Business Perspectives about Corporate Social Responsibility

ATTITUDES AND PRACTICES IN SERBIA AND MONTENEGRO

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Abbreviations and Acronyms

“Very small companies” are companies which employ from 1 to 50 people.
“Small companies” are companies which employ from 51 to 250 people.
“Medium companies” are companies which employ from 251 to 1000 people.
“Large companies” are companies which employ from 1001 to 5000 people.
“Very large companies” are companies which employ more than 5000 people.
“Regulation” refers to regulatory and legal framework.
“Respondent companies” and “interviewed companies” are used as synonyms.
A “public company” is a state-owned company.

CEE    Central and Eastern Europe
CPI    Consumer Price Index
CSO    Civil Society Organization
CSR    Corporate Social Responsibility
EIA    Environmental Impact Assessment
ERM    Exchange Rate Mechanism
EU     European Union
FDI    Foreign Direct Investment
GDP    Gross Domestic Product
HR     Human Resources
ILO    International Labor Organization
ISO    International Organization of Standardization
NGO    Nongovernmental Organization
OECD   Organization for Economic Co-operation and Development
WTO    World Trade Organization
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Acknowledgments

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1.1 Analysis of Survey Respondents

1.1.1 Ownership Structure and Funding of Respondent Companies

Of the 171 companies interviewed, 49 percent are privately-owned companies, 34 percent are joint-stock companies and 15 percent are owned by the government (state-owned companies).\(^1\) Eighty-eight percent of companies interviewed are Serbian and 12 percent are Montenegrin\(^2\).

In total, 64 percent of respondent companies are funded with local capital, 18 percent are funded with foreign capital, and 18 percent are branches of multinational companies.

Local companies funded with local capital represent 92 percent of state-owned companies interviewed. The remaining 8 percent not funded by local capital are branches of multinationals, partially state owned. On the other hand, 18 percent of private companies are branches of multinationals, 19 percent are local companies funded with local capital, and the remaining 63 percent are local companies funded with foreign capital. Of the joint stock companies, 24 percent are branches of multinationals, 26 percent are local companies funded with local capital, and the remaining 50 percent are local companies funded with foreign capital.\(^3\)

\(^1\) 2 percent were listed as “other”
\(^2\) Survey Methodology - Companies were selected from the 500 companies with the highest turnover and/ or number of employees. One hundred seventy one companies were interviewed. The sample companies represent different economic sectors, ownership structures and sizes. The survey includes 38 questions, which were asked during face-to-face interviews with chief executive officers or other senior managers. The interviews took place during the second and third quarters of 2006. Questions were predominantly close-ended, but space for written comments was provided where appropriate.
\(^3\) All of the companies listed as “other” are local companies funded with local capital
1.1.2 Sector of Activity of Respondent Companies

Respondent companies operate in three sectors of activity: production, financial services, and non-financial services.

The majority are involved in production. Ten percent of respondent companies offer non-financial services, and 8 percent offer financial services.

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4 82 percent
1.1.3 Number of Employees of Respondent Companies

Respondent companies can also be categorized according to the number of employees as follows: 1 to 50 (very small companies); 51 to 250 (small companies); 251 to 1000 (medium companies); 1001 to 5000 (large companies); and more than 5000 (very large companies). Forty percent of respondent companies are medium, 24 percent are small, 18 percent are large, 14 percent are very small, and 4 percent are very large.

Figure 3: Serbia and Montenegro - Sector of Activity of Respondent Companies

Figure 4: Serbia and Montenegro - Number of Employees of Respondent Companies
1.1.4 Companies own Financial Situation Rating

Given a choice between “very good”, “good”, “tolerable”, “bad”, and “very bad”, 12 percent of respondent companies rate their financial situation as “very good”, 56 percent as “good”, 24 percent as “tolerable”, 6 percent as “bad”, and 2 percent as “very bad”. Financial services companies and small companies on average rate their situation better than that of other subgroups. On the other hand, large companies on average rate their situation as worse than the other subgroups do.

