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INTEGRAL MANAGEMENT FOR CORPORATE SOCIAL RESPONSIBILITY

ИНТЕГРАЛНИ МЕНАЏМЕНТ ЗА ДРУШТВЕНУ ОДГОВОРНОСТ ПРЕДУЗЕЋА

Summary: *If an organization wishes to achieve social responsibility required by the consequences of neoliberal economic theory and practice of exploitation, it should follow the ideas of integral management and innovate its governance, management and practice towards social responsibility. In this paper, we research why social responsibility is needed, what it involves and how it is achieved, whereby as a lever for achieving it we propose to use the MER model of integral management and the Dialectical Systems Theory. We stem from the ISO 26000 standard on social responsibility, which puts the organizational governance (and the resulting organization management) at the centre of the seven core subjects for the achievement of social responsibility. ISO 26000 highlights the holistic approach and interdependence as key connecting merits, which are also part of the Dialectical Systems Theory. Our research has shown that in order to achieve social responsibility, organizations must primarily innovate their governance from its management and later the entire business practice is derived.*

Keywords: *organizational governance, organization management, integral management, strategic management, social responsibility(CSR)*

JEL classification: *L53, M14*

Резиме: *Да би неко предузеће достигло друштвено-одговорно пословање, које захтијевају посљедице неolibералне економске теорије и праксе искориштавања, мора слиједити замисли интегралног менаџмента и иновирати своје управљање у смјеру друштвене одговорности, вођења и пословања. У раду истражујемо зашто је потребна друштвена одговорност предузећа, шта она укључује и како је достижемо. При томе, као исход за реализовање друштвене одговорности предузећа, предлагемо методолошку употребу MER модела интегралног менаџмента и замисли Дијалектичке теорије система. Крећемо од стандарда ISO 26000 о друштвеној одговорности, који у средиште, од седам главних садржаја за досезање друштвене одговорности, поставља управо управљање предузећем (енгл. organizational governance), из чега произлази вођење предузећа као кључног везног садржаја. ISO 26000 успоставља цјелокупан приступ (енгл. holistic approach) и међусобну зависност (енгл. interdependence), који су, такође, дио Дијалектичке теорије система. Истраживања су показала, да је за постизање друштвене одговорности потребно првенствено иновирати управљање предузећа, из кога произлази његово вођење и касније цјелокупно пословање.*

Кључне ријечи: *управљање предузећа, вођење предузећа, интегрални менаџмент, стратешки менаџмент, друштвена одговорност*

JEL класификација: *L53, M14*

1. INTRODUCTION

In this paper, we explore the existing questions of organization policy innovation (and the related organizational governance), which is defined in the ISO 26000 Social Responsibility Standard (ISO 2010) as the heart of the 7 core subjects needed to attain social responsibility. Our work stems from social responsibility which is combined with requisite holism and interdependence. We defend the hypothesis that organizational governance is crucial for achieving social responsibility because organization policy innovation leads towards a responsible organization policy that an organization realizes through its responsible management and fair, responsible business practice. We establish that organizational governance requires requisite holism of corporate social responsibility of an organization so that the organization's corporate social responsibility can be realized within the innovation-diffusion process. This is significant because corporate social responsibility has not yet become generally accepted social practice. The validity of this statement is proven by many documents which would otherwise not be needed, i.e. ISO 26000 Social Responsibility Standard (ISO

2010) and A Renewed EU Strategy 2011–14 for Corporate Social Responsibility (EU 2011). These documents entered into force because they are needed and because corporate responsibility can help people: it can help the human race solve problems which arose as a result of the decades of neoliberal economic theory and practice of exploitation. In fact, social responsibility can help us survive, which is explicitly expressed in the before mentioned EU document (EU 2011). For further elaboration of this topic see also Štrukelj et al. 2015.

Neoliberalism was established in the free market system and it served as the justification for the behaviour of people who were one-sided instead of being requisitely holistic; they also felt independent or dependent instead of co-dependent. They were narrow-minded and selfish in their short-term focus instead of being socially responsible. This entirety of fundamental characteristics of neoliberal exploitation of free market has enabled the growth of monopolies and has resulted in huge differences between people, resulting also in the 2008 economic and social crisis. If social responsibility is to replace these existing devastating theories and practices, then it should be introduced into the governance of the most important systems of human existence – into organizations. The paths to this are discussed in the present paper.

Section 2 presents fundamental information which accelerates the need for social responsibility and environmental responsibility (Mulej, ed. 2013; 2014; Mulej and Dyck, eds. 2014), and serves as the framework for our research which focuses on organization policy innovation (and the related organization management innovation) within the concept of integral management as this innovation is needed to attain social responsibility of an organization. Section 3 presents the methodology which was used to carry out our research. Here, the focus is on the Dialectical Systems Theory (DST) (Mulej 1974 and later; 2013; François 2004) and on the MER model of integral management (Belak, Ja. 2002; 2010; Belak, Ja. et al. 2006; 2014; Belak, Ja. and Duh 2012; Duh 2015; Duh, Belak, Je., ed. 2014). In section 4, we give a detailed presentation of ISO 26000 (ISO 2010; Figure 1) and emphasise its implicit demand that companies should apply modern integral management approaches (governance, i.e. organization policy, management and business practice) in order to be socially responsible. Section 5 introduces the role of governance and management in integral management models. This topic is extended in section 6, which presents the role of innovation of organizational governance and management in integral management models. Since an organization's governance (as expressed by organization policy), its strategic management and operations management should be both innovative and innovated towards social responsibility, we present the phases of organization policy and management innovation (Table 1). We also present broad criteria for the assessment of the innovated organization policy and the innovated strategic management and operations management (Table 2). The final part of the paper explains how the hypothesis set at the beginning of this section was confirmed, states questions which arise and gives some recommendations for further research.

