

CORPORATE SOCIAL RESPONSIBILITY IN THE GLOBALIZATION ERA *

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Abstract. *The authors of this paper point out that the implementation of the concept of Corporate Social Responsibility (CSR) allows companies to position their brands stronger, to strengthen their image, increase market share and increase their ability to attract and retain employees. An important argument for increased social responsibility of Serbian companies is that they can thus achieve the benefits of globalization, privatization and deregulation, as well as to relieve the negative impact of international trade flows and international investment.*

In general, the paper consists of three parts. First, the authors are going to examine the drivers for complex CSR phenomenon. Further, in the second part, they will take an in-depth look at some global companies, which have been under fire for some of their corporate, social, and environmental practices. Finally, the authors will provide an overview of CSR's impact on social development with special emphasis on Serbia.

Key Words: *Corporate social responsibility.(CRS); Drivers for CRS; Criticism of CRS; CSR in Serbia.*

1. INTRODUCTION

Organizations of the 21st century can no longer limit themselves to producing and marketing products or services without any concerns for the impact they have on society. If they want to be trusted by their customers, employees and the public at large, they have to be more socially responsible. One key issue of Corporate Social Responsibility (CSR), which needs to be addressed, is the integration of ethnic minorities in the workplace and the community.

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As corporations pursue growth through globalization, they have encountered new challenges that impose limits to their growth and potential profits. Government regulations, tariffs, environmental restrictions and varying standards of what constitutes labour exploitation are problems that can cost organizations millions of dollars. Some view ethical issues as simply a costly hindrance. Some companies use CSR methodologies as a strategic tactic to gain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions to provide a subconscious level of advertising [7, 94-106]. Global competition places particular pressure on multinational corporations to examine not only their own labour practices, but also those of their entire supply chain, from a CSR perspective.



Fig. 1 The business in society [17]

buying. As globalisation accelerates, large corporations have progressively recognised the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe.

Everyone judges companies. Whether you invest in them, buy from them, work for them, or just live near them, it is difficult not to form an opinion. The most visceral of all judgments pertain to the firm's moral actions. Had a company placed greater emphasis on its treatment of employees, it would have likely seen larger gains in its CSR ratings.

The movement towards SCR has not been without criticism. Many people have criticised companies for using CSR as a gimmick to attract employees or media attention. Some companies have been criticised for claiming to be committed to sustainable development whilst simultaneously engaging in harmful business practices. Also, corporations have been criticised for damaging the environment and using child labor. This means that corporations have to deal with many ethical issues.

Today more and more of the global corporations issue corporate responsibility reports, and the public expects visible CSR initiatives from businesses of all sizes. Many companies use CSR as a way to burnish their image, generate brand equity, increase employee loyalty, promote wide-ranging policies, and labor rights. But is CSR really a win-win situation - as its promoters claim - for both corporations and the public? Serbian managers struggle with determining to whom their social responsibilities extend: to shareholders, employees, local communities, the environment, humanity as a whole, future generations?

The World Business Council for Sustainable Development in its publication "Making Good Business Sense" by Lord Holme and Richard Watts, used the following definition. ***"Corporate Social Responsibility is 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 large"***.

Corporate Social Responsibility (CSR) is becoming an increasingly important activity to businesses. It has become a public relation tool of global corporations to convince consumers it is OK to keep

2. CORPORATE SOCIAL RESPONSIBILITY AND ITS KEY DRIVERS

The rise in anti-corporate activism over environmental and human rights issues made a shift in corporate attitudes towards social and environmental aspects essential. The 70s and 80s saw major international boycotts of companies investing in South Africa, notably the Nestlé boycott over the company's aggressive milk formula marketing strategies in the global South. The 1992 Earth Summit in Rio was a key moment in the evolution of CSR as corporate involvement succeeded in impeding the Summit's ambitious task to 'find ways to halt the destruction of irreplaceable natural resources and pollution of the planet.' Proposals put forward by Sweden and Norway for regulation of multinationals were crushed in favour of voluntary corporate environmentalism [20].

Companies are recognizing that every customer is part of the community and its social responsibility is not an optional activity. Advocates of CSR hold that the corporation must focus not just on shareholders, but on "stakeholders" as well. Stakeholders include customers, employees, vendors and shareholders.

