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CORPORATE SOCIAL RESPONSIBILITY BASED ON EFQM FRAMEWORK

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ABSTRACT: Today, companies regardless of their size and target market, have to earn approval of the society to be able to stay in business. The power of the environment as well as ordinary citizens, potential investors, pressure groups, other companies and a wide range of other stakeholders are increasingly holding companies to account for social, environmental and economic impacts that they have on society and the natural environment. This paper studies the question of Corporate Social Responsibility (CSR) as a concept for stakeholders' satisfaction in sustainable business. Here, it is discussed European Foundation for Quality Management (EFQM) approach that has been promoted the EFQM framework model as an effective tool for implementing CSR. In second part of the paper, it is explained situation related to CSR implemented concept in business environment in Republic of Macedonia.

Keywords: Corporate Social Responsibility (CSR), EFQM Framework for CSR, Society, Stakeholders

1. INTRODUCTION

The expression of the idea of "corporate social responsibility" can be analyzed in different periods of the society's existing, from the first industrial revolution up to days [1]. The concept known as CSR become from the end of the 20 and beginning of the 21 century. At that time, adding value for the society in addition to their essential operational strategies has attracted the attention of the companies. Corporate social responsibility has been defined with many perspectives. According to the literature [2,3], CSR idea has intersectional meaning with different notions as: corporate citizenship, sustainable business, environmental responsibility, the triple bottom line - social and environmental accountability; business ethics and corporate accountability. But in general, CSR is mainly related to corporate environment and social environment.

According to [4], the basic definition of the concept of CSR is: "CSR is the proposition that companies are responsible not only for maximizing profits, but also for recognizing the needs of such stakeholders as employees, customers, demographic groups and even the regions they serve".

2. CHARACTERISTICS AND BENEFITS OF CSR

Today, CSR issues are found on the websites of large number of the companies and many of them have isolate code of ethics and release material on social and environmental guidelines [5]. Large number of excellent companies expresses commitment to CSR through their values and deploys it within the company. This commitment ensures to their stakeholders to meet expectations and regulations of societies, locally or globally, and try to minimize undesirable impacts. CSR refers a whole range of fundamentals that companies are expected to reflect in their actions, such as: respecting human rights, fair treatment of the workforce, customers and suppliers, being good corporate citizens of the communities in which they operate and conservation of the natural environment. These fundamentals are part of the company's philosophy and key drivers in ensuring to survive in the long term, as society benefits from the company's activities. There exist many

definitions for CSR and therefore [6,7], it is difficult to create a common used definition for CSR but common characteristics for CSR have been defined [8] as:

- » Meeting the needs of current stakeholders without compromising the ability of future generations to meet their own needs.
- » Adopting CSR voluntarily, rather than as a legal requirement, because it seems to be in the long-term interests of the company.
- » Integrating social, environmental and economic policies in day-to-day business.
- » Accepting CSR as a core activity that is embedded into the management strategy.

CSR can be presented through three dimensions - social, environmental and economic – that are consistent also with the three dimensions of the Triple Bottom Line: people, earth and profit. Social dimension is connected to the human rights, the labor rights, contributing to the community programs, training, developing local labor etc. Environmental dimension is related to prevent or minimize negative environment impacts, developing environmentally friendly technologies etc. Economic dimension is connected to the economic development of the community, transparency, payments to national and local authorities, use of local suppliers, hiring local labor, etc. Figure 1 shows how these three dimensions link and also overlap between them.

According to changing of the business environment, many companies are becoming increasingly aware of the direct economic value of CSR. Companies that have a positive impact on society and the environment enhance their own reputation. This not just helps them to generate profits for today but also position themselves for the future.

CSR can result in the company benefits by having a more ethical approach and integration with the society where the stakeholders have a better picture of the company’s performance and strengths. From that point, contemporary companies need:

- » to identify their stakeholders,
- » to recognize what benefits they bring to the company, and
- » to find right approach for using with different stakeholders.

According to the CSR concept, the stakeholders are differentiated in three main groups: people, customers and investors.

People – Employees are flexible, adaptable and mobile when it comes to managing their careers. The traditional career path where employees remain in the same job for life is now a thing of the past. Company that commit to CSR have a greater chance to attract and retain talented people that want to work in companies they feel proud of. Company values need to reflect personal values of their employees.

Customers – Customers as buyers of products and services have a wide choice available on the market and it is hard to make decision. As their awareness arises on environmental and social issues they differentiate products and services by demanding more information relating to CSR.