2. BACKGROUND DATA AS THE SOURCE OF INFORMATION FOR THE CURRENT RESEARCH

Economic and social crisis (also a crisis of values), which emerged in 2008 in the most innovative countries of the world, has shown that companies do not carry out their business operations in a vacuum and that neoliberal economic approach does not lead towards success, with the exception of the success of a small number of individuals, because the activities and behaviour of company owners and managers are too simplified, i.e. partial instead of being requisitely holistic and socially responsible, and hence full of oversights which cause unpleasant surprises (Mulej 1974 and later; Mulej et al. 2013; Mulej, ed. 2013; 2014; Mulej and Dyck, eds. 2014; Epstein and Rejc Buhovac 2014; Štrukelj 2015).

The economy creates only some preconditions for people's wellbeing and happiness (Rašič et al. 2014), and, therefore, new benefits for the existing and future generations must be provided via innovations (Čančer and Šarotar Žižek 2015; Duh and Štrukelj 2011; Markič et al. 2011, Mulej et al. 2013). The criteria for innovation should focus on the enhancement of social responsibility and requisite holism (Belak, Je. 2013; Dankova et al. 2015; Mulej and Kajzer 1998; Glavočević and Radman Peša 2013; Ženko and Šardi 2014). That is, they should focus on organizational governance innovation, which results in the innovation of management and business practice. Innovation is thus present in the governance and managerial process as well as in the basic realization process and

information process (Malik 2011, Sternad 2011, Štrukelj 2014; 2015; Štrukelj et al. 2012; Štrukelj and Šuligoj 2014).

ISO 26000 standard (2010) defines social responsibility as the company's (and any other organization's) responsibility for the impact which its decisions and activities (i.e. processes, products and services) have on the society and the environment. Social responsibility is achieved via transparent and ethical behaviour which:

1. contributes to sustainable development;
2. considers the expectations of all stakeholders of an organization;
3. is present throughout the organization and is exhibited in business and any other links of the organization (as related to the organization's activities within its sphere of influence); and
4. is in compliance with the law and consistent with international norms of behaviour.

According to the guidelines and principles of the European Union (2011, 7), corporate social responsibility covers at least:

1. human rights,
2. labour and employment practices (such as training, diversity, gender equality and employee health and well-being),
3. environmental issues (such as biodiversity, climate change, resource efficiency, life-cycle assessment and pollution prevention), and
4. combating bribery and corruption; social responsibility agenda includes also:
5. community involvement and development,
6. integration of disabled persons, and
7. consumer interests, including privacy.

This document recognises the promotion of social and environmental responsibility through the supply chain, and the disclosure of non-financial information (ibid.). Each individual, not only organizations (which are the focus of this paper), should behave as a reliable and socially responsible entity. We all should expand our horizons beyond the requirements of our society which are expressed, for example, in legislation. That is, apart from the law, we should also take into account good morals and transparency, etc. This is the foundation for an appropriate, ethical behaviour of each individual and each organization and it contributes to the prosperity and wellbeing of a society. We see social responsibility as a novelty which intends to become an innovation, i.e. the novelty which its users perceive as useful. This intention includes organizations and their key stakeholders as well as their governance, management and business practice.

This paper establishes that the type of influence an organization has depends on its governance and management and on its requisite holism. The law of requisite holism developed by Mulej and Kajzer (1998) shows people to go beyond just a single viewpoint and to integrate more fundamental viewpoints, to acknowledge their interdependence, their interaction and synergy. That is, it points out that people need to move towards a dialectical system because they stand little chance of reaching complete holism otherwise. Organizational governance and management (Štrukelj 2015; Štrukelj et al. 2012) can be a good support to the organization's innovativeness, competitiveness on the market, efficiency, ethics and success, a long-term survival; here, requisite holism can help pave the way for people towards their sustainable future. That is, much more can be achieved with requisite holism than with one-sided observation, perception, thinking, decision-making, communication and actions. The success of a requisitely holistic management can be achieved if it is based on the Dialectical Systems Theory and other soft systems theories (see Mulej et al. 2013). We should therefore adopt a requisitely holistic behaviour when dealing with innovations and we should integrate creative cooperation into business practice in order to boost innovations (Ženko and Šardi 2014). This applies also to the innovation of organizational governance and management, which is researched for the purpose of this paper by using qualitative desk research and some other methodological approaches (section 3).

3. RESEARCH METHODOLOGY

To clarify the necessity of organizational governance and management innovation, which aims to solve the existing problems and to prevent future problems, we adopted the Dialectical Systems Theory (DST) developed by Mulej as our methodological foundation (see Mulej 1974 and later; also in François 2004). The Dialectical Systems Theory stems from the key statement by L. von Bertalanffy that he developed his General Systems Theory (GST) to counter overspecialization

(Bertalanffy 1968, VII). The Dialectical Systems Theory adds a methodological support so that this important goal can be achieved in practice (for a more up-to-date version see Mulej et al. 2013). The Dialectical Systems Theory enables us to take into account all (and only) the key aspects in synergy. It replaces the one-sided single-discipline-based methods and approaches and leads towards the requisitely holistic approach and to the requisite holism of the results obtained. This theory surpasses the mere assurance of tools for people and endeavours to influence a person's subjective foundations (his or her thoughts and feelings). Mulej, as the founder of the Dialectical Systems Theory, argues that this theory is a soft-systems qualitative methodology (see Mulej et al. 2000, 283–284) which is formed in such a way to act as a bridge between different disciplines. It takes into consideration the complexity of phenomena; that is why it is created in such a way so that it has an influence on people, and which is based on complementing their differences. The Dialectical Systems Theory, therefore, is not a theory which is based on a system as an image of the object which is studied from a selected perspective and which would focus on a description rather than on innovations in research (which are not the only focus on the Dialectical Systems Theory). It prefers to adopt a constructive (productive, creative) approach of cooperation (however, not exclusively).

