

Social responsibility as a factor of cultural and business divide in European countries

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Abstract

Social responsibility is determined by the culture, values and by the maturity of the business environment in each country. Despite many harmonised business rules across Europe, social responsibility agenda remains to a certain extent still a factor of a determination or a good will.

Globalisation and intensive international cooperation will further increase the transparency of socially responsible behaviour within companies. The increasing and pronounced role of the social responsibility in financial reports will push companies to act more socially responsibly to be accepted in the global context and by wider population, by clients or by target groups.

Social responsibility should become an integral part of the business conduct. Good practices from the European Union show positive business outcomes and better reputation by implementing the social responsibility to achieve trust and loyalty.

How to approach the existing cultural and business divide in companies and within countries? How to persuade the business world about the long-term advantages of the socially responsible behaviour? Weak understanding of reasons to implement the social responsibility in some companies and in some countries may hinder the acceptance of the improved management by implementing the social responsible component into the business conduct.

The article aims to explain the reasons for existing gaps in the social responsibility implementation among countries and industries and aims to find answers why some countries perform better than the others. Finally, the article tries to explain the diverse public acceptance and tolerance as regards the social responsibility realisation.

Key words: social responsibility, business, cultural divide, development, values



Družbena odgovornost kot dejavnik kulturnega in poslovnega razkoraka v evropskih državah

Povzetek

Družbena odgovornost določajo kultura, vrednote in zrelost poslovnega okolja v vsaki državi. Kljub številnim usklajenim poslovnim pravilom po vsej Evropi je program socialne odgovornosti še vedno v določeni meri še vedno dejavnik odločnosti ali dobre volje.

Globalizacija in intenzivno mednarodno sodelovanje bosta dodatno povečala preglednost družbeno odgovornega ravnanja v podjetjih. Naraščajoča in izrazita vloga družbene odgovornosti v finančnih poročilih bo spodbudila podjetja, da delujejo bolj družbeno odgovorno, da jih bodo sprejeli v globalnem kontekstu in širše prebivalstvo, stranke ali ciljne skupine.

Družbena odgovornost mora postati sestavni del poslovnega ravnanja. Dobre prakse iz Evropske unije kažejo pozitivne poslovne rezultate in boljši ugled z izvajanjem družbene odgovornosti za doseganje zaupanja in lojalnosti.

Kako pristopiti k obstoječemu kulturnemu in poslovnemu razkoraku v podjetjih in državah? Kako prepričati poslovni svet o dolgoročnih prednostih družbeno odgovornega vedenja? Slabo razumevanje razlogov za uveljavljanje družbene odgovornosti v nekaterih podjetjih in v nekaterih državah lahko ovira sprejemanje izboljšanega upravljanja z uvajanjem družbeno odgovorne komponente v poslovno ravnanje.

Namen prispevka je pojasniti razloge za obstoječe vrzeli pri uresničevanju družbene odgovornosti med državami in gospodarskimi panogami ter skušati najti odgovore, zakaj so nekatere države uspešnejše od drugih. Na koncu poskuša razložiti raznolik sprejem v javnosti in strpnost glede uresničevanja družbene odgovornosti.

Ključne besede: družbena odgovornost, poslovanje, kulturni razkorak, razvoj, vrednote



1 Introduction

The European Union presents an integration, which gathers many common values and beliefs. Despite the mentioned fact and the turbulent European history, different political and economic realities in the past echoed diverse approaches and different corporate responsibility implementation levels.

Furthermore, changes in lifestyles, new forms of work, globalisation, technological changes and demographic shifts require a new, strengthened role of the social responsibility to equalise turbulent changes, affecting everyone's day and working life. Demand for the inclusion of the social responsibility in the company's priority list is even more pronounced in cross-border and international business interlinkages, which wipe the invisible limits of business habits. Social responsibility therefore answers to new economic and social challenges to support a better society. It is exactly why it is important to identify, understand and improve existing national, cultural and business divide. It is necessary to improve and to raise the role of the social responsibility through the whole Europe.

