SOCIALLY RESPONSIBLE BUSINESS
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ed by
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CONTENTS

Preface .................................................................................................................................................. 7

PART I
Idea and Areas of Corporate Social Responsibility

María Dolores Sánchez-Fernández, Ciliana Regina Colombo
Sustainable development and corporate social responsibility: a holistic view ........ 11

Andrzej Chodyński, Wojciech Huszlak
Determinants of Corporate Social Responsibility (CSR). Implementation in Companies ......................................................... 23

Vesna Milovanović
Corporate social responsibility as an element of total quality management ................................................................. 43

PART II
Factors of Socially Responsible Business

Bojan Krstić, Milica Tasić
Sustainable integrated waste management: environmentally responsible, socially acceptable and economically justified solution for the modern business conditions ................................................................................................................................................................. 59

Ksenija Denčić-Mihajlov, Mladen Krstić
Socially responsible investing in recycling projects: the application of cost-benefit analysis ........................................... 83

Janusz Ziarko
Occupational health and safety in a socially responsible enterprise ................................................................. 103

Marta Woźniak-Zapór
E-learning in the context of companies’ informatization and investment in employees’ knowledge and professional competences, as well as in the context of community work ................................................................................................................................. 121
PART III
Corporate Social Responsibility in the international context

Anna Piziak-Rapacz
Political Environment and the Necessity for Dialogue with Stakeholders of the Energy Market in Poland .................................................................141

Marija Džunić, Nataša Golubović
Work-Life Balance: Comparative Analysis of FYR Macedonia, Montenegro and Serbia .................................................................155

Maja Ivanovic-Djukic, Ivana Simic
The analysis of socially responsible behaviour of organisations towards employees in the republic of Serbia .................................................................175

Krzysztof Waśniewski
Investor-state disputes and the TTIP – is it a new challenge for corporate responsibility? .......................................................................................195
Preface

Corporate Social Responsibility (CSR) is a concept which played a significant role in economic and management sciences at the turn of the 21st century. Has business – thanks to numerous scientific publications – become more socially responsible? It is worth reflecting on the infiltration of ideas into the actions taken in real life and, conversely, on describing new ideas or deriving inspiration for them as a result of the observation of economic activity at different levels. When acting in a socially responsible way one must take into consideration different factors depending on the scale and the kind of activities. The common denominator is not only the compliance with the existing law, but also non-infringement of unwritten but widely accepted rules valid in a given local community, consideration of its interests in the long term. It requires better familiarisation with socio-economic conditions at different levels and acceptance of the fact that management cannot be merely a tool serving to achieve the maximum outcome using the minimum resources. The advantage of Socially Responsible Business may lie in a long-term benefit connected with more constant though sometimes not so dynamic development, better reputation in the society, which as an element of public relations may in return bring greater rewards.

The work is divided into three parts combined by the idea which points to the fact that irrespective of the kind of business activity and at every level of management social issues appear and should not be disregarded.

The first part presents the idea, areas and conditions of using the concept of corporate social responsibility. There is a reference to other concepts such as sustainable development and total quality management.

In the second part the authors indicate how corporate social responsibility is applied to selected sectors and specific activities undertaken in enterprises. There is a description of the assumptions, methods of action and outcomes concerning the use of CSR in the sphere of waste management and recycling. Another area presented in this section is the aspects related to the provision of a working environment which does not pose a threat to the employees’ occupational health and safety. The text also refers to the issues of trainings and development.
The third part refers to the applications of the idea of CSR at the sectorial, national and international levels. It describes social aspects connected with mining, purchasing, transporting and producing energy using resources. International tensions in the political sphere have a serious impact on this market, and dialogue at different levels should be a significant element of CSR. Two other elaborations in this part are devoted to the analysis of working conditions, culture and organisational behaviour in the countries created after the disintegration of Yugoslavia. In the final part there is a discussion about how the Transatlantic Trade and Investment Partnership currently under negotiation between the EU and the USA corresponds with the concept of CSR.

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PART I
Idea and Areas of Corporate Social Responsibility
Sustainable development and corporate social responsibility: a holistic view

Abstract
In this paper we go over the literature that exists on the evolution of sustainability, development and corporate social responsibility (CSR) concepts. In addition, we identify the main competitive advantages for companies in the implementation of CSR, which are so crucial for their evolution and survival. Our main goal is to align sustainability with social responsibility actions. To do so, we obtain a new concept, the corporate citizen. We believe that its application based on the holistic paradigm can solve current and future concerns related to sustainable development, and the company can obtain competitive advantages.

Key words: sustainable development, CSR, corporate citizen, competitive advantage.

JEL classification: M140, M190

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Introduction

Since the mid 20th century, several environmental and social issues (bombs, atomic accidents, hurricanes, chemical and oil spills, among others) have caused segments of society to reflect on the consequences of scientific technical development for society. Due to this, movements and events emerged that went on to question the neutrality of science and technology and which conditioned the development of a model in which the implications were not linear, although connected to a complex network.

In the business world, the development model oriented towards growth at any cost came to be questioned. There was a change in the way of looking at resources, those who explored the resources (people and natural environment) as if at the service of the organizations, and those in which resources needed to be fully exploited, with no loss. Organizations should be at the service of society to create a better quality of life for present (internal and external stakeholders) and future generations.

Changes were first initiated in the legislation of the worker, which focused on how to treat people who do the work and the company itself. Subsequently, the environmental legislation forced organizations to review the way they managed their resources both at the beginning and at the end of their process.

Now the market itself requires a change in the position of management of organizations. They go beyond legislation (reagent status) towards a responsible, proactive state where initiatives related to socio-environmental issues form part of the business strategy to be able to remain competitive in the market or alternatively, follow the paradigm of sustainability to be sustainable in the market without affecting others (nature, people, organizations).

In this process, we understand that some issues have become fundamental for both society and the organizational environment such as: sustainability, sustainable development and social responsibility. These concepts are developed in the first three paragraphs of this investigation; subsequently it will reflect the importance and possibility for organizations that work within this new paradigm to generate competitive advantage. Currently, it has become more a demand than an innovative action in large, medium, small and micro enterprises. This will be researched in the fourth block of our investigation, which will be followed by the main conclusions and finally the bibliographical references.

Conceptualization of Sustainability

The idea of sustainability develops partly from the consciousness of human finitude over time and resources provided by nature (mineral, vegetable and animal). According to Barbieri (1998), the traditional concept of sustainability originated from biological sciences applied to renewable resources, especially those that can be completed by uncontrolled exploitation.
Sustainability can be understood as the quality of what is sustainable, i.e., maintenance and conservation of natural resources *ab aeterno* (Barbieri 1998). This means making use of natural resources without destroying them, exceeding their capacity of recovery (resilience) and including the possibility of their use by future generations.

It is believed that the concept of the food chain is important in the construction of this awareness. Each element, be it animal, vegetable or mineral, is the food of another and destroying one would trigger the destruction of the entire chain in the long term. Therefore, it is necessary to maintain the chain for future generations.

Along these lines Sachs (1986) indicates that both present and future irreversible changes should be minimised. This concept is based on the theory that the conscience of every live being is part of a network, and every node that is destroyed eliminates a part of the others, i.e. quality of life depends on all life being maintained.

Sustainability is not limited to nature, various dimensions are involved: social, cultural or socio-cultural, economical, ecological (environmental and ecological), spatial and/or territorial, political, temporal, financial, institutional, global, demographic, technical and individual (Sachs 1993, 1998; Munasinghe 1993; Ultramari 2001; Diegues 1992; Pelizzoli 1999; Pappas 2012).

In conclusion, sustainability takes into account all the aspects mentioned above. This concept is understood as a quality in development that aims to improve present and future beings’ lives in different dimensions of life.

The Development Concept

The terms such as development, modernity, evolution, progress, are often used interchangeably to describe the journey in search of material progress (economical and technological) and not as the process of identifying and meeting human needs, materials and non materials and socially and culturally determined (Sachs, 1986) to improve well-being and quality of life in the sense of being, not only having.

Montibeller-Filho (2001) points out that development signifies progress, improvement and universal desire. According to Diegues (1992) this concept of progress is based on traditional approaches to current development inherited from positivism, it has the same value as economic growth and technological advancement and the belief in industrialization as its engine. There are three current approaches: development processes for social change and structural policies; development and growth (GDP-Gross Domestic Product- and per capita income) and the development and stages to achieve the expansion of material consumption.

The meaning which is attributed to development is to be industrialized, urbanized, economically and technologically dominant and to be identified with the current socioeconomic structure and accepted as inevitable and good (Buarque
The concept of modernity can be seen as non-satisfactory, so it is necessary to update it in the sense of identification and satisfaction of human needs, material and non-material, social and cultural specific. According to Buarque, modernity should be assumed focusing on the concepts of public health, education, equality, confidence in the future, social harmony and individual freedom. It is necessary to search for a different quality in life in which “having” is taken into consideration rather than “being” and “be and be with other beings”.

Along these same lines Capra (1996), defends the need for change in development patterns or standard of life in the paradigm which guides humanity. A large change is needed which requires an expansion of perception, thinking and values. It requires the change from rational thinking to the intuitive, of reductionism to holism, from linear to non-linear thinking, seeing the individual and total on a same continuum.

For Vieira (1997), this new standard is imposed, be it only for ethical reasons. It is not acceptable that the present generation destroys the conditions for survival of future generations in order to survive.

Sachs (1986) defines development as “the learning process of society, for the identification and satisfaction, on a sustainable basis, of human, material and non-material needs, social and culturally determined” (p. 54). However, in its initial stages, development is also a release of material deprivation and dependency. Sachs (1986) clarifies that you can also view development as an open process of creation and preservation of the emerging cultural diversity of differences in current natural contexts as well as of the human potential of the invention.

In this paradigm a new standard aimed at “sustainable development” should be created (CMMAD 1988) in which the standard of life is within the limits of the resiliency of nature and culture, i.e. creates minimal irreversible changes.

The expression “Sustainable development” comes from the concept of eco-development, introduced in 1972 by Maurice Strong, General Secretary for the Stockholm Conference, and widely diffused by Ignacy Sachs, from 1974 onwards (Montibeller-Filho 2001; Foladori, Tommasino 2000; Vieira 1997). This signifies the development of a country or region, based on its own potential, without external dependency (endogenous development). According to Sachs (1986), it is an attempt to harmonize socioeconomic and environmental objectives through the redefinition of standards for the use of resources and the outcomes of growth involving principles of social rationality such as: grow in a sustainable manner (extending the time horizon), leave future options open (minimizing irreversible changes) and protect the physical environment (not “exploiting” nature).

This definition is based on two ethical principles: synchronous commitment —with current population— development is aimed at addressing social needs with more pressure on the improvement of quality of life for the entire population; and diachronic solidarity —with future generations— the care to preserve the environment and the possibilities of quality of life for future generations (Sachs 1993;
Montibeller-Filho 2001).

According to Montibeller-Filho (2001), the concept of sustainable and equitable development was introduced as a new paradigm within the principles set out below:

- Integrate the conservation and development of nature;
- Meet basic human needs;
- Pursue equity and social justice;
- Search social self-determination and respect cultural diversity;
- Maintain ecological integrity.

Going back to the concept of development and the statements previously commented, we can understand sustainable development as a process of identification and satisfaction of current and future human needs. This process follows the same ethical principles of eco-development in the sense that development takes present and future time into consideration. Sustainable development also requires different ethics to that of the underlying current economic growth which dominates man (Diegues 1992).

Corporate Social Responsibility

As with the concept of sustainability and sustainable development, the concept of Corporate Social Responsibility (CSR) has been evolving over time, adapting to current concerns (transparency, ethics, and human rights, among others). In the same way, it has been adjusting to the characteristics of organisations and different interest groups to be able to motivate enterprises (voluntary, mandatory) as well as to do the specialization of matters that need to be handled (University, organizational). Today, as a result, there is a great proliferation of concepts, theories, approaches and terminologies related to the theme of CSR.

Since the mid 20th century, there have been various debates surrounding the meaning of CSR as well as the identification of their key elements (Davis 1973; Whetten, Rands, Godfrey 2002). CSR is conceived as a responsibility of both companies and society (Lee 2011). Multiple concepts, theories, approaches and terminologies related to this theme such as corporate citizenship, corporate accountability, and corporate sustainability, among others currently co-exist (Garrig, Mele 2004).

Dahlsrud (2008) presents 37 definitions of CSR, proposed by institutions that promote this area. The majority are related to stakeholders, social and economic aspects as well as voluntary, leaving the environmental aspects as less frequent references.

The CSR concept is still a controversial concept (Cantó-Mila, Lozano 2009; Claasen and Roloff 2012). Each stakeholder has a different vision and interprets CSR differently: participation in coordinated actions amongst stakeholders (NGO), competitive advantage (business associations) and distrust a possible
MARÍA DOLORES SÁNCHEZ-FERNÁNDEZ, CILIANA REGINA COLOMBO

substitute for forms of collective bargaining (trade unions). The academic community shows an interest in the development of social responsibility practices oriented towards the pursuit of social, economic and environmental goals (Bebbington and Gray 2001; Bell 2002; Laine 2005; Hahn and Scheermesser 2006).

Nowadays, social responsibility in companies is incorporated in the perspective of the business under the so-called 'Triple result' (Elkington 1997, 2004), which includes three dimensions: economic, environmental and social.

The lack of an established CSR definition can be interpreted as an indicator of immaturity, the uselessness of ambitions or as something desirable because not becoming a generic label for a particular field related to the company and society allows it to adapt to more refined and differentiated conceptualizations according to the set of phenomena (Brammer, Jackson, Matten 2012).

The conceptualization of CSR into the business management area started to migrate with the effect of social orientation of enterprises and business responsibilities on their results. This social orientation is involved and aligned with a strategy of growth and competition in the markets (Perdomo, Escobar 2011). Social responsibility is often seen as a general term, as some terms overlapping, or synonymously with other conceptions of relations with society and business (Matten, Crane 2005).

Over these past years the characteristics towards which the concept of CSR should be directed have been outlined: it must be integrated into the company and go beyond legislation and rules; it is necessary to treat it as a business management phenomenon and satisfy the different stakeholders involved, not only in the company, but taking into account their environment. We then highlight the main characteristics that have contributed to the development of this issue throughout this period.

As we pointed out at the beginning of this section, the concept of CSR evolves with time in the face of demands and situations encountered by organizations in this area. This context implies the very difficulty of having a definition unchanged in time, adaptable to the study carried out in this investigation. For this reason we adopted the concept related to the proposed CSR then based it on the compendium of characteristics identified/provided, expressed by different authors and entities during these years and compiled the concept of social responsibility. By Corporate Social Responsibility (CSR) we understand practices carried out by companies (European Commission 2011), that go beyond (Martin et al. 2008) the legal obligations which the organization has, helping to satisfy the expectations of stakeholders (Freeman, 1984; European Commission 2001). It is the result of the balance of all the internal (referring to internal stakeholders) and external (referring to external stakeholders) social responsibility activities identified by Melo e Froes (1999). It is not identified as an isolated philanthropic activity (Vela 1977) or as a strategic philanthropy (Kanitz 2001), but it is a phenomenon of socially responsible management within the organization (Martin
et al. 2008). The company must adopt a proactive attitude (Martin et al. 2008) in order to set and guarantee some purposes, results and effects (Humble 1975). CSR presents two extreme limits, the minimum, which appears after completing a series of minimum standards established by the laws, and a maximum, this limit is exceeded when the application of such activities threatens the profitability and survival of the company (Castillo 1985). Relying on Melo and Froes (1999), the company is considered socially irresponsible in the case of being below the established minimum, exceeding the maximum limit or exceeding themselves in activities oriented to external responsibility, leaving aside the internal responsibility of the organization. We believe that implementing CSR obtains a series of benefits which for the company means a competitive advantage. Below we will study this orientation.

**Competitive Advantages of CSR**

According to Oliveira (2009), the competitive advantage is what makes the market select certain products of an organization, therefore it can be perceived as something more than just identifying products, services and markets, for which the organization is able to act differently. Porter (2004) understands this concept as the value that a company creates for its customers and which exceeds the costs related to its production. According to Ansoff (1965), the concept of competitive advantage means proactively perceiving market trends facing competitors, which allows the adjustment of offers depending on this anticipation. Based on these arguments, we believe that social responsibility is a way of achieving this competitive advantage.

The aspects that provide a competitive advantage for the organization according to Oliveira (2009) come from the environment, the generic status of the company and the position of senior management. With reference to the environment one of the aspects that provide competitive advantage for the company is a good institutional image, which, according to the Danish Commerce and Companies Agency (2006), CSR can provide this good image. One aspect that makes reference to the general situation of the company is “professional teams of a high level”. Bruch and Walter (2005) point out that through applying socially responsible practices organizations are able to attract talent. Appropriate lobby action is one of the issues identified by Oliveira (2009) that provides this competitive advantage to the company, so it is in line with the actions of social responsibility in the enterprise, according to De la Cuesta, Valor and Sanmartín (2002) it manages to meet the demands of stakeholders affected by the companies’ activities. There are several examples in which social responsibility contributes positively in the companies. We highlight some of the most relevant in Table 1.
Table 1. Positive Contribution of Corporate Social Responsibility

- Provides opportunity to attract talent;
- Provides long term legitimacy;
- Reduces the risks of losing reputation;
- Improves financial performance;
- Makes it possible to respond to social and institutional pressures;
- Can attract investment;
- Avoids lawsuits;
- Reduces the possibility of sanctions;
- Eliminates potential boycotts;
- Reduces risk in regulation threats;
- Offers guarantee to financial institutions and insurance companies;
- Avoids negative stakeholder reactions;
- They elude the performance of certain stakeholders of great weight that could be influenced;
- Anticipates pressures.

Source: own elaboration based on Maxwell, Lyon and Hackett (2000); Baron, (2001); Smith (2005); Danish Commerce and Companies Agency 2006; Aguilera et al. 2007; Chen, Patten and Roberts 2008; Nieto 2008 and Lyon and Maxwell 2011.

Then we ask ourselves the following question; what happens if the company does not apply liability measures? The company may be subject to different risks if it does not implement such practices. Vargas and Vaca (2009) indicate that these types of businesses are economically, socially and environmentally irresponsible and also expose stakeholders to dangers in the development of activities. Other negative effects of irresponsible behaviour, according to Nieto (2008), are: companies create mistrust; economic, impact and notoriety loss and also erode the legitimacy of the organization.

Therefore, the company must take into account the balance of the negative effects and the risk of adopting socially irresponsible behaviour and the positive effects, implementing socially responsible activities in the organization. All of this being within the limits that social responsibility defines in the organizations.

Conclusion

The concepts of sustainability, development, and social responsibility, evolve with time. In favour of collaborating in this evolution, at present, we believe that these concepts should be considered in the manner in which we state below.

Sustainability supports the maintenance and conservation of resources (Barbieri 1998), making use of these without destroying them, without exceeding its capacity of recovery and without excluding the possibility of being used by future generations. Sustainable development aims to improve the quality of life of all beings in the present and in the future, in different dimensions of life -social, cultural, economic, ecological, spatial, political, temporal, financial, institutional, global, demographic, technical and individual (Diegues 1992; Sachs 1993, 1998;
Sustainable development and corporate social responsibility: a holistic view


By development, we understand the identification and satisfaction of certain human, material and non material, social and cultural needs requiring a new holistic paradigm oriented towards sustainable development (CMMAD 1988). Not accepting this in order to be able to survive today allows the destruction of the conditions of future generations (Vieira 1997).

The sustainable development implies a process of identification and satisfaction of present and future human needs following the same ethical principles of eco-development.

And we believe that the company should evolve in the implementation of CSR practices towards what we call a corporate citizen. We believe that an organization will be a corporate citizen when it applies corporate social responsibility based on our concept of sustainable development. These organizations will apply responsibility with practices beyond legal obligations, contributing to meeting the expectations of stakeholders taking into account the impact on future generations.

We understand that the benefits identified in the CSR can be assimilated by this new business concept, amongst which we understand that being a good corporate citizen would have advantages such as: avoiding lawsuits; avoiding negative stakeholder reactions; reducing the possibility of sanctions; avoiding the intervention of certain stakeholders of great weight that could be influenced; anticipating pressures; eliminating possibilities of boycotts.

We believe that based on this concept and as future lines of research this behaviour should be studied empirically in order to prove the hypotheses with which we set off. This would be of good use as an argument for companies to adopt this behaviour and thus achieve sustainable development taking interventions into account considering the consequences now and for future generations, whilst preserving the resources for a wide range of time.

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Determinants of Corporate Social Responsibility (CSR) Implementation in Companies

Abstract
Growing number of businesses are incorporating social responsibility (CR) into their strategy. Businesses notice a number of benefits of CSR implementation. In the literature, there is lack of knowledge regarding the circumstances and conditions affecting CSR implementation. The aim of the present article is to attempt to determine the conditions affecting successful implementation of CSR in companies. The research method which we used is a critical analysis of current theoretical concepts connected with corporate responsibility (CR) and CSR. We analysed current models and suggested stages of CSR implementation. Our focus was on external and internal determinants as well as on the characteristics of a given business entity likely to affect the implementation of corporate social responsibility.

Introduction
Nowadays, a growing number of businesses are incorporating social responsibility (CR) into their strategy. This is reflected in the national rankings for the largest businesses (e.g. the Polityka 500 List). For some of them, CSR is a key element of their strategic business activity; they do have CSR strategy, act on the basis of a code of ethics and inform regularly on the results of their activities in their non-financial

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reports. Others declare including the key CSR solutions. The rest of the companies implement selected CSR solutions and consider them to be indispensable.³

Businesses notice a number of benefits of CSR implementation. The research by the Polish Agency for Enterprise Development (PARP) shows that businesses also notice profits from implementing CSR activities (45% of them mention effects on their income, 21% on savings, N=591). The largest proportion of businesses see their benefits in such areas as positive image (74%), employee motivation (58%) and good relations with their environments (42%) (PARP, 2011).

In the literature, there is lack of knowledge regarding the circumstances and conditions affecting CSR implementation. There is no agreement what requirements need to be met, what determines success and how CSR should be implemented, what steps need to be taken. The aim of the present article is to attempt to determine the conditions affecting successful implementation of CSR in companies.

**CSR – business assumptions**

In the literature as well as in business practice, there is no single definition of CSR. The concept of CSR has undergone changes over time. CSR definitions have been reviewed by I. Freeman and A. Hasnaoui.⁴ In the literature on the subject, the term *CR* (*corporate responsibility*) also appears. However, there is no one clear guideline helping to distinguish CSR from CR. In our opinion, CR is a more general concept than CSR, emphasising the aspects of competitiveness and strategic orientation. J. Klimek notes that responsible business uses principles of social dialogue, taking account of all stakeholders.⁵

In a view presented by J. Adamczyk, the concept of CSR involves integrating social and environmental aspects into everyday business activity and building transparent, long-term and stable relations with all groups directly or indirectly interested in its functioning. It is not only about obeying the right regulations or good manners but about going one step further and investing in people or the environment.

The tenets of CSR are reflected in many guidelines and normalizing systems of international institutions, such as: the OECD guidelines for multination-al companies, the Global Impact principles, the Responsible Care programme, the World Business Sustainable Development principles, the AA1000 norm, ³ A. Chodyński, W. Huszlak, 2013, Good business practices in execution of corporate social and ecological responsibility, [in:] Improving the competitiveness of enterprises and national economies – determinants and solutions (ed. B. Krstić, co-ed. Z. Paszek), University of Niš, Faculty of Economics, Andrzej Frycz Modrzewski Krakow University, Niš.
Determinants of Corporate Social Responsibility (CSR) Implementation in Companies

SA8000, norm, ISO26000 norm, the guidelines for sustainable reporting GRI (Global Reporting Initiative), etc. The number of countries determining obligatory CSR guidelines is increasing. Furthermore, stock market indexes are created for socially responsible companies. In the late 90ties, indexes such as the DJSI, the Dow Jones Sustainability Index, and the FTSE4Good Index were created. Indexes give investors and companies the possibility to assess socially responsible companies and to use uniform CSR principles as guidelines. Other significant indexes include the Nasdaq Clean Edge Index, the SRI Index (Socially Responsible Investment Index), the Standard & Poor’s Global Thematic Index or the ISE (Corporate Responsibility Index). In Poland, it is the Respect Index. The RESPECT Index portfolio covers Polish companies from the WSE Main Market (Główny Rynek GPW), and is one of the indexes building their credibility in the eyes of investors. Companies added to it are the ones observing the best management standards in corporate and information governance as well as in investor relations and which take into consideration and respect social, occupational and environmental factors.

What is noteworthy is that even though it is emphasised that the concept of corporate social responsibility is interpreted differently, the decision to implement it necessitates certain consistent and systematic action. The society and a company itself will benefit provided that CSR is an integral part of the company management system.

A. Sokołowska proposes a system view of corporate social responsibility which comprises the following elements:

• attitudes towards corporate responsibility,
• aspects of corporate responsibility (areas) and its subjects (internal and external addressees),
• elements of corporate responsibility management,
• internal and external determinants.

Attitudes towards CSR are widely discussed in the literature of the subject. Response to corporate responsibility is connected with models of corporate social responsibility which identify possible social attitudes based on grading responsibility and on its relation to company profitability (before profit obligation and after profit obligation models). The most well-known models are those of

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8 Respect Index, Giełda Papierów Wartościowych w Warszawie, http://www.odpowiedzialni.gpw.pl
K. Davis and R. Blomstrom, S. P. Sthie, A. B. Caroll, D. J. Wood, S. L. Wartick, and P. L. Cochran. These authors distinguish passive, reactive, defensive, adaptive, proactive and interactive attitudes,\textsuperscript{11} which are determined by an entrepreneur’s or owner’s values and awareness.\textsuperscript{12}

Aspects of CSR include the areas of social responsibility where action is taken and subjects who the action is aimed at. The areas of corporate social responsibility are most often classified on the basis of the concept of triple bottom line, which covers economic, social and environmental areas, and involve subjects – company stakeholders.\textsuperscript{13} In the literature, there are many different classifications of stakeholders. The most commonly mentioned types of stakeholders are internal and external stakeholders as well as first grade and second grade stakeholders.\textsuperscript{14}

Elements of social responsibility management are reflected in various models of corporate social responsibility, which are not strictly models of social responsibility management.

Research Methodology

The research method which we used is a critical analysis of current theoretical concepts connected with corporate responsibility (CR) and CSR. We analysed if it was possible to implement CSR using the general tenets of CR. We analysed current models and suggested stages of CSR implementation. Our focus was on external and internal determinants as well as on the characteristics of a given business entity likely to affect the implementation of corporate social responsibility.

Our thesis is that the accepted model of CSR implementation is affected by a variety of factors which determine the diversity of approaches towards the implementation of the expected stage of realization of CSR.

Analysis results. CRS implementation

A model by M. Werre is one of the propositions concerning CSR implementation. The author focuses on the soft elements of management and sees CR implementation as a particular case of organizational change. The model describes four phases of CR implementation\textsuperscript{15}:

\textsuperscript{12} Postawa właściciela/przedsiębiorcy jest utożsamiana z postawą przedsiębiorstwa jako całości, por. A. So-kołowska, \textit{Socjalna odpowiedzialność małego przedsiębiorstwa}, Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu, Wrocław 2013, pp. 136–137.
1. raising managerial awareness,
2. formulating CR visions and determining the core values of a corporation,
3. changing organizational behaviors,
4. ingraining changes.

The key to success and to make a long-lasting change is to include all of the four phases in the process of implementing CSR. How this is realized should be aligned with the specific context of an organization. The author suggests a few options which might be useful in each of the four phases.

**Raising awareness of top management**

Increased efforts concerning CR are often initiated by a change in the awareness of top management on the situation in an environment and on how it affects an organization. This change can be of a reactive or proactive nature. In the first case, for example, management might take more interest in CR issues as a result of unfavourable press coverage, pressure from NGOs or significant and decisive consumers’ reactions (e.g. a consumer boycott in Germany against Shell after the Brent Spar incident). In the second case, an increase of the awareness of top management is of proactive nature and has two basic directions:

- Increasing the awareness of core values (internal driving-force). In practice, the implementation of CR is initiated by top managers who possess specific values on social and environmental issues. In practice, what top managers do or say does not always reflect what they consider to be important as individuals. In most cases, there is a hidden potential for increased efforts concerning CR. This potential might be unveiled by increasing the awareness of core values. A practical way to increase the awareness of values is to organise a meeting of a managing team whose purpose is to discuss values, to investigate the values of top managers and the differences between personal values and those of management and of an organization. To ensure the smooth running of the meeting, a value audit should be conducted beforehand.

- Increasing sensitivity towards changes in the external environment (external driving-force). In many cases, CR implementation begins as a result of acquiring an awareness of how the change of this kind affects the environment of an organization, for example, its long-term profitability. To increase sensitivity to appropriate signals from an environment, a wide variety of methods can be used. Their aim is to ensure that management has an awareness of key organizational issues and trends which it experiences and especially of the ones which might affect the survival of an organisation. Two ways of increasing sensitivity towards external changes might prove particularly effective:
  - a stakeholder dialogue – engaging in an open, face-to-face dialogue with stakeholders might effectively question top management’s existing assumptions and beliefs about aspects of CR.
A practical form of a stakeholder dialogue could be working conferences with carefully selected representatives of stakeholders. A scenario analysis – the first step in this method is to establish and rank priorities and trends (“driving forces”) shaping the future of an organization. In practice, this can be realised through, for example, interviews and working conferences with external and internal stakeholders of a company. The ranking of driving forces is based on their relative effect on an organization and on how likely they are to appear. The process increases an awareness of external events and focuses particularly on two types of trends which a company (potentially) faces: high-impact certainties but also high–impact uncertainties. The scenario should be internally coherent as it concerns the future environment of a company (e.g. 5–10 years from now), in which high-impact uncertainties are particularly considered to be a starting point.

The key aspect, regardless of the methods used, is active personal participation of top management. The responsibility for CR in this phase, as well as in the subsequent ones, must not be entirely placed on an individual or on middle managers.

Formulating of CR visions and determining the core values of a corporation

In the context of CR, a clear vision and corporate values formulated and shared by top management are the key elements concentrating employee efforts and mobilizing their energy and enthusiasm. A vision describes long term goals and strategic directions of company development. The key values of an enterprise are the values supporting the decision – making process and specific behaviors. They support an organisation in achieving its goals and realizing its visions. Both the vision and the key corporate values concern the desired situation and changes in an organisation. They are the criteria in the decision-making process (what action to take during the implementation (phase3) as well as the assessment criteria (whether the action brings results). A successful vision and a set of the key corporate values share two main characteristics – they are an appropriate reaction to the external environment, and they are a source of inspiration for employees.

Changing organizational behaviors

In order to implement a change in an organisation on a large scale in compliance with its vision and key values, in general, a wide variety of implementation activities need to be taken. In this phase, a number of the key guidelines for successful implementation of a change in organisational behaviors might be used:

• explaining the effects of the vision and key values on the desired everyday behavior and its corresponding skills. This ensures a more detailed view of the effects which should be achieved in this phase,
• using the PLAN – DO – CHECK – ACT cycle,
• communicating constantly within an organisation in order to further increase an awareness of CR, the vision, key values, desired behavior, implementation approach and activities,
• motivating employees by making them involved and by creating short–term successes, clearly showing employees that CR generates genuine changes and progress both for them and for their organisation.

Depending on the context, a variety of activities might be taken in consideration and employed. Choosing a set of activities which ensure the best result poses a challenge. For example, the following might be taken into account:
• appointing a CR-officer and assigning them a responsibility for CR implementation,
• choosing an appropriate external measure/certification standard (e.g. SA8000) which ensures measurement guidelines for assessing efficiency,
• creating a code of ethics describing the desired behaviors,
• providing training to employees on appropriate concepts of corporate responsibility, sustainable development, etc. In training, it is necessary to combine values with everyday experiences of employees,
• mentoring and coaching managers to develop their skills of making decisions integrating CR criteria.

It might be useful to consult the activities undertaken with external experts and organisations, e.g. NGOs, labour market organizations.

**Ingraining changes**

In every project whose aim is to conduct changes in organisational behavior on a large scale, it is important that the change is lasting. The key to ingrain change is to adapt all aspects of an organisation to the CR vision and key values. The activities which facilitate ingrain the desired change might involve:

• including CR in the long–term strategy of a company and in the set of decision–making criteria for strategic decisions (e.g. large investments).
  o anchoring CR to the management system, e.g. by regularly informing on environmental and social aspects,
  o including CR criteria in all managers’ goals; recognizing and rewarding employees creating successes in the area of CSR,
  o formulating a set of CR procedures in each of company locations.

• emphasising the relation between new organisational behaviors and success of an organisation.

• assessing progress with the aid of internal and external audits.

The literature review shows that managing social responsibility is perceived first of all as a process. Various approaches suggest activities affecting the individual areas or subjects of social responsibility. These activities might concern internal and external aspects of an enterprise. It is also observed that the
activities connected with not only hard aspects related to systems or resources but also with the soft elements of management are emphasised. Various authors often use social responsibility management and terms such as integration, social responsibility policy or implementation interchangeably. On the basis of the literature review, a few groups of the activities involved in the implementation of corporate social responsibility can be distinguished (table 1).

Table 1. Activities involved in the implementation of corporate social responsibility.

<table>
<thead>
<tr>
<th>Group of actions</th>
<th>Actions/ Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sensitizing</td>
<td>increasing an awareness of corporate social responsibility within an organisation, especially at the top management level, sensitizing to social issues</td>
</tr>
<tr>
<td>Analysing and assessing</td>
<td>might involve: identifying and analysing problems connected with social responsibility, assessing the current status of social responsibility, revealing organisational norms and values, identifying stakeholders and understanding their expectations and demands, identifying the main areas and their corresponding parameters</td>
</tr>
<tr>
<td>Formulating and planning</td>
<td>formulating the vision and mission compliant with the tenets of social responsibility and creating a code of ethics, developing short- and long-term strategy with social responsibility in mind, determining an action plan in the tactical and operational aspects</td>
</tr>
<tr>
<td>Implementing</td>
<td>embracing the tenets of social responsibility and incorporating them into a value system, integrating CSR tenets with a management system</td>
</tr>
<tr>
<td>Monitoring, reporting, evaluating</td>
<td>preparing systems of monitoring and reporting, collecting data from various sources, informing on plans and achieved results externally and internally</td>
</tr>
<tr>
<td>Routinising</td>
<td>reinforcing and introducing changes and initiatives connected with social responsibility, creating feedback loops by involving stakeholders, promoting CSR by shaping awareness and engaging stakeholders</td>
</tr>
</tbody>
</table>

Determinants of Corporate Social Responsibility (CSR) Implementation in Companies

Determinants of CR Implementation

Effective implementation of CR in an enterprise might mean maximising value resulting from achieving goals which included not only economic but also social and environmental aspects. It might also mean being able to gain a competitive advantage on the basis of CSR. The effectiveness of CSR is also connected to the benefits and costs of social responsibility for an enterprise. Achieving the highest effectiveness depends on a number of factors. CR implementation might be affected by both internal and external factors (table 2).

Table 2. Internal and external factors leading to CR implementation success.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company size</td>
<td>Entails a number of characteristics affecting CR, for example, the number of employees, which results in the organisation of processes, division of work, competences and financial condition determining development and opportunities for cooperation with a variety of subjects.</td>
</tr>
<tr>
<td>Business activity – business line, key resources</td>
<td>Shows a certain tendency or lack of it to treat CR as a distinguishing feature, e.g. in industries likely to have a negative environmental impact (metallurgy, oil and gas industry, chemical industry), the interest in CR is greater</td>
</tr>
<tr>
<td>Scope of business activity</td>
<td>Is significant when a company develops; it is then that the number of stakeholders increases; new commitments towards these groups emerge.</td>
</tr>
<tr>
<td>Company age</td>
<td>Is reflected in the level of knowledge and experience; is also connected with company development phases. In the initial phase – the founding one – values and rules are shaped which allow to assume appropriate CR optics. In the next phase, the growth one, following an increase in the number of employees, significance is placed on personnel policy, communication with employees, delegation of responsibilities, gradual implementation of CR normalizing and reporting systems. In this phase, relationships with clients and contractors are built; it is required that formal and informal ties are strengthened. A company stops being anonymous; it is important to establish a company image and reputation. In the maturity phase, with such threats as the loss of the entrepreneurial spirit, deep management decentralisation, high degrees of formalisation and routinisation, CR activities might require streamlining. CR might be an innovative force for companies which do not implement CR.</td>
</tr>
<tr>
<td>Legal and organisational forms</td>
<td>The choice of a form might affect CR activities; In the case of the most commonly chosen form (a sole proprietorship), we deal with the widest scope of responsibility for company commitments, however, most often, the form is correlated with the company size. Hence the stronger pressure (a larger number of stakeholders, requirements often imposed by the state, e.g. in Sweden, Denmark, Spain) to undertake CR activities in other legal forms such as LLCs or joint-stock companies.</td>
</tr>
<tr>
<td>---</td>
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</tr>
<tr>
<td>Family business</td>
<td>Building one’s potential on traditions, experience and knowledge passed from generation to generation or a family atmosphere facilitate behaviors based on ethical values and form the basis for responsible management of a company.</td>
</tr>
<tr>
<td>External</td>
<td>Might stimulate or hinder acceptance of the concept of CR among companies, for example, the labour market (supply), the quality of employees' competences, purchasing power, the infrastructure development, support for entrepreneurship.</td>
</tr>
<tr>
<td>Characteristics of an area in which a company operates</td>
<td>NGOs, employers’ organisations, trade associations play an important part in increasing awareness and knowledge in companies.</td>
</tr>
<tr>
<td>The institutional environment of a company</td>
<td>Legislation might be a hindering factor if it is flawed, which is often accompanied by lack of respect for and distrust in legislation, which involves lack of established rules and non–legislative forms. Good practices, behavioral patterns, cultural patterns of different countries, e.g. discipline, work ethics also play an important part. Social norms, e.g. out–of–court settlements of disputes, are also crucial for CR implementation.</td>
</tr>
<tr>
<td>Legislation, culture, history, social norms</td>
<td>Strong country economy and therefore a wealthy society as well as democratic government structures are the factors affecting attitudes to legislation, ethical norms more positively than weak economy, serious social stratification and therefore a stronger tendency to corruption and misappropriation of funds.</td>
</tr>
</tbody>
</table>

Our literature review allows us to distinguish two types of determinants of CSR implementation. They can be divided into soft and hard or formal management elements. The importance of both hard and soft elements in the process of successful CR implementation is emphasized by M.J. Epstein and A.R. Bukovac. The soft aspects affecting CSR implementation are discussed by M. Werre. According to Werre, in the process of CR (Corporate Responsibility) implementation, the following are particularly important in the initial stage:

- sensitivity to the external environment
- an awareness of values
- leadership.

Sensitivity to the environment

Social sensitivity involves active and constant participation in socially responsible activities which meet the needs of society. P. Wachowiak defines social sensitivity as “a characteristic of a company which acts according to ethical norms and legal regulations and which, for the benefit of its employees, the society and the environment, voluntarily undertakes long-term non-business activities to meet expectations in such areas as job satisfaction, development opportunities, support for science, education, culture, sport, healthcare and social welfare, the development of the local infrastructure and conservation. The company informs the society in which it functions on all of its activities in a comprehensive, reliable and comprehensible way.” From the perspective of corporate social responsibility, it is crucial to be able to identify the key stakeholders, especially subjects in non–business relationships. An organization which is not sensitive to changes in its environment and which does not adapt to these changes is doomed to fail. Therefore, it is important to monitor the trends in the external world and to make efforts to adapt an organization to them. The ability of a company to receive significant signals depends to a large extent on the values and beliefs of top management at a particular moment. Values and beliefs serve as a filter for incoming signals.

Based on his literature review on flexibility, M. Jabłoński notes the importance of the ability of a company to react, to change strategy or to take oppor-

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16 The division into soft and hard elements of management was proposed by T. Peters and R. Waterman in the “7–S” organisational model. The hard elements of management include: strategy, a structure, systems (procedures); the soft elements encompass: values, styles, skills, personnel. T. Peters, R. Waterman, *In Search of Excellence*, Harper and Row, 1982.


tunity. He emphasises that a flexible company taking advantage of synergy and business partnership is able to implement serious changes in all of its areas of activity. It should be prepared for changes in its business models as an appropriate configuration of elements in these models affects its flexibility. The changes in business models might involve innovative activity, having in mind the lifecycle of a business model. Strategic flexibility depends on both the flexibility of resources and that of coordination. Increasing its flexibility, a company should move away from protecting itself from risk to managing risk.\textsuperscript{22}

According to J. Ejdys and A. Kononiuk, flexibility can be discussed from the strategic point of view from the perspective of the democratization of strategy which means making the process of building it social. The democratization of strategic management takes place in a situation when decisions taken are constrained by barriers affecting rationality, by cognitive or normative barriers, when the optimal choice is constrained by various stakeholders.\textsuperscript{23}

H. Jenkins notes that corporate social responsibility is a new area of competition, and that cost-effective activities affecting the development of social and environmental undertakings form business opportunity.\textsuperscript{24}

An awareness of values

Values are general rules considered to be important and are expressed in behavior. Values help people assess situations and make decisions. Therefore, behavior in every large organisation depends to a large extent on values, and in many organisations, this is largely a subconscious process. The following are examples of values: profit, respect, self-development and sustainability. The values of management determine to a large extent motives behind changes, expectations of desired situations or the way in which changes are successfully implemented. An awareness of values and compatibility of managers’ and employees’ values are absolutely crucial for successful implementation of changes (CR).\textsuperscript{25}

With circumstances changing, people and organisations tend to adapt the way in which they perceive reality. People and organisations develop systems of values as mechanisms which meet the challenges of current conditions according to situations in which they find themselves. According to C. Graves, humanity has created eight basic value systems to respond to different circumstances.\textsuperscript{26} A value system is a way of conceptualizing reality and involves a coherent set of

values, beliefs and appropriate behavior, and is found in individual people as well as in companies and societies.

