

**SCHOOL OF ECONOMICS AND BUSINESS
UNIVERSITY OF SARAJEVO
AND
FACULTY OF ECONOMICS
UNIVERSITY OF LJUBLJANA**

MASTER'S THESIS

AMER ČULOV

**SCHOOL OF ECONOMICS AND BUSINESS
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MASTER'S THESIS

**THE ENVIRONMENTAL ASPECTS OF CORPORATE SOCIAL
RESPONSIBILITY IN AUTOMOTIVE COMPANIES IN BOSNIA
AND HERZEGOVINA**

MARCH 2013.

AMER ČULOV

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INTRODUCTION

This thesis focuses on Corporate Social Responsibility (CSR) in 12 automotive companies operating in Bosnia and Herzegovina. Theoretical part provides an overview on CSR including a definition of CSR, activities, structure and dimensional aspects of CSR. We will focus on environmental and ecological aspect as a key pillar of the CSR.

Today in global economy the information revolution shines light on business practices around the World, and companies are more frequently judged on the basis of their environmental behaviour. Increasingly business partners, consumers and governments want to know what is inside of each company. This transparency of business practices in today's business world means that for many companies, environmental aspects of CSR, are no longer a luxury but a requirement.

It is also important to mention a significant role of governments in fostering social justice and environmental protection and ensuring social development. Hence, we have to avoid a tendency to replace role of the government with role of companies. In this respect CSR should be seen as an extra opportunity for companies in competitive markets.

The thesis is divided into four main chapters and each of them is further divided into several subchapters. The more detailed thesis structure is as follows. Chapter 1 defines concept of CSR including its historical development, finding what it means to be socially responsible and which are the main CSR activities. Also we will notice the three dimensional aspects of CSR and consider some concepts of how to distinguish various tools that are used by companies, which want to master or have already implemented CSR concept. Chapter 2 defines the major aspects of CSR, and its environmental management aspects. For that reason the nature, as an important stakeholder, different forms of environmental responsibly activities and specific environmental goals are gaining increasing attention. We will insight definition and components of environmental management system (EMS), find out which are the driving forces and which business attitudes are connected to the environment.

Chapter 3 is a theoretical concept divided into two subchapters which are representing concept of stakeholder approach and concept of social capital. Chapter 4 explains the research methodology, methods of data collection and processing and interpretation of data from primary, secondary sources. Also, this chapter shows findings and results of interviews with selected automotive company in Bosnia and Herzegovina, with focus on drivers of CSR practice, benefits and barriers in implementation process of CSR and stakeholders as one of the main driver. Finally, chapter 5 provides conclusions of the whole thesis. At the end, the thesis offers a review of used information sources and enclosed appendix provides necessary supporting materials.

Corporate social responsibility (CSR) can be seen as activity that promotes the welfare of any stakeholder of a business corporation. As well CSR refers to philanthropic programmes targeting communities or employees. Other times it refers to commitments to promote the welfare of suppliers. More generally, it refers to the vague intention to better society. When used very loosely, the term can be conflated with general ethical practices with regard to customers, investors or any other stakeholder. However, the term has a variety of meanings and applications. It is possible applied it to every

business in any industries. The CSR concept's looseness and generality enable it to encompass such a wide variety of ethical practices that it has practically become meaningless. According to Jenkins (2006), „companies felt that they were being socially responsible simply by supporting the local economy and community by being profitable and successful companies and employing people, but they also recognised the importance of other responsibilities“.

If we look at one of the challenges in learning and implementing responsible business practices has been no commonly agreed definition of Corporate Social Responsibility (CSR). The term CSR is often used alternate with others, including corporate responsibility, business in society, corporate citizenship, sustainability, social enterprise, sustainable development, triple bottom line, societal value – added, corporate ethics, strategic philanthropy, and sometimes with corporate governance.

The relationship between environment and corporations is complex. The impacts which corporations have on the environment include the use of primary resources to make a product: they use the energy and water for production of waste and emissions. Also, the impact of their product usage on the environment is not negligible. Environmental law cannot prescribe every decision taken by each company and each business. Rather, consideration of environmental issues – the direct and indirect environmental impact of the business and the risk and opportunities associated with them, should be part of good business practice. Socially responsible initiatives for the most part were welcome by employees, customers, investors, regulators and the public.

„Businesses worldwide are very worried regarding the impact of their business activities on society. They also recognize that the world they live in presents a growing array of demands, pressures and risks that are not signalled through markets or the traditional political processes on which they have relied for a very long time“ (Polašek, 2010). Social and environmental consequences have started to be weighed against economic gains and short – term profit against long – term prosperity by the businesses in order to maintain long – term sustainable growth and development.

Environmental policy and planning took place with the evaluation of the environmental aspects and impacts of the organization's activities, services and products. Aspects of it can be said to be the „potential effects“, which can be good or bad. If they manifest themselves and lead to changes on the landscape, than they become impacts. Regarding it aspects can be direct or indirect depend from the company's activities or from their suppliers.

In the context of the impact that CSR have on the companies we can find in literature different opinions on this issue. First aspect, which is represented by most of the authors, refers to the positive impact and achieve benefits for companies involved in CRS activities. Companies which reduce the potential for conflict between themselves and the rest of a society by reducing external effects may be rewarded by the stock market, which seems averse to companies with bad environmental records. Being environmentally conscious can involve investments in technology, tools, methods, and a lot of raw materials that are higher than it the case for the environmentally indifferent. These investments also can bring advantages in a number of ways, which can result in increased profits in the end.

Companies have a need for involvement in the development of the society in which they operate, due to their operations are under the influence of society, which affects the efficiency and effectiveness of their business activities. Some authors argue that investing in social capital should be part of corporate strategy since joining the development of a company realizes the benefits of such engagement (Spence & Schmidpeter, 2003).

According to Werther and Chandler (2006) there are a few benefits for companies engaged in CSR activities, which we can classify into: moral, rational and economic arguments within CSR fields. However, potential benefits to an environmentally responsible firm can be recognize as: 1) lower operating costs, 2) lower cost of capital, 3) decreasing in regulatory risk resulting from change in environmental regulation and 4) enhanced revenues. Therefore, applying CSR strategies companies can create a better business environment for their activities in the long run.

However, there are arguments against the involvement of companies in CSR activities. If companies don't have social responsibilities or if they have already fulfilled their responsibility by providing employment than they have criticism about involvement in CSR activities. In addition they mention the aspect like cost and free choice. They considered that decision which social needs companies want, should decide consumers and shareholders. CSR creates the free – rider problem, in addition to long – term benefits, and that problem can harm companies which are engaged in CSR. Companies want the social benefits accruing from the CSR activities, but they are not engaged in CRS and don't bear the cost of CSR. The companies which bear the cost are at a competitive disadvantage to those who don't.

However, if we consider the bussiness and government side, we can see that there is a little overt opposition to CSR. In this context, one aspect of the research will be benefits for companies which are engaging in CSR activities.

Another important aspect related to CSR and companies are environmental strategies relating to the main drivers of these activities in companies. Although there are numerous studies on this topic, it is not clear why firms adopt environmental practices beyond regulatory compliance (Delmes & Toffel, 2004).

The results show that one of the reasons of strategic nature is such as the entrance to market, competitive advantage (Tullberg, 2005; Berry & Rondinelli, 1998), product and service quality (Marshall et al., 2005; Bhattachatya et al., 2004), differentiation strategy (Marshall et al., 2005; Bhattachary et al., 2004; Tullberg, 2005; McWilliams and Siegel, 2001), compliance with regulations (Bhaskaran et al., 2005; Haigh & Jones, 2006), and positive corporate reputation (McWilliams & Siegel, 2001). Besides, the results of some studies suggest that some companies are led by monetary drivers such as cost saving (Munilla & Miles, 2005), higher profits (Munilla & Miles, 2005), and better efficiency (Vis & Standish, 2003; Porter and Van der Linde, 1995).

Besides the motives for the adoption of environmental responsibility, drivers can also be divided to external and internal drivers (Gabzdylova, 2008b). External drivers are, among the others, investors, competitive pressures and compliance with regulatory framework, demand by customers, community groups and the public sector. Internal drivers are organizational culture, managerial attitude, internal pressure on business

managers, and social development activities. „While each driver represents a piece of the puzzle, there is still a lack of understanding of the conditions under which organizations adopt environmental practices beyond regulatory compliance“ (Delmas & Toffel, 2004). Therefore, the one aspect of this research will be definition which drivers of environmental responsibility are crucial to automotive industry in B&H.

In addition to the drivers of environmentally responsible behavior and the importance of having different groups (stakeholders) who can influence or are affected by companies' activities. According to stakeholder theory the company is responsible to a variety of groups, as corporate behaviour and decisions affect the wider society in different ways, and at societal decisions affect corporate interest (Gabzdylova, 2008a). Influence of stakeholders can be direct and indirect with different intensity of influence. In the literature we can find a different division of stakeholders groups. The most important groups are customers, employees and shareholders while other include suppliers, competitors, local and national government, the community, the media, and society, at large. Research suggests that environmentally responsible companies are motivated by customer interest (Polonsky, 1996).

According to Bhaskaran et al. (2006) demand for environmental friendly products has encouraged a number of businesses to apply environmentally sustainable production. Influence on companies decision on the adoption of environmental responsibility has the local community that their influence realized through participation in environmental activities or through citizen's claims (Delmas & Toffel, 2004). According to Delmas and Toffel (2004) probably the biggest influence on the environmental responsibility has the different government bodies that can act as constraints in the companies attention to environmental issues. In recent years, the focus of CSR research has started to shift to the relationship between public policy, CSR, and role of government.

There are no normative roles for the public sector in CSR. According to Fox et al. (2002) there are four main public sector rules in CSR: mandatory, facilitating, partnering and endorsing. However, according to Lepoutre, Dentchev and Heene (2007) this approach with the four rules is more based on the hierarchical position of the government and there is necessary to include the new types of government and policy instruments.

„New Governance see the government engaged in a horizontal inter – organizational network of societal actors, where public policy is both formed and executed by the interacting and voluntary efforts from a multitude of stakeholders, rather than the product of a hierarchical command – and – control mode of public administration“ (Lepoutre, Dentchev and Heene, 2007, pp. 391 – 392). Taking into account that one of the aspects of this research is the impact of stakeholders to the adopt environmentally friendly practices, in this thesis we will be based on the four roles proposed by Fox et al. (2002) because their approach does not eliminate the involvement of various stakeholders in environmental responsibility of companies.

Finally, besides all mentioned problems which will be explored in this thesis, understanding why companies in automotive industry enter these projects, which initiatives they choose, and what is the importance of participation in environmentally responsible activities for these companies, will be of great importance for this study.

The purpose of this thesis is to shed some light on understanding why companies adopt environmentally responsible behavior, which are the main drivers to engage in environmentally sustainable practices, how important are different stakeholders into environmental responsibility, and what impact this adoption has on their performance.

- The study addresses five key questions:
 - What drives a company to engage in environmental responsibility practices?
 - Which stakeholders are the main drivers of environmental practices?
 - Which role could the stakeholder play in supporting company's furthering environmental responsibility related practices?
 - What kind of environmental activities do company initiate on their own?
 - Which benefits the companies have from adopting environmentally responsible practices?

The objectives of this thesis are:

- Explore the main companies drivers in implementing environmental responsibility practices;
- Identify the major stakeholders that have an impact on environmental friendly practices of company;
- Analyze the role which stakeholders have in supporting company's furthering environmental responsibility related practices;
- To identify the environmental activities which companies undertake in their business
- Find out what benefits companies can identify by participating on environmentally responsible activities.

Research is conducted on a sample of companies from the automotive industry in B&H. Primarily data will be collected through semi – structured face – to – face interviews with company's employees in automotive industry. A semi – structured interview will be chosen, as it is more flexible in what respondents say compared to a structured interview. Moreover, informal discussion will be held with environmental officers and people/organizations responsible to the environment and standardization.

1 CORPORATE SOCIAL RESPONSIBILITY CONCEPT

Corporate Social Responsibility (CSR) is a concept that has attracted worldwide attention and acquired a new resonance in the global economy. Heightened interest in CSR in recent years has stemmed from the advent of globalization and international trade, which have reflected in increased business complexity and new demands for enhanced transparency and corporate citizenship. Moreover, while governments have traditionally assumed sole responsibility for the improvement of the living conditions of the population, society's needs have exceeded the capabilities of governments to fulfill them. In this context, the spotlight is increasingly turning to focus on the role of business in society and progressive companies are seeking to differentiate themselves through engagement in CSR

At the core of the CSR debate is the idea that corporations should transition from a state of mere compliance to a mode of engagement, from harm minimization to value creation. This view has become central to the CSR discourse. Also implied in the debate is the idea that the private sector is the dominant engine of growth – the principle creator of value and managerial resources – and that it has an obligation to contribute to economic growth and opportunity – equitable and sustainable. CSR is therefore founded on a stronger recognition of the role of business as an active partner in a world of scarcity and dwindling resources (Jamali & Mirshak, 2006).

1.1 Defining corporate social responsibility/CSR

Defining Corporate Social Responsibility has not been and will not be an easy task as there, the most likely, will not be a generally agreed definition. There can be an infinite number of definitions of CSR, ranging from the simplistic to the complex ones, and a range of associated terms and ideas. There is a lot of challenges in studying and implementing responsible business practice but the basic challenge was to define a commonly agreed definition of CSR. „The term CSR is often used interchangeably with others, including corporate responsibility, corporate citizenship, business in society, social enterprise, sustainability, sustainable development, triple bottom line, societal value – added, strategic philanthropy, corporate ethics, and in some cases also corporate governance“ (Nelson, 2004).

A solid ground for a modern definition of CSR can be provided by the United Nations Global Compact's ten principles in the areas of human rights, labour, the environment and anti – corruption. These principles enjoy universal consensus and basically have been derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations convention against Corruption (Polašek, 2010). The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of following core values in the following areas (The United Nations Global Compact Office, 2008):

- Human Rights:
 - Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
 - Principle 2: Make sure that they are not complicity in human rights abuses.

- Labour Standards:
 - Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
 - Principle 4: The elimination of all forms of forced and compulsory labour;
 - Principle 5: The effective abolition of child labour; and
 - Principle 6: The elimination of discrimination in respect of employment and occupation.

- The Environment:
 - Principle 7: Businesses should support a precautionary approach to environmental challenges;
 - Principle 8: Undertake initiatives to promote greater environmental responsibility; and
 - Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

- Anti – corruption:
 - Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Often accepted definition of CSR provides Philip Kotler. In his view, „CSR is a commitment to improve community well – being through discretionary business practices and contributions of corporate resources“ (Kotler & Lee, 2005). A key element in this definition is the word discretionary, which refers to a voluntary commitment which business makes in choosing and making contributions. The term community well – being includes human conditions as well as environmental issues. Kotler also uses the term corporate social initiatives to describe efforts under the CSR umbrella and offers the following definitions: „Corporate social initiatives are major activities undertaken by a corporation to support social causes and to fulfil commitments to corporate social responsibility“ (Kotler & Lee, 2005). Causes that can be supported through these initiatives are those that contribute to: a) community health, safety, education and employment, b) the environment, c) community and economic development and other basic human needs.

While there is no universal definition of corporate social responsibility, it generally refers to transparent business practices which are based on ethical values, compliance with legal requirements, and respect for people, communities, and the environment. „People“ constitute the company’s stakeholders: its employees, customers, business partners, investors, suppliers and vendors, the government, and the community. Increasingly, stakeholders expect that companies should be more environmentally and socially responsible in conducting their business. In the business community, CSR is alternatively referred to as „corporate citizenship“, which essentially means that a company should be a „good neighbor“ within its host community (U.S. Agency for International Development, 2002).

Figure 1: Pyramidal Structure of Corporate Social Responsibility



Source: A. Bakhsheshy, A. Corporate citizenship, social responsibility, responsiveness, and performance. 2007.

The International Labour Organization (ILO) described on its website CSR as „a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors” and further specified CSR as “a voluntary, enterprise – driven initiative, which refers to activities that are considered to exceed compliance with law” (International Labour organization, 2007). In European perspective CSR strengthens mutual trust and confidence between business and society. The relationship between both can be qualified as a symbiotic. Moreover, being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and the relations with stakeholders (Polašek, 2010).

1.1.2 Three dimensional aspects of CSR

The objective of corporate social responsibility (CSR) is to organize corporate business activities and corporate culture sustainable in three aspects:

- Economic aspects
- Social aspects
- Environmental and Ecological aspects

- **Economic aspects of CSR**

From the economic viewpoint, CSR implies comprehending the economic affects of the company’s operations. It was believed for a while that this aspect was handled well. On the contrary, it is not quite well understood by many of those in charge of creating the corporate and public policy plans.

The economic side of CSR is sometimes wrongly equalized with financial matters, but the economic responsibility does not only imply companies' financial accountability or records of employment figures and debts in the latest report. „The economic aspect of the sustainability agenda should rather consider the direct and indirect economic impacts that the organization's operations have on the surrounding community and on the company's stakeholders. That is what makes up corporate economic responsibility“ (Uddin, Riad & Kazi, 2008).

