

CORPORATE SOCIAL RESPONSIBILITY AND QUALITY IMPROVEMENT

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Summary: *The thesis provides the analysis of contemporary approach to business organization management. The main objective of modern business is achievement of business excellence and world-class of products and services. Modern business philosophy implies that organization has to be responsible for its actions and steps and towards all stakeholders in environment. Attaining of business excellence goals of an organization presupposes built corporate social responsibility. In order for domestic companies to become competitive internationally, it is necessary to change the way of thinking and to adopt modern global achievements in the field of organizational management.*

Key words: *social responsibility, organization, competitiveness, quality, business excellence, knowledge.*

1. INTRODUCTION

Achieving competitive ability in the conditions of global market is a complex process, which requires coordination of all business functions in the company and making a great financial and marketing effort. Competitive ability is hard to gain, but easy to lose in the conditions of so called offensive global competition. Quick technology improvement made conditions for technology to become available to everyone in the world under acceptable conditions. On the other hand, a quick spread of technology process influenced on the reduction of monopoly knowledge which resulted in an ability of entering, all organisationally and financially ready, for the fight on the world market.

Modern business implies prestructions of business functions. From traditional understanding directed to linear way of thinking, where all business functions were equally important companies have to turn to proactive thinking which implies understanding and creating of changes, as well as giving importance to those business functions which enable a company to create, maintain and improve competitive position on the global market. Functions which have strategic importance for doing business inside a company are research and development, quality and marketing. The function of research and development is a basic switch for development of a business company. Constant improvement of a business process is accomplished on the basis of implementation of quality managing concept. Marketing enables forming of a market picture and directs the business activity of a company due to spotted need and expressed customer's

demands. The function of marketing is intergrative because it connects not only these three but also all other functions in the company in order to gain firm market position of the company. Business changes in its base under the circumstances of global economy. Today, business organisation became aware of the fact that the way they do business has influence on the society as well. This acknowledgement has greater consequences. Changing the attitude of business organisations in global economy due to the question of competitiveness is today under the great influence of principles of corporate ethics. Implementation of principles of corporate ethics has a global character. The public interest is a primary interest of organisation, which has to incorporate into the business politics of the organisation and business politics of an organisation has to conduct completely in doing business.

2. MANAGEMENT IN GLOBAL BUSINESS CONDITIONS

Global competition becomes more intensive, offensive and eye-catching. Competition in the majority of industries has become internationalized and companies enter the market through global strategy. Considering the complexity and intensity of competitive relations in global economy, at the beginning of 21st century it is far more difficult to make market success. The reasons for this are the following:

- ✓ *Power has been transferred from manufacturers to distributors;*
- ✓ *Multi-national corporation become more powerful;*
- ✓ *New products have shorter lifecycle;*

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- ✓ *Consumables last much shorter than before;*
- ✓ *Digital technology lead to development of a whole series of products;*
- ✓ *The number of registered trade marks and patents is growing;*
- ✓ *Number of available products is growing;*
- ✓ *Markets are hyper-fragmented;*
- ✓ *Advertising space is more and more saturated.*
- ✓ *Consumers became choosy¹.*

Global business implies strategy role of knowledge and management based on constant improvement of knowledge. Global competition shifts from price level and technical innovations towards the field of knowledge management and innovations in the field of management and marketing. In global economy consumers obtain more and more education and information, and in the past ten years, they become owners of media – computer connected to internet becomes a super medium. Partners in repro chains also become more and more demanding in terms of provision of development goals – realization of growth in respect of building of fair and partner relations. State administration of the most developed countries worldwide has been, for almost three past decades, developing legislation to prevent degradation of environment and natural resources, as well as to improve and protect environment. Globally, guidelines for sustainable development are being defined, which should establish balance between economic development goals on one side and social development on the other side, acknowledging the need for improvement and protection of environment. All this governs business entities to be more dedicated to meeting the objectives of larger number of interest groups in their environment. Modern society has higher demands towards companies towards defining its social responsibility.

