

## CORPORATE MANAGEMENT AND SOCIAL RESPONSIBILITY IN SERBIA

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**Abstract:** *At the time of severe economic crisis, the Government of the Republic of Serbia in July 2010 adopted a strategy of corporate social responsibility, primarily, to promote this business concept and later its full implementation in business organizations of all kinds. In our country, few people dealing with this subject, which is a major barrier to implementation of such concepts. However, large and powerful companies, particularly those present in our country, should be „the leaders“ who will run the application through their own strategies and practice and be an example to others, especially the public sector in which the degree of knowledge about this concept is very low. Development and implementation of the concept of social responsibility in our area is hampered by the poor, economic, social, and political conditions, and along with that there are inherited bad practices, the mentality, and culture of business people. The aim is to emphasize the importance of social responsibility concept because its implementation provides a balance between the economic interests of organizations, socio-economic prosperity of the state and numerous aspects of the wider community, such as foreign market, protection, and preservation of the environment, conserving natural resources, etc. In this way, society i.e. people are going to meet their immediate needs and in doing so will take into account the needs of future generations in the right way.*

**Keywords:** *management, corporate social responsibility, business ethics*

### INTRODUCTION

Today, in the business world, and in the world in general, nothing is constant, such as constant changes. Pace of change is very great because everyone aspires to success. In order to reach business success it is necessary to perform the job properly. Manager, leader, boss,... is the one who is paid by the employer - the company's owner, to ensure that others do their job i.e. he/her is directing his/hers subordinates through a process of discreet surveillance, to get the job done in the right way. As P. Drucker said, „it is science and art of managing people.“

Since '90s of the twentieth century, there were many talking and writing of management in Serbia, some of that was partly applied in practice, while social responsibility and business ethics bypassed practices. There are many reasons for this, and one of the most important is the failure of the economy and the lack of large and powerful organizations that could perform a crucial impact on preventing the application of social responsibility. For business ethical judgments and social responsibility it is necessary to meet the minimum, i.e. to provide a strong economic base and respecting law that regulate certain business activities of companies, prescribed by the state. Corporate social responsibility is a kind of business through which organizations achieve their economic objectives (profit), and the social, i.e. objectives imposed by the environment or wider community in which they exist. Therefore, it is an investment made by the organization in order to enhance its long-term value and competitive position in the market. To achieve that, organizations need to gain the trust of the environment, i.e. to obtain organization - environment feedback. The basis of social responsibility is the relationship of the organization to employees, owners, primarily to consumers, the state,

environment, etc. and all other actors with which the organization achieves direct or indirect contact.

Analyses show that on the issue of implementation of social responsibility in Serbia there are only sporadic cases, there are no wider researches from which to draw conclusions, which should tell us at what level development and the applicability of the concept of corporate social responsibility is. In terms of management and related phenomena, Croatia has made great empirical research.<sup>68</sup> The survey showed that of the first five undesirable characteristics of managers in Croatia, dishonesty takes first place at all hierarchical levels of management, followed by: the tendency to gossip, unethicity, bias, etc. At the same time, respondents considered honesty as the most important moral trait.

Bearing in mind the similarity in the business and cultural - sociological being of business people in Serbia and Croatia, and that both countries have lived for decades in the same political - legal environment, that both countries are in the transition process, the conclusion of honesty is more or less acceptable in Serbia too. This is not just about common problems in business and life, such as bribery, corruption, fraud, irresponsibility, etc. it is about disturbed system of social values in which unethicity, irresponsibility, and similar things has become an integral part of life and work of most of the population.

## **CORPORATE MANAGEMENT AND SOCIAL RESPONSIBILITY IN SERBIA THROUGH HISTORICAL ASPECT**

The need for responsibility and ethics Serbia has realized some 127 years ago. In that time, the Serbian government paid its attention to the state, artisan, trade, banking organizations that had governed the rules of functioning and their code of conduct. The most striking example is Serbian Railways. In 1884, in Serbia time rail transport was introduced – it was an event of historical significance. The introduction of this service, which was at the level of other European railways, was accompanied by the appropriate ethical framework, as well as social responsibility for its conduct. Normative acts were adopted, namely: 1) The railway-police law of 1884 that prescribes elements of social responsibility in terms of railway operation and safety; 2) Regulations for railways which prescribes duties and rights of staff and, 3) The first code named „*The behavior of the transport staff towards passengers*“ in 1931.<sup>69</sup>

During the '70s, in former Yugoslavia, whose members was Serbia, the concept of workers' self-management was introduced formed whose basis was social ownership and self-organizing. This meant that those who produced (employees) are the carriers in the distribution of produced effects, not the subject based on ownership.

