

## DOING BUSINESS IN RESPONSIBLE MANNER: THE CASE OF ITALIAN INVESTORS ON THE SERBIAN MARKET\*

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### Abstract

*The assumption of this project is that in addition to the profit and benefits for owners, corporations also affect the society and its development. Concurrently, the common concept is that socially responsible business positively affects corporation's financial results. However, management is not always aware of the correlation between corporation's long-term performance and respect for ethical standards and is often oriented to achieving short term goals. The question of ethics in business is especially present in the times of crisis, the crises we are facing now. In developed market economies, questions of ethical business are the focal points of interest, leading to creation of certain rules and standards. However, in an underdeveloped and societies in transition ethical business is often in the shadow of questions about profitability. Therefore, we believe that it is very important to discover how social responsible business is seen by corporations from developed countries that are operating in Republic of Serbia. Since Italy is one of the leading investors in the Serbian market, our goal is to explore relationship of Italian corporation towards their employees, natural environment and society.*

**Key words:** corporate social responsibility, stockholder theory, stakeholder theory, Italian investors, Serbia

### Introduction

Although *corporate social responsibility (CSR)* theme was a subject of many debates, especially in the last 10 years, idea of companies' social responsibility is as old as the concept of a *company*. The word *company* has its roots in Latin words *cum* and *panis* that mean "breaking bread together"<sup>3</sup>, and shows that the original idea about company had social connotation. Since one overall definition of corporate social responsibility is not known, we will quote some of them.

Wikipedia, online encyclopaedia defines this concept as: "Corporate Social Responsibility (CSR), also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business (SRB) and corporate social performance is a form of corporate self-regulation integrated into a business model. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure their adherence to law, ethical standards, and international norms. Business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, business would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality."<sup>4</sup>

The World Business Council for Sustainable Development defines CSR as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at

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<sup>3</sup> "A Guide to Corporate Social Responsibility", Miami University

<sup>4</sup> Source: [http://en.wikipedia.org/wiki/Corporate\\_social\\_responsibility](http://en.wikipedia.org/wiki/Corporate_social_responsibility)

large”<sup>5</sup>. As per United Nations, “CSR can be defined as the overall contribution of business to sustainable development”.

International Financial Corporation defines corporate social responsibility as following: “Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development”<sup>6</sup>.

However, term corporate social responsibility is not related only to big corporations, but also entrepreneurs, small and medium sized companies also should operate socially responsible. Then, the term responsible entrepreneurship<sup>7</sup> means implementing company’s economical success with taking into consideration benefits of broader society and controlling effects on environment. In the other words, companies should satisfy customers’ needs while respecting expectations of other interest groups such as employees, suppliers and local community. Responsible entrepreneurs and small and medium companies bring direct benefits to the company and insures its long term competitiveness<sup>8</sup>.

We can conclude that corporate social responsibility demonstrates self regulation mechanism – the way companies manage their economical, societal and ecological influence and their relations with all interest groups<sup>9</sup>. This term does not imply only what companies’ do with their profits, but also how they make profits. It outgrows the concept of philanthropy or respect of law and rules, and also implies company’s contribution to sustainable development. In addition, social responsibility is not expected only from big corporations, but also from small and medium-sized enterprises. Finally, activities we find socially responsible not only benefit interest groups, but also have positive effects on the company itself.

## 1. Corporate responsibility

The question that comes to the mind when we are talking about corporate social responsibility is: “What for and to whom are the companies responsible ” there are two main answers that can be fined in the relevant literature. One was given by the classical theory of social responsibility - stockholder theory. According to this theory the primary responsibility of the company is the responsibility towards owners (stock holders), and profit making which increase the value for owners/ stock holders is the main business goal. On the other hand, representatives of the theory of interest groups (stakeholder theory) believe that the company has responsibility towards everyone included in its operations, or individuals and groups who carry certain risk (stake)<sup>10</sup> in the business.