The economic aspects of CSR are (Uddin, Riad & Kazi, 2008):

- **The multiplier effect** – All of the company's stakeholders ranging from suppliers to customers are both directly and indirectly affected by the company's economic performance, i.e. if employees's needs are satisfied, it results in employees's good performance. They have good paycheques, thus they obtain goods and pay taxes. Such actions represent the local service industry's driving force, as well as the government programs' and the community activities'. The multiplier effect is more important and effective if the company is bigger.
- **Contribution through taxes** – The local tax base is a means of companies' contribution to the zone involved in the operations and actions. „Therefore, the question arises: is it responsible for a business to see corporate taxes purely as to cost be avoided, rather than part of their social contract with society? Taxes have a significant impact on the creation and distribution of wealth: tax avoidance, though perfectly legal, deprives the community in the area of the company's operation of well – being“ (Uddin, Riad & Kazi, 2008).
- **Avoiding actions that damage trust** – Local communities are the ones to authorize companies to operate in their area. Trust of the community can be harmed by some of the companies's actions which may be found as economically irresponsible. Thus, the companies have to be aware of that risk and act responsibly and exclude bribery and corruption, tax avoidance, as well as rewarding some employees instead of the whole team for a good performance.

- **Social aspects of CSR**

Nowadays, corporate social responsibility receives more attention than before. Social concerns are adressed by many organizations. It implies the company's accountability for the social effects on people within the company, company's supply chain and it's customers. Contribution to the welfare and best interests of the community and the company is done in the management. CSR's main social aspects in terms of an organization are:

- **Responsibility towards Customers** –An increase in the company's profit is amongst all a result of treating customers with a great deal of respect and being responsible, and the responsibilities include safety and products durability issues, service after the purchase, attending complaints as well as transparent information for potential buyers.
- **Responsibility towards Employees** –Major and the biggest employers in the communities are the companies, and proper conditions have to be ensured, such as

equal treatment for all the employees regardless their racial or religious status, and providing for their safety. However, social responsibility towards the employees needs to extend to a higher level in terms of quality of their working life.

- **Responsibility towards the Community** – Communities' health, stability, and prosperity are very important to the company and its' reputation. Many companies provide additional vocational training places and recruit socially excluded people, sponsor local sports and cultural events, or give donations to charitable activities.

- **Environmental and Ecological aspects of CSR**

The major support of the CSR is the environmental aspect and sustainable development. Within the business world, issues such as ecology and environment have been dealt with in the past three decades. Environmental and ecological aspects are (Uddin, Riad & Kazi, 2008):

- **Environmental Impact** – Corporate activity can affect the environment in many ways, usually in a negative context. Pollution, wastage, degeneration of biodiversity, climate change, deforestation are examples of such actions. Corporations can take the following steps:
 - *Measuring Environmental Impact:* There are a few ways to measure environmental affects, via tables of input and output, material input per service unit (MIPS) calculations, ecological footprint and life cycle assessment. Ecological footprint is used to measure the amount of nature's resources that is consumed in a certain year, and then to compare that amount to the world resources. Life cycle assessment is helpful in assessing the environmental performance of raw material products from the initial point of the production process all the way to disposal at the end of use. "The MIPS value is calculated by dividing the amount of material the product or service causes to move – e.g. the amount of earth moved in mining, not just the metal." used – during its entire life – span by the amount of benefits and value it brings (Uddin, Riad & Kazi, 2008).
 - *Environmental Management:* In order to fulfill environmental responsibilities traditional operations should be altered into more environmentally oriented ones and that may result in increased resource productivity, cleaner production and active dialogue with the company's stakeholders. Many businesses have found that establishing an environmental management system is the best basis for good environmental performance. Quality, health and safety issues can also be integrated into the same management system (Uddin, Riad & Kazi, 2008).
- **The Win – Win of Environmental Responsibility** – Several individual companies have found that improving environmental performance may also have beneficial effects on the company itself. Using less material and streamlining processes to create less waste may lower the costs of operation significantly. Moreover, the close review of operations, which is needed to improve the environmental performance, may reveal other improvement points, such as risk and material loss. A responsible public image can also attract more customers. These kinds of improvements as well as the investments behind them are often referred to as win – win – good for both the environment and profitability of the company.

The principle of win – win situations has been established for a number of years and most recently recognized in the commission’s 6th Environmental Action program. The program explains, how the European Union and member State governments can fulfill their role in helping business to identify market opportunities and undertake win-win investments, the action program also set out a number of other measures aimed at business: establishment of a compliance assistance program to help business understand the environmental requirements of the European Community; development of national, but harmonized, company environmental performance reward schemes that identify and reward good performers and encourage voluntary commitments and agreements (Uddin, et al., 2008).

1.1.3 CSR activities

One of companies' ways of expressing their socially responsibility is simply via supporting the local community and business in terms of profit and employment. Shareholders were mentioned as a key stakeholder, but were not referred to in relation to CSR activities. For some companies, environmental management is a key part of CSR, for others employees, the community or customers form the central part of their activities. The sector of the company influenced where CSR efforts were targeted, and reflected the company’s greatest level of impact; printing, manufacturing and engineering companies tended to focus more on environmental aspects, service and construction companies concentrated more on employment and community aspects (Jenkins, 2006).

A common form of CSR is philanthropy, or voluntary contributions of company resources such as charitable donations or sponsorship of a local sports team. All of the companies are engaged in philanthropic CSR to some extent, but felt that the benefits of such activities for the company were limited and difficult to measure. Voluntary activities need not be limited to activities that are unrelated to the business. Companies may also target such activities in a more competitive way by focusing on issues that affect the underlying drivers of competitiveness in locations where they operate, for example targeting the future workforce by engaging with local schools in areas where skilled labour is limited (Jenkins, 2006).

- **Workforce – oriented CSR activities**

They have a focus on employees, and can include for example:

- The improvement of working conditions and job satisfaction;
- Work/life balance;
- Equal opportunities and diversity;
- Training and staff development (career planning);
- Communication/information of employees and participation in company decision;
- Responsible and fair remuneration of financial support of employees (pension system, interest – free loans).

- **Society – oriented CSR activities**

CSR activities target at the society/community may refer to:

- Social and/or labour market integration at community level;
- Improvement of the local infrastructure;
- Cash or in – kind donation to local community institutions;
- Support of the society in a wider sense (developing countries population).

- **Market – oriented CSR activities**

Market oriented CSR activities target, on the one hand at the customer and on the other hand at business partners and/or suppliers. Respective initiatives include (European commission, 2007):

- Activities to improve the quality or safety of products;
- Provision of voluntary services to the clients;
- Ethical advertising, fair pricing;
- Paying suppliers or business partners without delay;
- Contracting local partners;
- Driving standards through the supply chain;
- Supporting the establishment of local/regional business alliances.

- **Environment – oriented CSR activities**

CSR activities in the field of the protection of the environment focus on (European commission, 2007):

- Designing environmentally friendly products or production processes;
- An efficient use of resources;
- The reduction of the waste and pollution;
- Applying an „ecologic assessment“ on the suppliers concerning their environmental standards;
- Informing business partners, customers or the society on environmental issues.

1.2 Six forms of corporate social responsibility initiatives

Another viable concept how to distinguish various tools that are used by companies, which want to master or have already implemented CSR concept is based on Philip Kotler's six forms of CSR initiatives. Kotler argues that most corporate social initiatives, or CSR tools, under the CSR can be seen in these categories: corporate philanthropy, cause promotions, cause related marketing, corporate social marketing, community volunteering and socially responsible business practices. Though there are commonalities among these initiatives, each initiatives has a characteristic that makes it distinct. Importance to develop these distinctions lies in an old truth that awareness and familiarity with tools that are at hand increasing the chances which will be considered and then used.

1.2.1 Corporate philanthropy

We can observe the Corporate philanthropy as a direct contribution by a company to a society, more often in the form of donations, cash grants and in – kind services. Perhaps this is the most traditional of all CSR initiatives and it is historically a main source of support for community health and human service organizations, education, and the arts, as well as organizations with main objective to protect the environment. The donations are usually critical to an existence of non-profit organizations. Some definitions observe employee's volunteerism as a form of corporate philanthropy. However it is better to distinguish community volunteering as a separate initiative, as it has unique characteristics, related corporate benefits, potential concerns, keys for success, and decision making related to developing and implementing corporate programmes (Polašek, 2010).

Philanthropic efforts commonly involve selecting a cause that reflects a priority area for the company, determining the type of contribution to be made, and identifying a recipient for contributions, most often an existing non – profit organization, foundation, or a school. The range of options for giving are summarized below and, as indicated, are varied, with trends mentioned above that are breaking from the tradition of cash donations to creative giving strategies that make use of other (sometimes idle) company resources (Bartošová, 2006):

- Providing cash donations and ;
- Offering grants;
- Awarding scholarships;
- Donating products;
- Donating services;
- Providing technical expertise;
- Allowing the use of facilities and distribution channels; and
- Offering the use of equipment.

1.2.2 Cause promotions

In a cause promotion a company provides funds, contributions, or some other company resources to increase awareness and concern regarding a social cause or to support participation, or volunteer recruitment for a cause. Persuasive communications are the major focus for this initiative, with an attention to create awareness and concern relative to a selected social issue and/or to persuade potential donors and volunteers to contribute to the selected cause or participate in activities that support that cause. Successful campaigns utilize effective communication principles, developing motivating messages, creating persuasive executional elements, and selecting efficient and effective media channels. Campaign plans are based on clear definitions of target audiences, communication objectives and goals, support for promised benefits, opportune communication channels, and desired positioning (Ježek, 2008).

Further cause promotions differ from cause related marketing in that contributions and support are not tied to company sales of specified products. Corporate cause promotions most commonly focus on the following communication objectives (Polašek, 2010):

- Building awareness and concern about a cause by presenting motivating statistics and facts, such as publicizing the number of persons affected by lung cancer, by sharing real stories of people in need or who have been helped by the cause;
- Persuading people to find out more about the cause by visiting a special web site or by requesting an informational brochure;
- Persuading people to donate their time and/or money and or non-monetary resources to help those in need; and
- Persuading people to participate in events, such as attending an art show, participating in a fundraising walk, or signing a petition to help the cause.

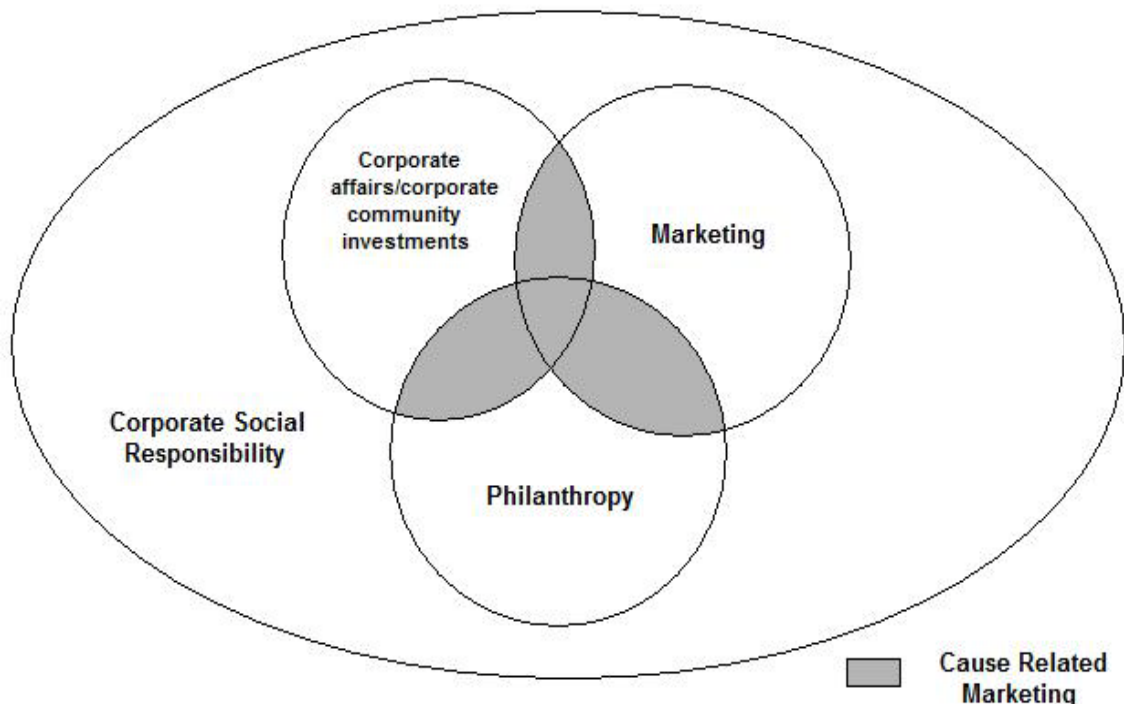
Several potential downsides for the company are inherent in these promotional campaigns, particularly visibility for the company can get lost; tracking investments and return on promotional investments is difficult because of its visibility; this initiative may generate too many additional requests for support from other organizations connected to the cause; this approach requires more time and involvement than simple donation of many; and promotions can often be replicated, thus potentially removing any desired competitive advantages (Kotler & Lee, 2005).

1.2.3 Cause related marketing

According to Adkins (1999), in cause related marketing campaigns, a company commits to making a contribution or donating a percentage of revenues to a specific cause based on product sales. Cause related marketing is intrinsically linked to CSR, corporate affairs, community investment and marketing. It can be represented as shown below in Figure 2. CRM intersects with marketing, philanthropy, corporate affairs, and corporate community investments. Together they all form part of the overall matrix, which makes up CSR, which in turn forms part of the overall business strategy.

The intersection of all spheres in Figure 2. is the ultimate point providing maximum return on investment and opportunity for all concerned. Awareness, support and provision of resources can all be enhanced if individual departments or persons in the company work in concert with each other. The benefits to the company, the charity or cause partners and therefore to the wider community can all be enhanced through effective communication, co – ordination, co – operation and by taking an overall view of the business. The CRM therefore represents a challenge to companies as it bridges organizational, functional and decision-making boundaries (Adkins, 1999).

Figure 2: Relations among cause related marketing, marketing, corporate community investment, philanthropy, and Corporate Social Responsibility



Source: S. Adkins, S. Cause Related Marketing – Who Cares Wins. 1999.

1.2.4 Corporate social marketing

Corporate social marketing is a mean whereby a company supports the development and/or implementation of a behaviour change campaign intended to improve public health, safety, the environment, or community well – being. Behaviour change is always the focus and the intended outcome. Successful campaigns utilize a strategic marketing planning approach: conducting a situation analysis, selecting target audiences, setting

behaviour objectives, identifying barriers and benefits to behaviour change, and then developing a marketing mix strategy that helps overcome perceived barriers and maximize potential benefits. It relies on the same principles and techniques used in developing and implementing marketing strategies for company's goods and services (Valentino, 2007).

It is most easily distinguished from other CSR initiatives by the behaviour change focus. Corporate social marketing campaigns most commonly focus on promoting behaviours that address specific issues such as the following (Polašek, 2010):

- Health issues including tobacco use prevention, breast cancer, prostate cancer, physical activity, skin cancer, eating disorders, diabetes, HIV/AIDS, and other;
- Injury prevention issues such as traffic safety, child injury prevention, and other;
- Environmental issues including water conservation, electrical conservation, use of pesticides, water and air pollution, and preservation of wildlife habitats; and
- Community involvement issues such as volunteering, animal rights, crime prevention, and other.

1.2.5 Community volunteering

Another CSR initiative, community volunteering, is an initiative in which an enterprise supports and encourages employees, business partners, and/or franchise members to volunteer their time to support local community and beneficial causes. Volunteer efforts may include employees volunteering their expertise, talents, ideas, and/or physical labour. Company support may involve providing paid time off from work, matching services to help employees find opportunities of interest, recognition for service, and organizing teams to support specific causes the company has targeted (Kotler & Lee, 2005).

Examples representing types of support include the following (Cairns & Hutchison, 2006):

- Promoting the ethic through corporate communications that encourage employees to volunteer in their community and that may provide information on resources to access in order to explore volunteer opportunities;
- Suggesting specific causes and charities that the employee might want to consider and providing detailed information on how to get involved, often with causes and charities supported by other current CSR initiatives;
- Organizing volunteer teams for a specific cause or event;
- Providing paid time off during the year to do volunteer work, with typical benefits ranging from offering two to five days of annual paid leave to do volunteer work on company time;
- Awarding cash grants to charities where employees spend time volunteering; and
- Recognizing exemplary employee volunteers through gestures such as mentions in internal newsletters, etc.

Similarly as other CSR initiatives, community volunteer programmes can contribute to building strong and enduring relationship with local communities, attracting and retaining satisfied and motivated employees, reinforcing and leveraging current involvement and investment in CSR activities, contributing to business objectives, enhancing company image, and providing opportunities to demonstrate products and services.

1.2.6 Socially responsible business practices

Socially responsible business practices are those where the company adapts and conducts discretionary business practices and investments that support CSR causes to improve community well – being and protects the natural environment. Main distinctions from other CSR initiatives include a focus on activities that are discretionary, not those that are mandated by laws or regulatory agencies or are simply expected, as with meeting moral or ethical standards. Community is interpreted broadly to include employees of the corporation, suppliers, distributors, non – profit and public sector partners, as well as members of the general public. And well – being can refer to health and safety, as well as psychological and emotional needs (Kotler & Lee, 2005).

