Corporate Social Responsibility, New Dimension of New Age Business

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Business of new age has not only economical but also social dimension. It is expected from all companies to be social responsible. Corporate social responsibility can be considered as science of new age. In addition, three the most important institutions European Union, United Nations and United States of America defined its own principles of corporate social responsibility. In theoretical part of this paper we will present the most important theories of corporate social responsibility as well as principles of corporate social responsibility defined by mentioned institutions. In practical part of this paper our task is to find out if companies in Bosnia and Herzegovina follow the principles European Union and in which way. The reason for this is that Bosnia and Herzegovina is potential candidate for European Union and in the process of integration it is not enough to follow political but also business trends of the European Union. The sample of our research consists of 41 companies from several business branches which presented its corporate social responsibility practices publicly.

Keywords: Corporate social responsibility, stakeholders, strategy

INTRODUCTION

In the beginning of last century the mission of businessmen was mostly economical but today that mission is not only economical but also social. In other words it is not important to implement the mission of company; it is very important how to do it. Social responsibility is ethical, useful for community, helps in increasing profit and helps in making good image in publicity.

At present, corporate social responsibility has become important on the market. After the development of the ISO 26000 standard for corporate social responsibility, it is expected that this standard will be introduced as obligatory as well.

This paper consists of two parts. In the first part we will present theoretical aspects of corporate social responsibility. In theoretical part, firstly, we will present definitions of corporate social responsibility, institutional approaches developed in the European Union, United Nations and United States of America and then key theories about corporate social responsibility such as agent theory, stakeholder theory, pyramidal theory, resource based theory, and corporate philanthropy. In the second part we will do research which will be focused on the European Union approach in order to find out if companies in Bosnia and Herzegovina follow the European Union principles of corporate social responsibility.

CORPORATE SOCIAL RESPONSIBILITY - LITERATURE REVIEW

In this theoretical part we will present key definitions of corporate social responsibility, key institutional approaches as well as how to implement corporate social responsibility.

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Definitions of Corporate Social Responsibility

Corporate social responsibility is defined in many ways and for the purpose of this paper we will focus on the most interesting ones. First definition is that corporate social responsibility is continuing commitment by business to behave according to business ethics and contribute to economic development while improving the quality of the life of the workforce and their families as well as the local community and society at large (Uddin et al, 2008). Also, corporate social responsibility is set of practices that form a part of good management or business practices much of it is about transparency and disclosure (Hill, 2006). Corporate social responsibility is manifested through active measures of protecting the environment, different donations for the social welfare, the development of human resources and giving equal possibilities to all employees through transfer of knowledge and technology, protection of consumers and other measures which are focused on the society (Aleksić, 2008).

Institutional approach of corporate social responsibility

In this part we will present approaches of corporate social responsibility in the European Union, United States of America and United Nations.

According to the European Commission (2001) corporate social responsibility is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis”. It includes two dimensions of corporate social responsibility, internal and external dimension. Internal dimension includes employees and investment in human capital, health and safety, managing change and environmentally responsible practices related management of natural resources used in production. In further text we will present these elements.

- Human resource management. The most important for company is to attract and retain skilled workers. In this context it is important to enable long life learning, improvement of employees, better information throughout the company, better balance between work, family and leisure, greater workforce diversity, equal pay and career prospects for women, profit sharing and share ownership schemes, and concerns for employability as well as job security. Beside this it is very important to establish responsible recruitment practices, involving non-discriminatory practices meaning possibility for recruitment people from ethnic minorities, older workers, women and the long – term unemployed and people at disadvantage.

- Occupational health and safety. The problem of health and safety is not only how to follow legislation and enforcement measures. The point is that in business relations with customers and suppliers the companies are also dependent on the safety and health of them, meaning that they have to protect their own employees. On the other hand it is expected from companies to promote health and safety at work through products and services. For provision and maintenance of health and safety, the best way is to confirm it by standard ISO 14000.

- Adaptation to change. In all parts of our life and also in business the changes are something normal and constant. It is normal to do restructuring of company after some period because market and cost reducing demand it but it is also necessary to do it in a socially responsible manner. It means that it is necessary to take into consideration the interests and concerns of all who are affected by the changes and decisions. All of them must be involved in through open information and consultation.

