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A systems approach to understanding the perspectives in the changing landscape of responsible business in Scotland

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ABSTRACT

The purpose of this paper is to present an application of Community OR (COR), using Soft Systems Methodology (SSM), to help a fund manager to understand how to unlock and release more resources into communities. The problem area under investigation is a perceived lack of connectivity and alignment between and within public, for-profit, and the third sectors in Scotland. We argue that as the for-profit sector controls the majority of resources in most economies, they need to be part of any solution. However, we propose an approach that offers an alternative to the neoliberal business paradigm that has become prevalent in society and suggest that this must involve the inclusion of people and communities, in part represented by third sector organisations. We collected and analysed data from 145 participants and the outcome from this research was the 'Connect model', which was proposed to achieve the client's goal and to address a range of stakeholder challenges. In the SSM study, the 'investing in social capital' system was deemed a necessary early intervention, to bring together actors in an 'open system' that addresses the 'whole problem' area (launched as the 'Responsible Business Forum'). Three additional concepts emerged from the study that helped refine the 'Connect model' and have implications for theory and practice: 1) the co-creation of business-community value, 2) facilitated by a conduit, 3) that unlocks a 'shared space' based on a match of shared aspirations and values.

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"O wad some Power the giftie gie us,
To see oursels as ithers see us!"

Robert Burns - *To a Louse* (1786)

1. Introduction

This paper describes an application of Soft Systems Methodology (SSM) within the context of Community Operational Research (COR), to understand multiple perspectives and to incorporate learning so that the client could build *products, processes and relationships*, to bring about real transformation in their community. Utilising a systems approach, we propose the 'Connect model' and its five sub-systems to help the *Voluntary Action Fund (VAF)*, a Scottish fund manager (who manages funds on behalf of others), to unlock and release more resources into communities from the for-profit sector.

It has long been argued that traditional OR methods are not appropriate for the type of problems that are typical in COR

(Jackson, 1988; Jackson & Keys, 1984; Rosenhead, 1989). Traditional OR methods are best suited to well-defined problems, when systems can be assumed to have an objective reality. An advantage of SSM is that it can be applied to messy or poorly defined problems, where stakeholders interpret problems differently and there are multiple perspectives (Johnson & Smilowitz, 2012). This paper's contribution was inspired by the call from Midgley and Ochoa-Arias (1999, 2004) for COR practitioners to help local government bodies plan decentralisation, improve resource allocation to local communities, and enhance their evaluation services. The authors of this paper seek to build on an emerging body of knowledge that uses systems-based approaches to address community issues and challenges (Johnson, 2012; Midgley & Ochoa-Arias, 2004). COR calls for contributions grounded in a commitment to improve society (Parry & Mingers, 1991) and support for changes in the community (Midgley & Ochoa-Arias, 2004) by resolving social problems. Lane (2010) suggests that OR as a discipline has considerable advantages when dealing with strategic issues and grand challenges, and when high-leverage interventions are required. These would include systemic changes that can help shape evolving relationships between business and society, particularly in light of economic and political uncertainty (e.g., the UK vote to leave

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the European Union and its implications). In addition, Midgley and Reynolds (2004a) recognise that OR often has a systems orientation, is interdisciplinary and explicitly purposeful when proposing an agenda for systems/OR and sustainable development.

The changing landscape of responsible business in Scotland is set out in the second section of this paper along with a description of the client organisation, its goal and intended direction. Next, the contribution of this paper is located in the COR literature (Section 3), followed by our application of SSM to address the problem area outlined (Sections 4 and 5). The final section, before our conclusion, presents the 'Connect model' (Section 5), refined on the basis of learning from three cycles of SSM, through multiple workshops with stakeholders and constant dialogue with critical friends. The conclusion then suggests avenues for further study, the implications of the 'Responsible Business Forum'¹ (see Section 4.5 for full details) for policy in Scotland, and the value of the work in addressing a complicated and inefficient resource allocation system lacking both alignment and connectivity between the relevant stakeholders.

Although our study focuses on a third sector organisation, in this case a Scottish fund manager, the findings are relevant to any third sector organisation and for-profits that have a shared interest in working together to build value to help communities overcome the challenges they face. We also highlight the need for a conduit to help facilitate these relationships, and although we envisage a role for the government, our findings suggest that the system should not be owned by any one stakeholder, but be truly community-based with the involvement of a wide range of participants.

Our study had three main aims. Firstly, to enable the client to understand the changing nature of responsible business in Scotland, and the opportunities for action therein. Secondly, to help the client to develop commercial products, processes and relationships which led to business growth for the Voluntary Action Fund (VAF) and more resources being distributed to communities in Scotland. Finally, to embed the knowledge from the study, to reinforce VAF's existing investment in social capital approaches, and to enable VAF to be a co-creator of solutions to societal challenges.