The Dialectical Systems Theory aims to accomplish the principal goal of the systems theories' founders: to achieve as high degree of integrity (i.e. requisite holism) in human thinking, actions and behaviour as possible by connecting the interdependent elements of reality, specialized professions and the consequent different opinions (views) into synergy (for some examples see Ivanuša, ed. 2014). All this is interdependent as each element is different from every other element. Apart from this, Mulej tries to help pave the path towards holism by introducing the methods which encourage creative cooperation and the creativity-related fundamental realizations (Mulej 1974 and later). In today's circumstances, it is necessary to connect the innovation of organizational governance and management with social responsibility. The latter is founded on the principles of (1) interdependence and (2) holism (ISO 2010) and these two principles are also the main aspects of Mulej's Dialectical Systems Theory (Mulej 1974 and later; Mulej 2007; Mulej et al. 2013). We argue that the innovation of organizational governance and management can be achieved more easily if the Dialectical Systems Theory is applied as this theory emphasizes the interdependence and the law or requisite holism (Mulej and Kajzer 1998). For that reason, we adopted the requisitely holistic approach to study the innovation of organizational governance (and management).

To study the innovation of organizational governance (and management) we adopted the methodology of the MER model of integral management (Belak, Ja. 2002; 2010; Belak, Ja. et al. 2012; 2014; Belak, Ja. and Duh 2012; Duh 2015; Duh and Belak, Je. 2014). The MER model of integral management (Belak, Ja. and Duh 2012) (hereinafter: the MER model) is founded on a multidimensional integration of governance and management of an organization and its environment by taking into consideration the fundamental purpose of the organization: to survive and to develop. The concept of the MER model can be summarized in the following three points (ibid., 13–19):

1. integral governance and management (integral management): process, instrumental and institutional dimensions;
2. organization and its environment; and
3. key success factors of an organization: its culture, philosophy, ethics, credibility, entrepreneurship, synergy, ecology, internal and external congruity, efficiency and competitiveness (see also Belak, Ja. 2010).

The present study highlights the importance of corporate social responsibility within the governance (and management) of an organization by using the MER model and the Dialectical Systems Theory. The innovation of organizational governance (and management), which is the focus of our study, presents only a small part of the entire MER model. Based on our own requisitely holistic judgment, we selected the Dialectical Systems Theory as the most significant aspect (foundation) for our research. We propose socially responsible development and the application of innovation management. We also need to point out that this study addresses the process aspect of the MER model and guides organizations towards the innovation of their governance (and management) to become increasingly socially responsible. To do so, we combined the MER model with the Dialectical Systems Theory, which in itself is an innovative approach, i.e. a non-technological innovation.

The MER model can sometimes (in certain circumstances) be too complicated and unmanageable (Štrukelj and Šuligoj 2014). This is especially true for small enterprises, and as we know, such enterprises represent 99% of all enterprises in the European Union (SMEs 2014). For that reason, and to reduce the level of complexity, we upgraded the MER model with the selected aspects of the

Dialectical Systems Theory for the purpose of organizational governance (and management) innovation. We thus ensured that the organization analyses the selected (fundamental and essential) factors which have an influence on the innovation of organizational governance (and management). The less significant factors can thus remain at the secondary level of decision-making in the organization and the organizations can analyse them only if necessary. As regards the organizational governance (and management), we propose the study of the following significant influential intangible factors: values, culture, ethics, norms and interests, as well as of the following tangible factors: organization's vision, the existing organization policy, and the organization's internal strengths and weaknesses as well as its external opportunities and threats. The organizations should incorporate these factors into the Dialectical Systems Theory, including social responsibility and requisite holism. All of the above factors are interdependent and are of key importance for the innovation of governance (and management) of the organization.

The selection of factors that will be used for an in-depth analysis (i.e. the key significant factors for an individual organization) depends on the level of the organization's development and on the developmental aspect. That is why the key significant factors always depend on the organization's priorities (Štrukelj and Šuligoj 2014). For example, the intangible significant factors such as values, culture, ethics, norms and interests are especially important for the innovation of organizational governance (and management) towards more social responsibility (as a significant factor investigated in our study); however, tangible factors should also be considered. Also, when innovating its governance, the organization may decide to set aside all influential factors which have an impact on, for example, its strategic management (e.g. searching for strategic developmental opportunities, adequate exploitation of strategic options, setting out suitable strategies) as strategic management derives from the (innovated) organizational governance whose aim is to implement the (innovated) organization policy (sections 4, 5, and 6).