1.2 Analysis of Survey Results
1.2.1 Understanding of Stakeholders

When asked to identify their main stakeholders, 56 percent of respondent companies indicate their customers, a further 56 percent indicate their employees, and 36 percent indicate their shareholders. Twenty five percent of respondent companies identify the government as one of their main stakeholders. Only 13 and 2 percent of respondents identify their local communities or civil society organizations (CSOs) as main stakeholders. Other main stakeholders mentioned by respondents are owners, associations, and social enterprise.

State-owned and partially state owned companies understandably consider the government to be a main stakeholder more than other companies. On the other hand, they do not consider shareholders as an important stakeholder. Compared to other companies, financial services companies consider their customers to be their main stakeholders; whereas they consider their employees relatively less important stakeholders, as do very large companies. Interestingly, very large companies believe that the government falls into the group of their main stakeholders.

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5 Not more than 2 answers were allowed
6 65 percent (respondent average is 25 percent)
7 Only 1 out of 26 (or 4 percent, while respondent average is 36 percent)
8 85 percent (respondent average is 56 percent)
9 23 and 29 percent respectively
10 71 percent (respondent average is 25 percent)
1.2.2 Understanding of Corporate Social Responsibility

Respondent companies were asked how they define “socially responsible activities”. An ample majority of respondents link these activities to behaving ethically and complying with existing regulations. Approximately half of respondents believe transparency in operations is a socially responsible activity. About one third of respondents believe that environmentally friendly activities and addressing stakeholders’ concerns are socially responsible activities. A much smaller number of respondents believe that establishing stakeholder partnerships, and correction of social inequalities are socially responsible activities. Eighteen percent regard socially responsible activities as a public relations issue.

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11 Respondents were asked to select the three most important answers
12 67 and 61 percent respectively
13 54 percent
14 37 and 28 percent
State-owned companies more than others consider compliance with existing regulations as a socially responsible activity. A very small percentage of financial service companies believe that addressing stakeholders’ concerns is a socially responsible activity, but they, more than others, see correction of social inequalities as socially responsible. No non-financial services company believes that correction of social inequalities or establishing stakeholder partnership are socially responsible activities.

Very small companies associate socially responsible activities with addressing stakeholders’ concerns less than any other companies’ subgroup, as do small companies with respect to establishing stakeholder partnerships. On the other hand, all very large companies believe that transparency in operations is socially responsible.

1.2.3 Perception of Main Role of Company in Society

Respondents were given ten possible main roles of their company in society. Their task was to grade the importance of each role by choosing between “strongly disagree”, “disagree”, “don’t know”, “agree”, and “strongly agree”.

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15 8 and 23 percent
16 9 and 5 percent respectively
A vast majority of respondents maintain that protecting the health of employees is one of their main roles in society. Only 1 percent of respondents are undecided about this role.\(^{17}\)

A large percentage of respondents strongly agree that avoiding the use of child labor is one of their main duties in society.\(^{18}\) Financial services companies are the group which most strongly agrees with this role.\(^{19}\)

Very few respondent companies disagree or don’t know whether complying with legal frameworks is one of the companies’ roles.\(^{20}\) Non-financial companies and large companies are most convinced about this role.

Slightly more than half of companies interviewed strongly believe that protecting the environment is their concern.\(^{21}\) Financial services companies are by far the least convinced about this role.\(^{22}\)

\(^{17}\) 63 percent strongly agree and 36 percent agree  
\(^{18}\) 73 percent strongly agree and 24 percent agree  
\(^{19}\) 83 percent strongly agree and 17 percent agree  
\(^{20}\) 1 percent disagree and 2 percent don’t know  
\(^{21}\) 55 percent strongly agree, 41 percent agree, and 4 percent don’t know  
\(^{22}\) Only 15 percent strongly agree
Following the above roles, companies also cited as among their main roles paying taxes\textsuperscript{23}, making a profit\textsuperscript{24}, creating jobs, ensuring job security\textsuperscript{25}, listening to stakeholders, and contributing to charity. Percentages are consistent across the spectrum of companies except where indicated in footnotes.

