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SOCIAL RESPONSIBILITY OF MANAGEMENT AS PART OF THE COMPANY'S DEVELOPMENT POLICY

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"Social responsibility represents the influence of management on its environment, measured by written and unwritten moral rules, according to which the management and the enterprise are being assessed."

(Dijana Čičin-Šain, 2004)

Abstract: *By focusing on social responsibility within the business environment, we are leaving the previous framework of assessing the success of an individual manager, enterprise or industry based merely on economical results. Today, success is measured not only by the amount of wealth being achieved, but also by its equal distribution, the way it was achieved, its influence on different groups, as well as by its future sustainability. Respect for the established legal framework and for the syntagm of "triple-bottom-line-approach" indicates the necessity to respect the harmony between economical, environmental and social demands. These represent the minimum of expectations and the base of business operation- and enterprise development policy. Enterprises are expected to create such a development policy that will turn them socially responsible, focusing on their employees (within the organization) and the environment (outside the organization), not merely on economical success.*

Keywords: *social responsibility, its importance and dimensions, policies, ethical code in business operations.*

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Introduction

Today, emergence of increasingly large companies covering even several continents is leading to their increasingly negative influence upon the society and environment. Negative influences, primarily the outbreak of the crisis facing modern society, which is reflected through global warming, wars, discrimination and neglect of human rights, require new business thoughtways of managers within the business environment.

The new business concept, termed socially responsible business operation, introduces a new way of understanding of the enterprise's role in business courses, environment and generally in society, since instead of relentlessly pursuing profits, enterprises become the key drivers of social development. Directed by the logic of the concept of socially responsible business operation, enterprises are better positioned in the eye of different market stakeholders, decrease the costs of business operations, procure a more qualitative labour force, and also led by this imperative earn larger profit. The conclusion of all the above is that in modern economy socially responsible behaviour that requires respect for ethical code in business operation becomes an imperative.

1. The Role of Social Responsibility in the Enterprise's Development Policy

The pace of globalization, environmental disasters, exploitation in factories of the third world, all have caused that the issue of socially responsible business operation become of major concern, specifically with the aim to decrease the distrust towards multinational companies as the key factors of these changes.

Their socially responsible behaviour has proved very useful in all spheres of business operation, especially in that of finances and sustainable development. Thus, nowadays 73% of the largest British enterprises operate their business according to the principles of socially responsible behaviour, and this is also the course taken by small and middle-sized enterprises in order to satisfy the requirements of large companies as of their suppliers.

In recent years, the EU has largely focused on social responsibility, the specific reason for this being the fact that by 2010 the EU is expected to become the most competitive economy in the world, based on knowledge economy and social cohesion. This may be accomplished by respecting the principle of socially responsible business operations. Accordingly, many European countries have begun to fulfill the goals of socially responsible business operation. Belgium became the first European country that passed

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the law on voluntary marking the "responsible production". France has passed the first law on obligatory tri-balance reporting (financial, social and environmental balance) for companies participating in the stock market. Sweden promotes socially responsible business operation through the project termed "Swedish partnership for global responsibility" for developing countries. Since 2000, Great Britain appointed the first secretary for socially responsible business operation.¹ All states that want to enter the EU are expected to respect the basic postulates of social responsibility. This means that the General System of Preferences for formal tax exemption of developing countries may be granted only if they adhere to preferences that there is no forced child labour, prohibition of union activities, discrimination on employment, etc.

By focusing on social responsibility when measuring the success of an individual manager, enterprise or industry, we find that its contributions go beyond the rough indicators of economic results. It is reflected in contribution measured not only by the amount of wealth but also by its equal distribution, the way it was achieved, its influence on different groups, as well as by its future sustainability.

It is important to emphasize that when speaking of social and corporate responsibility, and of responsibility of managers, there is no essential difference – if there is social responsibility of a company's management and if the company's operation is socially responsible, in practice they are considered as synonyms. Thus, social responsibility of managers, enterprise or industry has to be measured through respecting the syntagm of "triple-bottom-line approach", referring to harmony between economical, environmental and social requirements. The developmental policy of an enterprise is accomplished not only by keeping the established legal framework in order to achieve basic economical goals. The enterprise also must turn its operation socially responsible, focusing it on its employees (within the organization) and on its environment (outside the organization).

To provide with prospective developmental policy through social responsibility towards the employees, primarily means to focus them on life-long learning, education, granting equal salaries, responsible policy of employment, as well ensuring health and safety on the workplace.

¹ According to SMART KOLEKTIV, "Development of CSR", available at: <http://www.smartkolektiv.org/csms/item> (checked on 14.09.2009.)

2. Importance of Social Responsibility for the Enterprise

In addition of its clear importance to the environment, socially responsible business operation offers numerous benefits for the enterprise itself. Benefits from socially responsible business operation may be grouped as follows:²

- Reputation management
- Risk management
- Employee satisfaction
- Inventiveness and learning
- Capital accessibility
- Financial success.

2.1 Reputation Management

Through social responsibility in business operation, companies are able to influence the perceptions and attitudes of their consumers regarding the company and its products, thereby obtaining one of the most valuable capitals in modern business, and that is reputation. According to the management of large corporations, reputation is the most valuable asset (together with non-material assets, knowledge and brand it contributes to value of Coca Cola with 96%, and that of the American Express with 84%)³ and the enterprise's key motif for existence. Thus, more than 250 of the most successful companies of present time,⁴ in addition to regular financial reports, also create reports on contribution to society, putting reputation into the category of key elements within the company's strategy and developmental policy.

2.2 Risk Management

Risk is inevitable for any company. Changes in society and environment may influence the company's success significantly. The task of social responsibility with regard to the company's business operation is to help them to understand their environment where they operate and the risks it contains.

