

The Interdependence of Integrated Management Systems and Corporate Social Responsibility

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Abstract: In this paper the authors would like to point out the fact that new business philosophy assumes an organization which must be responsible for its activities and practices to all the actors in the environment. The main goal of contemporary business operations is accomplishing business excellence and achieving world class products and services. The accomplishment of the set goals presupposes a built corporate social responsibility. Enterprises which are actively and continually implementing contemporary management methods and techniques have better chances for strengthening their competitive abilities on the global market and for reaching a stable market position with perspectives for further market growth. In order to enhance the level of competitiveness of domestic enterprises in international settings, it is necessary to change the way of thinking and to accept contemporary world achievements in the field of business management.

Keywords: Integrated Management Systems, Corporate Social Responsibility, Competitiveness, Quality, Business Excellence

1. INTRODUCTION

Global competitiveness is becoming more and more intensive, offensive and noticeable. Competitiveness has become, in most industries, international and companies are taking their position on the market through global strategies. Considering complex character and intensity of competitive relations in the global economy, it is much more difficult to achieve market success at the beginning of the 21st century than before. The reasons for that may be found in the following: the power was transferred from producers to distributors; multinational corporations are becoming more powerful; new products have « shorter life»; consumer goods last shorter than before; digital technology has

made possible development of a range of new products; the number of registered trade marks and innovations is growing; the number of available products is also growing; markets are hyper-fragmentated ; the room for advertising is becoming preoccupied; consumers are becoming more and more selective.[6, pp. 16]

Global competitiveness is moving from the level of prices and technical innovations towards knowledge management and innovations in the sphere of management and marketing. In the global economy consumers are more and more educated and informed and, in the last ten years, they have become media owners – computers connected to the Internet have become super media.

Partners in repro chains are also becoming more demanding considering providing their development goals – achieving growth on the bases of building fair and partnerlike relations. State administrations of the most developed countries are passing laws and regulations that should prevent further degradation of the environment and natural resources and improve and protect the environment as well. Guidelines of sustainable development are being defined at global level. All said before influences business participants and forces them to commit themselves more seriously to the process of satisfying the goals of the growing number of interest groups in their surroundings.

In the new society knowledge is becoming a strategic source of power and wealth – competitiveness factors and basic social groups are those capable of putting knowledge in the function of renewing business activities. Every individual has to improve himself/herself permanently and to refresh knowledge. In the world where competitive advantages can be found everywhere education must be consistent and lifelong, or as Riderstrale and Nordstrom say – “working place must become a students residence hall” [11, pp. 224]. According to Draker [1, pp. 196], a society of knowledge must be an organizational society and its central and important organ is management.

Knowledge is becoming a product and corporative intellectual ownership is now more valuable than physical resources. According to some opinions, the more companies become aware of their own intellectual capital – whether they are patents, knowledge about processes, technologies, management skills, marketing and market information, information about competitors, new products concepts, polls concerning buyers and suppliers, competitive analitical patents, licences, rights, ideas for improving processes or procedures - the more constant supervision over it will be necessary. It is not enough that modern organizations have to create knowledge but they have to improve value. [15, pp. 15]

New business conditions ask for adjustment of business actors and building organizational structure based on new

postulates. This is particularly important for companies from countries in transition - the final aim of new organizations is that they become extremely flexible and innovative, in other words, that they become able to realize the growing requirements of their customers in shorter time and to form competitive advantage which includes emotional component. Modern business environment is approaching the phenomena marked as techno-economic parity which initial precondition is in the statement that there are few products, technologies, services, knowledge, knowledge areas or procedures that are not available to all interest groups all around the world. In other words, the result is the following – the best win no matter where they come from.[11, pp. 40] This also points out to Kotler's words: "No matter how cheap companies can make their products on their own territory, they cannot be cheaper as long as China has something to offer." [8].

2. BUSINESS EXCELLENCE AND CORPORATIVE SOCIAL RESPONSIBILITY

In order to achieve business excellence an enterprise should permanently improve its business activities. According to Masaki Imaja's [10, pp. 36] opinion quality can be defined in many different ways but the widest definition states that quality represents everything that can be improved. Quality includes all aspects of human behaviour. In this sense, basic aspects of business quality are: marketing aspect, business aspect and social aspect. [3, pp. 33]

Marketing aspect of quality improvement is related to satisfaction of consumers' needs, usage convenience, market position and achieving competitive advantage. Business aspect of improving quality of business is related to improving quality of internal economy of the organization – improving efficiency, reducing costs, improving productivity of work and knowledge, increasing profit. Social aspect of improving quality of business in an organization assumes improving social welfare based on improving quality of life: protection of health, safety and health care of workers, protection and safety of consumers, protection and improvement of the environment, protection of natural resources,

safety of all in the society, business activities harmonized with regulations. Social aspect of quality management combines business and marketing quality aspects enabling synergy effect in relation to competitive position of the enterprise. Successful enterprise management which should result in achieving, maintaining and improving competitive position on the market assumes implementation of social responsibility principles in enterprise organizational structure.