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<sup>68</sup> The research was conducted and processed under the supervision of two eminent experts in the field of human resources, Pero Sikavica and Fikreta Bahtijarević in the study entitled „*Menadžment, teorija menadžmenta i veliko empirijsko istraživanje u Hrvatskoj*,” Masmedia, Zagreb, 2004., pp. 270 - 274th

<sup>69</sup> „*Ponašanje železničkog osoblja prema putnicima*“, Generalna direkcija državnih železnica, Beograd, 1931., str.1

Responsibility for the fate of the organization took over the workers through their self-managing bodies i.e. works councils. The Law on Associated Labor stated that the main purpose of the organization is not profit but realization of a self-management, social socio-economic relations.<sup>70</sup>

In this way, full security of staff was provided, there was no possibility of easy dismissal, and there were mutual funds, solidarity funds, and then funds for financing and investment in general social needs. In the period of self-management, a significant progress in the socialization of the organization has been recorded. The famous scholar of business ethics R. T. Di George said, „Workers' self-management was an experiment that was performed with some success in the former Yugoslavia. Its other forms successfully apply in Sweden. Several experiments such as informing of employees about overall operations of the company and using teams rather than individuals to working on the assembly line in manufacturing, also proved to be somewhat successful and deserve careful study as a future model for future development.“<sup>71</sup> Therefore, in this period a social responsibility was on the workers who were deciding on their fate. There was a high level of ethicality, immoral actions appeared to a lesser extent, which will later get the diversity. No matter this project is not survived, it showed its quality in the treatment of employees, relation to the wider community, solidarity, etc.

## **BUSINESS ETHICS AND SOCIAL RESPONSIBILITY IN SERBIA TODAY**

According to public opinion in Serbia on corporate social responsibility, public had no awareness of how and in which way can and should be responsible for the good of society, and also does not see the connection between business and ethics.<sup>72</sup>

Awareness of the Serbian population on the importance of corporate social responsibility towards the environment and the organization of society, in general, is very low so it makes the process of introducing and encouraging social responsibility very hard. The lack of ethical and socially responsible business components in Serbian enterprises, institutions, and individuals can be illustrated with examples in practice.

8. February 2011 in Belgrade, the Serbian Police have arrested two doctors, neurosurgeons for the crime of accepting bribes. They are suspected of having, on several occasions, demanded money from patients to perform surgical procedures.<sup>73</sup> Both have denied they took bribes, saying they do not know why they were arrested. Meanwhile, the leadership of Clinical Center of Serbia where suspected doctors were employees reacted and suspended them.

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<sup>70</sup> Zakon o udruženom radu, Službeni list SFRJ, 1976, član 1.

<sup>71</sup> R.T.Di Džordž, *Poslovna etika*, Filip Višnjić, Beograd, 2003, str. 626.

<sup>72</sup> [www.smartkolektiv.org](http://www.smartkolektiv.org)

<sup>73</sup> Zvanična prezentacija Vlade Republike Srbije, [www.srbija.gov.rs](http://www.srbija.gov.rs)

In January 2002, Serbian police said they arrested a former director of Elektrodistribucija Beograd (EDB) was arrested on suspicion of having committed criminal acts of misconduct and neglect of business in the economy. The legality of its operations, financial operations, and the use of EDB funds was suspicious. In addition, criminal charges were brought against leaders of the Elektrodistribucija Beograd and owners of private companies that have cooperated with them. It was found that the former director gain the enormous material benefits, bought 30 houses, flats, and business premises in Belgrade.<sup>74</sup>

Thus, socially irresponsible and unethical business is the result of inherited social relations and values. In 1990's of the twentieth century wars in the environment, lack of subsistence products, runaway inflation, illegal acts, etc. led to a complete crisis of society and its morals.

## **THE NECESSITY OF ESTABLISHING CORPORATE MANAGEMENT AND SOCIALLY RESPONSABLE BUSINESS IN SERBIA**

According to the above mentioned, it is obvious that Serbia has a need to introduce socially responsible value system and the introduction of corporate management that works in developed countries. Serbia, as well as any other state, is characterized by specific cultural - social, self, and historical heritage, customary features and business - the legal system. Many outdated values are retained, and new ones were not accepted or is it done under pressure from international organizations and legal regulations.

Serbia, like other countries in transition, has a greater need to apply the experiences of developed countries in terms of ethics and moral responsibility, because in most segments of the economy and society is at stake. Firstly, it should accept European values, because this is the path to integration into the European Union and the road to accession to markets of developed countries, i.e. to the global market. Accepting of corporate management and making ethical business decisions of individual organizations will be committed in relation to the other, arising from the concept did not accept, and build the image of responsible organizations. Such organizations staff themselves come, are more motivated to work longer to keep. Acting in accordance with environmental protection to create savings, create new markets, achieve a better contact with the environment, etc. In doing so everybody wins, and the organization and environment strengthen their symbiosis.