Corporate social responsibility, also known as *corporate responsibility*, *corporate citizenship*, *responsible business*, *sustainable responsible business*, or *corporate social performance*, can be defined as the "economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" [5, p. 36]. The *economic* responsibilities refer to society's expectation that organizations will produce goods and services that are needed and desired by customers and sell those goods and services at a reasonable price. The *legal* responsibilities relate to the expectation that organizations will comply with the laws set down by society to govern competition in the marketplace. Organizations have thousands of legal responsibilities governing almost every aspect of their operations, including consumer and product laws, environmental laws, and employment laws. Regulation in itself is unable to arrange every aspect of a corporation's operations. The *ethical* responsibilities concern societal expectations that go beyond the law, such as the expectation that organizations will conduct their affairs in a fair and just way. The rise of ethics training inside corporations, some of it required by government regulation, is a driver credited with changing the behavior and culture of corporations. Finally, the *discretionary* responsibilities of corporations refer to society's expectation that organizations be good citizens.

A traditional view of the corporation suggests that its primary responsibility is to its owners, or stockholders. However, CSR requires companies to accept a broader view of its responsibilities that includes not only stockholders, but many other stakeholders as well, such as employees, suppliers, customers, the local community, state, and federal governments, environmental groups, etc.

Corporate social responsibility is related to, but not identical with, business ethics. Business ethics usually focuses on the moral judgments and behavior of individuals and groups within organizations.

The rationale for CSR has been articulated in a number of ways. In essence it is about building sustainable businesses, which need healthy economies, markets and communities.

The key drivers for CSR are:

- **Ethical consumerism** - over the last two decades can be linked to the rise of CSR [8]. Industrialization in many developing countries is booming as a result of technology and globalization. Consumers are becoming more aware of the environ-

mental and social implications of their day-to-day consumer decisions and are beginning to make purchasing decisions related to their environmental and ethical concerns.

- **Transparency and trust** - business has low ratings of trust in public perception. There is increasing expectation that companies will be more open, more accountable and be prepared to report publicly on their performance in social and environmental arenas.
- **Increased public expectations of business** - globally companies are expected to do more than merely provide jobs and contribute to the economy through taxes and employment. As corporations pursue growth through globalization, they have encountered new challenges that impose limits to their growth and potential profits. Global competition forces multinational corporations to examine not only their own labour practices, but those of their entire supply chain, from a CSR perspective.
- **Employee motivation.** A KPMG survey of 1600 of the world's largest companies across 16 industrialized countries, including Australia, examined why they are committed to corporate responsibility and what influenced the content of the reports. By the survey almost half of the world's largest companies believe employee motivation is a key driver when it comes to corporate social responsibility [15].
- **Laws and regulation** - independent mediators, particularly the government, ensuring that corporations are prevented from harming the broader social good, including people and the environment. Governments should set the agenda for social responsibility by the way of laws and regulation that will allow a business to conduct themselves responsibly.
- **Crises and their consequences.** Often it takes a crisis to precipitate attention to CSR. One of the most active stands against environmental management is the CERES Principles that resulted after the Exxon Valdez incident in Alaska in 1989 [8]. Other examples include the lead poisoning paint used by toy giant Mattel, which required a recall of millions of toys globally and caused the company to initiate new risk management.
- **Stakeholder priorities.** Increasingly, corporations are motivated to become more socially responsible because their key stakeholders expect them to understand and address the social and community issues that are important to them.

Companies have their own ideas about corporate social responsibility - and how much of a commitment they make to it. It can range from "going green" to supporting local charities. But one thing is increasingly clear. It is not a choice any longer. CSR extends to the bottom line. Corporate Social Responsibility is no longer optional.

3. CORPORATE SOCIAL RESPONSIBILITY - CRITICISM FOR GLOBAL COMPANIES

Debates over corporate social responsibility have taken place around the world. There is a fundamental disagreement between free trade advocates and CSR activists about the nature of corporate social responsibility. By CSR activists, while profit is important, there has to be a higher purpose to corporate existence just as there is to that of humanity. CSR activists ask corporations to adopt socially responsible policies on labor, environmental and human rights issues, but there may also be special interest demands, e.g., animal

rights, women's rights, technology transfer, rainforest conservation, etc., that a company may be called upon to address. By free trade advocates, the social responsibility of business is simply to maximize the rate of return to the general shareholders, consistent with the law. Free market economists frequently argue that global environmental and social standards do not address local differences between countries, and may in fact interfere with the development of poorer countries.

