

THE RIGHT THING FOR BUSINESS AND THE RIGHT THING FOR SOCIETY ARE NOT INCOMMENSURATE

NIJE NESPOJIVO ČINITI ISPRAVNE STVARI ZA POSAO I DRUŠTVO

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Abstract: *The main purpose of this paper is to explore the influence of more ethical customer demand on sustainable development. Companies often favour suppliers who demonstrate responsible policies, as this can have a positive impact on how they are perceived by customers. The companies today have grown dramatically while continuing to focus on social matters too. Actions that should be taken include making stronger customer awareness on Customer Social Responsibility (CSR) which could have a positive impact on future development of society in general.*

Key words: *corporate social responsibility, environment, society, business excellence, best practices*

Sažetak: *Glavni cilj ovoga rada je istražiti utjecaj etičnije potražnje kupaca na održivi razvoj. Tvrtke preferiraju dobavljače koji provode odgovornu poslovnu politiku, jer to može imati pozitivan utjecaj na percepciju njihove tvrtke gledanu očima kupca. Kontinuiranim fokusom na društvena pitanja današnje tvrtke postižu značajan rast. Akcije koje treba poduzeti su jačanje svijesti kupaca o značaju društvene odgovornosti (CSR) što bi moglo imati pozitivan utjecaj na budući razvoj društva u cjelini.*

Ključne riječi: *društvena odgovornost, okoliš, društvo, poslovna izvrsnost, najbolja praksa*



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1. Introduction

CSR is a relatively new management concept but TQM can play an important part in facilitating wide penetration of CSR in a broad range of organisations. There is a moral responsibility between profit owning and CSR. In some cases it comes as a natural result which we can see in the case of rich and successful individuals who devoted their energy into building a better world. If we put it in a framework of Maslow hierarchy theory, we can conclude that CSR is at the highest level, observed from the point of society. The CSR concept is still developing and has not reached the maturity stage but highlights the importance of striking a balance between economic performance, meeting the stakeholders expectations, and responsibility towards society. It consists of a number of free standing and competing ideas that have not been sufficiently integrated into a broadly accepted and robust theory. The main purpose of this article is to show a connection between Corporate Social Responsibility (CSR) and general results of a company. The basis for European Model of Business Excellence (EFQM) [1], and CSR are very much alike so we can assume that the implementation of EFQM model can have a positive impact on basic CSR elements. By making stronger awareness of influencing positive trends within the company this connection could be even stronger. We can see certain impact of different activists and their campaign in this. The market is offering goods that customers want and no one wants irresponsibility. Customers want to participate but they need input from society so they could give it back to society in a measure of profit. Why would customers pay more if they can pay less? The answer lies in the first association that occurs in our minds and is in correlation with CSR, so to be an environmentally friendly company is important but it isn't the sole element of CSR because it could be a source of business opportunity and improved competitiveness in many other fields.

2. Corporate Social Responsibility in the Business Excellence Framework

When thinking of CSR, we need to think of stakeholder theory. Stakeholder theory takes existence who a firm affects and by whom a firm is affected into account [2]. In stakeholder theory context, it is assumed that a firm is a social existence, even though a firm accepts or does not accept it. A firm takes stakeholders into account, when the firm acts. At the same time, a firm should have the consciousness that its activities could cause some social problems directly and/or indirectly. Of course, a firm keeps having economic interests. This attitude is described as “socially aware without giving up their (firms) economic self-interest”[3]. An activity of a firm is based on stakeholders. On the contrary, stakeholders put pressure on a firm to be socially oriented. As a starting point in a journey to excellence ISO 9001 (Quality Management System) is very often used because of a process based approach to management. This also gives organizations a stable base for further improvements. Organizations on their way to excellence can use other management systems as well. Such systems are: ISO 14000 (Environmental Management System) [4], OHSAS (Occupational Health and Safety) [5] or SA 8000 (International Standard for Corporate Social Responsibility) [6]. In that way organizations are creating an integrated management

system and even better performances, especially relating to satisfaction of expectations of other stakeholders such as society, employees, care for the environment which leads greater maturity of corporate social responsibility. Relation of Corporate Social Responsibility and Business Excellence is shown in Figure 1. The figure aims to show that the integration of the management systems is directly correlated with Corporate Social Responsibility, which leads to the higher stage of Business Excellence of the organization. This could also be promoted and developed, not only with the international standards for the certification of the QMS, EMS, OHSAS and SA, but also through the chosen Business Excellence Model as a framework.