The development of value systems has a sequence: survival, security, energy & power, order, success, community, synergy, holistic life system. Every new value system involves and goes beyond the previous one, creating a natural hierarchy or holarchy.  

Based on the above-mentioned value systems, M. van Marrewijk and M. Werre propose a six-level matrix of corporate sustainability. The levels correspond to different motives for including CS in business practices present in different value systems. The matrix is an essential element of European Corporate Sustainability Framework. In ECSF, instead of a “one-fit-all” solution, the authors prepared a review demonstrating many CS levels and value systems connected to them.

Declared and practiced values form a basis for socially responsible or irresponsible activities; they can be passed to employees or to different subjects formally (aspects of organisational culture) or informally.

It is essential to put theory into practice. For example, In Poland, the research conducted in the Pomeranian voivodeship, in the years 2010–2011 showed that 57% of the companies were familiar with the concept of corporate social responsibility, and approx. 87% considered themselves to be socially responsible. For the companies from West Pomerania (a survey from 2011), the concept of CSR was known only to 14% of the respondents (20% in middle companies); in Lesser Poland, 11% of the companies (26% of which were middle companies) declared that they were familiar with corporate social responsibility (according to a survey from 2011). The research from the years 2008–2009 on the companies from Silesia showed that 35% of the respondents associated CSR with environmental activities. The national research from 2011 showed that 31% of the companies from the SME sector know the concept of CSR. The research on the companies in Pomerania revealed that 85% of the respondents considered environmental aspects to be important and of the companies in Pomerania did not consider the environmental aspect to be important. In the companies of Lesser Poland, out of six factors affecting the decision-making process, the environment and responsibility towards local communities were ranked the lowest (the latter came bottom of the list). The national research shows that SMEs do not care too much for the environment. The research in different voivodeships as well as the national research point to a low environmental awareness. This is evident in the fact that business people often do not fully realise the impact that their activities


29 A. Sokolowska, op.cit.
involving resources, energy and waste have on the environment. It is large production businesses that are normally associated with a negative environmental impact.\textsuperscript{30}

\textit{Leadership}

Leadership in the context of CR implementation can be described as the ability to create a vision of the future which meets the demands of an environment and the ability to communicate it in an inspiring way.\textsuperscript{31}

The leadership connected with ethical management can be discussed in the context of the theory of transformational leadership. It involves not only formulating inspiring goals and motivating teams but also shaping employees. In the process, higher needs, the way one perceives an organisation and one’s professional role in it are taken into consideration. According to B. Bass, the behavioral components of transformational leadership include \textit{idealized influence}, the degree to which the leader acts as a role model, \textit{intellectual stimulation}, which means motivating employees to question the accepted ways of thinking and acting, with an emphasis on being independent and creative, and \textit{inspirational motivation}, the degree to which the leader articulates a vision that is appealing and inspiring to followers. It involves the quality and emotional strength of the leader’s vision as well as care for employees’ needs, empathy and coaching. Coaching is a manifestation of \textit{individualized consideration} which means an individualized approach to an employee. Analysing ethical management, taking account of CSR implementation, in corporations, “corporate proceduralism” is often observed. It involves acting according to the code of ethics accepted in a given organisation. “Ethical professionalism” is also common; it is based on a manager’s personal value system. It is manifested in behaving professionally but according to the values and rules in an organisation. “Ethical situationism” develops when the context of a situation affects ethical behavior. “Technocratic legalism” describes a situation when management is based on the law and the rules of effective management. “Contract ethics” appears when a company aims to decrease the insecurity of the conditions in which it operates by using a code of ethics ensuring the security and repetitiveness of economic transactions.\textsuperscript{32}

The assumptions involved in the issue of leadership are reflected in the concept of sustainability – the so-called sustainable manager. Sustainable managers act according to the tenets of sustainable development, being aware of social and social threats. They transform classic organisations into sustainable ones which


achieve economic, social and environmental goals. The authority of managers of this type is built on the basis of their genuine engagement and experience in the activities supporting sustainable development, among others.\textsuperscript{33} It is possible to discuss the role of leaders in developing new ideas and concepts for the management based on sustainable development.\textsuperscript{34}

Flexible management in leadership might involve using learning styles. To create new challenges or ideas, it is essential for a leader to learn. Flexibility is seen as an ability to change as well as to initiate changes. A model was presented, based on different types of managers’ minds and using the following combinations of functions: thinking-feeling and perception-intuition. The characteristics of the sustainable manager were described as dimensions connected with learning styles: accommodation (the way in which an individual adapts to changes, the ability to act quickly, engagement) or lack of it, convergence (the ability to put theory into practice, to create solutions without emotional engagement), and divergence (reliance on imagination, emotions, generating ideas).\textsuperscript{35}

In the literature of the subject, the concept of responsible leadership appears. Responsible leadership is a social and moral phenomenon which has gained significance not only due to the latest scandals and burning issues which affect life on our planet but also due to a realization that international corporations and their leaders have a great potential for improving the world. Theoretically, responsible leadership draws on the achievements of leadership ethics, developmental psychology, psychoanalysis, the stakeholder theory and the systems theory; it aims to investigate and clarify the dynamic processes between leaders and stakeholders which lead to responsible leadership maintenance and responsible action for social change. The concept of responsible leadership is reflected in the fact that corporate responsibility is, first of all, the challenge in leadership which requires leaders who care, who are morally aware, who are open to the diversity of stakeholders inside and outside a corporation and who are aware of and understand corporate social responsibility. N.M. Pless and T. Maak define responsible leadership as the relations based on values and driven by ethical values, between leaders and stakeholders, who have a mutual sense of meaning and purpose, thanks to which they are elevated onto a higher level of motivation and engagement in order to create lasting values and social change.\textsuperscript{36}

Maak and Pless introduced a model of responsible leadership roles which helps to understand responsible leadership behaviors towards different stakeholders.


\textsuperscript{35} M. Michalak, Indywidualny styl uczenia się jako predyktor elastyczności w zarządzaniu, „Zarządzanie i Edukacja”, maj/czerwiec 2013, nr 88, pp. 169–186.

They claim that people who are active in society are embedded in the network of relations with stakeholders: with their subordinates, clients, suppliers, colleagues, families, communities, etc. To mobilize all the interested parties (from different backgrounds, with different values and sometimes with conflicting interests) to cooperate for a common vision, leaders must perform specific tasks. The above–mentioned model of responsible leadership comprises nine roles describing different characteristics of a responsible leader. The authors distinguish roles based on values, such as a leader as a steward, a citizen, a servant, or a visionary, and operational roles: a leader as a coach, a networker, a storyteller, an architect, and a change agent.\(^\text{37}\)

The concept of understanding the personality of an organisation appears, which refers to the internal mechanisms integrating psychological and social activity of the members of an organisation. It is affected by an organisational structure and the type of core activity of a business. Internal regulatory mechanisms for managing employee behavior result from interpersonal relations and take account of norms, values, goals, and tasks of an organisation. If the relations are intense, the impact created by personalities of the most influential employees is emphasised.\(^\text{38}\)

The factor affecting successful implementation of CR might be trust. J. Sydow notes that trust is built in three planes: trust as principle (which makes words credible), trust based on authority and, finally, trust based on legitimization (trust is seen as social norms, especially openness, honesty, tolerance).\(^\text{39}\)

According to P. Lencioni, a condition for trust might be practicing values considered to be common. Not only common norms but also, for example, common past or morality come into play. Values might be embedded in the personality of an organisation and involve stable and long-lasting basic values as well as obligatory values (as culturally and geographically shaped minimal standards related to work conditions). Aspirational values, without which a company cannot develop in the future, are also considered as well as intrinsic values which appear spontaneously without management interference.\(^\text{40}\)

D. Harrison indicates five dimensions affecting one another in the process of building trust in an organisation: calculative trust (calculation of costs and profits), personality–based trust, based on the structure of human personality and personality traits of the people in an organisation (including empathy, emotional defectiveness, self-restraint or responsibility), institutional trust (based on formal relations), perceptive trust (through perceiving other people’s behaviors and their cognitive characteristics) and as the most lasting dimension – trust based on knowledge.\(^\text{41}\)
S.M.R. Covey and R.R. Merill present the process of building a trust network. The process comprises five “waves of trust”: 42

- self trust – a person builds trust in themselves, being reliable, reliability,
- relationship trust – trust in another person,
- organizational trust – trust in an organised system (organisational),
- market trust – trust in the market, trust in a brand (reputation),
- societal trust.

The key roles in this process are played by the relations between a company and its environment, the company’s openness to its environment, the ability to make successful business contacts and the analysis of internal and external interpersonal, inter-organisational and institutional ties.

The literature on management and implementation strategy control focuses on hard or formal systems and processes, such as organisation design, result assessment and motivational systems. According to J. Adamczyk, embracing corporate social responsibility by a company requires: 43

- including social goals in the strategic goal system,
- accepting measurement methods and measures for assessing the implementation of social goals,
- measuring costs and profits of social programmes,
- preparing reports on CSR activities and presenting them to stakeholders.

The mission, vision, strategy being implemented, the management model (a business model, concepts, methods, management techniques and tools, a management style), the shape of an organisational structure constitutes an organisational-administrative architecture which either easily absorbs the tenets of CSR or makes the process a problematic one. M.J. Epstein and others note that systems (the hard elements) were not usually effective in implementing sustainable corporate development strategy (CR). Efficiency measurement systems and motivational ones can be a critical tool in CR implementation and can balance the interests of a company, managers and all employees. However, they usually must be part of a larger set of systems aiming to motivate and coordinate employee activities as well as organisational culture. 44

Conclusion

The literature review shows that there is no one CR implementation; the way in which CR is implemented depends on an internal and external business context. CSR is complex; it comprises many levels, hence a variety of approaches to its

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implementation. Different approaches suggest a number of circumstances affecting successful CR implementation. In the literature, there is basically an agreement that CR should be connected with a company management system and the type as well as the diversity of an environment. However, the process of CR implementation and its result depend on a number of factors of financial, psychological, legal, organisational and cultural nature. The factors concerning the company size, type of business activity, company age might be decisive in understanding CSR and its institutionalization. However, it a priority to assume the so-called societal optics involving gaining values and the economic and social balance in a conscious way by acting responsibly and constantly communicating with stakeholders.

It transpires that in order to implement CR successfully, companies need, apart from hard systems, informal, soft elements of management. An alignment of formal and informal systems is critical for the success. The soft elements which come to the fore are: leadership, value awareness, sensitivity towards an environment or trust.

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Abstract

Corporate social responsibility (CSR) is an outcome of companies' aspiration to ensure competitiveness through reducing a negative impact on society and environment, solving the existing problems which might not be necessarily caused by their activities, and creating a positive impact. This relatively new approach is often perceived as a part of Total Quality Management (TQM), a management philosophy that seeks to integrate all organisational functions to focus on meeting customer needs and organisational objectives in order to ensure competitiveness and sustainable development. The goal of sustainable development is to establish the balance between economic development goals on one side, and social and environmental development on the other side. Companies need to consider the influence of each CSR strategy on their business performances and choose the one which brings the greatest benefit to the company. CSR strategy becomes successful, sustainable and profitable when it is in lockstep with a company's business model. The main shortcoming of this approach is lack of measurement tool by which it could be possible to estimate company's real effort toward CSR as well as benefits it gains from such approach. Also, management often do not understand the principles of CSR and the way for proper practicing of CSR activities. This paper reviews the existing literature on CSR in order to present the concept and importance of CSR, challenges of its implementation, as well as the benefits.

Key words: Corporate Social Responsibility, Total Quality Management, Sustainability.
Introduction

To achieve competitive advantage in contemporary market conditions, characterized by a high level of business internationalization, intensive competition, demanding customers, legislation, but also powerful NGOs striving to protect human rights and nature, companies should question their influence on wider community and environment, and take the responsibility for such influence. The theories on corporate social responsibility consider companies as determinants of social prosperity, so differences in standard of living, or quality of life, among countries may be explained by differences in quality of their companies and institutions. The business scope is broadened from customer and shareholder orientation to stakeholder involvement and societal commitment. The basic conditions for meeting this challenge are cooperation leading to win-win solutions, trust and transparency (Zwetsloot, Marrewijk 2004).

Originally, quality had been seen as a set of characteristics that comply with a producer specification. Philosophy of total quality management broadens prior notions of quality in that it includes consideration of continuous business processes improvement, customer orientation, employee and supplier management, altogether with environment preservation and community orientation. Ignoring environmental issues during the production, usage and after finishing the life cycle of products are the reasons behind the production of products harmful to the environment (Kianpour et al. 2014). This harmfulness is reflected in increasing sea levels, climate change, air pollution, species extinction and lack of resources. Quality management and product quality are two important management tools that can help solve environmental problems and reduce hazards from harmful products. TQM is one of the most durable management innovations of the past three decades, and it has been implemented worldwide independently of industry type, company’s size and ownership (Ghobadian et al. 2007). The main goal of the quality movement is to enable companies to deliver high quality goods in the shortest possible time to market, at minimum cost, and in a manner that emphasizes human dignity, work satisfaction, and mutual and long-term loyalty between the organization and its stakeholders (Gazzola, Pellicelli 2009). Having this in mind, companies have been increasing their concern about employees, shareholders, customers, suppliers, local communities and especially about the natural environment. CSR could be a natural progression for those organizations that have already begun their “quality journey” (Hazlett et al. 2007).

Studies conducted to check the impact of a company's social responsible behavior on its business performances show the positive correlation. Although this concept was broadly accepted, it still has not been implemented in each business area since it takes time for some industries or countries to adopt new patterns. Not only customers are expecting companies to be socially responsible, but also the law in some countries has begun to regulate these practices.
The concept of Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a relatively recent phenomenon which dates back to the 1980s (Kok et al. 2001). The World Business Council for Sustainable Development (2001) defines CSR as “the commitment of business to contribute to sustainable economic development, working with employees, their families and the local communities”. The company should operate in a manner that meets and even exceeds the legal, ethical, commercial and public expectations that society has of business (Ćoćkalo et al. 2012). Companies’ activities should ensure everybody a decent life without damaging the ecological system in such a way that the survival of future generations is endangered (Garvare and Isaksson 2005). Taguchi (1986) argued that the poor quality cause waste that deplete scarce resources jeopardising sustainable growth. Sustainability rests on three pillars: economic growth, ecological balance and social responsibility (DESA 1992). The European Union puts a great emphasis on sustainable development, striving to integrate and reconcile the economic, social, and environmental dimensions of sustainability in its sustainable strategy (Delbard 2008). Goal conflicts between economic, environmental and social issues has to be changed into goal congruence to ensure corporate sustainability. Then the overall performance of a company is not only determined by financial results but also by its environmental and social performance (Steimle and Zink 2006). European Commission (2001) defines CSR as „a concept where companies integrate social and environmental concerns in their business operations on a voluntary basis by going beyond compliance and investing more into human resources, the environment and their relations with stakeholders“. Starik and Marcus (2000) state that companies should broaden their profit-driven perspectives to consider the impact of their activities on society and the natural environment. Corporate social responsibility is also defined as a long-term social contract between an organization and the surrounding communities (Kreng and May-Yao 2011). McWilliams et al. (2006) state that CSR may be strategic (the aim is to signal value to the market), altruistic CSR (because companies believe in environmental and social issue), or coerced CSR (if forced by some groups, competing for contracts).

Quality practitioners and academics saw synergies between CSR and quality management thus arguing for the integration of CSR into quality management systems (Castka et al. 2004). CSR is today included into TQM philosophy which promotes ethics, integrity, trust, training, teamwork, leadership, recognition, and communication (Zakuan et al. 2010). The ISO 8402:1992 defined TQM as a „management approach of an organization, centered on quality, based on the participation of all its members and aiming at long-term success through customer satisfaction, as well as benefits for all members of the organization and for society“. The topic of CSR has also been included in the “Portfolio” of the European foundation for quality management (EFQM 2004). Integration of operations, quality, strategy and technology is increasingly seen as a way to sustain compet-
itive advantage of organizations and also a way to overcome disappointments with quality programs and standards (Hayes 2005). Detert et al. (2000) concluded that the underlying cultural characteristics or values of an organization can be in conflict with the cultural values inherent in practices (such as TQM) that an organization is attempting to implement. Liker (2004) wrote that TQM was never understood correctly by most companies. The primary reasons for success or failure of TQM were leadership, management commitment, employee involvement, strategic (long-term) view, and ability to change the culture (Brown et al. 1994).

CSR means commitment to ethical and transparent business actions for the “common good” and avoidance of harm to humans and nature (Campbell 2007). Carroll (2000) has proposed four dimensions of CSR: economic, legal, ethical and philanthropic. Economic responsibility of CSR means that the company has a responsibility towards its stakeholders regarding the operating efficiency, profitability, competitiveness, and the other economic goals accomplishment. It is concerned with creating the value for shareholders through development of marketable goods, which are to be delivered on time, thus enabling the organization to generate revenues that sustain the business operation and provide some social good. Legal responsibilities entail the extent to which a company respects the rules and regulations established by the lawmakers. Ethical responsibility is related to a company’s fairness and justness beyond its legal obligation. More precisely, it entail being moral, doing what is right, just, and fair; respecting peoples’ moral rights; and avoiding harm or social injury as well as preventing harm caused by others. Philanthropic responsibility refers to voluntary service, voluntary association and voluntary giving. Philanthropic activates are perhaps the most sensitive CSR strategy, as it does not mean investment in new technologies, cost-cutting, quality improvement, employee and customer satisfaction, so it is often a subject to the conflict of interests among the stakeholders. Philanthropic activities challenge the primary goal of any company - profit maximization, and thus they are contradictory to the shareholders’ goals.

Companies are in some way obliged to be socially responsible, as sophisticated stakeholders are becoming aware of numerous problems that are the consequence of economic activity (pollution, resource excessive usage, workforce exploitation, nature degradation, etc) and demand taking the responsibility. Media play an important role in raising the awareness about this issue among public, provoking customer responses through demand function and encouraging authorities to include social responsibility into the law (Harrison and Freeman 1999). Denmark was the first country in Europe requiring from the largest companies to include CSR information in annual reports, starting from January, the 1st 2009.

CSR is seen today as a tool for dealing with the dilemma of maximizing the shareholders value and satisfying the stakeholders’ expectations. This concept recognizes that companies besides their primary goal of creating the profit for shareholders also have responsibilities towards their stakeholders (Moir 2001).
Stakeholders have been classified into the following groups: investors (shareholders), employees, consumers, managers, suppliers, community, government, political groups (Donaldson and Preston 1995). Branco and Rodrigues (2006) add the following groups: creditors, competitors, international community, and the environment. Freeman (1984) has developed the ‘Stakeholder Theory’ whereby he defines stakeholders as internal and external groups that are affected by or affect the organization. Henriques and Sadorsky (1999) propose four stakeholder categories: organizational stakeholders (customers, employees, shareholders, and suppliers), community stakeholders (residents), regulatory stakeholders, and media stakeholders. Friedman (1970) declared that managers' responsible behavior concerns the best allocation of scarce resources and revenues maximization.

Based on this view and Freeman's Stakeholder Theory from 1984, a group of scientists argued that companies expand their scope of interest from shareholders only to various groups including customers, employees, suppliers, community and natural environment.

Jensen (2001) states that a firm cannot maximize its long-term value if it ignores the interests of diverse stakeholders. It is therefore necessary to implement different policies to meet needs of each stakeholder, which represent the distinct dimensions of CSR, namely the employee relations, product quality, community relations, environmental issues and diversity issues. Employee relations imply the extent to which a company respects employees' rights required by law and expected by the society (e.g. ensuring health and safety, retirement benefits, working conditions, etc.). Product quality dimension supports the customer relations via ensuring the quality and safety of products and services. Community relations consider a company's involvement in volunteer programs, charity, and education. Environmental issues include a company's contribution to natural environment preservation by implementing recycling programs, resource savings, reducing pollution, etc. Diversity dimension stands for a company's approach towards the rights of women and minorities as employees or suppliers. Some empirical studies have found that each dimension has a different effect on corporate outcomes, such as improved profitability, employer attractiveness and shareholder value. While employee relation and product categories are the only two dimensions that impact the profitability positively, company's involvement in environmental issues, diversity and community relations have a greater positive effect on employer attractiveness, as well as on shareholders value (Backhaus et al. 2002).

Some of the reasons for application and development of corporate social responsibility are the following: increase in market share, strengthening of trade mark position, strengthening of corporate image, improvement of capability for attraction and motivation of employees, business cost reduction, increased attractiveness for investors (Djordjevic et al. 2009). Companies might donate certain percentage of revenue generated from sales of goods for a particular social ob-
jective or assists in development and implementation of a campaign for change of behavior in order to improve health, safety, environment or community prosperity. Existing researches indicate that in developing countries CSR is practiced by foreign-owned companies and followed by domestic private-owned ones, and these are usually big or medium-sized enterprises (Ćočkalo et al. 2012). Public companies are known to offer low quality goods, causing dissatisfaction among customers who cannot punish such companies through demand function, and which are poorly managed causing financial loses, extensive use of resources and damages to wider community and environment. Such situation requires a greater pressure of public, including NGOs, media and government to make these companies be socially responsible.

Contextual factors important to the incorporation of CSR into corporate governance include the economic environment, national governance system, regulation and soft law, shareholders, national culture, behavioral norms and industry impacts (Young and Thyil 2014). Corporate governance has been defined as ‘the whole set of legal, cultural, and institutional arrangements that determine what publicly traded corporations can do, who controls them, how that control is exercised, and how the risks and returns from the activities they undertake are allocated’ (Clarke 2011). In the eyes of practitioners corporate governance includes both structural and behavioral factors as well as responsibilities and actions towards shareholders and stakeholders. In the present global financial crisis CSR is gaining on importance as a strategy to deal with governance failures and corresponding reputation risks. The International Organization for Standardization (ISO 2003) has identified “the crisis in trust with regard to corporate and public governance” and “urgency of a responsible approach to sustainable development”. It has announced an international standard for social responsibility – ISO 26000, which is not designed as a management systems standard and third-party certification is not being offered. Also, the European Union has initiated an European Multistakeholder Forum on CSR (European Commission 2004).

Strategic Corporate Social Responsibility

The concept of CSR is emerging worldwide, but the question is no longer “whether” but “how” to combine the principles of social responsibility with profit generation (Epstein and Roy 2001). As there are many problems in society and environment today, there is a plenty of activities companies could undertake to help solving problems. However, due to the diversity of social needs, organizations are usually not be able to satisfy all of them. CSR strategy is indeed a deliberate choice of activities that enable the organization to benefit from it as well. This approach is known as strategic corporate social responsibility and its principle is that a company should choose the activity which will earn the greatest benefit. This leads to the sustainable corporate social responsibility. It is very im-
Corporate social responsibility as an element of total quality management

Important to consider the influence of each CSR strategy to company's performance and choose the best one. CSR strategy becomes successful, sustainable and profitable when it is in lockstep with a company business model. Porter and Kramer (2006) have classified CSR into strategic and responsive CSR, depending on the degree of connectedness between a firm’s business operation and a given social issue. Strategic CSR refers to activities addressed at social issues which are closely connected to company's operational contexts, what at the same time enables a company to generate competitive advantages, while responsive CSR refers to corporate actions designed to improve indirectly-related social issues and are less likely to have a positive effect on company's performance. It is important that company recognizes those societal problems it is equipped to help resolve and also from which it can gain the greatest competitive advantage. That is a way to harmonize the interests of different stakeholders.

In order to ensure the best allocation of resources and satisfaction of both society and shareholders, companies should examine various interdependent factors among CSR programs, because some investments (e.g. in customer satisfaction) may be shared among several CSR programs. However, such strategic approaches to CSR are still in their infancy. It must be understood that company cannot become socially responsible overnight since time is needed to engage stakeholders and develop a sound CSR strategy. Cramer et al. (2004) have conducted a research in several industries and concluded that the uptake of CSR at the beginning is rather chaotic as organizations firstly “make sense” of the meaning of SR in their organizations, supply chains and industries. A firm’s social responsibility strategy should be unique despite the sameness of corporate reports on CSR (Smith 2004). Companies must balance their CSR programmes against profitability – in order to sustain their survival (Castka and Balzarova 2007). McWilliams and Siegel (2001) argue for the balance between the demand for CSR and investment into CSR – through a cost-benefit analysis.

Valentine has presented the forces that influence environmental strategy through “The Green Onion” (see Figure 1). The main premise underlying the Green Onion is that five dominant forces influence the company's approach to the development of environmental management initiatives. These are macro elements (political, economic, social and technological forces), secondary stakeholder elements (lenders/creditors, government regulation, pressure groups, public and union pressure and educators), industry-specific elements (type of industry, industry risk, media exposure, customer and supplier pressures, and competitive practices), firm-specific elements (ownership, size, financial health, age of assets, and environmental reputation) and functional elements (positioning, financial, brand protection, quality, and cost control strategies).
Allet (2014) has recently conducted a research on CSR of microfinance institutions (MFIs). He showed that MFIs for which stakeholder pressure is the dominant driver for implementing CSR strategy tend to adopt a defensive approach and set up more superficial negative strategies to appear green. In contrast, MFIs which have an internal wish to be socially responsible tend to be more proactive and innovative and develop adapted financial and nonfinancial services to promote environmentally friendly practices. Good examples of MFIs' activities in the area of CSR include: screening loans according to environmental criteria in order to avoid financing polluting activities; offering microcredit to support access to clean technologies; and training their clients on pro-environmental practices linked to their businesses.

The impact of CSR on business performances

Some authors have concluded that more effective environmental management can reduce operating costs (Yakhou, Dorweiler 2004), ensure efficient use of resources (Graedel, Allenby 2001), stimulate innovation in production technology (Porter, van der Linde 1995), develop new market niches (Kiernan 2001), create competitive
barriers to entry (Reinhardt 1999), and improve attractiveness to investors (Chan, Welford 2005). The care for the environment is viewed as a way to stave off both public protest and regulatory intervention. Palmer et al. (1995) state that environmental management practices have strategic defensive value.

Investments in socially responsible activities have to be considered in the form of company financial performance, because if do not enhance a firm's bottom line, such investments may not be considered sustainable in a long run. The effect of CSR activities on financial performance was the subject of numerous researches. Results were different – some have proven the positive and other the negative relation between mentioned variables. The results vary considerably from sector to sector due to sector-specific variables (Barbera, McConnell 1990). Because each industry faces unique social interests and issues based on internal and external environments, financial returns from investment in a certain dimension of CSR activity may differ depending on the specific industry (Godfrey, Hatch 2007). Corporate financial performance can be evaluated through accounting-based measures and market based measures to reflect the short-term profitability and market evaluation of future profitability. For instance, accounting-based measurement tool, ROA (return on assets) shows a company's short-term profitability and the contribution of certain resources allocation to the current profits (Cochran, Wood 1984), while the market-based measures (Tobin's q) indicate the investors evaluation of company's capability to create future profits (Luo, Bhattacharya 2006). McGuire et al. (1988) found a stronger effect of CSR on company's short-term profitability than on market evaluation of the future profitability, while Hillman and Keim (2001) concluded the opposite.

Charitoudi et al. (2011) show that investments in CSR increase during the periods of economic and financial crisis. Although this may seem awkward because companies are rather resistant to undertake investments during the crisis, there are some explanations behind this fact. Namely, besides the usual benefits from CSR implementation including the employee satisfaction, increasing sales, and brand promotion, CSR helps returning the lost trust in business and capital markets (Decker, Sale 2009). This is important not only from the perspective of customers, but also from the investors' standpoint. There must exist trust in a particular company in order to buy its products or to invest in its assets. Therefore, although crises are generally perceived as threats, some companies see it as an opportunity to regain the lost trust and redefine the relationships between itself and stakeholders in order to differentiate from the competition. Since CSR is understood as a set of ethical actions toward the society, it would be natural to treat it as a cost. However, companies treat CSR as an investment, because there are positive results that overcome costs and create added value for the company. Crisis is not only a threat for the business, but for the society as a whole, and company's ethical behavior is especially appreciated during the hard times.
Ethical and socially responsible behavior leads to the stakeholders satisfaction and positive perceptions of the company. The final benefits of CSR engagement include brand awareness, brand preference and brand loyalty, employees loyalty and business partners loyalty towards the company. Through CSR performance, companies create additional resources such as highly qualified job seekers and customer positive evaluations, leading to investors high expectations regarding a company's future profitability, resulting finally in high market value.

Employees are perceived today as an important source of competitiveness, firstly, because they directly impact the quality of product and especially service, and secondly, because their satisfaction increases the rate of job retention and thus, decreases costs of hiring and training. Vitaliano (2010) showed that CSR lowers the annual quit rate by 3% to 3.5%. Relationship quality determines the employees job performance and thus the success of the entire organization. It impacts intentions to spread a positive word-of-mouth and willingness to work in/with the organization. This is a vital component of the success in the service sector, where the quality of customer-employee interaction has a significant impact on the customer's satisfaction. Satisfied staff create a positive working climate which contributes to the internal and external appraisal of the company. This makes jobs within a company more attractive, making employees be more responsible and productive in order to keep the current position. A positive word-of-mouth concerning the organization is created, so the clients, business partners and a wide community become interested in the particular organization. This is the reason why companies put strong emphasis on employees satisfaction. Trust plays a significant role in the employees commitment and interpersonal relations, as an outcome of accumulated positive experiences with the organization and it is a more stable construct than satisfaction (Moorman et al. 1992). Hollingworth and Valentine (2014) found evidence that CSR and TQM orientation indirectly positively affect employees’ turnover intentions through organizational commitment.

There have emerged many questions regarding the evaluation of the CSR performance. It is a complex task to measure the results of such a broad concept. Since there have not been created any single method for measuring the results of CSR investment, a subjective measurement remains the key tool in this respect (Carroll 2000). Researchers have raised a question regarding the lack of measurement of CSR performance which leaves enough place for those claiming CSR just for marketing purposes and revenue increase. In this way, CSR can serve as a manipulative tool to mislead the stakeholders. Many scholars therefore question the legitimacy of CSR practice.
Conclusion

The quest of quality was developing from product- to process quality, and then the goal was to achieve the quality of the entire organization. Afterwards the challenge was to improve the quality of the supply chain and contribute to the quality of society. The fundamentals of CSR can be therefore found in the philosophy of total quality management which is based on continuous improvement of quality of goods, processes and relations. CSR in particular is concentrating on the improvement of relationships with stakeholders to ensure mutual benefits or the win-win outcome. The main principle of CSR is that companies' activities should ensure everybody a decent life without damaging the ecological system in such a way that the survival of future generations is endangered. CSR is a complex concept which cannot be successfully adopted overnight and requires management commitment and understanding at the first place.

There are various reasons why companies adopt CSR practices, including: brand promotion and increasing market share; pressure from NGOs, media, government, unions and other powerful groups; internal wish to help solving social and environmental problems; or the intention to improve business performances through synergy. Numerous studies have been conducted to estimate the impact of CSR activities on company's business performances. Although there is no adequate mean to efficiently measure such outcome, some results confirm positive correlation between CSR practices and business performances. What managers should learn is that CSR should be planned and integrated into business strategy to ensure sustainability of CSR activities and business itself.

Companies need to be as committed to CSR implementation as they are to marketing it, and to be transparent about the actual efforts put forth to achieve the results. Since CSR is a relatively new set of strategies, it is natural to be imperfect. Companies may improve their CSR activities through data collection and processing, promises realization, performance measurement and more frequent communication to shareholders and stakeholders.

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PART II
Factors of Socially Responsible Business
Sustainable integrated waste management: environmentally responsible, socially acceptable and economically justified solution for the modern business conditions

Abstract
Contemporary approaches to solving the problem of waste should provide leeway in the development of economic, social and natural systems. The aim of this paper is to investigate the extent to which this problem can be solved through sustainable integrated waste management, and what are the possible benefits of its application. Thus, the research of the basic features and elements of modern waste management in the first part, provides theoretical support for the realization of the set goal. In the second part, attention is focused on finding practical recognition of the importance of this approach. For this purpose, we used the method of induction, deduction, generalization, analysis and synthesis, as well as comparative and verification method. The results show that integrated sustainable waste management can lead to a number of economic, social and environmental benefits, which clearly points to the need to adopt this approach at all environmental management levels. Therefore, modern managers can be encouraged to start/continue investing in this and similar ventures, in order to strengthen their environmental responsibility and thus enhance the competitiveness of their companies.

Keywords: waste, waste management, integrated and sustainable waste management, environmental, social and economic benefits.

JEL classification: Q53, Q51, Q56, Q52, Q42, O44

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Introduction
Waste is one of the major problems of modern environmental management and has long been considered a major cause of expenditures. However, current business conditions led to the development of new approaches to its management, by which this problem is being solved. One of them is certainly a sustainable integrated waste management that is shaped by the sustainability objectives. In this approach, the interests of the natural, social and economic system are equally important. Sustainable integrated waste management helps in respecting the “golden R rules” and in knowing the characteristics of different types of waste to be managed. Thanks to effective waste problem analysis significant environmental, social and economic effects are achieved. These effects make the process of integrated sustainable waste management fully warranted for modern business conditions, as evidenced by numerous examples from everyday practice.

1. Contexts of the Research and Theoretical Backgrounds
   – Elements of Integrity and Sustainability in Modern Waste Management

The problem of waste is one of the most important issues of the modern environmental management. It denotes (BOŠ, Centar za evropske integracije, 2011): a) any material or object that is created in the course of production, service or other activity; b) items excluded from use, and waste materials generated in consumption and that are, in terms of the producer or the consumer, not for further use and must be discarded. Waste is actually everything which the owner does not want to take responsibility for (Palmer, 1992), and which is discarded, intended or should be dismissed, in accordance with the law (Strategija za upravljanje otpadom za period 2010–2019). Hence, there is the enormous importance of the proper choice of all activities for effective management of waste.

Waste management strives to reduce the amount of waste generated as much as possible. Also, to dispose the resulting waste correctly, in the way to avoid as many negative effects, and score as many positive effects for the economic, social and natural systems. This means the implementation of the measures prescribed for the managing the waste within the collection, transport, storage, treatment and disposal of waste, including the supervision of such activities and taking care of waste management facilities after closure (Zakon o upravljanju otpadom RS, 2009). Whether it is implemented at the level of a country or company, this process requires a strategic approach. In addition to the basic aspirations to the reduction of the amount of waste generated, this approach can target to divert waste from landfill, increase recycling, control of environmental pollution and reduce illegal waste (littering and illegal dumping), increase the cost effectiveness of management etc.
However, regardless of the level of observation, it is a very complex process that involves participation of (UNEP 2009): a) generators/ producers of waste (households, businesses/industry, hospitals and other organizations); b) service providers (governments of countries with their departments for the environmental services provision such as waste collection or landfill monitoring, private companies that transport waste or those that carry out the incineration, local organizations and their representatives); c) regulators (regulatory bodies; such as the Environmental Protection Bureau); d) the government department responsible for one or more waste streams, such as the department of construction and rehabilitation of waste, or department of environmental protection; e) recycling sector (formal and informal) – waste collectors, companies involved in recycling, or those that generate resources from waste, such as composting or biogas industries that use recycled materials as their inputs, and f) community or neighborhood (all the people who live in an area where waste is produced or transported, processed or disposed).

“For wastes, the past is the key to the future” (Letcher, Vallero 2011). Modern waste management has advanced significantly from its original process related only to the collection and disposal of waste that was in the way and a threat to people’s health and safety (Selimović 2003, pp. 371–378; Wilson, McDoughall, Willmore 2001, pp. 327–346.). Changes have gradually emerged with aim of finding a common solution for the complete problem of waste, which, of course, was impossible because of its diversity. So eventually, the concept of integrated waste management was developed. This concept considers the entire life cycle – from the resources and raw materials exploitation, through manufacturing and use, to the waste generation and its disposal – from “cradle to grave” (Ludwig, Hellweg, Stucki 2003). All waste handling activities from its generation, collection, transportation, treatment to disposal, are now integrated into a single unit. However, the concept of integrated waste management sees its further development and improvement. Deeper implementation of sustainable development idea in the environmental management process results in creation of sustainable waste management.

The elements of integration and sustainability are in fact „two sides of the same coin“ (Van de Klundert, Auschutz 1999). Integrated sustainable waste management reinforces the essence of the very own process and closer links the interests of all three systems – economic, social and natural. This process involves a number of elements and partners in the decision–making process. It involves the use of various waste management options, where each step in the process is a part of the whole wider picture (Strategija upravljanja otpadom za period 2010–2019). On the other hand, sustainable waste management represents an efficient use of material resources as well as cutting down the produced amount of waste. And in the end, when waste is already generated, sustainable waste management means dealing with it in a way that actively contributes to the economic, social and environmental goals of sustainable development.
Waste management also represents the economic, social and environmental issue, and its success is an integral element of success in achieving sustainable development. However, for effective waste management is necessary to get to know its basic principles, conditions and stages, as well as types of waste to be managed, which will be in detail discussed next.

1.1. Types of Waste
In Serbia, the area of waste management is governed by the Waste Management Law. The following classification of waste is made under this law (Zakon o upravljanju otpadom RS, 2009; Aćimović Pavlović i dr 2011, pp. 344–348.): a) **municipal** (household waste) – waste from households, as well as other waste similar to the previous because of its nature or composition; b) **commercial** – generated by commercial entities, institutions and other organizations operating in the field of trade, services, performing office tasks or activities in the field of sports, recreation and entertainment, and that do not originate from households and industry, and c) **industrial waste** – derived from any industry or industry location, except for the tailings and associated minerals from mines and quarries. All of them, depending on their hazardous properties that affect the health and safety of people and environment, can be divided into: **inert** – waste that is not subjected to physical, chemical or biological changes (does not dissolve, does not burn, it is not biodegradable, etc.); **non-hazardous** – waste that does not have the characteristics of hazardous waste, and **hazardous** – waste that thanks to its origin, composition or concentration of hazardous substances can cause harm to the environment and human health, and has at least one of the dangerous characteristics regulated by law.

Broadly speaking, there are two types of waste that needs to be managed (Goodship 2010):

- post-industrial or pre-consumer waste, which occurs within the production cycle, which means that the product use is still not experienced by consumers, and
- waste at the end of a life cycle or post-consumer waste, which occurs after the product has been used by consumers.

**Post-industrial waste** has great development potential for the recycling industry, because it has a clear insight into the history of the waste stream. This makes it easier to control and minimize pollution, and allows parallel activities in waste management (recycling) with a production process that is ongoing. **Post-consumer waste** is difficult to assess and control in terms of its age, the degree of usability and pollution that will be produced, which represents the biggest problem in terms of recycling.

In addition, it is possible to talk about other ways of waste classification. However, regardless to that, it can generally be concluded that it is desirable that the waste management systems generate only two kinds of waste: a) those that can be recycled and b) those that may be disposed in the environmentally sound
way, in the short or in the long term, and without additional treatment (Ludwig, Hellweg, Stucki 2003).

1.2. Principles and Phases of Waste Management
Efficient waste management requires a planned approach and respect of certain principles. Modern literature and practice has spawned a number of solutions and options to establish the most appropriate waste management system, but the success of each depends on its specific application and a number of factors.