Milton Friedman is known for its understanding that profit increase, made while respecting “rules of the game”<sup>11</sup> and low regulations, is the only social responsibility of companies, and managers, as the representatives of stockholders, have the responsibility for their financial benefits<sup>12</sup>. The government should be responsible for resolving social problems. He believes that the requirement for companies to participate in achieving “social goals” (after they paid their taxes) would be unnecessary burden for company which management cannot be competent for solving social problems. Under the conditions of the free market economy, the biggest responsibility for a company, or a manager that manages it, is profitable business. Every other goal is in the shadow of the main goal and can be justified if it is in function of profit increase.

<sup>5</sup> Source: <http://www.wbcsd.org/~/media/~/images/~/templates/Template/BCSD/layout.asp?type=p&MenuId=MTE00Q>

<sup>6</sup> Source: [www.ifc.org](http://www.ifc.org)

<sup>7</sup> “Introduction to Corporate Social Responsibility for Small and Medium Sized Enterprises”, European Commission Directorate General for Enterprise, pg. 2.

<sup>8</sup> The same as above

<sup>9</sup> Interest group or stakeholder is everyone who affects or can be affected by a corporation’s actions

<sup>10</sup> “The amount of money which you risk on the result of something such as a game or competition”, Cambridge Advanced Learner’s Dictionary

<sup>11</sup> Under “rules of the game” Friedman alludes customs with binding power irrespective of their lawful formality.

<sup>12</sup> Friedman, M: “The Social Responsibility of Business Is to Increase Its Profits”, *New York Times Magazine*, September 13, 1970.

On the other hand, R. Edward Freeman<sup>13</sup> thinks that owners, as well as customers, suppliers, managers, employees and local community have a certain “stake” in the company and because of that they take some risks. Therefore, when setting company’s goals the interests of every mentioned group need to be taken into the consideration. The company is responsible towards each of the interest group (stakeholder)<sup>14</sup>. Also, every interest group can positively or negatively influence the company and in some moments could be of the crucial importance for company’s success and survival. Therefore, none of them should be the instrument for achieving the end goal (especially not consumers, employees, suppliers and local community), and the needs of all of them should be incorporated into company goals.

Although they seem on the different ends of continuum, two presented approaches to social responsibility could bridge their differences. Followers of the stakeholder theory emphasise good relationships with all interest groups as crucial for company’s competitiveness and long term success. They don’t minimize the importance of profitability and long term financial success, but emphasise that corporate social responsibility is the way to secure financial results and at the same time responsible relationship with stakeholders. As it is mentioned above, Friedman stated that company have to operate according to the “rules of the game”. We could say that in four decades time after Friedman wrote his article, “the rules of the game” have changed. Although in modern business world companies that do not make profit cannot survive on the market (making profit is still the ultimate goal) the concept of profitability is changed. Today profit seen as the goodwill, credibility and trust given to the company by the society is more valuable then the profit in terms of money and return on investment. The company’s image depends on people’s satisfaction – costumers, suppliers, employees and the local community etc., and long term success and survival is enabled when company’s activities are balanced with the society’s interests, or what Peter Draker says, every company is the part of the society and has a function in the society<sup>15</sup>.

Today is quite clear that companies are not isolated entities in society that have only purpose to bring the profit to their owners with respecting low (or on the edge of the low). Their operations need to be purposeful to the people who are using their products in order for the company to survive. That means companies have responsibility towards their customers who are the part of the society. Furthermore, companies employ people who are parts of the society and whose lives are happening outside of the company. The ways companies treat their employees affect employees’ families, their security, health, knowledge, skills, relations, value systems and culture, which makes the basis for social capital. In addition, companies in their operations use resources of the society and they are required to behave responsible towards current and future generations. Companies affect local community’s development and stability as well as social peace and government stability. Other interest groups (suppliers, creditors, investors, managers) have long term interest for social responsible operating, because it provides increased level of trust as the requirement for longer, cheaper and more successful business relationships. Finally, companies are not abandoned and isolated islands but are interconnected and dependent on the society. Consequently, they cannot look at the social environment without care. To conclude, companies are social entities that have the huge capacities (knowledge, money, technology) and could influence the society and its development, for its own and the benefit of the broader society.