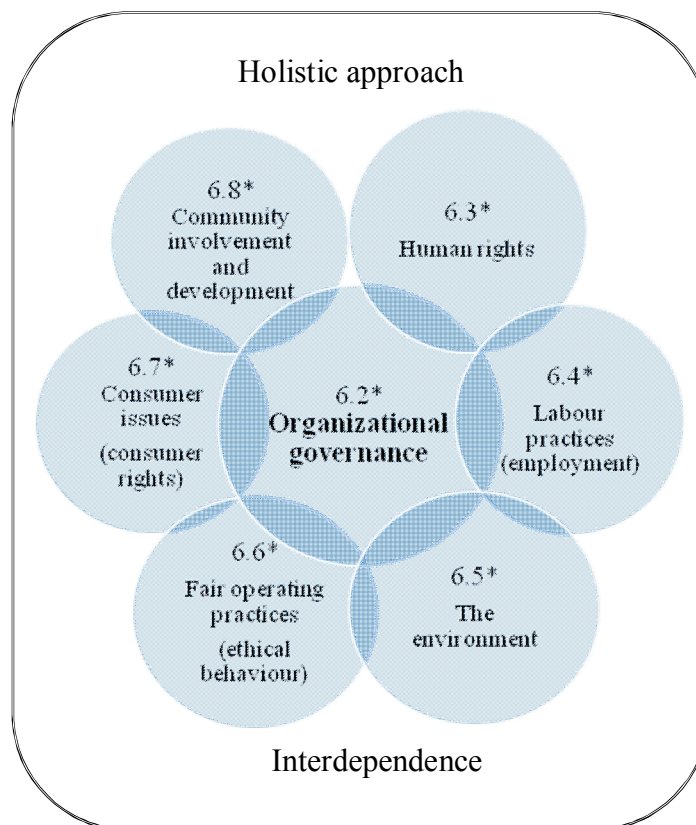
4. RESEARCH RESULTS I: ISO 26000 AS LEVER FOR CORPORATE SOCIAL RESPONSIBILITY

Integral management is an important issue in today's restless market conditions as are social responsibility and innovation. The most successful companies are the innovative ones (David 2006, 76; McGregor et al. 2006, 63–74; Širec and Močnik 2014). However, the success rate of invention-innovation-diffusion process is very low. In the continuation, we research how this is related to integral management.

In the times when more and more industries are becoming globalized, integral management is becoming an increasingly more important way of maintaining the developmental capability of an organisation and of creating its long-term competitive advantage (Štrukelj 2014). This is confirmed by ISO 26000 standard (2010), whose seven core areas and seven principles depict the essence of social responsibility and demand two decisive concepts which connect the two central ISO 26000 areas and principles: the requisite holism (i.e. *holistic approach*) and *interdependence*. These two principles are also at the core of Mulej's Dialectical Systems Theory (Mulej 1974 and later; Mulej et al. 2013). In ISO 26000, socially responsible governance (and management) of an organisation is the central principle for the achievement of social responsibility as it integrates all other areas addressed by this ISO standard (Figure 1). These areas (subjects) are:

1. organizational governance,
2. human rights,
3. labour practices (employment),
4. the environment,
5. fair operating practices (ethical behaviour),
6. consumer issues (consumer rights), and
7. community involvement and development (ISO 2010, 4).

Figure 1: 7 core subjects and two linking categories of social responsibility according to ISO 26000



Legend: * The figures denote the corresponding clause numbers in ISO 26000.
Source: ISO 2010, p. 4. Authors' own presentation.

ISO 26000 thus clearly shows that it requires the adoption of Mulej's Dialectical Systems Theory by taking into consideration the holistic approach and holism. In this way, we can avoid the existing and dangerous one-sidedness which caused the recent global crisis and its devastating consequences. However, these consequences can be eradicated by adopting a responsible and innovations-oriented integral management in organizations.

The experience has shown that companies can adopt a socially responsible approach (Epstein and Rejc Buhovac 2014), also following the ISO 26000. If organisations (i.e. organisations' key stakeholders) have appropriate values, culture, ethics, norms and customs and if they are willing and capable to innovate them (Mulej et al. 2013), they can increase their social responsibility. The seven principles of ISO 26000, which are classified as values and the related culture, ethics and norms are:

1. accountability,
2. transparency,
3. ethical behaviour,
4. respect for stakeholder interests,
5. respect for the rule of law,
6. respect for international norms of behaviour, and
7. respect for human rights (ISO 2010, 7).

Each organization defines its core and general as well as long-term characteristics of governance in its organization policy, which has an important impact on the development and operations of the organization as an institutionalized interest grouping of individuals and capital (Belak, Ja. 2010; Belak, Ja. and Duh 2012). The experience and research have convinced us that organizational governance and the related organization management should be focused on socially responsible organizational behaviour (Štrukelj 2015; Štrukelj and Šuligoj 2014). The lack of social responsibility, ethics, systemic behaviour and sustainable orientation can be determined as an important (economic) factor which triggered the economic, social, environmental, financial as well as values-related global crisis at the beginning of 2008. It is precisely because of this crisis that social responsibility of

individuals and organizations is crucially needed (Mulej, ed. 2013; 2014, Mulej and Dyck, eds. 2014; Epstein and Rejc Buhovac 2014). This need has to be integrated into the organization's vision, its organizational governance (as shown through company policy), management (strategies, tactics) and daily business practice. The principles of socially responsible organization policy, which takes into consideration the interests of all organization's stakeholders as well as long-term developmental and economic orientation of the organization, is classified among the characteristics which we can learn and which must become our values, cultures, ethics, norms and customs if the humankind is to survive (Štrukelj 2014; 2015, Štrukelj et al. 2012).

Socially responsible governance, management and business practice of an organization should be regularly directed towards innovations and should be innovated in order to attain business excellence. Here, values, culture, ethics, norms and customs play a very important role because the interests of the organization's key stakeholders are based on them, and these key stakeholders define organizational governance – they are the foundation of the organization's management and business practice. And it is the key stakeholders of the organization who have to reassess their long-term interests (benefits) and the related consequences as well as their willingness and the ability to innovate towards socially responsible behaviour by taking into account the humanity as a whole, the animals and the nature (i.e. families, co-workers, other citizens, all Earth's living beings) and by putting the long-term interests of all these beings first. The organizations should also continuously innovate their developmental orientation (e.g. the exploitation of the opportunities in the development of the environment), their economic orientation (and strive for the policy of economic responsibility towards all Earth's inhabitants), and social orientation (here, they should take into account environmentally and socially responsible goals and society's aspirations) (Štrukelj 2014; 2015, adapted from Bleicher 2004; see also Duh and Štrukelj 2011; Kavčič et al. 2015; Malik 2011; Markič et al. 2011; Mulej and Dyck, ed. 2014; Peršič and Markič 2013; Epstein and Rejc Buhovac 2014; Štrukelj et al. 2012).