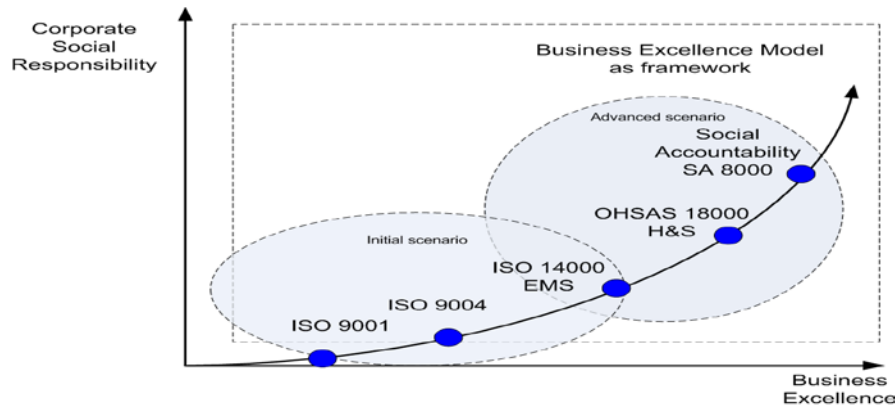


Figure 1. Relationship between Corporate Social Responsibility and Business Excellence, source: authors projection

The European Foundation For Quality Management Business Excellence Model (EFQM) is based on the premise that: *Excellent results with respect to Performance, Customers, People and Society are achieved through Leadership driving Policy and Strategy, that is delivered through People, Partnerships and Resources, and Processes.* The EFQM Excellence Model is a framework based on 9 criteria. Five of these are *Enablers* and four are *Results*. The *Enabler* criteria cover what an organization does. The *Results* criteria cover what an organization achieves. *Results* are caused by *Enablers* and *Enablers* are improved using feedback from *Results* [7].

EFQM model 2003	%	EFQM model 2010	%
ENABLERS			
Leadership	10	Leadership	10
People	9	People	10
Policy & Strategy	8	Strategy	10
Partnership & Resources	9	Partnership & Resources	10
Processes	14	Processes, Products & Services	10
RESULTS			
People Results	9	People Results	10
Customer Results	20	Customer Results	15
Society Results	6	Society Results	10
Key Performance Results	15	Key Results	15

Table 1. Comparison between EFQM criteria 2003 and 2010, source: Adapted from EFQM (2009) [8]

The table 1. above show EFQM Model criteria from the version 2003, and the latest version 2010. Changes show very clearly that Customer Results are still the most important (15%) while People Results and Society Results (each 10%) are now balanced. This also leads to a conclusion that CSR becomes more and more important in today's business.

3. The practice of corporate social responsibility in Croatia

The research about business excellence practice in Croatia held in the year 2007 covered 521 organizations with implemented ISO 9001:2000 certificate for Quality Management System covering the whole territory of the Republic of Croatia. The sample was treated as the sample of the organizations in the Republic of Croatia which are at the beginning of their way to Excellence, taking into account that the ISO 9001:2000 is the first step towards Excellence [9] [10]. In this context those organizations have a very good opportunity for the further integration of the management systems towards corporate social responsibility. The research was based on a survey methodology, based on the questionnaire sent to 521 organizations. The return rate was 111 (21,31%) of correctly answered questionnaires. The questionnaire was addressed to the top management of the assigned organizations and heads of quality or controlling departments who were thought to be the most competent persons within organizations, to give the most relevant and exact answers to this questionnaire. Some of the results related to the Corporate Social Responsibility issue are described below.

QMS (ISO 9000) Implementation Reason	Number of Organizations	Part in the Total Number of Organizations (%)
Suppliers	15	13,5
Customers	63	56,8
Foreign Markets	36	32,4
Regulation	14	12,6
Approach to the EU	39	35,1
Internal Stimulus	92	82,9

Table 2. The reasons for implementing the ISO 9000 [11] (Sum doesn't have to be 100, because of the possibility of many answers)

From the table 2 above we can see that the main reasons (drivers) for implementation of ISO 9000 Quality management system in surveyed organizations was Internal stimulus (82,9 %) and then Customers (56,8%) which leads to a conclusion that the link between CSR and customers exists. Then follow Approach to the EU (35,1%), Foreign Markets (32,4%), Suppliers (13,5%) and Regulation (32,4%). Integration of other management systems is being shown in table 3 below. It shows that only 14.4% of surveyed organizations have ISO 14000 (Environmental Management System), OHSAS (Occupational Health and Safety System) have only 8.1% of organizations, while International standard for Social Accountability (SA 8000) has only one

organization, 23 (20.7%) organizations answered about having some other certificate, 71 (64.0%) organizations answered having no additional certificate at all, which is a very high rate. This means that Croatian organizations in general have very low integration of management systems. Another research [12] is related to the opinions of Croatian businessmen about the social responsibility. The survey sample consisted of 368 respondents and was representative relating to the normal distribution of the frequencies of answers to the key questions used for the segmentation of the sample. Research results shown that only 51% of respondents know what CSR stands for, 75% mean that CSR is not adequately covered in the media. The fields connected with CSR are mostly 'correct relationship with business partners and clients' 43%, then follows 'relying on laws' 34%, 'care for employees' 33%, 'care for the environment' 29%, 'spending money for humanitarian work' 15%.