As it might be expected, most initiatives related to socially responsible practices relate to altering internal procedures and policies, such as those related to product offerings, facility design, manufacturing, assembly, and employee support. Common activities may include the following (Cassuto, 2008; Littrell & Dickson, 2001):

- Designing facilities to meet or exceed environmental and safety recommendations and guidelines, such as for increased energy conservation;
- Developing process improvements, which may include practices such as eliminating the use of hazardous waste materials, reducing the amount of chemicals used in growing crops, or eliminating the use of certain types of chemicals and materials;
- Discontinuing product offerings that are considered harmful but not illegal;
- Selecting suppliers based on their willingness to adopt or maintain sustainable social and environmental practices;
- Choosing manufacturing and packaging materials that are the most environmentally friendly;
- Providing full disclosure of product materials and their origins and potential hazards;
- Developing programmes to support employee well – being;
- Measuring, tracking and reporting of accountable goals and actions;
- Establishing guidelines for marketing to ensure responsible communications and appropriate distribution channels(particularly regarding children);
- Providing increased access for disabled people to products and services;
- Protecting privacy of consumer information; and
- When making business decisions taking into consideration the economic impact of these decisions on local communities.

1.3 Changing corporate culture to an environmental ethos

Corporate sustainability needs to have a unified and integrated perspective to take the complex set of corporate responses to the wire array. Merging the internal and the external side in terms of an interest of a particular organisation is recognised by the management.

External drivers include the actions of internationally – mobilised human rights and environmental activists and international and national agreements and regulations concerning environmental protection and social and environmental justice. Internal drivers include management push for businessadvantage, employee awareness, and the drive to accumulate new forms of capital (Staib, 2005). The need to accumulate new

forms of capital is a recent force for corporate change e.g. companies now trade in reputational capital. Their interaction with consumers and with their workforce is symbolic as well as economic (Beck, 1999).

The value of human resources within a company is promoted. A corporation combines so – called „corporate memory" with motivation, commitment and qualifications to create a great asset to the corporation. Employees who excel in customer service, motivation and inspiration to achieve more are welcomed. All industry sectors accept the importance of employee loyalty and commitment (Wilkinson et al, 2001).

When assessing one's performance, shareholders and investors are only observing the financial aspect. When selecting investments reputation and performance on long-term factors of social and ecological sustainability is taken into account. Human abilities and commitment built within an organisation are increasingly valued by the investors. In the new economy the building of knowledge systems, social capital and other strategies designed to increase and sustain human capability are vital to corporate performance (Staib, 2005). A lot more is expected from the workplace in terms of security, safety and awareness. A more meaningful work is sought, especially the type that contributes socially and ecologically, besides the income.

There are interests in creating a social capital, thus corporations may want to support the participation of the local community in corporate decision making process. Success of new organisational forms such as the network organisation and communities of practice is based on a social capital. Employees who work cooperatively and contribute to the social capital of the organisation are becoming a standard. The first thing to do is to minimize opposition and the solution is in changing the administration system.

Ecological sustainability depends upon several cultural characteristics, thus the values within the organisation must reflect commitment towards the natural environment, employees and communities. They are those of industrial ecology, an industrial system underpinned by principles of community, interconnectedness and cooperation (Ehrenfeld, 2000). This provides a framework for new levels of resource productivity and generates new strategic directions. Moving towards an environmental ethos requires cultural changes in terms of human sustainability system, also implying changes in relations with both internal and external stakeholders. Human Resource (HR), Industrial Relations (IR), Occupational Health and Safety (OH&S) and community relations aspects of an organisation are therefore implicated in the cultural change.

Our developmental phase model (Table 1) indicates how human and ecological sustainability are interrelated developments along the path to sustainability. At each step of the way, new human capabilities along with corporate social responsibility (CSR) characteristics of the organisation enable further progression of ecological sustainability (Staib, 2005). Greater organisational change is connected with rational strategies, structural change, radical transformation, leadership and economic goals. Such a strategy can forward the sustainability agenda in certain instances.

Table 1: Human and ecological sustainability

Level	Human sustainability	Ecological sustainability
1. Rejection	Employees and subcontractors exploited. Community concerns are rejected outright.	The environment is regarded as a free good to be exploited.
2. Non-Responsiveness	IR a major issue with the emphasis on cost of labour. Financial and technological factors exclude broader social concerns. Training agenda focuses on technical and supervisory training.	Environmental risks, costs, opportunities and imperatives are seen as irrelevant.
3. Compliance	1 IR functions such as IR, training, Total Quality Management (TQM) are instituted but with little integration between them.	Ecological issues likely to attract strong litigation or strong community action are addressed.
4. Efficiency	Technical and supervisory training augmented with interpersonal skills training. Teamwork encouraged for value-adding as well as cost-saving purposes. External stakeholder relations developed for business benefits.	ISO 14000 integrated with TQM and OH&S systems or other systematic approaches with the aim of achieving eco-efficiencies. Sales of by-products.
5. Strategic Pro – activity	Intellectual and social capital are used to develop strategic advantage through innovation in products/ services. CSR included in training programs, job descriptions and compensation packages.	Proactive environmental strategies are seen as a source of competitive advantage. Organisation signs up for Global Reporting Initiative and/ or other codes.
6. The Sustaining Corporation	Key goals both inside and outside an organisation are the pursuit of equity and human welfare and potential.	An organisation works with society towards ecological renewal.

Source: R. Staib, R. Environmental Management and Decision Making for Business. 2005.

A change to flexible, relatively non – hierarchical structures and decision making is essential for progressing towards an environmental ethos. Integration across functional areas will promote environmental progress but is also a good business. Active relationships can be fostered between line managers and sustainability experts, so that the issues of human and ecological sustainability are not perceived by employees as irrelevant to the core priorities of management (Staib, 2005).

In order to excel to the stage of docility and compliancy (Level 3, Table 1) organisations are required not only to change their policies and values, but also to build practical procedures understandable to everybody. Enthusiasm and commitment to the workforce at all levels has to be generated through mild change which implies adaptive

strategies, cultural changes, continuous improvement, empowerment, and social goals. Change for sustainability depends on greater and milder change, thus function of human resources is essential e.g. an EMS needs to be supported by human resource and community development tools or techniques.

The main obstacle to the organisational learning may be that employees see the natural environment as a technical issue and difficult to comprehend. Operating in accordance to the environmental laws requires new technical solutions or programs that need to be implemented in order to ensure cleaner production techniques and improvement in worker's health and safety. Such involve work within specific technical considerations such as development of consents or specified standards, elimination of hazardous operations, waste disposal, improvement in water quality and new developments requirements plans.

- **Indicators to measure culture change**

Sustainability indicators measure the progress of organisations toward sustainability. Environmental indicators reflect either the effect of past activities on the organisation (lag indicators) or current activities which may eventually effect the organisation (lead). To measure the culture changes which improve these environmental conditions, requires examining factors such as those that measure adherence to sustainability values across the organisation. Specifically these may be (Doppelt, 2003; Grayson & Hodges, 2004):

- team learning (e.g. group rewards);
- cooperation with a wide range of external stakeholders (e.g. employee days spent volunteering);
- extent to which an organisation is an employer of choice;
- training including environmental or CSR components; and
- extent to which operations breach environmental or human sustainability codes.

Environmental specialists play an important role in assisting the direction of the cultural change process in organisations. Although their professional skills may lie in the area of science or engineering their role goes beyond the technical and environmental specialists are increasingly required by legislation and codes of conduct to set their management decisions concerning the environment in the social or political context. (Harding, 1998).

Sustainability and the development of an environmental ethos require the implementation of both environmental and human resource reviews. A stakeholder analysis, which defines roles and responsibilities including those of senior management, is a key aspect of the review. Establishing a structured, systematic response to compliance requirements depends on implementing learning strategies and appointing change agents or specific change units, such as compliance and environmental management committees, human resource and environmental health and safety units to gatekeep information (Staib, 2005).

Table 2: Skills required for change leaders

Change agent characteristic	What it means for leadership
Goal clarity	Knowing what outcome is needed
Role clarity	Knowing when and how to act as a change agent
Relevant knowledge	Understanding the environmental issues in the organisational context - physical, social, political
Relevant competencies	Building continuously the skills and capabilities needed for the change process
Self-system	I leaving the emotional resilience and self-understanding to direct the change

Source: D. Dunphy, A. Griffiths, & S. Benn. *Organisational Change for Corporate Sustainability*. 2003.

1.4 Business attitudes on the environment

People may say that they are concerned about the environment (have an *attitude* towards or about) but will they take action (change their *behaviour*) to make fewer environmental impacts? A common assumption is that a change in *attitude* inevitably results in a change in *behaviour*. This is discussed with research showing that establishing a direct link between the two is often difficult and sometimes tenuous. Latest research proposes more elaborate theoretical and measurement models that include another process called *behavioural intention* in an attempt to allow better prediction of likely behavioural change.

Finally the implications of the opinion poll values and trends and the attitude behaviour research for business organisations are discussed. As pollution has been brought under control in western industrial nations there is less public concern for it. In contrast there appears to be a rising concern for the broader issues of sustainability as population and energy and resource use continue to grow. An understanding of these trends by business organisations is important as input into the strategic planning of business operations. The corporate attention to the environment closely matched public opinion and that industry attention tended to follow the ups and downs of public opinion rather than the upward trend of environmental regulation and expenditure (Staib, 2005).

- **Global attitudes and global behaviours**

Weigel and Newman (1976) initially measured people's attitudes to environmental and pollution issues, then using field situations they measured the same people's behaviour through approaches such as whether people would: sign a petition demanding action of legislators; participate in a litter pick up themselves; and recycle their own waste.

The average correlation between a global index of measured attitudes and individual behaviours was 0.32, with categories of behaviour (petitioning, litter pick up, and recycling) the correlation was 0.42, and with a general index of behaviour was 0.62. This illustrated that global measures (or multi act measures) of attitudes and global measures of behaviour were more likely to show a positive correlation (Staib, 2005).

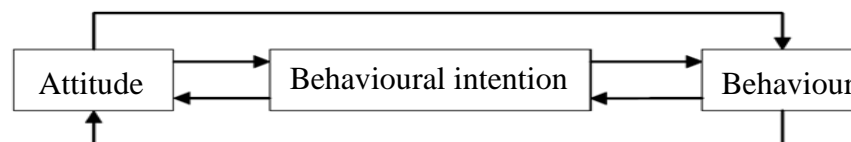
- **Correspondence entities**

Ajzen (reported in Rajecki 1990) showed that there needs to be a correspondence between the behavioural entity measured and the attitude entity measured for a significant correlation to exist. His team defined four entities for both attitudes and behaviours: *target* – the attitudinal object, *action* – what one would like to do with the object; *time* – in which both exist; *context* – the situational reference. They postulated that, for maximum correlation between the measurement of attitude and the measurement of behaviour, the correspondence between each of the entities needs to be close. In a study of 109 published investigations within which a total of 142 attitude behaviour relations were reported they found support for the correspondence theory (Staib, 2005).

- **Attitudes, behavioural intentions, behaviour**

Golob and Hensher (1998) in studying attitudes towards greenhouse gas emissions and transport behaviour moved away from a linear model and used feedback paths between each of the three processes (*attitudes, behavioural intentions, behaviour*) and assessed the relative strengths of each path (Figure 3.). They found good correlations between the attitudes and behavioural intention and between behavioural intention and behaviour. They also described the concept, not insignificant, where subsequent behaviour can also influence or change previous attitudes (Staib, 2005).

Figure 3: Attitude behaviour model



Source: R. Staib, R. Environmental Management and Decision Making for Business. 2005.

There are potential advantages to business by responding positively and proactively to the environmental challenge. They include (Staib, 2005):

- achieving legislative compliance and maintaining permission to operate;
- reducing costs by good environmental management especially in the more efficient use of materials and energy;
- achieving product differentiation by producing more environmental friendly products and services;
- achieving initial gains by being first into the green market; and
- achieving improved performance with a more sustainable operation and committed workforce.

2 ENVIRONMENTAL MANAGEMENT ASPECTS

For several decades the idea of Corporate Social Responsibility has been considered predominantly as a charitable activity helping the poor. The concept of sustainable development gave it much broader understanding. According to „Green thesis on promoting European framework for Corporate Social Responsibility“ the CSR is understood as „a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on voluntary basis“. There are many other definitions of the CSR existing and evolving at the same time, which is explicitly, and implicitly involving a range of stakeholders (internal, external, active and silent ones), different activities (not only of charitable nature) and aims. For that reason the nature as an important stakeholder, different forms of environmental responsibly activities and specific environmental goals are gaining increasing attention. The attitude towards natural environment was mainly manifested by reactive environmental care, as a form of following the legislation or incentives and even pressure of other stakeholders (e.g. customers, investors, civil groups, etc.). Nowadays understanding of the environmental responsibility is much more complex, comprising business cycles and operations, products and services, investment, innovations, etc. By environmentally responsible behaviour enterprises are contributing to the higher quality of natural environment and thus to the sustainable society. To this commonly declared aim (e.g. also of the EU) enterprises are approaching from all three basic dimensions of CSR, besides the environmental one, also from the economic and the broader social dimension (Knez – Riedl, 2004).

Human beings do not only assimilate with their surroundings but actively adjust them according to their needs. The intensity and kind of such an influence followed the development of civilization (e.g. invention of iron enabled to make tools enabling agriculture in less convenient areas). These human beings' actions had both positive and negative impact. Thomas Robert Malthus (1766-1834) ranks among the pioneers investigating the disproportion between the growth of population and available natural sources. With growth of pollution, extinction of some species, and appearance of other environmental problems more scientists and politicians started paying attention to the problematic and realized, the problems are not only on the local level but have global character (Polašek, 2010).

The establishment and work of the association called „the Club of Rome“ in 1968 meant a significant step in the environmental problematic, crossing boundaries by including more than 30 scientists from 10 countries into the project. Foundation stone to the environmental politics was laid in 1972 in Stockholm at the 1st United Nations Conference on the Human Environment (also known as the Stockholm Conference) (United Nations Environment Programme, 1972).

The formulation of the idea of sustainable development is considered as the most important conclusion of United Nations' activities in 1970th and 1980th. The United Nations was aware that the global progress cannot be stopped but must “meet the needs of the present without compromising the ability of future generations to meet their own needs (United Nations General Assembly Resolution, 1987).

Traditionally, environmental protection can be seen as the part of the public interest and external to private life. Governments have directed the private sector to adopt

environmentally sound behaviour through regulations, sanctions and occasionally, incentives. When environmental problems have arisen, the public sector has generally borne the responsibility for mitigation of environmental damage. In this approach, some have contended that unrestricted private sector behaviour has been considered as presenting the environmental problem. However, the roles of sectors have been changing, with the private sector becoming an active partner in environmental protection. Many governments and businesses are now realizing that environmental protection and economic growth are not always in conflict (Polašek, 2010).

An earlier emphasis on strict governmental regulations has ceded ground to corporate self – regulation and voluntary initiatives. As a result the environmental aspect of CSR can be defined as “duty to cover the environmental implications of the company’s operations, products and facilities; duty to eliminate waste and emissions; duty to maximize the efficiency and productivity of used resources; and duty to minimize practices that might adversely affect the enjoyment of the country’s resources by future generations (Mazurkiewicz, 2004).

Today in the global economy, with the Internet, so many information, the news media, companies are more frequently judged regarding to their environmental stewardship. Increasingly business partners, consumers and governments in each moment want to know what is inside the company. This transparency of business practices means that for many companies, environmental aspects of CSR, are no longer a luxury but a requirement.

The following is a list of examples of CSR activities which belong in the Environment category (Polašek, 2010):

- Environmentally friendly manufacturing, products, and services;
- Environmentally friendly packaging;
- Environmentally friendly distribution and transportation practices;
- Recycling;
- Use of recycled materials;
- Energy and water saving practices;
- Waste reduction practices;
- Compliance with regulations and standards (e.g. ISO 9000 standards for quality management systems, ISO 14000 standards for environmental management systems, Eco – Management and Audit Scheme – EMAS, etc.)
- Protection of natural resources; and
- Providing of accurate environmental information on products, services and activities.

2.1 Components of an environmental management system

Environmental management system (EMS) shows the life cycles of the products made and materials which are used and to weigh the broader impacts of chemistry on the ecology, public, insurers, workers and the government. The main factor is developing an EMS with the proper perspective.

Environmental management systems (EMS) are a way of enabling an organisation to address and manage the plethora of environmental issues that it is faced with –

originating from society or from within the organisation. A well run EMS can provide an organisation with a number of benefits (Staib, 2005):

- Structured and systematic approach to compliance with environmental legislation;
- Legal protection against prosecution;
- Tool to identify and meet future environmental and legislative change;
- Clearer definition of the environmental values of the organisation;
- An approach to management and monitoring of environmental performance;
- Better documentation and data management;
- Provision of information necessary for internal and external environmental reporting;
- Support for an improved market image; and
- Basis for taking the organisation to a performance beyond compliance and maybe towards sustainability.