The requirements of organizational governance, which are expressed in organization policy, are fulfilled when their realization is integrated into strategic management (Belak, Ja. 2002, 132). The strategies and the related organization structures are important instruments for the implementation of organization policy as they define the way in which organization policy is implemented. The implementation of organization policy is the central task of top managers, which is included in the strategic management process directly and indirectly into tactical and operational management as well as into basic realization processes. This can be done only when the organization is innovative.

5. RESEARCH RESULTS II: GOVERNANCE AND MANAGEMENT IN INTEGRAL MANAGEMENT MODELS

Business circumstances are constantly changing. That is why today's success does not guarantee tomorrow's success. Organizations can maintain or improve their successfulness by innovating their governance, management and business practice, all of which should become more socially responsible (Dankova et al. 2015; Štrukelj 2014). In order to carry out a detailed research of the topic in question, some terminological explanations are needed. As will be presented in the continuation, different authors use the terms 'strategy' and 'strategic management' for different purposes, including for organizational governance and even for integral management. Although many schools in strategic thinking have been presented, many authors still treat this topic from different angles because of different subjective bases. For that reason, this paper presents our own view on this field, i.e. the field of organizational governance and management, which is based on the integral management school of thought. The conclusions drawn from the literature review as presented in this section show that the researchers are inconsistent in their use of the terms 'organizational governance', 'company policy' and '(strategic) management' even though they agree that together, these terms define the field of organization development and business practice as well as the organization's approach to its business performance (success).

Many different models have been developed in the past to study the development of an organization. These models can be classified into different groups, e.g. metamorphic models, crisis models, models of market development, models of structural changes or models of behavioural changes of an organization (Belak, Ja. et al 2006, 20). Since the development of an organization does not happen automatically, but it has to be guided and balanced, a number of management models have

been designed and developed in the past. Based on different views on organizational governance and management found in American and European literature, management models can be broadly categorized into the following two groups:

1. management models developed in Europe, e.g. the ‘Concept of integrated management’ of the University of St. Gallen (Bleicher 2004), the Strategic management model (Hinterhuber 2004), the Slovenian ‘MER model of integral management’ (Belak, Ja. 2002; 2010, Belak, Ja. and Duh 2012; Belak, Ja. et al. 2006; 2014; Duh and Belak, Je., eds. 2014), and
2. management models developed in the United States of America, e.g. ‘Strategic management model’ by Wheelen and Hunger (2010), or ‘Comprehensive model of strategic management process by David (2011).

Organization policy innovation is one of the key foundations for the survival, the existence and the development of organizations because organizations define their vision and organization policy (and the resulting management and business practice) based on the organizational governance guidelines. Following the principles of integral management models (see Belak, Ja., 2002; 2010; Belak, Ja. and Duh 2012; Belak, Ja. et al. 2006; 2014; Duh and Belak, Je., eds. 2014 for the MER model of integral management), organization policy stems from the organization’s vision and it serves as a broad, general starting point for the organization’s management and business practice. Organization policy consists of the mission, the purposes and the fundamental goals, all of which help the organization to broadly define the required resources, processes and outputs (i.e. products and/or services). The strategies are then the ways which lead to the fulfilment of the mission and the purposes as well as the achievement of the fundamental goals of the organization. Therefore, the definition of the organization’s strategies must stem from its vision and organization policy; this is necessary for the realization of the innovated organization policy. This, in turn, includes the endeavours for sustainable future (Belak, Je. 2013; Belak, Je. et al. 2010; Čančer and Šarotar Žižek 2015; Mulej, ed. 2013; 2014; Mulej and Dyck, eds. 2014; Štrukelj and Šuligoj 2014), and an organization can achieve this faster if it adopts the requisite holism approach (Dankova et al. 2015; Mulej et al. 2013) rather than by a one-sided observation, perception, thinking, emotional and spiritual life, decision-making, communication and action. The requisitely holistic behaviour and the success of management can be achieved if we follow the Dialectical Systems Theory and other soft-systems theories (see Mulej 1974 and later; Mulej et al. 2013). To achieve a long-term success and sustainable competitive advantages, the organizations should adopt a requisitely holistic behaviour regarding innovation (Duh and Štrukelj 2011); this applies to organizational governance and management innovation, too (Malik 2011; Štrukelj 2015; Štrukelj et al. 2012).

As presented above, the MER model of integral management stipulated that organization policy is determined by the organization’s mission, the purposes and the fundamental goals (Belak, Ja. 2002; 2010; Belak, Ja. et al. 2014; Belak, Ja. and Duh 2012). In this paper, we use the Dialectical Systems Theory (see Mulej 1974 and later; Mulej et al. 2013), in particular, the law of requisite holism as part of the Dialectical Systems Theory (Mulej and Kajzer 1998), and our own personal starting points to define *the organization’s mission* as the requisitely holistic entrusted duty, the intentions and the role of the organization in its relationship with its environment. The organization’s mission thus encompasses the profession, the area of activity (products and/or services) and the broad and fundamental relationships with the environment and the society, including sustainable behaviour towards the environment and the society. *The purpose of the organization* defines the purpose / the reason for the organization’s existence. The purpose of the organization is to simultaneously act in the interest of all of its stakeholders (and to innovate their values, culture, ethics, norms and customs towards social responsibility); it also means the continuous attainment of social and economic success of the organization. *The fundamental goals of the organization* include the ability of the organization to exist, to survive, to develop and to carry out its operations as well as to maintain and increase the owner’s equity (based on profit and quality – the increase of the organization’s market value) in a sustainable way. David (2005, 11) defines the goals of an organization as specific results which the organization aims to achieve in order to fulfil its mission [and purposes, i.e. to implement its organization policy]. That is, the goals should be significant, attainable and measurable and they should also have a set time-frame (Service 2006, 62). Long-term goals are set for the time period which is longer than five years.