### 1.2.4 Codes of Conduct

Almost all of respondent companies from Serbia and Montenegro have codes of conduct. Fifty-three percent of companies interviewed have a written code of conduct, 45 percent a verbal one, and only 2 percent have neither.

Financial services companies seem to have a slightly higher percentage of written codes of conduct\textsuperscript{26}, while the other subgroups have percentages matching those described above. Very large companies have the highest percentage of written codes.\textsuperscript{27}

*Figure 8: Serbia and Montenegro -Written and Verbal Codes of Conduct*

![Pie Chart](image)

The benefits brought from having a code of conduct were analyzed across fourteen parameters among those companies which have a verbal or written code of conduct.

\textsuperscript{23} Financial services companies are least convinced
\textsuperscript{24} Heavy industry companies and large companies are most convinced
\textsuperscript{25} Financial services companies are least convinced
\textsuperscript{26} 69 percent
\textsuperscript{27} 86 percent
According to 97 percent of respondents, having a code of conduct helps improve company reputation. Similarly, a very high percentage of respondent companies maintains that having a code of conduct contributes to enhanced compliance with legislation and better relations among employees.\textsuperscript{28} Concerning the latter, non-financial services companies are slightly more skeptical about this correlation than other subgroups.

An improved management framework is one of the benefits of having a code of conduct for 87 percent of respondents. Financial services companies are the most skeptical and large companies the most undecided. More or less the same percentage of interviewed companies believes that having a code of conduct gives them a competitive advantage.\textsuperscript{29}

\textsuperscript{28} 95 and 92 percent respectively
\textsuperscript{29} 86 percent
A large majority of companies in Serbia and Montenegro also maintain that having a code contributes to business sustainability, improved management of risk, better access to new markets, alignment with industry trends, better relations with local community, and cost savings.\textsuperscript{30}

Less than two thirds, but more than half, of the respondent companies maintain that having a code of conduct could lessen pressure from business partners, enhance shareholder value, and improve standing with government.\textsuperscript{31} State-owned companies and financial services companies are most skeptical about the enhancement of value, and very large companies are most positive about improving relations with government.

1.2.5 Transparency – Policies, Annual Reports and Consultations

Policies

The survey tests attitudes towards policies on corruption and on financing candidates for public positions.

About half of the interviewed SM companies have, and about half plan to have an explicit anti-corruption policy. Fifty-one percent of respondents currently have such a policy, and 58 percent plan to have one within next 5 years. Financial services companies have fewer anti-corruption policies than any other subgroup, but plan most substantial increase within the next five years. Very small companies are most receptive about this and include the largest number of companies who have or plan to have this kind of policy.

As few as 5 percent of respondent companies currently have a policy for financing candidates for public positions. Only 8 percent plan to have one within next five years. State-owned companies both have and plan to have such policies more than other subgroups.

\textsuperscript{30} 84, 84, 77, 76, 76 and 72 percent respectively
\textsuperscript{31} 64, 56 and 53 percent respectively
As for money laundering, only about one third of respondents has anti-money laundering policy. Non-financial and very small companies are subgroups which are most dedicated to this matter.32

Annual Reports

Almost all of the interviewed companies publish an annual financial report.33 Within the next five years, most companies plan to decrease their publication of such reports.34 This planned decrease is greatest in case of financial services companies.35 All very large companies currently publish an annual financial report, but plan to decrease their efforts.

Annual reports which present environmental performance are published by only 23 percent of respondents. Service companies tend to publish less than production firms, especially in the non-financial sector. Even more production companies plan to have such reports in next five years. There is also a significant increase concerning the plans for such reports among large and very large companies.36 Overall, 43 percent of respondent companies plan to publish plans on environmental performance within the next five years.

Only 21 percent of respondents currently publish annual reports presenting social performance. Results are similar to those regarding environmental reports, only with slightly lesser percentages. Only about one third of respondents are planning to issue social reports in the next five years.37

32 Almost half of them
33 95 percent
34 80 percent
35 Their percentage dropped from 100 to only 23
36 From 31 to 74 percent
37 35 percent
Consultations

According to the survey, 57 percent of companies consult regularly with their stakeholders. In the next five years, this percentage will remain the same. Again, large and very large companies are ones who are most willing to introduce some improvements in this aspect.