Today's manager must be a proactive steward of the reputation of the company he is leading. This requires responding to the concerns and interests of a variety of stakeholders. A stakeholder is any group or individual that is affected by, or takes an interest in, the policies and practices adopted by an organization. Top management, employees, customers, persons or institutions that own the company's stock, and suppliers constitute a company's *primary shareholders*. *Secondary shareholders* include the media, the general business community, local community groups, and non-governmental organizations.

One of the forces restraining the growth of global business is resistance to globalization. The anti-globalization movement takes a variety of forms and finds expression in various ways. In developed countries, the movement's concerns and agenda include cultural imperialism (e.g., the French backlash against McDonald's), the loss of jobs due to off shoring and outsourcing (e.g., the furniture industry in the United States), and a distrust of global institutions (e.g., anti-WTO protesters in Hong Kong). In developing countries, globalization's opponents accuse companies of undermining local cultures, placing intellectual property rights ahead of human rights, promoting unhealthy diets and unsafe food technologies, and pursuing unsustainable consumption. Environmental degradation and labor exploitation are also key issues.

For a global company, the issue of corporate social responsibility becomes complicated. When the chief executive of a global company in a developed country or government policy makes an attempt to act in "society's best interests," the question arises: which society? That of the home-country market? Other developed countries? Developing countries? For example, in the late 1990s, in an effort to address the issue of child labor, the U.S. government threatened trade sanctions against the garment industry in Bangladesh [25, p. 559]. However, some argue that if industrial child labor is legally forbidden, then many children are relegated to working in more dangerous black market occupations such as prostitution. [24] After the Child Labor Deterrence Act was introduced in the U.S., an estimated 50,000 children in Bangladesh had turned out into the street, leaving many to resort to jobs such as "stone-crushing, street hustling, and prostitution". Also UNICEF study found that 5,000 to 7,000 Nepalese children turned to prostitution after the United States banned that country's carpet exports in the 1990s. Therefore, after thousand of child workers lost their jobs, their plight worsened. Whose interests were served by this turn of events?

Companies that do business worldwide may be in different stages of evolution. Thus, a multinational firm may rely on individual country managers to address CSR issues on an ad hoc basis, while a global or transnational may create a policy at headquarters. During the last decades, some multinational companies were widely criticized for their behavior in global market. Consider the following: *General Electric, Coca-Cola, Nike, Royal Dutch Shell, BP, Nestlé, Richmond, Samsung, and Wal-Mart and Merck*.

General Electric. General Electric (GE) is one of the American companies offering *training programs* that specifically address ethics issues. It is interesting that Jack Welch, the former CEO of GE, challenged his employees to take an informal "mirror test." The challenge: "Can you look in the mirror every day and feel proud of what you're doing?" [23]. Today, GE uses more formal approaches to ethics and compliance. GE has produced training videos, instituted an online training program, and provides employees with a guide to ethical conduct titled *Spirit and Letter* [31] and published in 30 languages. However, GE has failed to clean up the Hudson River after contaminating it with organic pollutants. The company continues to argue via the legal process on assignment of liability, while the cleanup remains stagnant (Sullivan & Schiafo 2005) [21].

Coca-Cola. Over the recent years, *labour unions and student activists accused Coca-Cola of ignoring social problems*. For example, in 2006, anti-Coca-Cola campaigns have spread across more than 100 university campuses throughout the US, Canada and Europe, including the UK, where activists were pushing for a nationwide student boycott. In January 2006 the University of Michigan became the 10th US college to ban Coke products from its premises, following similar decisions by New York University and Rutgers University.

There is no doubt that Coca-Cola is particularly vulnerable to attack over its ethical standards because its success has been built on positive perceptions surrounding its famous brand. Coca-Cola's brand remains the most valuable in the world, ahead of Microsoft, valued at \$67.5bn, according to an annual survey by Interbrand, a brand consultancy. But its value has been edging down in recent years, following a series of blows to its reputation. Coca-Cola has become a whipping boy for globalization, just as Nike and McDonald's have been for years. Coca-Cola is particularly vulnerable to attack over its ethical standards because its success has been built on positive perceptions surrounding its famous brand [2].

In Europe, the company's image was dented by a *contamination scare at a bottling plant in Belgium and the botched UK launch of Dasani bottled water, which was revealed to be recycled tap water containing excessive levels of a dangerous ingredients*. But perhaps the biggest threat to Coca-Cola's image is growing consumer concern about the role sugary fizzy drinks play in the obesity epidemic sweeping the developed world. US soft drink producers agreed to voluntary restrictions on sales in schools in response to mounting pressure on the industry from state governments, parents and health activists.