Consider putting a system into a small family – owned company that has only two basic files – paid bills and unpaid bills. Think about how complex one would want to make a system, or conversely, how simple a system should be to encourage small businesses to participate. This is the challenge in developing an EMS. A large company may have the capacity to assign staff members or hire an environmental manager. The availability of personnel and resources can allow for a more concentrated and comprehensive programme. The basic components of an EMS are (Shapiro, 2006):

- Permits in compliance with the law;
- Policies and procedures for compliance with company objective;
- Audits for compliance with the law and company objectives;
- Audits for process improvement (pollution prevention);
- Reports and records for compliance;
- Reports and records for pollution prevention;
- Assessments for mid- and long-range planning;
- Correspondence for various areas of activities by regulation,
- Training programs and records;
- Plans to confront emergencies and accidental releases to the environment.

2.2 Driving forces

A new sustainability strategy was embraced by a great number of corporations and organizations due to the globalisation and industrialisation that are causing increasingly high degradation of environment. A great deal of companies have also grasped the consequences and weight of their actions regarding the environment, and thus have tried to adopt new techniques to champion sustainable development agenda. The drivers of Environmental Management System (EMS) are grouped as: the organizations themselves, market, social including the public and community, financial organizations and regulatory authorities.

- ***Organizations***

Environmental issues have become increasingly important in organization's activities since it acts as insurance for its stakeholders both within and outside (Chan, 1998 in Zutshi and Sohal, 2002). Surveys carried out by Banerjee (1998) in Zutshi and Sohal (2002) showed that most managers are in favour of environmental management albeit at different levels. Nowadays, almost every management deals with environmental

issues and corporations are comprehending the advantages of adopting EMS. Some of the drivers within organizations include management, staff, parent company, and shareholders (Gbedemah, 2004).

- **Market**

The market is becoming a somewhat environmental government among firms since most consumers desire environmental loyalty before they buy products. Consumers want products which are environmentally friendly and are eager to pay more for such a product. Industries have realized that being environmentally unfriendly means being of the market and becoming uncompetitive.

- **Social forces/Community**

The community should require the existence of good EMS in an organization which is not harmful to the environment and the community. The activities of environmental non – governmental organizations are becoming very outspoken and serve as a driver of EMS.

Table 3: Drivers, attitudes and benefits regarding environmental performance

Drivers	Attitudes	Benefits
Increasing legislation/regulation	The bigger the firm the more proactive they are in environmental issues	Cost savings
Competition	Perception of environmental issues as an opportunity	Anticipation of future environmental pressures
Increasing cost of waste disposal and landfill cost	Spent little time dealing with environmental issues	Reduce environmental risk
Environmental pressure groups	Lower unit value of raw material, the lower the interest in recovering or not wasting it	Products with greener features
Depletion of finite resources	Little knowledge in formal practices to manage environmental performance	Creation of market for waste
Energy consumption	Market forces and intervention strategies such as supply chain pressure had little or no significant impact in behaviour towards environmental issues	
Recycling issues		

Source: D. Perez – Sanchez, J.R. Barton, & D. Bower. Corporate social responsibility and environmental management. 2003.

- **Financial organizations**

Today, the existence of a productive administration system like EMS is required by financial institutions and insurance companies if one should want an insurance. If a company should be granted a loan or insurance, it should have such a system. Some

international financial institutions like the International Monetary Fund (IMF) and the World Bank (WB) are such organizations. People as well demand the existence of such a system before they invest in an enterprise. Financial law suits can also compel them to adopt EMS or their operations (Gbedemah, 2004).

- ***Regulatory institutions***

External forces, such as regulatory pressures are usually the onset for the environmental initiative by organizations and it's driving force. The government regulations may serve in practice as a stimulus to both economic growth and cleaner production, if they are used as a business asset to gain market advantages over competitors. Porter and van der Linde (1995) concluded that firms seek to maximize “resource productivity” in response to both regulatory and market pressures (Gbedemah, 2004). Environmental regulation has been a major factor leading to company’s putting an Environmental management into effect. According to him, some companies with less environmental risks used to focus on compliance to regulations but as EM develops, companies started to move beyond mere compliance (Kolk, 2000).

2.4. Corporate environmental strategy

The initial environmental review is the starting point for the development and implementation of a system of environmental management. The purpose of the initial review is to establish the relationship between the activities, products and services of the organisation and the environment. The scope of the initial review should include (Sullivan & Wyndham, 2001):

- the identification of the environmental impacts associated with the organisation’s activities, products and services;
- an assessment of which aspects of the organisation’s activities, products or services have significant impacts. Significance is defined in terms of the magnitude of environmental impacts and in terms of impacts that are, or could be, significant to the organisation (for example, costs, corporate reputation, liabilities);
- the identification of all relevant legislative and other requirements such as codes of conduct;
- a review of existing management systems and structures to identify those areas that can be utilised for environmental management. This review should also identify those areas where gaps exist; and
- a review of the organisation’s record in terms of accidents, incidents, complaints and non – compliance, to identify those areas or activities where there have been difficulties in managing environmental issues in order to identify priorities for management control and/or to identify where there have been failures in existing systems of management control.

Business organisation will continue in the traditional way to:

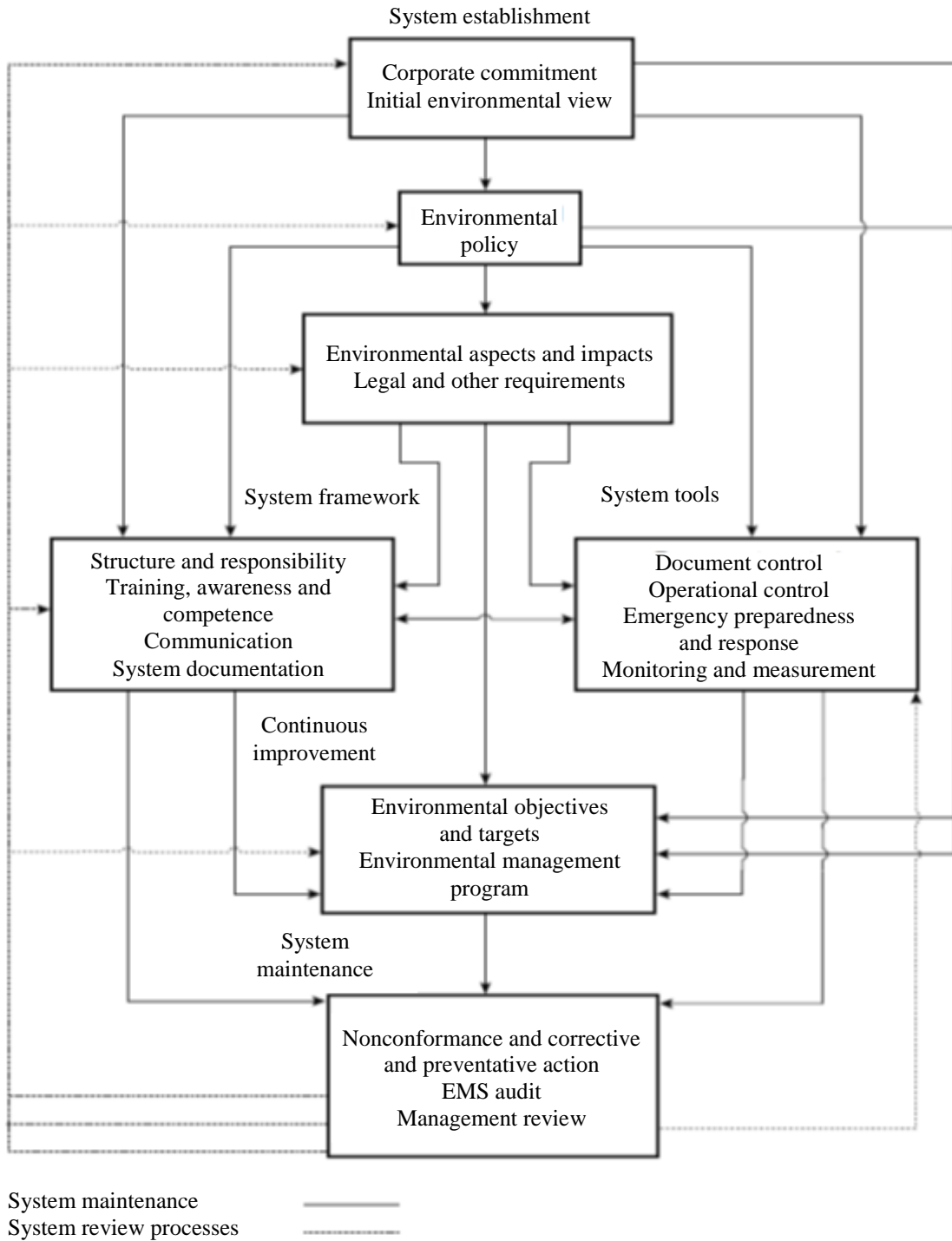
- manage resources, manufacture goods, produce goods and services, provide employment;
- use environmental resources: energy, earth materials, plant and animal materials; and
- create pollution and generate waste,

and increasingly in a more environmentally responsible way:

- minimise/prevent pollution and avoid/recycle waste;

- provide environmental goods and services;
- meet/create consumer demand for green goods and services;
- develop new green products; and
- reduce consumption of environmental resources.


Figure 4: Interactions between key environmental management system's elements



Source: R. Sullivan, & H. Wyndham. *Effective environmental management: principles and case studies*. 2001.

Approaches to strategic management and methodologies used by organisations are numerous and vary considerably with many organisations now integrating their environmental management processes into normal business processes. This integration should start at the strategic level.

Table 4: Strategic management processes

STARTING POINT	VISION: our ideal future
	MISSION: what we do
	VALUES: how we do things
Strategic process	Strategic actions
Analysis	<ul style="list-style-type: none"> • External environment
	<ul style="list-style-type: none"> • Internal skills and resources • Stakeholders needs and expectations
Direction	<ul style="list-style-type: none"> • Formulate objectives and targets;
	<ul style="list-style-type: none"> • Identity performance measures
Choke	<ul style="list-style-type: none"> • Generate options
	<ul style="list-style-type: none"> • Choose preferred strategy
Implement	<ul style="list-style-type: none"> • Develop appropriate systems
	<ul style="list-style-type: none"> • Acquire and utilize skills and resources • Develop organisational structure and manage the culture
Evaluation & control	<ul style="list-style-type: none"> • Measure performance
	<ul style="list-style-type: none"> • Take corrective action
Reanalysis	<ul style="list-style-type: none"> • Return to the top of cyclical process

Source: R. Staib, R. Environmental Management and Decision Making for Business. 2005.

This can be done progressively (an incremental approach) or in a bolder way by placing environment at the centre of strategic planning and management (transformational approach). The strategic paradigm of sustainable development that supports the transformational approach is becoming a relaying point for business organisations but the theory appears to be ahead of practice at the moment.

Table 4. Summarises the processes followed in traditional strategic planning and management (Staib, 2005). Incorporating environmental objectives into an organisation should start at the strategic level when the strategic business objectives of an organisation are being developed or revised. In the table 5. we can see how environmental aspects can be integrated by adding human and ecological sustainability to define a concept of strategic objectives.

Table 5: Strategic flexibility and competitive advantage

Strategic Principle	Components
Build dynamic core competences	Unique set of resources built into skills and capabilities
Focus and develop human capital	Developing employee skills Contingent workers & outsourcing
Effectively use new technologies	Manufacturing technologies Information technologies
Engage in valuable strategies	Use co – operative strategies; exploit global markets
Develop new organisation structure & culture	Horizontal organisation

Source: R. Staib, R. Environmental Management and Decision Making for Business. 2005.

However, managers are increasingly being requested to base corporate environmental strategies on more solid justifications. In the past few years, they have also been bombarded with „stage models,” tools, techniques, schemes, standards, and demonstration cases of best environmental practices. Although awareness about environmental issues in business has certainly risen, managers have been left wondering what they should do first, and why. Should they invest in EMS certification? develop a life cycle analysis for a specific line of products? Subscribe to an eco – label program? Develop an eco – brand? Many do „a bit of everything” and spend precious resources without any sound rationale.

What managers need is a basis from which they can prioritize environmental investments. More broadly, they need to align these investments with the generic strategy of the company. The framework presented here can help managers to define and prioritize areas of organizational action, optimize the overall economic return on environmental investments, and transform these investments into sources of competitive advantage.

3 THEORETICAL CONTEXT

The way businesses involve the shareholders, employees, customers, suppliers, governments, non-governmental organizations, international organizations, and other stakeholders is usually a key feature of the Corporate Social Responsibility (CSR) concept.

Since the publication of Edward Freeman's *Strategic Management: A Stakeholder Approach* (1984), stakeholder management, *stakeholder theory*, and other variants of stakeholder analysis have occupied a great deal of managerial research. Freeman argued that business relationships should include all those who may „affect or be affected by” a corporation (Jonathan & Terrence). A lot of the research in stakeholder theory has sought to systematically address the question of which stakeholders deserve or require management attention. Approaches to this question have focused on relationships between organizations and stakeholders based on exchange transactions, power dependencies, legitimacy claims, or other claims (Cummings & Doh, 2000). Researchers are trying to integrate stakeholder theory with other managerial perspectives, particularly theories of governance and agency. The commonalities of most definitions of *social capital* are that they focus on social relations that have productive benefits. We can look at the *social capital* as the goodwill available to individuals or groups. Its source lies in the structure and content of the actor's social relations.

3.1 Stakeholder theory

The topic of the social responsibilities of business has been a subject of intense controversy and interest over the past three decades. In part, this debate is an outgrowth of the proliferation of different conceptualizations of corporate social responsibility (CSR). The term CSR has indeed been defined in various ways from the narrow economic perspective of increasing shareholder wealth, to economic, legal, ethical and discretionary strands of responsibility to good corporate citizenship. These variations stem in part from differing fundamental assumptions about what CSR entails, varying from conceptions of minimal legal and economic obligations and accountability to stockholders to broader responsibilities to the wider social system in which a corporation is embedded.

The stakeholder concept is a theory of organizational management and business ethics that addresses morals and values in managing an organization. It was originally detailed by R. Edward Freeman in the book „*Strategic Management: A Stakeholder Approach*“ (Walsh, 2004). The concept identifies models and groups, which are stakeholders of a company, describes and recommends methods by which management can give due regard to the interests of those groups. According to Freeman's definition „a stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization's objectives“ (Mitchell, 1997).

Stakeholder theory hence offered a new way to organize thinking about organizational responsibilities. By suggesting that the needs of shareholders cannot be met without satisfying to some degree the needs of other stakeholders, it turned attention to considerations beyond direct profit maximization. In other words, even when a firm seeks to serve its shareholders as a primary concern, its success in doing so is likely to

be affected by other stakeholders (Jamali, 2008). Some even argue that an inclusive stakeholder approach makes commercial sense, allowing the firm to maximize shareholder wealth, while also increasing total value added.

Table 6. The grid of values – stakeholder theory

The grid of values	
Stakeholder	Expectations divided into value classes
Employees	Health and safety at work Development of workers' skills Well – being and satisfaction of worker Quality of work Social equity
Suppliers	Partnership between ordering company and supplier Selection and analysis systems of suppliers
Customers	Product quality Safety of customer during use of product Consumer protection Transparency of consumer product information
Community	Creation of added value to the community

Source: Jamali, D. A stakeholder approach to corporate social responsibility. 2008.

In the traditional view of the company, the shareholder view (usually the only one recognized in business law in most countries), the shareholders or stockholders are the owners of the company. The company has a binding fiduciary duty to put their needs first – to increase value for them. In older models of the company, the enterprise converts the inputs of investors, employees, and suppliers into usable outputs which customers buy, thereby returning some capital benefit to the enterprise. By this model, companies only address the needs and wishes of those four parties: investors, employees, suppliers, and customers. However, stakeholder theory argues that there are other parties involved, including governmental bodies, political groups, trade associations, trade unions, communities, various interest groups (e.g. non – profit organizations), associated companies, prospective employees, prospective customers, and the public at large. Sometimes even competitors are counted as stakeholders (Polašek, 2010).

Company's stakeholders can be grouped, for example, in the following four categories, as portrayed in Figure 5. Stakeholder Model on the following page (Polašek, 2010):

- Authorizers – this group includes government, regulatory authorities, shareholders, and the Board of Directors. These are the stakeholders who have authority over the company and authorize its decisions;
- Business partners – employees, suppliers, trade associations, and service providers are all business partners. These stakeholders help company in reaching its objectives;
- Customer groups – all kind of customers fall within this stakeholder group; and

- External influences – community members, media, and issue advocates also influence company’s decision – making process.

