction, of exchange and of contracting that social capital is created. Embedding or reinforcing values derived from the complex notion of corporate (social) responsibility can only be discovered and become meaningful in the organisation through the social capital it creates.

In this section we've demonstrated the importance of social capital as a – if not the – leading form of capital for organisations operating in a global society driven by technology and information. Labour as defined in the industrial age can no longer be seen as a standardised and abundant resource, but needs to be re-valued as a crucial intangible asset. Accordingly personnel management can no longer be seen as human resource management. Instead it needs to be approached as Human Value Management (HVM). The consequences of this rather vital transition will be elaborated in the

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<sup>3</sup> We clearly run into problems here with the conventional connotation of the word 'managing'. This connotation usually refers to an efficient organisation, based on planning, direction and control. Given the stipulated 'ownership' of talents and the pivotal role of values, developing a new connotation seems to be the only logical way forward. Challenging such a new connotation definitely is the subject of an additional paper.

next section. We will present the difference between HRM and HVM as a dichotomy, for the sake of the academic debate. In practice the distinction between the two is much more diffuse.

## 5. Consequences of CSR for HRM

At present “modern” HRM above all concentrates on the acts of individuals and how these deliver added-value for the (individual) business. In general it could be stated that HRM should lead to optimisation of the internal performance of the organisation by means of focused human capital (Guest, 1987). No wonder performance, added value and talent development for the sake of getting and retaining motivated employees are the current buzzwords in many HR policies. The main paradigmatic assumptions here are: (1) the organisation’s only interest is the market place and (2) the organisation can function as a closed system and (3) people and their talents can be aligned to the system at hand. At present this HRM paradigm is changing. Bowen and Ostroff (2004), Paauwe (2004), Wright, Dunford, and Snell (2001) all present developments in the perspective of the resource based view of the firm. They show that a strong organisational climate and culture (Bowen/Ostroff 2004), identity and social capital (Wright/Dunford/Snell 2001) and developments in the environment and organisational context (Paauwe 2004) are all characteristics stimulating the organisation to develop towards a more open system perspective. In elaborating this perspective mandatory attention is given to other issues such as social capital, beside the (conventional) market place one’s.

But we think that the consequence of introducing the notion of corporate social responsibility and *social* capital based on values places the organisation, its employees and their acts in a much broader perspective. And thereby brings HRM in a “next stage”. In this perspective the organisation is intertwined and interconnected with its “surrounding” society not for the sake of solving societal problems but to live up to its role of social actor in order to stay in business. The interaction of individuals with customers and other external stakeholders, and the networks that individuals shape inside and outside the organisation then become important. At the same time this places the individual at the heart of the organisation. When organisations have no other option than to function as open systems, it is crucial to rely on the convictions, sense of responsibility and power of judgement of individuals. The critical consequence is that organisations need to develop a perspective towards the evolution of social capital in- and outside the organisation, on top of the ongoing talent development of individual employees.

In contemporary HRM thinking there is of course established attention for the development of social capital (Legge 1995). Yet, in the above-introduced strategies, especially in the ones regarding *identity orientation* and the *world-view perspective*, issues, goals, stakeholders and forms of collaboration are all changing. These issues at hand are no longer determined by one organisational party alone but are the result of a multi-stakeholder debate. The goals become broader in a sense of striving for economic value-added while simultaneously operating in a socially responsible way (McEwan 2001). Also the number of stakeholders grows beyond the classical identification, such as employees, stockholders, clients and suppliers. In this developing per-