By some analysts, Coca-Cola hopes that a new global advertising campaign launched in the U.S. in March 2006 - with the slogan "Welcome to the Coke Side of Life" - helped to generate a more positive feelings towards the brand i.e. it tried to 'correct misperceptions' about the brand and increase flagging sales [28]. It is a simple idea, really. Drinking Coke makes people happy. It tastes good. And it is an invitation to live on the positive side of life. The new campaign is been developed by Wieden & Kennedy to replace the current "real" campaign.

In addition to alleged labour abuses in Colombia, activists accused Coca-Cola of *damaging the environment in India* by exploiting and polluting scarce water resources around its bottling plants. Coca-Cola has resisted an independent investigation, arguing it could prejudice an ongoing lawsuit against its Colombian bottling partner in a Miami court.

As the summer of 2009 approaches, the village of Kala Dera in north India is bracing itself for yet another season of acute water shortages - thanks largely to Coca-Cola. It was malfeasance on the part of Coca-Cola to *locate its plant in such a water-deficit area*, and it was a grave mistake on the part of the Indian government to allow the plant to be located in Kala Dera. In the year 2000, Coca-Cola started its bottling plant in Kala Dera. Groundwater levels dropped dramatically, and wells ran dry, farmers did not have enough water to have successful crop yields, and women now had to walk miles longer just to access potable water. Over 60 villages in the vicinity of the Coca-Cola bottling plant felt the dramatic impacts once Coca-Cola started its operations in Kala Dera [1]. And to add insult to injury, Coca-Cola extracts the vast majority of the water in the summer months - exactly when the water shortages are the most acute for the villagers, even without Coca-Cola.

On June 11th 2009, Venezuela's socialist government stepped up its attack on private enterprise this week by targeting Coca-Cola, one of the most potent symbols of global capitalism, *by banning the sale of Coke Zero on unspecified health concerns* [4]. Coca-Cola agreed to remove the drink from supermarket shelves pending the results of the government's investigation. In April 2009, Coca-Cola's local bottling company, Mexico's Coca-Cola Femsa, first began to distribute the product.



Fig. 2 The Campaign to Stop Killer Coke [37]

Campaign to Stop Killer Coke has started on April 20th, 2009. It begun with protest activities and a mobile billboard truck, which traveled throughout the Atlanta, Georgia, highlighting Coke's labor, human rights and environmental abuses. One of the billboards, illustrated the abuses and promoted the <http://www.killercoke.org/> website. Figure 2 depicts one of the tree billboards i.e. a vending machine with the words "Killer-Cola: The Drink that Represses!" and satirizes Coke's Coca-Cola Zero ad campaign by stating "Don't Drink Killer Coke Zero: Zero Ethics! Zero Justice! Zero Health!". Also, there is a picture of a Killer-Cola can and words "Unthinkable! Undrinkable! Murders in Colombia, Child Labor in El Salvador, Stealing and Polluting Water in India, El Salvador and Mexico."

Nike. Nike, the world's largest sneaker and sportswear maker, has been criticized for the practices in its third-world factories. Nike, by contracting with factories employing more than a half-million workers in 55 countries, is running one of the world's most extensive international development programs. Most of the factories are located in Asia, including Indonesia, China, Taiwan, India, Thailand, Vietnam, Pakistan, Philippines, and Malaysia [33]. Nike has contracted with more than 700 shops around the world.

Nike is one of the largest companies that *use sweatshops and child slave labor*. Nike has sweatshops all over the world. *Sweatshops* are workplaces where the work is very hard and the place is not safe to work in. Many sweatshops are in rich countries but sweatshops are found in Export Processing Zones (EPZ) within third world countries.

Critics of Nike are weakening its brand and raising its cost of doing business. Well-meaning customers, upset by stories of sweatshops and happy to save money, may skip the Nikes and buy off brands. However, these cheaper no-name sneakers were probably made under worse conditions.

During the 1990s, Nike faced *criticism for use of child labor in Cambodia and Pakistan in factories it contracted to manufacture soccer balls*. Although Nike took action to curb or at least reduce the practice of child labor, they continue to contract their production to companies that operate in areas where inadequate regulation and monitoring make it hard to ensure that child labor is not being used [14].