Strategies comprise the means which organizations use to achieve their mission, their purposes and fundamental goals. Strategies are possible actions (David 2005, 12), which require the decisions by top managers and huge quantities of the organization’s resources. Apart from that, the organization’s

strategies have an impact of its long-term prosperity (typically for the minimum of five years) and are thus future-oriented. Strategies have an influence on business functions (and on strategic business units) of the organization and they require that many significant factors are taken into consideration, i.e. the external ones [opportunities and threats] as well as the internal ones [values, strengths and weaknesses].

Porter (1980; 1985; 1990) distinguishes between the main organization strategy (also called corporate strategy), which is applicable to the organization as a whole, and business strategies (i.e. generic strategies), which are applicable to individual strategic business areas (Belak, Ja. 2002; 2010 calls them programme-market areas because business areas represent the areas of the organization's operations with specifically defined programmes on specifically determined markets). As an economist, Porter used the economic logic which is based on knowing the organization's competitors and other economics factors (adapted from Witzel 2003, 11). His well-known *five forces model* nicely shows the influence that competition and the environment have on the organization and on the selection of its strategies. We find that it would be sensible to supplement his model because the overall conditions and circumstances such as economic and legal structures, societal characteristics, technical and technological progress, environmental circumstances, etc., have since changed significantly and were completely different in the time when Porter developed his model from today's circumstances. At that time, the conditions in the environment were not so critical to endanger the existence of humankind as they are today. Apart from the external environment, Porter studied the organization as such. Organizations produce products and deliver them to the users; however, they may add value to the core product in a number of different ways, which, in turn, gives the product different functions. We find that in the past, the researchers did not explicitly focus on social responsibility and, consequently, they did not think about the need for the change in values (of an organization). Today, it is becoming more and more apparent that the change of values is needed as is apparent that anyone can begin the process of changing our values so that they include high degrees of social responsibility. Porter argued that the value chain is crucial as it shows that the organization is more than just a sum of its parts and activities: all activities are related. That is, what the organization does in one stage has an impact on [and is reflected in] other stages as well. We can therefore argue that Porter requires systemic thinking. The organization must analyse its value chain and determine where it can add value most efficiently in order to withstand the competitive pressures of a specific industry.

According to Porter (2005, 22), a strategy creates a link between the organization's activities. The success of the strategy depends on many things which need to be adequately done and integrated. He finds that if there is no connection among the activities, there is no typical synergy and there is little orientation towards sustainability. In such situations, the managers are focused on simple tasks of independent and autonomous functions and the operational efficiency determines the relative success of the organization. Cost leadership strategy is one of the possible business strategies of the organization. However, as stated by Porter (2005, 18), business strategy should be focused on differentiation, i.e. on a well thought out selection of activities to create a unique value mix. Recently, Porter has argued that competitive advantages of the organization are related to its corporate responsibility (Porter and Kramer 2006a; 2006b).

Last but not least, we should state that organizations need tactical and operative guidelines and daily business practices in their basic realization process if they are to implement their strategies. This is the only way to realize their planned development.

Planning of organization policy, strategic management and tactical and operational management (called also strategic planning) can be defined as decision-making pattern of an organization which:

- determines and reveals basic/fundamental organization policy, i.e. mission, purposes and fundamental goals of the organization, and, within organization policy, the desired type of stakeholders orientation, the developmental orientation, economic orientations and social orientations of the organization;
- determines partial organizational policies, e.g. social responsibility policy;
- determines the guidelines for the attainment of organization policy (mission, purposes and fundamental goals), i.e. strategic management, by searching for strategic (developmental) opportunities and by selecting appropriate strategies (and structures) of the organization;
- determines the guidelines for tactical management as part of operations management: the assurance and the optimal allocation of resources (based on the planning of the organization's

outputs, the planning of organization's engagement in business functions, the planning of the use and the costs of resources, and the planning of the distribution of profit);

- determines the guidelines for the operative management as part of operations management: the operative assignment of realization tasks which directly determine the type of business operations of the organization to follow the organization's strategies implementation;
- determines the very nature of the economic and non-economic contribution of the organization: technological and non-technological innovations (e.g. innovations of values towards sustainable development which the organization plans offer to the owners, employees, buyers, business partners, community and all other stakeholders of the organization (adapted from Belak, Ja. 2002; 2010; Štrukelj 2014; 2015; and supplemented).

As a result of this process, the organization defines what it aims to achieve, with which types of products and/or services (existing or planned), in which market segments and markets, with which strategies and how (e.g. using certain sales channels), which structures are needed for this (e.g. determining ways of financing business operations, the required techniques and technologies, human resources, organizational structures, and similar), and which tasks it has to implement to achieve the desired plan. In addition, the organization has to determine the scheme of profit distribution, the scope of risk (e.g. safety of assets, higher rate of return on invested capital), and similar. Partial policies are then determined in different business functions, e.g. sales marketing, human resources, IT, etc. These partial policies determine how (in which aspects) the organization differs from its competitors. Based on the entire process, the ways in which the organization policy and management are to be realized in the basic realization process are set. The experience shows that when organizations focus on social responsibility during the formulation and the realization of this process, the organizations and people will be more successful in the long term and all living beings will have better chances of survival and wellbeing (Štrukelj 2014; see also Dankova et al. 2015; Glavočević and Radman Peša 2013; Mulej, ed. 2013; 2014; Mulej and Dyck, eds. 2014; Epstein and Rejc Buhovac 2014).