1.2.6 Employee Projects

Respondent companies were interviewed about the implementation of social projects relating to employees, such as explicit policies on freedom of association and collective bargaining; explicit anti-discrimination policies; employee health protection plans; and training.
Almost half of the respondents have explicit policies about freedom of association\(^\text{38}\) and 15 percent do not know whether their company does. On the other hand, collective bargaining is a matter of concern for 67 percent of the company representatives interviewed, while 10 percent do not know. The highest percentage prevails among very large companies.

There is a slightly higher percentage of respondent companies who have explicit anti-discrimination policies in personnel recruitment.\(^\text{39}\) Up to 18 percent do not have such a policy, and 8 percent do not know. The subgroups with the highest percentage are non-financial service companies, as well as small companies.

Anti-child labor is a matter of concern for most of respondent companies\(^\text{40}\) and only 6 percent are not aware of such policy. Percentages are consistent across the spectrum of companies, except for family owned companies, which include the highest percentage of respondents who do not know of such policy.

Nearly all respondent companies provide some form of training to their employees.\(^\text{41}\) Training when a specific need arises is provided by 28 percent of

\(^{38}\) 49 percent  
^{39}\) 74 percent  
^{40}\) 82 percent  
^{41}\) 97 percent
companies, whereas 33 percent provide constant training. Thirty-six percent of companies provide both *ad hoc* and constant training. Very large companies are the greatest providers of constant training, together with state owned companies.\(^{42}\)

The majority of respondent companies have a health protection plan for their employees.\(^{43}\) Only 5 percent do not know whether they have such a plan. All of the companies employed in heavy industry have a health plan. The percentage is also high among state owned companies, financial service companies, and large companies.

*Figure 12: Serbia and Montenegro – Employee Training*

![Employee Training Pie Chart]

**1.2.7 Social Projects (other than focused on employees)**

During the last three years, 83 percent of respondents engaged in social projects, 15 percent did not, and 2 percent do not know. State owned companies and very large companies engage the most in social projects\(^ {44}\), and family owned companies and financial services companies engage the least.\(^ {45}\)

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\(^{42}\) Of very large companies, 43 percent have constant training and 57 percent have both *ad hoc* and constant training.  
\(^{43}\) 78 percent  
\(^ {44}\) 100 percent  
\(^{45}\) 69 percent respectively
SM companies list the three main reasons for engaging in social projects as follows: long-standing company tradition of community service; efforts to improve image/reputation; and cultural obligations to charity. On the other hand, the majority of respondent companies believe that the following factors do not play a role in the decision of companies to engage in social projects: local brand recognition, better employee relations, employee volunteerism, and owner/board member personal commitment.

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46 72, 62 and 54 percent respectively
47 Very large companies are the major exception here because all of them believe that this represents a relevant factor in decision making (companies’ average is 39 percent)
48 23, 15 and 15 percent respectively. None of the state-owned, heavy industry, or very large companies’ representatives believe that personal commitment of the owner/board is important.
In order to implement their social projects, companies collaborate with a number of institutions that can be broken down into: CSOs, governmental institutions, municipal institutions, other businesses, religious organizations, educational institutions, and health organizations. Respondents add to this list cultural organizations (3 percent), NGOs (3 percent), media organizations (1 percent), and culture and sport societies (less than 1 percent).

The following percentages are based on the number of companies which currently engage in social projects⁴⁹:

Sixty-nine percent of companies collaborate with municipal institutions. Heavy industry companies and large companies prefer this kind of partner. As companies become larger, collaboration with this type of partner seems to increase. Sixty-eight percent of companies collaborate with educational institutions. Very small companies are the subgroup which least often collaborates with this kind of partner. About half of the respondents⁵⁰ collaborate with governmental institutions. Retail companies, heavy industry companies, and very small companies work with the government considerably.

