



## Momčilo Djordjević

# The Concept of Corporate Social Responsibilities – the Impact on Practice

### Introduction

The first organized activities of unsatisfied consumers (NB the word 'consumerism' has been formed from the word 'consumer') have increased since the period 60 years ago as a result of the growing consumers' sensitivity. The shift in consumers' behavior is mostly due to the improved standard of living, better education, consumers' better understanding of complex products, as well as the effects of mass communication on them.

Environmentalism represents **activities of unsatisfied consumers**. It stems from the consumerism concept. Environmentalists have been focusing mainly on the marketing impact on the environment and the expenses of satisfying the needs and wants of the consumers.

They consider the marketing objective to be the best quality of life. However, the quality of life is not only reflected in certain quality of products and services, but also in preserving the quality of the environment. [1, pp.17].

As a result of organized consumer activities in today's society (e.g. consumerism and environmentalism), the concept of corporate social responsibilities has seen a remarkable growth lately. Actually, after a certain period of time in which the unsatisfied consumers were being shown, the companies have understood what they need to do – they need to increase their social responsibility.

The concept of corporate social responsibilities means that corporations take care not only of their profit goals but also of the social goals and interests. By taking care of corporate social responsibilities, companies are in the right position to get the competitive advantage in the market and to achieve their profit goals more efficiently.<sup>1</sup>

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<sup>1</sup> This fragment is repeated verbatim from above – it should be rephrased or skipped altogether for the sake of the composition

## The concept of corporate social responsibility (CSR)

The main corporate business targets can be classified into two groups [2, pp. 76]:

1. Profit oriented (focus is on revenues, expenses, gains),
2. Oriented on wider, social targets.

Socially responsible corporation takes care to achieve not only business (profit) targets but also wider social targets and interests. Satisfying the needs in products and services represents the reason of human existence, but not the main reason of life. After satisfying the basic needs, the focus is on the quality of life. The overall satisfaction of people not only as customers but also as social beings must be in the center of attention.

An enterprise is considered to be a good corporate citizen if it shows its commitment to serve the interests of groups through socially responsible practices and suitable business activities.

Socially responsible enterprise:

- takes care of the environment protection,
- has a positive attitude to its employees,
- gives financial and other sorts of help,
- employs persons with special needs,
- takes care of the community in which it operates.

Socially oriented corporation can achieve its profit goals more easily, from a long-term approach, if it:

- raises sales,
- attracts new customers,
- reduces costs,
- motivates its employees and shows commitment to them,
- improves good will,
- attracts investors and business partners,
- wins the support of the government, the local community and the media.

The concept of the corporate social responsibility coordinates business activities with social values. It includes interests of all groups on which a company has influence. The concept of the social responsibility emphasizes social, ecological and financial success of an enterprise.

The aim is to have a positive impact on society and also to make a profit. Taking into consideration social, ecological and financial aspects of a company during the estimation of its business activities is a guarantee of a long lasting approach.

It is necessary to make the social responsibility an integral part of a company's business activities - corporations must include the social responsibilities into their business activities, and not just treat them as an additional function. Besides, interest

groups will demand an enterprise should do business in a responsible way and should also include responsibility and transparency standards.

In the past the value of corporation was measured strictly by its financial results. Interest groups now have a better understanding of how the behavior of an enterprise affects:

- social aspects,
- political aspects,
- natural environment.

Social and ecological results can be put side by side with financial results. They include: human rights, business ethics, environmental protection measures, corporate contribution, community development, corporate management, and questions associated with working conditions.

It is expected from a company to present information concerning its policy and practice that affects employees, community and life environment. Corporations which are able to react accordingly to demands of its interest groups have a better position for attaining sustainable financial success.

## Positive reputation and social responsibility of the firm

The reputation which a certain corporation has is an invisible but very important element of its business strategy. Positive reputation is a strategic factor that affects trust and addresses all the interested sides on certain corporate values [5, pp. 34].

Positive reputation is a specific asset that includes many different values (elements of reputation):

- corporate products may have reputation of high quality,
- corporation may have an excellent reputation for financial stability, although its products are seen as uninventive and below average quality,
- corporation may have a reputation of a socially responsible firm if it cares about wider social purposes and interests.

Socially responsible company:

- takes care of environmental protection,
- has a positive attitude towards its employees,
- gives financial and other sorts of help,
- employs people with special needs,
- takes care of the community in which it operates<sup>2</sup>.

Reputation is seen as the key resource. Reputation can be extremely valuable, scarce, hard to copy, irreplaceable, providing a unique competitive advantage.

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<sup>2</sup> Exact repetition again.

Therefore, reputation can be an important source of profit. By showing its social responsibility in the long run, corporation can easily achieve its profit targets. A socially responsible corporation takes care of the fundamental rights of its consumers.

As far as the orientation on accomplishing the basic rights of consumers protection is concerned, a corporation builds reputation of socially responsible subject by (according to the law of consumer protection):

- satisfying basic needs,
- safety-products protection, production process and services avoiding practices harmful for health and life,
- information,
- choice – there is some choice as there are more products and services, at reasonable prices, and with a guarantee of quality,
- consumer voice,
- compensation,
- education of consumers,
- taking care of healthy environment.

