

BUSINESS LEADERS ON CORPORATE SOCIAL RESPONSIBILITY



CSR FORUM



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BUSINESS
FORUM

BETTER BUSINESS
FOR BETTER SOCIETY

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Top managers' perspectives on
corporate social responsibility in
Serbia



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FOR BETTER SOCIETY**

BELGRADE,
2015.

Survey participants

We would like to thank to all the participants for their time and willingness to talk about CSR and thus, provide valuable insights for further development and promotion of this topic



> **Brigitte Streller**
General Manager
L'Oreal Adria i L'Oreal Balkan



> **Claudio Scarrozza**
General Manager
Victoria Group

> **Claudio Cesario**
President of Management Board
UniCredit Bank Serbia



> **Darko Babić**
General Manager
DHL



SURVEY PARTICIPANTS



> **David Banjai**
Plant Manager
Ball Packaging Europe



> **Draginja Đurić**
President of the Executive Board
Banca Intesa



> **Dragomir Kostić**
General Manager at Atlantic Brands
Atlanik group

> **Dejan Turk**
Chief Executive Officer
Vip mobile



> **Dragoljub Vukadinović**
President
Metalac Group



SURVEY PARTICIPANTS



> **Gordana Brašić**
President of Board of Directors
Henkel Srbija



> **James Thornley**
Managing Partner
KPMG

> **Frederic Coin**
President of the Executive Board
Societe Generale Bank Serbia



> **Hom Parviz**
General Manager
Hyatt



> **Marinos Vathis**
President of the Executive Board
Vojvođanska banka



SURVEY PARTICIPANTS



> **Miloš Jelić**
General Manager
Nelt Group



> **Miroslav Gligorijević**
General Manager
Titan Cementara Kosjerić



> **Predrag Ćulibrk**
General Manager
Telekom Serbia

> **Milutin Delić**
Director
GlaxoSmithKline Belgrade



> **Ove Fredheim**
Chief Executive Officer
Telenor Serbia



SURVEY PARTICIPANTS



> **Ramon Weidinger**
General Manager
Coca-Cola Hellenic



> **Slavko Carić**
President of the Executive Board
Erste Banka

> **Quentin Royer**
Director of Operations and Sales
Metro Cash&Carry



> **Ronald Seeliger**
General Manager
Hemofarm



> **Stephen Fish**
Managing Partner
EY



SURVEY PARTICIPANTS

TOP MANAGERS' PERSPECTIVES ON CORPORATE SOCIAL RESPONSIBILITY IN SERBIA

Survey on top managers' perspectives on corporate social responsibility in Serbia, was designed and implemented by the Responsible Business Forum and Smart Kolektiv. Through the first survey of a kind in Serbia, business decision makers, as most relevant actors, provided their views on the current state and the future of corporate social responsibility in Serbia.

The results represent summarized views of the key people in the business sector regarding sustainability, as well as their expectations from other social actors, the most common approaches to CSR in companies operating in Serbia and topics recognized as a priority for business' engagement.

Data were collected through structured interviews conducted in the period from November 2014 to February 2015.

CSR

TRENDS AND
CHALLENGES FOR
THE COMPANIES

What does doing business responsibly mean for business leaders in Serbia?

CSR represents integral part of the business strategy and it has been deeply embedded into companies' values in almost all surveyed companies. Through CSR, business leaders strive to make a more positive impact on society in the areas tightly connected with their core business, and to minimize adverse impacts.