2 Importance of social responsibility in the changing world

Fast changing world demands new and innovative work-related approaches, which should be human-oriented. The employee as the central driver of competitiveness and productivity in the company requires appropriate attitude to gain trust and loyalty in the long-term. On the other hand, the economic reality requires fast business reactions to remain competitive, in many cases challenging the working conditions and social responsibility implementation capability. Finding the proper equilibrium between the individual well-being and the economic survival of the company demands a deeper understanding of the individual's needs, fulfilment of the working environment requirements and of a healthy economy.

Individual workers are striving to achieve the private-professional reconciliation, which responds to the certain point in his/her life-cycle. The company is not an isolated island and, on the other hand, it has to adapt the flexible circumstances in the business world. The role of the social responsibility is to identify those elements, which improve the workers' motivation for quality work and increased productivity, taking into account the economic reality. Collision of different cultures or business practices in the international environment can decrease the business outcomes due to the misinterpretation of the social responsibility context.

Human capital, accumulated in employees reacts to societal changes; the mentioned is confirmed by chosen financial and non-financial reports on business success. Social responsibility as a cushion or a "shock absorber" could contribute to a brighter future, to more satisfied employees and to a highly productive economy. Modern economy requires open economic relations to perform optimally. Integration such as the European Union is relatively successful in establishing internal market. Responsible business conduct (RBC) as an



important part of business decision means to understand positive and negative impacts on society, to act socially responsibly and to raise the value of the common EU market.

Existing cultural and business divide diminishes the potential of the common market. Social responsibility, if implemented properly, can significantly contribute to fairer working conditions, to satisfaction and motivation at work, consequently to a more successful European economy. It is why the European Commission encourages companies to adopt international CSR guidelines and principles. Identification of cultural and business divide could serve to find a proper way and agreed direction towards more socially responsible Europe.

The new Member States accession in 2004 further intensified the need to adopt the common approach towards social responsibility implementation to close the gaps between new and old Member States.

Information about the social responsibility and awareness raising campaigns can contribute significantly to wider understanding of the social responsibility goals in companies. Emphasis on socially responsible elements within the business enables more efficient good practices transfer through Europe. Understanding of the social responsibility in the Europe started with two Corporate Social Responsibility (CSR) communications, in 2002 and 2006. Both focused on raised understanding of links between Lisbon strategy goals and CSR implementation (EC, 2011a). In 2011 the Commission adopted a new, updated strategy for the CSR by mixing different approaches to come closer to different policy fields and to sectors with different specifics to be aware of.

Furthermore, the launch of the Europe 2020 Strategy incorporated this idea to support *smart, sustainable and inclusive* Europe and to switch the voluntary social responsible behaviour into the more “voluntarily binding” basis.

3 Social responsibility gaps in EU Member States

The Corporate Social Responsibility (CSR) is defined as the responsibility of enterprises for their impacts on the society (EC, 2019). The increasing importance of the social responsibility, which presents a voluntary part of managing the working environment, confirms the increasing and acknowledged social responsibility dedication by the company.

A positive trend of the social responsibility realisation also shows a more holistic understanding of the impacts, caused by higher quality work and by increased well-being for individuals in the working process. The results are also seen in the higher loyalty and trust into companies, which are performing socially responsible measures or actions. Among most successful and innovative countries in Europe, which implemented the SCR policies are Scandinavian countries, UK, France, followed by many other countries, including new Member States.

Nevertheless, existing gaps, arising from specifics in certain local cultural and business environments still hinder the potential internationalisation and openness towards foreign



markets and clients. Misunderstanding of the existing codes of conduct requires clear messages and communication skills.

Even more interesting is the question why the social responsibility, as an important element of business success driver, still presents a voluntary and not an obligatory way of business conduct? The business culture depends on many factors, which influence the owner's decision how to manage the company and employees. The difference between private and public-owned enterprises could relieve the moral responsibility and personal responsibility for good business outcomes. Similarly, a company, listed on the stock exchange understands the responsibility of non-financial information disclosure as relevant for stakeholders. The size of the company matters too, as bigger the company, more room for tailor-made social responsibility need is required. Finally, SMEs as prevailing legal form of company in the EU usually do not get adequate information on CSR impact on productivity and motivation of employees. The SMEs social responsibility role could serve as a niche, which might focus on local community and its improvements. Not to forget, sectorial specifics sometimes "excuse" less intensive and slower social responsibility implementation.