Fig. 3 A typical Nike sweatshop worker

Nike has been criticized about ads which referred to *empowering women in the U.S. while engaging in practices in East Asian factories which some felt disempowered women* [9]. Campaigns have been taken up by many colleges and universities, especially *anti-globalization* groups as well as several anti-sweatshop groups such as the *United Students Against Sweatshops* [35]. Despite these campaigns, however, Nike's annual revenues have increased from \$6.4 billion in 1996 to nearly \$17 billion in 2007.

Nike *pays the employees at the sweatshops only a couple of dollars for a full day of physical work*. In the first picture we see an original Nike billboard that says "You're quicker than you think" changed to "It was cheaper than you think" because of their production value and what they actually cost in retail stores. Usually a pair of Nike shoes can cost over \$100.



Fig. 4 Billboards from "You are faster than you think" campaign by Taxi Toronto for Nike [27]

With this ad for Nike TAXI Toronto won the London International Awards in the category "Billboard advertising". An eight-foot extension of Canadian hurdler Perdita Felicien was attached to the top of the billboard.

Nike has some 180 manufacturers and about 210,000 employees in China [13]. While the legal working age in China is 16, Nike's code of conduct states that its contractors do not "employ any person below the age of 18 to produce footwear." Regardless, many of the workers from China are female, and are under the age of 18 [34]. Problems the athletic footwear and apparel giant listed in its first corporate responsibility report to focus solely on China include *inadequate management, excessive overtime and workers using false documents to get jobs*. China is crucial to Nike: Roughly one in three pairs of Nike shoes are made there. Nike still positions itself heavily in countries where workers do not or cannot unionize or managers will not bargain to meet worker needs. But labor concerns will remain serious in China for some time. However, after years of foreign pressure on China to improve its labor legislation, the country passed two new laws in 2007 that are intended to improve worker rights.

A July 2008 investigation by Australian Channel 7 News found a large number of cases involving forced labour in one of the biggest Nike apparel factories. The factory located in Malaysia was filmed by an undercover crew who found instances of squalid living conditions and forced labour. Nike has since stated that they will take corrective action to ensure the continued abuse does not occur [38].

Royal Dutch Shell and **British Petrol (BP)**. The UK's Advertising Standards Authority (ASA) has in 2008 ruled that Royal Dutch Shell violated advertising rules by claiming in a newspaper ad that two oil projects in Canada and the U.S. involved sustainable forms of energy. The advertisement focused on two of Shell's projects. One involves exploration in Canada's oil sands where bitumen, a tar-like form of petroleum, can be extracted and upgraded to synthetic crude oil. The ad also mentioned Shell's plan to build one of the United States' largest oil refineries in Texas. The ASA ruled that the ad was misleading, failing on substantiation, truthfulness, and environmental claims. According to the ruling, the ad must not appear again in its current form [29].

Also, as retail *gasoline prices increased* in the United States following the devastation of Hurricane Katrina, Royal Dutch Shell, BP, and other companies were accused of gouging. The American Petroleum Institute, the industry's trade group, launched a national TV advertising campaign aimed at explaining its business and urging conservations [19, p. 1, 56].

Nestlé. Although it was one of the most successful companies in the world, it was frequently criticized for *using unethical marketing practices to promote the sales of some of its products*. The company was severely condemned by health agencies around the world for its marketing of infant formula in developing countries, by conveying the message that the formula was better for babies than mothers' milk.

There were demands on the company to stop purchasing cocoa from the Ivory Coast, where bonded labor and children were used on plantations to harvest cocoa beans. Nestlé was also criticized for selling genetically modified food in some Asian countries without labeling them explicitly. *Pure Life*, the mineral water brand the company launched in some Asian countries, was also *criticized for being too high priced*.



Fig. 5 Water - Pure Life

Richmond. The nation's top distributor of clove cigarettes is offering fans a new way to get their fix after the spice-flavored cigarettes are banned later this year - cigars. Cloves: Also known as kreteks (pronounced "cree-techs"), the cigarettes contain tobacco blended with cloves. They originated in the 1880s in Indonesia and are a staple of the Indonesian smoking culture — so much so that companies like Philip Morris International Inc. have created their own blends of clove cigarette bearing the famous Marlboro name in Indonesia and India. The company also has a controlling interest in Sampoerna, another Indonesian maker of clove cigarettes. Indonesia exports more than \$500 million worth of the product per year, with about a fifth of the shipments coming to the U.S. The industry employs about 11 million Indonesian workers. The new filtered cigars - close to the size of a cigarette and flavored with clove, vanilla and cherry - allow Moorpark-based Kretek International Inc., which imports Djarum-brand tobacco products from Indonesia, to avoid new federal laws banning flavored cigarettes other than menthol.