There are many classifications of waste management principles that should be respected during the construction of the process (Zakon o upravljanju otpadom RS 2009; Nešić 2010; Hester, Harrison 2002). Thus, the first to talk about can be the principle of optimal choice option for the environment. This principle contributes to the systematic and consultative process of environmental decision-making, which is achieved through the establishment of best options and combinations thereof. The selected option must offer maximum profit/minimum damage to the environment, at an acceptable cost and profitability, both long-term and short-term, all within the existing goals. The principle of proximity and regional waste management means that the waste should preferably be treated or disposed as close to the place of its origin as possible or in the same region where it was generated. This should be done in order to avoid any potential adverse environmental effects during its transport. The principles of prevention and precaution are related to the need for avoidance and minimization of waste before it is actually created. They are also connected to all the anticipation and prevention actions of the problems that during the waste management may arise. The principle of the hierarchy of waste management is a hierarchical order of priority activities in waste management. At the bottom of this imagined pyramid is a waste disposal or incineration without any energy utilization, and the most appropriate waste management options is its prevention. The principle of accountability tangents all those who are responsible for the generation of waste – manufacturers, importers, distributors, retailers. Still, the most responsible are the ones to affect the waste composition, properties and its packaging – producers. Therefore, they are supposed to care the most about the possibilities for reducing the amount of waste generated, the development of recyclable products, development of markets for the reuse and recycling, etc. Related to previous one is the “polluter pays principle”. It implies an obligation of polluters to cover the full costs of the consequences of their actions, which means the inclusion of the cost of generation, treatment and disposal of waste in the price of its products. Finally, in line with the aspiration of the modern world towards achieving balanced development in the economic, social and natural system, we can talk about the principle of sustainable development in waste management. On the other hand, the need for integrating the entire process into a single whole, is settled by the action of following, chronologically arranged
principles: 1) avoid (as much as possible), 2) use (as possible), 3) technically refine (as necessary) and 4) dispose (as little as possible).

According to the environmental guide provided by the Government of South Australia (Zero Waste SA 2010), waste management is a complex multi-phase process that requires methodical, planned approach. Therefore, there should already be an approved waste management plan at the beginning of this process, which would further only direct the activities of implementation. This way, by using SWOT analysis, possible barriers and drivers of change would be identified. Also, managers would: get more precise information on how much waste is actually created and how much is being disposed to landfill, identify improvement options, set the key objectives and targets and identify concrete actions to achieve them. Essential element for the success of the mentioned programs is to ensure greater involvement and cooperation of all relevant stakeholders in its implementation, but also provide the necessary infrastructure. One of the prerequisites for the success of the previous step, and the entire process, is the constant education of stakeholders on the importance of waste management and the measures they can take to the road themselves. It is also important to make the alignment of the changes and their results with past and future marketing efforts. Finally, it is necessary to follow all the improvements made in terms of the generation and disposal of waste after the full implementation of the plan, and after all the preceding steps have been successfully completed. Then managers should evaluate their own success and make the received results transparent. In final, all of the above phases will help wrongs to be perceived, and the whole process to be continuously improved.

How to successfully manage waste at a company or a state level depends on the specific situation in which the given process takes place and on the key factors. These may be the development level of a country, the legal framework, climate, as well as some subjective factors such as behavior of citizens and their environmental awareness development level.

1.3. Hierarchical Approach and the “Golden R Rules” of Waste Management

Previous attempts to integrate the sustainable development idea into solid waste management can be seen through the development of a hierarchical approach to waste. It is a philosophy that was first just trying to hierarchically present all possible waste management options. However, in time, it managed to strictly determine sequence of waste management activities according to their priority and importance in meeting the socio-economic and environmental interests of the modern world.

Today's pyramid of waste management options (Figure 1) is much higher than the one that was set on start. In fact, the “golden R rules”, which are the central part of the pyramid which evolved over time, so instead of the original “3R” (reduce, reuse, recycle) today we have “7R rules” (El-Haggar 2007): reduce
(reduction of waste at the source, which means thinking ahead, when making decisions about resources to be used), reuse (reusing products), recycle (separation of materials from waste that can be reused), recover (“recovery” of raw materials from waste through sustainable treatment), rethink (review of environmental decisions before they lead to waste generation), renovate (to develop innovative solutions that would effectively solve the problem of waste) and regulation (prerequisite for the success of all activities in waste management). This rules reflect the management hierarchy of what is desirable in order to achieve sustainability and weigh as little waste production as possible.

Figure 1. The Waste Management Hierarchy

So at the very top of the pyramid is actually an option of avoiding the generation of waste – a preventive approach, while the least preferred option of this inverted pyramid, is waste treatment and its disposal. The treatment of waste implies various physical, chemical, thermal or biological processes that change the characteristics of the waste. The goal of these processes is to reduce the volume and hazardous characteristics, to facilitate handling and to encourage recycling. Disposal, on the other hand, is process or management method used when there is no possibility of regeneration, recycling, processing, direct re-use or the use of alternative sources of energy from waste. From the standpoint of primarily envi-
ronmental, but also social and economic justification, it is the prevention of waste generation the most significant issue that needs to be solved, because, if just this first step is made 100% successful, the need for other steps would not even exist. If it is possible and how much is possible for some system to work without waste, is considered through the development of some of the most advanced concepts in the field of environmental management, such as cradle-to-cradle or zero waste approach. They recommend a different way of looking at certain phases of the product life cycle and its redesign in the direction of achieving a higher level of environmental responsibility.

Efficient waste management with elements of integrity and sustainability implies greater use of options from the top and one at the bottom should be much less common. This approach is also used among EU member states. They promote waste management based on the principle of reduction at the source/place of its origin, through the various campaigns for the introduction of cleaner technologies and spreading public awareness of waste issues (Jovanović, Krstić, Janković Milić 2013). In this way they contribute to a higher degree of proximity to the sustainable development goals. However, it is possible to make even more detailed identification of some of the major waste management effects.

2. Research Methodology and Research Questions

The subject of research presented in this paper, refers to the basic elements and features of an integrated sustainable waste management in contemporary business. The aim is to identify the importance of this approach in solving the waste problem, and explore all the possible positive effects of its application.

Based on the defined objective, the initial assumption is formulated: Application of integrated sustainable waste management is seen as an environmentally responsible, socially acceptable and economically feasible solution for modern business conditions. Such a starting point in the study, is further broken down by the following hypotheses:

- **H1**: Sustainable integrated waste management can lead to significant environmental benefits.
- **H2**: Sustainable integrated waste management can lead to significant social benefits.
- **H3**: Sustainable integrated waste management can lead to significant economic benefits.

Testing these hypotheses was carried out through the analysis of empirical data of some international companies and national governments, which have already applied this waste management approach. For the purposes of this study, we used the method of induction, deduction, generalization, analysis and synthesis, as well as comparative and verification method.
3. Analysis of the Possible Positive Effects of the Integrated and Sustainable Waste Management Process – Research Results and Discussions

The importance of establishing and developing effective waste management lies in many positive effects that are therefore achieved for economic, social and natural system. Although the precise boundaries for mentioned effects can not be withdrawn, it is possible to roughly classify all the benefits of the management of waste in just those three categories – economic, social and environmental (UNEP 2011). In doing so, the economic benefits may be considered as any savings and potential revenue that this process potentially carries for a country or a single business entity. Under the social benefits we have in mind raising the environmental awareness and involvement of the community to act responsibly towards the environment, positive impact on the people’s health and safety, and also the effect on their environmental and social security. Environmental benefits are generally related to reducing the negative impact on the quality and further improvement of the environment. Here we will make the analysis of all of these groups of effects, but the focus will still be kept on those economic ones.

3.1. Analysis of the Environmental Benefits of Waste Management

If we take into account the main drivers of the green economy and environmental responsibility at the enterprise level, there is a view that the environmental benefits are the primary aim of effective waste management. This group includes a number of benefits. Their ultimate effect is reflected in the protection and environmental quality improvement, and their identification is helped by the use of life cycle analysis (LCA).

For the environment most benefits are achieved due to the reduced use of resources, because when they are used more efficiently, fewer are needed to perform the same type of work than before. This entails smaller quantities of generated waste and reducing the need for its management, all in a final means less environmental pressure (Brown 1993). The benefit is reflected in the reduced exploitation of natural resources and energy sources, especially those non-renewable. Reduced amount of generated waste means fewer emissions and lower pollution, as well as lower level of environmental degradation.

Proper waste management means lower greenhouse gases emissions (GHGs), but also emissions of all other gases whose release into the atmosphere leads to very serious negative climate change. The direct link between effective waste management and reduced GHGs emissions can be accompanied through analyzing the hierarchy options as shown in Figure 1. Thus, if only a reduce option is being watched, indicated correlation can be explained like following (Mohanty 2011): Reduce → 1. reduction of waste → reduction of fuel oil used for incineration → GHGs emission reduction; 2. reduction of necessary production
Reduced volume → reduction of energy consumption → GHGs emission reduction, and 3. reduction of landfill waste → reduction of methane generated at landfill sites → GHGs emission reduction. These results are also made by the Government of Japan through their successful waste management. Thus, in the period 1990–2010, this country managed to reduce emissions (in thousand tons per annum): a) CH₄ in the area of solid waste disposal on landfills from 7645 to 3270; b) CH₄ from 2144 to 1270, and N₂O from 1295 to 1132 in the field of wastewater treatment, and c) CH₄ from 13 to 10 in the field of incineration (Ministry of the Environment & Greenhouse Gas Inventory Office of Japan 2012).

Significant amounts of energy can be recovered through proper landfill waste management, which gives very valuable renewable resources. One such venture was implemented through a partnership of the Waste Management Inc. and the University of New Hampshire, and the result was a project called EcoLine (WM & UNH 2014). Matter of this project was the university energy supply in value 80–85% of its total energy needs. The largest North American provider of integrated environmental solutions, Waste Management, was according to this project delivering renewable, carbon-neutral gas from its landfills directly to Durham, where campus of this university is located. Such cooperation helped university reduce its dependence on fossil fuels and also reduce their GHGs emissions (by 67% compared to the levels in 2005 and 57% compared to the ones in 1990). It also reduced the fluctuating cost of energy, which was doubled during the past years, with an annual growth rate of nearly 19%. This is how EcoLine became very important environmentally and fiscally responsible initiative, which made this university the national leader in making significant steps towards sustainability.

Waste Management Inc, according to the same source, has also helped the company Alcoa to annually generate $500,000 of newfound value from their own waste. It was the procedure for saving valuable reusable resources, that were being “swept off the factory floor and thrown away” in this New York company till then. In fact, this company has realized on time what was the real value of its aluminum oxide return, which is a key component in the aluminum production, and often wasted as excess over the factory floor. Waste Management helped this company to safely dispose and then reuse this material in its production process. This was done through the joint development and implementation of a comprehensive plan for resource recovery, which saved 20–25 tons of this substance a week. Finally, this collaboration has helped Alcoa through diversion of its waste stream to achieve its targets for reducing landfill waste.

The question of the importance of sustainable integrated waste management, some authors consider from another angle. For instance, Dorvil (Dorvil 2007), is one of those authors who consider that all of the environmental problems are arising precisely because this type of environmental management is still not established. On the basis of the examples from practice research, the author has come up with evidence that about 10% of all preventable world illnesses arise,
among other reasons, also because of inadequate waste management. Lack of integrated and sustainable waste management system generally represents a dangerous threat to the national economies, especially tourism–driven ones. As an example, this author states the city of Tangier in Morocco, where the inadequate management of waste has led to pollution of beaches, which consequently led to $23 million of lost revenue for hotels in this tourist town. He further stated that the annual cost of environmental degradation in this country was between 2.75 and 4.64% of its GDP, and the price of inadequate waste management itself was 0.5% of GDP of the country.

Finally, a good indicator of environmental responsible side of effective waste management, can be an example of Portugal. This country has introduced Integrated Packaging Waste Management System (SIGRE) with the aim of achieving sustainable development. In order to identify the environmental effects of its actions, this country carried out an environmental assessment, which showed significant results (Letras 2013). It was found that, due to the application of this waste management approach, GHGs emissions were reduced by 116 kt CO$_2$ eq, which was enough to: meet electricity needs of 124.302 Portuguese families, create carbon savings equal to 198 km$^2$ of Pines, or 15.750 air travels around the world. Also, energy consumption was reduced to 12.689 TJ of primary energy, which was 1.32% per annum of primary energy consumption at the national level, or 303 kt of oil equivalent. Finally, this approach also led to significant reductions in water consumption (688.716 m$^3$), equivalent to the annual consumption of 10.812 inhabitants of Portugal, or the amount of water of 275 Olympic swimming pools.

Reduced intensity of pollution and destruction of nature is an important benefit and economic, but also in general, the social system. The group of authors (McDougall et al. 2001) has, based on the implementation of extensive research and analysis of various case studies, come to the conclusion that environmental benefits cannot be projected through the development of waste management if the system is not both, economically viable and socially acceptable. It is therefore necessary that all three categories of benefits are simultaneously achieved. However, the environmental benefits can reasonably be considered a significant prerequisite for the future socio-economic development of the modern world, as they significantly contribute to its sustainability for generations to come.

3.2. Analysis of the Social Benefits of Waste Management
It is very difficult to accurately extract the effects of waste management that tangent only the social system, because they are all in fact directly or indirectly built through economic and environmental impacts. So, if you mention that this growing industry sector opens up more jobs, which can be seen as mainly an economic category, you must also mention that it has a positive impact on the welfare of the closer and wider community, by reducing its poverty and promoting the social equality. Or, if we take
into account the protection and improvement of environmental quality as a positive environmental effect of the effective waste management, we cannot bypass their positive social impact on the people’s safety and health (UNEP 2011). However, it can be said that it is the way that promotes business based on the idea of social responsibility, and by the very nature of this business philosophy negative social consequences are not tolerable. This is achieved through a variety of programs, actions, campaigns, or through education, thereby raising the level of environmental awareness among the people and developing their environmentally responsible approach to waste (Nešić 2010).

In order to even set up an integrated and sustainable management of waste, it is essential that the public recognizes the importance of these ideas and incorporates deeper into revival of them in practice. Therefore, the effective management of waste is seen as “a continuous process of public education, discussion, implementation and evaluation” (EPA 1995, pp. 1–13). Effective waste management by itself implies involvement of the wider community on the problem of waste and encourages a more responsible approach to its future addressing. Examples of states and cities which, thanks to well thought promotion of sustainable integrated waste management approach, have managed to shift the consciousness of their citizens and develop their environmental responsibility at all levels, are multiplying. That is how, thanks to the many programs, campaigns and systematic approach to environmental education, Singapore managed to cope with the problem of excessive waste generation and got closer to the realization of the idea of zero waste (Waste Management World 2014). In a similar way, Japan achieved its environmental objectives by creating its recycling-oriented society (International Environmental Technology Centre 2013; Mohanty 2011). Finally, another example of a successful change in the way society conceives waste is city Edmonton, one of the pioneers in establishing a sustainable integrated waste management in Canada (City of Edmonton – Waste Management Branch 2010, pp. 1–12). This city has succeeded thanks to a thorough promotion of following approach: opening Reuse Centre where training on the importance of reuse approaches was conducted, organizing school trips and presentations, managing numerous volunteer programs, by having practical demonstrations and workshops, as well as through a variety of social marketing programs.

The chances that an effective waste management offers a society are reflected through (Hyman 2013): a) the creation of employment (including low, medium, and high-skilled jobs); b) integration and professionalization of the informal sector employment (the way of achieving equity and solving poverty issues), c) creating more acceptable and pleasant human settlements and improving social amenity, and d) encouraging community to make and accept changes in its attitude and behavior. Integration of activities towards the establishment of sustainable management of waste requires the inclusion of the informal sector. In underdeveloped and in some developing countries this is seen as the only
possibility for employing certain categories of the population (women, socially marginalized groups or internal migrants that recently moved from rural to urban areas). Therefore, we can say that “job creation and environmental investment are not only compatible, they are strongly synergistic, with investment in environmental programs likely to generate greater than proportionate employment” (Institute for Global Environmental Strategies 2008).

Results of environmental projects implemented in the Mediterranean countries with medium and low incomes (Mediterranean Environmental Technical Assistance Project – METAP and Regional Solid Waste Management Project – RSWMP), showed that almost 10,000 people from these countries survive only thanks to income from working in the informal sector of waste management (Dorvil 2007). According to this source, only in Cairo about 3,000 new jobs were created, as well as several micro-enterprises that operate thanks to recovered materials. Some poor communities in Nepal have made similar experiences, which gave the “example of how awareness can make a difference” (Hada 2008). The project included an area of about 4,000 households, and the goal was to establish an integrated sustainable waste management, which will help improve environmental and health conditions of the area. This was achieved through the adoption of community-based approaches to assessment and analysis of opportunities and threats that waste brings.

3.3. Analysis of the Economic Benefits of Waste Management

The main problem of waste, from economic point of view, is the fact that it is a material with no value (Ludwig, Hellweg, Stucki 2003). However, effective waste management can bring many economic benefits to a company that generates it, to a specialized organization which indulges to manage it, or to a state that governs this area through economic instruments of its environmental policy on the macro and micro level. Solving environmental problems, and in particular the problem of waste, can bring numerous benefits to economic system:

a) more efficient use of raw materials, packaging and equipment leads to savings in terms of future purchases;

b) reducing the amount of generated waste leads to a reduction in cost for its disposal;

c) the development and implementation of effective policies and procedures in the field of environmental responsibility makes it easier and makes it “cheaper” to adapt to a regulation in the field of waste management, and

d) finding new sources of revenue in a place where mostly expenses are expected.

By carrying out cost-benefit analysis of individual projects or programs in the area of waste management, some authors have come to different classifications of possible benefits realized on the micro and macro level. An interesting classification is given by one Australian author (Lassen, Moody, Culpitt 2010),
which divides all benefits into two major groups: 1) quantitative and 2) qualitative. Authors attribute to the group of *quantitative benefits* any savings in terms of quantity and value of resources caused by diverting waste from landfills. They also attribute all thereby avoided costs associated with disposal to landfill (the land cost, costs of on-site gas recovery and flaring, labor, fuel and other operational costs, the cost of aftercare, etc.). Finally, according to these authors, to this group also belong avoided costs of possible negative environmental effects (greenhouse and other gas emissions, leachate leakage and amenity damage). *Qualitative benefits* are the avoidance or reduction of pollution during the manufacturing process due to the use of recycled materials instead of the virgin ones. This increases the quality of production itself, but also reduces the amount of packaging due to the innovation of the entire production process.

In fact, with a recent approach to the problem of waste, it seems that the most important benefit is that this process carries with it a great impetus to the process of innovation and the flexibility of different business areas of modern world. This type of incentive is important because it ultimately affects the competitiveness and the gained level of final results. However, all the here listed effects can be divided by some authors (Jamasb, Kiamil, Nepal 2008; Broome, Vaze, Hogg 2000) to the *private* and *external* waste management effects. This division was made depending on whether it is direct or indirect benefit carried for a company.

We can also find the classification of the benefits according to the role different subjects have in waste management. Thus, the benefits can be seen from the perspective of the waste generators on one, or any organization which takes the waste in the further management course (waste recipients) on the other side (Stevenson, Gmitrowicz 2013). For the waste *generators* efficient waste management means: reducing the regulatory burden, the potential for improving reputation and brand, space to build new partnerships and agreements, new business opportunities, diversification in terms of product placement and disposal, base for further business processes innovation, and enhanced reporting on corporate social responsibility. For *waste recipients* this process brings: the possibility of suppliers of materials diversification and improving financial security, the opportunity to develop and apply new innovations to attract investors in the field of recycling and remanufacturing, but also the possibility of creating new jobs.

For some of the developed world countries where this system has taken root long time ago, waste management is seen as a very important public revenue source. In fact, in countries such as the USA, Canada, New Zealand and some European countries, there is a very diverse set of economic policies and programs governing this area. They generate a large amount of revenue, which can be used for further waste management improvement and development. These are some of the named sources (Brown, Yoder, Chouinard 2011):

- *Goods and packaging producers* generate incomes based on extended producer responsibility, as well as fees based on the type and characteristics of the prod-
Sustainable integrated waste management: environmentally responsible, socially responsible...

- Goods and packaging purchasers pay fees for special disposal, recycling and reusing waste, general and other fees – example for these revenues is British Columbia. The purchase of any beverage there also means paying a deposit on its container, which can be returned if the customer returns the product packaging after its use. But since this does not happen always, unsolicited deposits are retained as income, and only in 2007 it reached the amount of over $17 million (Gardner Pinfold Consulting 2008);
- Waste disposers are required to pay a fee for the use of landfills, recycling and composting, as well as fees for illegal dumping – so in Denmark they pay fee per ton of disposed waste. In 2000, this fee was about $72 and among the highest in the world, and the whole revenue from its collection was taken by the state. Only in 2003 in this way €130 million in revenue was raised around (Andersen, Dengsoe 2002, pp. 23–28.);
- Solid waste collectors pay commissions or fees, depending on the nature of their business ownership – under Revised Code of Washington 91.77.080, all collectors of solid waste are required to pay a fee of 1% of the value of their gross income. This money is further used for the waste management control and improvement (Washington State Legislature 1961);
- Private disposal facility operators also pay taxes and fees – in New Zealand in 2008 Waste Minimization Act was passed, which defines the levy of $10 per ton of waste ending up on landfill. Landfill owners are required to pay part of these costs, but the part is transferred to their clients. Half of this revenue goes to the Waste Minimization Funds, and this way only in 2010 about $6 million was raised (New Zealand Ministry for the Environment 2011);
- Energy recovery sale revenue obtained in the waste-to-energy plants owned by the state, or through taxes and fees of private companies – the American city Spokane owns one such plant with a daily capacity of 800 tons, which is operated by the largest waste management company in the United States, Waste Management Inc. This plant produces enough electricity to supply about 26,000 households, which is either sent back into the operating process or sold to other utility companies (Clark County 2000);
- The sale of recycled goods also makes a significant income – in 2005, about $100 million of costs related to the implementation of various recycling programs in Washington, DC, was settled by the obtained recycled materials sale (Cascadia Consulting Group, Industrial Economics Incorporated 2007), and
Outside the waste stream, participants generate revenues in form of taxes from outside the flow stakeholders. With those ones within the flow they are connected through certain financing options (for instance, financing through bonds) – in 2005 local government in Washington has managed to collect about $7.7 million of these funds (Cascadia Consulting Group, Industrial Economics Incorporated 2007).

Another concrete example of the national importance of this system is the case of California in 1999, which is given by the authors Goldman and Ogishi (2001). This country then gained, thanks to the establishment of its waste management system, a number of direct and indirect economic benefits such as: more than $9 billion in sales revenue, over $21 billion in its total output, nearly $8 billion in total income, nearly $11 billion in value – added impacts, and more than 179,000 of new jobs. This analysis also showed the specific benefits that the state achieved thanks to diverting waste from landfills, which are significantly higher than those achieved by traditional waste disposal. Thus, the value of total sales and the additional value created is more than twice as high, the value of actual output and total revenues is also almost twice as high, and the number of new jobs created is doubled. It is interesting to see this last effect analyzed by some authors (Platt, Morris 1993). According to them, only thanks to the recycled materials processing, for every 15,000 tons of recovered materials, 9 new job positions are opened. This is much better option than compared with the option of incineration (2 new jobs) and landfill disposal (1 new job).

It is considered that only through recycling, new industries such as the waste–based production can be attracted and developed, which would again increase the number of new jobs. The global waste market, if we take into account everything from collection to recycling, is estimated to be worth about $410 billion a year, but this excludes the informal waste flows from the developing countries (Chalmin, Gaillochet 2009). Recycling industry will become even more important source of new jobs in the world, since it is expected that this sector will strengthen so much till 2050 that will employ 10% more people than under business-as-usual scenario. This will be achieved if properly promoted, which will result in reduction of poverty in the world (UNEP 2011).

The representation of the public and private sector in waste management is in the developed world almost equal. That is why no one should be surprised by the fact that this process often takes place on the level and as a property of only one company, or through a partnership at its supply chain. So some environmentally responsible companies that successfully foster an integrated approach to waste management, a very expensive attempt to reduce their waste, transform into a very profitable move, through a well designed environmental strategy (IMA 1995). Thanks to this, a large amount of materials and energy can be saved and reused, leading to significantly lower cost of waste disposal and materials and generation of new categories of income, incomes from the sale of certain types of waste.
We used Xerox Company as an example, which was faced with a serious problem of health hazards in 1967. The potential threat was related to the disposal of its photoreceptor drums, made of arsenic alloy coating that this company decided to reclaim. Although the original intention of the company was to avoid a potential hazard, it soon became a very profitable business move for Xerox. The drums were repaired at a fraction of the cost of a new product. The process had been extended, after which in 1994 company managed to recover about a million pieces of its equipment in the amount of approximately $200 million (Bhushan, Mackenzie 1994). However, this is a move that requires the existence of a suitable, often very expensive equipment and trained personnel. It pays to invest in it only if the company generates enough waste, which can be reused in the same company. Otherwise, waste management, or any of its phases should take place outside of the company (off–plant waste management).

When the waste management takes place outside the company that generates it, specialized companies that provide these services get many chances to generate their own income. However, some waste generators have managed to raise their revenue and achieve significant savings, even when waste management is performed out of their plants. Thus, has McDonald's managed to incorporate its waste management targets into the process of evaluation and selection of its suppliers. In this way they were committed to developing environmentally friendly products and packaging, which is in accordance with McDonald's principles of waste reduction: reduce, reuse, and recycle. The company considers the environmental responsibility of its suppliers in terms of their production facilities, processes and products before start of any cooperation or its continuation. In doing so, McDonald's fosters the total life cycle analysis approach in its waste management. This resulted in a significant reduction in terms of used packaging, and thus the generated quantity of waste. Due to the all above mentioned, McDonald's was able to fairly reduce its costs, which led to increase of its financial results, but also to its environmental impact reduction over time.

In fact, McDonald's is one of the companies whose environmental responsibility is perhaps the most discussed globally. McDonald's does not generate more waste than its competitors, but as the world's largest fast food chain, “the company has to pay for the sins of the whole food industry” (Allen 2000). Major environmental problem associated with the business of this company was the use of styrofoam boxes for their burgers packing, which U.S. officials named McToxics because of their harmful effect on the environment. Namesake campaign against the use of these and other harmful materials in the food industry, began in Vermont in 1987, but soon was spread to the entire United States. In the beginning, the company defended the statements that it is a kind of waste that is suitable to be placed on landfills, and that the problem can be solved by use of a special type of incineration machine in each of their restaurants. However, community was not pleased with these solutions. Even more growing public pressure in 1990 forced
McDonald's top management to publicly commit to the withdrawal of this material from the most stages of their business, and to their solid waste reduction by 90% (McSpotlight 2014). However, beside this one, McDonald's has introduced a series of other, seemingly insignificant changes (Allen 2000): the happy meal bag with 20% less paper, made from recycled paper, and brown bags are not treated with chlorine because its harmful for the wildlife; 10% lighter straws and 1 inch shorter napkins helped company to eliminate the amount of 900 tons of waste a year; instead of their controversial styrofoam Big Mac packaging (polystyrene shell), specially designed paper box was introduced, half the weight of the most boxes used in fast food chains; french fry cartons are quarter inch shorter, and french fries are cooked in vegetable oil, because it causes less damage to sewer system than animal fat; sundae cups are lighter and thinner, and plastic food serving tray is also lighter and contains 40% of recycled plastic, mostly originating from old milk bottles.

Between 1990 and 2000 this company reduced its waste by more than 30%, which means that the costs of waste management decreased by 30%, too. Also, due to the reduced amount of packaging company made $5 million year savings. Thanks to all the changes made during this period, McDonald's has quickly become environmental role model for other companies in the United States and in the world. In this period McDonald's became the largest buyer of recycled material in the U.S. because the value of its environmentally friendly purchases was nearly $3 billion. The value of its purchases was the reason this company could impose its environmental standards to the competition, which soon began to cultivate a similar practice in their own business. It is also significant to mention its waste-to-energy activities implemented through the program “Fries to Fuel” thanks to which approximately 4.5 million liters of used cooking oil a year is recycled. This oil is in this manner converted into biodiesel fuel sufficient to meet half of McDonald's distribution sector (Scott 2013). McDonald's also has very rich food waste composting system that is used for the purpose of fertilizers production. In the end, we should also mention an example of the Austrian McDonald's, which in 1992 developed the waste management concept called McRecycle. This concept pays attention to both, the inputs and the outputs, thanks to which 95% of waste is recycled each year. The share of the plastic among the used materials according to this concept is only 7%, used plastic film is granulated into garbage bags, food waste is composted and the used oil is recycled into biodiesel fuel for their trucks (McDonald's 2012).

It is worth mentioning another example of a company that has managed to “cash” well its environmental responsibility through waste management activities. It is the company Verizon Communications, one of the leading telecom companies in the United States, which is continuously working to reduce its ecological footprint in the business through efficient waste management. That is why this company became a nine-time winner of the Waste Wise Award, given by the Environmental Protection Agency (EPA). In 2006, Verizon Communications col-
lected, refurbished and resold 660,000 old mobile phones, thanks to which was able to donate $1.3 million to nearly 300 local organizations for the domestic violence prevention and awareness. Also, the company has established Investment Recovery Organization to identify materials that can no longer be used for the purposes for which they were designed. This organization also encourages consumers to reduce the paper use by offering them online shopping account. Thanks to these and many other waste prevention programs: more than $10 million in earnings was achieved, over $21 million of total revenues from recycling was made, and due to the more environmentally responsible procurement company saved nearly $16 million (U.S. EPA 2012).

In Serbia, the waste management and environmental responsibility ideas are still quite young. According to the Deputy Minister of Environment and Spatial Planning of Serbia, Aleksandar Vesić, waste can be used as an energy source, carrying with it the following benefits (Vesić 2011): a) reduced dependence on fossil fuels and the preservation of the environment contribution; b) recycling promotion; c) reduction of the required capacity of landfills for more than 95%; d) substantial revenue from energy/fuel and recyclable materials sales; e) income from the sale of CO₂ credit-certificates; f) the creation of new jobs through the development of “green economy”, and d) from 1 Mwel gained through waste streams 800–1000 households can be supplied with energy.

However, the current situation in Serbia and the number of organizations that really have made concrete steps in terms of environmental responsibility, does not promise that the above mentioned benefits will soon manifest in their “full glory”. However, the implementation of a national waste management strategy for the period 2010–2019 brings new hope and opportunity for desired results in the end to come.

Conclusion

Solving many environmental problems that interfere with successful operating of, not only economic, but also the social and natural system, is a complex undertaking that requires the engagement of many subjects from different levels and areas. One of these problems concerns finding the way for effective waste management, which would solve the problem of accumulated, often very hazardous waste, and produce a number of other positive effects.

Efficient waste management in contemporary business must meet two conditions – to be integrated and to strive for the achievement of sustainable development. In addition, this process must be planned and strategically oriented, and its implementation should be in accordance with the basic principles of environmental management. In this way, it is essential to have knowledge of all options and their priorities in terms of ecologically responsible way of doing business. Based on the research and regarding the above mentioned conditions, it was concluded
that the management of waste may present a number of advantages and benefits in terms of meeting the economic, social and environmental interests of the modern world. This confirmed all the hypotheses put forward in this paper.

Thus, first were analyzed the environmental consequences of this waste management approach. Since waste is mainly environmental problem, it is logical to assume that its managing will primarily manifest through environmental effects. It was found that efficient management of waste helps to reduce the negative impact on the quality and further improvement of the environment, through: reduced exploitation of certain types of resources and their replacement by recycled materials, equally usable ones, or through reduced emissions of pollution that occurs thanks to irresponsible waste handling. From the standpoint of environmental concerns of the modern world, sustainable integrated waste management is satisfactory environmentally responsible solution, but also one of the few remaining attempts to protect the future of our planet. Thanks to a variety of environmental programs and initiatives, this process can result in raising the level of environmental awareness among the population and the inclusion of the community in responsible behavior towards the environment. The positive impact is also achieved on the health and safety of people and their environmental and social security. This determines the possible positive correlation between this approach to waste management and the entire social system. Given that sustainable integrated management of waste produces effects that are not inconsistent with the fundamental interests of this system, it can be concluded that it is a socially acceptable solution for the contemporary business conditions. Finally, the proper treatment of waste issues, will also lead to a number of benefits for the economic system, as confirmed by various examples from practice. Thus, the number of companies and some developed countries governments have managed to achieve tremendous savings but also to significantly raise their revenues by establishing this process. Also, the funds generated this way were sufficient for the initiation and development of all other initiatives in the area of environmental responsibility and environmental management. This confirms the assumption that sustainable integrated waste management is justified solution for modern business conditions from the economic point of view.

Precisely because of this, in addition to implied moral and security reasons, it seems reasonable to develop such an approach in the field of environmental management at all levels. Although the paper addresses only the issue of the possible positive effects of the application of this approach, it seems justified to use its results in the direction of encouraging modern managers to try/continue investing in their waste management. The reason for this can be found in the fact that, by its proper structure and then by its implementation, contribution to achieving the goals of sustainable development and successful “revival” of the concept of a green economy in practice is made. Finally, all of this consequently can help resolving the issue of further existence and future development of the modern world.
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Socially responsible investing in recycling projects: the application of cost-benefit analysis

Abstract
Socially responsible investing (SRI) includes components such as social, environmental, ethical and religious responsibility. Since the environmental component of SRI is very important, projects that create a healthy environment and sustain biodiversity are also very important. One of the examples of such projects are recycling projects. In this paper, a cost-benefit analysis model is presented as a tool for assessing the economics of secondary materials recyclability projects. By taking a cost-benefit approach, the authors emphasize the need to consider all the economic and non-economic costs and benefits while assessing the socio-economic viability of recycling projects. In order to demonstrate the applicability of the model, an example of the car recycling project is presented. The results confirm that, with the current market conditions, car recycling supposes socially responsible investing.

Keywords: Socially responsible investing, cost-benefit analysis, secondary materials recycling, socio-economic analysis.

JEL classification: G31, H43

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Introduction

Socially responsible investing (SRI) is not a new phenomenon, first it first appeared about 80 years ago, however just nowadays it reaches huge importance. SRI includes four components: social, environmental, ethical and religious responsibility. In SRI, profit as a conventional criterion for investors, has been supplemented with mentioned four components. Beside profit, every project, must have wide spectrum of other goals.

The nowadays’ modern world is confronted with serious problems such as: air and water pollution, extreme climate change, high emission of greenhouse gases, global warming and as many other environmental problems. Because of that environmental component of SRI is very important, and projects that create a healthy environment and sustain biodiversity are very important. One of those projects is recycling projects as well.

Cost-benefit analysis (CBA) is used as one of the instruments in assessing the efficiency of different investment alternatives, and as such represents a systematic display of all possible advantages, i.e. benefits on the one side, which are opposed by all the costs that the potentially selected alternative offers. As an instrument in assessing the justification of investing, CBA represents a powerful technique that thoroughly examines all the aspects of the investment project, and is widely applied in developed countries which, taught by previous positive experiences, transferred the same to developing countries. CBA is often defined as “an activity which enables encompassing and comparing costs and benefits which an investment project may cause in wider or narrower social environment” (Cupic 2009, p. 7).

Research objectives in this paper are twofold. First, in the theoretical part of the paper, the authors address the issue of socially responsible investing and the role that accounting has in that process. Secondly, in the practical part of the paper, the main goal is to assess the economic viability of the project of recycling secondary raw materials. A comprehensive analysis is necessary to identify all the benefits and costs that need to be adequately included in the framework of the analysis. In particular, a financial and economic analysis is performed to separately identify net benefits of investors from the benefits to the wider community.

Socially Responsible Investing in Recycling Projects

Recycling secondary raw materials is a process with multiple positive impact on environment as well. The recycle process consumes less energy than the primary production, which has effect on the environment in two ways. First, less energy we consume, less energy we have to produce as well, and the second one, less energy we produce, the emission of green house gases is also reduced. In other words, if we recycle as much waste that we produce, we will have a cleaner and healthier environment.
For each type of components of SRI (social, environmental, ethical and religious), there are a variety of criteria. Here, we will focus on environmental criteria in order to show the real effect that recycling projects have on nature. Environmental criteria in SRI can be divided into three groups:

- Eco-efficiency,
- Environmental impact,
- Environmental management.

Eco-efficiency means producing more valuable goods and services while using less energy, and produce less waste and pollution. In other words, it is a group of activities that is used to increase production and enhance services, while decreasing the use of resources and waste. It also means the use of sustainable materials in order to extend product life cycle, and create products with enhanced recyclability. According to Fung, Law & Yau (2010, p. 33), criteria within this category include:

- Minimizing use of water,
- Minimizing use of energy,
- Minimizing waste disposal in landfills,
- Minimizing greenhouse gas emissions,
- Minimizing transportation during production and distribution (for example, firms that process materials close to the source location),
- Maximizing use of sustainable materials,
- Maximizing use of recycled materials (for example, rubber) and recovered materials (for example, metals),
- Maximizing use of alternative or renewable energy,
- Producing products that are durable with long life spans,
- Producing products with enhanced recyclability or reuse at the end of life.

Environmental impact describes the way the firm’s activity affects the nature. For example, air, water and land pollution, release of greenhouse gases, etc. Other environmental impacts include: habitat degradation, loss of biodiversity, threats to endangered species, over extraction of natural resources, waste in landfills. Application of SRI should prevent pollution and decrease negative environmental impact.

Environmental management is a set of measures, documents and protocols. They are used in order to prevent all negative impact that firm has on the environment during its operations. It is a system that defines goals, picks benchmarks and identifies measurable metrics, and all that, in order to reduce environmental impact. Environmental management represents an ability to handle serious environmental issues. Companies that have identified environmental risk and changed their operations have a huge competitive advantage as leaders in their branches.

Because of the above mentioned, recycling project should be supported as a part of wider social responsible investment policy. State governments should
increase support by rising subsidies for investing in recycling project as a part of global SRI, in order to take advantage of huge positive impact on the environment itself.

The Application of Cost-Benefit Analysis in the Evaluation of Car Recycling Projects: A Case Study
The second part of the paper deals with the practical application of cost-benefit analysis on the example of a car recycling centre. The project of a recycling centre was chosen for a reason, because the process of recycling secondary raw materials represents an experimental example in which socially responsible investing and the concept of the CBA can show their full potential. The process of recycling secondary raw materials can be viewed from two aspects, purely financial and broader socioeconomic aspects.

The essence of the recycling process is reflected in processing secondary raw materials that have already spent their "lifetime" in the products which they originally were a part of. Through further processing, they are turned into inputs once again, and are included into several new products. Processing secondary raw materials in appropriate sections enables huge savings primarily in the substance itself, which is only processed and reused, as well as in energy, which is used far more rationally. Also, there are other benefits which society indirectly actualizes, such as cleaner and healthier environment, reduction of greenhouse gases and other environmental benefits. The essence lies in including the largest possible number of these benefits into the socio - economic analysis, as well as to properly quantify them so that they would positively affect the basic criteria of the economic analysis.

CBA consists of several stages, so that in each of the phases, the project is systematically analyzed to determine whether it is justifiable to conduct it. The theory mentions a great number of different CBA methodologies, but the methodology proposed by the European Commission stands out. The analysis of the car recycling centre project will largely depend on this methodology. In the continuation of the paper, each of the stages will be treated separately, with the emphasis on the financial and socioeconomic analysis.

2.1. The Socioeconomic Context and Project Objectives
The socioeconomic context represents the business environment in which to implement a specific project. Based on this initial analysis, one must determine the extent to which a particular project that is subject to the CBA fits into that environment. It is necessary to show the extent to which the project of the car recycling centre is acceptable for a country such as Serbia. An example of a car market, of both new and second-hand cars, is taken as the reference market. Serbia is an example of a transitional economy that is still in the process of transformation; therefore, due to the low standard of living, sales of new cars are quite low.
In order to actualize unused potentials and determine new trends in the development of car recycling, statistical data are used. The subject of recycling are vehicles at the end of their life cycle, the so-called ELVs (End of Life Vehicles). These are vehicles with the expired registration, their owners do not intend to register and use them anymore. Observing this category over time, it can be concluded that the number of ELVs has a tendency to grow. It also represents a significant potential for the development of the car recycling industry in Serbia. The average age of vehicles in Serbia is about 13.8 years (Auto blog, http://auto.blog.rs/blog/auto/vesti/2011/09/18/proseca-starost-vozila-u-srbiji-13-8-godina-svaki-treci-automobil-neispravan, April, 6, 2012), which is more than double in comparison to the European average, which is around 6-7 years. “If you add this to the fact that in recent years there have been massive imports of older used cars from EU countries, then we can conclude that a good portion of the nearly 1.7 million cars registered in Serbia are at the end of their useful life, and belong to the ELVs” (The Republic Institute for Statistics, 2012. Announcement number 097). It is believed that every year in Serbia around 10% of total registered vehicles (170,000), move to the group of ELVs the following year. Each vehicle of the average weight of 1000 kg contains a lot of materials which can be recycled as shown in Table 1.