## Social responsibility and ISO 26 000

The foundation of ISO for social responsibility was laid by a workgroup on its second meeting, in September 2005 in Bangkok, Thailand. ISO 26000 will give organizations a harmonized and internationally agreed instruction on social responsibility, emphasizing the best practice and respect of relevant declarations and conventions of the UN.

One of the main contributions from Bangkok is a survey of the structure of ISO 26 000 [7, pp. 90]:

- Introduction, Subject, Normative references, expressions and definitions,
- Context of the social responsibility in which all organizations operate,
- Principles of the social responsibility from the importance for the organizations,
- Instruction for basic questions of social responsibility,
- Instruction for organizations for making social responsibility,
- Appendices, Bibliography.

The result of Bangkok meeting is the draft of a plan of the ISO 26000 project which will be published in December 2007, the final draft in September 2008 and the final international standard in October 2008.

## Benefit for Community and Corporation

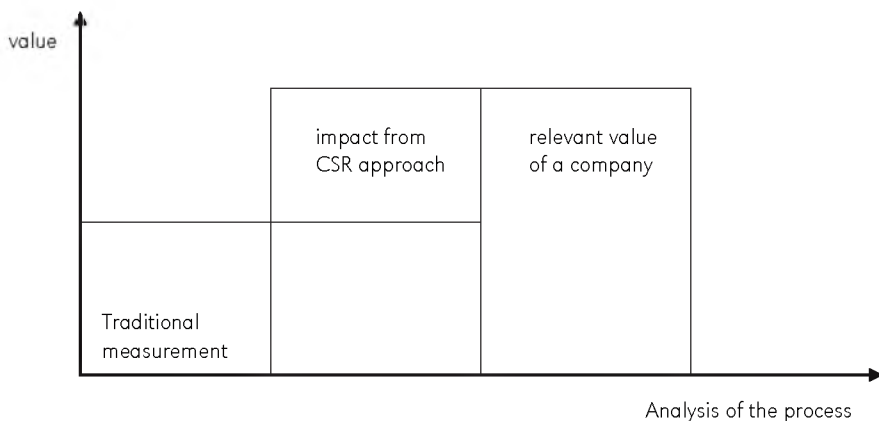
Socially responsible corporations contribute to the accomplishing interests of various subjects. The most important benefits for the organization itself are:

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- reputation and trademark management,
- management of business risk,
- employment, motivation, and keeping employees,
- easy access to capital,
- learning and innovation,
- reduction of costs and business efficiency,
- competitiveness and market position,
- social license for work,
- better relationships with governing bodies,
- organizational transformation and constant improvement.

Community can also benefit from a socially responsible enterprise. It is reflected in creating new work places and in the benefit from business based upon projects of CSR.

This way additional value is created for all sides included. On certain occasions such projects are called "unprofitable projects" because their goal is not only making a profit but also rational management of company's costs. That is what makes a project 'real' and provides help for the community.



### Examples of SRC

Erste bank from France, which has subsidiaries all over the world, is an example of a socially responsible corporation. The bank donated 10000 Euros to the safe house project which is lead by the B92 TV. The purpose of this project is to accept all persons which experienced family violence.

Serbian oil company has invested around 250000 Euros during 2006 in the environment protection, which proves that this company is socially responsible.

Famous brewery Carlsberg from Denmark invests all of its profits in culture.

Medical factory "Zdravlje" from Leskovac, privatized four years ago, is an example of a successfully privatized and socially responsible company. The factory was bought on an auction held in May 2005 by the Icelandic company "Farmako" for 3,5 million Euros and changed its name to "ACTIVIS".

Today, the "Activis" company:

- has responded positively to 170 out of 300 requests for a donation,
- helps the National Theater,
- helps the Basketball club build a sports center,
- helps build a primary school,
- donates to the reconstruction of the maternity hospital in Leskovac.

Monsanto company is the leader in the US market in genetically modified food production. The attempts to place the GM products on the European market were unsuccessful, mainly due to the environmentalists, especially the Green Peace organization. Under such pressure even Monsanto in America had to modify its orientation in development of biotechnology and its appliance on food ethics.

Green Peace activists and wider public in Europe, whose voices influenced the American nation, were successful in their attempts to change the business orientation of Monsanto company which are now based on Health laws.

Pancevo, with its petrochemical industry and the pollution which it creates, forced citizens to organize themselves and put pressure on company's management and the government to take some protection measures.

"034 Company", located in the Sumadija region, has a foundry that pollutes the environment with poisonous gases. The foundry is located in an inhabited part of the town. When citizens decided to protest and put pressure on the government, the situation improved. Under such public pressure the company's management purchased and installed filters to prevent or diminish the pollution of the environment.

This case opens many questions:

- Who gave permission to the "034" company for such production in the inhabited part of the town?
- How many inhabitants died as a result of such production?
- Metal melting and export of beams is a very profitable business indeed, but is it more important than the health of the inhabitants?
- What would happen if the citizens had not organized their protest and had not put pressure on the government?
- Who guarantees that the filters installed are of really good quality and can prevent further pollution?
- Who inspects the filters installed and makes sure that they are working properly?
- Does the owner, who accidentally also a big donator, "cleans" his business this way?
- What is the standing of the city authorities and the public pressure groups including church on these questions?

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The law of consumer protection states that the authorities are obliged to inform the inhabitants precisely about the water and air control. The information must contain thorough and precise data about the air pollution and the polluters in order to protect the health of the people.

### Literature

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