In new society, knowledge becomes a strategic source of power and wealth, and the basic social group is knowledge users, i.e. persons who are capable to put knowledge in service for performing business activity. Education and knowledge are new competitiveness factors. Each individual has to improve and improve its knowledge permanently. In the world where competitive advantages can be found anywhere, education must be continuous and lifelong. Education is competitive weapon both for individuals and for companies, as pointed out by Riderstrale and Nordstrom – working place has to become a student dorm². The group of such

individuals who continuously improve the productivity of their knowledge makes the organization productive. According to Drucker, since knowledge society must be the organization society, its central and important organ is management³.

Knowledge becomes a product, and corporate intellectual property is today even more valuable than physical resources. According to some views⁴, the more companies become aware of their own **intellectual capital** – whether patents, process knowledge, technology, management skills, marketing and market information, information on competitors, new product concepts, studies on buyers and suppliers, competitive analytical patents, licenses, rights, ideas for process or procedure improvement – the more its management will require constant monitoring. Modern organization must not only create knowledge, it **must also increase value**.

Achieving of business excellence (i.e. assuming market position of excellent company) and **creating of world-class products and services**, as a main prerequisite for growth and development of company, is not the job of only one business function, or one organizational unit of a company, it is the result of synchronous action of all functions within the company, according to precisely defined business objectives. Modern business, determined by market globalization, requires a new approach to studying business entity management process. Successful company can not be based on outdated management techniques and principles. Organization management has to be adjusted to the needs of users and requirements from environment. Business success in modern economy is determined by company's capability to meet the requirements set by market.

In modern business, emphasis is put on **macro-environment** instead on specific market. The focus is no longer on the consumer only, but also on the **entire society**. Customer satisfaction is one of key factors for achieving competitive advantage of an organization in modern business. Achieving customer satisfaction is tightly connected to attaining goals of quality management, particularly by achieving business excellence. All business processes in an organization should be **focused on the increase of value for customers**, in respect of realized products and services.

New business conditions require adjustment of business entities and building of organizational

¹ Kotler F., de Bes F.T., **Lateral Marketing**, Adizes, Novi Sad, 2005, p. 16.

² Riderstrale J., Nordstrom K., **Funky Business**, Plato, Belgrade, 2005, p. 224.

³ Drucker Peter, **Management in my View**, Adizes, Novi Sad, 2003, p. 196.

⁴ Tissen R., Andriesen D., Deprez, F.L., **Knowledge Dividend**, Adizes, Novi Sad, 2006, p. 15.

structure based on new postulates. This is particularly important for companies from countries in transition – ultimate goal of building of new organization is for it to become extremely flexible and innovative, i.e. to be able to meet the growing customer demands in shorter timeframe and to form competitive advantage which must encompass the emotional component as well. Modern business environment approaches the phenomenon which is identified as techno-economic parity⁵ – the assumption is that a very small number of products, technologies, services, findings, knowledge fields or procedures, are not available to all interest groups worldwide. Techno-economic parity presupposes that main prerequisites for business will become equal rapidly. In other words, this phenomenon points to the following outcome – the best win disregarding where they come from. One of the most important world-wide authorities in the market field, Filip Kotler, notes: “No matter how cheap a company can produce its product on domestic market, it can not be cheaper as long as China has something to offer”⁶.

Quality, along with **product differentiation** and **integrated marketing communication**, is the key component for **establishing a successful trademark** with stable market position. Quality becomes the primary development objective, gaining substance through achieving business excellence and world-class products and services. Customer satisfaction and organization performance should be continuously monitored with a view to discover improvement opportunities.

3. CORPORATE SOCIAL RESPONSIBILITY

In order to achieve business excellence, a company needs to permanently improve its business. Business improvement obtains the feature of continuous business quality improvement. In that sense, the main aspects of business quality are the following:

- ✓ **marketing aspect**,
- ✓ **business aspect and**
- ✓ **Social aspect**⁷.