## **PROFESSIONALIZATION OF MANAGEMENT**

„Many executives from the former Yugoslavia for their failure were blaming negotiated economy. After elimination it, the reasons are sought in the environment and lack of understanding of the world. U.S. economic sanctions were blamed for ineffective functioning of many organizations. After suspension of sanctions, many managers stressed that they must get used to life without sanctions and that it takes a certain period of time for that. By all accounts new reasons and formulas for failure will be

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<sup>74</sup> Časopis „Vreme“, br. 579, 7. februar 2002., <http://www.vreme.com/cms/view.php?id=307308>

searched for. It can be argued that the reasons for any problems amateur directors will not find in your own being and disabilities.<sup>75</sup> The above mentioned is one of the reasons for failure of the Serbian economy and the cause of immorality, and corporate social irresponsibility. Full integration of professional management would lead to changes in the style of management and bureaucracy would switched to the softer style of management, which treat human resources as the most important resource to which is treated with respect and confidence in relation to work.

In Serbia, in the last decade high business schools and universities produced many professionals with title of managers, managers-specialists in certain fields, such as trade, banking, tourism, communications, etc. Therefore, professionalism solves corporate performance that is the basis for social responsibility. Potential of managers constantly must be refreshed, through trainings, professional trainings, specialized scientific and professional meetings, etc.

Professional management through personal example (attitudes and practices) is an indicator of employees' behavior, as a tool in the management of social responsibility. Employees behave in the same way managers behave. Codes of ethics or standards have been formulated in most organizations, but these are not respected because of sanctions are minor. Ethical codes are variable category, must be updated as operations of an organization innovate.

## **BUSINESS TRANSPARENCY**

As long as there are situations in which the profits of companies and public interest are in compliance, while company and owners of capital getting profit, i.e. shareholders of the positive effects of corporate social responsibility is not questioned. Nevertheless, as the company exploitation of natural resources is limited, society and the environment will pressure of responsibility and transparency in the work and reporting. It is in fact a communication of a company with the public. „What is the communication (transfer of information, transfer and understanding of meaning and knowledge, ideas exchange, attitudes, values, opinions and facts, etc.) is more functional, they are more likely to achieve organizational goals.<sup>76</sup>

The public can be informed requesting information directly from companies or using the resources available to the public, for example, data on the Web site. The main requirement for this type of communication is the existence of the willingness of corporate management and transparency in reporting it. In Serbia, transparency is still not fully observed, because the number of reports, ranging from financial, investment and others, adjust and kept as the biggest secret. In addition, at state level has not built the responsibility for the operation of public authorities.

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<sup>75</sup> Radosavljević Života, Tomić Radovan, *Menadžment u modernom biznisu*, BBO, Beograd, 2006., str. 142.

<sup>76</sup> Miljević Milan, *Poslovna etika i komuniciranje*, Univerzitet Singidunum, Beograd, 2010., str. 285.

However, in addition to Serbian government and individual companies, there are independent organizations (e.g. SMart Kolektiv) involved in promoting and establishing a corporate social responsibility, development of social communication and linking of different stakeholders. The goal of these organizations is to create a database to identify best practices in respect of corporate social responsibility and to stimulate it. Good examples of corporate socially responsible business:

- Japan Tobacco International is a major donor of the first specialized living for adults with disabilities in Belgrade;
- Coca-Cola Hellenic is listed on the Dow Jones Sustainability Index because it applies the high standards in business, environmental and community development in 28 countries worldwide;
- Delta Maxi Group, through numerous actions show their commitment to socially responsible business, for example: bank of food, Health comes through the mouth, Promotion of healthy eating habits of children, Support for young artists, and many more;
- Telenor company is one of the first in terms of respecting social responsibility in Serbia with a number of actions. One of them was the construction of Telenor Internet Parks in order to develop information literacy of citizens of Serbia and the availability of the Internet to as many people, and many other actions.

## **RESUME**

Management has now become more important than it ever was before. Its task is to organize human resources in turbulent times, an organization that makes it unique and different from each other, which represent a competitive advantage. Management is managing people, people only. In Serbia that is underestimated, because the current situation regarding to corporate social responsibility is adverse. There is no successful environment, if corporate management has not carried out its primary role that is the success of corporations, their survival, growth, and development.

However, in Serbia there is awareness and the need to establish corporate responsibility of the same management. Serbia must use the experience of Europe on the principle of „best fit“, i.e. taking into account the specifics of the Serbian national, socio - cultural, religious, customary, and other creatures, then our experiences from the workers' self-management. It must be done to promote their own social values in order to better understand our world and our economy could work better.

Turbulence, uncertainty, increasing demands and expectations in all spheres of life and work, by interest groups, each day is increasing. In order for the corporation to be successful in such conditions, i.e. to attain the expected results, increasing its value and competitive advantages, must gain the confidence of the wider community and must not cause damages for generations to come.

Finally, corporate management in Serbia can and must play an important role in promoting positive business practices and social responsibility. Companies need to show its performance through economic prosperity, environmental quality, and wealth of the community.

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