- Management of environmental impacts and natural resources. In general, it is normal to reduce consumption of resources or reducing polluting emissions and waste can reduce environmental impact. Also, it is good for business by reducing energy and waste disposal bills and lowering input and de-pollution costs. The companies have found that less use can lead to increased profitability and competitiveness.

Apart from internal dimension there is also external dimension of corporate social responsibility. In addition to standard stakeholders (employees and shareholders) this dimension
involves wide range of stakeholders such as: business partners and suppliers, customers, public authorities and NGOs representing local communities, as well as the environment. In further text we will also present these elements.

- Local communities. Corporate social responsibility also means the integration of companies in their local setting, whether this is in EU or world-wide. Companies must contribute to their communities, especially to local communities, by providing jobs, wages and benefits, prosperity of the communities in which they operate. Also companies interact with the local physical environment. It means clean environment for their production or service offering – either clean air or clean water or clean roads. On the end business can be responsible for number of polluting activities: noise, light, water pollution, air emissions, contamination of soil, and the environmental problems associated with transport and waste disposal.

- Business partners, suppliers and consumers. By working closely with business partners, companies can reduce complexity and costs and increase quality. It is not enough to build business partnerships through competitive biddings but it is also good to build partnerships with alliance, joint venture partners and franchisees. In long term partnerships it is possible to enable fair commercial conditions in business contracts. The effects of corporate social responsibility will not remain limited to the company itself, but will also touch upon their economic partners.

- Human rights. Corporate social responsibility has strong human rights dimension, especially in international operations and global supply chains. The EU has obligation in the framework of its Co-operation policy to ensure the respect of labour standards, environmental protection and human rights in development policy, trade policy, and development of the private sector through promotion of European investments.

- Global environmental concerns. Because of many business related environmental problems, and their consumption of resources from across the world, companies are also actors in the global environment. It means that they have to be social responsible not only in EU but also internationally social responsible. For example, companies can encourage better environmental performance throughout supply chain and make larger use of European and international management produce-related tools. Also, this can encourage investments of EU countries in third countries.

In United States of America corporate social responsibility means (Katlip et al, 2006):

- Stable possibility for employment, respecting differences in employment
- Making revenues and enabling rational profit for shareholders
- Following government law in security, health and environment protection
- To enable enough revenues on annual level for charity
- To maintain the same standards of work and production in every state where company its branch
- Active taking part in processes of public policy which have influence on companies and other subjects in public process

And finally we will present principles of the United Nations in corporate social responsibility. In 2000 year, the UN defined program UN Global compact which is focused on business with UN agencies. All businesses with UN must follow ten principles of corporate social responsibility as it is defined in Table 1. These principles are organized in four categories: human rights, labour, environment and anti – corruption.

<table>
<thead>
<tr>
<th>Table 1: Ten principles of corporate social responsibility</th>
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<tr>
<td><strong>Human Rights</strong></td>
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<td>Principle 1 Business should support and respect the protection of internationally proclaimed human rights; and</td>
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<td>Principle 2 make sure that they are not complicit in human rights abuses.</td>
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<tr>
<td><strong>Labour</strong></td>
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<td>Principle 3 Business should uphold the</td>
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freedom of association and the effective recognition of the right to collective bargaining;

Principle 4 the elimination of all forms of forced and compulsory labour;

Principle 5 the effective abolition of child labour; and

Principle 6 the elimination of discrimination in respect of employment and occupation;

Environment

Principle 7 Business should support a precautionary approach to environmental challenges;

Principle 8 undertake initiatives to promote great environmental responsibility; and

Principle 9 encourage the development and diffusion of environmentally friendly technologies.

Anti - Corruption

Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

Source: http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html, date of access 10.08.2012

THEORIES OF CORPORATE SOCIAL RESPONSIBILITY

There are several approaches to corporate social responsibility. First, we will start with Friedman (1970) theory how can the business be responsible or how can the companies be responsible because it is known that people can be only responsible for something. But as we know the companies are managed by people so we can assume that managers are carriers of company’s social responsibility or, as Friedman says, agents of corporate social responsibility. This theory can be considered as agency theory of corporate social responsibility.