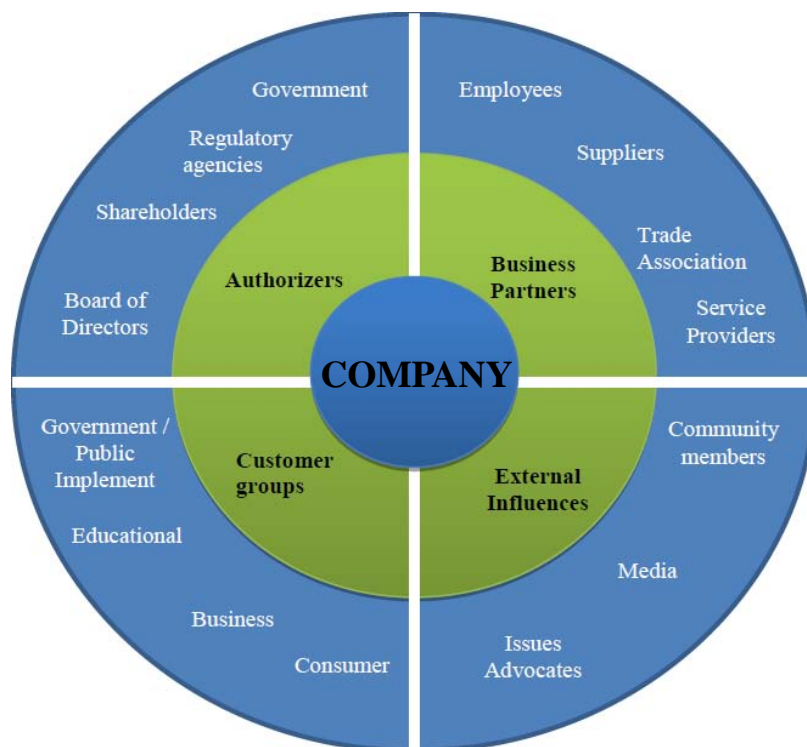
Other individuals or groups which can be considered as stakeholders are:

- The media and the public in general;
- Business partners;
- Future generations and past generations (founders of organizations);
- Academics;
- Competitors;
- NGOs or activists – considered individually, stakeholder representatives;
- Stakeholder representatives such as trade unions or trade associations of suppliers or distributors;
- Financiers other than stockholders (debt holders, bondholders, creditors);
- Government, regulators, policymakers.

Relationships with stakeholders are not static but evolve over time. These relationships often go through the following stages (Epstein, 2008):

- Awareness – at this stage stakeholders know that the company exists;
- Knowledge – stakeholders have begun to understand what the company does, its values, strategy, and mission. During this stage companies provide stakeholders with relevant information to make knowledgeable decisions;
- Admiration – in this stage trust between companies and stakeholders is being developed;
- Action – companies collaborate further with stakeholders. Customers refer business, investors recommend the stock, and employees are willing to take greater responsibility.

Figure 5: Stakeholder Model



Source: Dell. Dell’s Position on RoHS. 2007.

Similarly as CSR, stakeholder concept has also its critics. One of their arguments is that „stakeholders aims is to take rights away from the owners, who can be assumed to constitute a single body with a common purpose, and to give those rights to a plurality of groups, which would include shareholders but in a much diminished role“ (Barry, 2002).

It is often argued that the stakeholder approach is not viable as it implies the sacrifice of sound business objectives (i.e., profits) to morally acceptable (but supposedly economically unsustainable) social goals. Indeed the stakeholder theory does not reject profitability as a corporate purpose, but rather widens the shareholder model. The stakeholder approach recognises the legitimate claim of shareholders, but challenges the idea that shareholders should be either the only claimants or the privileged ones over the interests of other legitimate claimants (Kakabadse& Rozuel, 2005).Although adopting a restrictive view of the stakeholder theory claims that organisations which do not include their primary stakeholders’ concerns within their strategy challenge their long – term survival. Organisations must then try to achieve their own objectives (e.g., profitability) while at the same time satisfying in a fair way the legitimate claims of their stakeholders. Nonetheless, there are still problems in measuring CSR and financial performance, and it proves particularly complex to clearly define the causality between economic success and responsible behaviour.

The stakeholder theory is very popular in our times because people, and soon stakeholders, are worried about the sustainability of the actual economic system. With globalization, companies take more and more importance and are in many cases more powerful than states. In these conditions, their action can have a huge impact on the society in general, and people ask such companies to have „ethic” and values. With deregulation, and less power of state in favour of economy, companies should not only enjoy the rights of this deregulation but also duties. And that is what stakeholders (and in particular consumers) are asking for.

3.2 Concept of social capital

The concept of social capital has acquired some currency amongst policy analyst to refer to the social norms, networks and trust that facilitate co – operations and provision of mutual support within or between groups. It can be describe as the „glue“ which connects people to their community and enables the community to function as a collective entity (Barr & Russel).

The social capital can be divided into three ways: moral obligations and norms, social values (especially trust) and social networks (especially voluntary associations). Adam Seligman also writes in the same spirit: the emphasis in modern societies on consensus (is) based on interconnected networks of trust – among citizens, families, voluntary organizations, religious denominations, civil associations, and the like (Siisiäinen, 2000).

The concept of social capital expresses the sociological essence of communal vitality. A solution to the problem of common action and opportunism presupposes the development of voluntary collective action, and it is connected to the inherited social capital in the community. Forms of social capital are general moral resources of the

community, and they can be divided into three main components: first, trust (and more generally „positive“ values with respect to development); second, social norms and obligations; and third, social networks of citizens' activity, especially voluntary associations (Siisiäinen, 2000).

When we speak about trust in modern societies we speak about „generalized trust“. Individual actors do something for the general good not because they know other interactors but because they trust that their own action will be "rewarded" via the positive development of communal relations. In the modern world we will need trust when we leave the sphere based on familiarity and enter a world dominated by contingency, complexity and risk (Siisiäinen, 2000). Trust is needed when role expectations and familiar relationships no longer help us to anticipate the reactions of our individual or collective interaction partners. In situations of this kind, people gather the harvest whose seeds have been shown in the micro interactions of the past (Seligman, 1997).

Choices in micro – level interactions produce, first, mutual reciprocity and trust; and second, as a nonintended consequence of these choices, trust on a higher (macro) level, and thereby integrative values (or their absence). This is the basis of social consensus (Siisiäinen, 2000).

As Seligman puts it:

„The emphasis in modern societies on consensus.... (is) based on interconnected networks of trust – among citizens, families, voluntary organizations, religious denominations, civic associations, and the like. Similarly the very „legitimation“ of modern societies is founded on the „trust“ of authority and governments as generalizations“ (Seligman, 1997).

Furthermore, in this part of thesis we present the relationships between social capital and CSR. We want to show how social capital and CSR interact generating a virtuous circle that increases the initial endowment of both these factors in a society. There identify three main levels of interaction between social capital and CSR (Sacconi & Antoni, 2008):

- In the first, social capital is an input of CSR. The more individuals who are in contact with firms have disposition to cooperate with agents who respect principles of cooperation, the more firms have incentives to develop a reputation by adopting a CSR standard that declares their compliance with the principles.
- In the second, the adoption of an explicit CSR standard generates social capital, in terms of beliefs. The commitments to compliance with CSR principles, in terms of fulfilment of fiduciary duties towards all the stakeholders, contribute to determine the beliefs of stakeholders on the cooperative behaviour of firms.
- Finally, social capital and CSR create the economic incentives that induce the firm to completely fulfil its commitments towards all its stakeholders. It means that firms will decide to cooperate with all its stakeholders creating a cooperative network that would not be created in the absence of social capital and of the adoption of CSR standards.

- **Relationship, trust and openness**

Together with the development of stakeholder theory, another strategic orientation is gaining momentum. The long – term survival and success of a firm is determined by its ability to establish and maintain relationships within its entire network of stakeholders. Here, then, is the ultimate essence of a strategic orientation of the firm toward sustainable development. In reality, however, few large corporations are embracing this perspective, still managing their relationships with different stakeholders, both internal and external, mainly as transactions (Russo & Perrini, 2010).

Consider, for example, the relationship between large firms and their employees as well as with suppliers or customers. Often, employees are not considered as stakeholders, but rather instruments in critical transactions, which can spell danger for the firm if not managed responsibly (Russo & Tencati, 2009). No responsible business activities are apparent if firms do not consider the opportunity to establish an innovative relationship with suppliers or customers, through which both sides take advantage of a sustainable knowledge flow. This should be the emerging strategic orientation of large firms, as it is for SMEs by nature. Often, owner–managers conduct their relationships with different stakeholders (employees and suppliers can easily relate to the above examples) as a constraint more than a source of competitive advantage (Perrini & Russo, 2008).

Therefore, talking about the need for more formalised managerial tools for SMEs is not to say that relationships should be transactions; companies need to maximise the value of their relationships through formalised managerial tools that will highlight their responsible strategic orientation. In light of these considerations, relationships, trust, and openness are examples of key drivers toward sustainability from the companies perspective – that is, the concept of social capital (Spence & Lozano, 2000).

Trust is the expectation that arise within a community of regular, honest and cooperative behaviour, based on commonly shared norms, on the part of other members of that community and social capital is a capability that arise from the prevalence of trust in a society or in a certain part of it. Social capital indices related to this dimension are aimed at measuring three aspects:

- how much participation in social cooperatives increases, in general terms, the relational network of members;
- creation of network based on trust and trustworthiness among workers and between them and other people such as users and volunteers connected with the cooperatives;
- percentage of friends met through the social cooperative.

The social capital has forceful, even quantifiable effects on many aspects of our lives and it is more than just warm, cuddly feelings or frissons of community pride. These quantifiable effects include lower crime rates, better health, improved longevity, better educational achievements, greater levels of income equality, improved child welfare and lower rates of child abuse, less corrupt and more effective government, and enhanced economic achievement through increased trust and lower transaction costs. All of these end results mean well – connected people are more likely to be „housed, healthy, hired and happy“ (Sacconi & Antoni, 2008).

4 RESEARCH OF ENVIRONMENTAL ASPECTS OF CORPORATE SOCIAL RESPONSIBILITY IN AUTOMOTIVE COMPANIES IN BOSNIA AND HERZEGOVINA

This chapter describes methods which are used for data gathering, data analyses, respondent selection and rationale of this research approach. Moreover, here will be presented findings and results of the research and you will see basic information regarding automotive cluster in Bosnia and Herzegovina.

The chief goal of this research is to comprehend companies' motivation in CSR and environmentally friendly practices. The term „environmentally friendly“ needs to be cleared and understood by the interviewees. Responses to the question about the meaning of environmentally friendly business were in terms of importance of protecting the environment and having a minimal or no impact on the environment, having the same environment in the next 50 years, and thinking of future generations while running the business.

Currently, state enterprises in Bosnia and Herzegovina (B&H), which are active as producers of parts for the automotive industry is very different. Several companies, in the process of reconstruction and economic transitional phase after the end of the war, recovered well, while others still have difficulties. Altogether there are about 50 different companies as automotive suppliers, which present the automotive area as one of the most important industrial sectors in B&H but only 12 producing companies are registered in automotive cluster of B&H.

Predominantly part of the production of components for the automotive industry consists of a metal (precision turning and milling, reshaping). In this area there is a long tradition of companies that were delivered before the war, parts of the leading West European producers of personal and commercial vehicles (Volkswagen, Mercedes). Internal market of former Yugoslavia was a further important market for these companies, especially manufacturing running of Flaga „Yugo“ in Serbia (the factory is currently almost over and discontinued).

Before the war of 1992 – 1995. produced the Volkswagen passenger cars and light commercial vehicles at a plant near Sarajevo, and the Kosmos in Banja Luka and Mostar manufactured buses. Place of business of production of these factories have led in some areas the concentration of suppliers with appropriate qualifications and skills in the areas of metals, automotive and electronics. As in many areas of industry in Bosnia and Herzegovina, the war brought a sudden interruption of the situation. In the meantime, to create some strategic developments with a view to re - establish the lost and to achieve a new integration of Bosnia and Herzegovina in the international automotive industry. The outbreak of the war in 1992 ended 20 years of Volkswagen production in B&H. The plant in TAS/Vogosca (near by Sarajevo) manufactured in partnership with the domestic company UNIS various models of Volkswagen (from Beetle to Golf, Caddy, Van, etc.). In support of the German government VW reopened its pre-war factory, making in 1998 an agreement with the B&H partner on 58% shareholding, remaining the same nowadays. In 2001 remaining 42% of state ownership was sold to the company Prevent Sarajevo – Slovenian branch of “Prevent” company.

Privatisation of rapidly approaches, whereby the majority of enterprises in the Federation of B&H but fully privatized, and these firms are recovering well. In some cases the companies in the privatization process took a few shareholders, mainly private individuals, in other cases have taken the majority share of associates.

Companies which are successful after the war in B&H, have something in common: almost all of them have a small group of private individuals, as a rule whereby a co – owner of Bosnia and Herzegovina and Slovenia functions as a connecting member between Bosnian enterprises and Western European customers. Quality control systems and IT – equipment and production of these companies are at a high level and in the meantime exported to many European car manufacturers.

Because of the geographical central location, Bosnia and Herzegovina is considered as the optimal place of business which can cover the automotive market in south east Europe and Turkey with more than 60 million inhabitants. Suppliers in Bosnia and Herzegovina were interrupted after ten years on the best way to develop their potential and achieve the new European and international standards in the production of parts for the automotive industry. International possibility of delivering the leading manufacturer and systematic delivery shall thereby continue to rise.

4.1 Automotive cluster B&H

The aim of Automotive Cluster Bosnia and Herzegovina (BH – AC) is to increase the competition ability of firms participating in the cluster with a focus in the automotive industry – suppliers in this industry. AC – B&H collected competence of its members down the chain value creation and Agira at it as a platform for technological innovation, national and international cooperation, marketing and sales. The cluster has 12 production companies. The objectives of the Cluster is especially realized through the following measures:

- Representing members' interests against economic associations, other organizations and the public;
- The study recommendations and strategies for participation and also the international cooperation intentions, for example in the areas of connection market, research and development in the markets of the future Automotive;
- Changing interests and information, and his contacts with relevant national and international employment;
- Implementation of seminars, congresses and conferences for members and for enhancing the exchange of knowledge and experience between the economies, politics and science;
- Initiation and supervision of vertical network activity, this means the inclusion of a number of companies in the chain of data creation (research and development, production, sales) for a detailed systematic building of competencies;
- Giving available to offer advice and services to frame the purpose of rules boosting the ability of members to tender;
- General measures for improvement in science and the enterprise's place of business members, Bosnia and Herzegovina as an investment location for international companies car and supplier industry.

Historically and today BH – AC produces for the leading automotive industry brand names: Volkswagen, Mercedes, MAN. Many companies in Bosnia and Herzegovina forming sub – sector, they are producers of a wide range of components, while Volkswagen Sarajevo finally assembles various types of VW. Foreign interest in the sector increased in recent years. It can be seen through the significant investments in metal industry and processing related to automotive industry development in Bosnia and Herzegovina.

B&H companies in automotive sub-sector are producers of a wide spectrum of components, such as; brake components and systems, diesel engines, gearboxes, clutches, turbo-compressors, steering systems, bearings, wheels, flexible tubes, pumps, springs, filters, drive shafts, axels, gearings, screws, bolts, nuts, some tools, batteries, suction lines, thread lugs and silencers. Auto components sector is a growing exporter, but due to the interrupted continuity in technology chain in overall processing and manufacturing, it is at the same time large scale importer. Import is primarily necessary to feed the SKD assembly, but also to complete the final product of local suppliers and auto components manufacturers.

The summary includes overall in statistics registered auto components trade, based on statistical data in evidence of Foreign Trade Chamber of B&H. It's necessary to understand that the collection of data depends on support from entities' statistics, awareness of companies to maintain own database and report it, and still present unregistered export/import operations.

VW Sarajevo itself, in addition to the core activity of passenger car assembly, is a manufacturer of certain number of automotive parts, such as:

- suction line;
- thread lug;
- vortex chamber;
- silencer;
- transport pallets; and
- suspension housing.

4.2 Methodology – Interview rationale

Research methods of data collection for the final work consists of the following:

- Theoretical work on literature, which includes analyzing the books, various articles and empirical studies;
- Collection and analysis of primary data that is conducted through surveys of company in automobile industry in Bosnia and Herzegovina, sampling methods, with the goal of insight and analysis of the current state of affairs and environmental protection. We based research on companies from automotive cluster in Bosnia and Herzegovina.

As the purpose of the study was to observe specific phenomena, an exploratory qualitative approach was chosen. Exploratory study is useful in case when the concepts and variables being investigated are not easy to quantify. However, we will try to analyse with quantitative and qualitative measures. During the research, our focus

priority was to identify the opinion of the interviewees towards the CSR practices in the automotive industry and the factors influential in decision – making.

4.3 Data sources

Research is conducted on BiH automotive companies' samples and is based on qualitative research methods combined with quantitative measures.

Interviews represent research tools for conducting qualitative research. Data was mainly collected through face –to – face interviews with employees of the automotive industry. For specific research questions to be answered, semi – structured interviews with open – ended questions were used. This kind of interview was chosen, because it is more flexible when providing answers.

Secondary data sources are comprised of personal communication and materials from formal and informal discussions with environmental officers and people/organizations in charge of the environment and its standardization was also used for this purpose.

People with different backgrounds were interviewed in order to get an overall picture of the current situation and trends from several viewpoints. As seen in Table 7., companies included a range from small to large size by country's regions. The interviews were conducted from August 2011 to February 2012.

Table 7: Summary of regions and sizes of the included companies

Region	Small size	Medium size	Large size	Total
East B&H	1	1	2	4
Central B&H		3	3	6
West B&H		2		2
Total	1	6	5	12

For the purpose of this research for categorization of companies as small, medium and larger size was used classification system: small to 50 employees, medium 50 – 250 employees, large over 250 employees.

Initial contact with companies chosen for the research was made via an e-mail and phone call followed by a personal visit in some cases. In average, interviews lasted from 20 to 30 minutes. The main goal of this research was to understand what motivates companies to engage in CSR and environmentally friendly practices, understanding the term „environmentally friendly“.