6. DISCUSSION: INNOVATION OF GOVERNANCE AND MANAGEMENT IN INTEGRAL MANAGEMENT MODELS

The stages of the innovation of organization policy and strategic and operations management can be defined as the art and the science of planning, organizing, direct management and control, which are the fundamental functions of organizational governance and management. Within these functions, the process functions of organization's governance and management occur, i.e. preparing the information, making decisions and taking actions. All this enables the organization to realize its innovated organization policy as well as its strategic and operations management; here, we propose the orientation towards the increased levels of social responsibility (Table 1). Based on the above definition, it can be argued that integral management focuses on the integration of governance, management, marketing, finance, accounting, human resources, production, rendering of services, research and development, organization, IT systems, etc., to achieve the organization's success. The purpose of integral management is to create and exploit new and different opportunities (see David 2005, 5) and for that reason the organization policy as well as strategic and operations management should be innovative and innovated towards social responsibility.

Table 1: Stages of organization policy and management innovation

Stages	Definition
Formulation of innovated organization policy	<p>It includes:</p> <ul style="list-style-type: none"> • development of socially-responsible organization's vision; • recognition of the given opportunities and threats related to the organization's external environment and determination of its internal strengths and weaknesses, a detailed analysis of the values of organization's (key) stakeholders, of the organization's values, of its culture, ethics, norms and customs; • development of socially-responsible organization policy (i.e. its mission, purposes and fundamental goals) .

Formulation of innovated strategic management	The formulation of strategic decisions obliges the organization to define and choose its strategic / developmental opportunities (from the viewpoint of products, markets, resources, technology, finances, etc.) for a longer period of time. As the result of the owner's social responsibility, the organization policy should demand that strategic management creates such general, main organization strategies (i.e. corporate strategies) and business strategies which lead towards the implementation of social responsibility. Strategic management also includes the determination of the organization's development programme.
Formulation of innovated operations management	It comprises the provision and the optimal allocation of resources – tactics (planning of outputs, of organization's engagement in business functions, of the use and the costs of resources as well as of the distribution of profit) and the operative assignment of realization tasks.
Realization of the innovated organization policy, strategic and operations management	This requires that the organization determines its annual goals, its partial policies (including the social responsibility policy), motivates staff and allocates (financial and other) resources in such a way to be able to realize its formulated socially responsible vision, organization policy, strategies, tactics and the guidelines for the basic realization process. In integral management, this is called 'the action stage'. In the basic realization process, this requires technological and non-technological invention-innovation-diffusion process.
Assessment of the innovated organization policy, strategic and operations management	This is the fundamental way to obtain information when the organization's vision, its policy (also partial policies), strategies, tactics and basic realization process do not function well. The three core activities of such assessment include: <ol style="list-style-type: none"> 1. revision of organization policy as well as strategic and operations management; 2. performance measurement, and 3. adopting corrective measures.

Source: Based on David 2005, 5–6; Belak, Ja. 2002; 2010; supplemented by the authors of this paper.

General criteria for the assessment of the innovated organization policy as well as of strategic and operations management are presented in Table 2. The organization which formulates such innovated organization policy and strategic and operations management and which does not fulfil one or more of the presented criteria (i.e. critical factors) is unable to successfully carry out at least one of its key functions needed for the organization to be successful (based on Rumelt 2005, 81).

Table 2: General criteria for the assessment of the innovated organization policy, strategic and operations management

Criteria	Which criteria should organization policy, strategic and operations management fulfil or not fulfil?
Consistency	Organization policy, strategic and operations management must not include inconsistent goals, policies and/or guidelines. Organization policy, strategic and operations management must be defined clearly and definitively, which maintains the initiative and follows the realization of the set organization vision.
Congruity	Organization policy, strategic and operations management must be seen as an adaptable and flexible response to the organization's external and internal environment (including the analysis of personal values of organization's key stakeholders and everything which has an impact on them) and to critical changes in these environments.
Competitive advantages	Organization policy, strategic and operations management must provide all the necessary conditions for the creation and/or the maintenance of the organization's competitive advantages in a chosen area its operations.

	Therefore, the organization needs a trustworthy leadership.
Feasibility	Organization policy, strategic and operations management must coordinate and foresee safety. That is, they should neither overestimate the available resources nor create additional problems which cannot be solved.
Orientation towards sustainability*	Organization policy, strategic and operations management must assure a long-term commitment of the organization towards all people, living creatures and the conservation of Earth. This must be reflected in the form of a long-term development of the organization towards its sustainability and credibility in the broadest sense possible.

Legend: * Contribution by Štrukelj.

Source: Rumelt 2005, 81 (foundation); Quinn 2005, 15–16; supplemented by the authors of this paper.

7. CONCLUSION AND THE RECOMMENDATIONS FOR FURTHER RESEARCH

If an organization is to achieve a sustainable competitive advantage, then its development, operations and behaviour must be ethical and socially responsible. Therefore, the organizations should consider the benefit of all living beings (humans, animals and nature – the environment) and should serve the interests of all their stakeholders and not only of the owners. They should consciously analyse the impacts of their decisions, information, activities and products or services on all living beings and should consciously develop the values such as honesty, ethical/moral behaviour, and fairness. This is the best way for them to develop excellent social responsibility and to contribute to a socially responsible development of all social environments they impact either directly or indirectly (at least in the long term). Such behaviour must stem from responsible organizational governance and management (Štrukelj 2014; 2015). That is, the decisions taken today will be seen in the results of tomorrow. Many key stakeholders (mainly the owners and top managers) should thus constantly ask themselves how to govern and manage the organization in today's fast-changing world (Malik 2011; Štrukelj 2015). We are witnessing the changes of values, society, global barriers, markets, consumer demands, technologies, products and services, and processes. Those who govern and manage organizations should take important decisions which have an impact not only on the current state of organizations and their competitive advantages but also on their future success (adapted from Boynton et al. 2011). The old rules do not apply anymore in today's fast changing world. What we need are different approaches, (as proposed in this paper) which are based on integral management (Duh and Štrukelj 2011; Belak, Ja. 2002; 2010; Belak, Ja. and Duh 2012; Belak, Ja. et al. 2014). The managers should understand that innovative management is at the core of these new approaches (Mulej 1974 and later; Mulej et al. 2013).