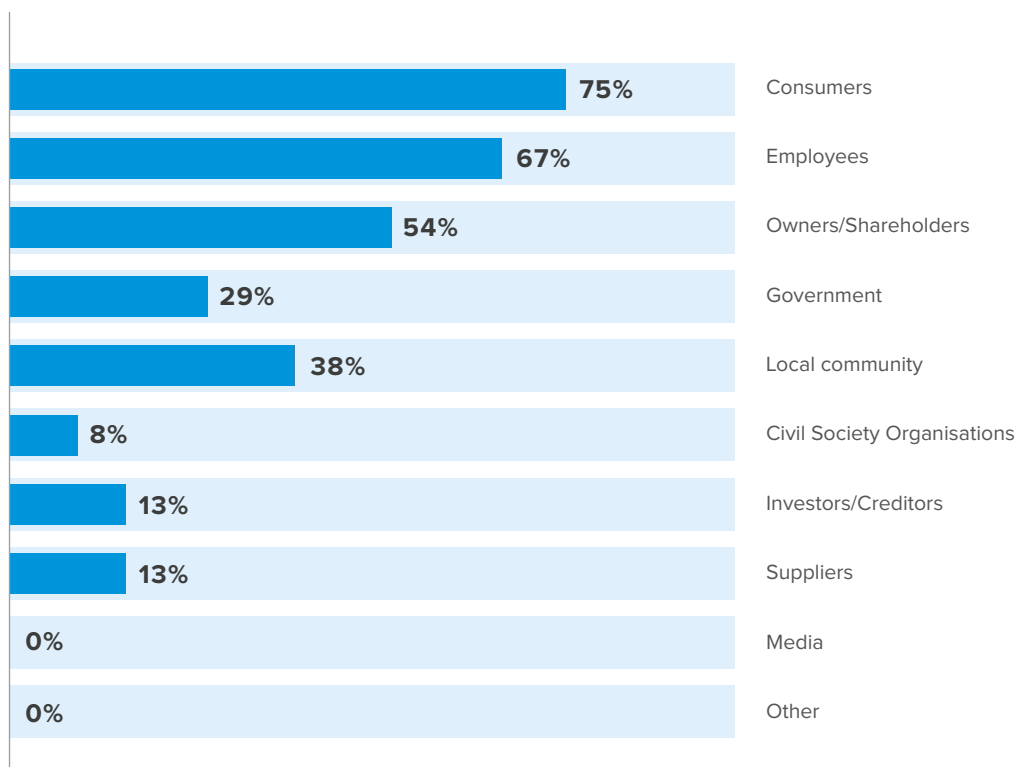
For the business community included in the survey, CSR represents the way of doing business that puts into balance economic, social and environmental aims by respecting needs of all stakeholders - consumers, clients, suppliers, employees, shareholders and wider community. Integrating sustainability and highest standards of professional ethics into operations enables generating the added value that, besides bringing success to the company, also brings good for the society.

Although a relatively small number of companies took part in the survey, chosen upon their recognized CSR practices, it is encouraging that there is a business community in Serbia which understands CSR in the right way.

For all survey participants, **CSR** is very important part of their business.

Consumers and employees are shaping CSR strategy

Most influential CSR stakeholders



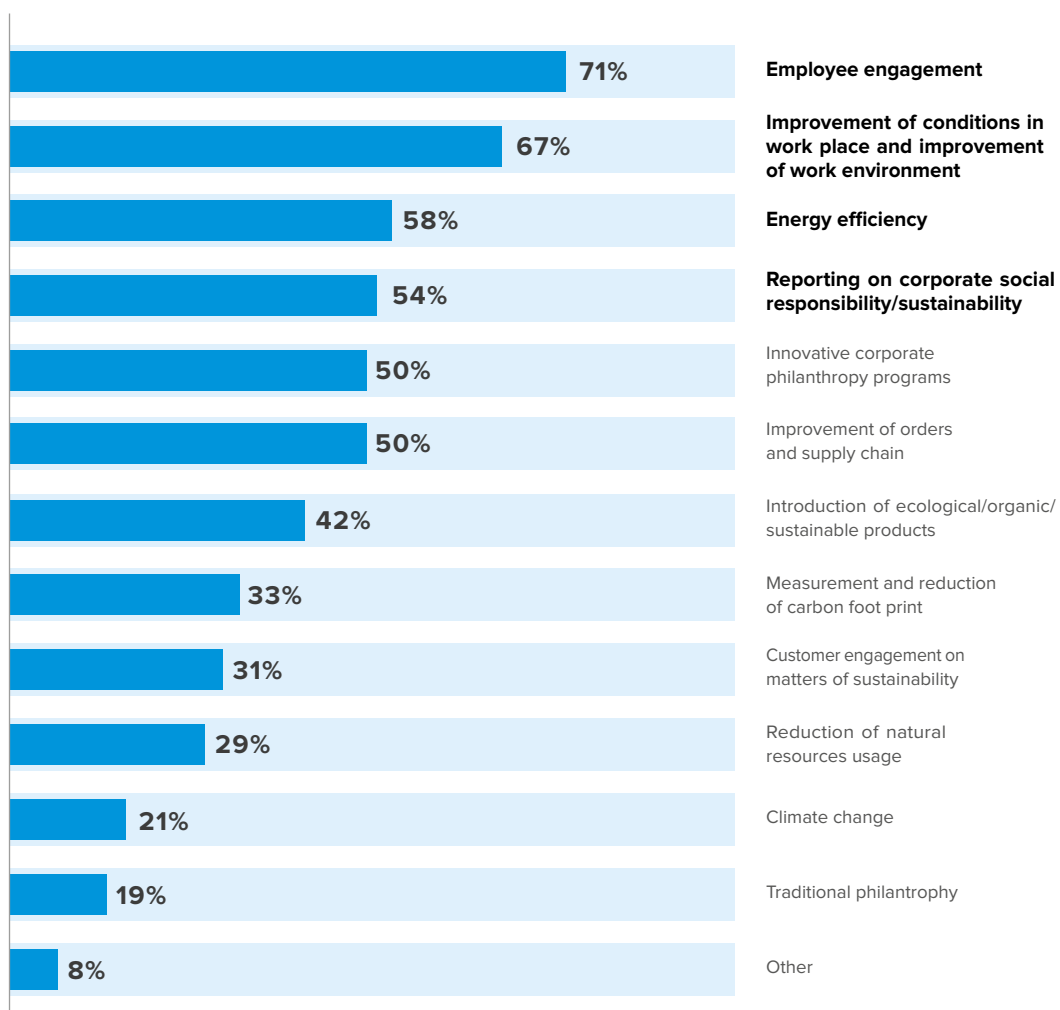
Company leaders believe that the biggest influence on CSR strategy in the next three years will come from customers and employees. Beside them, the most influential stakeholders will be local community and government.