Another theory is theory of stakeholders which is mentioned in paper by Donaldson and Preston (1995). According to that theory it is very important for company to be engaged in activities which will be perceived by non financial stakeholders as important in order to ensure their support. Here we will present several approaches to stakeholders. According to Grayson and Hodges (2004) the most important stakeholders are:

- Employees
- Investors
- Consumers
- Business partners and suppliers
- Nongovernmental organizations and media campaigns
- Governmental and intergovernmental organizations and regulatory pressures
- Community and society

On the other hand, Tomić (2008) presents next the most important stakeholders:

- Employees
- Families of employees
- Suppliers and distributors
- Consumers
- Financial centres (banks, stocks, shareholders etc)
- Local social community
- City and local self management
- Nongovernmental organizations/groups for pressure
- Trade unions
- Medias
- Leaders of public opinion
- Political institutions (president, government, parliament, political parties, political representatives, EU, MMF, World Bank etc)

And finally here we will present the approach defined in ISO standards. According to ISO 9004:2009 (BAS EN ISO 9004:2011) the most important stakeholders are:

- Customers
- Owners/shareholders
- People in the organization
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- Suppliers and partners
- Society

Apart from agency theory and theory of stakeholders, Carrol (1991) developed pyramidal theory of corporate social responsibility. According to that theory despite of the fact that the most important goal of the company is profit, every company has economical, legal, ethical, and philanthropic social responsibility etc. According to the theory economical responsibility has the impact on other components of social responsibility. Legal responsibility assumes respect of rules and law. Ethical responsibility means that company has obligations to consumers, employees, investors etc. And finally philanthropic responsibility means that company must be corporate citizen and to be involved in programs for promoting human welfare and goodwill.

Also there is resource based theory (Hart, 1995) which includes ecological social responsibility meaning that ecological responsibility can be very important element or resource in sustainable competitive advantage.

And finally there is approach of corporate philanthropy developed by Porter and Kramer (2002) introducing two implicit assumptions of corporate social responsibility. The first is that social and economic objectives are separate and distinct, so that corporation’s social spending comes at the expense of its economic results. The second is that corporations, when they address social objectives, provide no greater benefit than is provided by individual donors.

IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY IN COMPANY

Corporate social responsibility has become obligatory for all companies in the world. As we know ISO organization has established standard ISO 26000 concerning corporate social responsibility. The standard is not obligatory yet but it is expected to be in 2013. It means that integrated management system will be expanded from ISO 9001, ISO 14000 and ISO 18001 with ISO 26000. In order to be ready for this, companies must start with preparations for establishing system of corporate social responsibility. This system can be established easily in three phase (Anderson, 1989):

- Phase 1 – commitment phase. In this phase top management acknowledges the corporation’s responsibility in a certain area or on a certain issue, and a policy statement is generated.
- Phase 2 – learning phase. Pertinent data are collected, analyzed and evaluated by top and middle management.
- Phase 3 – institutionalization phase. Responsibility for the program is transferred from the staff to the line organization. Resources are committed, performance and expectations are communicated and evaluation is instituted.

In order to response to expectations from society companies must identify resources and activities in order to develop strategy of social corporate responsibility. Connection between strategy and corporate social responsibility was established by Baron (1995, 2001). Baron insists on two components of business, market and no market and both are important for company in its environment. Also, for Baron, it is the motivation for the action that identifies socially, as opposed to privately, responsible action. To be clear if action is focused to serve society, at the cost of profit, that action is socially responsible, but if motivation is to serve bottom line, then the action is privately responsible.

McWilliams and Siegel (2001) insist on investment in corporate social responsibility. They think that corporate social responsibility, in some level, can maximize profit while satisfying the demand for corporate social responsibility for some stakeholders. They suggest making cost-benefit analysis in order to find out that level of corporate social responsibility. By doing, so company will meet demands of all important stakeholders such as consumers, employees, community and shareholders.

METHODOLOGY

This paper is based on case study method, comparative method, method of analysis and method of synthesis.

Method of case study is used in order to experience individual case in clearly defined field.
of science. This method is not considered as science because it is necessary to experience several cases in order to get general conclusion (Adapted from Zelenika, 1998). In this paper we will be focused on 41 companies from Bosnia and Herzegovina which presented their practices of corporate social responsibility in publication report “DOBRE PRAKSE” published by Global Compact Network in Bosnia and Herzegovina.