Fig. 6 Djarum Black Clove Cigars

The ban on flavored cigarettes, which critics say appeal to teenagers, goes into effect at the end of September 2009. It does not include cigars. The ban is one of the first visible effects of a new law signed by President Barack Obama in June that gives the Food and Drug Administration wide-ranging authority to regulate tobacco, though it cannot ban nicotine or tobacco outright [36].

Samsung. It has been criticized in 2008 for Lack of Recycling Programs. The Electronics TakeBack Coalition has launched a marketing campaign attacking Samsung for not taking environmental responsibility to recycle old electronics that may contain toxic metals. The campaign aims to make consumers aware of toxic metals used to manufacture TVs and other electronic devices before 2005, and to point consumers to the fact that *Samsung has been spending millions on ad campaigns during the Olympic instead of funding a take-back program for potentially toxic components in older TVs* [30].

The "Take Back My TV" campaign is on the coalition's site, Metal Mania; a spoof of Samsung's site Medal Mania. The Electronics TakeBack Coalition has launched a marketing campaign attacking Samsung for what it considers a weak stance on environmental protection and electronics recycling. The "Take Back My TV" campaign aims to make consumers aware of toxic metals used to manufacture TVs and other electronic devices prior to 2005 (Figure 7).

"Medal Mania" launched on July 24th 2008 and it lasted until the closing ceremonies of the Beijing 2008 Olympic games on August 24th. Samsung Mobile has included a few FM sites (roadblocks on Bleacher Report, sponsorship of Watercooler's Olympics Face-

book app, etc.) in their "Medal Mania" treasure hunt campaign, where registered players get email hints telling them where to find Samsung Easter-egg ads at various sites across the web. Players rack up "medals" for each click and improve their odds at winning \$100,000 (the grand prize) or Samsung phones, flat panel TVs and other home entertainment goodies.



Fig. 7 The Electronics TakeBack Coalition's marketing campaign against Samsung

Both sites allow consumers to hunt for gold. But on the coalition's site, consumers find toxic metals mercury and cadmium instead of the gold and prizes found on Samsung's site. In response Samsung said in a statement that it is piloting a TV take-back and recycling programs in 14 U.S. states, and that it also "has numerous take-back and recycle initiatives throughout the company."

Wal-Mart. It has been criticized specifically for its extensive *foreign product sourcing*, *low rates of employee health insurance enrollment*, *resistance to union representation and sexism*. Conversely, others point out that Wal-Mart's rapid growth and logistical efficiency has enabled it to bring lower prices to consumers and more low paying jobs and new small businesses to the communities in which it operates.

Wal-Mart's *product selection* has been criticized by some groups in the past, primarily as viewed as a promotion of a particular ideology or as a response to its original rural, religious target market. In 2003, Wal-Mart removed certain men's magazines from its shelves, such as *Maxim*, *FHM*, and *Stuff*, because the retail chain has received complaints from customers about their racy content [39]. Later that year, it decided to partly obscure the covers of *Cosmopolitan*, *Marie Claire* and *Redbook* on store shelves due to "customer concerns", and refused to stock an issue of *Sports Illustrated*'s swimsuit special because it took exception to one photograph. In 2004, Wal-Mart carried the anti-Semitic forgery [32] *The Protocols of the Elders of Zion* in its online catalogue and Wal-Mart's online product description suggested the text might be genuine. The Jewish civil rights organization- the Anti-Defamation League- wrote to the President of Wal-Mart in September 2004 noting the text, "has been the major weapon in the arsenals of anti-Semites around the world," and called on Wal-Mart to, "unequivocally state the nature of the book and to disassociate itself from any endorsement of it." [26]. Wal-Mart stopped selling the book shortly thereafter.

Wal-Mart has been accused of allowing *illegal immigrants* to work in its stores. On October 23rd, 2003, Federal officials raided Wal-Mart stores across the United States, arresting about 250 illegal immigrants working on cleaning crews at 61 stores in 21 states. It was about undocumented workers from Mexico, Eastern Europe and other countries who were employed by several contractors used by the world's largest retailer. Many of those arrested in the crackdown, which officials called "Operation Rollback," were coming off night cleaning shifts at various Wal-Mart stores [11]. Following the arrests, a grand jury convened to consider charging Wal-Mart executives with labor racketeering crimes for knowingly allowing illegal immigrants to work at their stores. In November 2005, 125 alleged undocumented immigrants were arrested while working on construction of a new Wal-Mart distribution center in eastern Pennsylvania [12]. The workers were employees of Wal-Mart's construction subcontractor.