92% of interviewed directors consider that **integration of CSR strategy brings better position** to the company in negotiating with investors, creditors and future partners.

Companies in Serbia realize the importance of integrating CSR principles into their operations and more often link the benefits with the competitive advantage on the market. At the global level¹, 80% of directors also believe that integrating principles of sustainability into business represent a way to gain competitive advantage.

¹ The UN Global Compact-Accenture CEO Study on Sustainability, 2013

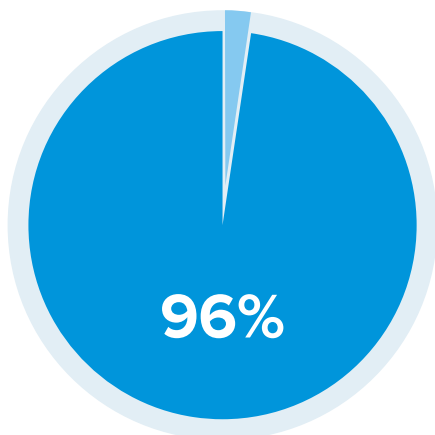
CSR topics in companies' focus - work environment and energy efficiency



During the next three years, focus of leading companies in Serbia will be, in the first place, on topics concerning their employees – employee engagement and improvements in the workplace and working environment. Energy efficiency will be also in the focus. As far as investment in the community goes – there are evidently more companies that are introducing innovative programs of corporate philanthropy comparing to traditional philanthropic givings.

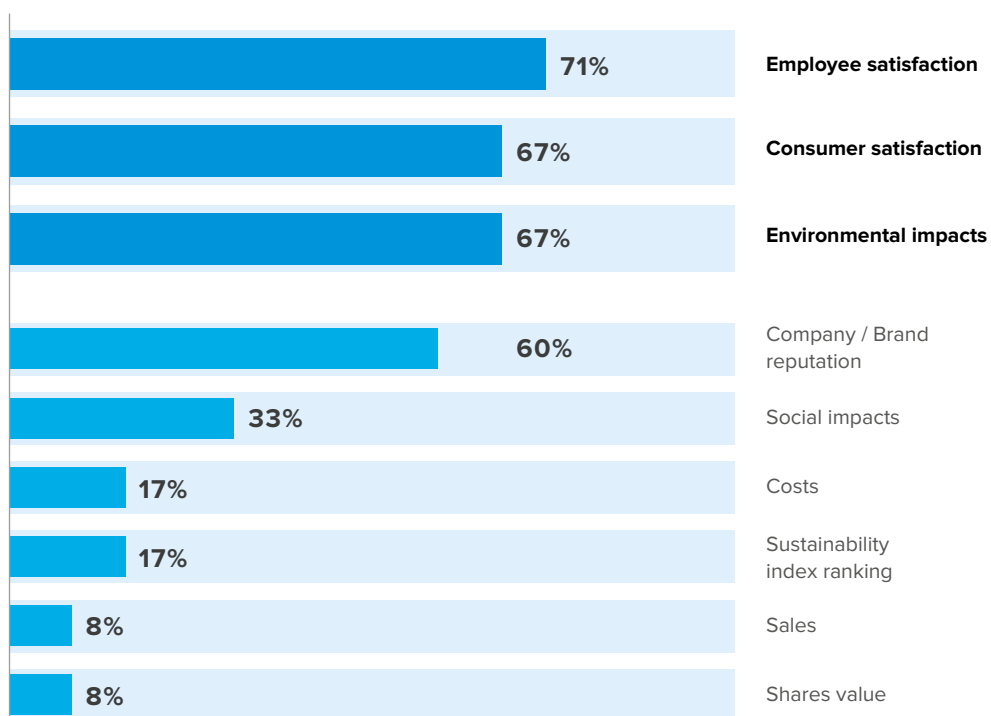
On a global level, among the priorities for engagement are growth and employability – for 64% of directors this topic is in the top three priorities, education – for 30% and energy efficiency – 39%.