² Systematization of benefits according to Arthur D. Little Limited "Business arguments for social responsibility of enterprises", available at: http://www.drustvenaodgovornost.undp.hr/upload/file/156/78390/FILENAME/Poslovni_argumenti_za_drustvenu_odgovornost_poduzeca.pdf

³ Ibid

⁴ Ibid

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Social responsibility enables the companies to manage risks more efficiently, to reduce losses, to identify new circumstances and make use of the leading position as a means for gaining competitive advantage by influencing the creation of new regulations in order to strengthen their competitive advantage.⁵

2.3 Employee Satisfaction

"We believe that employees are one of our strongest assets and if given the day-to-day opportunity to do things in which they are the best, our employees will feel involved and fulfilled in their roles. Our vision is to create environment where exceptional people may give their best and realize their potentials."

Social responsibility is the key factor in attracting human resource, which is indicated by researches. Namely, 81% of young people believe that, with time, social responsibility in business operations affects the company's profitability. Job is an important part of all people's life. This means that just as they try to accomplish their private goals, people set their business goals and expect the possibility for job promotion. Indeed, this may be enabled by a socially responsible company.

"There is a new stratus of people emerging that puts ethical questions above monetary stimulation when considering a job offer. If companies' desire is to remain attractive, this new awareness of job seeking people should be reflected also on what companies offer besides any job."

2.4. Inventiveness and Learning

Inventiveness and learning are essential for the companies' long-term survival. Peter Sench, founder of the Center for Organizational Learning at the Sloan Business School which is part of the Massachusetts Institute of Technology, argues that the high "mortality rate" among the enterprises is the indicator of deeper problems affecting the enterprises, all for the fact that most organizations learn poorly. Recent researches have shown that companies adopting the principles of social responsibility

⁵ Namely, Europe-wide, 86% of institutional investors think that managing risks contained in society and environment influences the company's long-term market value positively.

http://www.drustvenaodgovornost.undp.hr/upload/file/156/78390/FILENAME/Poslovni_argumenti_za_drustvenu_odgovornost_poduzeca.pdf

encourage creativity and learning (this is the standpoint of 80% of European managers).⁶

Advantages contained in inventiveness shouldn't be encumbered by organizational barriers. Many organizations cooperate with business partners in order to identify inventive solutions that will both bring business benefits and solve some social problem. In such way, in cooperation with its six suppliers, Nike have started programs to collect 100% of waste materials and their use in the next manufacturing cycle, thereby reducing both production costs and the amount of waste.⁷

2.5. Capital Accessibility

When considering investments in a company, investors increasingly are focused on its accomplishments regarding to the society and environment. Thus, an increasingly large number of investment funds are managed according to the principles of socially responsible investments. Companies that fail to meet the high social and environmental standards are excluded from investment portfolios or are imposed with the condition to develop ethics in their business operation. 33% of investors Europe-wide emphasize their offering of products that meet the principles of socially responsible investment, while 15% intend to do the same. In 2001 in the USA, total value of funds that were managed according to the principles of socially responsible investment was equal to \$2.34 billion. In Europe, value of private funds of socially responsible investments has reached £12,2 billion, and that of institutional £336 billion.⁸

2.6. Financial Success

For the enterprises adopting the concept of social responsibility, possibilities for reducing present and future costs are strengthening market competitiveness and position arise, which ultimately results in higher profits.

3. Socially Responsible Business Operation in Serbia

Socially responsible business operation is a concept of voluntary and inventive contribution by companies and their management to development

⁶ Systematization of benefits according to Arthur D. Little Limited "Business arguments for social responsibility of enterprises", available at: http://www.drustvenaodgovornost.undp.hr/upload/file/156/78390/FILENAME/Poslovni_argumenti_za_drustvenu_odgovornost_poduzeca.pdf

⁷ Ibid

⁸ Ibid

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not only of the working surroundings, but also of the environment, as well as of society. It is not a substitute for regulative and other legal norms which regulate the social and ecological standards, especially in Serbia where the legal sphere is still not completely organized. Recently, since the consequences emerging from negative social and environmental conditions being increasingly stressed, these topics are recognized also in Serbia.

By the end of 2004, in cooperation with the Fund for an Open Society (FOSS) and the Chamber of Commerce of Serbia, the Smart Collective started a program for promoting socially responsible business operation in Serbia, termed *Initiative for responsible business operation*. This program is designed to be the way of encouraging, institutionalization and operationalization of the social responsibility concept in Serbia.

The Smart Collective has established the first forum of business leaders of Serbia, named Forum of business leaders of Serbia. Members of the Forum⁹ have signed the memorandum on understanding, thereby committing themselves to socially responsible business operation. This Forum of business leaders is the first coalition of socially responsible companies in Serbia, with the mission to stimulate the development of socially responsible business operation and establish a stable business practice as the basis to realize the developmental policy of both the enterprises and the whole community. The Forum members, participating in domestic and international conferences address the issue of corporative social responsibility and enable the interconnection of international and domestic companies – members of the Forum of socially responsible business operation.

Socially responsible business operation s one of the key strategies of sustainable development to which is the European Union is clearly committed and any effort for its promotion is certainly a step towards the standards of the European society and market and is a contribution to "europisation of Serbia."

⁹ The founders were 14 international and domestic companies: RDP B92, ERSTE Bank, a.d, Novi Sad, Holcim (Srbija) a.d., Lafarage BFC, PhilipMorris International, Coca-Cola Hellenic, British American Tobacco, US Steel Serbia, Pricewaterhouse Soopers, KPMG Inernational, Vip mobile d.o.o., Grupa Droga Kolinska, Societe Generale Bank Serbia a.d., Henkel Merima.