Market aspect of quality improvement refers to satisfying customer’s needs, user-friendliness, and market positioning and achieving competitive advantage. Business aspect of business quality

improvement refers to improvement of quality of internal organization economy – improvement of efficiency, cost reduction, work and knowledge productivity increase, profit increase. Social aspect of business quality improvement of an organization implies the improvement of social welfare in respect of life quality improvement:

- ✓ **human health care**,
- ✓ **safety and health care of employees**,
- ✓ **protection and safety of consumers**,
- ✓ **protection and improvement of environment**,
- ✓ **preservation of natural resources**,
- ✓ **safety of entire society**,
- ✓ **Business in line with regulations**.

Social aspect of quality management compiles business and market quality aspect, enabling the realization of synergy effect in relation to the competitive position of the company. Successful company management, which should result in achieving, maintaining and improving of competitive market position, presupposes the implementation of principle of social responsibility into the company organizational structure.

Nowadays, business organizations became aware of the fact that the method in which they perform business influences the society as well. This finding has far-reaching consequences. According to some views⁸, if a company is aware of its possible influence on society, providing business, jobs, guaranteeing stable economy, then its focus must be shifted to reflect this radical view. The principles “*exist to compete*” shall have to cede position to the principle *exist to last*.

Kyoto Declaration, adopted on IV International Productivity Symposium 1990 in Japan, provides five proposals for productivity improvement:

1. **Care for human resources**,
2. **Cooperation between management and employees**,
3. **Mutual understanding**,
4. **Global cooperation**,
5. **Work for better future**⁹.

Therefore, modern business philosophy implies that company must be responsible for its actions and steps and towards all stakeholders in environment – both in macro environment and in the company itself. In that sense, company is obliged to meet all requirements of consumers, society, partners, employees and shareholders. This business philosophy is identified as Total Quality Management – *TQM*. Total Quality Management is business philosophy which emerged as logical and historical reaction of

⁵ Riderstrale J., Nordstrom K., **Funky Business**, Plato, Belgrade, 2005, p. 40.

⁶ Kotler Philip, **Ten Deadly Sins in Marketing**, Adizes, Novi Sad, 2005.

⁷ Heleta M., **With Quality into the World**, Magenta Z.I., Belgrade, 1995, p. 33.

⁸ Tisen R., Andrisen D., Depre F.L., **Knowledge Dividend**, Adizes, Novi Sad, 2006, p. 77.

⁹ Djordjević D., Cockalo D., **Quality Management**, TF „Mihajlo Pupin“, Zrenjanin, 2004, p. 52.

entrepreneurs to demands set by modern society. It refers to permanent improvement of overall business of an organization, which implies compiling technical-technological, market, economic, organizational and ethical business objectives. This concept implies: meeting consumers' needs, development of business quality, safety of employees, environmental

protection, education of employees and creation of corporate culture of an organization. Ultimate objective of application of TQM concept is improvement of life quality. From this point of view, the entire system relies on the individual who has to become a "responsible individual", who contributes by his work and actions to increase in productivity, and thereby in prosperity.

STAKEHOLDERS	DEMANDS	MANAGEMENT TECHNIQUES
Society	Integrity of an individual Environmental protection Safety of entire society Business in line with regulations	Social marketing Environmental protection (ISO 14000)
Consumers	Meeting the needs Meeting the requirements Realization of specification Overcoming the buyers' expectations	Marketing management Quality management (ISO 9000)
Partners	Fair relations Financial result Growth	Marketing directed towards building of partner relationship (relationship marketing)
Shareholders	Financial result Increase in company value Growth and development	Strategic management Financial management

Source: Paul James, **Total Quality management**, Prentice Hall Europe, Hertfordshire, 1996, p. 220.