The interviews were not tape recorded, in order to ease the participants' mind and encourage them to speak openly. It happened that interviewees said useful and interesting information during the process of data collecting. The pauses in talking also allowed interviewees to take time and expand their answers. Moreover, purpose of this section is to analyse and describe the findings and results of interviews with selected automotive companies in east-central-west Bosnia and Herzegovina. This leads to a

discussion of the main findings, answering the research questions and drawing a conclusion.

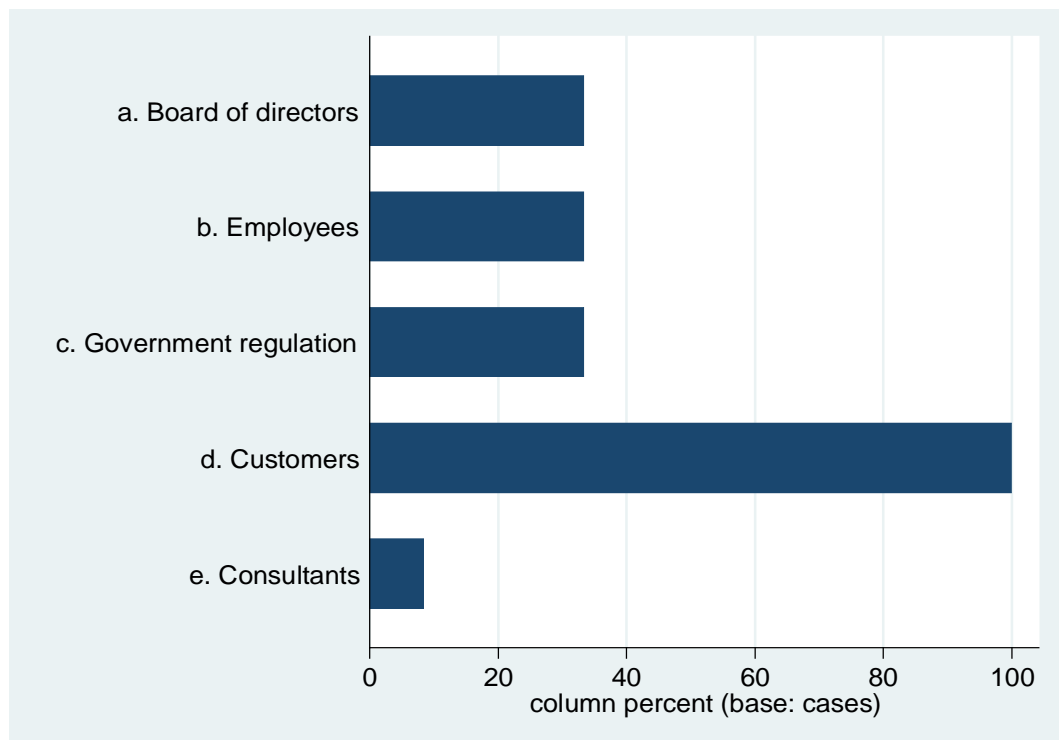
The interviews are analysed according to the main issues. In the next interpretation you will see drivers of CSR practice considering the differences between main drivers and motivators for implementation of CSR. Also, it shows the benefits which companies can achieve from implementation and barriers which companies can meet in process of implementation of EMS/CSR. This section discusses stakeholders as one of the main drivers to implementation of CSR, the communication between companies and their stakeholders and the attitude towards ecolabelling.

4.4 Results

- *Drivers of environmental responsibility practices*

These interviews on drivers of CSR practices were based on a set of questions with offered answers like „indicate which are the main drivers for implementation of EMS“ or „indicate which have been the major drivers/motivators for your company for implementing socially responsible and ethical behavior towards its employees“. We can describe drivers of environmental behaviour as primary and secondary drivers. The primary drivers are customers, employees, government regulation, board of directors and consultants. On the institutional level, the primary drivers presenting compliance with current regulations. The primary drivers are shown in figure 6.

Figure 6: The major drivers of the implementation of the EMS



As we can see, options „a“, „b“ and „c“ are chosen by 33,33 % of the examinees. Option „d“ is chosen by 100 % of the examinees and option „e“ is chosen by only 8,33 % of the examinees. We can conclude customers are the best primary driver which pull company into EMS implementation.

The secondary drivers consist of environmental values, ethical/moral reasons, rise of economic performance of the company, improvement of employees' job satisfaction/motivation, tradition in country, recruitment and retention of qualified, pressure from third parties and usage of public incentives. Besides these drivers, this research describes the benefits which company can derive from implementation of EMS but company can meet some impediments during of EMS implementation process. The reasons for researching more drivers in this thesis were that most of them can influence a company's decision – making. However, even though CSR is based on voluntary activities, companies still want to make a profit. The secondary drivers, benefits and barriers of EMS implementation process are shown in the figures 7.

Figure 7: The drivers/motivators for implementing socially responsible and ethical behavior towards its employees

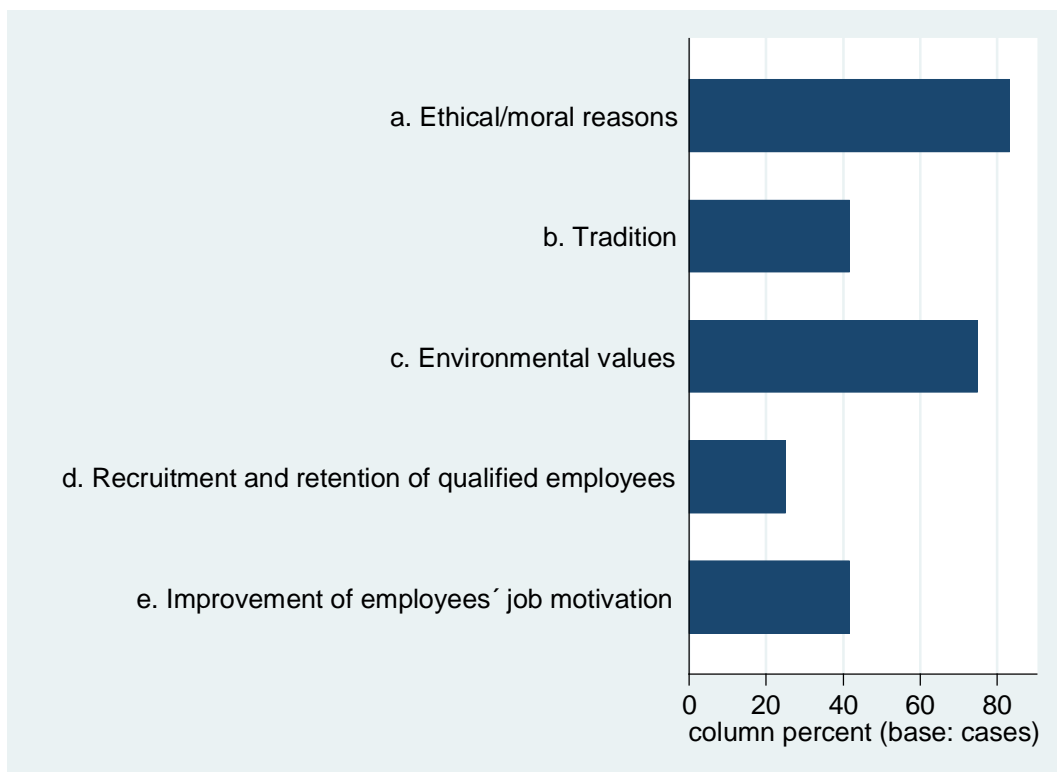


Figure shown that option „a“ is chosen by 83,33 % of the examinees, option „b“ is chosen by 41,67 %, option „c“ is chosen by 75 %, option „d“ is chosen by 25 % and option „e“ is chosen by 41,67 % of the examinees. Conclusion is that major motivators for implementation socially responsible and ethical behaviour are ethical/moral reasons and environmental values.

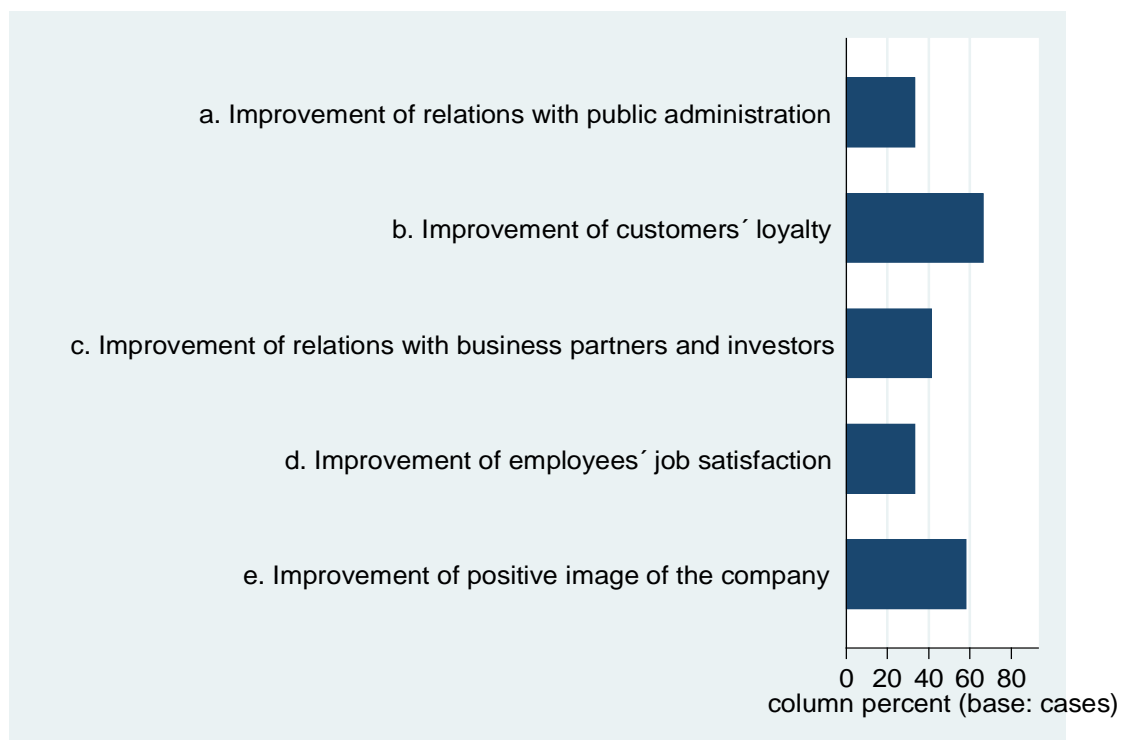
As we already told this research has the purpose to further on personal satisfaction with this profession, expectation of customers and profit. The product quality is very

important in automotive industry, because company is responsible for a comfort and safety of each driver. Company has to improve a reputation, relations with business partners, investors, public administration. Also the very important benefit from EMS – CSR implementation is to improve an employee's satisfaction and customer's loyalty. Moreover, the company can support environmental activities through sponsorship, financial or in kind gift, cause related marketing, employees involvement in environmental activities (on behalf of the company).

In process of EMS implementation the company should expect some benefits and barriers which can have influence on the success or failure of implementation. Some of the reasons for failure of the EMS in companies are: lack of experience, lack of personnel training, high cost of certification, inadequate management involvement. On the other hand some of the reasons for success of the EMS in companies are: experience with other management system, management commitment and involvement, training workers acquired, advance planning.

If companies takes these actions in order to achieve success than they have the good chances to succeed. In the figure 8. are listed benefits which companies can derive from EMS implementation.

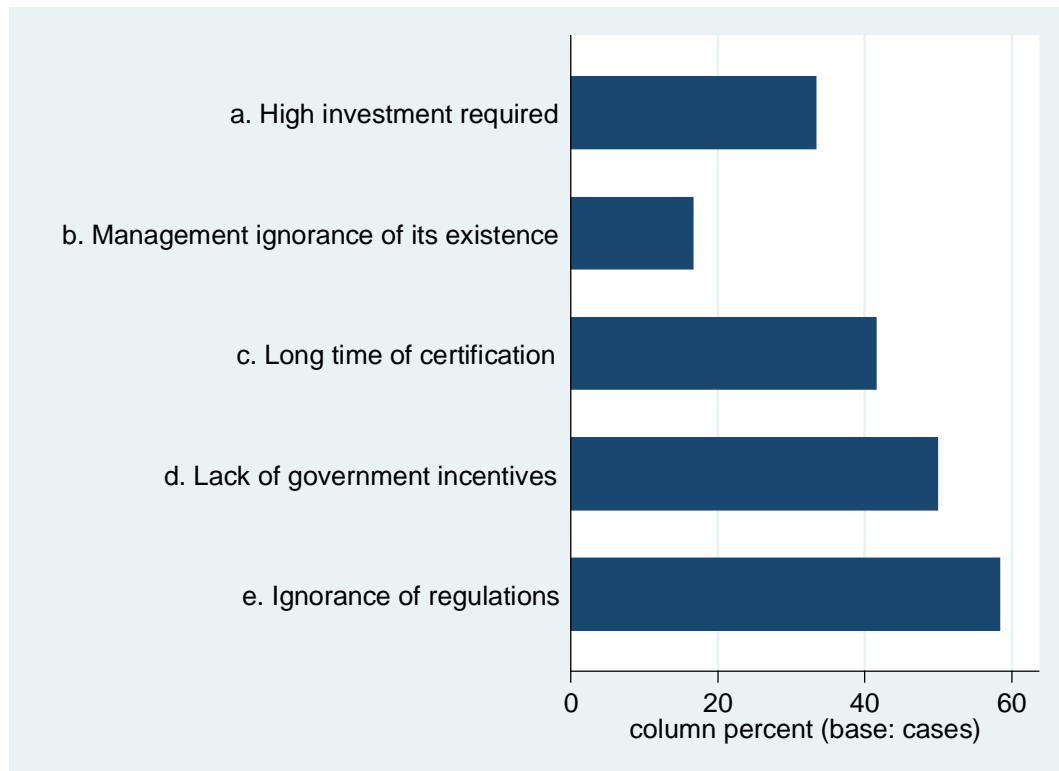
Figure 8: The benefits you derived or hope to derive from EMS implementation



The biggest benefit that company can achieve is improvement of customers' loyalty which is chosen by 66,67 % of the examinees as option „b“. Option „a“ and „d“ are chosen by 33,33 %, option „c“ is chosen by 41,67 %, option „e“ is chosen by 58,33 % of the examinees.

In each kind of business you can expect a lot of barriers. Reasons why companies do not pursue the certification include little financial benefit from certification, and high expenses certification: „To be certified you need a lot of time and money!“.

Figure 9: The impediments/barriers have you met in your process of EMS implementation



We asked question in 12 companies about barriers in process of EMS implementation and we got answers: option „a“ is chosen by 33,33 % of the examinees, option „b“ is chosen by 16,67 %, option „c“ is chosen by 41,67 %, option „d“ is chosen by 50 %, option „e“ is chosen by 58,33 % of the examinees and represent the biggest barriers in implementation process. The reason is companies can not adjust their business to a lot of a new laws, frequent changes and usually it is necessary a lot of money.

In the next table, we can find the most frequently answers about CSR and EMS in automotive industry in Bosnia and Herzegovina. On all figures we can see detailed information from research and here are summarized answers. We did not put all answers on the figures because in some case it does not make sence. Also, basic information like place of registration of the company are not core for environmental issues and business practice relating to corporate social responsibility.

Table 8: Overview of the results based on questionnaire

<i>Issues</i>	<i>Survey results</i>
Selected companies have been registered in	Federation of Bosnia and Herzegovina
Type of industry	Manufacturing and Trade
Management system which most of them have established/developed in organization	ISO 9000/9001
	ISO 16949
Management system which most of them are planning to implement in organization	ISO 14001
Party which drives a company to engage in environmentally responsibility practices	Customers
The major drivers of the implementation of the EMS in companies	Customers
	Employees
	Board of directors
The major drivers/motivators for companies for implementing socially responsible and ethical behaviour towards its employees	Ethical/morals reasons
	Environmental values (personal preference)
	Rise of economic performance of the company (costs' reduction, sales' increase)
	Improvement of employees' job satisfaction
Most of companies have been supporting the following activities	Cultural activities (not own employees)
	Health care (not own employees)
	Education and training activities (not own employees)
	Financial or other help/support to non - profit organization
	Environmental protection – ecological activities

<i>Issues</i>	<i>Survey results</i>
The way in which companies have supported environmental activities	Sponsorship
The reasons for failure of the EMS in companies	Lack of experience
	Lack of personnel training
The reasons for success of the EMS in companies	Management commitment and Involvement
	Advance Planning
The benefits which derived or hope to derive from EMS implementation	Improvement companies' reputation
	Improvement of positive image of the company
	Improvement of customers' loyalty
	Improvement of relations with business partners and investors
	Improvement of employees' job satisfaction
EMS's impact on company's overall performance in terms of creating comparative advantage	Slightly increases - the reason is a waste reduction
The impediments/barriers which companies met in their process of EMS implementation	Ignorance of regulations
The level of companies' compliance with local environmental legislation	80 %

To summarize, the most important drivers for most of interviewees companies are the moral reasons with environmental values of people involved in decision – making, their motivation/satisfaction with their profession, the demand by customers and improvement of economic performance of the company.