Nowadays, business organizations are aware of the fact that the way they perform business influences the society. According to some opinions [15, pp. 77], if a company is aware of its influence on society (providing jobs, working positions, contributing to stability of the economy) then its focus has to be changed in order to reflect this radical way of thinking. The principle- being in order to compete, must be exchanged for the principle- being in order to last.

Modern business philosophy assumes that an enterprise has to be responsible for its activities and steps towards all the active participants in the surroundings – both in the enterprise and wider, in the society. That means that the enterprise has to satisfy all requirements of consumers, partners, workers, shareholders and the society, as well. This business philosophy, called Total Quality Management – TQM, originated as logical and historical answer of entrepreneurs to requirements postulated by modern societies. It assumes permanent improvement of the whole organization, including technical, technological, marketing, economical, organizational and ethical aims. TQM concept assumes: satisfaction of consumers' needs, development of business quality, safety of employees, protection of the environment, professional training and creating organizational corporate culture. The final aim of TQM concept application is improving the quality of life.

Achieving the aims of business excellence assumes previously built corporate social responsibility (CSR). It represents strategy for improving welfare of the society through discretionary business practices and contributions on account of company's resources. [7, pp. 3] Some reasons for applying and developing corporate social responsibility are the following: increasing market share, strengthening trade mark position,

strengthening corporate image, improving abilities for attracting and motivating employees, reducing business costs, stimulating investments.

In the past, it was enough for an enterprise to satisfy basic economic aim – profit, as a basis for realizing the aims of growth and development. In the 90s, it was necessary to satisfy general social interests. Nowadays, according to some opinions, six social initiatives in the sphere of corporate social responsibility can be recognized: promoting social aims, marketing linked to social aims, corporate social marketing, corporate philanthropy, voluntary work for the community, socially responsible business practice. [7, pp. 28]

Instead of long-time building of TQM concept, the aims of business excellence can be achieved, in shorter time by applying one by one module of integrated management systems, based on respecting the requirements of international standards ISO 9001, ISO 14001, ISO 18001 and SA 8000. In each of these standards there is a postulate of the corporate social responsibility concept and the standard SA 8000 is directly linked to the development of this principle.

Social Accountability 8000 (SA 8000) is the international and inter-industrial standard created in 1997, revised in 2001. Standard SA 8000 is based on ISO 9000 but its aim is improving working conditions in companies worldwide. The difference between these two standards is in the fact that SA 8000 incorporates characteristics of requirements in the system complement. SA 8000 is based on the elements which application is important for all market participants: workers, trade unions, NGO, buyers and investors, as well as companies. Some of the most significant advantages of this standard are: high motivation of employees resulted in better working conditions, stimulation of more human working conditions may result in high quality products, increase of public consciousness concerning company's engagements in protection of workers' rights may improve trade mark and company's reputation and differentiate the company in relation to competitors, the company is more attractive for buyers.

The principles of SA 8000 can be used by all companies, no matter what their size or structure is if they want to have socially responsible place in the world. Companies can

certificate all their locations and they can also choose special, specific systems for certification. Thanks to application of SA 8000 a company can maintain its working conditions well through supply canals.

The most common users of this standard are companies in the sphere of textile, footwear, clothes, food, toys, cosmetics and electronic products. Agricultural and service sectors are still learning about the advantages of the standard application, especially in the spheres of retailing, fast food, export agencies and high level of crops production. The International Standards Organization (ISO) is developing a future standard ISO 26000 providing directions for social responsibility (SR).

– **Facts from the „field“**

According to the data ISO for 2008, China (224616) and Italy (118309) took the first two positions concerning the number of implemented standards ISO 9001:2000. China took the first place (39195) for implementation of ISO 14001:2004 in their companies, Japan followed (35573).

According to implementation of ISO 22000:2005 in their economies, Turkey and Greece distinguish themselves with 155, or 1074 certified companies. These data are not unexpected because the economies of these countries are mainly based on producing food, tourism and hotel business.

In the sphere of SA 8000 Italy has the greatest number of certified plants – 881 and India follows with 429. These data can be explained by the fact that in these countries small and medium- size firms in the field of textiles are developing most which represents an excellent bases for implementation of this standard.