In 2005, well-publicized lawsuit put the company's compensation policies in the public spotlight. A documentary film *The High Cost of Low Prices* examined the social repercussions of the retailer's presence in American communities.

Also, Wal-Mart has been accused of *destroying of small communities* by putting small retailers out of business. However, Wal-Mart is estimated to have lost about 8 percent of its market share because of reactions to such practices from consumers. Maclean's magazine published findings by *Jantzi Research*, one of Canada's leading CSR research firms, that gave the retail giant only a "C+" on its social responsibility report card [6]. The Gap, on the other hand, has taken the opposite approach, earning an "A" in the Maclean's report. This retailer has been applauded for its corporate citizenship, through such actions as supporting African women and children with HIV/AIDS, monitoring the labour standards in its suppliers' factories, and adopting progressive social and environmental initiatives including the donation of damaged clothing to hospitals [22].

Wal-Mart's CSR picture, however, may not be all that bleak. Lee Scott, Wal-Mart's CEO, is committed to ambitious environmental goals, including zero waste, 100% renewable energy, and environmentally friendly products. In 2007, the company released its first Sustainability Report and soon expects to launch a Supply Chain Sustainability Scorecard.

Merck & Co., Inc. is a global research driven pharmaceutical company that discovers, develops, manufactures and markets a broad range of innovative medicines and vaccines to address unmet medical needs. Merck operates as Merck Sharp & Dohme (MSD) in most countries outside the United States. Because of what we do, we recognize that we have special obligations to society [18].

Merck's stated mission is to provide society with superior products and services by developing innovations and solutions that improve the quality of life and satisfy customer needs, to provide employees with meaningful work and advancement opportunities, and investors with a superior rate of return. Company mission and values are reflected in CR approach, which clearly sets out how they see responsibilities in terms of global health and access to medicines, ethical and sustainable business practices, contribution to scientific advancement, good employee relations and returning value to shareholders. They seek to maintain high ethical standards and a culture that values honesty, integrity and transparency in all that we do. Company decisions are driven by what is right for patients.

Merck's core business is to discover and develop new medicines and vaccines that make a difference in people's lives. Their commitment to Corporate Responsibility extends to *how* we achieve this goal:

- By conducting business with high ethical standards
- By engaging in activities to expand access to quality health care around the world
- By making a positive and sustainable impact on the communities and societies where we live and work
- By meeting the needs of our employees in a fair and just manner.

4. THE PRACTICE OF CSR IN SERBIA

The idea of corporate social responsibility is new to Serbia. Because Serbia implemented its political and socio-economic transition later than many other countries, many companies still have little awareness of the benefits of socially responsible practices, and many ordinary citizens do not take CSR into account when making purchases or going about their lives.

In order to promote CSR, the Business Leaders Forum was established in 2008 [16]. The Business Leaders Forum was organized by Smart Collective with support from the Institute for Sustainable Communities and USAID. The forum is Serbia's first coalition of socially responsible companies with a goal of promoting CSR and operating in a sustainable way to benefit the interests of the whole community. All its members have volunteered to incorporate social, ethical, and ecological concerns into their work, and to cooperate with non-profit organizations, state institutions and other interested parties for the improvement of society. The Business Leaders Forum stimulates positive changes and promotes the best practice in the improvement of business environment in society.

In June 2009, Smart Collective/Business Leaders Forum organized "Our Belgrade", a day of volunteer actions around the city. Hundreds of volunteers from the forum's member companies came together for projects such as fixing up the building and grounds of a day care center/painting workshop for children with Down syndrome, working at a chess club for blind children, or taking Roma and other at-risk children to the zoo. Others took boats out to Great War Island in the Sava River where they cleaned up the heaps of trash that had accumulated on the shore, and recycled plastic bottles.

Nevertheless, the state of CSR in Serbia is still at its early stages, but Serbian firms are becoming increasingly aware that they are required to balance the social, economic and environmental aspects of their business, while building shareholder value. Enterprises and government are the two main promoters of CSR where enterprises determine the success of CSR and government promulgates policies, supervises the enforcement of regulations and provides information on CSR issues.