Table 1. Share of Certain Materials in a Car

<table>
<thead>
<tr>
<th>Material</th>
<th>%</th>
<th>Per vehicle (kg)</th>
<th>for 170 000 vehicles(t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plastic</td>
<td>8</td>
<td>80</td>
<td>13600</td>
</tr>
<tr>
<td>Fluids</td>
<td>1,4</td>
<td>14</td>
<td>2380</td>
</tr>
<tr>
<td>Rubber</td>
<td>5</td>
<td>50</td>
<td>8500</td>
</tr>
<tr>
<td>Glass</td>
<td>3,5</td>
<td>35</td>
<td>5950</td>
</tr>
<tr>
<td>Non-ferritic metal</td>
<td>6</td>
<td>60</td>
<td>10200</td>
</tr>
<tr>
<td>Ferritic metal</td>
<td>68</td>
<td>680</td>
<td>115600</td>
</tr>
<tr>
<td>Other</td>
<td>8,1</td>
<td>81</td>
<td>13770</td>
</tr>
</tbody>
</table>


Modern cars are already being prepared for later recycling in the very process of production, so that the share of recycled materials in them is even higher. On the other hand, the demand for secondary raw materials is emphasized, so that their sale will not be a problem. On the basis of the previously mentioned, we can conclude that Serbia has an excellent raw material base, thus fulfilling the basic preconditions for the development of the motor vehicle recycling industry.
A concrete car recycling project must be positioned in space. The location of the recycling centre for cars will be in the Nisava District, the Municipality of Aleksinac. Establishing a regional recycling centre for cars in this part of Serbia would have an impact primarily on the Nisava District, as well as other districts who gravitate around it.

The project holder of the car recycling centre is a company that is engaged in processing and purchasing secondary raw materials and has its facilities in the municipality where that centre is to be made. The company plans relate to the further improvement of the existing production process, and the gradual introduction of car recycling as an additional activity, and in the future as the main activity of the company. The favourable geographical location of the project allows for quick and cheap transport of raw materials, which is very important in this business, because transport costs represent a significant portion of total production costs.

Recycling secondary raw materials is a complex process that has a wide range of impacts on the environment, so there are a number of objectives to be achieved in this project. From the perspective of the investors, the objectives are related to the profit that this recycling centre could make, as well as to improving future operations. From the perspective of the wider community, through recycling secondary raw materials, the project is expected to contribute to a better utilization of existing resources that are reused through this process. This indirectly causes the reduction of pollution as well as a rise in people's awareness. Potential waste is transformed and re-processed, so that it leaves more space for other waste that cannot be recycled.

Recycling enables huge savings in energy, which is now used more rationally, as recycling secondary raw materials requires much less energy than their primary production. Since most of the energy in Serbia is produced from fossil fuels, coal and oil, it is obvious that it has a direct impact on the reduction of air and water pollution, as well as the greenhouse effect. Recycling industry is rather underdeveloped in Serbia, unlike most European countries, where a large part of the waste produced daily is recycled. Therefore, it is necessary for this project and other project similar to this one to additionally influence the development of this industry by opening a large number of potential job positions, which will lead to the reduction in the unemployment.

2.2. Defining the Project
After defining the business environment in which the particular project should be implemented, as well as identifying the basic requirements for its implementation, it is necessary to closely define the project itself, i.e. the car recycling centre. The essence of the process of car recycling consists of separating the materials from which the vehicles are assembled so that they could be reintroduced into the production process through recycling. Also, certain parts should be stored in order to be sold as
second-hand and assembled on other vehicles. A car consists of about 15,000 parts, and contains a variety of materials. Starting from iron, aluminium, lead, rubber, plastic, copper, glass, fluids, each car has a huge potential for the recycling industry.

The main advantages of recycling compared to primary material production is reflected in the fact that recycled raw materials contain a lot of energy from the primary production process, and as such are much more suitable basis for further processing. That is why the demand for secondary raw materials is constant and growing in character, so that placing them in the market is not a problem. Energy savings in the recycling of secondary raw materials from cars will be covered in more detail in the next chapter, while this chapter will deal with identifying the materials a car is made of as the process of extracting them. The share of certain materials in a car is given in Table 2.

The process of recycling raw materials begins with their separation and storage. Scrap iron, which is found in the highest percentage in a car, is first separated, and then processed in order to adapt to the needs of iron works where the recycling process further continues. Other materials also need to be extracted from the car and stored properly. With fluids, the situation is slightly different, therefore, a special machine that pumps out all the liquid from the car is used for their separation. Fluids are then stored in separate tanks, awaiting further treatment.

Table 2. Percentage Share of Certain Materials by a Vehicle and their degree of recyclability

<table>
<thead>
<tr>
<th>Name</th>
<th>Mass per vehicle</th>
<th>Recyclability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>kg</td>
</tr>
<tr>
<td>Ferrous metals</td>
<td>68</td>
<td>680</td>
</tr>
<tr>
<td>Shell</td>
<td>25</td>
<td>250</td>
</tr>
<tr>
<td>Other steel parts</td>
<td>28</td>
<td>280</td>
</tr>
<tr>
<td>Cast iron</td>
<td>15</td>
<td>150</td>
</tr>
<tr>
<td>Non-ferrous metals</td>
<td>6</td>
<td>60</td>
</tr>
<tr>
<td>AlSi Alloys</td>
<td>4.4</td>
<td>44</td>
</tr>
<tr>
<td>Copper</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Lead</td>
<td>0.6</td>
<td>6</td>
</tr>
<tr>
<td>Plastic and composites</td>
<td>8</td>
<td>80</td>
</tr>
<tr>
<td>Fluids</td>
<td>1.4</td>
<td>14</td>
</tr>
<tr>
<td>Rubber</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td>Glass</td>
<td>3.5</td>
<td>35</td>
</tr>
</tbody>
</table>
For such a centre to be issued a licence to conduct the process of car recycling by the Ministry of Environmental Protection, it has to meet strict environmental standards (Sluzbeni glasnik RS, No. 98/10, 2010, article 12). The goal of the recycling process is not only to reuse separated secondary raw materials, but also to prevent potential pollution that arises if they are not adequately treated.

2.3. The Analysis of Project Viability

Recycling is the process of refining the products at the end of their life cycle in order to create the raw material base for the re-production of other products. Such a process allows the overall benefits to be seen from different aspects, and as such is suitable for CBA. Modern consumer society is characterized by the creation of large quantities of various waste, which over time became a growing problem for all economies in the world. Waste contains a lot of energy invested in it during primary production, so that its inadequate treatment, causes the same energy to be wasted. In addition to the energy loss, the problem which occurs is that of free space to create landfills, which can be solved to a large extent by recycling. The enormous potential of the recycling industry thus remains unused.

Car recycling is one of the branches of the recycling industry. Apart from all the advantages they provide for the society, cars have one major drawback, which is reflected in their treatment after the period of their use. After the period of their useful life, vehicles become hazardous waste. A car contains hazardous materials which should be properly disposed of after the use of vehicles, so as not to adversely affect the environment. In developed countries, that was established a long time ago, so that more than 90% of used vehicles, ELVs, are recycled. Modern analyses show that the recyclability of raw materials in cars is approximately 75%, which is significantly above the level of recyclability of other products, and is a reason more for starting recycling. Today's car manufacturers are also actively involved in the recycling process by creating cars that can be almost completely recycled. “Many companies introduced the principle of 3Rs (Reduce-Reuse-Recycle) into their production process, which means to extend the useful lives of vehicles as well as to allow reuse of its parts and recycle them at the end” (Kozic, Sudarevic 2005, p. 24).

In order to justify the economic point of investing in a project of the centre for car recycling, we must identify all the benefits that such a project directly and indirectly brings. All the benefits can be divided into those that can be expressed monetarily, i.e. quantified and, as such, be involved in financial and

<table>
<thead>
<tr>
<th></th>
<th>10</th>
<th>-</th>
<th>-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textile</td>
<td>1</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>6.1</td>
<td>61</td>
<td>-</td>
</tr>
<tr>
<td>Battery</td>
<td>1</td>
<td>10</td>
<td>-</td>
</tr>
</tbody>
</table>

socioeconomic analysis, and those that can be only qualitatively evaluated and stated as benefits of the project.

According to Pavlovic (2009, p. 2), as for the qualitative benefits that such a project brings, we can state the following:

- the purchase of new fleet vehicles and increase in traffic safety,
- increase in the level of resource employment in the automotive industry,
- creation of new work positions in the car recycling industry,
- environment protection,
- conservation of natural resources and raw materials,
- preservation of natural energy resources.

From the aspect of the CBA, benefits that can be expressed in the language of numbers are more significant and thus can be directly involved in the analysis and demonstrate the extent to which such a project is viable. The essence of the socioeconomic analysis of the car recycling centre is the identification of significant energy and environmental benefits that occur in the process of recycling materials. Namely, unlike the production using raw materials, the production using secondary raw materials is much more cost-effective in terms of energy. It takes much less energy to manufacture products from recyclable than in the case of the primary production from raw materials. This, in fact, is the key to the recycling process, as it allows more rational treatment of the existing supply.

It is known that the process of recycling materials saves energy, but for the CBA it is necessary to identify such savings properly, and then express them in terms of money to contribute to other beneficiaries of the project. Table 3 shows how much energy is saved through recycling most important raw materials contained in a car.

The energy savings that can be achieved by recycling materials are very high, ranging from 29% in the recycling of iron, to a very significant 86% achieved by recycling of aluminium. These savings should be further evaluated adequately so as to include them later into the socioeconomic analysis, thus additionally demonstrating the feasibility of the investment. In the economic analysis, it is justified to include the energy benefits from recycling scrap iron and aluminium, because only in these cases significant energy savings can be identified. The savings in recycling other materials should be mentioned within the qualitative benefits, because their influence on the result of CBA is neglectable due to its small percentage share in a car. The benefits of recycling aluminium should be included in the analysis, although its share in a car is only 4%, because the greatest energy savings of incredible 86% are achieved with aluminium. A car consists of parts containing steel plates such as the body, as well as clean steel as is the case in parts of the engine. We assume that the savings range somewhere between the values given in Table 3, that is, we will predict energy savings of 50% (for steel plate it is 55%, while for iron it is 29%), which, in combination with the 68% share of this metal in a car, represents significant savings.
Table 3 Specific Primary and Secondary Energies in the Production of Materials Used in the Automobile Industry

<table>
<thead>
<tr>
<th>Material</th>
<th>Energy needed for primary production (KJ/kg)</th>
<th>Energy needed for secondary production (KJ/kg)</th>
<th>Energy saving in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel</td>
<td>40000</td>
<td>18100</td>
<td>55</td>
</tr>
<tr>
<td>Iron</td>
<td>34000</td>
<td>24000</td>
<td>29</td>
</tr>
<tr>
<td>Aluminum</td>
<td>190000</td>
<td>26700</td>
<td>86</td>
</tr>
<tr>
<td>Glass</td>
<td>30000</td>
<td>13000</td>
<td>57</td>
</tr>
<tr>
<td>Lead</td>
<td>41100</td>
<td>8000</td>
<td>80</td>
</tr>
<tr>
<td>Copper</td>
<td>100000</td>
<td>45000</td>
<td>55</td>
</tr>
<tr>
<td>Rubber</td>
<td>67600</td>
<td>43600</td>
<td>35</td>
</tr>
<tr>
<td>Polypropylene</td>
<td>74300</td>
<td>42300</td>
<td>43</td>
</tr>
<tr>
<td>PVC</td>
<td>65400</td>
<td>29300</td>
<td>55</td>
</tr>
<tr>
<td>Poliester</td>
<td>95800</td>
<td>50000</td>
<td>48</td>
</tr>
</tbody>
</table>

Source: Medic 2011, p. 16.

In addition to energy savings, which is evident, there are significant benefits in terms of environment protection. “In fact, all the energy that is saved in the recycling of cars would have to be produced. In the light of the current situation in Serbia, it would mean that 70% of the energy would be obtained by burning coal, as it is well known that most of the total energy produced comes from power plants” (Electric Power Industry of Serbia, EPIS, 2011, p. 3). Lignite releases many gases, particularly CO$_2$, which pollutes the atmosphere and creates the greenhouse effect. This is exactly what represents the cost that the society additionally bears when the existing energy is treated irrationally, that is, the benefit that is identified as a result of energy savings through recycling secondary raw materials (Table 4).
Table 4. Specific Emission of Harmful Gases and Particles during Combustion

<table>
<thead>
<tr>
<th>Energy</th>
<th>CO₂</th>
<th>SO₂</th>
<th>NO₂</th>
<th>Solid particles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lignite</td>
<td>2,3 kg CO₂/kg</td>
<td>51 g SO₂/kg</td>
<td>3,5 g NO₂/kg</td>
<td>92 g part./kg</td>
</tr>
<tr>
<td>Wood</td>
<td>1,4 kg CO₂/kg</td>
<td>0,2 g SO₂/kg</td>
<td>1,4 g NO₂/kg</td>
<td>15,3 g part./kg</td>
</tr>
<tr>
<td>Oil</td>
<td>3,2 kg CO₂/kg</td>
<td>18,8 g SO₂/kg</td>
<td>5,6 g NO₂/kg</td>
<td>1,2 g part./kg</td>
</tr>
<tr>
<td>Natural gas</td>
<td>1,92 kg CO₂/kg</td>
<td>0 g SO₂/kg</td>
<td>4,48 g NO₂/kg</td>
<td>0 g part./kg</td>
</tr>
</tbody>
</table>


Table 4 shows that the combustion of one kilogram of lignite in our power plants releases as much as 2.3 kg of CO₂. If this effect was to be introduced in the CBA, it would be necessary to find the opportunity cost which the society indirectly has from emissions of increased amounts of this gas in the atmosphere. It is necessary to determine the “willingness to pay” of each individual and to include that amount in the analysis. Of course, that effect is quite difficult to measure, but we will use the existing legislation in developing countries. They have determined specific fees for all their heavy gas emitters that must be paid in order to compensate for the increased pollution of the environment. These are the so-called “carbon credits”, and are sold by their governments to the companies that are big polluters in order to direct the money from this fund towards the alleviation the consequences of environmental pollution, i.e. enhanced greenhouse effect. “Some studies show that this sum is at a level of $21 or €17 per one tonne of emitted CO₂” (Ackerman 2010, p. 3) This will be taken as an additional benefit in the following analysis, since the reduction in demand for energy also reduces the combustion of lignite and therefore CO₂ emissions into the atmosphere. On the basis of the above data, we can use a table to show the savings indirectly arising from the process of car recycling (Table 5).

Based on the above mentioned assumptions regarding the process of iron recycling, it can be concluded that the recycling of one car achieves savings on two grounds:

• By decreasing the energy needed for the production of iron in the amount of €154.7 per recycled vehicle;
• By reducing greenhouse gas emissions into the atmosphere, primarily CO₂, in the amount of €46.53 per recycled vehicle, which is a decrease in the social cost of the atmosphere pollution.
Table 5. Energy Savings in Iron Recycling per One Recycled Vehicle

<table>
<thead>
<tr>
<th>Production from raw materials</th>
<th>Energ. (GJ)</th>
<th>70% energy from coal (GJ)</th>
<th>Value of electricity Serbia (€) (1KWh = 0.065€)</th>
<th>Necessary coal (t) (1t coal = 2000 KWh)</th>
<th>Released CO₂ (t)</th>
<th>Social cost CO₂ (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production from recycled materials</td>
<td>24,48</td>
<td>17,14</td>
<td>4760</td>
<td>309,40</td>
<td>2,38</td>
<td>5,47</td>
</tr>
<tr>
<td>Energy savings</td>
<td>12,24</td>
<td>8,57</td>
<td>2380</td>
<td>154,7</td>
<td>1,19</td>
<td>2,74</td>
</tr>
</tbody>
</table>

Finally, the total savings that the society would have based on the recycling of iron from one car would approximately amount to around €201.23, which will be included as a benefit in the socioeconomic analysis in the next chapter.

Similar savings are achieved through recycling aluminum and are as follows:

• By decreasing the energy needed to produce aluminum in the amount of €81.65 per recycled vehicle;

• By reducing greenhouse gas emissions into the atmosphere, primarily CO₂ in the amount of € 24.56 per recycled vehicle, which is a decrease in the social cost of the atmosphere pollution.

Total social benefits to be included in the socioeconomic analysis based on the recycling of aluminum per tone recycled vehicle would amount to €106.21. This would mean that the total benefit that the society has only on the basis of iron and aluminium recycling per a recycled car is around €300, which represents revenue in the socioeconomic analysis.

The aforementioned data will be used as the main saving in the economic analysis and included to other project revenues, thus fully demonstrating savings in car recycling. In the previous analysis, we excluded the savings based on the recycling of other materials found in cars due to their small percentage share, and little impact on the overall benefits of the project. They would further increase overall social benefits of such a project. Also, it must be taken into account that the price of electricity in Serbia is a social category, and doesn't reflect the real value of this form of energy. The price of electricity is controlled by the government because of the low living standard of the society. Therefore, the actual benefits are almost double than listed, as the price of electricity in Serbia is more
Socially responsible investing in recycling projects…

than two times lower than the European average. That is why, in the framework of the socioeconomic analysis, we will conduct a conversion from the market into accounting prices, and thus provide a more realistic display of actual energy savings from recycling secondary raw materials. On the basis of the foregoing, it follows that it is fully justified to conduct the project for the recycling of cars, as the funds invested in it fully justify their purpose, and have wider implications on the society as a whole.

2.3.1. The Financial Analysis

The cost-effectiveness of the project in the financial analysis is assessed using the criteria of the financial net present value (FNPV), financial rate of return (FRR) and benefit-cost ratio (BCR). The project is evaluated in a time period of 10 years, which is common for projects in the fields of industry, with the addition of 2 years that are needed in order to perform the initial investment. Comparing the overall benefits and costs of the entire exploitation period of the project, and applying techniques of discounting enables determining the value of the basic criteria of cost-effectiveness in the financial analysis.

Upon identifying all needed investments in this recycling centre, it is necessary to define the dynamics of these investments, as well as the sources of financing the project. Since the project requires construction work, including the construction of a building for recycling and concrete terraces, it takes at least two years of preparation period for these activities before the start of vehicle recycling. In the first year of investments, only construction work is carried out, while the second year is reserved for the purchase of necessary equipment and its installation. The dynamics of investments per year is presented in Table 6.

Table 6. Dynamics of Investments in the Project per Years

<table>
<thead>
<tr>
<th>Dynamics of investments</th>
<th>201x</th>
<th>201x</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>20000</td>
<td>15000</td>
<td>35000</td>
</tr>
<tr>
<td>Equipment</td>
<td>14000</td>
<td>80000</td>
<td>94000</td>
</tr>
<tr>
<td>Land</td>
<td>10000</td>
<td>10000</td>
<td>10000</td>
</tr>
<tr>
<td>Feasibility study</td>
<td>1000</td>
<td>1000</td>
<td>1000</td>
</tr>
<tr>
<td>Total:</td>
<td>45000</td>
<td>95000</td>
<td>140000</td>
</tr>
</tbody>
</table>

The sources of financing should be structured in such a way that the cash flow is timely and suits the dynamics of investments in the project (Table 7). The idea is to take maximum advantage of the current favorable climate for the recycling industry, which is reflected in incentive funds in the form of subsidized
loans offered by the Fund for Environmental Protection. “Half of the funds needed will be provided by the investor of the project company from accumulation funds, while the remaining amount will be rounded up by funds from subsidized loans, provided by the Fund for Environmental Protection.” (Fund for the Environmental Protection, www.sepf.gov.rs, July 7, 2012.) The basic amenities with this loan consist of the fact that there payment period is 7 years. The client provides a grace period of one year without interest, while the remaining debt pays interest of 3% per year.

Table 7. Dynamics of the Sources of Financing

<table>
<thead>
<tr>
<th>Elements</th>
<th>Years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sources of financing</td>
<td>201x</td>
<td></td>
</tr>
<tr>
<td>Subsidized loans (€)</td>
<td></td>
<td>70000</td>
</tr>
<tr>
<td>Accumulated profit (€)</td>
<td>45000</td>
<td>70000</td>
</tr>
<tr>
<td>Total (€)</td>
<td>45000</td>
<td>140000</td>
</tr>
</tbody>
</table>

In addition to defining the sources of financing, it is necessary to determine the average cost of capital as the main investment criterion that is later used as the discount rate in the financial analysis. By applying the method of calculating the weighted average cost of capital, we calculate the average cost of capital for this project of 8.85%. In order to continue with the CBA, it is necessary to compose the projected balance sheet for the period of 10 years, which in this case is taken for the project. According to the methodology proposed by the European Commission, the optimum period for the analysis of projects in the industry is 10 years. The essence of composing the projected balance sheet is that it enables us to set the economic course of the project later on, which is the basis for calculating the criteria of investments’ eligibility.

Upon defining the period in which we consider a specific project, it is necessary to closely define the functioning of such a system for car recycling, in order to identify the key revenue and expense of the project. To make such a system work, apart from machines and facilities, it is necessary to provide qualified human resources. Taking into account the characteristics of vehicles to be recycled, it can be said that two workers with the necessary equipment can process 7–8 cars per day (1800 cars per year). Revenues that such volume of production makes in the course of a financial year are given in Table 8.
Table 8. Operating Revenue from Car Recycling

<table>
<thead>
<tr>
<th>Secondary raw materials</th>
<th>Quantity per vehicle (t)</th>
<th>Price/t (€)</th>
<th>Operating revenue (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Per vehicle</td>
</tr>
<tr>
<td>Scrap iron</td>
<td>0.612</td>
<td>250</td>
<td>153.00</td>
</tr>
<tr>
<td>Scrap aluminium</td>
<td>0.039</td>
<td>1117</td>
<td>43.56</td>
</tr>
<tr>
<td>Scrap copper</td>
<td>0.008</td>
<td>600</td>
<td>4.80</td>
</tr>
<tr>
<td>Plastic</td>
<td>0.08</td>
<td>63</td>
<td>5.04</td>
</tr>
<tr>
<td>Scrap batteries</td>
<td>0.01</td>
<td>500</td>
<td>5.00</td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td></td>
<td>211.40</td>
</tr>
</tbody>
</table>

Previously mentioned revenues within the financial analysis should be added the revenue obtained from the sale of used parts of vehicles to be recycled. “The legislation stipulates which parts can be sold as used, and which cannot” (Sluzbeni glasnik RS, No. 98/10, 2010, chapter 4). Also, the revenues should be added to the state subsidy that serves as an incentive for recycling certain secondary raw materials. “Here, we take the example of incentives that the state provides for reuse, storage and recycling of scrap batteries and scrap oil” (Fund for the Environmental Protection, www.sepf.gov.rs, July, 7, 2012). It is known that each car contains about 14 kilograms of oil and a battery weighing 10 kg, so that the total state subsidy for 1800 recycled cars annually is given in Table 9.

Table 9. Revenues from Selling Used Cars and Incentives for Recycling

<table>
<thead>
<tr>
<th>Revenue structure</th>
<th>Operating revenue (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from selling used car parts</td>
<td>12000</td>
</tr>
<tr>
<td>State incentives for reuse, storage and recycling</td>
<td></td>
</tr>
<tr>
<td>Scrap oil (78€/t)</td>
<td>2000</td>
</tr>
<tr>
<td>Scrap batteries and starters (118€/t)</td>
<td>2100</td>
</tr>
<tr>
<td>Total:</td>
<td>16100</td>
</tr>
</tbody>
</table>

The cost structure of the car recycling centre is dominated by expenditures for the purchase of cars for recycling, which are estimated at €130 per vehicle. Other costs are shown in Table 10.
Table 10. Operating Expenses of the Project

<table>
<thead>
<tr>
<th>Expense structure</th>
<th>Operating expenses (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses of direct material</td>
<td>234000</td>
</tr>
<tr>
<td>Labour expenses (gross)</td>
<td>24000</td>
</tr>
<tr>
<td>Expenses of investment maintenance</td>
<td>20000</td>
</tr>
<tr>
<td>Driving energy expenses (oil, grease, electricity)</td>
<td>16000</td>
</tr>
<tr>
<td>Amortization expenses</td>
<td></td>
</tr>
<tr>
<td>1–5 years of exploitation</td>
<td>19675</td>
</tr>
<tr>
<td>6–10 years of exploitation</td>
<td>875</td>
</tr>
</tbody>
</table>

After defining the revenue and expenditure side of the project, conditions for the preparation of the projected balance sheet are met. The assumption is that the observed project is to be implemented within two years from the date of construction commencement, and that the optimum exploitation period is ten years. The projected balance sheet represents the basis for the preparation of the economic cycle of the project, which is the focal point of financial CBA. On the basis of the economic cycle of the project, which clearly defines the issue of cash inflow, and by using the method of discounting, all costs and benefits are reduced to the same moment in time, i.e. their present value is taken into account. Thus, discounted values can be used for the calculation of the basic criteria of financial CBA (Table 11).

Table 11. Criteria of Financial Cost Benefit Analysis

<table>
<thead>
<tr>
<th>Elements</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of project benefits</td>
<td>2,178,549€</td>
</tr>
<tr>
<td>Present value of project costs</td>
<td>1,794,761€</td>
</tr>
<tr>
<td>Financial net present value (FNPV)</td>
<td>383,788€</td>
</tr>
<tr>
<td>Financial rate of return (FRR)</td>
<td>56.27%</td>
</tr>
<tr>
<td>Benefit and cost coefficient (B/C)</td>
<td>1.22</td>
</tr>
</tbody>
</table>

Financial CBA showed that the project has a positive net present value, which places it into acceptable projects from the aspect of investors. In favour of it is the positive financial net present value, and the financial rate of return that is higher than the rate of investment criteria, that is, the discount rate.
2.3.2. The Socioeconomic Analysis

The socioeconomic analysis relies on the financial one and unlike it, it analyzes a specific project in terms of society as a whole. It is a kind of challenge to identify non-financial components of the project, and particularly express them appropriately in terms of finances, in order to be adequately included in the analysis. Since they are largely reliant on the previously performed financial analysis, a significant amount of data will be taken from it during the implementation of the socioeconomic analysis. The same methodology will be applied, so that a projected balance sheet will be formulated, followed by the socioeconomic cycle of the project, whereas, finally, the criteria of socioeconomic CBA are calculated and final decisions on investments are made.

In order to correctly perform this analysis, it is necessary to perform certain adjustments in respect of the prior financial analysis. The adjustments refer to:

• The elimination of the effects of taxes and government subsidies;
• The identification of non-financial costs and their expression in terms of money;
• The identification of all the savings in the process of recycling secondary raw materials, energy savings, and reduced emissions of greenhouse gases into the atmosphere;
• The conversion from market into accounting prices.

In the socioeconomic analysis, the effects of taxes and government subsidies must also be eliminated. Taxes and subsidies represent the instruments of redistribution of already acquired values, and are, therefore, not included in this analysis. The costs of earnings are recognized in the amount of net salaries, and the costs of driving energy and investment maintenance of fixed assets are also tax-free. The costs for the purchase of raw materials are not subject to fiscal correction since the acquisition is performed by individuals who are not in the VAT system. Government subsidies for recycling secondary raw materials must be completely excluded from this analysis. Subsidized loans from the Fund for Environmental Protection must be replaced by loans with a commercial bank in which the interest rate is at 12%, with a repayment period of two years and a grace period of a year, during which there is no interest.

Nonfinancial costs of the project are reflected in the increased noise near the recycling plant. In addition, during the processing of secondary raw materials, apart from the noise, there is a certain amount of dust, which must be predicted as costs in the projected balance sheet.

Savings were discussed in more detail in within the third part of the second section of the paper, therefore, the data regarding the savings in the recycling process will be taken from there. They can be divided into two parts. Energy savings in the recycling of secondary raw materials, and savings in terms of reduced emissions of greenhouse gases into the atmosphere are to be included in this form in the projected balance sheet.
It is also necessary to convert the market into accounting prices. Due to the inefficiency of the market there are distortions in prices of products that are traded on. In order for the socioeconomic analysis to assess the investment project more realistically, it is necessary to convert certain market prices into accounting ones (Table 12).

Table 12. Conversion of Market into Accounting Prices

<table>
<thead>
<tr>
<th>Elements</th>
<th>Sum prior to conversion (€)</th>
<th>Conversion factor</th>
<th>Sum after conversion (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy savings</td>
<td>425425</td>
<td>1.5</td>
<td>638138</td>
</tr>
<tr>
<td>Cost of earnings</td>
<td>16284</td>
<td>2</td>
<td>32568</td>
</tr>
<tr>
<td>Cost of fuel and energy</td>
<td>13333</td>
<td>2</td>
<td>26666</td>
</tr>
<tr>
<td>Cost of investment maintenance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1–5 years of exploitation</td>
<td>16667</td>
<td>2</td>
<td>33334</td>
</tr>
<tr>
<td>6–10 years of exploitation</td>
<td>25000</td>
<td>2</td>
<td>50000</td>
</tr>
</tbody>
</table>

“Since Serbia is in the process of joining the European Union, the social discount rate will be defined at the level of 3.5% as recommended by the European Commission” (European Commission 2008, p. 57). A lower discount rate in the socioeconomic analysis will cause less impairment of future cash flows, thus leading to an increase in total net benefits. Due to the elimination of the effects of taxes and subsidies, there will be a decline in net benefits, since this analysis completely eliminates state incentives for the recycling of secondary raw materials. On the other hand, all this will be compensated by including into the analysis project benefits related to reduced emissions of harmful gases and energy savings gained through recycling processes. Since certain markets are inefficient, the conversion of market into accounting prices will lead to changes in both the revenue and the expenditure side.

Table 13. Criteria of Socioeconomic Cost Benefit Analysis

<table>
<thead>
<tr>
<th>Elements</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of project benefit</td>
<td>9,024,338 €</td>
</tr>
<tr>
<td>Present value of project costs</td>
<td>2,729,395 €</td>
</tr>
<tr>
<td>Economic net present value ((\text{ENPV}))</td>
<td>6,294,943 €</td>
</tr>
<tr>
<td>Economic rate of return ((\text{ERR}))</td>
<td>301%</td>
</tr>
<tr>
<td>Benefit and cost coefficient ((\text{B/C}))</td>
<td>3.31</td>
</tr>
</tbody>
</table>
According to the socioeconomic CBA, the project is also acceptable from the aspect of the society as a whole, which will also have significant benefits, apart from the investors (Table 13). The present value of project benefits is greater than the present value of project costs, which leads to economic net present value in the amount of €6,294,943. A significantly greater amount of the NPV of the socioeconomic analysis in relation to the financial analysis is conditioned by the existence of a large number of nonfinancial factors that have a positive impact on the overall benefits of the project. The coefficient of benefits and costs is significantly above the expected value of one, each euro of project costs is covered with 3.31 euros of project benefits.

Following the financial and economic analysis, it can be safely concluded that the project of a car recycling centre should be realized. Positive values of the criteria in both analyses facilitate their execution and provide further confirmation that the project is justified, both in terms of investors, and in terms of the society as well.

Conclusion

The difference between socially conscious and other investors is that the first group assumes a more holistic view when making investment decisions, taking into account the way the investment serves its stakeholders, but also creditors, management, employees, the community, customers and suppliers. Within this context, SRI seeks to maximize welfare while earning a return on one's investment that is consistent with the investor's goals.

The process of recycling secondary raw materials represents an experimental example, in which socially responsible investing and the concept of the CBA can show its full potential. Cars as a potential source of secondary raw materials are quite a suitable basis for the development of the recycling industry in Serbia. Due to the low standard of living, the average age of vehicles in Serbia is higher than 15, which represents an excellent basis for the development of the recycling industry. Due to the lack of funds, the government is not able to create a better economic environment for the development of the recycling industry through a system of subsidies, so that everything is left to the initiative of individual investors. As a consequence, there is "scarcely" developed recycling industry in Serbia, although there are huge potentials.

A more rational use of the existing energy, reduction of environmental pollution and other environmental problems will require an increasing number of such projects in the future. Profit as a conventional measure of the project performance will gradually be replaced by a set of measures. This set of measures will contain a profit, as well as many social norms that every project must meet in order to be realized. It is in one such environment that the SRI and CBA can be fully expressed, so that no serious project will be implemented without being subjected to a detailed cost-benefit analysis.
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JANUSZ ZIARKO, PHD

Occupational health and safety in a socially responsible enterprise

Abstract
The article presents occupational health and safety issues in the context of corporate social responsibility based on the standards: ISO 26000 and the Polish Standards of the 18000 series. It shows the principles of the model of adjustment of the social responsibility strategy in the field of OHS to the strategy of the enterprise as well as the premises behind the process of developing a social responsibility strategy in the field of OHS adjusted to the strategy of the enterprise.

Key words: corporate social responsibility, occupational health and safety (OHS), social responsibility strategy associated with OHS, adjustment to the strategy of the enterprise.

1. Introduction

Corporate Social Responsibility (CSR) is a network of diverse activities undertaken by enterprises within which they manage their relationships with numerous stakeholders: employees, clients, investors, shareholders, commercial partners,

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2 ISO 26000 defines corporate social responsibility (CSR) as ‘responsibility of the organisation for the influence of its decisions and operations (products, service, processes) on the community and the environment through transparent and ethical behaviour which contributes to sustainable development, health and welfare of the community; – takes into consideration stakeholders’ expectations; – complies with the applicable law and is consistent with international norms of behaviour; – is consistent with the organisation and practised in its relationships. According to the European Commission it is ‘a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment’. World Business Council for Sustainable Development sees CSR as ‘the commitment by business to behave ethically and contribute to development while improving the quality of life of the workforce and their families as well as of the local community and society at large’.
public authorities, non–governmental organisations, local community. In practical terms, managers and business leaders have to understand the social situation in the environment in which the enterprise operates and the conditions offered to their employees. It is important that, on the one hand, they are sensitive to the issues which affect the life and work of the people they cooperate with, and on the other, they should exert a positive influence on this cooperation by means of dialogue. Managers should also systematically consider and be aware of the economic and social consequences of the decisions they make: a) the ones which concern ways of achieving production and financial outcomes; b) the ones which influence various groups of stakeholders and the environment. Thus, CSR is inextricably linked with the realisation of the company’s plans and it manifests itself through overt, transparent and ethical behaviour directed at sustainable development, promotion of health and welfare of the community, consideration of stakeholders’ expectations, compliance with the applicable law and international, national and local norms of behaviour. It is of utmost importance for good understanding and effective management of the CSR activities undertaken by the enterprise that the way in which the analysis of relationships created by enterprises is conducted should take into account networks of diverse interrelations and ties with various groups of internal and external stakeholders. Additionally, effective management of relationships with stakeholders requires the activities which combine economic, legal, cultural and technical aspects crucial for the enterprise and which are perceived in the context of variables from the sphere of organisation and management, psychology, sociology, safety and politics.

Nowadays, managers and entrepreneurs face essential questions – which areas of CSR should be given priority and require particular attention of enterprises? How to reconcile CSR values with everyday economic reality of enterprises so that these values will not remain merely a dead letter? What activities to undertake and how to carry them out to make CSR respond to the economic, environmental and social challenges and meet the expectations of different stakeholders?

The purpose of this article is to outline the associations of selected aspects of the CSR project presented in ISO 26000 with the concept of the Occupational Health and Safety Management System (OHSMS) consistent with the Polish Standard of the 18000 series implemented in enterprises. A substantial part of the article will be devoted to the presentation of principles of the model of adjustment and the premises of the process of developing a social responsibility strategy in

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the field of OHS adjusted to the strategy of the enterprise. It follows from the fact that in the Polish enterprises the CSR concept does not play a significant role in enterprise management thus far. The reasons for little interest in CSR are e.g. lack of full understanding for the CSR concept as a method of conducting business activity, insufficient flexibility of structures and processes in the adjustment to changes, fear of costs connected with its implementation, and also not enough willingness and abilities to develop a strategy of engaging different stakeholders in CSR. From the point of view of occupational health and safety, CSR means care for work safety and employees’ health. Today there is no doubt that business success and social responsibility taking into consideration OHS issues are not only interdependent, but they can also reinforce each other, identify new possibilities and set new directions for development.

2. Occupational Health and Safety – an element of Corporate Social Responsibility

Corporate Social Responsibility is the highest standard of care for oneself and others which manifests itself in ethicality of the choices one makes, i.e. consideration of one’s own and others’ needs and interests (including compliance with human rights, employment law, social conditions of economic and social development and their limitations). A lot of authors while defining CSR emphasise the significance of the ethical dimension in the activity of the enterprises, which they associate with the ways in which they operate, mainly with the following:

- realisation of economic goals, which involves moral responsibility of the company associated with the quality of life of its employees, their families and local communities and the general public;
- achievement of good financial outcomes and winning competitive advantage by building reputation and trust of the people who work in the company and are in its environment;

5 ‘The examined companies from the SME sector rarely see the point and purpose of their activity greater than ensuring themselves a revenue stream from sale or profit. It is a very narrow and egoistic understanding of the company’s role, which makes it difficult for enterprises to determine the function played in the economy and community, and consequently impedes correct formulation of long-term development strategy. (…) Changing such an attitude requires hard educational work, also in the field of corporate social responsibility. The difficulty is to make entrepreneurs realise that in the long term between the company’s objective and the surrounding environment there is no contradiction: good relations with the environment enable constant development and ensure growth of the company’s worth.’, in: W. Orłowski, R. Pasternak, K. Flaht, D. Szubert, Procesy inwestycyjne i strategie przedsiębiorstw w czasach kryzysu, Polska Agencja Rozwoju Przedsiębiorczości, Warszawa 2010, p. 106.


• obligation of the management team to take decisions and actions which contribute to both care for one’s own interest (multiplying profits of the enterprise) and protection and maximisation of social welfare;
• building a competitive advantage strategy based on providing permanent values both for shareholders as well as other partners – stakeholders.

Irrespective of the way of defining CSR by enterprises which formulate their own individualised definitional formulas differentiating one enterprise from the others, the idea of CSR remains unchangeable – it is effective and honest functioning of enterprises on the market and in the community. Such an understanding of CSR associated with the fulfilment of the enterprise’s own goals with simultaneous consideration and satisfaction of the needs and expectations of other parties – the company’s employees, suppliers, shareholders, clients, local community, the general public – obliges entrepreneurs to conduct economic activity with due regard for economics, ecology and ethics by consistent building of relationships with all stakeholders.

Nowadays, practices of responsible business conditioned by ethical relations with employees gain particular importance as care for employees and investment in employees are the issues which constitute the basis for the development of the company. These cannot be single events, but daily measures which at the same time take into account both business context and employees’ good. Two key areas of business responsibility defined in ISO 26000 referring largely to safety and health protection at work are worth considering. The first area – human rights – promotes respect for human dignity and all workers’ rights: civil, political, economic, social and cultural. In the Polish enterprises good practices referring to this area should be directed at: a) ensuring equality of opportunities and preventing discrimination in the workplace, especially in the case of groups which are susceptible to violence, b) improving balance between personal and professional life, c) providing employees with opportunities for development. The other area is employment practices/employment relations. Good practices in this area should concern the improvement of working conditions. First and foremost, these should be activities aiming at increasing the level of OHS and developing individual and organisational health and safety competences. Another important issue in this area is the actions undertaken in enterprises whose goal is to facilitate social dialogue, engaging employees in a decision-making process in the company and maintaining open and honest relations with cooperating parties.

12 These issues are perceived in a similar way by the Bilbao-based European Agency for Safety and Health at Work which emphasises that care for employees’ health and wellbeing is one of the integral elements of
Social expectations concerning the importance of occupational health and safety in the activities of enterprises require the solutions which go beyond the legal framework. Socially responsible business which promotes management projects which in their everyday business operations show extensive efforts to provide an appropriate level of protection from hazards for employees may ensure progress in the sphere of occupational health and safety and reaching desirable standards of employees’ health protection.

3. ISO 26000 and the Polish Standards of the 18000 series in responsible health and safety management in an enterprise

Management in a modern, small or big enterprise, which is however ready for development requires consideration of numerous perspectives, including the perspective of integrated management which combines a business strategy with social responsibility in the sphere of OHS. What does it mean for the management practice and the reality of the Polish enterprises? It means that entrepreneurs, while conducting their activities, should consider the fact that socially responsible business is an outcome of the accepted long–term strategy of the enterprise and it is based on the principles of social dialogue which seeks solutions good for the functioning of the company and beneficial to internal and external stakeholders. Also, enterprises should effectively realise their goals and set tasks and at the same time act responsibly. Perceiving OHS in an enterprise as a transparent system of activities and values whose acceptance is clear in responsible decisions and socially acceptable interpersonal relations lays grounds for the safe working environment based on responsibility and trust.

ISO 26000 which pays attention to the issues concerning safety and health at work is consistent with the concept of a thorough approach to occupational safety. This concept combines three areas of the activity of enterprises: 1) technical safety (equipment, tools, worksite safety), 2) systemic safety (occupational risk assessment, safe work procedures, OHS instructions, certified safety system), 3) safety based on the observation of behaviour – behavioural safety (measurement and modelling of behaviour both reinforcing safe behaviour and eliminating barriers blocking this behaviour). The description of the ISO 26000 standard stressing the importance of human rights, standards and working conditions, safety and health at work, indicate the necessity of e.g.:

companies’ social responsibility, and the companies which adhere to the principles of social responsibility are interested in occupational health and safety. The Agency also claims that low level of OHS may do harm to the company’s image, which consequently poses a direct threat to its functioning, based on: Społeczna odpowiedzialność biznesu a bezpieczeństwo i higiena pracy, Raport z badań, Europejska Agencja Bezpieczeństwa i Zdrowia w Pracy, 2006, p. 10 ff.