Investors – Companies that demonstrate positive environmental, social and economic measures provide investors with favorable profiles. More private and institutional investors are convinced that integrating social, environmental and economic aspects in businesses derive a competitive edge and they often make decision to invest in such companies.

3. EFQM BUSINESS EXCELLENCE MODEL FRAMEWORK FOR CSR

For contemporary company the challenge is how to integrate economic, social and environmental aspects into day to day management decision making. Since the introduction in 1992, the Business Excellence Model (BEM) has served as a powerful tool for integrating quality in companies and to guide companies to become excellent in quality management. Business Excellent Model is today the most popular approach to achieve Business Excellence in Europe [9].

The model has been reformulated a number of times and “corporate social responsibility” was first time introduced in the BEM model in 2002. From 2004 the European Foundation for Quality Management (EFQM) has been lieder to promote the BEM model with integrated CSR approach as an effective management tool for implementing CSR. By growing the awareness for the requirement of sustainable economic and social performance, it is stated: “The EFQM framework for CSR is a

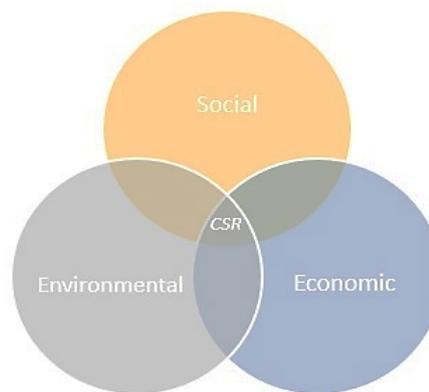


Figure 1. The three dimensions of CSR

new and integrated approach that uses the Business Excellent Model as a common base - the model enables companies to have an integrated approach to CSR" [5].

The literature [12] has promoted that today, the EFQM Business Excellence model as a tool for effective implementation of CSR (based on a stakeholder view of the company). It means that companies can only be excellent if they satisfy the needs of their stakeholders [11]. Stakeholder theory is a common platform for the model as well for much of the literature in CSR [10].

The EFQM Framework provides guidelines on how to identify, improve and integrate social, environmental and economic impacts of its operations into policy and strategy and the day-to-day management of an organization by taking all stakeholders into account.

EFQM model is based on nine criteria that are illustrated in Figure 2.

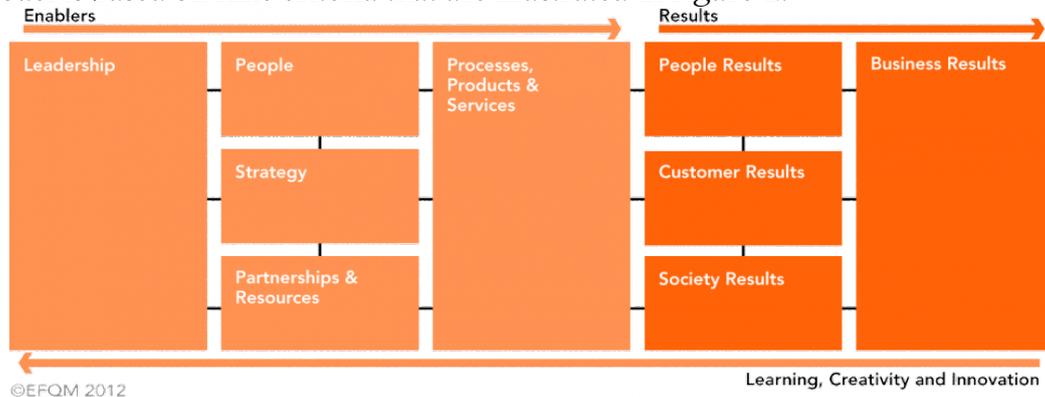


Figure 2. The criteria of the EFQM Model for CSR [12]

Five of these (left side of the model) are factors the company can influence and that can do, called as criterion "Enablers". Those factors are leadership, strategy, people, partnership and resources, processes, products and services. The criterion "Enablers" means that to achieve sustainable success, the company needs strong leadership and clear strategy and has to develop and improve the people, partnerships and processes to deliver value adding products and services for their customers.

Four of these (right site of the model) are factors of the criterion "Results", which can be measured as the effects of the influence and cover what an organization accomplishes and achieves. Those factors are people results, customer results society results and business results. The criterion "Results" means that if the right approaches are effectively implemented, they will achieve the results that their stakeholders expect.