The key challenge is to raise the level of awareness of CSR since Serbian consumers have limited appreciation of CSR and fail to associate it in their choice of products (or services) to buy and do not relate CSR with social concerns. The promotion of CSR has been marked with various initiatives in the government sector, business sector and even by some NGOs.

Market forces have been the major drivers of CSR behavior with corporations and private institutions organizing and involving themselves in CSR activities not only as tactical responses to potential crises but also in acknowledgment of the fact that businesses could not possibly thrive in an environment where the majority of the population have low income.

The initiation of a "CSR Award" is a natural continuation of previous CSR activities in Serbia. These activities have been realized by implementing the regional program "Establishing the Corporate Social Responsibility in South East Europe" in cooperating with German institutions and organizations. The purpose of CSR Award was to introduce and establish CSR in a larger number of companies in Serbia above all in SMEs. In 2008, only about 200 companies are recognized to be active in the field of CSR in Serbia (compared to a total of about 104,000 firms that exist in the country) [10]. During 2007 and 2008, a CSR project team consisted of six members was in charge within the SCC - so there is human resource, logistics and operational background in place to continue working in that direction.

Finally, the practice of CSR in Serbia tends to have the following patterns: a) managers play a significant role in strengthening CSR commitment within a company and they are the principal agents for the CSR promotion activities, b) profitable business climate is a necessary precondition to initiate CSR, c) CSR in Serbia is still commonly recognized as charity [3, p. 8] and, d) CSR requires a larger legal framework that promotes partnerships, and openness.

5. CONCLUSION

Corporate social responsibility (CSR) can be defined as a company's obligation to pursue goals and policies that are in society's best interests. A socially responsible company conducts business in an ethical manner. In many companies, a formal statement or code of ethics summarizes corporate values, and expectations. The practical need for CSR comes from changing social expectations, affluence, and globalization. Many companies have earned benefits from engaging in CSR activities. These include stronger brand positioning, corporate image, market share and sales. It also increased their ability to attract and retain employees.

The practice of CSR is not free from controversy and criticism. Mostly, CSR is often criticized because it is believed that the first and foremost responsibility of a company is its financial responsibility to its shareholders. Companies have been criticized for labor rights abuses, using child labor, forced labor, sweatshops, environmental abuses in host countries, increasing use of outsourcing to lower cost countries, massive layoffs and unemployment as a result of plant relocation.

One argument for increased social responsibility on the Serbian companies is that because these companies have reaped the benefits of globalization, including privatization, deregulation, and freeing of international trade and investment flows, they should assume more of the burdens of social responsibility. However, in Serbia the practice of CSR is in an early stage of development. The government-centric approach influences CSR approaches with much emphasis on compliance with legislative requirements as a means of regulating socially responsible behavior. The full integration of CSR at the strategic level is not yet widely evident reflecting both an insufficient commitment to the concept on the part of top management and a general perception that CSR is primarily business philanthropy.

With consumers and the general public becoming increasingly sensitive to social and environmental issues, corporations will have to take a serious look at their role within the society as expectations of them increase. In the long run, this will perhaps increase their goodwill within society and reduce the need for strict government regulations.

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KORPORATIVNA DRUŠTVENA ODGOVORNOST U ERI GLOBALIZACIJE

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Autori rada ukazuju da implementacija koncepta društveno odgovornog poslovanja (DOP) omogućava kompanijama da jače pozicioniraju svoje marke, da ojačaju svoj imidž, da povećaju udeo na tržištu kao i da povećaju svoju sposobnost da privuku i zadrže zaposlene. Važan argument za povećanje socijalne odgovornosti srpskih kompanija je to što mogu time ostvariti koristi od globalizacije, privatizacije i deregulacije, kao i da se oslobode negativnih uticaja tokova međunarodne trgovine i međunarodnih investicija.

Rad se sastoji iz tri dela. Autori najpre imaju nameru da analiziraju pokretače kompleksnog fenomena društveno odgovornog poslovanja. Nadanje, u drugom delu oni će dati osvrt na neke globalne kompanije, čija je korporativna, društvena i ekološka praksa pod lupom javnosti. Konačno, autori će dati pregled uticaja DOP-a na društveni razvoj sa posebnim osvrtom na Srbiju.

Ključne reči: *Društveno odgovorno poslovanje (DOP); faktori DOP-a; kritika DOP-a, DOP u Srbiji.*