96% of surveyed directors believe that investing in sustainability will grow in the future.



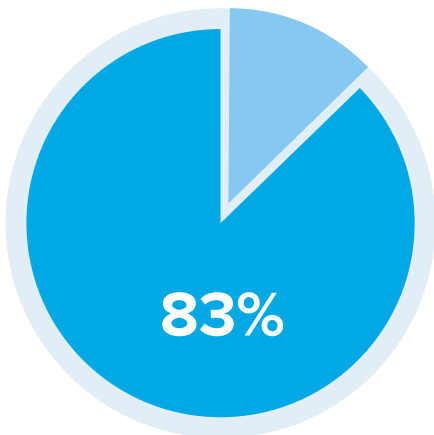
Measurement of CSR activities' effects is not primarily connected with financial indicators

Measured indicators in line with CSR aims



In line with the social and economical context, monitoring and measurement of CSR performance in Serbia is not directly related to financial indicators. In fact, companies, in line with their core business identify and measure key CSR indicators. Measuring satisfaction of employees and customers are the top performance indicators for the most companies, while they also evaluate environmental impacts and company/brand reputation.

83% of directors think that CSR activities are directly related to business success.



Innovations – main benefit from CSR implementation

As main identified benefit from integrating CSR principles into their business, survey participants point out introduction of **innovative products and services**. **Improved efficiency** is also one of the most commonly named benefits, while almost one third named **cost reduction**.

As far as the community is concerned, survey participants believe that CSR encourage development of the community in which company operates, as well as that implementation of this concept contributes to the higher engagement of stakeholders while raising the level of their satisfaction.

CSR and the market – confusing signals

Only 28% of directors believe that customers are ready to pay more for a product that has been made in a socially responsible company, while 58% think that while deciding on their purchase customers are led by social responsibility criteria as well.

Signals from the market are often confusing - on one hand, there is a growing consumer awareness of environmental and social impacts of the products and services that influence their shopping decisions. On the other hand, socioeconomic context and purchasing power in one country are still predominantly determining consumer habits.

However, when citizens of Serbia are in question, according to a public opinion survey that was conducted by Smart kolektiv and Ipsos Strategic Marketing in 2013, there is surprisingly positive attitude toward socially responsible companies among consumers. Namely, 73% of citizens answered that they would rather shop in a store of a socially responsible company even with higher prices, at the same time, 68% would rather use the services of a socially responsible company even if it is located in a further location.

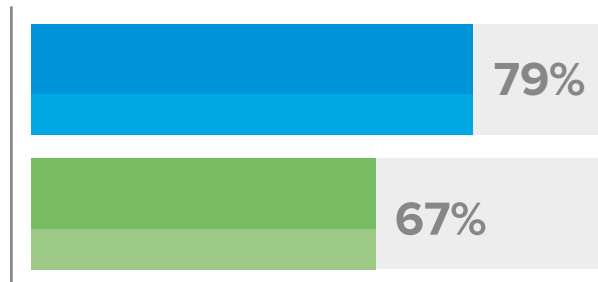
On a global level, according to research released by Nielsen in 2013, 50% of consumers are ready to spend more money for products from socially responsible companies. There are many factors that influence consumer behavior of citizens and citizens' readiness for action and action that they really took could vary. Yet, in this research, 43% of citizens said that they have actually chosen a product from a socially responsible company even when it costs more (only 7% less from those who said that they are ready to give more). Furthermore, 46% of directors involved in the UN Global Compact- Accenture research believe that integration of sustainability will always come second in relation to traditional elements of the marketing mix such as price and quality.