In the modern discussions about corporate social responsibility, the benefits of social responsibility for businesses are often emphasised. Therefore, it seems that corporate social responsibility is, said in Friedman’s words, only “cloak” under the companies “hide” their main motive –profit, however we define it. Hence, it is important to clarify if the companies act socially responsible because this is their

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<sup>13</sup> Freeman R.E.: A Stakeholder Theory of the Modern Corporation, printed in „Ethical Theory and Business“, prepared by: Beauchamp T. & Bowie N, Prentice Hall/Pearson 2004 pg. 67.

<sup>14</sup> It should be mentioned than in literature exist more developed stakeholders’ schemas other than Freeman’s six interest groups. Donaldson and Preston emphasize eight interest groups: investors, employees, consumers, managers, suppliers, community, government and political groups, while J. R. Lucas mentions eleven interest groups: shareholders (owners, employers), employees and managers, shoppers/clients, suppliers, creditors, competition, industry branch or whole professions, local community, government, international community, mankind, and environment (cited from: J. Babi : “Corporate Social Responsibility”, Faculty of Philosophy, Belgrade)

<sup>15</sup> Cited from: Paliwal M.: Business Ethics, New Age International Publishers, 2006, pg. 64.

moral obligation or because they are securing profit increase? In answering this question we can use analogies from psychological and sociological research, which show us in what instances the altruist is the best person for cooperation<sup>16</sup>. If we are in the relationship with someone, we would want that person to be reliable and ready to fulfil responsibilities regardless of opportunistic behaviour obtaining more benefits (for example, an employer wants his employee not to cheat even when they have opportunity to do so without consequences). However, if someone behaves altruistically because he/she can gain something, his/her partner would know that he/she would behave opportunistic if there is no gain. Therefore, the best business partner is not someone who behaves altruistically because of the personal gain, but someone who behaves ethically and altruistically regardless of consequences for this behaviour. Hence, we could conclude that the company that behaves socially responsible because it expects positive effects of that behaviour would be seen as cynical and would sustain positive effects of the behaviour, while the one that truly maintains stakeholder's interests would be rewarded.

## **2. Responsible business and multinational companies**

Term socially responsible business is mostly connected with companies from which we expect certain social responsibility and engagement. The question of social responsibility is raised in correlation to international corporation businesses. From 1990 to 2001 the number of multinationals almost doubled and their franchises quarrelled. The size and the wealth of individual companies also boosted. Some companies increased their profits using their host countries weak laws, low wages, possibility of breaking human rights and endangering survival of natural environment. All these influenced on the different activists to undertake certain measures, from boycotts to demonstrations.

While in the western world non profit organisation and consumer groups pressured companies to take certain social responsibilities, in countries that went through transition practice of socially responsible business had a different history. In post- communist societies, belief that companies have social role is not new. In the period of socialism government was the owner of companies and business was seen primarily from societal and social angle. Companies were seen as the main protagonists of social development and they built cultural and sports centres, social housing and provided other benefits to local communities. Those activities were the part of ideology that guaranteed social wealth and security, but were not lead by economical efficiency. When during the 90s they transitioned to the market business model and privatisation of government/societal companies took place, new owners were lead by private interests and market calculations. Often, they neglected social context and the needs of interest groups. In addition, privatisation process was followed by corruption and non- transparency, which led post- transitional society to loose trust in new companies and their management.

Unlike West, where the companies were watched by civil sector and under their influence had to take different responsibilities and activities, in post-socialistic societies, foreign investors were the leaders in initiating socially responsible businesses. Entering the counties in transition, western companies took on leading roles in developing not only new technologies but also new values and culture. Furthermore, starting the initiative for the global agreement (The Global Compact) whose members agreed to respect international criteria for protecting natural environment, respecting human and workers rights and to fight against corruption, United Nations have been significant contributor to developing companies' conciseness regarding social responsibilities since 2000. Many countries that are going through or went thorough transitions accepted Global Agreement - the Republic of Serbia also became a member in 2007. This is a very important step towards strategic approach to socially responsible business. Because the core of the responsible business concept is not known to the companies in transitioning economies, they need to be educated through programs and project provided by international and government organisations<sup>17</sup>. However, it should be stressed that the investors coming from the countries where the corporate social activities are the common practice implement this concept into the frontier markets, such as Serbian.