In the next figure we can see activities by which companies have been supporting a local community and employees. Option „a“ is chosen by 83,33 % of the examinees, option „b“ is chosen by 41,67 %, option „c“ is chosen by 75 %, option „d“ is chosen by 25 %, option „e“ is chosen by 41,67 %, option „f“ is chosen by 25 %, option „g“ is chosen by 66,77 %, option „h“ is chosen by 16,67 % and option „i“ is chosen by 25 % of examinees.

So, the most activities which are undertaken in order to support local community and employees are actions relating to ethical/moral reasons, environmental values and rise of economic performance of the company. Companies want to be „good neighbor“ and it has to be oriented more friendly.

Figure 10: Has your company been supporting any of the following activities (not its own employees and/or its family members)



Figure 11: The reasons for failure of the EMS in your company

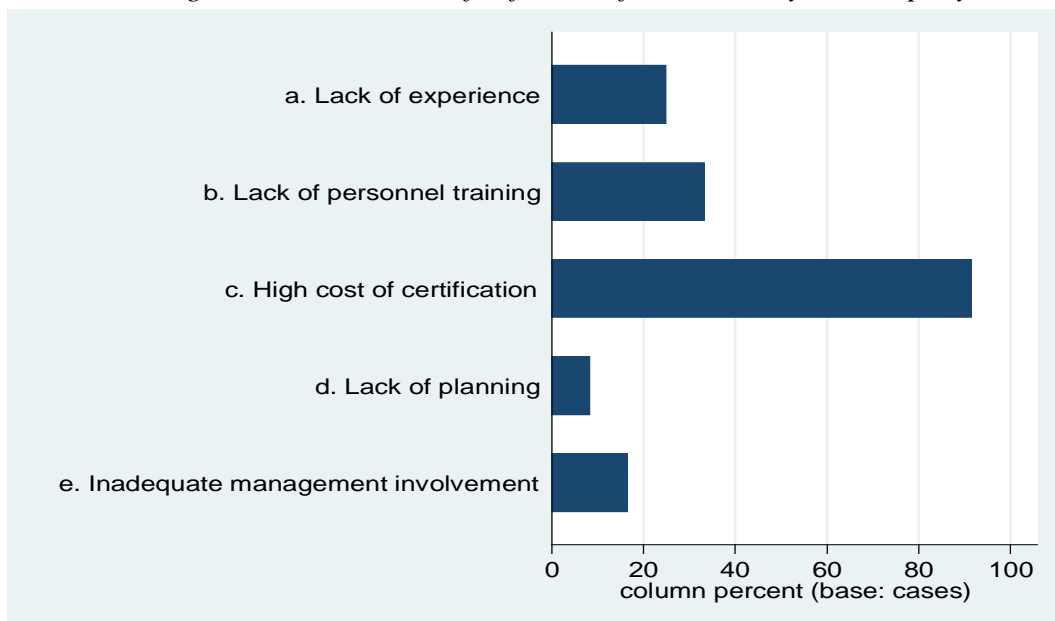
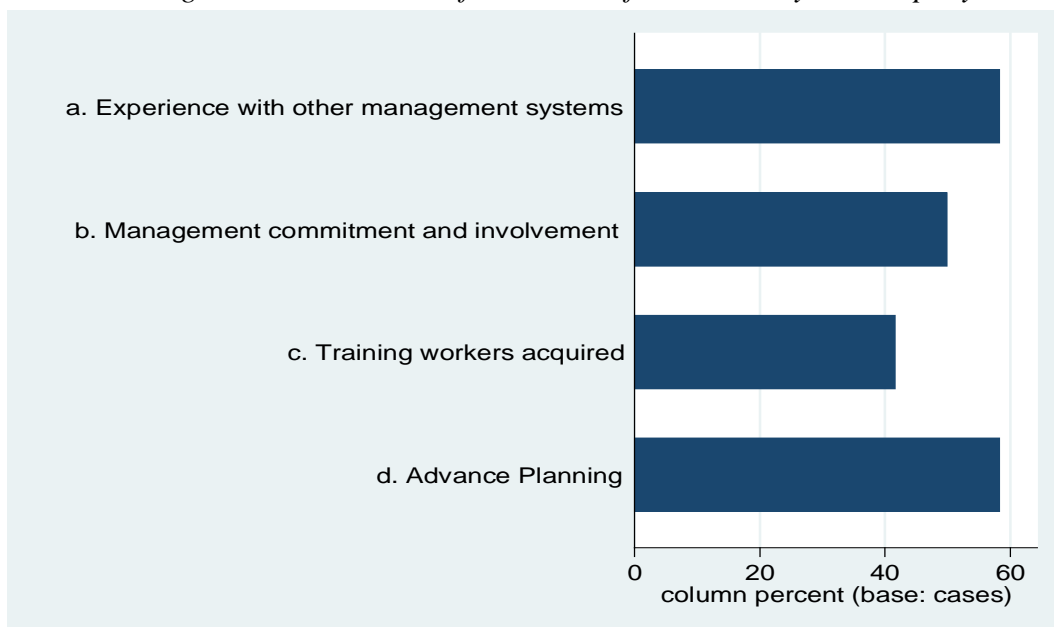


Figure 11 displays the reasons for failure of the EMS implementation process in the company. If a company is on the way to implement EMS in their business, that it could fail because next reasons: option „a“ is chosen by 25 % of the examinees, option „b“ is chosen by 33,33 %, option „c“ is chosen by 91,67 %, option „d“ is chosen by 8,33 % and option „e“ is chosen by 16,67 % of the examinees. The main reason for failure is lack of money during process of implementation and process for maintaining EMS in company. Company can take a credit for process implementation but after it the story is not finished. The return on their investment is not enough to cover normal business operations and to safe more money for additional actions within EMS.

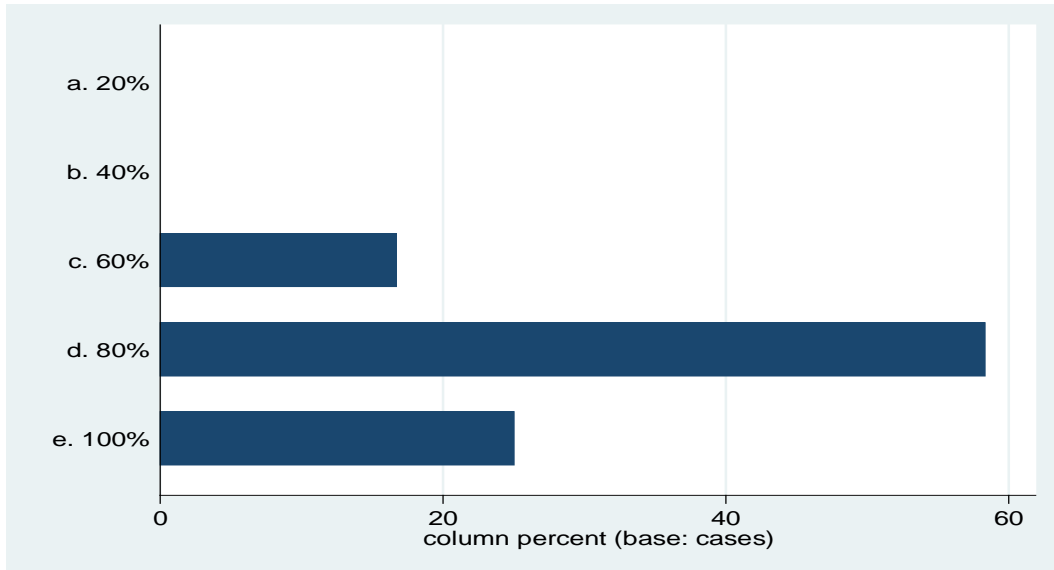
Figure 12: The reasons for success of the EMS in your company



On the other hand, we can see some of the reasons for a success of the EMS in the companies'. In the companies which understand purpose for EMS implementation, the management is aware of necessary conditions. The most important conditions are: experience with other management system and advanced planning which are chosen by 58,33 % of the examinees. Other conditions are: management commitment and involvement (chosen by 50 % of the examinees) and training workers acquired (chosen by 41,67 % of the examinees).

On the figure 13 is showed level of companys' compliance with local environmental legislation. Options „a“ and „b“ are not chosen. Option „c“ is chosen by 16,67 % of the examinees, option „d“ is chosen by 58,33 % of the examinees and option „e“ is chosen by 25 % of the examinees. This mean companies are not able to follow all local laws, instruction and request. Companies are trying to respect main laws which could not caused huge penalty. This is not wittinglyinfringement because the companies usually have no special stimulation or special treatment for their actions.

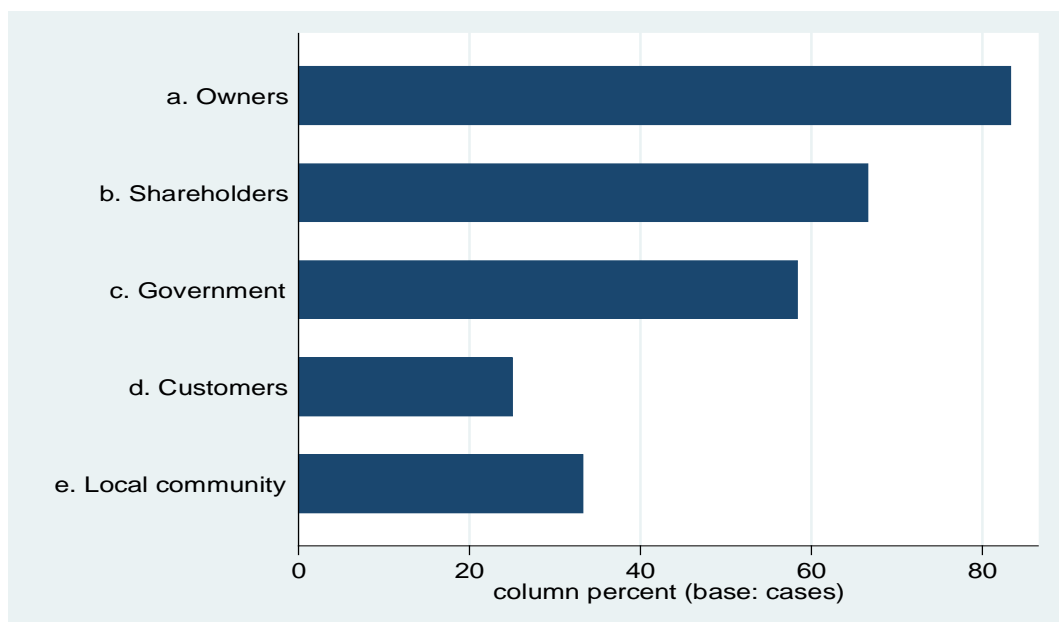
Figure 13: The level of companys' compliance with local environmental legislation



- **Stakeholders as drivers of environmental responsibility practices**

The results shows that the most important stakeholder are owners as option „a“ with 83,33 % answers from 12 examinees. All persons involved in researching mentioned that there is no real competition between automotive companies in Bosnia and Herzegovina. All of them try to achieve the common target and build the brand on Bosnia and Herzegovina industry, and for this reason they are willing to share knowledge. Concerning further drivers option „b“ is chosen by 66,67 % of the examinees, option „c“ is chosen by 58,33 %, option „d“ is chosen by 25 % and option „e“ is chosen by 33,33 % of the examinees. These answers are understandable because owners has interest to be „good neighbor“ and the main driving force in the community with the trend of growth and expansion.

Figure 14: Stakeholders in Bosnia and Herzegovina's automotive industry



Stakeholders are individuals or groups of people who can be directly or indirectly affected by the project, also those groups can have an interest in the project and/or ability to influence the outcome of the project, positively or negatively. Stakeholders may include local communities or individuals and their formal or informal representatives, national or local authorities, politicians, religious leaders, civil society organizations and groups with special interests, the academic community and other businesses.

„The Role“, which all individuals or groups have in the project, will be vary. For example, there are people who are directly affected by potential environmental or social impacts of the project. Other stakeholders may be other countries' residents but they want to communicate their concerns or suggestions that the company initiated the project. Then there are the ones that can have a huge impact on the project, such as state agencies, political or religious leaders, and on the other side there are the groups active in the local community. There are interest groups which can have positive contributions to the project because of their knowledge or position, for example, acting as an honest broker in the regulation of relations.

Stakeholder Engagement is an umbrella term that includes a range of activities and interactions throughout the project. These activities can be divided into next sections:

- Identification of stakeholders and analysis;
- Press information and consultation of stakeholders and partnerships;
- Negotiations and „Grievance management“ or managing the negative aspects of the project;
- Involvement of stakeholders in monitoring project stakeholders;
- Reporting and management functions.

Companies choose to conduct an active process of involvement of stakeholders. They recognize that communication with stakeholders is a two – way character encompassing information stakeholders on the objectives and the development of the project, thereby taking into account the views of stakeholders on the project, and responding to their legitimate concerns. Their commitment is a transparent approach where certain information must remain confidential. This refers to information that may have a negative impact on the company's position in the market, the information given in confidence and information related to only the company's operations. Decision on release of information brings the company's manager. The project was to identify the interests or benefits that extend beyond direct financial gain. Regarding motivations behind EMS implementation, the requirements of regulatory compliance could be strongly detected. Some internal stakeholders like corporate headquarters or management employees (sometimes even non – management employees) were also perceived as being very important in corporate environmental decision – making, which is not surprising.

Furthermore, commercial buyers in the supply chain clearly expressed their requirements to suppliers regarding environmental performance. External stakeholders such as environmental organisations, banks, trade associations and labour unions seemed to exert much less influence on companies and, unfortunately, household consumers did not appear to articulate power over the use of corporate environmental tools either. Shareholders were regarded as not very interested in the environmental measures of companies (Harangzó, Sándor; Zsóka & Ágnes, 2010).

CONCLUSION

In this thesis we have seen that CSR is one of the most popular issues in today's business world. It is important for each party including stakeholders, employees, consumer, society, government. A health companies are aware of the needs for implementation of CSR system in their business. At the core is idea that corporations should transition from a state of mere compliance to a mode of engagement, from harm minimization to value creation

CSR does not have the unique definition that is why this concept is connected with so many similar concepts like a corporate responsibility, corporate citizenship, corporate ethics, business in society, social enterprise, sustainability, sustainable development. But unique focus is that companies try to improve community well – being through their business practices and contributions of corporate resources. While there is no universal definition of corporate social responsibility, it generally refers to transparent business practices which are based on ethical values, compliance with legal requirements, and respect for people, communities, and the environment.

The main aspects of CSR are: economic, social and environmental/ecological aspect. In this thesis the focus is on the environmental / ecological aspect which is also the key pillar of the CSR. Here we have seen that companies can influence on the society in many ways and the usual way is the negative effects occurring in the surrounding natural environment. However, companies can take some actions, we can call it as CSR activities, by which companies are supporting the local community, employing people, share the one part of their profit, strengthen their relationships. Companies in Bosnia and Herzegovina are willing for implementation of EMS as part of CSR in order to become more competitive on the market, but they often encounter certain barriers as compliance with low and need a lot of money for implementation.

One of ease understandable definition of CSR and companies activities is the effort of the companies to integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on voluntary basis. The companies should have the environmentally friendly manufacturing, products, services, packaging, transportation process and recycling.

To achieve this goal we can see the different driving forces: internal and external. Internal drivers are usually coming from business advantages, and external drivers are coming from internationally human rights and environmental protection. Also, we have seen the two approaches to CSR: a stakeholder approach and the concept of social capital. A stakeholder concept includes the morals and values in managing an organization . Namely, the concept identifies models and groups, which are stakeholders of a company, describes and recommends methods by which management can give due regard to the interests of those groups. Companies' action can have a huge impact on the society in general, and people ask such companies to have ethic and values.

Concept of social capital includes the social norms, networks and trust as a mutual support between groups. The social capital can be divided into three ways: moral obligations and norms, social values and social networks. Trust is the expectation that arise within a community of regular, honest and cooperative behaviour, based on commonly shared norms, on the part of other members of that community and social

capital is a capability that arise from the prevalence of trust in a society or in a certain part of it.

In the practical part of the thesis, we made a research analysis of automotive industry in Bosnia and Herzegovina. There are about 50 different companies as automotive suppliers, but only 12 production companies are registrated in automotive cluster of B&H. The aim of Automotive Cluster Bosnia and Herzegovina (BH – AC) is to increase the competition ability of companies participating in the cluster with a focus in the automotive industry – suppliers in this industry. Research is conducted on a sample of companies from the automotive industry in Bosnia and Herzegovina. The research is based on qualitative research methods supplemented by quantitative measures.

We started research with drivers who push company in implementation of better business practice, involving employees in making – decision because they have interest to work hard and built a strong company, brand and normal condition for life. Beside this, it is important to produce environmentally friendly products and to save surroundings. In the same time it is also request by customers.

Some of the key findings shows that the individual primary driver are customers which was chosen by 100 % of the examinees, and further drivers are board of directors, employees, government and consultants. On the institutional level, the primary driver represents compliance with current regulations. The most important primary drivers are customers because they required satisfactory product, service and environmental production. Customers were considered to exert the highest pressure on companies to take environmental measures, throughout the whole international sample. So, customers have a large influence on company's decision – making. Beside customers, they are employees, government, owners who are giving their best to achieve market condition regarding product standard and certain certification.

The secondary drivers or motivators are environmental values and ethical/moral reasons. If employees are moral person, they can build company in the right way and lead it to better system. But there is one of condition for it. Company have to esteem the people who work for it. In Bosnia and Herzegovina lack this principle in the most cases, even in the few last year the customers and employees are much more aware of needs for protection environment and mutual cooperation.