² Consumers who care and say they'll reward companies with their wallets, Nielsen, August 2013

³ The UN Global Compact-Accenture CEO Study on Sustainability, 2013

In 79%

products/services
have a strong
ecological/social
component.



67% of directors

believe that integrating
sustainability principles
give competitive
advantage with B2B
agreements.

CURRENT STATE AND
THE FUTURE OF

CSR IN SERBIA

CSR – still underrepresented practice

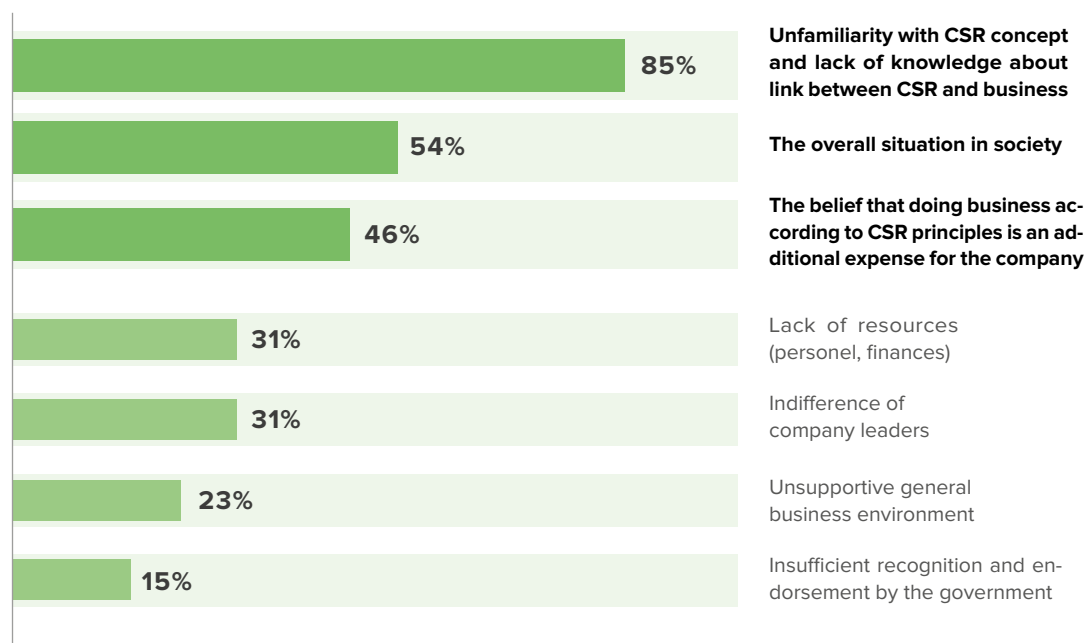
Only 4% of directors believe that most of the companies implement CSR principles in some form, while 92% believe that the majority of the business sector has not implemented CSR principles although there are companies that are standing out with their practices.

Respondents believe that doing business in accordance with CSR principles, is not yet developed and is not a part of business culture in Serbia. Also, there is a common belief that companies that do business, according to these principles are mostly big and/or international companies. State and practice of CSR in small and medium enterprises are not recognized enough.

Taking into account conclusions of the UN Global Compact-Accenture study, there are similar findings at the global level based on interviews with 1000 global leaders from 27 industries and 103 countries. Although it is evident that there is a rising number of companies engaging with sustainability topics, as well as better understanding in every part of the world, there is also a great concern about slow pace of change and intensity of the influence that socially responsible business makes. Opposed to the surveys conducted in 2007 and 2010, this last study from 2013, shows that companies' efforts on global level may have reached its peak and that big further advancement should not be expected. In many cases, business leaders across the world feel that, taking into account all given circumstances on particular markets, they have led their companies as far as they could when integration of sustainability is in question.