Table 1: Structure of TQM concept

Achievement of goals of business excellence of an organization presupposes built Corporate Social Responsibility (CSR). It represents determination for improvement of community welfare through discretion business practices and contributions at the expense of company resources¹⁰. Key word of this definition is discretion. It is a voluntary determination of an organization and its decision to choose and apply business practices which give contributions. Some of the reasons for application and development of corporate social responsibility are the following: increase in market share, strengthening of trade mark position, strengthening of corporate image, improvement of capability for attraction and motivation of employees, business cost reduction, increased attractiveness for investors.

Once it was enough for a company to meet basic economic goals – profit, as a basis for attaining of growth and development goals. Since 1970s, business goal which implies meeting consumer demands gains significance – informed consumers become the first and the last link in the economic chain. The company must first identify consumers' demands, and then define ways for meeting them. The 1990s have brought along the

necessity to meet general social interests – therefore, in addition to consumers and asset owners, a company in modern business has to **meet wider range of interests reigning in its social environment.**

According to some views, six social initiatives acting in the field of corporate social responsibility can be identified today:

1. **Promotion of social objectives,**
2. **Marketing related to social objectives,**
3. **Corporate social marketing,**
4. **Corporate philanthropy,**
5. **Voluntary work for community,**
6. **Socially responsible business practice¹¹.**

Promotion of social objectives implies that companies provide funds, donations in kind, or other resources in order to raise awareness of a particular social objective, or to collect funds for this social objective. Marketing related to social objectives implies that a company obliges to donate certain percentage of revenue generated from sales of products or services for a particular social objective. Corporate social marketing implies that company assists in development

¹⁰ Kotler F., Li N., **Corporate Social Responsibility**, Cigoja, Belgrade, 2007, p. 3.

¹¹ Kotler F., Li N., **Corporate Social Responsibility**, Cigoja, Belgrade, 2007, p. 28.

and/or conducting of campaign for change of behavior in order to improve health, safety, environment or community prosperity. Corporate philanthropy is a practice where a company directly gives donations for a charitable or social action, most often as a grant funds in cash or in kind. Voluntary work for community implies that a company supports and encourages its employees, as well as employees of partner organizations to hold through voluntary work the local social

organizations and actions. Socially responsible business practice implies the situation when a company at its sole discretion adopts and implements business practice which supports a social objective, which is to improve the life in community and to protect environment.

The concept of Corporate Social Responsibility nowadays is a standard and is a constituent part of integrated management systems. Review of standardized management systems is shown in table 2.

No	Name	Mark	Interested party
1.	Quality Management System – QMS	ISO 9001:2000	User
2.	Environmental Management System – EMS	ISO 14001:1996	Community
3.	Occupational Health and Safety Management System - OH&SMS	OHSAS 18001:1999	Employee
4.	Corporate Social Responsibility Management System – CSRMS	SA 8000	Society

Table 2: Standardized management systems

Instead of long-lasting building of TQM concept, business excellence goals can be attained within shorter period of time when applying one by one module of integrated management systems, based on keeping to requirements of international standards ISO 9001, ISO 14001, ISO 18001 and SA 8000. Each of these standards contains one of assumptions of corporate social responsibility concept, and SA 8000 standard is directly connected to development of this principle. Principles of SA 8000 can be applied by all companies disregarding thereof size and structure, but who wish to have socially responsible working place anywhere in the world. Companies can certify their locations, and can select special specific plants for certification. Thanks to application of SA 8000, a company can properly maintain working conditions through supply chain.