- conducting reliable occupational health risk assessment,
- organising an occupational safety and health protection system with the participation of employees,
- analysing accidents at work and occupational diseases and problems reported by workers,
- eliminating hazards at work, developing and adhering to safe work practices,
- ensuring employees’ participation in OHS management.

The enumerated elements characteristic of the ISO 26000 standard are also realised as part of the safety and health management system in accordance with the Polish standard of the 18000 series\textsuperscript{14}. The OHS management system may serve as a tool for implementing the rules of social responsibility mainly in the sphere referred to as ‘employment practices/employment relations’, in which a large part of undertaken activities and expectations is related directly to the OHS management system. Among the activities undertaken as part of OHS management system one may identify such activities and expectations which coincide with the activities and expectations presented in the sphere of ‘human rights’, and also in the sphere ‘environment’ of the ISO 26000 standard. Therefore, the activities which are socially responsible may be combined with the components of the OHS management system.

Employees, the most valuable capital of the organisation, which decides about long–term success of a business strategy, are one of the most important groups of stakeholders. For many employees of the companies representing different sectors of the economy some of the most important areas of corporate social responsibility activities are human rights/workers’ rights and employment practices which illustrate relations with the management team and co-workers in the workplace. Compliance with human rights, good relations in the workplace and also work in a human-friendly environment translate not only to employment costs, but also to effectiveness and innovativeness of the whole organisation, which leads to the benefits of value added of reputation, work efficiency, consumers’ loyalty and value of shares.

The development and popularisation of the concept of CSR and standards in the enumerated areas in the context of OHS should be treated with due consideration by the entrepreneurs who implement the principles of corporate social responsibility. Here is a sample list of the desirable activities characteristic of these two areas\textsuperscript{15}:

\textsuperscript{14} OHSAS 18000 – Occupational Health and Safety Assessment Specification – is an international series of standards which is an equivalent of the Polish standard of the PN – N 18000 series – Occupational Health and Safety Management System. Both standards are almost identical and define the requirements on implementation and functioning of Occupational Health and Safety Management System. The implementation of the system in accordance with one standard is almost equivalent to the implementation of the other standard.

Area – human rights – 1) activities aimed at the elimination of violence in the workplace and improvement in psychosocial working environment, mainly: • improvement of identification of social hazards; • enhancement of the functioning of the system of reporting accidents at work; • improvement of the training system of the management team and workers concerning psychosocial hazards including stress and ways of dealing with it; 2) activities concerning the individuals susceptible to hazards which take into consideration: • psychophysical possibilities of workers when assessing occupational health risk and using preventive measures: • programmes for older workers, young ones, disabled individuals; 3) actions aimed at the improvement in work–life balance including: • enabling workers to choose a form of working time organisation; • eliminating the practice of lengthening working time above the required norm; 4) activities aimed at the promotion of health at work and rehabilitation including: • identification of onerous factors; • adjustment of workplace to the needs of employees; • ensuring rehabilitation to workers after accidents or in the case of developing work–related health issues; • monitoring illness–related absence from work; • promotion of a healthy lifestyle; • providing employees and their families with access to medical services; • performing medical examinations to identify work–related health complaints and their causes.

Area – employment practice – 1) activities directed at health promotion and increasing safety at work including: • improvement of occupational risk assessment processes, • analysis of workplace injuries and occupational disease, • adequate use of preventive measures, • careful consideration of problems reported by employees, • acknowledgement that psychosocial hazards are the reason for stress and work–related diseases, • determining safety and health and safety occupational policy, • establishing a system of employees’ health protection and safety with the involvement of employees, which recognises their right to be fully and adequately informed and consulted, participate in processes and decisions which concern any aspect related to their health and safety, 2) activities directed at human resources development including: • identification of training needs and offering opportunities to raise the level of competence in occupational health risk assessment, occupational safety and hygiene management, socially responsible activities; • supporting of employees’ individual education throughout the period of employment activity; • conducting periodic employees’ performance appraisals including their attitudes and engagement in socially responsible activities; • introduction of the monitoring system of the activities concerning OHS and socially responsible tasks.

Companies should improve the activities which concern the satisfaction of needs and expectations of employees associated with employment rights and conditions of working environment as the effectiveness of these activities conditions employees’ everyday involvement in work and their loyalty to the employer. Building employees’ conviction that the CSR strategy realised by the company
is the right one requires the reinforcement of their feeling that basic employees’ rights such as the right to a decent pay, safe and hygienic working conditions, rest and leisure, the right to be treated with dignity and respect are obeyed. The creation of such an emotional approach makes the company more credible in the eyes of employees.

It will depend on the ability of the management team to look into the future and specifically on their ability to integrate social responsibility activities with the strategy of the company\textsuperscript{16}. For that reason the organisation of these activities cannot proceed in a random manner. To create value, social responsibility assets in the sphere of OHS must be consistent with the business strategy of the company. These assets are valuable only in the context of the strategy whose realisation – in accordance with the expectations of the enterprise – they should facilitate. Strategic adaptation is an overriding rule when creating value based on the assets connected with the social responsibility activities. Investing in social responsibility in the sphere of OHS will not bring benefits if it is not accompanied by e.g. human resources trainings or if incentive programmes are not introduced at the same time. Investment in OHS may be of little value if it lacks tools offered by modern education which prepares employees for new solutions. Benefitting fully from the investment in both of these spheres, i.e. social responsibility and OHS, requires their integration\textsuperscript{17}. Adjustment and integration form the term structure which allows creating a corporate social responsibility strategy of the enterprise adjusted to its business strategy. The integration of CSR activities with the development strategy and their effective realisation gives an opportunity to improve a market image of the company and its reputation which allows the company to create other elements of the ethical and economic systems because they acquire the support of the employees\textsuperscript{18}.

4. The assumptions of the adjustment of the model of the social responsibility strategy with regard to OHS to the strategy of the enterprise

Corporate responsibility is becoming increasingly important. It is essential for the creation of sustainable value by an enterprise. The implementation of responsibility requires the adjustment of material and non–material assets of the enterprise to its strategy. This perspective includes objectives and measures which concern the most significant elements such as material assets (technology, technology,


Occupational health and safety in a socially responsible enterprise

processes, environment) and non–material assets (workers, knowledge and information, organisation) when a strategy is being implemented. The objectives of all elements must be integrated with one another and adjusted to the objectives of internal processes.

The adjustment of the social responsibility strategy with regard to OHS to the strategy of the enterprise, its goals and needs is a process of integrating the responsibility strategy in the sphere of OHS with the strategy of the enterprise seen as the adjustment of the following elements to these strategies: technology, structures, processes, employees’ abilities, communication: business – responsibility and OHS, and also the adjustment of individual learning and organisation. The condition for this adjustment is determining and introducing a mechanism which combines responsibility with business. Such a mechanism consists of two elements:\textsuperscript{19}:

\begin{itemize}
  \item an adopted model of the adjustment of social responsibility with regard to OHS to the strategy of the enterprise (i.e. defining the factors from the business sphere and responsibility sphere which are subject to the adjustment and a way of determining the extent of adjustment),
  \item a process of developing a plan of strategy adjustment and its realisation.
\end{itemize}

The model of adjustment of OHS social responsibility to the strategy of the enterprise allows a comprehensive, strategic look at the social responsibility policy in the company in the context of the business strategy, evaluation of the level of maturity of its elements. It also serves to plan a strategy for future development. The model of strategy adjustment contains four domains grouped in two thematic areas: 1) a business area including a) a business strategy, b) organisational infrastructure and processes, 2) the area of social responsibility in the sphere of OHS including a) a social responsibility strategy in the sphere of OHS, b) infrastructure and field-specific processes. Fig. 1)

Fig. 1. A model of adjustment of the enterprise strategy and social responsibility with regard to OHS

It is perceived from two perspectives which aim at the achievement of adjustment of the social responsibility strategy with regard to OHS to the strategy of the enterprise:

- influence, when we aim at gaining competitive advantage thanks to the use of the social responsibility strategy with regard to OHS combined with the strategy of the enterprise;
- adjustment, when by means of the integration of the social responsibility strategy with regard to OHS with the strategy of the enterprise we wish to achieve higher operational efficiency.

The activities connected with adjustment originate in the business field (as it determines requirements and objectives) and they go towards the field of responsibility in the sphere of OHS, seeing it in the categories of final outcomes. The presented model shows various constituents of organisation and interdependencies between them. However, it does not offer tools for conducting the process of adjustment. The question arises – what approach to the adjustment of social responsibility in the sphere of OHS to business should be used and what tools to use to conduct the process of adjustment?
5. The premises of the process of developing a social responsibility strategy in the sphere of OHS adjusted to the strategy of the enterprise

The adjustment of social responsibility strategy with regard to OHS to the general strategy of the enterprise requires consideration concerning two areas. On the one hand, it is necessary to understand needs, guidelines and limitations resulting from the business strategy and show in what way the social responsibility strategy with regard to OHS should be incorporated in the company’s processes. On the other hand, while developing a strategy it is necessary to take into account a current state, trends and other factors which influence the condition of OHS so that the sought-after solutions will translate to the current and future strategic needs of the organisation.

Searching for the possibilities of effective implementation of solutions concerning employment safety, fully adjusted to the business strategy of the company requires the following details of the business model of the enterprise to be established in the initial stages of the process:

- basis for the business strategy, i.e. the object of the company’s activity and its most important objectives,
- assets, possibilities, and competitive advantage resulting from the competence of the company and its employees,
- situational variables influencing the company’s operations,
- legal and systemic limitations which regulate the functioning of the company,
- ways in which the company operates, models of business processes,
- organisational structure in the company with specified division of labour.

The preparation of this information will allow clear determination of expectations and demands of business and directing the activities associated with the creation of the strategy of responsible development of the OHS sphere adjusted to the strategy of the enterprise. The preparation process of such a strategy includes three stages of activity20: a) Diagnosis of the current state, 2) Determination of the target situation, 3) Developing a plan of the implementation of the strategy.

The purpose of the first stage is the diagnosis of the actual current state of every area of social responsibility connected with the OHS sphere, first of all in the areas of workers’ rights and employment practices. It requires the completion of tasks connected with searching for answers to the questions from the sphere of planning, realisation, monitoring, evaluation and communication which will provide the strategists with information necessary for the analysis. Below are pre-

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sented sample questions and performance indicators associated with the practice of health risk assessment in an enterprise\textsuperscript{21}.

Planning

\begin{itemize}
  \item Have business objectives been defined in the strategy of the company matched to good practices of responsible OHS? (Are the records concerning risk assessment included in the declarations of the management team and OHS policy consistent with the records included in declarations and policy of the enterprise?);
  \item Have the criteria (indicators) serving to measure the achievement of objectives which the practice serves been formulated? (e.g. ratio of the number of identified worksite hazards to the number of controlled hazards);
  \item Is practice legally empowered in internal documents adopted in the company? (Has the significance of occupational health risk assessment and principles of reporting, monitoring, evaluation and communication been defined in normative documents of OHS: OHS policy, processes and procedures?);
  \item Were key stakeholders of the practice defined at its initial stage? (Which worksites/groups of worksites are subject to a particular process of occupational health risk assessment? Are stakeholders important from the point of view of practice at the same time key stakeholders from the point of view of the company?);
  \item Did key stakeholders participate in the process of practice preparation? (How many and which employees and with what professional experience make up group/groups dealing with health risk assessment? Was the dialogue at the stage of planning to implement the practice conducted with the participation of employees? Were the arrangements made as a result of the dialogue used in the planned practice?);
  \item Were the key stakeholders’ needs identified during the process of planning the practice? (Were the needs concerning the improvement in the state of OHS identified during the dialogue conducted in the context of the practice with the participation of the most important stakeholders? What needs were identified and how were they ranked?);
  \item Were benchmarks used during the process of practice development and was the process of their analysis documented? (Was a thorough analysis of selected available information on different kinds of initiatives concerning health risk assessment undertaken in the branch conducted at the stage of formulation of assumptions which set objectives of the practice and when defining the method of its realisation? Is training and creative adaptation of the best OHS practices organised in the enterprise?).
\end{itemize}

Realisation

- Has a person directly responsible for the realisation of the practice been chosen? (Has the information of that person reached everybody it may concern?);
- Is the information about the realisation of the practice conveyed to the stakeholders by the managing personnel? (Is the information about the occupational health risk assessment, the results of the assessment and the undertaken corrective actions conveyed to the employees and in what way?);
- Does the managing personnel support the practice during its realisation? (What does the involvement of the managing personnel in the risk assessment and application of its results for the improvement of the state of OHS consist in?);
- Is assessment of the effectiveness of the actions undertaken as part of the practice in the context of the purposes assumed for it conducted using defined indicators and according to the established schedule? (Has a schedule of assessment procedures been established, have indicators of effectiveness and the way of defining achievements in the sphere of practical application of the results of health risk assessment been defined?);
- Is the practice consulted with the stakeholders and the social partners during its realisation? (What is the range of consultations with the employees of the undertakings connected with the procedure of health risk assessment and are its results applied and how?);

Monitoring and evaluation

- Is the process of planning and realisation of the practice subject to a review made by an audit or internal control section functioning in the company? (What is the frequency and what does monitoring and evaluation of planning and realisation of practices of OHS concern?);
- Are the results of the assessments concerning the practice analysed and are conclusions drawn from them? (What criteria of launching the process of risk assessment were used, are they adequate to the needs and are they observed?);

Communication

- Has a plan of internal and external communication with reference to the practice been prepared? (Does information about threats to occupational safety always reach competent people?);
- Is the information concerning the practice generally available for the right groups of stakeholders? (How often and what information about occupational hazard reach the employees, is it factual and exhaustive?);
• Does the company present information on the involvement of the stakeholders in its realisation as part of communication concerning the practice? (Is the composition of the occupational risk assessment group and the way of choosing these specialists publicised?);

• Is an analysis of the effects of communication activities concerning a given good practice taken into consideration and conducted? (Can the employees freely express their opinions on the realisation of the practice of occupational risk assessment?).

Defining the desired target state constitutes the aim of the second stage of building a responsible OHS strategy. Achieving it will at the same time fulfil the needs of the employees concerning occupational safety and the expectations and requirements set by business. A path of responsible development in the sphere of OHS can lead through the implementation and improvement of responsible practices in the management system of OHS, until a competitive advantage is reached. The formulation of this strategy requires activities in the sphere of management, administration, employment relations, the chain of deliveries, products and services, which make it possible to:

- define the desired state of organisation of OHS in accordance with the law, the requirements of business and expected by the employees,
- define a target model of management of OHS by implementation of the best practices and patterns of activities proven in other organisations,
- describe the final way of organising activities in order to ensure the desired level of OHS.

The obtained knowledge constitutes the basis for formulating the image of responsible OHS in the enterprise and synergy of business and OHS processes – creating good practices – outlining paths leading to the achievement of purposes of business realised in a safe working environment. Examples of processes which in their assumptions consider the effects of responsibility in the sphere of OHS:

- in the sphere of management:
  
  **Process:** Establishing policies and objectives that concern running a business and applied technologies taking into account the requirements of responsibility in the sphere of OHS as well as for the effective realisation of the assumed policies and objectives. As a result, the enterprise gains the status of the leader among the companies in a given branch as regards a responsible business activity which respects the needs of OHS.

  **Process:** Involving stakeholders in creating standards of responsible business in the sphere of OHS and their application in the enterprise. As a result, the strategy of responsible business is strictly linked with the business model of the company, it is also communicated to the stakeholders as a positive distinguishing

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feature of the enterprise for the customers, and the issues connected with responsible business are an element of the assessment of the management team and the employees.

**Process:** Developing organisational culture of the enterprise in the sphere of safety by respecting the law and conducting a business in an ethical way. As a result, the public image of the company is dominated by the facts showing its attachment to activities in accordance with the regulations and ethics.

**Process:** Leaders’ conducting of the activities of causative control and supervision of CSR practices in the sphere of OHS. As a result, the leaders implement various forms of recognition encouraging decision-taking and actions in accordance with the requirements of responsible business in the sphere of OHS.

**Process:** Reporting the obligations of the enterprise concerning responsibility in the sphere of OHS. It results in reports containing detailed information on achieved progress in the sphere of OHS, which comes from independent audits performed on the basis of the standards binding in this field.

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**- in the sphere of administration:**

**Process:** Designing undertakings aimed at integration of people and the occupational environment. It results in the personalisation of the workplace, i.e. adjusting it to the psycho-physical requirements of people and to the requirements considering personal needs of the employee.

**Process:** Providing employees with a safe, comfortable and the most productive workplace. As a result, every worksite is subject to regular assessment of safety and ergonomics, and the conclusions from this assessment are immediately implemented.

The OHS management system is developed and the company makes regular investments in this field. The results obtained in the sphere of safety and ergonomics are the subject of an analysis, reporting and public presentation.

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**- in the sphere of employment relations:**

**Process:** Formulating policies and plans for their realisation taking into consideration the problems of OHS concerning such spheres as: safe working conditions, motivation systems, competence development, reporting. As a result, employees are perceived as a source of competitive advantage, which is facilitated by the system of training, the system of motivation, assessments, innovative solutions and tools in the sphere of the personnel management and OHS, as well as applied forms of communication with the employees and regular measurements of the organisational climate.

**Process:** Realisation of the employer’s commitments concerning legal regulations and employees’ rights in the sphere of employment relations, referring to the issues of OHS. As a result of realising good practices in the sphere of employees’ rights, the enterprise is perceived on the market as a desired employer,
the employees are more and more convinced that they are informed about all essential affairs of the company, including the strategy of its development in the sphere of OHS and that their opinion on this matter is taken into account.

**Process:** Building culture of safety in a workplace through promoting safe attitudes and behaviours. As a result, culture of safety in a workplace is perceived as a competitive advantage, and its consolidation results from committed attitudes of the management team and the employees.

**Process:** Training and developing skills through activities enabling employees to learn. As a result, the process of learning is adjusted to the requirements of business and individual needs of the employees, which makes them conscious of the entirety of business and technological issues connected with the functioning of the company, including their aspects referring to responsible OHS.

- **in the sphere of the chain of services:**
  **Process:** Application of a balanced attitude to the production process which makes it possible for the employees to meet their expectations in the sphere of OHS. As a result, the employees are guaranteed not only a safe and hygienic workplace but also a reliable assessment of the results and development, and selected employees (e.g. mothers, the juveniles) are offered particular, flexible conditions of employment.

- **in the sphere of the chain of services:**
  **Process:** Application of a balanced attitude to the production process, which makes it possible for the employees to meet their expectations in the sphere of OHS. As a result, the employees are guaranteed not only a safe and hygienic workplace but also a reliable assessment of the results and development, and selected employees (e.g. mothers, juveniles) are offered particular, flexible conditions of employment.

- **in the sphere of products and services:**
  **Process:** Offering products/services positively affecting the overall health and satisfaction of the employees and users. As a result, the company is perceived as the leader and innovator in offering healthy and safe products/services through concern and care referring to limiting occupational and social hazards.

The third stage of building a responsible strategy of OHS concentrates on the preparation of a plan of implementation of the strategy and its systematic updating. The stage aims at defining goals of the improvement of the organisation of the activities for OHS in the enterprise, and then identifying developmental initiatives, which will lead to reaching the target state defined in the second stage and will create mechanisms of review and updating of the strategies. The identification of goals serves to indicate which of the processes of the target vision of responsible OHS will be subject to realisation/improvement and with what
importance. The accepted order of realisation depends on the current state of the enterprise and the desired target state. It also constitutes the basis for undertaking design and planning works as part of which assumptions ensuring realisation of goals are prepared. What is also essential is the process of review and updating of the strategies as for its relevance and adjustment to the business strategy, as well as from the perspective of obtaining expected benefits from its implementation\textsuperscript{23}.

6. Summary

Perceiving an enterprise as socially responsible in the sphere of OHS by shareholders and clients, partners and the community in which it operates may have a substantial influence on the positiveness of the company’s image, and also on the good opinions about the company formulated by investors, sponsors and financial communities. It may have a positive influence on the quality of the relationship of the enterprise with the government and local authorities, the media and suppliers, and particularly on the ability to attract valuable employees, their morale, productivity and a possibility to retain them\textsuperscript{24}.

Adherence to responsibility standards in the sphere of occupational safety brings substantial benefits to entrepreneurs and employees, considerably contributing to uninterrupted development, which facilitates conducting economic activities. It is necessary to convince entrepreneurs and employees that basic values such as an employee’s dignity, healthy and decent interpersonal relations (including workers’ rights and occupational safety) are worth caring about, because they foster the creation of relational networks of responsible interdependence in an enterprise. Enterprises should consider these values to be top priorities and it requires the whole personnel of the enterprise to develop safety culture, extend individual and organisational competences in the sphere of OHS and increasing the technical and technological level of one’s activity. High culture, continuous learning and constant modernisation of production equipment and implementation of modern technologies is a way of ensuring high quality and safety of services offered to internal and external stakeholders.

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E-learning in the context of companies’ informatization and investment in employees’ knowledge and professional competences, as well as in the context of community work

Abstract
Introducing e-learning trainings in companies always means struggling with obstacles. The extent to which e-learning is used in companies depends on their level of informatization. The companies may use e-learning for various purposes, for instance as part of the CSR (Corporate Social Responsibility) strategy. This chapter discusses the barriers for e-learning development, the level of companies’ informatization, possible ways of using e-learning to fulfill the CSR strategy as well as some examples of companies that already use e-learning as part of the CSR.

Key words: e-learning, corporate social responsibility, e-learning as a part of social responsibility strategy, e-learning in the context of companies’ informatization.

Introduction
E-learning is a form of remote learning by means of the Internet. E-learning is seen as a way of gaining knowledge, in a situation when the access to the regular classroom learning is for some reasons limited. In one of the many definitions of e-learning, it is “a model of teaching involving technology to create, distribute and provide
data, information, training and knowledge in order to improve efficiency and organization\textsuperscript{2}. This is the way to increase the knowledge of employees. Nowadays the Internet technologies are developing rapidly, so this method of training employees seems to be invaluable. The aim of this work is attempt to answer some important questions. What conditions should be met for the e-learning to be employed? What are the barriers for its use? Is e-learning only a convenient way of passing on knowledge in a quick manner and to many users simultaneously? Could it be used as a part of Corporate Social Responsibility strategy followed by the companies? And if so, in what way?

What is remote learning?

Remote learning in its various forms was invented to enable passing on knowledge to as many people as possible. The unquestionable advantage of the remote learning is that it does not require you to be in a particular place at specific time in order to learn. It gives you much freedom in pursuing your passions and broadening knowledge about your fields of interest. E-learning via the Internet developed with the technical progress. One could even distinguish between various e-learning generations. Initially, e-learning was understood as copying the traditional courses’ contents and transferring them to the Internet. It was the first e-learning generation.

The second generation introduced interactive elements which greatly enriched the courses and enabled the contents to be better illustrated. The courses were becoming more and more attractive and learning was becoming more and more pleasant.

The third generation implemented algorithms and enabled creating a fully individualized learning path which is automatically adjusted to student’s level of knowledge. It is especially important when it comes to the specialist courses.\textsuperscript{3} Companies use different generations of e-learning courses depending on their needs and the purpose of such a course.

E-learning in companies enables the employees to broaden the knowledge they have in their professional areas. The development of the employees can be supervised by their employer. For instance, once a course is made accessible for the employees, they are obliged to fulfill it within a given period of time. Another possible scenario is that the employee needs to gain the qualifications required


by the employer by means of e-learning courses. Once you finish a single course, you can move on to the next stage of the whole training. Such a scenario enables one to plan the employee’s development path without setting fixed deadlines to finish a given stage, and thereby removing all time constraints. As each stage requires you to absorb more advanced knowledge, the only thing that could limit the employees is their own willingness to learn and spend time on doing so. In some cases, the company may introduce additional motivation factors that would prompt the employees to climb up to the higher levels of training.

Another advantage of using e-learning in the company is that you can train your employees without interrupting their daily duties. The employees do not have to leave their desks and stop their tasks. They do not need to meet in a single room where the training takes place. What is more, e-learning trainings can be carried out regardless of the number of participants. You can have the very same training in a small as well as in a big company. It is particularly important when it comes to very big companies and those that have many branches throughout the world. They do not have to organize separate trainings in each locations but they can pass on the information (e.g. about a new product or new technology) to all employees at the same time, which eliminates delays and significantly reduces costs. E-learning trainings are often cheaper than the traditional ones that need to be repeated for each separate group of employees within a company.

There are, however, several points related to company e-learning which may be quite problematic. One of them is the level of informatization of the company and the necessity to invest in new software for carrying out trainings. In recent years, there has been a noticeable increase in the number of companies, including those in which computers are used on a daily basis and there is Internet access. Figure 1 depicts the change in the number of companies.
Figure 1. The use of computers and the Internet in the companies between 2010 and 2013.

Source: based on data available in Central Statistical Office of Poland⁴.

Changes are also visible when you take into consideration the conditions existing in different types of companies. The Figures above show the changes in the number of companies and the extent to which computers and the Internet are used in small companies. There has been a noticeable increase in the number of companies. The increase is also visible in the number of companies in which computers and the Internet are used on a daily basis.

Despite this noticeable growth, the percentage of the companies in which computers are used for work decreased from 96.5% to 94% in the years 2010 – 2013. The percentage of the companies with Internet access also experienced a decrease in this period (94.8% to 92.3%).

One should, however, remember that it was between 2010 and 2013 when 12262 new companies were established, including 9849 companies where computers were used for work and 9648 companies with Internet access. As a result of that, the range of the companies which can employ e-learning expanded significantly.

Figure 2. The use of computers in small companies between 2010–2013.

Source: based on data available in Central Statistical Office of Poland.⁵

⁵ Ibid.
Figures 3 and 4 show how the use of computers and the Internet is changing in medium and big companies.

![Graph showing the use of computers in medium companies between 2010–2013.](image)

**Figure 3** The use of computers in medium companies between 2010–2013. Source: based on data available in Central Statistical Office of Poland.⁶

You can tell from the data presented in Figure 3 that between 2010 and 2013 the number of medium companies decreased. The level of using computers and Internet access at work decreased after 2010 of about 2%, however, in the subsequent years (2011–2013) the percentage oscillated around 1%. The results for big companies are presented in Figure 4. Despite minor fluctuations in the number of companies over the years, the level of using computers and Internet access increased from 99.5% (year 2010) to 99.8% (year 2013).

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⁶ Ibid.
The technical conditions for developing e-learning in companies are thus good, and the constantly high level of Internet use enables the companies to introduce the e-learning trainings. One of the definitions of company e-learning states that it is “a system consisting of various e-teaching forms through which the participants can acquire certain qualifications. The emphasis is put on teaching a specific way of acting or behaving, on automatizing particular skill, explaining the course of a process etc.” Moreover, when you take into account that the e-learning training can be available for every employee, it turns out to be extremely useful when it comes to companies where the staff changes quite often and all of them require a training. Not only the company but also the employee could benefit greatly from such a form of training. The e-learning courses are available for the employee at any time, therefore he or she can go back to their contents as many times as required. The trainings may assume an interactive,

7 Ibid.

multithreaded form and thus, with suitable graphic and multimedia design, may become a really attractive way of acquiring knowledge. E-learning is a flexible and engaging form of passing on knowledge, so it would be worth reflecting why it is still underestimated in many companies. According to the report\(^9\), lack of awareness among the companies’ decision makers (the board) with regards to the importance of investing in employees’ development is one of the greatest barriers in e-learning development within companies. Another one is being accustomed to the old, clichéd patterns of training, like having a course in a classroom with a coach, treating employees in a way that suggests lack of trust, testing and controlling them. Also, some employers think that e-learning is expensive and they do not really want to invest in their employees’ development. On top of that, some companies do not have required resources to introduce e-learning and their employees do not have enough computer skills. However, once you take into account the aforementioned statistical data concerning the increase in the use of computers and the Internet, at least the latter of the presented barriers could be successfully overcome.

As for the costs of either e-learning or the regular training, once can always make an analysis of the two and choose such a training form that would be most convenient for the company. In order to determine the total cost of the training, you need to first define the costs in the three groups: fixed costs, variable costs and total costs. Moreover, the trainings generate indirect, direct and opportunity costs. When it comes to the traditional trainings, the direct costs cover coaches’ salaries, room renting, business trips, preparation and distribution of teaching materials. In the case of an e-learning course, the direct costs cover infrastructure maintenance, software, fee for the preparation of teaching materials and managing of the whole training\(^{10}\). The indirect costs, for both traditional trainings and e-learning, cover compensatory provisions for the participants as well as general costs related to managing the whole undertaking. When it comes to opportunity costs, one should think about the potential losses the company could suffer when the employee attends a traditional training instead of being at work\(^{11}\). Calculating costs for the traditional as well as e-learning trainings can be done according to similar methodologies which makes the analysis of both much easier. Table 1 presents the information about the types of costs that should be included in such analysis. Crosses mark the small, insignificant costs.

The total cost of the training can be calculated in a rather simple way once the table below is filled with required data. The total cost would be the sum of all fixed costs to which you add the sum of variable costs already multiplied by the

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\(^11\) Ibid.
number of participants. In this way you can calculate the costs for both traditional and e-learning trainings.

Table 1 A costs sheet that may be helpful in deciding between the traditional and the e-learning trainings.

<table>
<thead>
<tr>
<th></th>
<th>Traditional training</th>
<th>E_learning</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fixed cost</td>
<td>Variable costs</td>
</tr>
<tr>
<td>Direct costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coach’s salary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>External supplier</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparation of teaching materials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production of teaching materials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution of teaching materials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computers</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Software</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Business trips</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensatory provisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opportunity costs</td>
<td>x</td>
<td></td>
</tr>
</tbody>
</table>


To a great extent, the cost of the training depends on the number of participants: the more employees take part in the training, the higher the costs. What is worth taking a closer look at is how the different types of costs make up the total cost of the training. As Table 1 shows, when it comes to e-learning such costs as those related to the coach’s salary, preparing and distributing teaching materials,
business travel or compensatory provisions are in fact insignificant. The cost that is significant is the one of buying the required hardware and software, that is the cost of the informatization of the company. It is, however, a one-time expense made to build suitable infrastructure that would enable running e-learning courses. Once you take into account the aforementioned data, it turns out that the problem of informatization in companies should not in fact constitute a serious barrier for the implementation of e-learning. Taking into consideration the percentage of fixed costs and variable costs in the total cost of each of the two types of trainings, one could see that those costs are higher when it comes to traditional trainings. Taking additionally into account the method used for calculating the total costs of e-learning trainings with expanding number of participants, one could notice that the total costs per participant decrease rapidly. Such returns to scale are not that noticeable when it comes to traditional trainings, which in turn should work in favour of using e-learning trainings in companies.

It is possible to measure the effectiveness of the e-learning training. It is determined on the basis of ROI, i.e. Return of Investment. ROI enables one to check how investing in e-learning trainings will affect the company’s financial outcomes. There are several means of calculating the profitability index of e-learning trainings. One of them enables calculating ROI by comparing profits and expenditure.\(^{13}\)

\[
\text{ROI} = \frac{\text{profits}}{\text{expenditure}} \times 100\%
\]

We may not always have all necessary data to calculate return of investment rate according to the formula presented above. In such a case, we should use another formula, where the costs of trainings and of preparing them are taken into account:\(^{14}\)

\[
\text{ROI} = \frac{\text{total cost of the traditional training} - \text{total cost of the e-learning training}}{\text{total cost of preparing the traditional training} - \text{total cost of preparing the e-learning training}}
\]

If the company does not have specialists experienced in cost planning, they may not know what costs particularly should be taken into account. As a result of that, they may be unwilling to spend much money on creating the required infrastructure or adapting the already existing one to the requirements of the e-learning training, and thus unwilling to organize such a training at all. The costs of the traditional training are usually associated with coaches’ salaries or room renting, that is with something predictable for the employer. It is, therefore, worth a while, especially at the initial

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\(^{13}\) M. Hyla, *op. cit*, p. 267.

\(^{14}\) M. Dąbrowski, *op. cit.*
stage of planning e-learning trainings, to compare the costs of both traditional and
e-learning trainings. For that purpose, one can use cost calculators which are helpful
in estimating and planning the constituent costs of the trainings. It is especially im-
portant when the employer does not have much experience in organizing trainings for
the employees and for that reason could disregard certain costs. The examples of the
costs calculators are presented below (Figures 5\textsuperscript{15} and 6\textsuperscript{16}).

**ROI calculator for e-learning**

By comparing the implementation cost of an on-site training project with the e-learning costs, the form allows calculating
the ballpark ROI for e-learning.

<table>
<thead>
<tr>
<th>Type of on-site training cost for the organisation</th>
<th>PLN net cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of training room (for the entire duration of the training)</td>
<td></td>
</tr>
<tr>
<td>Transportation cost for the coach and/or trainees to the training site (total)</td>
<td></td>
</tr>
<tr>
<td>Accommodation cost (total)</td>
<td></td>
</tr>
<tr>
<td>Food and beverages cost during the training (total)</td>
<td></td>
</tr>
<tr>
<td>Delegation costs (total)</td>
<td></td>
</tr>
<tr>
<td>Cost of supplementary training materials along with the cost of their preparation</td>
<td></td>
</tr>
<tr>
<td>Costs of drawing up training report</td>
<td></td>
</tr>
<tr>
<td>Costs of training-related absenteeism</td>
<td></td>
</tr>
<tr>
<td>Opportunity costs attributable to the absence of employees participating in the training</td>
<td></td>
</tr>
<tr>
<td>Other costs of organising on-site training</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of e-learning cost for the organisation</th>
<th>PLN net cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of preparing material for e-learning-based training</td>
<td></td>
</tr>
<tr>
<td>Costs of methodical and technical preparation for the e-learning based training</td>
<td></td>
</tr>
<tr>
<td>Cost of e-learning platform</td>
<td></td>
</tr>
<tr>
<td>Administration and technical support costs of e-learning</td>
<td></td>
</tr>
<tr>
<td>Mentoring costs</td>
<td></td>
</tr>
<tr>
<td>Cost of supplementary training materials to e-learning course along with the cost of their preparation</td>
<td></td>
</tr>
<tr>
<td>Costs of drawing up the e-learning report</td>
<td></td>
</tr>
<tr>
<td>Costs of training-related absenteeism</td>
<td></td>
</tr>
<tr>
<td>Opportunity costs attributable to the absence of employees participating in the training</td>
<td></td>
</tr>
<tr>
<td>Other costs of e-learning based training</td>
<td></td>
</tr>
</tbody>
</table>


How can your organization benefit from e-Learning?

Take a minute to plug in the numbers that represent your organization below, and see the effect moving to e-Learning can have on your bottom line. Try different scenarios to see what is the best fit for you and your company.17

Example below shows typical setup of e-learning and Instructor Led training (ILT). We encourage you to use your own numbers to more accurately reflect your situation. You can also use this table to figure out your break-even point between e-Learning and ILT.

<table>
<thead>
<tr>
<th>General settings:</th>
<th>Number of Training Cycles (2):</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>eLearning</td>
<td>Trained's Average Hourly Wage (2):</td>
<td>50</td>
</tr>
<tr>
<td>Number of trainees (2):</td>
<td>100</td>
<td>Number of trainees (2):</td>
</tr>
<tr>
<td>Number of days training:</td>
<td>n/a</td>
<td>Number of days training (2):</td>
</tr>
<tr>
<td>Average CBT Cost (2):</td>
<td>550</td>
<td>Average CBT Cost:</td>
</tr>
<tr>
<td>Classroom cost per day:</td>
<td>n/a</td>
<td>Classroom cost per day (1):</td>
</tr>
<tr>
<td>Travel cost per trainee:</td>
<td>n/a</td>
<td>Travel cost per trainee (2):</td>
</tr>
<tr>
<td>Material cost per trainee (2):</td>
<td>0</td>
<td>Material cost per trainee (2):</td>
</tr>
<tr>
<td>Instructor Salary (2):</td>
<td>0</td>
<td>Instructor Salary (2):</td>
</tr>
<tr>
<td>Instructor Travel (2):</td>
<td>0</td>
<td>Instructor Travel (2):</td>
</tr>
<tr>
<td>Other (2):</td>
<td>0</td>
<td>Other (2):</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classroom Space:</td>
<td>$0</td>
<td>Classroom Space:</td>
</tr>
<tr>
<td>Materials:</td>
<td>$0</td>
<td>Materials:</td>
</tr>
<tr>
<td>Trainee's Travel:</td>
<td>$0</td>
<td>Trainee's Travel:</td>
</tr>
<tr>
<td>Trainee's Wages:</td>
<td>$5,000</td>
<td>Trainee's Wages:</td>
</tr>
<tr>
<td>CBT Cost:</td>
<td>$55,000</td>
<td>CBT Cost:</td>
</tr>
<tr>
<td>Total Cost per cycle:</td>
<td>$60,000</td>
<td>Total Cost per cycle:</td>
</tr>
<tr>
<td>K 4 cycle(6)</td>
<td></td>
<td>K 4 cycle(6)</td>
</tr>
<tr>
<td>Grand Total Cost:</td>
<td>$240,000</td>
<td>Grand Total Cost:</td>
</tr>
</tbody>
</table>

You save 40% using e-learning

* This calculator is for illustration purposes only.

Figure 6. ROI calculator, available online: http://www.caelearning.com/elearning_roi_calculator.aspx. Access: 2.06.2014.

The report17 also discusses the chances for the e-learning to develop. What seems to be especially important is to make the boards of the companies aware of the fact that training the employees and enabling their development is extremely important. The companies do not need to implement their own system to manage trainings, but they can hire a training company and buy access to their e-learning platforms for the employees. Such attitude is advisable especially when it comes to the companies with low informatization level or small companies where frequent trainings for employees are required. The costs related to preparing and implementing a separate training system by the company would entail a very long return of investment period. In the case of big or developing companies with high level of informatization and huge demand for training the employees, investing in the internal training environment seems a better solutions. It is worth

17 M. Czernecka, op. cit.
to strive at creating a single system using the already existing corporate ones.\textsuperscript{18} A single, coherent system makes it easier to manage business processes in the company and to integrate them with training processes. Connecting all processes in the company, including the training processes, facilitates the management of the whole company. Some e-learning activities may be performed automatically, e.g. turning on and off employee’s access to a given system depending on his/her certificate’s expiry date, or enabling additional system options once the employee finished a course on a higher level of advancement. Apart from the functionalities that could check the level of competence, certification and recertification of the employees, the system would enable remote communication within the company, and not only between the employees or coaches and students. The developed videoconference system would also allow for fast and easy communication with the clients – including the prospective ones – for resolving problems and presentation of the company’s services. The most important, however, is the fact that the unified corporate and training system enables preparing, facilitating and managing the employees’ training process. It also means that a course can be prepared and facilitated as soon as the need for a training in a given area arise.

\textbf{E-learning and Corporate Social Responsibility}

Nowadays, running a company is not limited to gaining financial profits at all costs. A strong emphasis is put on the relations and attracting good publicity among clients, employees and society. It is also a means of increasing the company’s competitiveness by ensuring that all business is run in the atmosphere of trust. Additionally, it positively influences the employees’ engagement. How can e-learning help achieve all that? There are many ways to use this form of education. E-learning can be used as an informational tool. The company supporting corporate social responsibility can share their ideas using an e-learning course. By this fully interactive means of informing about the undertaken social activities, the company may attract attention of a larger number of recipients and stay in memory of the greater part of the society than it would if it used a leaflet, poster or advert. The informational role is not the only one that e-learning can perform. In many cases it can be used in the CSR practice. It is true when it comes to the companies which in order to exist on the market need to have certain knowledge they could share with the society, e.g. companies dealing with health promotion that could prepare an e-learning course with pieces of advice on how to lead a healthy lifestyle. In this way such companies increase social awareness with regards to health promotion but they also gain people’s interest and, after some time, their trust. To use e-learning efficiently in the CSR strategy, the company can reach for the expert knowledge of the specialists working in a company while preparing school courses. It is a means of showing

the practical side of the issues which the students know only from the books; it broadens one’s knowledge and shows how it can be put into practice. E-learning can also be used to increase social awareness, to explain the matters which cause social concern because they are misunderstood. Those matters may include natural phenomena or illnesses which cause social fear and anxiety. An online course on such topics should be prepared in such a way as to explain the issue in a clear and intelligible manner.

The examples of good practices in the field of CSR are presented in the report “Odpowiedzialny biznes w Polsce 2013. Dobre praktyki.” The report quotes 403 good practices and 155 long-term practices. It also includes information about good practices in particular companies, taking into account the areas in which they operate. Those areas are listed in the ISO 26000 and they are as follows: organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development. The percentage of good practices mentioned before in each of the ISO areas is presented in Figure 7.