spective all internal and external stakeholders become relevant, despite the complex and hardly addressed problems that arise as a consequence (Jonker 2003). Still, broadening the goals and the stakeholder-perspective fits the concept of the organisation as an open system quite well. But it raises new questions in terms of management: how can this increased complexity be managed? What then is the meaning of management here? Whatever the most appropriate way forward, in our view the present HRM perspective is too restricted to address these issues fundamentally. Instead of prescribing and enforcing desired behaviour of employees, the increased complexity can only be managed by intentionally investing in the development of networks between employees who are bound together by shared values. These organisational values and the associated social capital create the “glue” enabling the organisation to operate as an open system. They offer anchor points on the one hand and the possibility to function at the same time as a flexible, responsive and responsible organisation on the other hand. The consequence of this emerging perspective is that HRM should gradually develop into what we call Human Value Management. In this perspective values become more important, providing the ‘structure’ that shapes social capital and enabling a strategic direction for people management. As a consequence it will become less ‘resources’ based. In Figure 2 we propose a comparison between HRM and Human Value Management based on this perspective that will be elaborated further on.

**Figure 2: HRM and HVM as a dichotomy**

Human Resources Management	Human Value Management
<ul style="list-style-type: none"> <li>• The organisation is a closed system</li> <li>• Personnel is human capital; resources based management</li> <li>• HRM is predominantly based on an instrumental approach</li> <li>• Risk management driven: the organisation reacts to changes in the environment</li> <li>• HRM is looking for fit, matching and consistency between strategy and employees</li> </ul>	<ul style="list-style-type: none"> <li>• The organisation is an open system</li> <li>• Organisations are societal actors</li> <li>• Business is driven by market-orientation and social responsibility</li> <li>• Values are the foundation of the business proposition</li> <li>• Values bind talent and shape social capital</li> <li>• “Personnel management” becomes stakeholder management; based on a identity orientation and/or world view perspective</li> </ul>

The outlined perspective entails a number of consequences. Perceiving *the organisation as an open system* implies a shift in what needs to be managed. This shift moves from focussing on internal processes to managing cross-border processes, especially those that establish the employee-stakeholder interface (Jonker/De Witte 2006). This shift can only come about truly when based on the value-driven behaviour of individual employees; they become the factual asset of the organisation. This behaviour can't be managed in the traditional way of control, but has to be anchored in values and competences and can only be determined by means of leadership. As a consequence HVM should focus more on leadership than management. Especially servant leadership fits within this perspective because it abstains from a hierarchical approach to employee relations (Lozano 1998). Instead it builds upon the (e)quality of human beings, stressing coordination through values and individual judgement instead of imposing restrictive norms and enforcement tactics. By giving employees more responsibilities this

form of organisation has the potential to utilise the full talents and competencies of employees. To see organisations as societal actors implies that the boundaries between public and private domains are blurring. HVM has to focus not only on internal managerial processes but also, or even better, especially on “social” processes, like the reputation of organisations in society at large and the reaction of stakeholders to the performance of organisations. When business is driven by market-orientation and social responsibility, it creates a window of opportunity on how organisations should develop collective competences to combine these two worlds. To act (collectively) according to HVM means to judge mission statements, strategies and business plans from this perspective. This is the only way to observe how organisations have embedded the idea of CSR into their dominant value orientation. This brings us to the heart of HVM and a direction for future studies. We are convinced that only values from inside the organisation will bring CSR into the value proposition – despite sometimes powerful drivers from outside. These values will create (1) the foundation for the value proposition and (2) attract and bond talents that shape social capital. These values are not just words but should become living values that matter. As such they ought to be guiding practical processes such as coaching and training. Ultimately HVM will lead to a new direction in personnel management. Personnel management in fact becomes stakeholder management. In order to address the fundamental problems as defined in a previous section of this article, organisations have the obligation to make their employees aware of their (individual) acts and consequences. “Think global, act value-based” would be a one-liner fitting this image. This asks for “instruments” and approaches beyond traditional HRM-instruments like performance management or -reward. Creating awareness, making sense of the work, providing meaning to the activities of an organisation (licence to operate), all ask for an identity based on living values.