What is slowing down CSR development in Serbia

Obstacles for doing business according to CSR principles

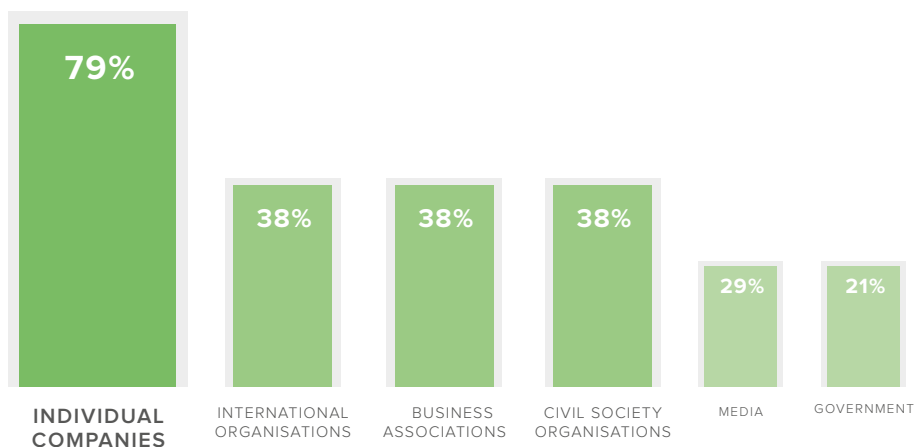


As the most frequently cited obstacles for CSR principles implementation in business are unfamiliarity with the concept and lack of knowledge about the link between CSR and operations, belief that it is additional cost for the company and the overall situation in the society.

According to respondents' opinions on the global level, main obstacle that prevents integration of these principles into companies is no existence of a clear connection between sustainability and added value for the company. Around 37% of directors in the global survey, said that this was a critical factor for not taking faster actions toward integrating sustainability into everyday business. After all, road toward identifying and quantifying the effects that sustainability has on business is complex, and in that regard, those companies that are at the beginning are having a lot of difficulties. However, in later stages, the possibilities to create additional value is much higher, and the connection is clear.

Everything depends on companies

Key „players“ that promote CSR in Serbia



Surveyed directors believe that individual companies are most creditable for promoting CSR in Serbia. They implement CSR principles in practice and “live” this concept. Besides them, main promoters are international organizations, business associations and civil society organizations.

It’s interesting that, for instance, the EU, which generally puts a lot into CSR development is almost invisible as a promoter of CSR values in Serbia. On the other hand, this attitude could be justified by the fact that EU focus in Serbia are other questions and priorities.

Business associations and civil society organizations represent great partners for promoting this topic, either through their own or involvement in joint initiatives. Media and government, that should play an important role in the promotion of CSR, are not doing that at the moment, so this is a reason for their poor positioning among key CSR players.

The role of government

CSR in public policies

In Serbia, social responsibility of a company is emerging as a topic after 2000. In the business sector, it comes with the influx of foreign capital and opening of representative offices of foreign companies in Serbia which also brought their established CSR policies and practice. At the same time non governmental sector starts to develop various initiatives for potential cooperation.

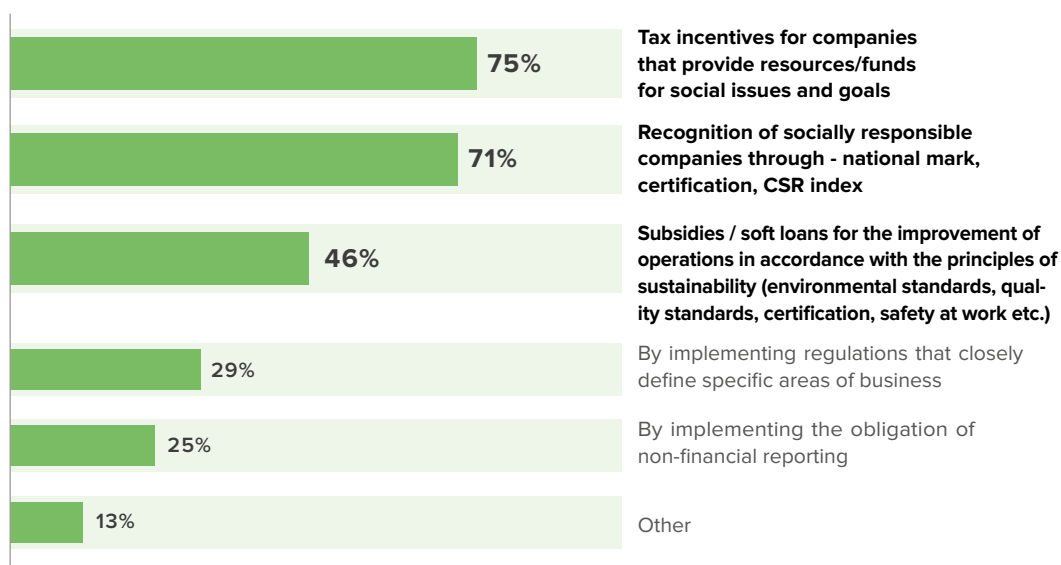
However, this term in public policies in Serbia appears in 2008 in the National Sustainable Development Strategy wherein several places there is a line about corporate social responsibility. Two years later, the government adopted a strategy for the promotion of corporate social responsibility in Serbia for the period from 2010 to 2015. As a vision of the development of CSR in Serbia, the strategy is defined to promote sustainable business growth and development that encourage social inclusion and prevent harm to the environment. The government role in such a comprehensive vision should be focused on creating an environment that enables and encourages development, inclusion and sustainability. The strategy defined three objectives: to promote the concept of CSR, the development of CSR practices and create incentives and legal obligations that would ensure the development of an environment conducive to the spread of CSR. According to the Strategy „Government engagement in CSR should follow priorities that are pointed out in the European partnership in the field of economy and social inclusion with the goal to enhance social inclusion and social protection.“