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⁴⁹ 83 percent, or 142 out of 171 companies
⁵⁰ 53 percent
less. As companies become larger, collaboration with this type of partner increases. About the same number of respondent companies listed CSOs as a preferred partner.\textsuperscript{51} No family owned company collaborates with CSOs. A small number of respondents listed religious organizations\textsuperscript{52} and health organizations\textsuperscript{53}.

![Figure 15: Serbia and Montenegro - Collaborating Institutions in Social Projects](chart.png)

Social projects can be implemented in a variety of areas, and can serve a variety of beneficiaries.

\textsuperscript{51} 45 percent  
\textsuperscript{52} 27 percent  
\textsuperscript{53} 15 percent (12 percent plus 3 percent of respondents who specified them as other)
A majority of SM respondents are engaged in education and community development, and more than half are engaged in health projects. These are followed by housing, technical training, drinkable water, support to ethnic minorities, sports, HIV/AIDS, culture, and religious organizations and churches. In addition to these areas, respondents specified areas such as religious organizations/churches, ecology/environmental protection, and telecommunications.

Percentages are consistent across the spectrum of companies. It is interesting to note that small and very small companies are less engaged than large and very large companies; community development is a matter of concern for a considerable majority of state owned companies, heavy industry companies, and large and very large companies; and all of very large companies are involved with education.

Companies appear very hesitant to state their plans relating to social projects for the next five years. The number of companies which do plan to engage in social projects will, according to this survey, remain the same, while the number of companies which do not know whether they will be engaging in social projects is slightly larger.
Within the next five years, companies’ involvement in social areas will remain roughly unchanged. Respondents indicate that they will slightly prioritize technical training, health, and HIV/AIDS, but will get involved in slightly fewer projects concerning religious organizations and sport.

Youth are the main beneficiaries of social projects in Serbia, followed by children and the community at large, and, finally, the society at large, disabled, unemployed, seniors, and ethnical minorities.

1.2.8 Environmental Projects

During the last three years, 67 percent of respondent SM companies engaged in environmental projects, 30 percent did not, and 3 percent do not know whether they did. Of those which engaged in environmental projects, 48 percent engaged in projects linked to the company’s operations, 12 percent in projects not linked to company’s operations, and 39 percent in both kinds of projects.

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54 10, 4 and 4 percent increase respectively
55 65 percent
56 60 and 56 percent respectively
State owned companies engage more in environmental projects than private companies.\textsuperscript{57} Production companies engage more in environmental programs than services companies.\textsuperscript{58} Smaller companies seem to engage less than larger ones.\textsuperscript{59}

Respondents were asked about specific environmental projects: environmental education activities; recycling programs; environmental certification; and environmental impact assessment.

Activities providing education and information on environmental issues (for example, school programs, community meetings, internal training, etc.) are relatively unpopular in Serbia. The companies that develop these activities\textsuperscript{60} address them primarily to their employees,\textsuperscript{61} and secondarily to local communities, management, and owners.\textsuperscript{62} The public and employees’ families are the recipients of these activities in 9 percent of instances.

Only about one third of respondents have a recycling program in place.\textsuperscript{63} This percentage is rather higher among production companies and large companies.

\textsuperscript{57} state owned companies 88 percent; private companies 54 percent
\textsuperscript{58} production companies 83 percent, services companies 52 percent
\textsuperscript{59} very small companies 43 percent; small companies 45 percent; medium companies 79 percent; large companies 90 percent; and very large companies 86 percent
\textsuperscript{60} 36 percent of respondents develop environmental educational activities, 60 do not, and 4 percent do not know
\textsuperscript{61} 92 percent
\textsuperscript{62} 39, 21 and 13 percent respectively
\textsuperscript{63} 35 percent
More than half of SM respondents\textsuperscript{64} have no environmental certification. Twenty-six percent of companies obtained an ISO 14000, while 9 percent have obtained some other certificate. Other environmental certification mentioned by respondents are: ISO 9001, ISO 9001 2001, ISO 14001, ISO 2000, UNIDO, TUV, HACCR, a permit from the Ministry of Ecology, a “national” certificate, and a certificate from “an accredited laboratory”. Eight percent of respondents do not know if they have an environmental certification. Production companies have generally been more agile in this respect.