Social Accountability 8000 (SA 8000) represents new international and inter-industrial standard created in 1997, and revised in 2001. Standard SA 8000 is based on ISO 9000, but its goal is improvement of working conditions in factories worldwide. The difference between these two standards is that SA 8000 includes the characteristics of requirements in supplement of system. Namely, SA 8000 requires the employer to give to employees the salaries which are sufficient for their needs, to provide safe working environment, not to employ children or engage force labor, and does not require from employees to work more than 48 hours a week. SA 8000 is based on nine components, as follows:

1. **Children labor,**
2. **Forced labor,**
3. **Health and safety,**
4. **Free association and right to collective agreement,**

5. **Discrimination,**
6. **Discipline,**
7. **Working hours,**
8. **Compensation,**
9. **Management system.**

Application of SA 8000 standard is important for all market factors: employees, unions, non-governmental organizations, buyers and investors, as well as company itself. Some of the most significant advantages of this standard are as follows:

- **High motivation of employees which results in better working conditions,**
- **Incentive for humane working conditions may lead to high quality product,**
- **Raising public awareness that the company supported the protection of employee rights**
- **Improves trade mark and company reputation,**
- **Differentiates the company compared to competition,**
- **The company is more attractive for new buyers.**

The major users of this standard are companies from the fields of textile, footwear, clothes, food, toys, cosmetics and electronic products. Service and agricultural sector are still learning the advantages of their application and especially in the area of retail, fast food, export agencies and high level crop production.

According to data of Social Accountability International – SAI, up until September 30, 2008, 1,835 plants situated in 68 countries were certified worldwide. Also, this number of certified plants is situated in 68 industries where 985,847 employers are represented. As we can see in table 3, the number of certified plants is growing each year, which points to development of employer's

awareness of importance of creating adequate successful business.
working atmosphere as a precondition for

The number of certified plants by years		% annual growth
2008*	1835	16
2007	1580	12
2006	1200	36
2005	881	54
2004	572	67
2003	342	79
2002	191	68
2001	114	54
2000	74	95
1999	38	375
1998	8	

Source: sasaccreditation.org/certification.htm * includes only two quarters, up until June 2008.

Table 3: The number of certified plants by years

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International Standardization Organization works on development of future standard ISO 26000 providing guidelines for social responsibility (SR). Standard ISO 26000 shall be addressed to all types of companies, both in public and private sector, in developed and developing countries. ISO 26000 represents the added value of the existing initiative for SR by providing harmonization; adequate global guidelines based on international consensus of main representatives of expert group stakeholders and thus encourage the application of best practices of SR worldwide. This standard is important not only for its relation towards the company products and services and customer satisfaction, but also for socially responsible business operation.

4. GUIDELINES FOR IMPROVEMENT OF COMPETITIVENESS OF DOMESTIC BUSINESS ORGANIZATIONS

Competitive position of Serbian companies in respect of reputation on global market is extremely bad. Domestic companies mainly failed to make adequate business efforts to establish reputation as an element which influences the market position of a company and its competitive capability. Successful companies have long been applying ethical principles in business – they take care of employees, environmental protection, consumers’

health, development of healthy competitive relations. The majority of organizations being market leaders in different fields have become socially responsible, whereby this is reflected in particular through achieving consumer satisfaction. According to Kotler¹², companies which are in the group of most adored keep to the rule of serving people’s interests, and not own interests. The leading 15 companies in 2001, like Johnson & Johnson, Microsoft, Coca-Cola, Intel, 3M, Sony, HP, Fedex, IBM, Disney, General Electric, Dell, P&G and UPS are known for their products and services, but also for the philanthropy of the company itself. These are the companies which obtained reputation and reliability for making long-standing efforts to achieve customer satisfaction, which resulted in financial effects and market position.

Corporate social responsibility represents one of the pillars of business excellence of an organization. The other two pillars of business excellence are meeting customer needs and improving business productivity¹³. Business excellence implies development of market business with customer in the center of organization’s attention, continuous improvement of business based on improvement of knowledge and work productivity and, finally, business adjusted to requirements of different interest groups from the environment with a view to improve public interest. Instead of long-lasting building of TQM concept, business excellence goals can be attained within shorter period of time

¹² Kotler Philip, **Marketing from A to Z**, Adizes, Novi Sad, 2003, p. 80.