4.EFQM APPROACH FOR CSR

IMPLEMENTATION IN THE COMPANY

To use this Framework in practice, firstly, companies need to assess and evaluate themselves in terms of CSR maturity. This helps to identify the

strengths they should build on and the areas for improvement on which they should focus on. Self-assessment tool is the way to identify company's CSR maturity [13]. The CSR maturity level of a company can be positioned in one of the three levels:

1. Start-up – the company meets all the legal and regulatory requirements.
2. On the way – active involvement and a dialogue with stakeholders, some CSR activities taking place.
3. Mature – stakeholders' expectations are balanced, measured and take action, CSR is fully embedded in policy and strategy and day-to-day management towards sustainable excellence.

In order to have an integrated CSR policy and strategy in the company, the following steps of self-assessment are recommended (shown on the Figure 3):

- » Identify stakeholders and their needs and expectations
- » Improvement of the company's activities
- » Public CSR reporting

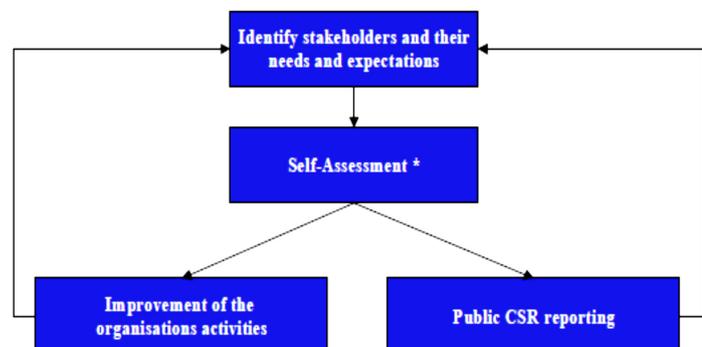


Figure 3. The EFQM approach of company self-assessment for CSR

5. EFQM FRAMEWORK TOOL FOR CSR PERFORMANCE MEASUREMENT

The RADAR method is promoted as tool for assessment and measuring the company's key performances from CSR implementation [12,14]. Extended version of the EFQM from 2009 [12] defines the RADAR system as “an assessment framework and powerful management tool that provides the backbone to support an organization as it addresses the challenges it must overcome if it is to realize its aspiration to achieve sustainable excellence”. The components of RADAR method establish the principles of fundamental cores that form the foundation for all business procedures, such as achieving balanced results, adding value for customers and taking responsibility for a sustainable future and five other fundamentals concepts. Figure 4 shows the RADAR system surrounding the EFQM criteria graphically.

At the highest level Radar logic states that a company should:

- » Determine the Results it is aiming to achieve as part of its strategy.
- » Plan and develop an integrated set of sound Approaches to deliver the required results both now and in the future.
- » Deploy the approaches in a systematic way to ensure implementation.
- » Assess and Refine the deployed approaches based on monitoring and analysis of the results achieved and on-going learning activities.

EFQM model delivers a measurement framework for CSR activities and their impact on organization performance by providing guidelines about how much weight must be specified to various “enablers” and “results” criteria in the total performance measurement.

6. CSR CONCEPT IN THE COMPANIS OF THE REPUBLIC OF MACEDONIA

In Republic of Macedonia, Corporate Social Responsibility (CSR) as a concept was first introduced in 2004 through the activities of international organizations such as the World Bank, UNDP and USAID. In 2007, the UNDP published a comprehensive study [15] on the status of CSR in Macedonia, called the ‘Baseline study’ (Baseline Study) [16]. In response to the suggestions of the Baseline Study, the Macedonian ‘National Agenda for Corporate Social Responsibility 2008-2012’ (CSR Agenda) was promoted as a comprehensive guide towards realizing wider acceptance and implementation of CSR in Macedonia [17].

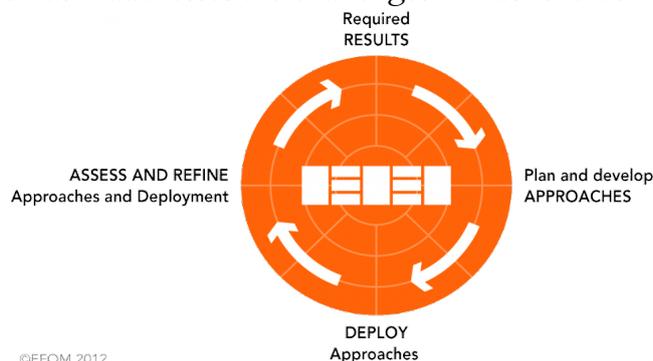
In 2008, Macedonia became the third country in the EU, after Denmark and Lithuania, to adopt a national CSR Agenda [18]. According to the EBRD strategic document for Macedonia, the national CSR agenda successfully promotes “the concept of CSR and contributes towards increased competition of business entities and strengthening of public private dialogue in this area” [19]. The CSR Agenda:

- (i) brings the concept of CSR closer to the Macedonian business community and, considering the process of EU integration,
- (ii) should prepare Macedonian companies for accession to the EU common market and make them more attractive potential outsourcing partners for large foreign companies.