Last, but not least, the success of the socially responsible behaviour in certain sectors and countries significantly depends on the role and place within the governmental organisation and its importance within priority hierarchy. More ignorant the government is, less public awareness and acceptance is noticed and more tolerance towards lack of social responsibility implementation is accepted. Even at the company level, employees sometimes do not see advantages, arising from adopted improvements in the working environment and at workplace, if they are not affected directly.

New Member States, which experienced the economic transition in 90s', sometimes diminished the role of the social responsibility, taking into account the historic perspective of a relatively high safety net and a strong social role of the state. Many non-transparent cases of privatisation or mergers probably contributed to less pronounced or expressed need for social responsibility or to postponed implementation of the socially responsible measures. Non adequate management practices and ignorance about modern inclusive management practices in the mentioned countries consequently led into less productive workforce for decade or more after the transition period. The mentioned reasons and gaps in understanding the role of social responsibility in Slovenia can explain the lagging behind the other countries as other older democracies, as Scandinavian countries are. However, intensive restructuring in certain sectors and redundancies that followed, increased the significance of the social responsibility in new EU Member States as well.

4 Policies to incorporate social responsibility successfully

Due to a variety of social responsibility approaches and practices throughout the European Union, neutral and measurable instruments should be applied to monitor and assess the state of play and progress in time in each of the EU Member State. The ISO26000-Social Responsibility provides guidance on how businesses and organisations can operate in a socially responsible way, acting in an ethical and transparent manner that contribute to the



health and welfare of individuals. The Standard provides guidance to all types of organisations, on core subjects and issues of social responsibility and how to implement and promote socially responsible behaviour. The Standards ISO: 2010 is intended to assist organisation in contributing to the sustainable development and to encourage countries to go beyond legal compliance. The Standard can be used as a part of public policy activities as well (ISO, 2019).

CSR reporting and disclosure, social public procurement, wider education about the benefits of the CSR concept in the society should become the ethical “must” of the future business conduct in the EU. The introduction of the EU Directive on the disclosure of non-financial and diversity¹ information contributed towards increased business transparency and accountability on social and environmental issues.

The CSR reporting and disclosure since 2005 cover many important information and indicators. Reporting and disclosure support the assessment of business performance and take into account non-financial information, related to socially responsible elements (which also affect motivation and stimulation for work). The main problems arrive from the fact that the majority of companies in the EU belong to SMEs. On the other hand, the EU emphasis and attention in the CSR matters focus on larger companies. SMEs are less geographically dispersed, local in their business culture, the ownership is less complicated and the existing framework of work is more difficult to be changed or adapted. However, CSR policies should be adapted to the SMEs’ specifics as well, carefully elaborated and focused on most important measures to understand and accept the CSR concept in the existing business processes in SMEs. To a certain extent, the Small Business Act (2008) acted as the answer in this direction. The Act stresses the importance of the CSR for the job creation and growth in the SMEs. As SMEs contribute significantly to the local social and economic development, introduction of the CSR concept could even intensify the positive employment trends.

Public procurement Directive (2014)² expanded possibilities for EU contracting authorities to use sustainable procurement criteria in their tenders (EC, 2019). The mentioned includes supply chains towards environmentally and socially progressed environment. Additional impetus towards socially responsible element is incorporated in the proclaimed European Pillar of Social Rights in 2017 (EC, 2016). Minimising negative impacts on restructuring is important, especially in some Member States, facing structural shifts. To frame the rights of workers, the EU Quality Framework for Anticipation of change and restructuring was issued in 2013.