There are several education categories in different areas of CSR. Figure 8 depicts the number of activities in each education category within the seven areas. As can be seen, educational activities are not run within the areas of organizational governance and human rights. They are, however, visible in the remaining areas. The biggest number of educational activities can be observed in the area of community involvement and development. Once can in fact distinguish two such categories: adult’s education and children and teenagers’ education. A considerable number of educational activities is run in the environment area (ecology). All of those educational activities can be conducted by means of e-learning. It is worth remembering that the educational activities conducted by the companies as part of CSR strategy could be, or even should be, fulfilled by means of online courses, as they give a wide range of possibilities. The increase in the number of educational activities may result in the increase in the number of e-learning courses as means for such activities.

Figure 8. Number of activities belonging to particular categories within the 7 areas of CSR. Source: based on data available under http://odpowiedzialnybiznes.pl/wp-content/uploads/2014/04/Raport_Odpowiedzialny_biznes_w_Polsce2013.Dobre_Praktyki.pdf.
According to the data presented in the report, e-learning is used as part of the CSR strategy in two companies only. The first of those companies is Bank Zachodni WBK. Each of BZ WBK’s employees is bound to know and follow the General Code of Good Conduct and thus is obliged to participate in a specially prepared e-learning training. The second company which use e-learning as part of CSR is Orange Poland. The company introduced a mandatory e-learning training for new starters. The training on CSR enables the employees to share the related strategies and projects efficiently. The training is oriented to the practical aspects of the company’s CSR.

The conclusion

E-learning is most often perceived as a means of remote learning. It is understood as a method of learning that enables one to gain knowledge without the place and time limitations, as it happens in the case of traditional trainings. Implementation of e-learning in a company is not an easy task and entails overcoming many obstacles. One of them is the level of informatization. Another one is the cost of implementation. Yet another one – a mental barrier that discourages many from using such a teaching method. However, taking each of those problems into consideration, once can see that they are not impossible to overcome.

As for the level of informatization of companies, as stems from the aforementioned data, it is quite a high one. There has also been a noticeable increase in the use of integrated informational systems. It is most markedly visible when it comes to large companies using the already existing systems to improve their business processes, which in turn affects their further development. The company’s development is also influenced by the amount of investments made to train the employees, including the payments for e-learning trainings. The development barrier related to the implementation of e-learning is connected with the fact that the cost of creating the informational infrastructure is quite high. In spite of that, it turns out that e-learning trainings are in fact cheaper than the traditional ones. Moreover, the investments made to create the required infrastructure can return in a short period of time. It is related to the wide range of possibilities that e-learning provides: it can be used as a communication tool between the employees themselves and also between the employee and the clients. Additionally, it is possible to use e-learning to create a centre for certification and testing where the skills and knowledge of the employees are controlled and complemented.

The last of the abovementioned barriers is the mental barrier. In order to fight this one, it is necessary to make the boards of the companies aware of the

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fact that it is important to invest in the employees’ development and that there are many advantages of using the e-learning method.

E-learning can play the informational role in the company. By means of an e-learning course it is possible to present the actions undertaken by the company as part of CSR strategy. E-learning itself may become a useful tool in fulfilling the CSR strategy. The company can create the e-learning course which would touch upon topics related to their business activity and therefore contribute to increasing social awareness of this matter. A good example of socially-oriented actions is organizing e-learning courses for schools. During such a course the issues which the students know only from theory can be presented by the specialists who put them into practice on a daily basis. E-learning could also be used as an attitude-shaping tool and a means of defusing social tensions resulting from the lack of reliable information on a given topic.

According to the information quoted above, the companies undertake educational activities as part of the CSR strategy. However, there are only two companies that take pride in using e-learning for that purpose. It is worth mentioning that e-learning is used in those companies to coach the employees on the CSR strategy that each company pursues as well as a means of sharing information about current projects.

The companies may benefit greatly from the wise use of e-learning. It can fulfill its main aim – to pass on knowledge – or become a useful CSR tool.

References


PART II
Corporate Social Responsibility in the international
ANNA PIZIAK-RAPACZ, M.A.$^1$

Political environment and the necessity for dialogue with stakeholders of the energy market in Poland

Abstract
Poland is not self-sufficient in terms of energy, thus, the country’s security is greatly endangered. This fact negatively influences the energy security of the country; the import-export relations affect the character of the energy market.
The energy security strategy of Poland may be characterized by one major problem: lack of cohes-ion in decision-making among particular ruling coalitions. The problem is mirrored in the energy market itself as it lacks a stable sector. Various projects are proposed at different times and consequently, never completed. The present analysis aims at indicating the significance of dialogue with stakeholders of the energy market in Poland. Dialogue is a reliable form of exchanging information and also of identifying needs. Entities taking part in these activities are not categorized as a group but as a collection of units in a group. It allows for an increase in the effectiveness of activities and, as a consequence, positively affects the economic growth of the country. A system of connections, based on multifaceted economic relations, typical for the globalization era, is being built as well. Thus, the problems of company management and energy-climatic guidelines cannot be dealt with separately but as a whole. It provides a full picture of the condition of the country’s economy as well as the prevailing trends and relations.

Key words: energy market, policy, dialogue, Poland, stakeholders, energy security.

Introduction
Political environment constitutes the centre for formulating the legal framework of every country. The passed law enables the harmonization of activities. It cannot be,

$^1$ PhD seminar student, Andrzej Frycz Modrzewski Krakow University, Faculty of International Relations, anka.piziak@gmail.com, tel. +48 600274845.
however, out of touch with reality but support it since it is one of its pillars. The needs of any market should be reflected in the legal acts. The legislator, when implementing them in the legal system, ought to be aware of the fact that these acts can be a contributing factor in the development of the economy of the country or quite the opposite. The energy security strategy of Poland may be characterized by one major problem: lack of cohesion in decision-making among particular ruling coalitions. The problem is mirrored in the energy market itself as it lacks a stable sector. Various projects are proposed at different times and consequently, never completed. The present analysis aims at indicating the significance of dialogue with stakeholders of the energy market in Poland. Some of these diverse entities and their difficulties are a true representation of the situation in the given economy and may, therefore, be regarded as a useful source of knowledge. The present paper consists of an introduction, a summary with the author’s own conclusions and three chapters. The first section presents fundamental definitions and issues as well as the characteristics of the Polish energy market. The second chapter discusses participants of the energy market in Poland. The third one is dialogue between the political environment and the energy market stakeholders.

1. Fundamental definitions and concepts, the characteristics of the energy market in Poland

Environment can be defined as the entirety of phenomena, processes and institutions which shape the relations in a given area. Elements which don’t constitute the structure itself but rather surround it, must also be included here. We may discriminate between the global and national macro-environment. As regards the global perspective, we may point out the role of the European Union, United Nations as well as international organizations and agencies e.g. energy agencies. Active foreign policy of a country can encourage or limit international trade. The membership in certain organizations or the participation in agreements may be a driving force behind the development of enterprises. Another classification is the division between the close environment i.e. systems in which an entity is in intensive relations: suppliers, available technologies, market competitors and the distant environment the so-called macro-environment i.e. political, industrial, legal or social etc.

Political environment refers to the ruling system of the country at a given period of time, shaped by international regulations. Government decisions affect the strategies of entities participating in a particular market. This factor must, therefore, be taken into account while formulating the operational strategy of entities. Environment is also characterized by the notion of sub-environment i.e.

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suppliers, consumers and competitors. Thus, the economy and an entity operating within it are connected by numerous dependencies.

The dynamic development of global economies, including Poland, is dependent on the availability of fuel resources as they constitute the source of energy for the industry. Possessing them is of great import to the energy security of all countries. Owing to their superior importance, these resources have become a vital element of the energy policy the purpose of which is to secure a supply of energy carriers such as natural gas, oil, coal as well as to deliver them to final customers.

The notion of energy security is examined depending on the factors affecting it directly. A characteristic feature is to ensure a supply of resources and, consequently, the energy so that the demand is met at any time, in many forms, in a sufficient amount and at a reasonable price. We may distinguish the following threats to the security: physical- referring to disruptions in energy supply, economic- where the focal point is the price and other- encompassing the issues of the progressive degradation of the environment and its protection.

The ecological issues are not limited only to area of an enterprise’s activities but are related to a wider perspective i.e. the economy, society and natural environment. Thus, we may distinguish between:

- Ecological management- connected with the economy and society- the environment is the object of management
- Environmental management- refers to objects and processes of using them as well as the protection and shaping of the environment.

Stakeholders are entities understood as persons, communities, institutions, organizations or state agencies which may influence an enterprise and are themselves affected by its operations. That is why, an important link which binds all of them is a dialogue i.e. a number of conversations based on negotiations and other activities aiming at reaching an agreement between all parties involved. Coming to an agreement enables limiting the effects of a potential threat.

In order to analyze the subject in question, it is necessary to specify the notions of environmental management and ecological management. The former includes activities such as: design, implementation, control and coordination of economic processes. The central elements here are society, economy and environment. Ecological management, however, is keeping a constant balance between two elements i.e. the environment and human economic activities which shouldn’t negatively affect the natural surroundings. Therefore, managing the environment means using the resources so as to meet the needs of a given entity.

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7 A. Chodyński, Odpowiedzialność ekologiczna w proaktywnym rozwoju przedsiębiorstw, Kraków 2011, p. 263.
The main goal of policies of all countries is to minimize the losses when obtaining resources and to facilitate processes in order to make them more efficient\(^9\).

A company intensifies achieving ecological goals when it improves its position in the market. The cooperation between countries and market players has led to creating the following notions:

- industrial ecology (IE) - managing the energy and means necessary to its production,
- life cycle management (LCM) - emphasizing the state’s role,
- supply chain management (SCM),
- integrated chain management (ICM),
- environmental supply chain management\(^{10}\).

When discussing the scope of operations of any company, the term **Corporate Social Responsibility (CSR)** has to be mentioned. It means that an enterprise is to include in its activities social issues and the problem of protecting the natural environment. The idea behind this concept is to conduct a business responsibly and ethically with regard to the society (see Fig. 1).

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\(^9\) Ibidem, p. 10.

Poland is not self-sufficient in terms of energy, thus the country’s security is greatly endangered. The political environment of many ruling coalitions proposed numerous solutions. A number of these projects were not completed due to the economic unprofitability of the investments. A common goal was the diversification of channels and sources of acquiring energy. At the turn of the second decade of the 21st century, we may observe to solutions: nuclear energy and unconventional gas extraction. These investments are planned to ensure energy security of the country in the long-term perspective.

![Figure 2. Structure of energy production in Poland in 2012](image)

Source: Author’s own elaboration based on Poland Energy Report, July 2012.

The country’s energy balance (see Fig. 2) as well as the energy estimates indicate that the demand for particular fuel resources in Poland until 2050 is the following: coal 56%, oil 25%, natural gas 13% and biomass 6%. Coal remains the strategic energy resource of the country. It has to be mentioned that some modernization investments are necessary, not only in black and brown coal market. Instances of power supply disruptions may occur more often, not only as a result of incidents related with unexpected weather changes.

2. Characteristics of energy market participants in Poland

Ensuring conditions favourable for maintaining energy security of nations is a responsibility of country authorities i.e. president, prime minister, parliament, minis-

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ters etc. as well as representatives of particular energy sectors i.e. enterprises, their boards of directors and on the level of local and regional communities. Another area which can support functioning of the sector is research and development centre as well as non-governmental organizations\textsuperscript{12}.

The main authority in the Polish energy market is Ministry of Economy and is supported by e.g. Department for Diversification of Supply of Energy Carriers (since 2009 Department for Nuclear Energy), Department of Energy, Department of Mining, Department of Oil and Gas among others. The institutions collaborating in making the country’s policy with regard to energy are Ministry of Environment and Ministry of State Treasury. Other important agencies are also the Office of Competition and Consumer Protection (UOKiK), the Office of Energy Regulation, National Atomic Energy Agency (PAA), National Agency for Energy Conservation (KAPE S.A.) as well as National Fund for Environmental Protection and Water Management (NFOŚiGW). Polish market is characterized by an increased activity of non-governmental organizations e.g. Polish Association of Distribution and Conversion of Electric Energy (PTPiREE), Association of Polish Electricians (SEP), Polish Liquid Gas Organization (POGP), Polish Offshore Wind Energy Society (PTMEW), Business Center Club (BBC). These organizations are frequently a good source of information; they conduct analyses, offer expert opinions, hold seminars and discussions which are considered as a valuable source of knowledge not only for enterprises but also for political circles. It often happens that some of such entities lobby their own goals, which may result in adverse effects for the whole economy. Such issues shouldn’t be seen entirely through the angle of a single investment but rather as whole system of activities e.g. Greenpeace.

The following entities can be distinguished in the electric energy market:

- energy producers- base-load power plants, combined heat and power plants (CHPs),
- energy-trading firms,
- energy transport companies (by means of transmission and distribution networks),
- customers- households and entities conducting business operations.

Within the vertical and horizontal integration, four main entities may be differentiated: \textit{PGE Polska Grupa Energetyczna S.A.}, \textit{Tauron Polska Energia S.A.}, \textit{ENEA S.A.} and \textit{Energa S.A.} Consolidation efforts as well as the privatization of companies are the two elements of the strategy of the Polish government for strengthening not only the position of entities but also the whole sector. Action programmes aimed at liberalizing the energy market must also be mentioned, most important of which are the possibility of choosing energy providers as well as separating transmission and distribution operators. Since 2010 there has been an obligation forcing to sell a certain amount of energy on the exchange\textsuperscript{13}.


There are the following forms of trading energy:

- contract market (bilateral agreements),
- balancing market - the so-called technical market,
- exchange market i.e. Polish Power Exchange (Towarowa Giełda Energii S.A).

In September 2013 a seminar entitled Market and Regulation Environment of the National Energy Market was held. It was hosted by Olgierd Dziekoński - Secretary of State in the Chancellery of the President of the Republic of Poland and Stanisław Koziej - the Chief of the National Security Bureau. The need for investments in energy generation capacity was one of the key points that were indicated then. Another crucial issue is modernizing the energy infrastructure since without it, efficient transmission of the generated energy is not possible 14.

A company, regardless of its industry, is characterized by a complex process of strategic planning which includes: environment analysis (resource market, ecological requirements, regulations), company analysis (research and development, marketing, organizational structure) needs analysis (establishing goals and their relation with the policy). This process leads to identifying opportunities and threats as well as tasks the company has to accomplish. All of this constitutes the so-called potential. An entity develops, and consequently, chooses a strategy for completing a task. Plans aimed at particular sectors in the company are devised e.g. production, services, markets, turnover etc. Planning and decision making make up a certain system of management 15.

An enterprise is not defined only by its external environment but also by the structures based on the decision-making, the so-called information processing. We may differentiate between strategic decisions outlining certain borders, tactical providing the direction for future actions and operational which are specified hierarchically and assigned to appropriate jobs 16. Strategic planning can, therefore, be defined as a collection of steps such as: the analysis of environment, the company’s potential, decisions, which is based on short and long term goals and the way in which they will be achieved 17.

Companies operate in various management strategy models e.g. penetration, internationalization, entrepreneurship integration, monopolization, diversification, acquisition, globalization 18. A modern solution is the corporate responsibility of business, which entails selecting solutions and actions which will

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15 J. Penc, Innowacje i zmiany w firmie Transformatcja i sterowanie rozwojem przedsiębiorstwa, Warszawa 1999, p. 204.
secure not only the sustainable development of the company but also the social prosperity. The key issue is taking the ecological aspect into consideration. In effect, an enterprise is supposed to be a competitive entity. The main indication of this process is placing it the already existing environment, the so-called synergy. W.Łukasiński describes the process of shaping up the ecological sub-system in the integrated system of social responsibility management. He lists the following stages of development:

- determining the ecological awareness, capital analysis, recognizing competences,
- the process of identification of needs, expectations and capabilities,
- formulating a new strategy – the selection of methods eliminating the negative influence on the environment,
- the implementation of the chosen strategy – combining social and ecological aspects etc. with companies’ operations,
- the analysis of effectiveness of the selected course of action,
- preparing a report evaluating the chosen methods of action,
- further advancement\(^\text{19}\).

The evaluation and reporting of socially responsible actions is a responsibility of The Global Reporting Initiative, which distinguishes three groups of indicators:

- economic – the influence of a company on the economic resources of stakeholders
- environmental – the influence of production and services and the natural environment through using resources
- social – the influence of market participants on the social system\(^\text{20}\).

The above solutions suggest that the development of companies in the Polish market at the turn of the second decade of the 21\textsuperscript{st} century is dominated by social responsibility. It should, therefore, determine process of internationalization and cooperation with players of regional, local as well as international market. Ecology ought to be a part of companies’ strategic plans by means of:

- the attitude of the society towards the protection of the natural environment should taken into account in the environment analysis- reaction assessment
- the influence of environment protection policies and their effects on the financial standing of the company\(^\text{21}\).

\(^{19}\) W. Łukasiński, 
\textit{Aspekt ekologiczny w koncepcji społecznej odpowiedzialności przedsiębiorstwa}, 


\(^{21}\) A. Chodyński, 
\textit{Odpowiedzialność ekologiczna w proaktywnym rozwoju przedsiębiorstw}, Kraków 2011, p. 125.
The defining features of a contemporary company are not only represented in achieving certain amounts of profit but also achieving general acceptance and protecting the natural environment. These new goals constitute the concept of sustainable development of companies. Effective business activity is an elaborate strategy based on knowledge and management skills. The development of industry leads to depleting natural resources and, consequently, poses threats to every market participant. Ecological management of a firm prevents those risks from occurring as well as translates into better efficiency and financial results. It must also create the market of new solutions and capabilities in the field of technology and, as a consequence, consumption. Adapting to legal and political requirements while maintaining proper social contentment and good financial results of an entity proves that the adopted strategy was a right one. A system of connections, based on multifaceted economic relations, typical for the globalization era, is being built as well. Thus, the problems of company management and energy-climatic guidelines cannot be dealt with separately but as a whole. It provides a full picture of the condition of the country’s economy as well as the prevailing trends and relations.

3. Dialogue between the political environment and the energy market stakeholders

The PwC report dealing with challenges of the sustainable development of energy industry is considered a good study as it provides examples of cooperation between players of the energy market. Firms operating in the energy industry should concentrate their efforts on caring for the natural environment, the safety of their employees as well as the security of energy supply. The essence of the situation is dialogue with stakeholders and actions whose goal and legitimacy can be easily justified. The gas market leader PGNiG SA is of the opinion that the sustainable development strategy and business accountable to the society are more important than the economic value of the company. 75% of the company’s branches are in the possession of environmental management systems. LOTOS group promotes socially-minded activities as well as the protection of the natural environment e.g. implementation of the project Let’s learn about and protect the biodiversity of the Baltic Sea. The company spent 526.7 million PLN on green investments such as this one. ENERGA Group adopted three priorities for years 2009-2015 i.e. human, environment, energy. As a consequence of this, the company started a programme called ENERGA for you. A few smaller programmes are a part of the whole campaign: Olympic ENERGA, ENERGA Education, ENERGA Foundation, ENERGA Patronage – supporting culture. Together with Polish Association of Nature’s Friends “ pro Natura”, ENERGA established the Fund for Nature- the first initiative in

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Poland which is a collaboration of a social organization and a company, aimed at implementing projects protecting selected species of fauna and flora. EDF Group, in the document *Agreement on EDF Group Corporate Social Responsibility* indicated the necessity of good relations among energy market participants. Employees are, according to the company’s guidelines, the most valuable assets. In 2010 EDF burnt 900 thousand tons of biomass. PKN ORLEN takes its stakeholders into consideration in its operations. PKN ORLEN- Gift of Heart Foundation donated 3.77 million PLN in 2011. As a part of 2010 investments, the company commissioned the Diesel Oil Hydrodesulphurisation Unit VII (HON VII). Capital Group ENEA uses the following slogan in its TV spots “what you do today influences what you will do tomorrow”. In 2010 the firm adopted *Corporate social responsibility strategy of ENEA Capital Group in which three priorities were established: workplace, society, natural environment*. Gaz System S.A takes part in a debate concerning the energy security. Since 2009 GAZ-SYSTEM S.A has been a member of the initiative of Secretary-General of the United Nations, it obeys 10 rules concerning human rights. The company carried out a series of discussions in districts where investments were supposed to be made- 45 social consultations. Information activities are conducted in compliance with "Promotion and Communication Manual for Projects Co-financed by Operational Programme Infrastructure and Environment”. The company observes the so-called rule of five directions of sustainable development: safety, market development, effective management, European partner, sustainable development23.

Polish Confederation Lewiatan compiled a list of barriers in the energy sector in Poland. Some of them are: monopolistic practices of Polish energy companies, regulatory barriers, lack of full liberalization of the market, lack of pro-innovation policy for supporting renewable energy sources, lack of a schedule for achieving selected energy-climatic goals24.

A very interesting work is a report prepared by KPMG entitled *Energy sector perspectives in East-Central Europe*. This report points out the fact that Polish companies, when compared to their Western counterparts, are much weaker in terms of technological solutions and financial capabilities. The Central Europe investments amount to 150 billion Euros. A big problem for the growth of the energy sector in Poland is the state of transmission networks. No modernization in this area results in limiting the supply of energy e.g. from Germany25.

According to Zbigniew Karaczun Poland faces the perspective of energy resources depletion and becoming dependent on importing them from one direction. From this point of view, the necessity of modernization of the decapitalized energy sec-

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tor ought to be perceived not only as a big problem but also as a chance. A chance for creating the society with knowledge, implementing innovative technologies and modern systems of energy management.

The cooperation between the political environment and the society was visible during the campaign *Find out more about the Atom*. On 29th of March 2012, the Ministry of Economy launched a campaign *Let’s talk about Poland with energy*. As a part of the campaign, a website with the same name is available on the Internet. It contains information concerning governmental activities leading to the construction of a nuclear power plant in Poland. A very interesting event which took place on 15th of April 2014 was adopting the strategy *Energy Security and Environment- 2020 perspective*, submitted by the Minister of Economy. One of the main priorities of Polish energy policy is decreasing the energy consumption of the economy, the modernization of the sector and the diversification of sources of energy, including constructing a nuclear power plant. In 2012 the results of the survey carried out by Millward Brown SMG/KRC were published, which was a part of *Find out more about the Atom* campaign (see Fig. 3).

![Figure 3. Building a nuclear power plant in Poland](http://poznajatom.pl/)

Source: *Find out more about the Atom*, http://poznajatom.pl/ (12.05.2014).

The chart indicates that number of people supporting the project of constructing a nuclear power plant is almost exactly the same as its opponents. This trend is an improvement as before the campaign promoting investments in nuclear power, the majority of the society was against this idea.

According to the former government plenipotentiary for the Polish nuclear energy Hanna Trojanowska: *It is of great importance to us that the first Polish nuclear power plant is built with the approval of the Polish society. To make it possible, Poles need to have access to the up-to-date and reliable information about*...

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this undertaking. The campaign’s aim is to help people to acquire such knowledge – explains the Vice-Minister of Economy. – We would like it to be a lively dialogue with the society. We would like to find out about the fears of Polish people and dispel myths about nuclear energy. The campaign is to last two years.

The campaign “Let’s talk about shale gas” was run by the Ministry of Environment and was co-funded by the European Union and National Fund for Environmental Protection and Water Management. It was of a regional character and covered northern Poland (voivodeships: Kuyavian-Pomeranian, Pomeranian, Warmian-Masurian) and Lublin voivodeship. The key recipients of the campaign were the inhabitants of those regions. The main goal was to convince residents to promote the investment in obtaining energy from the unconventional gas. As a part of the campaign the so-called public hearings were held, in Gdańsk 1st October 2013 and in Lublin 8th October. According to the results of surveys published by Centre for Public Opinion Research (CBOS) in 2013, the Polish society is not afraid of shale gas investments (see Fig. 4). It is impossible to know whether the results of the survey are a consequence of the promotional campaign or not. It must also be stressed that the number of industrial accidents in this sector is small; the magnitude of an accident is also significantly smaller when compared to nuclear incidents since the pollution of the environment occurs only regionally.

![Figure 4. Are you in favour of extracting the shale gas in your neighbourhood?](http://www.cbos.pl/SPI-SKOM.POL/2013/K_076_13.PDF)

When analyzing the relations between the energy market players in Poland, we may observe a few examples of cooperation. Dialogue is a reliable form of exchanging information and also of identifying needs. Entities taking part in these

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27 Find out more about the Atom – Ministry of Economy launches an information campaign concerning nuclear energy, ME website, 29.03.2012, http://www.mg.gov.pl/node/15767 (12.05.2014).
activities are not categorized as a group but as a collection of units in a group. It allows for an increase in the effectiveness of activities and, as a consequence, positively affects the economic growth of the country.

Conclusions

To summarizing the discussion on the political environment and the necessity for dialogue with stakeholders of the energy market in Poland appears several conclusions:

- Poland is not self-sufficient in terms of energy. This fact negatively influences the energy security of the country; the import-export relations affect the character of the energy market,
- Dialogue among market participants leads to the exchange of information and, consequently, boosts the morale of a given entity by increasing its knowledge and experience,
- The cooperation between all groups- energy market players, should become an integral part of the energy security strategy for the country since the exchange of information reflects the actual state of the country’s economy,
- Dialogue between the political environment and energy market stakeholders is visible, efforts put into this area should be of a continual character and should include all dimensions of the sector,
- The cooperation between the political environment and stakeholders is particularly visible in the case of two projects, namely, building a nuclear power plant and shale gas extraction,
- Companies operating in Poland more frequently adopt more environmentally-friendly management strategies, activities in this area are costly at first, however, subsequently result in considerable benefits not only for the natural environment but also for the company itself as they improve the effectiveness of its processes.

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Work-life balance:
Comparative analysis of FYR Macedonia, Montenegro and Serbia

Abstract
Reconciling work and private life is one of the key elements of the quality of work and employment. The concept of work-life balance refers to the creation and maintenance of such work environment that allows employees to achieve a balance between work and personal commitments, which creates the basis for increase of employee loyalty and productivity growth. Exploring the ways in which an individual functions in the spheres of work and private life, as well as mechanisms of achieving balance between these two spheres, provides a fresh perspective on the interaction between work and private life, as well as opportunities to achieve synergy between these two spheres. The aim of this study is to investigate the quality of the actual balance between work and private life in selected countries of the Western Balkans and on this basis to identify the key problems employees in these countries are facing while balancing work and private life.

Key words: balance, work, private life, working conditions.

JEL classification: J81
Introduction

Work plays an important role in the lives of people, companies and society in general. Individuals evaluate paid work for profit it brings, but also because it contributes to self-esteem and personal happiness. As well as being important from the standpoint of the individual welfare, it also represents the cornerstone of economic and social development. Increasing employment is the backbone of many broader societal goals such as poverty reduction, productivity growth and achieving social cohesion. It is therefore not surprising that issues related to work and employment are at the top of the development agenda in almost all countries.

Certain jobs have a wider significance from the society standpoint. Women employment affects the change in the structure of household consumption and growth of investment in the education and children’s health. Jobs related to global market stimulate the spread of new technology and managerial knowledge and skills. Recruiting of young people is an alternative to criminal and deviant behavior. In addition to the benefits for individual, work provides significant benefits to society as a whole. European Union pays considerable attention to work, while the improvement of working conditions is one of its key economic and political goals. EU Strategy 2020, which places an emphasis on the realization of “smart, inclusive and cohesive growth,” puts work and working conditions at the forefront, in particular the impact of economic growth on the quality of work, employment and enterprise performance. Priorities of the EU 2020 strategy in the field of labor and employment are also the priorities of the development of the Republic of Serbia and other Western Balkan countries. Work-life balance issues will be one of the most important workplace issues over the next decades.

Reconciling work and private life is one of the key elements of the quality of work and employment, also included in the Europe 2020 strategy (European Commission 2010a). Integrated guidelines for implementing the Europe 2020 strategy highlights the importance of work-life balance for the increase of participation in the labor market (European Commission 2010b), especially for younger people, women and the elderly. Unlike the EU, where implementation of work-life balance programs has been perceived as a segment of corporation social responsibility, in the United States initiative is on the part of corporations as a way of attaining competitive advantage. The effects of these programs have shown that competitive advantage and corporate social responsibility are not contradictory, but rather mutually interdependent goals: enterprises achieve competitive advantage on the basis of employment, productivity and service quality, thus contributing to society in which they operate.

Achieving a balance between work and private life is determined by an array of factors. On the one hand, it is clear that this balance depends on an individual's ability to juggle work and private life and upon family situation. On the other hand, relationship between these spheres of life depends also on the
working conditions, working time, infrastructure, social protection system and the like. Policies aimed at achieving work-life balance and programs oriented towards providing work flexibility are now synonymous with a set of initiatives aimed at recognizing individual needs. Exploring the ways in which an individual function in the field of work and private life, as well as mechanisms of achieving balance between these two spheres, provides a fresh view on the interaction between work and private life, as well as opportunities to achieve synergy between them (Zedeck 1992).

The aim of this study is to explore the quality of the actual balance between work and private life in selected countries of the Western Balkans. In this study, we will use data from the Third Quality of Life Survey in Europe (Eurofound 2012a). This research is based on the perception of citizens regarding various aspects of the quality of life. For our study particularly relevant are indicators in the area of work-life balance. As in Albania, Bosnia and Herzegovina this research has not been conducted, we were able to include only Serbia, FYR Macedonia and Montenegro in our analysis. On the basis of results of this research we will try to identify the key problems employees in these countries are confronted with in balancing work and private life.

**Literature review**

- Work-life balance: the case for competitiveness or corporate social responsibility

Although companies realize importance of work-life programs, they are still very cost conscious about these programs. This is because company’s decision about implementation of work-balance programs depends on its positive net present value, that is on financial gain supposed to result from the realization of these programs. However, there is not definitive evidence on the success or failure of work-life programs. Since companies can not rely on direct measures, they are forced to use performance measures that are indirectly related to financial returns. From the company’s perspective, the benefits of implementing work-life balance programs are reflected mainly in the field of human resources. Work-life balance programs are an effective marketing method for attracting workers. These programs help establishing a symbiotic relationship between employer and employee, resulting in numerous benefits. Employees who better coordinate work and private life are satisfied, creating basis for productivity growth, strengthening of team spirit and loyalty of employees to employer, lower turnover rate etc. Lower turnover rate reduces the cost of hiring and training new employees, but also lower the costs associated with informal training of the new team members by the existing employees. It is logical to assume that the aforementioned programs improve the efficiency of workers in the workplace. However, there are no studies that have definitively established a connection between an increase in efficiency in the workplace as a result of the
realization of these programs and financial performance. Companies usually quantify the benefits of such programs through a variety of performance indicators that are indirectly linked to financial performance. However, a considerable number of studies have found a direct correlation between work-life balance programs and customer service ratings (Joshi et al. 2002, p. 14).

Rationales for implementing work-life programs differ between countries. In the EU member states, work-life balance programs are result of state legislation and are based on a social responsibility of corporation, where the concept of corporate social responsibility refers to the obligation of companies to take into account the interests of customers, employees, shareholders, community, and environmental aspects when performing activities. In contrast, in the United States work-life balance is primarily seen as a factor that contributes to the comparative advantages in terms of recruiting quality workforce and increasing employee loyalty to the company in which they work (Joshi et al. 2002; Pocock 2005). The common explanations is that the social, political, and cultural factors are more closely tied in the EU. Therefore, work-life balance programs in EU are thought more as a social responsibility than in the U.S., where the ultimate responsibility for developing and implementing these programs is on the part of company and its cost-benefit calculation. Experience has shown that work-life balance programs and competitive advantage should not be regarded as opposite goals. They are, in fact, closely intertwined. Therefore, it is not about choice whether we will address work-life issues, increase costs and decrease profits; or increase profits and not address work-life balance. Effects of the work-life programs demonstrate that competitive advantage and social responsibility are not opposite goals: companies gain a competitive advantage from recruiting, retention, productivity increases and better customer service while also helping the society in which they operate.

• Determinants of work-life balance

The concept of work-life balance points out to the efforts and the need of employees to divide their time and energy between work and other important aspects of life. It refers to the creation and maintenance of such work environment that allows employees to achieve a balance between work and personal commitments, providing thus loyalty to employers and productivity growth. The bottom line is that individuals have certain control over when, where and how they work.

Reconciling work and private life is one of the key elements of the quality of life. The company and family are two key institutions for individuals (Mortimer, Lorence, Kumke 1986). Bearing in mind that activities related to work and family often take place at different times and in different places, and that according to the established division of labor by sex, men have primary responsibilities at work and women at home, researchers and employers often treat work and family as separate, independent and the confronted systems (Parsons, Bales
1955). In the last two decades, however, a sharp increase in the number of individuals with significant responsibilities both at work and in the family was registered. There is a growing number of one-parent families, working women, families with one employee, fathers involved in child care (Brief, Nord, 1990; Fullerton 1995). A significant number of individuals take care of older family members and those who are unable to take care of themselves. For these individuals, achieving balance between the aforementioned two spheres is an important life question (Kemske 1998). Rise of the women share in the labour force has resulted in the struggle of working parents to achieve a balance between work and family duties.

Workers have a lot of obligations: towards work, children, housework, parents. That increases the pressure on the individual, on family and community in which they live. The conflict between the professional and personal sphere of life is a serious problem that affects the workers, their employers and the community. This problem becomes more pronounced with the increasing proportion of women in the labor force, the number of one-parent families, families with both parents employed, ageing of the population and the need to care for the elderly and the rise of unemployment.

Keeping in mind the needs of employees to reconcile work and private life, employers have introduced a number of changes, such as flexible working hours, flexible forms of work engagement, family-responsibility leave, maternity leave, child care facilities for workers with small children, work at home, job-sharing etc. (Caudron 1997; Flynn 1997). Many companies are going even further by changing the organizational culture in a direction that supports family life (Gallinsky, Stein, 1990). Bailyn (1997) had identified three features of work culture that supports family life: flexible work scheduling, flexible work process and the recognizing by the organizational leadership that family needs are important. These changes enable employees to spend time performing family duties without jeopardizing career and advancement in the organization (Regan, 1994).

The balance between work and private life is determined by the whole range of factors – income, health, family situation (Eurofound 2004). Features of working time and its structure significantly affect the achievement of this balance. Whether to work or not, how many hours to work is often decided in the family, depending on the situation (Eurofound 2012b). Requirements in terms of work-life balance vary depending on the life cycle of the individual and gender. Cultural factors (mothers who stay at home to take care of children), infrastructure (daily care for school children), availability of flexible working hours, also affect how and to what extent men and women manage to combine work and private life. We should also mention the role of the social protection system.

Employers can play an important role by enabling specific arrangements regarding working hours (suitable to workers) or by demanding more flexibility from workers in accordance with the company needs. This means that flexibility
can have a positive and a negative aspect, both for the employer and employees. For instance, if some workers prefer flexible working hours in order to fulfill some personal duties, it may require additional organization by the employer or simply be impossible. Some companies may offer temporary jobs, while workers need a permanent job. The same applies to work in shifts or overtime, which may or may not have to match the needs of workers and companies, depending on conditions and preferences.

Work-life programs are focused mainly on what employer can do for the employee. However, employees also should have responsibility for achieving work-life balance i.e. they need to adopt certain behavior that will help them to balance work and the other parts of their life. True work-life balance can be achieved only through complementary efforts by the company and employees.

**Methodological framework and research questions**

The main aim of this study is to determine the quality of the actual work-life balance in the selected Western Balkans countries (FYR of Macedonia, Montenegro and Serbia) and to identify the key problems that employees in these countries are faced with in balancing between work and private life obligations. For this purpose, empirical dataset will be used, including data on employment/unemployment, weekly working hours and hours spent doing unpaid work, availability of flexible working time arrangements, working time preferences and the main difficulties in balancing work and private life. The main steps in the analysis will include: measuring and comparing actual and preferred working hours of the employees; determining weekly hours employees spend in doing unpaid work (child care, housework, elderly care); investigating the availability of flexible working time. Based on these findings, it will be possible to determine the possibilities of the employees to balance their work and private life obligations and identify the main difficulties for achieving such balance.

Particularly, the main assumption that will be tested by this analysis is whether the amount of weekly working hours, combined with the limited availability of flexible working time arrangements, is the main cause of difficulties in achieving work-life balance for the employees in selected Western Balkan countries. Additionally, some aspects of gender equality will be tackled in the sense of comparing the difficulties of male and female employees in balancing work and private life. In order to assess the quality of work-life balance in selected countries, data from these countries will be compared with the average values for 27 European Union member states.

The empirical database selected for this purpose is the Third European Quality of Life Survey (Eurofound 2012a), conducted in all EU member states, as well as some of the countries involved in the enlargement process. Exploration of the quality of life in Europe is a representative survey conducted by Eurofound,
which serves as a rich source of information about living conditions, housing, local environmental, health, public services, social cohesion and quality of the society, as well as subjective well-being. In all countries, the survey was conducted using the same methodological approach: face-to-face interview in respondent's homes with the selected random sample of the adult population (18 years and older) residing in the country for at least previous six months. Interviews were conducted in the national language/languages of the country. In countries that are not EU members yet, the sample size was 1000 respondents. Results obtained on the basis of monitoring indicators in selected areas explain objective living conditions as well as subjective well-being, individual life circumstances and also perceptions of the quality of society. They give us overview of the quality of life in one society. At the same time, the EQLS allows for an examination of the relationships between the different dimensions of quality of life. Since the survey is highly harmonised, it allows for cross-country comparisons. However, some differences between countries may occur due to cultural differences in interpreting certain concepts.

For each of the areas of quality of life there is a group of selected indicators. For our research, relevant indicators are those related to work-life balance. Regarding the Western Balkan countries, in Albania and Bosnia and Herzegovina this survey has not been conducted yet, so we could include only Serbia, FYR Macedonia and Montenegro in our analysis. The data we used in analysis were obtained in the third wave of the survey, performed through 2011–2012.

Additionally, data on employment and unemployment has been collected from the official Labor Force Survey databases from each analyzed country.

Research and discussion

• Facts on employment in Western Balkan countries

The importance of employment from the perspective of an individual is reflected in the fact that is a source of income necessary to ensure existence. Bearing in mind that the labor market is the area where social interactions take place, employment is a cornerstone of economic and social development. Increasing employment is the backbone of many broader social goals such as poverty reduction, productivity growth and achieving social cohesion, so the issues related to work and employment are at the top of the development agenda in almost all countries. Table no. 1 shows the data on employment rates in FYR Macedonia, Montenegro and Serbia in 2012.
Table 1. Employment rates (total and by gender)

<table>
<thead>
<tr>
<th>Country</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>FYR Macedonia</td>
<td>39.0</td>
<td>47.1</td>
<td>30.8</td>
</tr>
<tr>
<td>Montenegro</td>
<td>40.1</td>
<td>45.9</td>
<td>34.6</td>
</tr>
<tr>
<td>Serbia</td>
<td>45.3</td>
<td>52.4</td>
<td>38.1</td>
</tr>
<tr>
<td>EU-27</td>
<td>68.5</td>
<td>74.6</td>
<td>62.4</td>
</tr>
</tbody>
</table>

Source: Anketa o radnoj snazi (2012), Republika Srbija; Anketa o radnoj snazi (2012), Crna Gora; Labour Force Survey (2012), Republic of Macedonia; EC Eurostat.

Table no. 2 presents data on employment rates by gender and age in FYR Macedonia, Montenegro and Serbia.

Table 2. Employment rates (by gender and age)

<table>
<thead>
<tr>
<th>Country</th>
<th>Gender</th>
<th>15–24 years</th>
<th>25–49 years</th>
<th>50–64 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>FYR Macedonia</td>
<td>male</td>
<td>18.1</td>
<td>64.9</td>
<td>54.7</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>12.6</td>
<td>46.3</td>
<td>31.1</td>
</tr>
<tr>
<td>Montenegro</td>
<td>male</td>
<td>14.1</td>
<td>67.3</td>
<td>64.6</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>12.9</td>
<td>55.4</td>
<td>37.1</td>
</tr>
<tr>
<td>Serbia</td>
<td>male</td>
<td>19.1</td>
<td>68.4</td>
<td>49.3</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>9.4</td>
<td>56.4</td>
<td>42.4</td>
</tr>
<tr>
<td>EU-27</td>
<td>male</td>
<td>34.8</td>
<td>83.5</td>
<td>65.6</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>30.8</td>
<td>71.4</td>
<td>51.9</td>
</tr>
</tbody>
</table>

Source: Anketa o radnoj snazi (2012), Republika Srbija; Anketa o radnoj snazi (2012), Crna Gora; Labour Force Survey (2012), Republic of Macedonia; EC Eurostat.

The data in the table indicate that the highest employment rate in the population of working age (18–64 years) is in the age group of 25–49 years. Employment rates in all observed groups are larger for men than for women. When data on employment in FYR Macedonia, Montenegro and Serbia is compared to the EU-27 average, we see that employment rates in these countries significantly lag behind the EU-27 average.