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<sup>16</sup> Cited from: Bowie N.: "New Directions in Corporate Social Responsibility", printed in "Ethical Theory and Business", prepared by: Beauchamp T. & Bowie N., Prentice Hall/Pearson 2004 pg. 101.

<sup>17</sup> One of them is a regional project "Corporate social responsibility setup in Southeastern Europe", which Serbia joined 2007 with financial help of the German government.

### 3. Italian investors in Serbia and corporate social responsibility

One of the leading investors in Republic of Serbia is Italy. Italy is also the main Serbian partner in international trade. From the small textile companies to the big banks, numbers of Italian companies are operating in Serbian market<sup>18</sup>. Italian economic partnership is especially important if we take into consideration geographic, historical and cultural relations with Serbia. At the same time, Italy is the member of European Union with accepted European business standards that include social responsibility. Therefore, our analyses, on this occasion, were focused on the companies which are partially or completely owned by Italian companies or individuals.

The “Awareness-raising questionnaire” suggested by the European Commission Directorate General for Enterprises<sup>19</sup> was used in this research. Although, we got informed that there are around two hundred Italian investors operating in Serbia<sup>20</sup>, we succeed in finding seventy e mail addresses on which the questionnaires were sent. Ten companies of different size – ranging from big international companies (with more then 250 employees and several million revenue) to medium-sized companies and small entrepreneurs, which operate in various sectors – ranging from transportation and construction to industry and financial sector, were willing to participate in this research. The questionnaire included five groups of questions related to the workplace, environmental, marketplace and community policies, as well as company values. The respondents were asked to evaluate their attitudes and practices regarding corporate social responsibility. The results of the analyses are summarised in the text that follows. Since our sample included relatively small number of companies, the answers are provided in the tables in absolute numbers.

#### 3.1. Workplace Policies

The long-term success of any business often depends on the knowledge, skills, talent, innovative creativity and the motivation of its employees. Although complying with legislation covering employment, workplace health and safety issues can ensure that an enterprise provides for its workers’ basic needs, visible commitment to the improvement of their job satisfaction, career development and personal welfare will demonstrate that the company really values them as individuals – and that values their contribution to the business success. Involving the employees will allow the company to get more from them in terms of ideas, commitment and loyalty, enhancing the effectiveness. Employees are the frontline troops of most businesses and may often see problems and solutions even before the management does. Effective internal partnerships also create relationships that improve the business’ flexibility, responsiveness and ability to share knowledge between workers. Motivated staffs often lead to a stable, contented workforce and help to build a good reputation for the company.

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<sup>18</sup> “International Business Sector in Serbia”, Alliance International Media, March 2009, pg.78.

<sup>19</sup> Source: [http://ec.europa.eu/enterprise/csr/index\\_en.htm](http://ec.europa.eu/enterprise/csr/index_en.htm)

<sup>20</sup> Fabio Corsi, director of Italian institute for international trade, states that to this day there are two hundred Italian companies on the Serbian market, Alliance International Media : “International Business Sector in Serbia”, March 200

**Table 1. Workplace policies of the Italian investors operating at Serbian market**

|  | Yes | No | In part | Don know | Other |
|--|-----|----|---------|----------|-------|
| 1. Do you organize any kind of training and education for your employees?  | 2   | 1  | 7       | /        | /     |
| 2. Do you consult with employees on important issues?  | 6   | /  | 4       | /        | /     |
| 3. Does your enterprise have suitable arrangements for health, safety and welfare that provide sufficient protection for your employees? | 8   | /  | 2       | /        | /     |
| 4. Does your enterprise actively offer a flexible working hours or allow employees to work from home?                                    | 3   | 5  | 2       | /        | /     |

According to the results of our research, almost all sampled Italian investors operating in Serbia give particular attention to the employees' education and training. All companies quoted that they organize some kind of training for their workers – two company's do that on regular bases and seven provide training occasionally, which could be noticed in the Table 1.