The product's quality is very important in automotive industry, because company is responsible for a comfort and safety of each driver. But the reasons why companies do not pursue the certification include little financial benefit from certification, and high expenses certifications are the need for money and time. The company can support environmental activities through sponsorship, financial or in kind gift, cause related marketing, employees' involvement in environmental activities.

In process of EMS implementation the company should expect some benefits and barriers which can have influence on the success or failure of implementation. In the developing country is easy to find barriers which can slow down business operations and required a special actions to create stable system. Research shows that the biggest benefit that company can achieve is improvement of customers' loyalty. On the other hand, the main barrier is ignorance of regulations. We believe the reason is companies cannot adjust their business to a lot of a new laws, frequent changes and usually it is necessary a lot of money.

We found out some of the reasons for failure of the EMS in companies as: lack of experience, lack of personnel training, high cost of certification, inadequate management involvement. Country is missing support from developed countries in order to transfer practice, knowledge and motivate employees for more friendly production. The main reason for failure is lack of money during process of implementation and process for maintaining EMS in company. The return on their investment is not enough to cover normal business operations and to save more money for additional actions within EMS.

Also, the reasons for success of the EMS in companies could be: experience with other management system, management commitment and involvement, training workers acquired, advance planning. Almost all companies have opinion that for certification it is necessary a lot of time and money. Results shows the primary reasons for success are: experience with other management system and advanced planning.

Moreover, one of the drivers are stakeholders and the most important are owners / shareholders, customers and government. Owners have the biggest influent on decision – making in order to build representative brand at B&H market. Some internal stakeholders like corporate headquarters or management employees (sometimes even non – management employees) were also perceived as being very important in corporate environmental decision – making, which is not surprising. Also, there are interest groups which can have positive contributions to the project because of their knowledge or position, for example, acting as an honest broker in the regulation of relations. It is necessary to achieve better cooperation between local community and owners, in order to understand companys' needs and the way how to use it for well – being of community. In the examinee companies on the first place are owners' needs without so many actions which are supporting community.

One of the interesting result is relating to companys' compliance with local environmental legislation. Reason for it could be company's inability to respect all local environmental laws which present a huge obligation for business and require additional expenses. Most of companies wants to see these actions as investment in order to achieve better market position, but there is no support by government and no enough return on investment.

Morover, all companies are aware of benefits which can be achieved from EMS implementation as: increase profits, improve operations, improve marketing, reducing the costs of disposal the waste and community/social aspects. But in our system is presented ignorance of regulation, lack of money and the level of companies compliance with local environmental legislation is not mutually beneficial. The most companies are oriented to earn money for normal operational business and to cover huge expense imposed by governement.

This research has several limitations. First of all, the research has not made a difference between the size of the enterprises in the cluster due to the study relates to the cluster as a whole. Another major limitation is the method used in the study and a time limit. In addition, the research has not thoroughly analyzed aspect of the customer and their attitudes towards CSR companies from the automotive cluster. In accordance with the results this research can serve as a basis for future qualitative research which can include other aspects of CSR into focus, including the benefits that companies can derive from the implmentation of the concept of CSR in general.

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APPENDIX

APPENDIX 1.

Questionnaire – Environmental management in automotive industry

Academic Research

Dear Sirs,

I kindly would like to ask you for filling in an attached questionnaire (it should take you to complete only approximately 10 to 15 minutes), which surveys Environmental management of Corporate Social Responsibility of automotive industry in the B&H.

Nowadays Corporate Social Responsibility (hereinafter also CSR) is constantly growing in its importance, particularly due to the fact that it represents a factor of further growth and sustainable development of enterprises.

Main objectives of this research are following:

- ✓ How automotive companies perceive and carry out CSR/EMS;
- ✓ To what degree they are involved (active) in CSR/EMS;
- ✓ What are main barriers/obstacles for carrying out CSR/EMS.

Results of the survey and further research will be incorporated in master thesis titled „Environmental aspects of corporate social responsibility of enterprises in Bosnia and Herzegovina“

Simultaneously I would like to assure you that results of this survey will not be missused in any way and that obtained information will be considered as strictly confidential.

I believe both materials (results of the survey and master thesis) may provide you with useful information on CSR and in this way may contribute to creation or strengthening of competitive advantages of your enterprise.

I am kindly asking you to send a completed questionnaire either via e-mail.

In case of any questions, please, do not hesitate to contact me.

I thank you for your cooperation and your valuable time in advance very much.

Amer Čulov
amer.culov@hotmail.com

TABLE OF APPENDIX

A. BACKGROUND

1. What is the location of your establishment?
 - a. Federation of B&H
 - b. Republic of Serbia
2. How many employees do you have?
3. Which type of industry by sector is your establishment?
 - a. Trade
 - b. Manufacturing
 - c. Other.....
4. Please, what is your position in the establishment?
 - a. CEO
 - b. Environmental manager
 - c. Quality manager
 - d. Project manager
 - e. Other.....
5. How long have you been employed in this establishment?
 - a. Less than a year
 - b. > one but < two years
 - c. > two but < five
 - d. > five but < 10
 - e. > ten

B. EMS IMPLEMENTATION

6. Which management system have you established/developed in your organization?
 - a. ISO 9000/9001
 - b. ISO 16949
 - c. Safety and Management
 - d. EMAS regulation
 - e. Eco – labeling
 - f. None
 - g. Others.....
7. Have these system(s) been certified?
 - a. Yes
 - b. No
 - c. Can't TellIf yes, by which institution?
8. Which management system you are planning to implement in your organization?
 - a. ISO 9000/9001
 - b. ISO 16949
 - c. Safety and Management
 - d. EMAS regulation
 - e. Eco – labeling
 - f. ISO 14001
 - g. None
 - h. Others.....
9. What drives a company to engage in environmentally responsibility practices?
 - a. Customers
 - b. Government
 - c. Profit
 - d. Awareness of the environment
 - e. Other
10. Who is responsible for the EMS implementation in the establishment?
 - a. CEO
 - b. Quality manager
 - c. Environmental manager
 - d. Production manager
 - e. Board of directors
 - f. Other.....
11. What is the major driver for implementation of the EMS in your establishment?
 - a. Board of directors
 - b. Employees
 - c. Government regulation
 - d. Customers
 - e. Consultants
 - f. Other.....
 - g. Can't tell
12. Indicate which have been the drivers/motivators for your company for implementing socially responsible and ethical behavior towards its employees.
 - a. Ethical/moral reasons
 - b. Tradition
 - c. Environmental values (personal preference)
 - d. Recruitment and retention of qualified employees (Improvement of employees' loyalty)
 - e. Improvement of employees' job motivation
 - f. Improvement of employees' job satisfaction
 - g. Improvement of economic performance of the company (costs' reduction, sales' increase)
 - h. Pressure from third parties (i.e. clients, competitors, governments)
 - i. Use of existing public incentives (tax incentives, subsidies, others)
 - j. Other

13. Has your company been supporting any of the following activities (not its own employees and/or its family members)?

- a. Sport activities (not own employees)
- b. Cultural activities (not own employees)
- c. Health care (not own employees)
- d. Education and training activities (not own employees)
- e. Financial or other help/support to non – profit organization
- f. Environmental protection – ecological activities (other than directly related to consequences of the company’s own operations)
- g. Creation of good conditions for socially or in other way deprived groups for their involvement in community and work process
- h. Participation in public affairs or political process on behalf of the company
- i. Other

14. Indicate in which way your company has supported environmental activities (other than directly related to consequences of the company’s own operations).

- a. Sponsorship
- b. Financial or in kind gifts (ad – hoc or once only)
- c. Cause related marketing
- d. Cooperation with other parties on environmentally beneficial projects (i.e. non – profit sector, public sector, other private companies)
- e. Employees' involvement in environmental activities (on behalf of the company)
- f. Other

C. ADVANTAGES

15. How would you rate the success of the standard?

- a. Failed b. Succeeded c. Can’t Tell

16. What are the reasons for failure of the EMS in your company?

- a. Lack of experience b. Lack of personnel training c. High cost of certification d. Lack of planning
- e. Inadequate management involvement f. Can’t tell g. Others.....

17. What are the reasons for success of the EMS in your company?

- a. Experience with other management systems b. Management commitment and involvement
- c. Training workers acquired d. Advance Planning e. Can’t tell f. Others

18. What are the benefits you derived or hope to derive from EMS implementation?

- a. Improvement of relations with public administration (public/state authorities)
- b. Improvement of customers’ loyalty
- c. Improvement of relations with business partners and investors
- d. Improvement of employees’ job satisfaction
- e. Improvement of positive image of the company
- f. Improvement of economic performance of the company (costs’ reduction, sales’ increase)
- g. Establishment and/or retention of competitive advantage
- h. Use of existing public incentives (tax incentives, subsidies, others)
- i. Improvement company’s reputation
- j. Other

19. How has EMS impacted your company’s overall performance in terms of creating comparative advantage?

- a. Decreased b. Slightly decreased c. No change d. Slightly increases e. Increased f. Can’t tell

20. If it has decreased, what are the causes?
 a. Government legislation b. Inadequate management awareness c. Low market access
 d. Inadequate customer awareness e. Can't Tell f. Other.....
21. If it has increased, what has brought this increment?
 a. Penetration of other markets b. Increased market share c. Cost reduction d. Waste reduction
 e. Reduction of fines and legal fees f. Can't tell g. Other.....
22. Has the competence in your company staff in EMS increased since implementation?
 a. Yes b. No
23. Has the attitude of the staff towards environmental work changed during the process?
 a. Yes b. No
24. If yes, how?
25. If no, why?
26. Did you effect changes in the products after implementation?
 a. Yes b. No
27. Would you say ISO 14001 is a ticket/guarantee to market access to industrialized countries.
 a. Yes b. No c. Can't tell

D. BARRIERS

28. What kind of impediments/barriers have you met in your process of EMS implementation?
 a. High investment required b. Management ignorance of its existence c. Long time of certification
 d. Lack of government incentives e. Ignorance of regulations f. Can't tell g. Other.....
29. Ask if ISO 14001 is not mentioned in Q 7) Have you made any plan to get ISO 14001 for your company?
 a. Yes b. No c. Can't tell
30. What is your perception regarding the difficulty of obtaining ISO 14001 certification?
 a. Very easy b. Easy c. No problem d. Somehow difficult e. Very difficult
31. Which impediments or barriers you expect in your process of ISO 14001 implementation?
 a. High investment required b. Management ignorance of its existence c. Long time of certification
 d. Lack of government incentives e. Ignorance of regulations f. Can't Tell g. Other.....
32. Would you say the certification process is inconsistent with local environmental regulations or standards?
 a. Yes b. No c. Can't tell

E. COMPLIANCE TO LOCAL LEGISLATION

33. Has your company taken environmental issues as important in its operation?
 a. Yes b. No
34. Would you say your organization's activity has an impact on the environment?
 a. Yes b. No c. Can't tell

35. Did your company receive any public support (i.e. incentive, subsidy) for its socially and environmentally responsible activities (CSR) not aimed at its own employees during the last 3 years?

- a. Yes, in a form of
 - a.1. Tax incentive
 - a.2. Subsidy/grant
 - a.3. Free of charge consultancy service
 - a.4. Other
- b. No

36. Are these impacts positive or negative?

- a. Positive
- b. Negative
- c. Can't tell

37. What is your level of compliance with local environmental legislation?

- a. 20%
- b. 40%
- c. 60%
- d. 80%
- e. 100%
- f. Can't tell

38. Kindly mention two current environmental regulations you know.

- a.
- b.

39. Which environmental regulations have you been complying with?

- a.
- b.

40. Kindly give suggestions to improve EMS certification in B&H

- a.
- b.

THANK YOU VERY MUCH FOR YOUR SUPPORT

APPENDIX 2. RESULTS OF RESEARCH

1. What is the major driver for implementation of the EMS in your establishment?

What is the major driver for implementation of the EMS in your establishment?		Frequency	Percent of responses	Percent of cases
a_Boardofdir~s	a. Board of directors	4	16.00	33.33
b_Employees	b. Employees	4	16.00	33.33
c_Governme~n	c. Government regulation	4	16.00	33.33
d_Customers	d. Customers	12	48.00	100.00
e_Consulta~s	e. Consultants	1	4.00	8.33
Total		25	100.00	208.33

Valid cases: 12
Missing cases: 0

2. Indicate which have been the drivers/motivators for your company for implementing socially responsible and ethical behavior towards its employees.

Indicate which have been the drivers/motivators for your company for implementing socially responsible and ethical behavior towards its employees		Frequency	Percent of responses	Percent of cases
a_Ethicalm~s	a. Ethical/moral reasons	10	31.25	83.33
b_Tradition	b. Tradition	5	15.63	41.67
c_Environm~s	c. Environmental values	9	28.13	75.00
d_Recruitm~i	d. Recruitment and retention of qualified employees	3	9.38	25.00
e_Improvem~i	e. Improvement of employees' job motivation	5	15.63	41.67
Total		32	100.00	266.67

Valid cases: 12
Missing cases: 5

3. What are the benefits you derived or hope to derive from EMS implementation?

Percent to derive from EMS implementation? cases		Frequency	Percent of responses of
a_Improvement 33.33	a. Improvement of relations with public administration	4	14.29
b_Improvement 66.67	b. Improvement of customers' loyalty	8	28.57
c_Improvement 41.67	c. Improvement of relations with business partners and investors	5	17.86
d_Improvement 33.33	d. Improvement of employees' job satisfaction	4	14.29
e_Improvement 58.33	e. Improvement of positive image of the company	7	25.00
Total		28	100.00
Valid cases: 12			
Missing cases: 6			

4. What kind of impediments/barriers have you met in your process of EMS implementation?

Percent met in your process of EMS implementation? cases		Frequency	Percent of responses of
a_Highinvestment 33.33	a. High investment required	4	16.67
b_Management 16.67	b. Management ignorance of its existence	2	8.33
c_Longtime 41.67	c. Long time of certification	5	20.83
d_Lackofgoals 50.00	d. Lack of government incentives	6	25.00
e_Ignorance 58.33	e. Ignorance of regulations	7	29.17
Total		24	100.00
Valid cases: 12			

Missing cases: 0

5. What is the major driver as stakeholder for implementation of the EMS in your establishment?

What is the major driver as stakeholder for implementation of the EMS in your establishment?		Frequency	Percent of responses	Percent of cases
a_Owners	a. Owners	10	31.25	83.33
b_Sharehol~s	b. Shareholders	8	25.00	66.67
c_Government	c. Government	7	21.88	58.33
d_Customers	d. Customers	3	9.38	25.00
e_Localcom~y	e. Local community	4	12.50	33.33
Total		32	100.00	266.67

Valid cases: 12

Missing cases: 0

6. Has your company been supporting any of the following activities (not its own employees and/or its family members)?

Has your company been supporting any of the following activities?		Frequency	Percent of responses	Percent of cases
a_Ethicalm~s	a. Ethical/moral reasons	10	20.83	83.33
b_Tradition	b. Tradition	5	10.42	41.67
c_Environm~s	c. Environmental values	9	18.75	75.00
d_Recruitm~i	d. Recruitment and retention of qualified employees	3	6.25	25.00
e_Improvem~i	e. Improvement of employees' job motivation	5	10.42	41.67
f_Improvem~i	f. Improvement of employees' job satisfaction	3	6.25	25.00
g_Riseofec~e	g. Rise of economic performance of the company	8	16.67	66.67
h_Pressure~s	h. Pressure from third parties	2	4.17	16.67
i_Useofexi~s	i. Use of existing public incentives	3	6.25	25.00
Total		48	100.00	400.00

Valid cases: 12

Missing cases: 5

7. What are the reasons for failure of the EMS in your company?

What are the reasons for failure of the EMS Percent cases	in your company?	Frequency	Percent of responses of
a_Lackofex~e 25.00	a. Lack of experience	3	14.29
b_Lackofpe~g 33.33	b. Lack of personnel training	4	19.05
c_Highcost~n 91.67	c. High cost of certification	11	52.38
d_Lackofpl~g 8.33	d. Lack of planning	1	4.76
e_Inadequa~n 16.67	e. Inadequate management involvement	2	9.52
Total		21	100.00
Valid cases:		12	
Missing cases:		0	

8. What are the reasons for success of the EMS in your company?

What are the reasons for success of the EMS Percent cases	in your company?	Frequency	Percent of responses of
a_Experien~s 58.33	a. Experience with other management systems	7	28.00
b_Manageme~e 50.00	b. Management commitment and involvement	6	24.00
c_Training~d 41.67	c. Training workers acquired	5	20.00
d_AdvanceP~g 58.33	d. Advance Planning	7	28.00
Total		25	100.00
Valid cases:		12	
Missing cases:		0	

9. What is your level of compliance with local environmental legislation?

What is your level of compliance with local environmental legislation?	Frequency	Percent of responses	Percent of cases
a_20 a. 20%	0	0.00	0.00
b_40 b. 40%	0	0.00	0.00
c_60 c. 60%	2	16.67	16.67
d_80 d. 80%	7	58.33	58.33
e_100 e. 100%	3	25.00	25.00
Total	12	100.00	100.00

Valid cases: 12
 Missing cases: 7