According to data from national labor force surveys for 2012 (FYR Macedonia, Serbia, Montenegro), most of the workers are employed (73.2% in FYR Macedonia, 81.9% in Montenegro and 69.6% in Serbia). The share of self-employed in total employment ranges from 16.1% in Montenegro, 18.4% in FYR Macedonia
Macedonia, to 22.8% in Serbia. Self-employed account 13.6% in the structure of employment in FYR Macedonia and 18.9% in Serbia. The share of self-employed varies depending on gender and age. Male workers make a higher proportion of self-employed category, with this proportion increasing with age. In contrast, the proportion of women is higher in the category of employees.

Most of the workers are employed in the private sector. The share of employees in the private sector is largest in FYR of Macedonia, where 75% of the total number of employees works in the private sector. In Montenegro, this share is 57.3% and 51.8% in Serbia. The share of female employees in the public sector is higher than male. Thus, for example, in FYR of Macedonia 24.4% of employed men work in the public sector, compared with 25.9% of women, in Serbia this ratio is 40.7% versus 49.6%, and in Montenegro 41.2% to 43.9%. The share of public sector employment in total employment increases with age. These employment characteristics are very important in terms of the ability of employees to achieve a sound balance between work and private life.

- **Weekly working hours**

The first factor that determines the capacity of employees to successfully reconcile work and private life is the number of hours they spend at work. Data on the average duration of the working week in the observed countries are shown in table 3, where it can be seen that employees in Serbia have the largest number of weekly working hours (45.3) followed by Montenegro (45.9), while in Macedonia the working week is three hours shorter (on average 42.1 hours). In all the countries men work more hours than women, but the difference in hours between men and women is the lowest in FYR of Macedonia (3.4 hours), while in Serbia and Montenegro, women work 4.5 to 5 hours less than men. Comparing these data with the average number of weekly working hours of EU-27 citizens, it is observed that employees in the Western Balkan countries are working up to 6.5 hours longer than employees in the EU-27. Also, the difference in the average number of weekly working hours between men and women is higher in the EU-27, amounting to an average of 6.5 hours per week. In order to acquire a complete picture of weekly hours employees in the analyzed countries spend working, it is necessary to present the data on the engagement of employees in additional jobs. While only 5% of the EU-27 respondents have a second job, this percentage in FYR of Macedonia amounts to 11.5%, in Serbia 9.7% and 8% in Montenegro (EQLS, 2011–12). The number of weekly working hours at the second job ranges from 14.2 in Montenegro, 16 in Macedonia, and even 19.3 in Serbia, which is more than the average number of weekly working hours at additional job of the EU-27 citizens (13 hours).
Table 3. Average weekly working hours at the main job

<table>
<thead>
<tr>
<th>Country</th>
<th>Average weekly working hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>FYR Macedonia</td>
<td>42.1</td>
</tr>
<tr>
<td>Montenegro</td>
<td>45.9</td>
</tr>
<tr>
<td>Serbia</td>
<td>45.3</td>
</tr>
<tr>
<td>EU-27</td>
<td>39.4</td>
</tr>
</tbody>
</table>


By comparing the number of actual and preferred number of the weekly working hours of the respondents, we get the results shown in table 4. Average preferred number of weekly working hours in FYR of Macedonia is 30, in Serbia 35 and 36 hours in Montenegro, which is less than preferred number of weekly working hours by the EU-27 respondents (29.5 hours). Accordingly, the data in table 4 show that the percentage of employees who want to work more than the current number of working hours is significantly lower in the Western Balkan countries (7.5%) compared to the EU-27 average (13.6%). Over 60% of respondents in Macedonia, and over 50% in Serbia and Montenegro prefer a shorter working week. Only in Macedonia the percentage of women in this category of respondents is larger than men, while in Serbia, Montenegro and the EU-27, men outnumber women in demands for shorter hours.

Table 4. Working time preferences

<table>
<thead>
<tr>
<th></th>
<th>FYR of Macedonia</th>
<th>Montenegro</th>
<th>Serbia</th>
<th>EU-27</th>
</tr>
</thead>
<tbody>
<tr>
<td>Want to work less</td>
<td>Total</td>
<td>61.0</td>
<td>53.4</td>
<td>53.0</td>
</tr>
<tr>
<td></td>
<td>male</td>
<td>57.0</td>
<td>56.5</td>
<td>61.9</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>66.8</td>
<td>49.6</td>
<td>41.4</td>
</tr>
<tr>
<td>Want to work same</td>
<td>Total</td>
<td>31.6</td>
<td>38.8</td>
<td>39.4</td>
</tr>
<tr>
<td></td>
<td>male</td>
<td>33.8</td>
<td>34.5</td>
<td>31.6</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>28.3</td>
<td>44.2</td>
<td>49.5</td>
</tr>
<tr>
<td>Want to work more</td>
<td>Total</td>
<td>7.5</td>
<td>7.7</td>
<td>7.6</td>
</tr>
<tr>
<td></td>
<td>male</td>
<td>9.2</td>
<td>8.9</td>
<td>6.5</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>4.9</td>
<td>6.2</td>
<td>9.1</td>
</tr>
</tbody>
</table>

The number of preferred weekly working hours is affected also by the income level, in the sense that the increase in income reduces the percentage of respondents who are willing to work more. With the increasing age of respondents, the percentage of those who want to work more is decreasing.

- Doing unpaid work – housework and child/elderly care
  In addition to time spent on paid work, employees also have important social roles and responsibilities, spending certain number of hours on daily bases for their fulfillment. It is a job that is usually qualifies as unpaid work, and includes a variety of activities such as housekeeping or caring for children, the elderly or sick family members. As most of the unpaid work is undertaken by women, they experience major problems in balancing between family life and paid work. In some cases, the very possibility to take up paid work is brought into question. Table 5 shows the percentages of respondents who have been engaged in the following types of unpaid work, at least once a week.

Table 5. The frequency of doing unpaid work, by gender (in %)

<table>
<thead>
<tr>
<th></th>
<th>FYR of Macedonia</th>
<th>Montenegro</th>
<th>Serbia</th>
<th>EU-27</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caring for children / grandchildren</td>
<td>total</td>
<td>53.0</td>
<td>35.7</td>
<td>51.3</td>
</tr>
<tr>
<td></td>
<td>male</td>
<td>46.1</td>
<td>25.6</td>
<td>46.5</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>59.6</td>
<td>43.1</td>
<td>54.5</td>
</tr>
<tr>
<td>Cooking and/or housework</td>
<td>total</td>
<td>65.1</td>
<td>57.5</td>
<td>76.2</td>
</tr>
<tr>
<td></td>
<td>male</td>
<td>40.4</td>
<td>25.2</td>
<td>51.6</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>88.3</td>
<td>81.5</td>
<td>93.9</td>
</tr>
<tr>
<td>Caring for elderly or disabled relatives</td>
<td>total</td>
<td>9.5</td>
<td>8.4</td>
<td>10.8</td>
</tr>
<tr>
<td></td>
<td>male</td>
<td>6.6</td>
<td>6.9</td>
<td>9.8</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>12.4</td>
<td>9.6</td>
<td>11.5</td>
</tr>
</tbody>
</table>


The data in the table indicate significant differences in doing the unpaid work between men and women, mostly in cooking and housework. Over 80% of women in the observed countries perform these activities at least once a week (over 90% in Serbia and the EU-27), compared to a significantly lower percentage of men, ranging from 25% in Montenegro to 51% in Serbia. Table 6 shows the average number of weekly hours that employees spend doing unpaid work.
The number of hours that employees spend caring for children and elderly amounts to the average of 30 hours per week, the cooking and the housework consumes about 15 hours, while in caring of the elderly, on average, employees spend 18 hours per week. The largest number of hours of unpaid work per week in this research is measured in Serbia. In all the observed countries women spend more time than men dealing with family responsibilities, which is particularly apparent in the number of hours spent in doing the housework. Men spend between 9 and 10 hours weekly on these tasks, while the women devote between 16 and 18 hours per week. It is similar with the child care, while the smallest differences are manifested in the number of hours spent in caring for the elderly.

- **Working time arrangements**

In addition to the total number of hours that employees spend on the paid job, achieving balance between work and private life is greatly influenced by the structure and arrangement of working hours (working in shifts, night work, work on call, work on weekends). Comparing the working time with family and social responsibilities of employees, we can gain an insight into the overall level of employee satisfaction with the fit between working hours and commitments outside work (table 7).
Table 7. Fit between working time and family and social commitments

<table>
<thead>
<tr>
<th></th>
<th>FYR of Macedonia</th>
<th>Montenegro</th>
<th>Serbia</th>
<th>EU-27</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Very well</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>16.8</td>
<td>11.8</td>
<td>20.1</td>
<td>25.7</td>
</tr>
<tr>
<td>male</td>
<td>19.2</td>
<td>9.2</td>
<td>20.4</td>
<td>24.3</td>
</tr>
<tr>
<td>female</td>
<td>13.7</td>
<td>14.3</td>
<td>19.8</td>
<td>26.6</td>
</tr>
<tr>
<td><strong>Fairly well</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>58.2</td>
<td>65.4</td>
<td>39.9</td>
<td>52.6</td>
</tr>
<tr>
<td>male</td>
<td>53.8</td>
<td>67.4</td>
<td>38.3</td>
<td>52.5</td>
</tr>
<tr>
<td>female</td>
<td>63.7</td>
<td>63.5</td>
<td>41.7</td>
<td>52.8</td>
</tr>
<tr>
<td><strong>Not very well</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>21.4</td>
<td>19</td>
<td>31</td>
<td>16.5</td>
</tr>
<tr>
<td>male</td>
<td>23.1</td>
<td>19.6</td>
<td>31.8</td>
<td>17.1</td>
</tr>
<tr>
<td>female</td>
<td>19.2</td>
<td>18.5</td>
<td>30.2</td>
<td>16.0</td>
</tr>
<tr>
<td><strong>Not at all well</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>3.6</td>
<td>3.8</td>
<td>8.9</td>
<td>5.3</td>
</tr>
<tr>
<td>male</td>
<td>3.8</td>
<td>3.8</td>
<td>9.5</td>
<td>6.1</td>
</tr>
<tr>
<td>female</td>
<td>3.3</td>
<td>3.7</td>
<td>8.3</td>
<td>4.6</td>
</tr>
</tbody>
</table>


Percentage of employees who express dissatisfaction with the fit between work and private commitments ranges from 22.8% in Montenegro, 25% in Macedonia, up to 39.9% in Serbia (the percentages of respondents who assess the fit between work and private life as “not very well” and “not at all well”). By comparison, the percentage of employees in the EU-27 who express such dissatisfaction is 21%. On average, 16% of the respondents in Macedonia, Montenegro and Serbia denotes as “very well” the fit between working hours and commitments outside work, while between 40% (in Serbia) and 65% (in Montenegro) assess it as “fairly well”. In this respect, the most significant is the ability of the employer to provide specific arrangements that include flexible working hours. In some cases even minimal flexibility of working hours can contribute to the improvement of work-life balance. Table 8 shows the availability of flexible working hours to employees in Macedonia, Montenegro and Serbia.
Table 8. The availability of flexible working time arrangements (in %)

<table>
<thead>
<tr>
<th></th>
<th>FYR of Macedonia</th>
<th>Montenegro</th>
<th>Serbia</th>
<th>EU-27</th>
</tr>
</thead>
<tbody>
<tr>
<td>I can vary my start and finish times</td>
<td>Total</td>
<td>25.5</td>
<td>22.9</td>
<td>25.4</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>26.1</td>
<td>23.6</td>
<td>30.6</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>24.6</td>
<td>22.1</td>
<td>18.1</td>
</tr>
<tr>
<td>I can accumulate hours for time off</td>
<td>Total</td>
<td>34.5</td>
<td>26.7</td>
<td>24.7</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>33.7</td>
<td>30.1</td>
<td>27.6</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>35.6</td>
<td>22.4</td>
<td>20.8</td>
</tr>
<tr>
<td>I can take a day off at short notice when I need to</td>
<td>Total</td>
<td>63.3</td>
<td>38.9</td>
<td>39.9</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>61.8</td>
<td>41.8</td>
<td>41.7</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>65.5</td>
<td>35.2</td>
<td>37.4</td>
</tr>
</tbody>
</table>


The conclusion based on the data on the availability of flexible working time arrangements is that there are noticeable differences between the analyzed countries and the EU-27 average. Only a quarter of employees in Macedonia, Montenegro and Serbia can take advantage of flexible working hours (more precisely, can vary start and finish times), while as much as 43% percent of employees in the EU-27 have flexible working hours. The situation is similar with accumulating hours for time off. Employees in the EU-27 are also in a better position when taking a day off on short notice, given that over 60% of employees have such a possibility. In Montenegro and Serbia just under 40% of employees can benefit from such arrangement, while Macedonia stands at the European average. In all these cases, men have more access to flexible working hours than women.

As flexible working time arrangements represent a way to help employees reconcile work and private life, it is necessary to determine to what extent these arrangements can be useful to employees for improving work-life balance (table 8). The data in the table show the percentages of employees, who believe that flexible working time arrangements would be “very useful” to them.
Table 9. The role of flexible working time arrangements in balancing work and private life (% of employees)

<table>
<thead>
<tr>
<th>Flexible Working Time Arrangements</th>
<th>FYR of Macedonia</th>
<th>Montenegro</th>
<th>Serbia</th>
<th>EU-27</th>
</tr>
</thead>
<tbody>
<tr>
<td>Having more control over start and finish times of my work</td>
<td>total</td>
<td>38.6</td>
<td>39.5</td>
<td>34.4</td>
</tr>
<tr>
<td></td>
<td>male</td>
<td>38.7</td>
<td>42.9</td>
<td>32.6</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>38.5</td>
<td>36.1</td>
<td>36.2</td>
</tr>
<tr>
<td>Changing the number of my weekly working hours</td>
<td>total</td>
<td>34.4</td>
<td>38.1</td>
<td>25.0</td>
</tr>
<tr>
<td></td>
<td>male</td>
<td>34.7</td>
<td>39.9</td>
<td>24.3</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>34.1</td>
<td>36.3</td>
<td>25.7</td>
</tr>
<tr>
<td>Being able to take a day off at short notice when I need to</td>
<td>total</td>
<td>49.1</td>
<td>49.9</td>
<td>41.1</td>
</tr>
<tr>
<td></td>
<td>male</td>
<td>50.5</td>
<td>50.9</td>
<td>36.8</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>47.4</td>
<td>48.8</td>
<td>45.9</td>
</tr>
<tr>
<td>Having better access to support services (child/elderly care)</td>
<td>total</td>
<td>35.7</td>
<td>40.0</td>
<td>28.8</td>
</tr>
<tr>
<td></td>
<td>male</td>
<td>33.9</td>
<td>38.5</td>
<td>25.8</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>37.8</td>
<td>41.7</td>
<td>31.8</td>
</tr>
</tbody>
</table>


Despite the observed differences between the attitudes of employees in different countries, it can be concluded that the highest percentage of employees qualify as useful the opportunity to take a day off on short notice (between 40% and 50% of respondents said so). In Serbia and the EU-27, the percentage of women who consider all these arrangements very useful is higher in relation to men. In all the countries, including the EU-27, women express more interest in the quality of support services (child care, care for the elderly), believing that access to such services would contribute to achieving a good balance between work and family responsibilities. These results are consistent with previous findings of greater involvement of women in family and household work. Also, the perceived value of the availability and quality of support services is higher in countries where these forms of infrastructure are poorly developed (Eurofound 2012a).

- Work-life balance
  The previous data on unpaid work indicated that the employees dedicate a large part of their time to housework, child or elderly care during their working age. The essential problems that arise between work and family life are shown in the table below and include the impact of work on family life, but also the problems at work...
caused by family responsibilities (as a percentage of respondents who experience the presented difficulties at least several times a month).

Table 10. Difficulties in balancing work and family life, by country (%)

<table>
<thead>
<tr>
<th></th>
<th>FYR of Macedonia</th>
<th>Montenegro</th>
<th>Serbia</th>
<th>EU-27</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have come home from work too tired to do some of</td>
<td>total</td>
<td>71.6</td>
<td>71.9</td>
<td>78.8</td>
</tr>
<tr>
<td>the household jobs which need to be done</td>
<td>male</td>
<td>63.3</td>
<td>67.3</td>
<td>76.0</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>77.1</td>
<td>77.7</td>
<td>83.4</td>
</tr>
<tr>
<td>It has been difficult to me to fulfil my family</td>
<td>total</td>
<td>48.4</td>
<td>52.4</td>
<td>50.0</td>
</tr>
<tr>
<td>responsibilities because of the amount of time I</td>
<td>male</td>
<td>44.3</td>
<td>46.0</td>
<td>48.7</td>
</tr>
<tr>
<td>spend on the job</td>
<td>female</td>
<td>54.3</td>
<td>60.7</td>
<td>51.8</td>
</tr>
<tr>
<td>I have found it difficult to concentrate at work</td>
<td>total</td>
<td>23.8</td>
<td>30.8</td>
<td>26.1</td>
</tr>
<tr>
<td>because of my family responsibilities</td>
<td>male</td>
<td>22.1</td>
<td>30.4</td>
<td>23.9</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>26.1</td>
<td>31.4</td>
<td>29.1</td>
</tr>
</tbody>
</table>


The answers of the respondents show that the work causes problems in family life of employees to a greater extent than their family responsibilities affect work productivity. This can be concluded from the fact that over 70% of respondents at least several times a month is not able to fulfill family responsibilities because of a hard day at work, or about half of the respondents report difficulties in carrying out family responsibilities caused by the long hours they spend at work. On the other hand, a smaller percentage (20–30%) has problems to concentrate at work because of family responsibilities. By comparing the results for FYR of Macedonia, Montenegro and Serbia with the average for the EU-27, it can be concluded that the employees in these countries have more difficulties in balancing work and family life. Employees in the EU-27 also express problems to reconcile working time with family responsibilities, but to a lesser extent compared to the three Balkan countries (53% of respondents comes home from work too tired to carry out the family duties at least several times a month, and 29.7% have difficulties in carrying out family responsibilities because of the long day at work).
As women face more difficulties in reconciling work and family life, due to the fact that they take up most of the family responsibilities, women respondents report proportionately higher frequency of experiencing difficulties in meeting these obligations. Between 77% and 83% of women at least several times a month come home too tired to deal with family responsibilities, while between 50% and 60% of them find it difficult to fulfill obligations at home because of the amount of time spent at work.

Summarizing respondents' answers to questions about the pressures they feel at work or/and at home, a combined index of “strain-based conflict” is created (Table 11).

Table 11. Strain-based conflict (%)

<table>
<thead>
<tr>
<th></th>
<th>FYR of Macedonia</th>
<th>Montenegro</th>
<th>Serbia</th>
<th>EU-27</th>
</tr>
</thead>
<tbody>
<tr>
<td>Both work and home conflict</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>22.9</td>
<td>29.7</td>
<td>25.3</td>
<td>13.2</td>
</tr>
<tr>
<td>male</td>
<td>20.7</td>
<td>29.2</td>
<td>22.8</td>
<td>11.9</td>
</tr>
<tr>
<td>female</td>
<td>26.1</td>
<td>30.5</td>
<td>28.8</td>
<td>14.6</td>
</tr>
<tr>
<td>Work or home conflict</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>48.7</td>
<td>43.9</td>
<td>55.2</td>
<td>43.5</td>
</tr>
<tr>
<td>male</td>
<td>46.4</td>
<td>40.3</td>
<td>54.6</td>
<td>42.1</td>
</tr>
<tr>
<td>female</td>
<td>52.0</td>
<td>48.5</td>
<td>56.2</td>
<td>45.0</td>
</tr>
<tr>
<td>No or weak conflict</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>28.5</td>
<td>26.4</td>
<td>19.5</td>
<td>43.4</td>
</tr>
<tr>
<td>male</td>
<td>32.9</td>
<td>30.5</td>
<td>22.7</td>
<td>45.9</td>
</tr>
<tr>
<td>female</td>
<td>21.9</td>
<td>21.1</td>
<td>15.1</td>
<td>40.4</td>
</tr>
</tbody>
</table>


Disrupting the balance between work and private life in the analyzed countries occurs more frequently than among employees in the EU-27. Between 23% (FYR of Macedonia) and 30% (Montenegro) of respondents face significant pressure both at work and at home at least several times a month, while only 13.2% of respondents from the EU-27 have such problems. Stress at work or at home is reported by more than 40% of respondents (even 55% of employees in Serbia). In all these cases, women feel more pressure induced by work and family commitments.

Additional factor that affects the success in achieving work-life balance is the uncertainty that stems from the perceived probability of job loss (Table 12). Respondents were asked how likely it was that they might lose their job in the following 6 months.
Table 12. The perceived probability of losing the job in the next 6 months (%)

<table>
<thead>
<tr>
<th></th>
<th>FYR of Macedonia</th>
<th>Montenegro</th>
<th>Serbia</th>
<th>EU-27</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Very likely</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>8.1</td>
<td>3.7</td>
<td>7.2</td>
<td>4.8</td>
</tr>
<tr>
<td>male</td>
<td>6.6</td>
<td>3.0</td>
<td>5.9</td>
<td>4.4</td>
</tr>
<tr>
<td>female</td>
<td>10.4</td>
<td>4.7</td>
<td>8.9</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Quite likely</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>16.0</td>
<td>9.1</td>
<td>9.4</td>
<td>8.5</td>
</tr>
<tr>
<td>male</td>
<td>17.0</td>
<td>8.9</td>
<td>7.9</td>
<td>8.0</td>
</tr>
<tr>
<td>female</td>
<td>14.4</td>
<td>9.4</td>
<td>11.4</td>
<td>9.1</td>
</tr>
<tr>
<td><strong>Neither likely nor unlikely</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>24.1</td>
<td>40.2</td>
<td>27.0</td>
<td>16.0</td>
</tr>
<tr>
<td>male</td>
<td>22.6</td>
<td>43.4</td>
<td>25.4</td>
<td>16.0</td>
</tr>
<tr>
<td>female</td>
<td>26.3</td>
<td>36.1</td>
<td>29.2</td>
<td>16.1</td>
</tr>
<tr>
<td><strong>Quite unlikely</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>24.1</td>
<td>28.0</td>
<td>27.1</td>
<td>25.0</td>
</tr>
<tr>
<td>male</td>
<td>26.2</td>
<td>23.7</td>
<td>26.6</td>
<td>24.9</td>
</tr>
<tr>
<td>female</td>
<td>21.0</td>
<td>33.6</td>
<td>27.8</td>
<td>25.1</td>
</tr>
<tr>
<td><strong>Very unlikely</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>27.7</td>
<td>18.9</td>
<td>29.3</td>
<td>45.7</td>
</tr>
<tr>
<td>male</td>
<td>27.6</td>
<td>21.1</td>
<td>34.2</td>
<td>46.7</td>
</tr>
<tr>
<td>female</td>
<td>28.0</td>
<td>16.2</td>
<td>22.7</td>
<td>44.4</td>
</tr>
</tbody>
</table>


The results indicate the presence of a relatively high level of job insecurity. The percentage of those who responded to this possibility as “very likely” or “quite likely” is 16.6% in Serbia, 24.1% in FYR of Macedonia and 12.8% in Montenegro. Only in Montenegro, this percentage is slightly lower than the average of 13.3% in EU-27. In all three countries, women express more pronounced perception of the possibility of losing a job than men. Such a high level of perceived job insecurity certainly creates additional pressure on employees and affects work-life balance.

**Conclusion**

The analysis of the perceptions of employees on the quality of achieved work-life balance in selected Western Balkan countries was aimed at determining the actual possibilities of the employees to reconcile work and private life, as an important determinant of labor market participation in these countries. The main findings could be summarized as follows.
The employment rates in the selected countries are considerably lower compared to the EU-27 average, with an emphasis on the lower employment rates of women in all the observed socio-demographic groups. Furthermore, the largest employment rates are detected in the age group of 25-49 years, indicating that the employees in this group face the largest challenges in achieving work-life balance.

The number of weekly working hours in three analyzed countries largely exceeds the EU-27 average weekly working hours (42.1, 45.9 and 45.3 respectively in FYR of Macedonia, Montenegro and Serbia, compared to 39.4 in EU-27). Women do have shorter working week, although the difference between male and female weekly working hours is smaller in Western Balkans (women in these countries work more than women in EU-27). By comparing the actual and preferred number of weekly working hours, we find that over 50% of employees want to work less, while only 7.5% express readiness to work more.

Large number of weekly working hours is combined with different family and social responsibilities employees need to fulfill outside of their paid work. The analysis has revealed that employees in the observed countries spend on average 30 hours a week on child care, 15 hours a week on housework and 18 hours a week on elderly care, women being much more engaged in such activities. Therefore, the general satisfaction with the fit between the number of working hours at the paid job and obligations outside work is low, since only 16% of employees consider that their working hours fit very well with their family commitments. On the other hand, only 25% of employees have a possibility of flexible working time arrangements, while fewer than 40% of respondents can benefit from taking the day off when they need to. That is why most of the employees feel they could benefit from flexible working time arrangements.

Analyzing the difficulties in balancing work and private life, we find that employees in Western Balkan countries feel that work affects their private life more than their private obligations affect their productivity at work. Over 70% of respondents face the problems of not being able to fulfill their family obligations because of their work. This problem is more emphasized with the female employees, since they take over most of the housework. Also, women respondents report more „strain-based conflict“, caused by the pressures at work and home.

An overall conclusion can be made that the employees from the Western Balkan countries face significant difficulties in reconciling work and private life and that most of these difficulties stem from the combination of long working hours and absence of flexible working time arrangements.
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The analysis of socially responsible behaviour of organisations towards employees in the Republic of Serbia

Abstract

In recent years, more and more attention is paid to corporate social responsibility. Although much is said and written about socially responsible behaviour of organisations, little is known about whether and how corporate social responsibility affects the employees. Given that the employees are the key subjects that directly contribute to the success of the organisation, understanding employees’ responses to the social responsibility of the organisation is of great importance. Identification of the requirements on which the employees place the highest importance, and implementation of socially responsible steps towards their realisation can ensure the positive reactions of employees and increase their motivation to work and loyalty to the organisation. In this study, based on a sample of 226 employees in organisations in the Republic of Serbia, the requirements of employees related to socially responsible behaviour of their organisations are analysed, as well as their perception of whether these requirements have been fulfilled. The aim is to identify the requirements, related to social responsibility, on which employees place the highest importance, and to examine the extent to which the organisations in the Republic of Serbia fulfil those requirements.

Key words: corporate social responsibility, employee, Republic of Serbia.

JEL classification: M14, M54
Introduction

In recent years, the concept of corporate social responsibility has become a topical issue within the theory of management. According to this concept, in addition to the realisation of the primary economic objectives, organisations should follow legal regulations, behave ethically towards all stakeholders that their business affects, and voluntarily engage in solving the problems of the community (Carroll 1996 p. 32).

Stakeholder management emerged from the theory of social responsibility as an independent concept during the 1990s. According to Kakabadse, Rozuel, and Davies (2005), this concept is just another aspect of observing corporate social responsibility. This is because the society is made of a large number of interest groups, so that social responsibility involves responsible behaviour towards the groups that are part of this society. These attitudes have been confirmed by a large number of definitions of corporate social responsibility (Epstein, 1987; Carroll, 1991, and so on), whose integral part is the explanation of the relationship of the companies to stakeholders (Dahlsrud 2008). In this regard, it can be concluded that the concepts of stakeholder management and social responsibility are intertwined and complementary, with the theory of social responsibility primarily explaining the obligations (responsibilities) that the company needs to assume in respect of the society, while the theory of stakeholder management explains to whom a company should behave responsibly, and how it should establish a socially responsible relationships with key groups of stakeholders (Freeman, Wicks, Parmar 2004).

This paper focuses on the internal dimension of social responsibility, i.e. socially responsible behaviour of organisations towards employees, given the fact that the knowledge and skills of employees have an increasing impact on the operations of modern organisations. According to the basic postulates of stakeholder management (Freeman 1984; Preston 1994; Freeman 2011; Carroll 1996; Clarkson 1995), the socially responsible behaviour of companies towards stakeholders includes: identification of the key requirements and expectations of each stakeholder group, and prediction of the ways to meet the expectations of those groups that have the greatest strategic significance for the company, i.e. groups that are the most powerful. Accordingly, the paper first analyses the requirements and expectations of employees in the Republic of Serbia in relation to the organisations in which they work, and then explains the measures that organisations can take to fulfil these requirements.

Previous studies of socially responsible practices in the Republic of Serbia have shown that the situation in this area is not satisfactory, especially when the relations of organisations towards employees are taken into consideration. Therefore, our initial assumption is that organisations in Serbia do not behave responsibly towards employees. In order to verify its validity, the primary research was conducted, based on the survey of employees in the organisations in the Republic
of Serbia. The aim of the paper is to identify the key issues related to corporate social responsibility in the Republic of Serbia in relation to the employees, and to recommend measures that managers could use to address them.

Analysis of the employees’ expectations towards organisations to which they belong

Employees are individuals who possess the qualities relevant to the carrying out of activities in certain positions within the organisation. Employees are a group of key stakeholders, who play an important role in the functioning of the organisation and are associated with almost all aspects of organisational activities. Accordingly, employees are associated with socially responsible behaviour of organisations in which they work (Rupp, Ganapatti, Aguilera, Williams 2006, p. 538). First of all, employees exhibit appropriate expectations in relation to the organisations in which they work, assess the extent to which the organisation meets their expectations, and directly depend on the level of corporate social responsibility in their organisations (Rodrigo, Arenas, 2008, p. 268). Given that the employees (especially talented individuals) have an increasing share of the value created in the organisation, it is desirable that organisations meet the requirements that employees deem highly important, and behave responsibly towards them (Dentchev, Heene 2003).

Employees’ requirements and expectations are numerous and very heterogeneous. Traditionally, employees attach great importance to economic requirements. Due to the fact that people invest some labour and capital in gaining the knowledge and competence necessary for the performance of tasks within the company, and that the performance of tasks consumes their time and energy, it is logical that they should expect economic benefit for the years of service and the current work. Accordingly, the primary long-term goal of employees is the maximization of earnings, the acquisition of certain benefits, the provision of different types of paid leave, and the like (Bogićević 2003, p. 327).

In addition to economic expectations, employees attach enormous importance to the working conditions. Prescription and respect of permitted overtime working hours and ensuring of normal physical working conditions are the traditional elements of the psychological contract of employees, who are in many countries protected by laws. In addition to these, in recent decades, due to the many changes that have occurred in the environment, there has appeared an increasing number of new requirements related to working conditions. First of all, the rapid development of technology, chemical, and nuclear industries has led to the creation of some jobs, which can seriously endanger or impair the health of workers (due to increased solar radiation, the negative effects of chemical agents, physical injuries, etc.), so that the health and safety of workers are becoming an extremely important requirement of employees. Furthermore, the development of
computers and digital technology (video surveillance, listening devices, etc.) has increased the possibility of monitoring and controlling the work and behaviour of members of the organisation, thus threatening their privacy, while at the same time there are many more ways to exercise various pressures and various forms of harassment (Carroll 1996, pp. 479–481). For these reasons, employees’ requirements that are becoming increasingly important are: the privacy of employees, elimination of all forms of harassment, elimination of mobbing, increase of the level of ethics in the organisation, elimination of all forms of discrimination, and the like.

Under conditions of intense globalisation of business, the mobility of labour is increased, the stability of organisations is reduced, and other changes occur, which bring into question the survival and stay of workers in their current jobs. Job insecurity and pronounced competition in the labour market are forcing today’s workers to improve permanently. In that regard, the possibility of development and career advancement is another in the series of current expectations of employees in relation to the organisation to which they belong (Coombs, Holladay 2012).

These, as well as many other expectations that today’s current or potential employees have in relation to the organisation, must be carefully monitored and analysed by the managers. This is essential if organisations want to attract staff with different qualities, which are necessary for their successful work. Finally, people will be willing to enter the organisation, or to remain in it, only if the organisation meets all, or most, of their real expectations, and if it behaves responsibly towards them (Turban, Greening 1997).

Analysis of socially responsible measures of organisations towards meeting the expectations of employees

For the purpose of meeting the various expectations of employees, today’s organisations apply various measures and policies that increase the degree of responsibility towards employees. Some of the measures that organisations usually implement are the following (Welford 2007, p. 25):

- creation of stimulating system of compensation,
- improvement of working conditions,
- professional development and training of staff,
- elimination of corruption and immoral behaviour within the organisation,
- supporting the heterogeneity of labour and the elimination of all possible forms of discrimination (gender, religious, national, age), and so on.

One of the important instruments, on which the realisation of employees’ economic expectations depends, is the compensation system. This system includes all awards, whether direct or indirect, that the organisation gives to its members
in exchange for their work (Šušnjar-Štangl, Zimanji 2006, p. 342). A stimulating compensation system can motivate, shape, and correct the behaviour of employees, in accordance with the goals of the organisation (Janićijević, 2008, p. 466). Likewise, through adequate long-term direct awards (tying incentives to the results achieved, inclusion in the ownership structure through the distribution of shares or share options, etc.), the most qualified workers and managers can be “tied” to the organisation, and the negative effects of the so-called agency problem can be mitigated. Therefore, the shaping of the compensation systems and the prediction of incentive measures to attract, motivate, and retain talented employees is becoming increasingly important in recent years (Đorđević, Ivanović-Đukić 2010, p. 511).

In addition to providing a good system of compensation, an increasing number of organisations are trying to provide good working conditions to employees. Good working conditions have a stimulating effect on the employees, and the organisations offering good working conditions become attractive to most talented labour and gain a reputation of desirable places for employment. For these reasons, many organisations are struggling to implement various measures, in order to provide good working conditions. These measures are mainly related to the existence of procedures for regulating the working hours and overtime work, as well as to the policies and internal rules of conduct, which will ensure respect for the above procedures and regulate additional payment of overtime work. Many organisations go a step further, by introducing the so-called flexible working hours, offering employees much greater degree of flexibility, as well as the possibilities of: part-time work, job sharing with other workers, or working from home. In this way, employees are enabled to balance family and work responsibilities, whereas organisations acquire the image of family-friendly corporations (Simić, Ivanović-Đukić 2012, p. 209).

The next important group of measures is related to the provision of good physical working conditions. These measures include: heating, lighting, and ventilation of the rooms in which employees spend the working hours, provision of clean and neat toilets and drinking water, maintenance of hygiene at an acceptable level, and the like. Likewise, the provision of occupational health and safety is the traditional measure in organisations, whose contempt is in many countries severely sanctioned. These are measures that are generally related to the provision of: the use of uniforms and protective masks, social and health insurance, adequate protection from infectious diseases, and the like. In many countries, there is a high number of national standards and regulations that provide for mandatory measures in these areas, and some measures, related to occupational health and safety, are even part of forms for the certification of products and services (Simić, Ivanović-Đukić 2013, p. 35).

In recent years, an integral part of socially responsible programmes and measures of organisations has become the “zero tolerance” policy on any form
of harassment. This policy means that employees are clearly informed about what behaviour may represent a form of harassment of others, that for any form of harassing behaviour severe sanctions are prescribed, and that procedures for complaints, including the ways to report on the events that are the subject of the complaints, are provided (Crane, Matten 2007).

A group of measures, which is an integral part of the corporate social responsibility of organisations towards employees, and which is becoming increasingly significant, is related to different forms of education, training, and stimulation of professional development of employees. Research has shown that companies around the world are investing millions of dollars in organising various training programmes for employees, in order to increase their competitiveness through increased competence of employees\(^3\) (Welford 2007, p. 27).

Educational programmes that are implemented within organisations may vary. Organisations usually organise the so-called planning-based education and trainings for groups of employees, so that they could gain skills needed to perform new tasks successfully, use new technology, and so on. Companies often organise the moving of employees from one into the other organisational parts, so that they could learn about all the jobs within the organisation, and get a better understanding of the functioning of the entire organisation. In addition to organising trainings in their own premises, many organisations practice to send their employees to the education and trainings organised by other organisations and institutions (Simić, Ivanović-Đukić 2012, p. 209).

In recent years, employees attach increasing importance to ethics in doing business within the organisation to which they belong. Because of this, a significant group of measures, applied by the organisation, refers to the measures that allow an increase in ethics. This, among other things, includes: that the companies formulate a code of ethics, that companies form the department and appoint responsible people for the application of rules formulated by the code of ethics, that companies prescribe and enforce severe sanctions for any violation of ethical codes of conduct, particularly sanctioning bribery and corruption, etc. (Simić 2013).

Changes on the global scale, which have occurred over the past decades, have led to increased diversity among employees, so that in modern organisations, in one place, people with completely different expectations, habits, and values can be found. Given that the degree of cultural freedom and the fulfilment of employees’ expectations regarding their jobs directly affects the behaviour of employees, their motivation, loyalty to the organisation and their efficiency in the execution of tasks entrusted to them, many organisations are implementing various programmes and measures to promote diversity, provide an opportunity to all groups of employees to meet their specific needs (if they do not threaten the interests of other employees and organisations), and eliminate various potential

\(^3\) Companies spend 1.5–2% of their total profit budget on different educational programmes.
forms of discrimination (gender, race, ethnic, and any other that is not based on actual results). This means that all employees within an organisation, regardless of their gender, race, and ethnicity, have the same treatment, i.e. that they are allowed to receive the same pay for the execution of the same tasks, to have the same training and advancement opportunities, the same treatment when applying for a job, and so on (Post, Lawrence, Weber, 2002, pp. 429-444).

Given the fact that, in the past, discrimination was a very pronounced phenomenon within organisations, many countries have passed laws that severely sanction various forms of discrimination. In addition to compliance with statutory measures, some organisations implement a number of other measures to promote equality and eliminate discrimination (Post, Lawrence, Weber, 2002, p. 444). Today’s organisations are trying to incorporate the idea of equal opportunities for all and respect for differences among people into their own mission. In this regard, they are preparing written plans that prescribe the ways for implementing their missions, and appoint managers responsible for monitoring the implementation of these plans. Certain organisations also provide additional conditions for people with disability (lifts and straight paths instead of the stairs, the sound and light signals for people with sensory impairments of vision or hearing, etc.), so that they could be provided with equal opportunities to work within the organisations. There are organisations that, in an effort to meet the different requirements of their employees, go a step further, and create the so-called “affirmative actions” that promote and affirm traditionally discriminated groups of employees (Crane, Matten 2007, pp. 276–279).

Through the development of a good system of awards, provision of good working conditions, the fulfilment of other requirements that employees attach great importance to, organisations are becoming more desirable and attractive to labour. By providing opportunities for employees to balance their business and family responsibilities, training and development of employees, creating an environment governed by ethical rules of conduct and equality of people of all races and both sexes, the behaviour of organisations towards employees becomes more responsible, which, in turn, dictates the responsible behaviour of employees, who become more productive, more committed to work, and more loyal to the organisation. Therefore, socially responsible behaviour of organisations towards employees increases their business performance and improves market competitiveness.

In Serbia, corporate social responsibility and stakeholder management are relatively new and under-developed concepts (Simić, Ivanović-Dukić 2013, p. 46). As a result, the population in Serbia (either as consumers, employees, or investors), does not place enough pressure on companies to behave in a socially responsible manner. This is particularly characteristic of the population when choosing an organisation at which to be employed. Large supply of labour on the market, as well as unfavourable institutional environment, which are typical
of Serbia, lead to the fact that employees are becoming an interest group that is unable to perform a major impact on the organisations to behave responsibly (although the employees are the stakeholder groups who have, in recent years, had increasing strategic importance to organisations in developed countries) (Maričnović, Damnjanović 2009, p. 31). As a result, many organisations in the Republic of Serbia do not take into account the needs and expectations of employees, and either fail to implement socially responsible actions towards fulfilling these expectations, or meet only the minimum of legal requirements in this area.

Method

Sample. In order to determine whether the organisations in Serbia behave in a socially responsible way towards their employees, in the period from October 2013 to February 2014, the research was carried out, which investigated the employees’ expectations regarding socially responsible behaviour of their organisations, as well as the extent to which they believe that their expectations have been met. The study initially included 260 respondents, employed in 28 organisations operating on the territory of the Republic of Serbia. Out of 260 distributed questionnaires, 226 were usable, while 34 questionnaires were rejected due to inaccurate or incomplete answers. In the structure of the sample, females accounted for 37.5%, while the share of men was 62.5%. Regarding the age structure, the situation was as follows: 10.05% were respondents up to 30 years of age, 39.15% were respondents between 31 and 40 years of age, 30.69% were respondents between 41 and 50 years of age, 17.46% were respondents between 51 and 60 years of age, and 2.65% were respondents older than 60 years.

As far as years of service are concerned, the employees with between 16 and 25 years of service had the highest share in the sample, amounting to 38.73%, followed by the employees with between 6 and 15 years of service, amounting to 33.92%. Somewhat lower share was held by the employees with less than five years of service, 16.43%, whereas the lowest share was held by the employees with more than 26 years of service, 10.92%. The structure of the sample by the education level was as follows: the employees with the IV level of education had the highest share in the sample, 28.58%, followed by the employees with the VI level of education, which accounted for 25.71%, the employees with the VII level of education, accounting for 21.33%, the employees with the III level of education, accounting for 15.28%, the employees with the V level of education, accounting for 6.7%, whereas the lowest share was held by the employees with the VIII level of education, accounting for 2.4%. The sample included 28.73% of the respondents at various management positions, while the rest, 71.27%, were the staff members.