The research process formed the basis of a two-year Knowledge Transfer Partnership (KTP). In the UK, KTPs are funded partnerships between businesses and academics that enable research to be translated into benefits for industry and communities. We will refer to the 'project team' consisting of four *analysts* (three researchers and the Associate [note that the Associate is employed by the University but fully embedded in the client organisation]) and the business development manager. The project team, through a dialectic learning process between the *client* (VAF's CEO and Chairman) and workshops with *VAF staff and trustees* (cycle 1); *third sector organisations* (cycle 2) and *Government, their business development agencies and public sector bodies* (cycle 3) and critical friends in each cycle, were able to propose and refine the 'Connect model' and its five sub-systems. A number of lessons learnt are captured in three emerging concepts to further research and practice: 1) *the fostering of 'open spaces' to invest in social capital*; 2) *helping businesses and communities to co-create value*; and 3) *the need for a conduit to unlock and facilitate a 'shared space' to create the environment for co-creation, bringing together relevant stakeholders who share aspirations and goals*.

¹ The Responsible Business Forum was an event, organised by the Responsible Business Forum Steering Group, to forge connections between and within sectors, to promote responsible business practice and its impact on communities, supported by the Scottish Government Business Pledge and steering group member organisations who support the implementation of community CSR/Sustainability responses.

2. Changing landscape of responsible business in Scotland

Recently, the business landscape has been characterised by calls to reconnect business and societal goals, and go beyond merely referring to corporate social responsibility (CSR) reports as a firm's only moral obligation (Bansal & DesJardine, 2014; Porter & Kramer, 2011; Scagnelli & Cisi, 2014). This includes a need for business to rearticulate its place in society and develop long-term sustainable business models (Lacy, Haines, & Hayward, 2012) that address societal priorities. Systems-based approaches in the context of community development help us to contribute in this area by seeking to understand the relationships between stakeholders and their perspectives in the changing landscape of responsible business in Scotland. This has value to the private sector (we focus on 'for-profit businesses') to help them respond to societal expectations and pressures from interested stakeholders, such as responsible investors, local and national governments.

A recent survey of businesses in Scotland suggests that only 29 percent state that the sole responsibility of a company is to maximise profits (Social Value Lab, 2015). Over 85 percent have reported community, social and environmental issues as either 'very' or 'fairly' important, and most Scottish companies perceive themselves as delivering on these responsibilities (Social Value Lab, 2015). A large majority of business leaders surveyed (89 percent) agreed that responsible behaviour drives business success. To cultivate responsible business behaviour, the Scottish Government launched, in May 2015, the Scottish Business Pledge (Scottish Government, 2015a). This initiative may turn out to be significant, with goals of boosting productivity, competitiveness, employment, fair work and inclusive growth (Scottish Government, 2015b). More than 350 companies have demonstrated a commitment to delivering these goals through their actions and future plans (Scottish Government, 2017). More recently, Business in the Community Scotland (2017) launched its Scottish National Action Plan for Responsible Business (SNAP-RB). This was created by business with government, as a platform to deliver the best business for a better Scotland, incorporating the same goals as the Scottish Business Pledge.

The authors recognise that the vast majority of resources are in the hands of the private 'for-profit' sector when compared to the Government and the third sector. This presents an opportunity for the third sector to try to capture some of these resources to help address challenges that communities across Scotland face. According to statistics from the Scottish Council for Voluntary Organisations (SCVO, 2014), the private sector only contributes £73 million (1.5 percent) of the third sector's total funding of £4.9 billion (34 percent of the funding comes from the public sector, which in Scotland includes the local, devolved and national governments). Although this seems small considering that the majority of resources are held by businesses, we believe that this is an evolving landscape. For example, if we consider donations from FTSE 100 companies, the median donation has trebled from £1 million in 2007 to £3 million in 2012 (CAF Bank, 2014). UK corporate giving varies across size and sector, but the CSR market is estimated to be valued at some £2.5 billion (the total value of management, time, in-kind and cash donations), although there is limited information on the details concerning how much of these resources are committed to community investment by the firms (CAF Bank, 2014).

The client in this SSM study, VAF, is a long established Scottish fund manager with the goal, in this project, of bringing more resources into communities. These resources include *people* (i.e., skills and time), *assets* such as property and equipment, as well as *money*. VAF brings funded organisations together to learn and develop, as well as holding relationships with the Scottish Government (in an advisory and contractual capacity) and with grass-roots organisations to understand key issues affecting

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