It could be concluded, based on the answers provided in the questionnaire, that Italian investors practice participative management, in other words, their managers consult the employees on important issues. Care for the suitable arrangements for health, safety and welfare that provide sufficient protection for the employees, is another important aspect of the company's reasonability towards its workers in which Italian investors show particular concern. Flexible working hours show the willingness of employers to adapt to the needs of employees and enable a good work-life balance for them. The analyses indicate that, regardless of the good experience of developed countries, these practices are not yet present in wide range in our conditions. In some work processes the flexibility is not possible and that could be one of the reasons why so many of our respondents do not offer this kind of opportunities to their workers. However, we also believe that due to certain habits and the need for control over workers in the transition period, the companies do not actively offer flexible working hours or allow employees to work from home.

### **3.2. Environmental policies**

All companies, regardless of size or sector, can have positive and negative impacts on the environment. Negative impacts arise through the direct or indirect consumption of energy and resources, the generation of waste and pollutants and the destruction of natural habitats. Every enterprise can help by reducing energy consumption, by minimising waste and by recycling materials. Even modest improvements can make a profound difference when aggregated with the efforts of other businesses.

Environmental degradation is both a global and a local problem of increasing concern throughout society, and therefore also among the companies' customers and good environmental performance often makes financial sense. Energy efficiency, pollution prevention, waste minimisation and recycling can all result in significant cost-reductions for the business, as well as other benefits such as ensuring compliance with environmental regulations, improving the relationship between the enterprise and the local community, motivating the employees and making the customers more loyal. All of these benefits clearly contribute to the long-term sustainability and success of the company.

According to their responses, more that most of the Italian investors at the Serbian market have tried to reduce their companies' environmental impact in terms of: sustainable transport options (5 respondents), protection of the natural environment (7), pollution prevention (7), waste minimisation and recycling (9), as well as energy conservation (6), which could be seen in the Table 2. Six companies think they can save money by reducing its environmental impact and the same number consider environmental impacts when developing new products or services. Four of the respondents supply clear and accurate environmental information on its products, services and activities to customers, suppliers, local community, etc, while four of them provide partial information. Finally, a half of the respondents

can think on the ways in which their enterprise could use the sustainability of its products and services to gain an advantage over competitors at Serbian market and two of them can partly think of them, while three of them do not see any ways for using products/services sustainability as a market advantage.

**Table 2. Environmental policies of the Italian investors operating at Serbian market**

|  | <b>Yes</b> | <b>No</b> | <b>In part</b> | <b>Don know</b> | <b>Other</b> |
|--|------------|-----------|----------------|-----------------|--------------|
| . Have you tried to reduce your enterprise’s environmental impact in terms of:   |            |           |                |                 |              |
| a) energy conservation?  | 6          | 2         | 2              | /               | /            |
| b) waste minimisation and recycling?   | 9          | /         | 1              | /               | /            |
| c) pollution prevention  | 7          | /         | /              | 1               | 2            |
| d) protection of the natural environment?  | 7          | /         | 1              | /               | 2            |
| e) sustainable transport options?  | 5          | 1         | 4              | /               | /            |
| 2. Can your enterprise save money by reducing its environmental impact?  | 6          |           | 4              |                 |              |
|  | <b>Yes</b> | <b>No</b> | <b>In part</b> | <b>Don know</b> | <b>Other</b> |
| 3. Do you consider the potential environmental impacts when developing new products and services?  | 6          |           | 3              | 1               |              |
| 4. Does your enterprise supply clear and accurate environmental information on its products, services and activities to customers, suppliers, local community, etc?  | 4          | 2         | 4              |                 |              |
| 5. Can you think of ways in which your enterprise could use the sustainability of its products and services to gain an advantage over competitors at Serbian market? | 5          | 3         | 2              |                 |              |

**3.3. Marketplace policies**

Enterprises are basically human’ organisations that rely on a web of internal and external relationships which are vital for mutual prosperity. The way in which these working relationships are managed is often vital for the enterprise’s success on the market. Good relations with customers and suppliers bring gains for both sides. Sharing the experiences with business partners is a good example of networking, which is usually critical to success. Furthermore, the reputation is crucial to ensure success in the marketplace. An enterprise could achieve a good reputation by satisfying customers, settling invoices on time and remaining committed to ethical business practices.