¹³ Djordjevic D., Bogetic S., **Role of Corporate Social Responsibility in Modern Business**, Megatrend Review, vol 5, No 1/2008,

Megatrend University, Belgrade, p. 151-165.

when applying one by one module of integrated management systems, based on keeping to requirements of international standards ISO 9001, ISO 14001, ISO 18001 and SA 8000. Each of these standards contains one of assumptions of corporate social responsibility concept, and SA 8000 standard is directly connected to development of this principle. Application of IMS concept can be very important for companies from countries in transition. For a company that wishes to achieve business excellence goals at the current development level, it is completely justified that it determines to integrate certain management systems defined by individual standards.

According to ISO, in 2006 in Serbia there were 1,551 organizations that introduced quality management system according to international standard ISO 9001, i.e. 84 companies that introduced environmental management system ISO 14001¹⁴. Disregarding the growing trend in the number of organizations which introduced quality management system and development of quality movement in domestic economy, overall results are still under the satisfactory level. The majority of companies which introduced quality management system belong to the group of large companies. On the other hand, the application of SA 8000 standard on domestic market has not yet begun in real sense, and adjacent countries begin to apply these standards.

Country	Number of plants
Romania	4
Bulgaria	2
Croatia	2
Hungary	1
Slovenia	1

Source: sasaccreditation.org/certification.htm

Table 4: Number of certified plants

Ethical principles in business are still developing in the majority of domestic companies, and few companies actively apply corporate social responsibility concept. The exception is those domestic companies which have been privatized by foreign corporations. Corporate social responsibility is not developed in domestic private companies, where native private capital dominates. In public companies, the principles of corporate ethics are applied declaratively – in majority of public companies there are codes of business conduct, which are applied inadequately, or are not applied at all. To improve the situation in the field of corporate ethics, Serbian Chamber of Economy has prepared and adopted **the codes of business**

conduct. The Chamber Assembly has, at session held on December 15, 2005, adopted two codes, as follows:

- ***The Code of Business Ethics, and***
- ***The Code of Corporate Management.***

The Code of Business Ethics establishes the principles and rules of business ethics which are compulsory for companies, members of Chamber, employees, members of authorities and persons engaged by service contract with company, as well as for foreign companies. Some of **the most important ethic principles** defined in this Code are the following: personal responsibility, business legality, conscience and honor, prohibition of misuse of rights, respecting business partners, negotiating, preparation of contractual provisions, duty to fulfill obligations, execution of obligations and gaining rights, amicable resolution of disputes. The Code covers issues like internal relations within a company, protection of open competition, protection of consumer's rights, etc. **The Code of Corporate Management** encompasses rules on management and management monitoring in profit making companies. The main objective of the Code is establishment of good business practice in the field of corporate management, which should establish balance between power and influence of authorities in society, create lasting and consistent system for control of management work and protection of shareholders' (investors') rights. The overall objective of both these Codes is improvement of competitiveness in the economy of the Republic of Serbia and approximation of domestic economy to requirements of international environment, particularly those stemming from EU in the process of European integration of the Republic of Serbia.

Aiming at better promotion of CSR concept, the Open Society Fund, Smart Collective and Serbian Chamber of Economy have launched a project titled "Responsible Business Initiative-RBI" with a view to induce and institutionalize the concept of social responsibility of companies in Serbia. For the first time, in March 2008, Serbian Chamber of Economy has given awards for CSR – company Tigar from Pirot and company Biovoda from Bujanovac have been proclaimed to be the most socially responsible companies in Serbia. In the category of large companies, the awards were given to company Ball Packing from Belgrade, brewery Carlsberg from Celarevo, Holcim from Novi Popovac and Erste bank from Novi Sad.