Environmental impact assessments (EIA) of companies’ operations are relatively widespread in Serbia, conducted by 55 percent of respondent companies.\textsuperscript{65} Production companies are more responsible in this respect also, especially heavy industry companies. Of the companies which practice EIAs, most of them do because of government regulations, and significantly less do because of the requirements of financial institutions supporting them, investors’ requirements, business policy, or for their own purposes or some other reason.

As observed for social projects, respondent companies appear very hesitant about their environmental activity in next five years. The number of companies which plan to engage in environmental projects is slightly increased,\textsuperscript{66} with a shift toward engaging in both internal and external projects. The number of companies which currently do not engage in environmental projects will slightly decrease,\textsuperscript{67} only to increase the number of those companies which do not know whether they will be engaging in such projects.\textsuperscript{68}

In order to implement their environmental projects, most companies will collaborate with a number of institutions that can be categorized as: CSOs, governmental institutions, municipal institutions, other businesses, religious organizations, and educational institutions. Respondents also listed local community, NGOs, foreign institutions, and “anyone who offers us useful projects”.

\textsuperscript{64} 57 percent
\textsuperscript{65} 40 percent do not, and 5 percent do not know whether EIAs are conducted in their companies
\textsuperscript{66} 6 percent increase
\textsuperscript{67} from 30 percent to 15 percent
\textsuperscript{68} from 3 percent to 15 percent
A significant majority of respondent companies will collaborate with municipal institutions and governmental institutions. Less than a half of respondents will collaborate with educational institutions, and a third of respondent companies will collaborate with other businesses and CSOs. Significantly fewer respondents will collaborate with religious organizations in this respect.

According to this survey, the main reasons for SM companies to engage in environmental projects are long-standing company traditions of community service and efforts to improve image/reputation. The other reasons are cultural obligations to charity, local brand recognition, and owner/board member personal commitment. At the end of the scale are better employee relations and employee voluntarism.

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69 80 and 65 percent respectively
70 43 percent
71 33 and 31 percent respectively
72 only 6 percent
73 51 and 44 percent respectively
74 26, 23 and 18 percent respectively
75 9 and 7 percent respectively
A significant majority of respondents are familiar with at least one of the CSR standards or initiatives. Most renowned CSR standard is ISO 14000, while only half that number knows of ISO 26000. These are followed by UN Global Compact, Global Reporting Initiative – Sustainability Reporting, OECD Guidelines for Multinational Enterprises, Green Tourism Business Scheme, and Ethical Trading Initiative. Less than 10 percent of the respondents are aware of the other standards or initiatives.

A minority of SM respondent companies are implementing some of the CSR standards or initiatives. Only ISO 14000 is implemented by more than 10 percent of the respondents. It is interesting to note that as companies become larger, application of CSR standards seems to increase.

1.2.9 Benefits of Adopting CSR Practices

SM respondents list the greatest internal benefits to their companies deriving from CSR practices as follows: increases in productivity, quality and sales; companies’ longevity; easier compliance with legislation; increased loyalty from workers; competitive advantage; attraction and retention of qualified employees; reduction of costs; and financial improvement and access to capital.

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76 83 percent
77 76 percent of the respondents
78 All between 10 and 20 percent
79 45 percent
80 34 percent
Only 4 percent of respondents maintain that there are no internal benefits to be derived from the adoption of CSR practices.

Percentages are consistent across the spectrum of companies. The only exception relates to state owned companies and very large companies which believe in the sustainability benefit of CSR more than other companies; and financial services companies which are most skeptical about increased productivity and most positive about facilitating the observance of regulations.