The ultimate consequences of our perspective on HVM are twofold. Firstly, the strategy of the organisation is based on values and interests of all parties involved instead of only market-oriented (organisational) goals, and secondly the acts of individuals in an organisation are placed in a much broader societal perspective – what an organisation is and how it develops depends on its interconnectedness with its societal environment. We no longer see an individual only as an employee with his or her individual talents and competencies. Instead the individual is “bound” to the organisation, as a community of work, based on shared values as part of a human network. Whereby this human network becomes of crucial importance for the organisation to “fulfil” its corporate social responsibility. Incontestably this implies that the development of social capital corresponding to the development of individual employees becomes important.

## **6. Discussion**

We should start searching for what we tentatively call the ‘responsible organisation’. The societal and thus organisational problems at hand are such that we can no longer step aside to watch what happens. In that respect organisations should become dedicated social actors. The responsible organisation can be seen as an organisation trying to develop itself as an open system, based on values and combining market-

orientation and social responsibility in an indivisible yet distinctive way. Fundamental research questions arise as a consequence of this perspective. We'll present a short-list identifying the most challenging ones (listed, from our point of view, in terms of importance/priority for research):

1. How to organise the interactivity and transactivity of the organisation with its business and social environment, how to communicate, how to create a valuable dialogue, how to stay in tune with the wider societal context as a responsible organisation? This asks for research in the field of governance of hybrid organisations. Combining insights from research from the private and public domains can be useful to define these new governance structures.
2. How to organise internally a responsible workplace; according to what demands, principles and standards can organisations create CSR within the framework of contemporary society? This asks for a sort of operationalisation of the problems defined previously: what do they imply for the workplace, how can they be translated and embedded in everyday practice?
3. How to trace and develop values – what values are needed and how can we link these organisational values with the wider community in which the organisation operates? To research values is also to research identity. In recent years abundant research in management has paid attention to this rather new phenomenon. This promising start has to be brought further, especially in trying to link identity and values to the ongoing debates of business strategies especially when it comes to CSR.
4. What kind of competencies are needed to support this kind of approach, be it on the level of the (individual) employee, management or other stakeholders in the networks and value-chains – what kind of interconnectedness and reciprocity is needed in order to make this concept come to life? The outlined perspective requires for research the nature of the contemporary “workman”: who is he or she, how can talents be put to use in order to create a responsible organisation? This could be the focal point of new research in the talent-intensive organisation. In addition we would also like to know if the density of social capital influences the effectiveness of the organisation as an open system.
5. What kind of adequate strategies can be developed in order to support organisations internally and externally in realising their economic and social goals at the same time? This theme is directly linked to values and identity. As such it can be seen as the other side of the coin: looking back from a business perspective to values and identity.

To address these issues in a fundamental yet applicable way great emphasis should be placed on reinforcing the identity of the organisation, its core values, and existing and new to-be-developed social capital. These issues are naturally studied in the context of the modern organisation but much elaboration is needed to view them from the perspective of doing business in a socially responsible manner. It should be clear that these issues can only be handled successfully when they are embedded in a company's business strategy, its policies, plans and practices.

Finally, the perspective brought forward here implies fundamental research and – reflection with respect to existing theories developed over the fifties and sixties of the last century. Well established theories such as “fit”, contingency, human-relations and structuring need to be approached from a different perspective when an organisation is perceived as an open system based on social capital and values. Furthermore it might be extremely helpful to start looking for organisations that have been able to develop a working approach in handling these issues, leading to a contextualised configuration of these strategies. This will provide insight into how organisations have handled these matters, leading to practice-oriented insights in the actual application.

This contribution has raised a multitude of issues that are worth debating. When the organisation is perceived as an open system, social capital and its development becomes a central issue – not only for the employees but for all relevant and legitimate stakeholders involved (inside and outside the organisation). Still, social capital in itself is not an end. Developing social capital requires a (paradigmatic) shift towards a value-driven perspective – this implies that themes such as identity, community of work and ‘new’ responsibilities need to be incorporated into the actual organisational and managerial debates.

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