**Table 3. Marketplace policies of the Italian investors operating at Serbian market**

|   | Yes | No | In part | Don know | Other |
|---|-----|----|---------|----------|-------|
| 1. Does your company have a policy to ensure honesty and quality in all its contracts, dealings and advertising?  | 9   | /  | 1       | /        | /     |
| 2. Does your company supply clear and accurate information and labelling about products and services, including its after-sales obligations?                        | 7   | 1  | 2       | /        | /     |
| 3. Does your business ensure timely payment of suppliers' invoices  | 5   | /  | 5       | /        | /     |
| 4. Does your company have a process to ensure effective feedback, consultation and/or dialogue with customers, suppliers and the other people you do business with? | 10  | /  | /       | /        | /     |
| 5. Does your company work together with other companies or other organisations to address issues raised by responsible business?                                    | 5   | 2  | 3       | /        | /     |

Nine of the sampled Italian companies have a policy to ensure honesty and quality in all its contracts, dealings and advertising and one have it partly. Seven of them supply clear and accurate information and labelling about products and services, including their after-sales obligations, while one do not provide any clear and accurate information and labelling. A half of the respondents ensure timely payment of suppliers' invoices, and the other half ensures it partly, while all the respondents have a process to ensure effective feedback, consultation and/or dialogue with customers, suppliers and the other people they do business with. Finally, a half of the companies work together with other companies or other organisations to address issues raised by responsible business and three partly work with others regarding corporate social responsibility. These results are presented in the Table 3.

### 3.4. Community policies

We pointed out in this paper that there is a clear connection between a healthy and profitable business and the wellbeing of the community around it. Most businesses are an integral part of their communities and have an active involvement with local aspirations and activities. Such enterprises enjoy benefits like: valuable networking and links with other local enterprises; increased customer recognition and esteem; enhanced company reputation; and improved staff recruitment and retention. However, being a good neighbour is not just about having respect for others in the immediate vicinity. Community support can include anything that benefits the community, such as sponsorship or the provision of time and expertise. It might cover participation in local sporting, educational or cultural initiatives. Helping to tackle social issues such as crime-prevention or long-term unemployment in the local area may also help the long-term financial success of the business. Being positively engaged in the local community can also help in identifying new markets, customers or business opportunities, building contacts with local authorities and opinion-leaders, and facilitating new partnerships with other businesses on community projects.

Only three of the analysed Italian companies offer training opportunities to people from the local community (e.g. apprenticeships or work experience for the young or for disadvantaged groups) and three do that in part, while four of them do not offer any training to people from the local community. One half of the respondents have an open dialogue with the local community on adverse, controversial or sensitive issues that involve the company. Three of the companies try to purchase locally and five



of them do that in part. Four companies encourage their employees to participate in local community activities such as providing employee time and expertise, or other practical help, while three do not actively support their employees to participate in local community activities. Finally, eight respondents give financial support to local community activities and projects.

Although activities and attitudes of the Italian investors regarding the local community could be seen as socially responsible, from the data presented in the Table 4 it is evident that the most negative answers are given for this aspect of responsible behaviour. Therefore, we can conclude that these companies do not have significant influence on the development in their local communities.