Certificate	Number of Organizations	Number of Organizations in %
ISO 14000 (Environmental Management System)	16	14,4
OHSAS (Occupational Health and Safety)	9	8,1
SA 8000 (Corporate Social Responsibility)	1	0,9
Other Certificates	23	20,7
No additional Certificates	71	64,0

Table 3. Integration of Management Systems [13] (Sum doesn't have to be 100, because of the possibility of many answers)

On question : „Do you think Croatian firms are socially responsible?“ 58% answered 'It depends, some yes, some no', many answered 'No' 32 %, and 10% answered that 'Firms with the participation of foreign ownership are more responsible'. On Question: „Do you think that the firm you are working for is socially responsible“ 47% answered 'yes', 36% answered 'partly', 15% answered 'No'. Others, 2% answered 'I don't know'. To the statement that companies mainly try to work responsibly is 'partly true' answered 64%, 'not true' 32%, 'true' 2% and 'I don't know' 2%. Many respondents, 71% of them, think that a person has an opportunity to promote social responsibility and sustainable development by lobbying through the institutions of the civil society, by the ethical decisions of buying and ecological awareness which is very important for our research and underlines the main hypothesis which says: 'Taking good care of CSR can keep businesses successful with increasingly demanding customers'.

3.1 DM Drogerie Markt – CSR Case Croatia

DM [14] is a Croatian leading retail chain of products for beauty and health with a high standard of service and attitude toward customers and employees. The needs of the customer are at the centre of DM's interest, which confirms its slogan „Here I am appreciated, here I buy“ which is the central part of corporate philosophy and shows

the success base. The customer and its needs are put at the centre of thinking. The needs and wishes of DM is to invite every person to play an active role in the community. DM operates perfectly in an environment as a socially responsible company that is continuously developing humanitarian, health, sports and educational projects and campaigns. The common issue of all DM's actions is to raise awareness and involvement of customers. Benefits are mutual for all involved stakeholders. The customer receives new information, gets an opportunity for participation and personal contribution and gets the possibility of buying all the products that are in close connection with the action. As the number of successful actions has risen, DM gets priority support of customers because they are sure these actions are good for them personally and for the society in general. One of the most recognisable projects is a donation of 1,150,000 kuna as a result of "All for her!" action, with the main purpose being the advancement of cervical cancer prevention. The money from donations was also used for the establishment of the Centre for psychological support to women affected by cancer. DM gave the initiative for the action which was supported by customer purchase of donation bags in the amount of 1kn. Customers become active participants in the action and also got the opportunity to know more about cervical cancer. Furthermore Croatian delegation of physicians and business representatives from GSK (GlaxoSmithKline) and DM Brussels brought the award of the European Parliament "Pearl of Wisdom Cervical Cancer Prevention Award" campaign, "Cross cervical cancer" as the best among 44 European countries.

4. Conclusion

A company depends on society, although CSR concept is still in the development phase, it is nothing new. Customer is king and this will always be, so the concept is crucial for any organization as a prerequisite for brand value and business growth. In some extreme cases, companies use more resources on the communication of the social activities than on the CSR activities themselves [15] [16]. Communication on CSR activities is good and it constantly needs to be improved because it has mutual effects on the company and the society in general. If a customer would persistently demand and ask for CSR and would avoid products and services of a company which is not putting enough effort in it; then the company and their managers, to stay competitive, would need to play the main role in it. Benefits after first expenditures on both sides would be multiple. Positive impact could be seen on society, on the individual and the company. It is quite obvious CSR serves the long-term interest of the firm by aligning the interest of the firm with that of its stakeholders. We can not touch it but we are aware of its benefits in terms of source of business opportunity and improved competitiveness. The right thing for business and the right thing for society are not incommensurate because they form the foundation of quality and in times to come it will be even stronger. Obtained quality presents a strong foundation for CSR which can then make greater influence on people, companies and society in general. The main issue is value of CSR. In today's turbulent environment we are judges of fast changing management structures. A manager has no time to wait on long term CSR financial results, he needs quick results to justify his existence.

Evidence suggests that organizations are engaging in CSR practices, but seem unsure of the value of doing so and thus their role and the impact on society is perhaps not as strategic as it needs to be. To create a strong base for developing CSR we need EFQM Excellence Model or other business excellence framework to create a strong base for developing CSR in the right direction by enabling its development and embedding it in the current quality system. In such environment CSR can be advanced more rapidly because it is incorporated into existing framework and not looked at as a specific phenomenon. Being mindful of the fact that companies cannot build a CSR system without strong support in other processes, customer awareness and demand for CSR would directly upgrade existing key performance indicators. By making and pushing companies to improve CSR it is possible to create greater financial results what can be seen on the many different examples. One of the basic elements of CSR is the maxim of benefit. The aim is to create the greatest amount of good for the greatest number of stakeholders affected by the action. It supports the basic thesis and actually makes the CSR process support itself.

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Photo 162. Bread / Kruh