The data presented in the table 1 are related to Serbia and the nearby countries. The

table 1 shows a comparative review of the number of certified firms in the countries of West Balkans and their surroundings for 2008 (the data for SA 8000 are from 2009). As the table shows, Romania and Hungary represent the countries with the greatest number of certified firms comparing to the surrounding countries. Romania is the most dominant country according to the number of certified firms which can be seen at implementation of ISO 14001:2004, ISO 27001:2005 and SA 8000.

3. ANALYSES OF COMPETITIVENESS AND CSR OF DOMESTIC COMPANIES

Successful companies have applied ethical principles for a long time – they take care about their workers, environmental protection, consumers' health and about development of sound competitive relations. The majority of organizations representing market leaders in different fields have become socially responsible-this particularly counts for achieving consumers' satisfaction. According to Kotler [9, pp. 80], the most adored companies stick to the principle of serving people's interests and not their own. The leading 15 companies in 2001, such as Johnson & Johnson, Microsoft, Coca-Cola, Intel, 3M, Sony, HP, Fedex, IBM, Disney, General Electric, Dell, P&G and UPS are well known for their products and services and for their philanthropy, as well. These are the companies that have achieved good reputation by taking efforts directed towards satisfying consumers' needs, which resulted in financial effects and in good market position.

Table 1 – Number of certified firms for 2008 [4]

COUNTRY	ISO 9001:2000	ISO 14001:2004	ISO 22000:2005	SA 8000
Albania	43	0	0	0
BosniaandHerzegovina	811	60	0	0
Bulgaria	5 323	321	23	2
Croatia	2 302	343	10	5
Hungary	10 187	1 834	135	0
Montenegro	160	17	0	0
Romania	10 737	3 884	44	35
Serbia	2 091	176	0	1
Slovenia	1945	672	16	1
Macedonia	271	26	4	1

Corporate social responsibility represents one of the pillars of organization's business excellence. Another two pillars are satisfaction of customers' requirements and improvement of business productivity.[2] They can result in making profit but there is no business excellence without applying the principle of social responsibility. Applying the principle of social responsibility is of special importance for the companies coming from transitional countries because of the fact that it represents the way how to improve competitive position on the market. In other words, socially responsible business practice asks for combination of different management methods and techniques, such as integrated management systems, marketing relations, benchmarking etc. which means that companies improve their business practice and their competitive abilities by applying these modern tools. Applying the concept of integrated management systems is also of great significance for the companies coming from transitional countries. It is justifiable that companies which want to achieve the aims of business excellence, at their present level of development, choose to integrate some of individual management systems defined by individual standards.

Competitive position of Serbian companies, according to their reputation on the world market, is very unfavorable. Domestic companies mostly haven't tried hard to build reputation and in that way improve their market position and competitive ability. According to the global index of competitiveness by World Economic Forum [13], Serbia finished the year of 2009 on 93rd place out of 133 countries. In only one year Serbia, according to the competitiveness index, dropped by eight places. Slovenia, Montenegro, Croatia, Macedonia, Hungary, Romania, Bulgaria and even Panama and Khazastan are now in front of Serbia. The only country from the region that is after Serbia is Bosnia and Hezegovina, at 109th place (table 2).

Table 2 – Ranking West Balkan countries according to competitiveness in 2009 [13]

COUNTRY	PLACE
Slovenia	37
Montenegro	62
Croatia	72
Macedonia	84
Serbia	93
BandH	109

The least competitive is processing industry, metal manufacturing and electronics - there haven't been any technological progress for years.

The concept of corporate social responsibility has been applying on domestic market for years. Trying to promote the concept of CSR The Fund for Open Society, Smart Kolektiv and Serbian Chamber of Commerce started the project „Responsible Business Initiative-RBI“ in order to initiate and institutionalize the concept of social responsibility of Serbian companies. The winner of Virtus award for 2009 for a company's contribution to local communities was Eurobank EFG a.d. Beograd for philanthropy activities performed in the regions in which it is doing business. In the field of small and medium size companies the winner was the company Infostud 3 a.d. Subotica. This company performs its activities via Internet page. Their activities are different and their aim is providing information concerning social and health care, education, promoting employment opportunities etc. The reward for supporting the most innovative project was given to Erste bank for the project „Erste Reestetika kreativna tehnika“. In other words, this bank wants to support young designers through this project. Societe Generale Banka Srbija a.d. Beograd was rewarded for its cooperation with Food Bank – it is, in fact, the long lasting partnership between business and non-profit sector. The main reward for the contribution at national level was given to Radio-difuzno preduzeće B92 a.d. Beograd for their activities related to socially endangered groups, education, informing people about illness prevention, as well as protection of environment. The Serbian Chamber of Commerce rewarded, for the first time, in March 2008, CSR – A company Tigar from Pirot and a company Biovoda from Bujanovac were declared socially most responsible companies in Serbia. In the category of big companies the rewards were given to the companies Ball Packaging from Belgrade, a brewery Calsberg from Čelarevo, Holcim from Novi Popovac and Erste bank from Novi Sad.