The major resistance to creation of knowledge culture stems from the idea that knowledge is power – people who know are more powerful than people who don't. The replacement of such notion stems from the idea – power is in knowledge

¹⁴ The ISO Survey of ISO ISO 9000 Certificates, **ISO,2006.**, www.iso.org

exchange. Future success shall depend on capability of an organization to use collective wisdom, which is a set of accumulated opinions, experience perceptions, intuition and intelligence¹⁵. All this becomes even more important when taking into account the major problems of domestic companies:

- ❖ *Business based on outdated management principles,*
- ❖ *Inertia and lack of capability to adjust to the market changes,*
- ❖ *Failure to accept integral management concept,*
- ❖ *Failure to accept marketing logic,*
- ❖ *Inadequate treatment of investing in knowledge,*
- ❖ *Failure to acknowledge foreign experiences.*

One of certainly most important problems of domestic economy, which significantly causes the poor international market entry of our companies, is the **inadequate use of knowledge**, which primarily implies **knowledge necessary for efficient company management**.

The main streams of action with a view to improve business of domestic companies are the following:

- **Behavioral change** based on application of modern management techniques,
- **Acceptance of market business logic,**
- Wider and faster **acceptance of quality management concept** and international standard series ISO 9000:2000,
- **Application and development of integrated management systems,**
- **Application of corporate social responsibility concept,**
- **Continuous improvement of all employees** in domestic business organizations, primarily of executive management,
- Wider and more comprehensive **application of benchmarking concept** in domestic business organizations,
- **Application of reengineering** aimed at creation of knowledge-based organizations,
- **Creation of successful brands** based on combining the effects of quality improvement, product differentiation and integrated marketing communication,
- **Achieving customer satisfaction** as a basis for forming loyalty towards a trade mark.

Modern understanding of competitiveness implies constant **struggle for work and knowledge productivity improvement**. Insufficient experience of our companies in respect of application of modern management concepts and techniques, failure to acknowledge foreign experiences, inadequate approach to marketing, as well as ignorance of marketing technology, lead to the situation that domestic companies can not keep

pace with international competitors. **Knowledge innovation**, in line with worldwide experience, represents a significant factor of business improvement of domestic companies.

The main streams of action in the field of education of domestic managers should be:

- ❖ **Education for new operation conditions**, based on market mechanism, private property and productivity as a factor of competitiveness,
- ❖ **Promotion of new concept – necessity of struggle for productivity**, as basis for survival on market, market development and development of specific companies,
- ❖ **Permanent learning from experience of others – continuous application of benchmarking with a view to achieve business excellence.**

These streams of **strategy focusing** certainly are **long-term**, therefore their results should also be regarded as such – positive results in short term can not be expected, nor can be expected the positive results from periodical and sporadic actions.

Drucker says: “Everyone knows that the second law of thermodynamics is that all work becomes heat and friction. Drucker’s first law is that everything becomes work, otherwise nothing is done. Much of the work itself becomes heat and friction, but work comes first”¹⁶. Assuming such definition of success of organization, it is implied that domestic companies need to define more clearly their own development strategy, in particular in line with European and global integration streams, and application of CSR concept is one of the basic elements of successful market development.

5. CONCLUSION

Corporate social responsibility is one of the pillars of business excellence of an organization. The other two pillars, meeting customers’ needs and improvement of business productivity, can generate profit, but without application of social responsibility principle, there can be no business excellence. Application of corporate social responsibility concept in domestic companies should enable setting up of conditions for more successful market entry and achieving competitive capability of domestic companies. The main driver of these activities has to be knowledge. In the process of creating adequate atmosphere for application of corporate social responsibility, one of the key elements are institutions. Stable institutions represent basis for further development

¹⁵ Tissen R., Andriesen D., Deprez, F.L., **Knowledge Dividend**, Adizes, Novi Sad, 2006, p. 25.

¹⁶ Drucker Peter, **Management for Future**, PS Grmec – Economic Review, Belgrade, 1996, p. 299.

of other elements which constitute an atmosphere, such as: regulations and strategies and process participants (companies, NGOs and local self government). Application of ethic codes of conduct, both by different associations and chamber system, and by specific business entities, should contribute to the development of competitive relations in economy and improvement of competitive climate.

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