There is no information about the realization of measures proposed with the strategy and action plan, whether Council and Team are formed, nor about reports about their work or report on Strategy implementation, although the time frame for realization of the action plan has expired at the end of 2013. One of the primary goals of EU documents on CSR is the integration of CSR into other policies, so the question remains how it will be implemented in Serbia.

At the same time, European commission through a series of policies and measures in this area, recognizes CSR as a model for growth, development and social inclusion that are implemented through the increase of positive influence on society, innovation and new products and services that are useful for society and for the company.

Business sector expectations from the government


In which way should the government encourage companies to do business in Serbia in accordance with the principles of social responsibility?



The largest number of respondents believe that the state should encourage business in accordance with the principles of social responsibility through tax breaks or incentives. This answer is not surprising having in mind the fact that current regulations in the tax policy domain are not in accordance with the needs and practices of civil society organizations and companies. For example, regulations that regulate donating to charities and income tax law are in conflict. The second important question is a question about the tax treatment for investment in environmental protection, treatment of social enterprises etc.

For respondents in Serbia, it is also very important recognition and promotion of best practices through awarding those companies that do business in accordance with CSR through some kind of national mark, certification or rating. In addition, coordination in the implementation of different public policies related to CSR is also crucial, considering multidimensionality of this area and introduction of new regulations that would better define certain areas of business in accordance with current needs and practices.

69% of directors
believe that public
policies and regulatory
mechanisms will
be crucial for CSR
progress in the next
period



Good example of a comprehensive approach to integration of CSR in regulatory framework is the EU. One of the primary objectives of the EU when it comes to the CSR is integration into other policies.

When Serbia is concerned, most of the measures envisaged by existing Strategy to 2015, relates to the development and promotion, and a smaller part of the initiatives for amendments to legislation and public policy, which is the purview of the Government. On the other hand, it is evident that in this area there is a need for greater coordination and consultation of the business sector and civil society organizations in policy-making related to corporate social responsibility.

At the global level as well, business leaders believe that only greater government intervention in the global, national and local levels can lead sustainable business - from sporadic and partial improvements to collective and transformative actions.

According to a global survey conducted by UN Global Compact-Accenture, for example, 85% of directors expressed the need for a clearer policy to support green growth. However, according to the same survey, the leading companies are not waiting for the state to act. In the absence of incentives, many companies are exploiting the potential of using sustainability as a space for innovation and growth.





 kancelarija@odgovornoposlovanje.rs


 facebook.com/
odgovorno.poslovanje


 www.odgovornoposlovanje.rs

RESPONSIBLE BUSINESS FORUM

 office@smartkolektiv.org

 facebook/SmartKolektiv

 twitter.com/SmartKolektiv

 www.smartkolektiv.org

SMART KOLEKTIV

Survey conducted by:
Neven Marinović
Milica Mišković
Milica Predojević

Designed by:
Vjeko Sumić

Izdavač:

smartKOLEKTIV

Belgrade, 2015.