**Table 4. Community policies of the Italian investors operating at Serbian market**

|   | Yes | No | In part | Don know | Other |
|---|-----|----|---------|----------|-------|
| 1. Does your company offer training opportunities to people from the local community (e.g. apprenticeships or work experience for the young or for disadvantaged Groups)?   | 3   | 4  | 3       | /        | /     |
| 2. Do you have an open dialogue with the local community on adverse, controversial or sensitive issues that involve your company (e.g. accumulation of waste outside your premises, vehicles obstructing roads or footpaths)? | 5   | 3  | 1       | /        | 1     |
| 3. Does your enterprise try to purchase locally?  | 3   | 1  | 5       | 1        | /     |
| 4. Are your employees encouraged to participate in local community activities (e.g. providing employee time and expertise, or other practical help)?  | 4   | 3  | 2       | 1        | /     |
| 5. Does your enterprise give any financial support to local community activities and projects (e.g. charitable donations or sponsorship)?   | 8   | /  | 2       |          | /     |

### 3.5. Company values

A company’s core values and principles, and its commitment to them, are inextricably linked with its reputation. People like to work for and with others who share their values, so setting company values may help the company attract employees, customers, suppliers and investors who approve of its principles. Therefore, the company should promote high standards in the workplace and deal positively with the interests and concerns of its employees, customers, suppliers and the local community. The values should provide clear and consistent guidance on how to handle situations that pose dilemmas or conflicts of interest.

According to our research, most of the respondents have clearly defined their values and rules of conduct. Moreover, the companies communicate their company’s values to customers, business partners, suppliers and other interested parties and believe that their customers are aware of the company’s values and rules of conduct. Furthermore, most of them think that their employees are aware of the company’s values and rules of conduct and they train employees on the importance of the corporate values for the company’s success. The data presented in the Table 5 indicate that not only do foreign investors implement new technology or invest money, but they also bring their corporate values and culture.

**Table 5. Company values of the Italian investors operating at Serbian market**

|  | Yes | No | In part | Don know | Other |
|--|-----|----|---------|----------|-------|
| 1. Have your company clearly defined its values and rules of conduct?  | 8   | /  | 2       | /        | /     |
| 2. Do you communicate your company's values to customers, business partners, suppliers and other interested parties (e.g. in sales presentations, marketing material or informal communication)? | 7   | 1  | 2       | /        | /     |
| 3. Are your customers aware of your company's values and rules of conduct?   | 7   | 1  | 2       | /        | /     |
| 4. Are your employees aware of your company's values and rules of conduct?   | 8   | /  | 2       | /        | /     |
| 5. Do you train employees on the importance of your enterprise's values and rules of conduct?  | 8   | 1  | 1       | /        | /     |

### Conclusion

In this paper, we pointed out the importance of responsible business both for the natural and social environment, and the company which want to survive and make progress in such an environment. We briefly presented the various debates on corporate social responsibility, which have been in the focus of concern in the West for several decades. Regardless they are small business or big multinationals, the western companies are aware of the necessity of compliance with ethical norms for their economic success and they undertake different socially responsible activities.

It is known that countries that have passed through the processes of transition towards market economy have experienced numerous violations of ethical norms and that they lack adequate principles of business and rules of conduct. Therefore, the presence of investors from developed markets, where high ethical standards have to be obeyed and where costumers, employees and other stakeholders expect some kind of corporate responsibility, is essential for the frontier markets, such as Serbian.

As significant investors, Italian companies are recognized as an important factor in introducing new "rules of the game" on the Serbian market and therefore the subject of our analyses were the companies which are partially or completely owned by Italian companies or individuals. On the basis of the answers to the different questions about their relationship with employees, natural environment, business partners and the local community, as well as corporate values, we can conclude that the Italian companies that operate at Serbian market are aware of the importance of compliance with ethical standards, and that they practice a variety of activities that are considered socially responsible. Although we must be careful regarding the objectivity of the assessment since the analysis is based on companies' self-evaluation, we think that the fact that companies were interested to participate in our research and information that we received through the questionnaire, indicate that the Italian investors are aware of the importance of corporate social responsibility.

In particular, we can point out that companies that were the subject of our analysis have recognized the importance of corporate values for their market success and that they communicate them with their business partners. Furthermore, we can conclude that the majority of companies have the responsible attitude toward the natural environment, as well as employees and business partners, and that they practice some kind of socially responsible activities. However, the number of companies that provide an active support to the local community is relatively small, with the exception of financial support which is provided by the majority of companies.

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