During the period 2011-2014, the EU funded project [20] for CSR awareness in Republic of Macedonia has been realized. The project has have two specific objectives: firstly, to build awareness and capacity in partnership/with a network of employer organizations in South East Europe regarding CSR in order to improve their participation in multi-stakeholder dialogue (as well as their influence on public sector reform process) at national and international levels; secondly, to create awareness and build capacity in the network of employer organizations in the region in order to guide enterprises to have positive impacts on society and to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy.

6.1. Facts about economic parameters in Republic of Macedonia

At the end of 2012, small and medium-sized enterprises constituted 99.5% of the total number of enterprises, where small enterprises provided 42.4% of the value added in the 2011 gross domestic product, medium 12.7% and large 26% [21]. The table below shows the five biggest sectors of the economy and their share in GDP and total employment.



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Figure 4. The components of RADAR method - ERQM Framework tool for CSR measuring [12]

Table 1: Five biggest economic sectors

| Sector | Description | GDP 2012 | Employment 2012 |
|--------|----------------------------------------------------------------------|----------|-----------------|
| C | Manufacturing | 13.5% | 19.5% |
| G | Wholesale and retail trade; repair of motor vehicles and motorcycles | 13.5% | 14.3% |
| A | Agriculture, forestry and fishing | 9.5% | 17.3% |
| O | Public administration and defense; compulsory social security | 7.9% | 6.8% |
| F | Construction | 6.5% | 6.3% |

6.2. CSR promotion activities into business sector in Republic of Macedonia

The Ministry of Economy of the Republic of Macedonia acts as a coordinator of CSR promotion activities on behalf of state institutions. It has a dedicated unit for CSR promotion and provides a Secretariat to the National Coordinating Body on CSR. The Ministry of Economy has been involved in efforts to raise awareness with regard to CSR among regulators included in the National CSR Agenda.

The Ministry of Economy and the National Coordinating Body on CSR are organizing the annual Award for best socially responsible practices in Macedonia, in order to provide public recognition to best practices in the fields of employee relations, market relations, ethical governance, environment and community involvement, and to provide inspiration to other companies, managers and entrepreneurs to get engaged in CSR or to keep up with competitors. In 2013 the Award received an international dimension as it was presented within the European CSR Award Scheme.

6.3. Recommendation for further CSR activities

The main recommendations according to the literature and CSR National Agenda of Republic of Macedonia [17,18,20] are given below:

- » A new mid-term public policy document on stimulating CSR is needed to provide further incentives, capacity building frameworks, and visibility for best practice companies.
- » Improving the business environment for responsible business behavior by promoting and revising legislation to incorporate CSR concerns and issues.
- » Aspects of CSR engagement which merit further capacity building support such as: implementing policies for recruiting and employing disabled people, waste recycling policies, identifying, assessing and managing risks, compliance, and ethics.
- » Support mechanisms need to be developed to assist the uptake of environmental management systems.
- » CSR mechanisms which merit further capacity building support and good practice examples such as: developing and implementing a CSR policy and incorporating CSR in business strategy, documenting and reporting on CSR activities, performance and impacts, company feedback mechanisms that allow stakeholders to raise issues of concern.
- » Capacity to apply globally acclaimed instruments and tools for addressing social responsibilities, such as the UN Guiding Principles on Business and Human Rights and ISO 26000, should be strengthened through trainings, mentoring support and guides.

7. CONCLUSIONS

Corporate Responsibility to society is a philosophy of conduct and is part of a systems approach to business focused on the following aspects:

- » Offering high-quality products and services to consumers;
- » Creating safe working environment, paying documented salaries, investing into human capital development;
- » Complying with legislative (fiscal, labor, environmental, etc.) requirements;
- » Building credible and genuine relations with all stakeholders;
- » Improving business operations with a view to add value and increase shareholders' wealth;
- » Considering public expectations and following generally accepted ethical values within business processes;
- » Contributing to the emerging civil society through partnerships and local community development projects.

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