Socially responsible investment (SRI) presents another element, which takes into account social and environmental challenges, following the UK good practices in early 20s. In general, the socially responsible investment combines investors’ financial objectives with their concerns about social, environmental, ethical and corporate governance issues. The main goal of the SRI is to influence the investors to consider the social, ethical and environmental factors in their investments plans. Awareness raising among investors, companies and

¹Directive 2014/95/EU on the disclosure of non-financial and diversity

² Directive 2014/24/EU on Public procurement



governments about the impacts of the negative risks due to a lack of long-term corporate performance deficiencies is important in this context. The EU market for socially responsible investments is growing through the increasing demand from the institutional investors (EC, 2011a).

Learning about the SCR is a precondition for successful implementation of the principle. Understanding the role of the CSR and negative impacts on the individual, company and the society is critical for the principle acceptance. The knowledge of CSR offers the possibility to make choices about the most successful and adequate ways of implementation, while recognising the benefits of contributing to the society by the implementation.

Company's image and reputation is becoming more and more important, even more with the wider scope of the social media. Stakeholders, customers, suppliers and employees are the most sensible parts of the company chain. External expectations form the company may define the market performance or failure. Negative publicity can ruin the image, despite the good business performance.

Neutral assessment and evaluation of the CSR implementation on the company level is essential for the reliability (as social accountability standards SA8000, already mentioned ISO 26000 on social responsibility are). OECD Guidelines for multinational enterprises and UN Global Conductor ILO fundamental labour rights are some of additional internationally recognised standards. The new foreseen Centenary Declaration, foreseen to be adopted at the ILO International Labour Conference in 2019, is another step forward to adopt social responsibility as a rather broad challenge to incorporate into the business conduct worldwide. Complementarity of different approaches is welcomed and offers many different approaches to be attentive at. Persistent gaps in implementation should be eliminated.

5 Findings and conclusions

The EU emphasis in the field of the CSR is linked to the promotion of the overall European reference framework, making transparent and comparable what the CSR is, through confirmation of broad principles, approaches and tools, through promotion of best practices and innovative ideas and through establishing a consensus on main areas of activities. The prevailing tools that receive most attention for CSR are codes of conduct and social labels³.

To increase the transparency and the visibility of the social responsibility, the implementation of the EU Directive for non-financial information is very important. Governmental support should direct companies to reach responsible behaviour and enable them enough flexibility to find appropriate way to approach the CSR (EC, 2011b). The CSR platform to share good practices and rewarded best practices throughout Europe is the way to better communicate public. It is important to encourage the SMEs to act in the appropriate and responsible way, also by including them in future EU guidelines and social responsibility counselling processes.

³[http://europa.eu/rapid/press-release MEMO-02-153_en.htm](http://europa.eu/rapid/press-release_MEMO-02-153_en.htm), downloaded 30.5.2019



The result of adopted CSR conduct contributes to more favourable working environment, which is productive and competitive and takes into account social and environmental factors. Not to forget, companies, which implemented the CSR principles, experienced more success in cushioning the negative impacts of the recent crisis and have a more loyal workforce.

Slovenia experienced many “bad practices” during 90s’ where once excellent companies became inefficient by the change of management in the transition period. How to persuade employers that the added value from the social responsibility does influence better business results, along with satisfied workers? How to persuade them that socially responsible behaviour contributes to better motivation and higher productivity at work? More counselling about benefits and multiplication of new practise, facilitated credit acquiring, enforced supervision for progress monitoring due to implementation of social responsibility could help to accelerate the process of social responsibility implementation.

Weak public attention, devoted to the social responsibility matters as well. Slovenia needs the governmental power to push forward the social responsibility agenda. The state should serve as a role model in the field of the social responsibility, implementing innovative socially responsible elements into the business conduct, which do not have direct financial impacts (e.g. Reconciliation measures, mobbing non-tolerance and flexibility of work time...). Media plurality and revealing bad practices might raise the attention of deficiencies and require more attention to widespread culture of social responsibility through each EU Member States equally. Public acceptance and tolerance as regards the lack of the social responsibility component in the business conduct indicates that there is still a lot of room for improvements in actions, and there is a need for more intense inclusion of social partners, NGOs and civil society in observing the progress and existing barriers. For the sake of individual’s welfare and decent work conditions for all.

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