The agency Medijum Galup and a daily newspaper Blic made a survey related to researching social responsibility of domestic business organizations in 2009 (table 3). The survey was realized from 17th to 22nd November 2009 on a representative sample,

including 1022 interviewed on the territory of Republic of Serbia.

Table 3 – The most responsible organizations on domestic market in 2009 [14]

NUMBER	BUSINESS ORGANIZATION	PARTICIPATION IN THE ANSWERS
1.	Telekom	26,3%
2.	EPS	24,1
3.	Telenor	20,35
4.	NIS	19,2%
5.	PTT Srbija	18,6%
6.	Knjaz Miloš	15,5%
7.	RTS	14%
8.	Galenika	13,9%
9.	Hemofarm	13,7%
10.	Bambi	13,1%

On the other hand, consciousness related to the need to implement the concept of corporative social responsibility has not been developed enough. The results of the research performed among the students at the end of 2009, on the territory of Republic of Serbia speak in favor of this statement. The research included 520 students oriented towards management. The research results point out the fact that the majority of the students - 85,36% were not informed about the notion of CSR. Those who heard about CSR, did that from media (35,68%), the Internet (23,78%) or textbooks (22,9%). According to the opinion of the interviewed, the most common activities from the field of CSR are the following: socially responsible business practice (25,23%), corporative social marketing (21%), marketing connected to social aims (17,3%) and promotion of social aims (14%). The interviewed students stated the following necessary elements for development of competitive abilities that domestic companies should have: permanent training of executives and employees (25,49%), significant investments in marketing (22,13%), business quality standards (12,89%), development of relationship marketing (10%) and application of modern management methods and techniques (8,7%). The majority of the interviewed, 85% of them, could not name any domestic company that could be characterised as socially responsible and 82,43% of them didn't think that there was any connection between competitive ability and social responsibility.

4. REQUIREMENTS FOR THE FUTURE OF SERBIAN ECONOMY

Future success will depend on organization's ability to use collective wisdom which represents a collection of accumulated opinions, perceptions, experiences, intuition and intelligence. [15, pp. 25] Everything becomes more important when major problems of domestic companies are taken into account: business based on old fashioned management principles, inertia and inadaptability to market changes, rejecting integrated management concept, rejecting marketing logics, inappropriate investments in knowledge, neglecting foreign experiences.

One of the most significant problems of domestic economy which, in great extent, influences bad market performance of our companies on the international market is certainly inappropriate knowledge usage, considering the knowledge necessary for efficient company management.

Knowledge innovation harmonized with the world experiences represents an important factor for improving business of domestic companies. According to the opinion of Masaki Imai [10, pp. 24], every delay in implementation of new technologies can be very expensive but delay in implementation of new management techniques is not less expensive at all. The main directions of action in education of domestic executives should be:

- Education for new business conditions based on market mechanism, private property and productivity as a factor of competitiveness,

- Promotion of the new concept – necessity to »fight« for productivity, because productivity represents a survival on the market, development of marketing and competitiveness for a company,
 - Permanent learning on the experiences of the others – permanent application of benchmarking in order to achieve business excellence.
- These directions of strategic focusing have longlasting character, so this is the way how to treat their results – positive results cannot be expected in short time nor they can be expected from sporadic and occasional activities.

more successful market performance and achieving competitive abilities of domestic companies. Knowledge must be the main driving force of these activities. Institutions represent one of the key elements in the process of building a good ambience for implementation of corporative social responsibility. Stable institutions represent a bases for further development of other elements that are making the ambience and they are: regulations, strategies and the participants in the process (companies, NGO, local communities). Application of ethical codes both from different associations and actual business organizations should contribute the development of competitive relations in the economy and improve competitive climate. Domestic companies have to create their own development strategy more clearly and to harmonize it with European and global integration trends and the implementation of CSR concept is one of the basic elements of successful marketing development.

4. CONCLUSION

Corporative social responsibility represents one of the pillars of organization's business excellence. Implementation of corporative social responsibility in domestic companies should enable making conditions for

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