Instrument. Data collection was conducted by interviewing employees from the organisations operating on the territory of the Republic of Serbia, with the use of two types of questionnaires. One questionnaire included questions related to
The analysis of socially responsible behaviour of organisations towards employees was conducted using two questionnaires. The first questionnaire included questions regarding general information about the respondents: gender, age, years of service, level of education, and position in the organisational structure of the company. The second questionnaire included questions related to the investigation of the level of corporate social responsibility of organisations towards employees. Questions in the second questionnaire were grouped into two segments. The first segment of the questions enabled the identification of the expectations that employees had in relation to organisations in which they worked, regarding socially responsible behaviour of those organisations. This segment was comprised of 24 questions that were, due to their nature and for the purpose of easier analysis, classified into four groups: questions concerning the employees’ economic expectations, questions relating to the employees’ expectations in relation to working conditions, questions that identified the employees’ expectations in relation to the opportunities for their development and building a successful career, and questions that identified the employees’ expectations regarding ethics within their organisations. The second segment of the second questionnaire allowed the identification of the employees’ perceptions about the extent to which their organisations met their specified expectations. For the evaluation of the responses, the five-point Likert scale was used, ranging from 1 – strongly disagree, to 5 – strongly agree.

Results

The nature of the research, its purpose, and applied questionnaires impose segmented presentation of the results. In fact, given that the questionnaire for assessing the level of corporate social responsibility of organisations towards their employees included two segments of questions, classified into four groups, presentation of the results is also done through the two segments (the results which are related to the expectations that employees have in relation to the organisation in which they work, regarding socially responsible behaviour of the organisations (A); results that reflect the employees’ perceptions about the extent to which their organisations meet their expectations (B), as well as on the basis of individual expectations for each of the above groups.

• Structure of overall expectations (economic expectations, expectations related to working conditions, expectations related to ethics within organisations, expectations concerning the employees’ opportunities for development and building successful career) that the employees in Serbia have in relation to the organisation in which they work, in respect of their social responsibility, expressed as a percentage, is shown in Figure 1.

It can be seen that the dominant expectations of employees in organisations in the Republic of Serbia are those of an economic nature. 92.64% of the respondents attach importance to these expectations. These are followed by expectations related to working conditions, to which 85% of employees attach high importance. The following are expectations related to ethical behaviour of the organisation, to which 87.3% of employees attach importance. In the structure of
the above expectations, employees in the Republic of Serbia attach the smallest (but not small) importance to the opportunities for development and building a successful career (75.5%).

![Figure 1. Structure of different employees’ expectations in relation to organisations in the Republic of Serbia](image)

In this study, the group of economic expectations that employees have in relation to the organisation they work for are analyzed in the light of the workers’ requirements for: regular payment of wages, payment of taxes and contributions, paid costs of transportation, payment of incentives and bonuses, sick pay, annual leave pay. The structure of employees’ economic expectations in relation to organisations in the Republic of Serbia is shown in Figure 2.
Figure 2. Structure of the employees’ economic expectations in relation to organisations in the Republic of Serbia

It can be seen that for all employees (100%) in the Republic of Serbia, the regular payment of wages is the key economic expectation in relation to the organisations in which they work. In respect of the importance attached, this expectation is followed by the payment of taxes, pension and health insurance, to which 97.5% of employees attach importance. Paid sick leave is important for 95% of respondents, while 90.5% of employees expect paid annual leave as well as paid days off during the national holidays from their organisations. 89.5% of employees expect payment of incentives and bonuses. Slightly lower percentage of workers (87.5%) expect payment of transportation costs from the organisation, as well as paid overtime.

The following group of expectations is related to working conditions. Specific requirements that employees have in relation to their organisation, and which concern the conditions of work in the organisation (job security, physical working conditions, the presence of mobbing, the prescription of and compliance with the number of hours of overtime work), are shown in Figure 3.
Figure 3. The structure of the employees’ expectations in the organisations in the Republic of Serbia, related to working conditions

It can be seen that employees in the Republic of Serbia pay most attention to job security (91.5% of employees). The following are their expectations concerning decent physical conditions of work (88.5% of employees) and the elimination of mobbing (87% of employees). Slightly lower percentage (78%) of respondents expect their organisations to have a prescribed number of hours of overtime work, and to respect (71.5% of respondents expect that) what they prescribe.

The next group of employees’ expectations is related to ethical behaviour of the organisation. Individual requirements of employees, related to ethical conduct of their organisation, are shown in Figure 4.

Figure 4. Structure of the employees’ expectations in the organisations in the Republic of Serbia, regarding ethical behaviour
It can be seen that the most important expectations of employees in the country are related to equality (giving the same treatment to employees), to which 90.5% of employees attach importance. The following are their expectations regarding the elimination of bribery and corruption, which is important for 88.5% of employees. Respect for the code of ethics is important for 77.5% of employees, while the existence of the code of ethics is important for 73% of employees.

The last group of analysed employees’ expectations is associated with opportunities for employees’ professional development and building successful careers. The structure of these expectations of employees and the importance that employees attach to these expectations, expressed in percentages, are shown in Figure 5.

It is obvious that the largest percentage of respondents (81%) identify the funding of their training as one of the most important requirements that they have in relation to their organisations, concerning their professional and career development. According to the importance for the employees, the following is their expectation concerning their transfer to other jobs with the aim of becoming familiar with the work, which 74% of employees identify as important. In the structure of the above expectations, the lowest percentage of employees (71.5% of respondents) attach importance to the organisation of planning-based training of workers.

Figure 5. The structure of employees’ requirements in organisations of the Republic of Serbia, regarding the opportunities for development and building successful career

- Cumulative results of the way the employees in the organisations in the Republic of Serbia perceive the extent to which their organisations meet their different expectations, regarding the domain of socially responsible behaviour of their organisations, are shown in Figure 6.
The results presented graphically in Figure 6 indicate that 57.8% of employees agree with the statement that the organisations they work for fulfil their economic expectations. 44.92% of respondents consider that their organisations provide adequate working conditions. 34.7% of respondents believe that their organisations provide good opportunities for development and building successful career, while only 19.56% of respondents believe that ethical behaviour in the organisation they belong to is at an acceptable level.

These general results on the fulfilment of employees’ expectations may be viewed in more detail, on the basis of the extent to which their individual, above analysed expectations have been fulfilled.

In order to determine what the situation is like within each group of measures, the employees’ attitudes on each measure individually within these groups are analysed. The results related to measures through which the economic expectations are met, are shown in Figure 7.
Most of the employees believe that the organisations regularly pay wages – 77.11% of the employees, followed by 73.6% of the employees believing that organisations regularly pay taxes and contributions, 70.15% of the employees believing that organisations regularly pay annual leave, and 68.16% of the employees who believe that organisations regularly pay sick leave of employees. Slightly more than half of the employees, 53.24%, state that their organisations pay transportation costs. The lowest number of employees, 32.34% of them, is satisfied with the policy of payment of bonuses and incentives, while 33.83% of employees state that overtime work is paid.

The next group of measures is related to working conditions. Employee satisfaction with the implementation of the above measures is shown in Figure 8.
Most of the employees in the Republic of Serbia believe that in their organisations there is no mobbing (64.67% of employees), or any other form of harassment (62.65% of employees). Slightly more than half of the employees (50.74%) are satisfied with the physical working conditions. In respect of the overtime work, 32.86% of employees agree with the statement that in their organisations there is the prescribed number of hours of overtime work, whereas 31.34% of employees believe that the prescribed number of hours is respected. Job security is also a segment with which only 38% of employees are satisfied.

The following group of expectations is related to the business ethics of organisations. Employee satisfaction with certain measures in this area is shown in Figure 9.

It can be seen that 22.88% of employees state that the code of ethics in their organisations is not observed, while a slightly smaller percentage of employees, 37.81%, state that the code of ethics in their organisation is not even present. 63.78% of employees claim that there is a particular form of discrimination in their organisations, while 40.6% of employees indicate the presence of bribery and corruption in the organisation.

![Figure 9. Fulfilment of employees’ ethical expectations](image)

The last analysed area is related to the employees’ satisfaction regarding the opportunities for development and building a successful career. The obtained results are shown in Figure 10.
The analysis of socially responsible behaviour of organisations towards…

It can be seen that 23.38% of employees say that they are satisfied with the financing of employees’ training programmes that their organisations implement. 20.39% of employees are satisfied with the organisation of planning-based personnel trainings, whereas only 14.93% of them state that organisations move workers to other jobs in order to become familiar with the work.

Discussion
The results show that the dominant requirements of employees in the Republic of Serbia are of economic nature, primarily related to the regular payment of wages, payment of taxes and contributions, and payment of sick leave. In addition, employees in the Republic of Serbia attach great importance to job security, good physical working conditions, and the elimination of bribery and corruption.

In respect of the degree of fulfilment of the employees’ requirements in the organisations in the Republic of Serbia, the situation is not satisfactory. The best situation is in the economic sphere, so that the majority of employees believe that the organisations regularly pay wages, taxes and contributions, and annual leave. Between 70 and 80% of employees agree with these statements. However, given the fact that these are the obligations that are regulated by law, and that more than one-fifth of the surveyed employees claim that organisations do not fulfil these obligations, it can be concluded that some organisations in the Republic of Serbia do not comply with the minimum legal obligations towards employees. The similar conclusion can be drawn on the basis of the fact that only about half of the employees responded that the physical conditions in which they worked were satisfactory.
In the economic sphere, the greatest dissatisfaction of employees is related to the payment of bonuses and incentives, which means that managers do not take much care of the motivation of employees who realise above-average results. The similar conclusion can be drawn on the basis of the fact that 80% of employees are not satisfied with the measures that organisations take towards the development and building of a successful career of their employees.

An alarming situation is present regarding the overtime work. Only one third of employees agree with the views that in their organisations there is the prescribed number of hours of overtime work, that the prescribed number of hours of overtime work is respected, and that overtime work is paid. Dissatisfaction of more than two-thirds of the employees with the existence and payment of overtime work refers to the fact that this is a very problematic area in the organisations in the Republic of Serbia. The similar situation exists in the field of business ethics, in which there is high dissatisfaction of employees with the measures that organisations take. More than 60% of employees claim that a code of ethics in organisations is not present and not respected, and indicate the presence of bribery, corruption and various forms of discrimination.

Conclusion

In recent years, the concept of corporate social responsibility has become very popular within the management theory and practice. It is a complex scientific concept, which encompasses a large number of segments and dimensions. In this paper, the micro approach to social responsibility was analysed, in the light of organisations’ relationship with employees.

Although the employees are a key group of stakeholders, whose contribution to the value created by modern organisations is becoming larger, in theory there are not many papers that explain the impact of corporate social responsibility towards employees, and analyse the employees’ reaction to that behaviour. Therefore, the analysis of the impact of corporate social responsibility has been the subject of this paper.

In accordance with the principles of stakeholder management, the paper has analysed the requirements and expectations that employees have in relation to organisations in which they work, and the measures that organisations take in order to fulfil these requirements. It has been explained that the demands of the employees are very heterogeneous and that the measures that organisations take are mainly aimed at fulfilling the employees’ economic requirements, providing good working conditions, encouraging ethical behaviour in the organisation, and providing opportunities for employees to build a successful career. By satisfying the requirements to which the employees attach great importance, organisations are becoming more desirable and attractive to labour. By providing opportunities for employees to balance their business and family responsibilities, training
and development of employees, creating the working environment governed by ethical rules of conduct and equality of people of all races and both sexes, the behaviour of organisations towards employees becomes more responsible, which, in turn, dictates the responsible behaviour of employees, who become more productive, more committed to work, and more loyal to the organisation. Socially responsible behaviour of organisations towards employees brings the increase of their business performance and improves market competitiveness.

The situation in the field of corporate social responsibility in the Republic of Serbia is not at an acceptable level. Based on the results of the conducted research, it can be concluded that a very small number (on average every fifth) of organisations in the Republic of Serbia meet the requirements of employees, with some organisations not even meeting the minimum obligations towards employees required by law. In many organisations, there is overtime work, which is usually not paid, ethical behaviour is at a low level, there are various forms of harassment of employees, and working conditions are not satisfactory. In addition, organisations in the Republic of Serbia pay little attention to the career development of employees and the stimulation of the most successful workers. In that regard, it can be concluded that organisations in Serbia do not behave responsibly towards employees.

References


Investor-state disputes and the TTIP – is it a new challenge for corporate responsibility?

Abstract
In the broad context of responsible management, and corporate responsibility, the present paper studies the general issue of conflicts between private investors, and governments, with a particular focus on the investor-state dispute settlement through international arbitration. On the grounds of empirical research published by other scholars, particularly by Susan D. Franck, and Barbara Koremenos, the paper aims at explaining theoretically the underlying economic motives of the recent surge in the number of internationally arbitrated, investor-state disputes, and at predicting its future developments. Additionally, the theoretical findings are applied to evaluate some of the possible, institutional outcomes of the prospective Transatlantic Trade and Investment Partnership. The general conclusion is that not only isn’t the international arbitration of investor–state disputes a threat to democracy, but also said arbitration helps to redress past infringements to public sovereignty.

Keywords: corporate responsibility, public sovereignty, institutions, investor–state disputes

Introduction
Responsible management, and corporate responsibility are both normative, and empirical issues. The normative approach assesses the deontology of corporate responsibility, with the three historically important orientations: liberal, welfarist, and technocratic. The liberal approach assumes that the main responsibility of the corporation is to assure predictable return on the capital invested, without any particular social responsibility concurring with that basic mission. The welfarist standpoint

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sees the corporation as the guarantor of a certain number of jobs, and its social responsibility refers mostly to social stability connected with the very existence (and the exact geographical location!) of said jobs, with a possible help to the less fortunate members of society. The concept of Corporate Social Responsibility, which mostly takes the actual form of variously orchestrated charity, seems to be rooted in that welfarist view. Finally, the technocratic approach to the corporation accounts for the fact that business structures are tightly interconnected with infrastructural facilities, which, in turn, are vital for the security and stability of modern societies. The managerial concept of operational risk, born in the world of banking, and having successfully migrated into the broad universe of business organization, seems to reflect the actual measure of that technocratic grasp of corporate responsibility.

The empirical insight focuses on the actual patterns of corporate responsibility, and their evolution over time. A significant facet of that empirical view is the question about the possible future changes in the patterns of responsible management. One could ask, for example, whether we live in a de facto corporate social order, namely whether corporations rule the today’s world, or if they will possibly rule the world of tomorrow. From another perspective, one could ask whether opportunist, socially irresponsible strategies of corporations can lead to durable, social change, with a weakening of public sovereignty, and democracy. The answer to such broad questions far exceeds the scope of a research paper like this one. Yet, a partial answer focused upon a particular field of social life is possible.

If you want to see the possible changes, follow the critics, namely the critics of corporate governance and corporations in general. The investor–state dispute settlement (ISDS), which we define as the institution of international arbitration between private investors and their host states, treated as equals, is one of the main concerns from the part of various anti–corporatist movements. That general concern, expressed abundantly in mass media, finds its reflection in scientific, mostly legal research too (e.g. Guzman 1997–1998; Coe 2006; Burke–White 2008; van Aaken 2008). The main lines of criticism are: lack of transparency, doubtful impartiality of arbiters, systematic enforcement of corporate claims against legitimate governments, and a clear asymmetry at the detriment of developing countries. In Europe, that issue is currently associated with a significant, institutional change to come, namely the Transatlantic Trade and Investment

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Partnership, or TTIP. In Europe, the TTIP is likely to bring the most dramatic liberalization of trade and investment flows since the creation of European Union. It brings a growing concern about the possible imbalance in economic power between the American corporations, and the European governments. The TTIP is likely to adopt the already classical pattern of protection for investors, with international arbitration among the main procedural rights.

The very institution of investor-state dispute settlement, on the grounds of international treaties, is not quite new. First, let’s trace the broad context. Since the 1960s, and maybe even earlier, foreign direct investment has been a major factor of economic development. Governments have developed a whole range of institutional tools to attract foreign investors. “Institutional” means that besides incidental actions (e.g. occasional privatisation), some more durable patterns of public policies (e.g. legal rules) have emerged. International treaties are among the most salient examples of institutional changes directed specifically on attracting foreign investors. The typical, legal construct that governments use consists of a certain number of bilateral investment treaties (BIT), which, in turn, refer to a set of rules contained in multilateral treaties. In order to encourage foreign investors, governments give them legal guarantees, or rights, both substantive and procedural. The Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID Convention or the Convention), dating back to 1966, seems to be an institutional milestone for ISDS. Around that date, and after, both bilateral, and multilateral commercial treaties used to encompass a typical set of rights that governments guarantee to foreign, private investors. Those rights are both substantive, and procedural. Their general principle is that of a treatment not less favourable, from the point of view of the private investor, than the treatment available under international law (Guzman 1998; Franck 2008). The procedural rights cover the possibility of having recourse to international arbitration between the government, and the private investor, should all the national legal means have been exhausted. A good example is Article 9 of the Georgia / Greece Bilateral Investment Treaty:

“ARTICLE 9
Settlement of Disputes between an Investor and a Contracting Party
1. Disputes between an investor of a Contracting Party and the other Contracting Party concerning an obligation of the latter under this Agreement, in relation to an investment of the former, shall, if possible, be settled by the disputing parties in an amicable way.
2. If such disputes cannot be settled within six months from the date either party requested amicable settlement, the investor concerned may submit the dispute either to the competent courts of the Contracting Party in the territory of which the investment has been made or to international arbitration.
Each Contracting Party hereby consents to the submission of such dispute to international arbitration.

3. Where the dispute is referred to international arbitration the Investor concerned may submit the dispute either to:

a) the International Centre for the Settlement of Investment Disputes, established under the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, opened for signature at Washington D.C. on 18 March 1965, for arbitration or conciliation, or


4. The arbitral tribunal shall decide the dispute in accordance with the provisions of this Agreement and the applicable rules and principles of international law. The awards of arbitration shall be final and binding on both parties to the dispute. Each Contracting Party shall carry out without delay any such award and such award shall be enforced in accordance with domestic law.

5. During arbitration proceedings or the enforcement of the award, the Contracting Party involved in the dispute shall not raise the objection that the investor of the other Contracting Party has received compensation under an Insurance contract in respect of all or part of the damage.”

If a social phenomenon is growing in importance, like the one presently discussed, there has to be some kind of logic to that. In other words, just saying that the growth of ISDS is a threat to democracy, and thus implicitly treating the phenomenon at hand as random, or conspiracy-based, seems irrational. There probably is an underlying social change, and the presently growing wave of ISDS is very much likely to be a symptom of what legal scholars call “system building” (Nottage 2006⁶; Bjorklund 2009⁷; Schill 2011⁸). One should keep in mind that ISDS is closely linked to two, quite young social phenomena. On the one hand, since the 1950s, we have been witnessing a steady growth of both foreign direct investment, and financial markets as a whole. On the other hand, the combination of post-colonial, and post-communist geopolitical changes gave rise to the emergence of new countries, mostly developing ones, with some of them having already passed, or just passing into the category of emerging markets. Those new countries became the hosts of significant foreign investment, which was accompanied by the corresponding, both qualitative, and quantitative development of financial markets. A completely new economic

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structure had thus emerged, and it keeps on calling for relevant legal regulations. In the overall dynamics of BIT signed, two waves are to notice: the big, post-colonial one in the 1960s and 1970s, followed by a second, slightly smaller, post-communist one at the beginning of the 1990s. Both waves had a common denominator: legitimacy of the newly emerged governments was significantly broader than their actual economic power. What those governments desperately needed was capital, to ground their political power. On the other hand, both waves corresponded to a significant change in the global economic landscape. The 1970s brought both a liberalization of financial markets, and a first, significant economic shock after the Second World War, namely the oil crisis. Both factors contributed to awaken the investor’s interest in the assets located in newly emerging, developing countries. Another financial crisis, and a resulting a reshuffling of financial markets marked the early 1990s. Once more, new directions of foreign investment, namely the emerging, post–communist countries, attracted the attention of private capital. Thus, each wave of new BIT signed corresponded to a wave of structural change in the global, capital market. The factor of time is capital here. Most legal institutions that make the foundations of the current social order are hundreds of years old, with some of them, like the basic rules of civil law, tapping their intellectual content out of the Ancient Rome’s tradition. In the light of that legal tradition, the completely new challenges of international commercial law are barely a blink. Legal rules take time to adapt.

Susan D. Franck, in two consecutive papers (Franck 2008, 2009) brings an interesting, quantitative insight into the observable patterns in both the initiation of investor-state disputes, and their resolution. A majority of claims come from the U.S. nationals, and, in general, from those of the developed countries. Conversely, respondent governments are those of developing countries, yet they are the relatively wealthier ones, not the strictly spoken Low Income countries. Among the several hundreds of bilateral investment treaties in force, only a few dozens seem to give systematic rise to investor-state disputes, the NAFTA treaty, as well as the U.S. – Argentina bilateral one, largely leading. Despite the critics against the impartiality of arbiters appointed by international organizations, institutionalized arbitration, and more specifically that under the auspices of ICSID (International Centre the Settlement of Investment Disputes) seems to prevail substantially over the ad hoc arbitration tribunals. Less than 40% of disputes seem to end up with the investor winning, and almost 60% of cases lead to a legal victory on the part of the government sued. The settled cases (i.e. without award for any of the parties, and without de facto legal victory for any of them) are rath-

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er an exception. Investors seem to be much more successful in the jurisdictional phase, whilst governments tend to win more frequently in the merits’ phase. In the damages’ phase, results are mixed. As a rule, the damages actually awarded to private investors are several times lower than their claims, on average 2 cents awarded on every dollar claimed. A significant majority of ISDS claims is related to businesses in the energy sector, and that of infrastructural services (e.g. water supply).

Both the above–mentioned Susan D. Franck’s research, and the recent data published by UNCTAD (2013\(^{11}\)) suggest a rapidly growing number of investor-state disputes. In 2012, 58 new treaty-based disputes were initiated, the highest number ever. In order to assess, whether that recent surge in ISDS predicts the advent of “corporate world”, one should keep in mind a basic rule of research: as ISDS is treaty-based, one should study both ISDS as such, and the treaties that ISDS is based on. International cooperation in the broad sense is regulated by some 50 000 treaties, mostly bilateral, registered with the United Nations. Only about 50% of them have any provisions for the resolution of disputes. Strong empirical evidence allows concluding that external delegation (i.e. delegation of dispute resolution to external legal bodies, like arbitration tribunals) is used, as a legal device, whenever the signatory governments face important uncertainty. Said uncertainty regards both the state of the world in general, and the way that the given field of international cooperation will develop (Koremenos et al. 2001\(^{12}\); Koremenos, Snidal 2003\(^{13}\); Koremenos 2007\(^{14}\)).

The present paper attempts to develop a theoretical framework, to demonstrate that what some call “an eruption” of ISDS combines long-term trends of legal changes with the somewhat unique, and shorter in range outcomes of the post-colonial, and post-communist geopolitical changes. That theoretical development is astride economic sciences, law, and politics.

The theoretical perspective

We start with a basic assumption that any hierarchical, social structure – states and corporations included – is able to sustain itself over long periods of time if it has both legitimation, and economic power. Legitimation is defined qualitatively, and quantitatively. On the one hand, it is a set of basic rights, and a set of actions to which

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\(^{11}\) UNCTAD (United Nations Conference on Trade and Development), 2013, Recent Developments in Investor–State Dispute Settlement (ISDS), Issues Note no.1, May 2013.


the government is entitled. On the other hand, the qualitative scope of legitimation can be translated into some kind of quantitative index. Legitimation is grounded both in past communicative, political action (Habermas 1975\textsuperscript{15}, 1979\textsuperscript{16}, 1996\textsuperscript{17}), and the actual, normative quality of the social order in place (Rawls 1999\textsuperscript{18}). Economic power is grounded in the actual control over flows and balances of capital, both financial and physical. That definition of economic power is mostly based upon the agency theory, known from the new institutional school in economics, and created essentially to explain the behaviour of corporations (see: Berle, Means 1932\textsuperscript{19}; Wilson 1968\textsuperscript{20}; Berhold 1971\textsuperscript{21}; 1973\textsuperscript{22}; Jensen, Meckling 1976\textsuperscript{23}; Fama, Jensen 1983\textsuperscript{24}).

Of course, defining political power with reference to economic power is also very much related to the works of Karl Marx. In that Marxist, social mechanism of capital transfer, the powers of public agents have the social role of quasi–property rights. The constructive possession of capital by public agents relies on the general principle of the sovereignty of the state. It is probably the strongest possible case of constructive possession. Besides the powers expressly written in the law, there is a whole set of discrentional powers. The latter emerge whenever the law allows decisional freedom to public agents, either on purpose, or by unwanted collision of legal rules. Those discrentional powers are directly proportional to the amount of capital that public agents have possession of within their discrentional freedom. Thus, it is to assume that the distribution of discrentional public powers across the social system significantly influences the set of property rights.

For any social agent, governments included, legitimacy and economic power can remain in three possible relations to each other. The hypothetical, perfect state of nature is equilibrium, in which economic power is just what the social agent needs to fulfil their legitimate rights and prerogatives, and, correspondingly, the actual legitimation is just what is needed in order to exploit the economic power at hand. With a hint of simplification, real political power is to find in that equilibrium zone, or at least in the zone of legitimation and econom-

\textsuperscript{15} J. Habermas, 1975, \textit{Legitimation Crisis}, translated by T.McCarthy, Boston.


\textsuperscript{19} A.A. Berle, G.C.Means, 1932, \textit{The Modern Corporation and Private Property}, New York, Macmillan Publishing Co,


ic power overlapping each other. Legitimation changes slowly, at the pace of legal change, which can take hundreds of years in some cases, decades at best. Conversely, economic power changes quickly, sometimes within weeks. Governments can acquire or lose economic power significantly faster than they can change the scope of their legitimacy, as the former is very much in the swift hands of the executive power, whilst the latter depends mostly on the much steadier actions of the legislative and judiciary branches.

If we attempt to see political power in quantitative terms, we can speak of a certain amount of it, possible to achieve through various combinations of legitimation, and economic power. Thus, some kind of indifference curve may be traced, showing various possible structures of a given amount of political power, regarding its footing in legitimation, and in the control of capital.

When the mutual proportions between the amount of economic power, and the scope of legitimation slide out of a reasonably defined neighbourhood of equilibrium, two types of disequilibria can arise. Firstly, there can be economic power without or with very little legitimation. In this case, the given social entity controls an amount of capital, and has an amount of economic power significantly beyond the scope of legitimation. This is the case of Ali Baba’s treasure. It gives significant, discretional power, but it is likely to destabilize the whole social structure. Secondly, there can be legitimation combined with disproportionately weak economic power. The given social agent is legitimately allowed to do things that he has no sufficient capital to perform. If the latter case is that of the government, there is an objectively observable need to acquire more capital in order to assure an economic power, which would be at least in correspondence with the scope of legitimation, possibly even greater.

A government with a legitimation exceeding its real economic power can acquire capital through three possible ways. It can forcefully take the possession of some assets, by sovereign decision, in the limits allowed by legitimation, of course. Let’s call it “sovereign acquisition”. The imposition of taxes is a classical example of that way, whilst the nationalisation of property rights is a more drastic one. The second possible path is public borrowing, whilst privatisation of assets is the third one.

Those three forms of increasing economic power confer to the government economic power of uneven quality, so to say. They have their mutual dynamics, too. The greater the gap between legitimation, and economic power, and, consequently, the lesser is the government’s real political power, the lesser is the capacity for sovereign acquisition. If we don’t have money to pay the wages of qualified clerks, we cannot hope to impose really collectable taxes. The lesser the capacity for sovereign acquisition, the lesser the capacity for public borrowing: money is lent mostly to those, who can pay it back with interest, hence who can efficiently impose and collect taxes. Those, whose ability to do so is doubtful, have significantly harder access to debt. If the gap between legitimation, and
economic power is really wide, sovereign acquisition and public borrowings are quite limited ways to reduce it. Privatisation is frequently the name of the game in such situations.

Sovereign acquisition may increase the scope of legitimisation, the same as public borrowing. With increasing tax revenues, and a good borrowing capacity, the government may claim some fields of social cooperation, for example through systematic public procurement, as it is the case in the sector of healthcare. Conversely, privatisation is likely to severe some fields of social action from the scope of the government’s legitimisation. Thus, if we have a government in real need of economic power with quite a broad legitimisation, yet poor in capital, a political time bomb starts ticking. Privatisation is likely to become massive, and irrational in terms of price, at which assets are transferred to the private sector. The price is to be understood broadly, not only as the lump sum of money paid by the private acquirer, but as the total balance of mutual obligations on the part of, respectively, the government, and the private investor. Politically forced, hasty privatisation leads to bad deals, which ultimately will bring a pressure on both the scope of legitimisation, and the amount of economic power held by the government. Finally, the government comes to a point, where further loss of legitimisation, inclusive of further privatisation, can lead it not to being a government anymore, and possibly to the disintegration of the state itself (e.g. Sudan). At this point, two alternative scenarios arise: entrenchment or reclaiming. The government can lock itself in that quite unimpressive ivory tower of residual sovereignty, and accept the position of barely a player among others. On the other hand, the government may attempt to reclaim some of the previously privatized assets. Reclaiming in this case is a broad concept, covering both the property rights strictly spoken, and the obligatory rights connected to some assets. The strategy of entrenchment is that of a weak government, which actually cannot fully enforce the rule of law, hence cannot properly protect property rights. Some investors may be expropriated, or otherwise disadvantaged at the benefit of some others, the tougher, smarter, and ones that are more influential. Yet, the government in place, as weak as it is, provides at least the simulacrum of legality to those unfair private deals. Should the reclaiming strategy dominate in public policy, the government is bound to take steps that put a clear brake to the amount of profits possible to make in connection with the previously privatized assets. Anyway, some private investors are hurt, and some arise.

That entire theoretical construct, as presented above, allows hypothesising that both the recent surge in the number of investor–state disputes, and the specific quantitative pattern of these disputes are the delayed outcome of forceful, frequently irrationally quick privatisation, which was supposed to support

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25 The course of social changes in Central and Eastern Europe is a good example of the latter mechanism. Massive privatization at the beginning of the 1990s seems to have permanently removed most fields of doing business from the scope of legitimisation of the previously omnipresent governments.
the frail political position of newly emerging, post–colonial, and post–communist governments with additional capital. Investor–state disputes seem to result mostly from either local struggles for power between private investors, poorly legitimized by local governments, or from active attempts, from the part of said local governments to regain the right to dispose of at least some of the previously privatized assets.

Illustrative case studies

In the realm of investor-state disputes, the cases against Argentina as respondent are almost a separate category. Both the sheer number of cases (more than 40), and their saliently repetitive characteristics make it a textbook–like example. In the early 1990s, the government of Argentina conducted an extensive privatisation in many sectors of the economy, energy and infrastructure included. The admission of foreign investors, and extensive foreign indebtedness of the government allowed the country as a whole to perform a civilizational leap forward. The so–called Convertibility Plan of 1991 pegged the Argentinian peso to the U.S. dollar, which, combined with privatization, created a unique opportunity for foreign investors: assets were much cheaper than in the developed countries, but the dollarized internal market almost guaranteed high returns on investment (see for example: Sturzenegger, Zettelmeyer 2006⁵⁶). Some ten years later, about the year 2000, a combination of external shocks and bad economic policy triggered a deep economic crisis, and great political instability. As addressing those exceptional circumstances, the government in place took several steps aiming both at giving a new kick to the sluggish economic growth, and at calming social unrest. One of the steps consisted in the so–called “pesification” of the economy (i.e. in backing off from the parity to U.S. dollar), and in freezing, temporarily, the prices of basic goods. Only then, the authorities realized how extensive were the rights that their predecessors had granted to foreign investors, and how brutal a reduction of those rights was necessary to implement the strategy designed for coping with the economic crisis. Some experts state firmly that the steps taken were justified by exceptional circumstances, and stayed within the limits of reasonably understood, public sovereignty (see for example: Burke–White 2008⁵⁷). Yet, an avalanche of disputes ensued, some of them landing at the level of international arbitration. Arbitration tribunals, whilst keeping quite a distanced position as for the specific claims for damages from the part of particular claimants, kept a noticeably uniform line of thinking as for the conflict between private rights of the investors, and public sovereignty. That line of thinking


resulted generally in adjudicating merits in favour of the claimants. One, illustrative case is that of *Sempra Energy International (Claimant) vs Argentine Republic (Respondent)*, brought before the International Centre for Settlement of Investment Disputes. The privatisation of the gas transportation and distribution facilities that took place in Argentina since 1989 through 1992, in some cases extending through 1996, went as far as guaranteeing to foreign investors non-decreasing, real selling prices to their customers. In the course of arbitration, the temporal horizon of these guarantees came into discussion, and the Claimant brought forth a very strong argumentation that the guarantee of prices was, in fact, ever lasting (!). No government can reasonably guarantee to a private investor, especially in the field of basic utility supplies, an ever-lasting margin of profitability. It is a breach to the basic logic of market economy. As assessed from the today’s point of view, such a guarantee is at the limit of economic sanity, thus at the limit of the government’s rational legitimacy, yet it was effectively given at the beginning of the 1990s. The actual revolt against that mechanism of non-decreasing profits started in the judiciary field of the Argentinian state, with court injunctions (2000), and later took the form of policies at the governmental level. The arbitration tribunal, under the auspices of the International Centre for Settlement of Investment Disputes (ICSID), had a hard case there. On the one hand, the economic common sense vigorously revolts against ever-lasting profit margins, as contrary to the logic of competitive markets. On the other hand, any tribunal has to apply law in the first place. Both general regulations, and individual contracts in this case strongly advocated in favour of those guaranteed prices. The final award attempted at being equitable, by adjudicating merits mostly in favour of the Claimant, yet reducing the awarded damages to the strict minimum possible. Prof William Burke-White, for example (Burke-White 2008) expressed a very strong view that this, as well as other awards adjudicated by arbitration tribunals under the auspices of the ICSID tend to violate the sovereignty of the Argentine Republic. The author of the present paper argues that the breach of sovereignty had taken place many years earlier, as those incredibly unfavourable contracts were signed, with the corresponding general regulations being enacted. Moreover, that breach to sovereignty was not the work of any international arbiter, but of the same Argentinian government that conducted the massive privatisation at the beginning of the 1990s. Later on, successive Argentinian governments have been trying to reclaim that lost legitimacy, and, on the whole, they have been quite successful. Decisions of the ICSID tribunals, with significant merits awarded to various private claimants, and actual damages reduced to minimum, create a path of accomplished facts, through which the Argentinian state is progressively reclaiming the previously lost assets.

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28 ICSID Case no. ARB/02/16.
29 Judicial injunction of August 2000 (Resolution 3480/00).
30 William W. Burke-White, *op. cit.*
Argentine is a category in itself, and, in a general manner, illustrates the case of active reclaiming, from the part of the government, of the previously lost sovereignty, in connection with inconsiderate privatisation. Now, let’s turn our attention somewhere else, to cases that enter into the “entrenchment” type of behaviour from the part of the government. An illustrative case is that of Ioannis Kardassopoulos and Ron Fuchs, as Claimants, against the Republic of Georgia, as the Respondent. This is maybe an even more striking example of the lengths, to which an emerging government can go in order to acquire at least some economic power. In 1991 and 1992, the newly created Republic of Georgia struggled for both international recognition, and at least minimum internal coherence. At that very moment, the Claimants managed to sign, with the government of the young republic, an incredibly advantageous contract, granting them, with a truly minuscule financial involvement from their part, the actual monopoly for the exploitation, and exportation of the domestic resources of oil, and natural gas. From the today’s perspective, the contract was something of a miraculous deal for the Claimants; so miraculous that in normal, political circumstances no company, even among the biggest boys at the playground (e.g. BP or Shell) couldn’t dream about anything even close to the terms of that contract. A witness statement, heard during the arbitration, is particularly illustrative for the circumstances, in which the contract was signed. The statement in question is that of Mr. Nanikashvili, a Georgian–born businessman living in Israel, who described the situation in the newly independent Georgia. For the sake of keeping the factual strength of the testimony, it is reported literally here below.

“After Soviet Union split, it appear vacuum in the system of the fuel and energy, because every country, they own Transneft, they own oil field, and before everything was concentrate in the centre: export in the centre, budget from the centre, everything from the centre. And suddenly there is no centre, you are alone. So they don’t have any contract, and this was the beginning; because of this, there was need for foreign investors there. This was the beginning, either way they cannot work. I tell you one more thing, very important. Please, it’s important. Even big companies like Lukoil, when they appear, they don’t know how to open a letter of credit. Only the – it was vacuum, you must understand. I’m not saying they are dangerous in the country, it really was financial vacuum: no banks giving, no banks contact. So they really need. It’s not because they were stupid, no, they were very clever people, but they need to begin. Even me when I begin to learn, someone teach me this business. I do no learn myself”.

As the Georgian political structure acquired more of a standing, successive governments took steps to back off from the contract with the Claimants. Finally, using the procedural faults, which really took place at the moment of starting

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31 ICSID Case Nos. ARB/05/18 and ARB/07/15.
the Claimants’ business in Georgia, the government annulled the core component, namely the Deed of Concession granting the access to the local mineral resources, and to the corresponding infrastructure. Yet, at the difference of the Argentinian cases, here the government didn’t really reclaim the privatized assets as such; what took place was rather the legitimation, from the part of the government, of other private entities taking the business out of the Claimants’ hands. A similar situation, i.e. an example of the entrenchment strategy from the part of the government, occurred in the case of OKO Pankki OYJ, VTB Bank AG, and Sampo Bank PLC vs the Republic of Estonia\textsuperscript{32}. Here, we have a privatised fishing company, whose assets were transferred to the private investor without the debts that had been burdening them before the privatisation. This is a classical case of the government voluntarily entrenching itself in quite a narrow scope of political power, and endorsing the liabilities, which should have been paid by the private investor.

As one considers the case of Europe Cement Investment & Trade (Claimant) vs. the Republic of Turkey (Respondent)\textsuperscript{33}, we have a stable democracy, namely Turkey, with public sovereignty resting on a relatively well-balanced neighbourhood of equilibrium between legitimation, and economic power. The capacity of the government for both sovereign acquisition, and public borrowing is noticeable, and sustainable. In such a case, when facing such a stable state, private investors have little possibility to acquire public assets in a way that could seriously threaten public sovereignty.

Moreover, there are actual cases of investor-state disputes, which demonstrate that even a relatively frail democracy can adopt a relatively sound policy as for treating private investors. With enough consideration as for the negotiation of contracts, and their implementation, a young government can attract private investors, and keep the winning hand in the possible investor-state disputes. Lebanon is a good example, with the highly illustrative case of Toto Construzioni Generali (Claimant) vs. the Republic of Lebanon (Respondent)\textsuperscript{34}.

\textbf{Conclusion: the TTIP and investor-state disputes}

Let’s return to the question, whether the prospective signing of the Transatlantic Trade and Investment Partnership, inclusive of the currently used dispositions as for the investor-state disputes, is a threat to democracy and public sovereignty. In a general manner, it doesn’t seem to be. As demonstrated above, investor-state disputes as such do not impend public sovereignty. On the contrary, they contribute to building a relatively coherent system of rules as for settling the conflicts, which, in turn, result from previous breaches to public sovereignty. The TTIP, once it acquires any

\textsuperscript{32} ICSID Case No. ARB/04/6.
\textsuperscript{33} ICSID Case No. ARB(AF)/07/2.
\textsuperscript{34} ICSID Case No. ARB/07/12.
binding force, will involve mature, stable democracies. Even the youngest members of the European Union, namely the post-communist democracies of Central Europe, seem stable enough, at present, so as to avoid inconsiderate, massive privatisation. Thus, the main factor that could lead to a loss of sovereignty via business combinations seems very unlikely to play any role.

What’s important to understand in the context of that general conclusion is that the good faith from the part of private investors, inclusive of corporate responsibility, is not really important in that respect. Whether the big, transnational corporations be responsible or irresponsible in their strategies, the key factor of public sovereignty vis a vis those strategies is the proper balance between legitimation, and economic power of the governments in place. In political terms, we are talking about the balance of powers, and of efficiency, between respectively, the legislative, and the executive branch of the government. Especially, a weak legislative, coexisting with a highly efficient, and autonomous executive branch, can create dangerous disproportions between legitimation, and economic power. In the general case of European governments, the most likely to happen is the Ali Baba’s syndrome. If the executive branch is in the actual possession of valuable assets, with the legislative lagging behind as for sovereign supervision, abusive transfers of property rights may take place. That, in turn, can ultimately lead to lost disputes against private investors.

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Investor-state disputes and the TTIP – is it a new challenge for corporate responsibility?


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