Already in the spring 2013, a daily newspaper reported that the concentration of CO₂ in Hawaii was as high as three million years ago; in such conditions, human race would not have been able to exist. Facts like this lead to the assertion that the innovation of organization's governance and management should be directed towards a socially responsible organization which should take into consideration the current problems of our natural environment and sustainable development as the main foundations of saving human existence on a global scale (Mulej, ed. 2013; 2014, Mulej and Dyck, eds. 2014; Epstein and Rejc Buhovac 2014). Social responsibility should be seen as a path of systemic behaviour and innovations (Ženko and Šardi 2014); hence, innovative management which strives for innovations in integral management should be oriented towards social responsibility (Dankova et al. 2015; Peršič and Markič 2013; Štrukelj 2015). This increases the need for requisitely holistic planning of organization's ethics, which is the foundation for ethical behaviour of the organization (Belak, Je. et al. 2010; Belak, Je. and Hauptman 2011; Belak, Je. and Milfelner 2011), for social responsibility and for the attainment of competitive advantages of the organization.

In this paper, we have proven the hypothesis that organizational governance is essential for the achievement of social responsibility (ISO 2010; Malik 2011; Štrukelj 2014; 2015; Štrukelj et al. 2015) because the innovation of governance can lead organizations towards socially responsible policy which, in turn, is realized through responsible management and through honest and responsible operations of the organization (Dankova et al. 2015; Kavčič et al. 2015; Malik 2011; Štrukelj et al.

2015). All this is necessary because social responsibility has not yet become a generally adopted social practice. The validity of this statement is proven with a number of documents which would otherwise not be needed, such as ISO 26000 Social Responsibility Standard (2010) and A Renewed EU Strategy 2011–14 for Corporate Social Responsibility (EU 2011). Many documents (including the above stated EU 2011 and ISO 2010) entered into force because they are necessary and because we can help all people and the planet Earth by being socially responsible without putting the shareholders' profits at risk. All this is possible and necessary if the humankind as we know it is to survive.

Our work was based on the MER model of integral management (Belak, Ja. 2002; 2010; Belak, Ja. et al. 2012; 2014; Belak, Ja. and Duh 2012; Duh 2015; Duh and Belak, Je. 2014). The organizations which will be able to follow the proposed guidelines for the innovation of their organizational governance (and management) towards requisite holism, which will use systemic thinking, and which will consider social responsibility and sustainable development by adopting the MER model of integral management are more likely to be successful. Based on our research, we can conclude that there is a great need for the encouragement of innovativeness of organizations, especially within the EU, and for the enhancement of social responsibility. This can be done with the innovation of organizational governance (and management) within integral management. That is why further research is needed in this respect. The questions and issues which still remain to be answered and addressed and some suggestions for further research are given below.

This paper focused on the analysis of the innovation of organizational governance (and management); however, more research is needed to investigate the complexities of the topic. For example, further work could focus on selected specifics of the topic under discussion here; the topic could be studied from the viewpoint of governance or management or from the viewpoint of process, instrumental and/or institutional aspects. We thus propose further comparative empirical research into the issues raised in this paper, for example, per type (form) and size of organization, per type of economy (e.g. factor-driven, efficiency-driven, innovation-driven; Schwab, ed.2016), such as the research based on the data obtained from transition economies (and organizations) of former Yugoslav republics or other transition economies. Of course, the comparisons and analyses should be made also for and among European Union organizations and the organizations from the USA, Japan and/or China (or other economies, e.g. BRIC or MINT) or successful organizations (e.g. multinationals) regardless of their geographic region. Next, studies including the aspects of culture (Hofstede 1980; Lewis 1996; Trompenaars and Hampden-Turner 1997) in relation to social responsibility, ethics, organizational behaviour, etc., would be welcome. We also propose the comparison of the specifics of micro and small enterprises with the specifics of medium-size and large enterprises (as was done in 2008 in the study by Judd and McNeil who researched different aspects of the quality of work, innovations and the economic development). That is, small enterprises have different priorities due to their size (Lawrence 2008) than large enterprises. We would particularly like to emphasise that micro, small and medium-size enterprises, i.e. enterprises that make up 99% of all enterprises in the EU (SMEs 2014), usually do not have a long-term plan of their development and that their organization policy is not put in writing (Štrukelj 2015). These enterprises should be made aware of this weakness, which could be done through adequate education. This education should focus on the importance of planning for the organizations' development (Belak, Ja. 2010; Hauptman and Belak, Je. 2015) and should specifically focus on the importance of planning the (innovated) organizational policy (Dankova et al. 2015; ISO 2010; Štrukelj and Šuligoj 2014). Such transfer of knowledge from research institutions to practice is supported by the European Union, too (Knowledge 2006).

The choice of organizational governance (and management) model has a direct impact on the development of the organization. This aspect was not addressed in the present paper. By pointing out different problems associated with different stages of company life-cycle, Hwang and Park (2007, 428) indicate the need for different approaches to company governance and management. We can thus differentiate between start-up management, organizational growth management, crisis management, etc. What is important here is the awareness that the organization's governance and management should be innovated in compliance with its development stage. The dynamic enterprise concept (see, for example, Pümpin and Prange 1995) stems from the need for the search of the new. That is why the interdependence of this concept and the topic of the present paper is very significant and worthy of further research.

Further studies into various selected aspects related to the issues raised in this paper, such as the studies of the differences between profit and non-profit organizations and between family-owned and other (corporate) businesses, should be given in-depth scientific attention.

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