The greatest external benefits of CSR practices perceived by SM companies are as follows: improved image and reputation; contribution to Serbia’s sustainable development; client’s loyalty; preservation of the environment; political impact (support from the authorities and relationship); intangible benefits; and increased visibility. Only 3 percent of the respondents maintain that there are no external benefits from CSR practices.
It is interesting to note that financial services companies are relatively more positive about the improvement of image and reputation derived from CSR practices\(^{83}\), while very large companies are significantly less enthusiastic about this.\(^{84}\) State owned companies believe more than other subgroups that CSR practices are contributing to sustainable development.

### 1.2.10 Barriers and Risks in Adopting CSR Practices

SM respondents were asked about the main barriers to the broader adoption of CSR practices.\(^{85}\) The responses can be divided into three main categories: financial, government and institution related, and human resources related. According to SM respondents, the first and greatest barriers to the broader adoption of CSR practices are of an institutional or governmental nature – the lack of an appropriate regulatory framework and the lack of government involvement, followed by a mix of financial and government related barriers: lack of visible results, lack of appropriate institutions; overall cost; excessive focus on short term gains; lack of linkage to financial success; apprehension

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\(^{83}\) 77 percent  
\(^{84}\) 14 percent  
\(^{85}\) Respondents were asked to “select 3 that apply”
regarding government change of policy. Barriers related to human resources, such as lack of staff (middle management) incentives, (followed by current government policy), cultural differences, employee resistance, and management resistance, were last to be listed.

Figure 23: Serbia and Montenegro - Barriers to Adopting CSR practices

The main perceived risk in adopting CSR practices is, above all, the increase in operating costs, followed, in order of magnitude of perceived risk, by: increased demands from interested stakeholders; increased intervention from regulatory bodies; competitive disadvantage; decreased productivity; adverse impact on profitability; and negative impact on quality of goods/services. Only 2 percent of the respondents believe there are no risks to the implementation of CSR practices.
Percentages are consistent across spectrum of companies, except in the case of increased costs as the main risk, when financial companies and very small companies are more convinced, while the majority of non-financial services companies and very large companies have a diametrically opposed opinion.

1.2.11 Supporting CSR Practices, Improving them and Making them More Relevant

Improving CSR practices

Respondents were asked which actions would assist them in improving their socially responsible practices. On the financial front, respondent companies believe tax incentives,\textsuperscript{86} empowerment of local governments to decide on tax exemptions,\textsuperscript{87} and subsidized interest rates\textsuperscript{88} are the factors which would

\textsuperscript{86} 59 percent
\textsuperscript{87} 29 percent
\textsuperscript{88} 19 percent
contribute to improving CSR practices. On the non-financial front, respondent companies indicate a need for reporting regulations, recognition (from business partners, government, customers, and CSOs), reforms in labor laws, dialogue with government, guidelines on EIS, and government interventions. In the opinion of the respondents, CSOs play only a minor role in this process: only 8 percent of respondent companies believe that recognition by CSOs and dialogue with them are important factors.

Among the different kinds of recognition sought by SM companies, recognition by customers and business partners are the most important in improving CSR practices. State-owned companies and very large companies are more adamant about recognition by government than are other subgroups. Heavy industry companies maintain that recognition by their consumers, business partners, and CSOs play no part at all but, on the other hand, they are more convinced about the importance of reporting regulations.

Figure 25: Serbia and Montenegro - Actions that Improve CSR Practices

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89 43 and 31 percent respectively
Making CSR Practices More Relevant

The overwhelming majority of SM companies believe that sharing information, discussing, collaborating, and negotiating with different stakeholders would make their CSR practices more relevant. Ninety-one percent would like to entertain more dialogue with other business in Serbia, 88 percent with government, 88 percent with foreign business, and 80 percent with CSOs.

In addition to very high percentages of companies convinced that dialogue would help make their CSR practices more relevant, it is interesting to note that those companies which are not convinced are doubtful rather than in disagreement. Financial services companies and large companies are the most convinced about the positive impact of increased dialogue with all stakeholders. Services companies are more open for dialogue with CSOs than production companies, while family owned companies are most optimistic about dialogue with other business (especially foreign).

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90 94 percent
91 The highest percentage of companies in disagreement is 3 percent.