Comparative method is act of comparing same or similar facts, phenomenon, and relationships in order to establish their similarities in behaviour and intensity as well as difference between them (Adapted from Zelenika, 1998). In this paper we will compare how BH (of Bosnia and Herzegovina) companies follow principles from Green Paper.

Method of analysis is act of scientific researches and explanations of reality through distinguishing of complex thoughts (terms, statements or conclusions) in their simple components and elements and understanding each of it for itself and in relation to other parts and entity (Adapted from Zelenika, 1998). In this paper we will apply method of microeconomic analysis since our objects are clearly defined business subjects as well as method of descriptive analysis in order to present concrete details defined business subjects.

Method of synthesis is act of science research and explanation of reality through putting together and assembling simple thoughtful makings into compound and more compound by connecting separated elements, appearances, processes and relations to unique totality where its parts are mutually connected (Adapted from Zelenika, 1998). In this paper we will apply method of reproductive synthesis in order to collect research results taken by method of analysis.

**RESEARCH RESULTS**

In this part we will present research result. We will show which principles from Green Paper are followed in Bosnia and Herzegovina and in which way. We will present research results by each principle.

**Human Resource Management**

Out of 41 companies 11 of them take care about human resource management. These companies invest in education of employees, take care that employees have balance between business and private life and make survey about employee’s satisfaction in company working conditions.

**Health And Safety At Work**

Out of 41 companies 4 of them declared about taking care of health and safety at work. For those companies the most important for health and safety is permanent education about it, medicine control per year and the most important implementation of new technologies which enable healthy and safe work.

**Adaptation to change**

No company presented examples of these adaptations.

**Management of environmental impacts and natural resources**

Out of 41 companies 12 of them take care about environment and natural resources. These companies insist on using natural resource in economical way.

**Local Community**

Out of 41 companies 33 of them take care about interests of local community. They do it through different types of donation for schools, art events and sport events.

**Business Partners, Suppliers And Consumers**

Out of 41 companies 19 of them insist on taking care of business partners, suppliers and consumers. The companies insist not only on good and quality product but also on understanding customers and their needs.

**Human Rights**

Out of 41 companies 26 of them insist on human rights. These companies focus their action on children without parents, old people without medicine care and persons with disabilities.

**Global Environmental Concerns**

Out of 41 companies 15 of them take care of global environment. They do it through implementation of new technologies, destroying waste materials, cleaning waste water and by reclamation of old products.
CONCLUSION
The purpose of this paper was to find out how companies from Bosnia and Herzegovina follow principals of corporate social responsibility defined in the EU Green Paper. As a sample for this research we took 41 companies which presented their corporate social responsibility in report published by Global Compact Network in Bosnia and Herzegovina. As it is visible from the research results the companies insist firstly on contribution to local community (33 of 41) and then on human rights (26 of 41) what is encouraging but definitely they must do on other elements in order to be completely social responsible companies. The priority of these companies is to work on human resource management, health and safety at work and adaptation to change because it concerns the most important stakeholders, employees. With good communication to employees and focusing on their education, it is easy to adapt them to changes as well as to motivate them to work which will bring good relations with customers and suppliers. With good healthy and secure work conditions conscious of employees for environment and natural resources will be improved and developed.

Bosnia and Herzegovina is country in transition and it needs some time to accept all concepts which are specific for the EU business. As it is visible from our research companies of Bosnian and Herzegovina started to understand concept of corporate social responsibility but not completely. The companies understand that the business is not only making profit but also helping local community and helping promotion of human rights. These can be considered as rules under which it is disgraceful to make any kind of business. But before these rules, there is something the most important, care for employees. Only with satisfied employees we can count on successful business.

As we mentioned Bosnia and Herzegovina is in transition and in this actual situation it does not have adequate social policy. Such policy impacts to some companies to behave in non responsible manner disobeying employees’ rights. In this situation the most important role is on trade unions and nongovernmental organizations. Their role is to make pressure on the companies and governmental structures to make the law which will enable obeying these rights.

REFERENCES

Papers:


