

## Corporate Social Responsibility and Firm Efficiency in Serbia

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*In recent years, an increasing number of scientific papers have explained that the firm efficiency is associated with corporate social responsibility (CSR). However, only a few empirical studies confirm these claims, or these studies have some limitations. Therefore, in this paper some investigation will be made to see if there is a link between CSR and business performance, i.e. whether companies that have better business performance are also characterized by a higher degree of CSR. Considering that the relationship between corporate social responsibility and business performance of enterprises is largely caused by the number of factors, this study examines this relationship in circumstances specific to the business environment of the Republic of Serbia. The aim of this paper is to examine whether there is a link between CSR and business performance in Serbia.*

*The analysis was conducted by interviewing managers in 184 Serbian companies. In data processing a multivariate analysis of variance (MANOVA) and correlation analysis were used. The hypothesis that there is a statistically significant relationship between business performance and their CSR is confirmed, based on empirical data.*

**Keywords:** *Corporate Social Responsibility, Firm Efficiency, Companies In Serbia, Management.*

### Introduction

Companies are the part of society in which they operate, and therefore, in achieving economic goals they have to take care about their own impact on society and the environment, i.e. they need to manage their business in a socially acceptable manner. According to this concept, other than realization of the primary economic objectives, they should follow regulations, to behave ethically towards all stakeholders that their business touches, and to participate voluntarily in the resolution of community problems (Carroll & Buchholtz, 2011; Carroll & Shabana 2010, 85-105).

Researchers often claim that corporate social responsibility (CSR) can improve business success and competitiveness of a company (Kemper *et al.*, 2013; Blomgren, 2011; de Bakker *et al.*, 2006; Burke & Logsdon, 1996). On the other hand, from the companies which have a significant role in society and achieve better business performance will be expected to have a greater responsibility towards society (Ivanovic-Djukic, 2011).

In the long term, this implies a positive relationship between CSR and its firm efficiency (Heal, 2005). However, practical research of the relationship between CSR and financial performance (Torugsa *et al.*, 2013; Beurden & Gosling, 2008; Orlitzky *et al.*, 2003; Margolis & Walsh, 2003), gave very different results, which do not confirm a support for further development of CSR in business practices. Also, some studies (Fisman *et al.*, 2006; Williams & Barrett, 2000) indicate that the relationship between CSR and business performance is greatly influenced by factors related to the characteristics of businesses macroeconomic environment. This paper examines the relationship between the efficiency of companies in Serbia and their CSR. The subject of this

paper is to examine whether the most efficient companies in Serbia behave more responsibly towards society and if a higher level of CSR retroactively contributes to the increase in business performance. The aim of this paper is to identify the most problematic areas in CSR field for Serbian companies as well as to propose measures for their improvement, in order to increase business efficiency and community advancement. Also, the aim of this paper is to propose measures to macroeconomic policy makers whose implementation may increase degree of responsibility in Serbian companies towards society.

The research methodology includes a theoretical analysis of the relationship between CSR and business performance and application of statistical methods for processing business performance data and CSR in Serbia. Business performance data are taken from the Business Statement of the Serbian economy for the year 2012 for 184 companies, based on financial reports of these companies, submitted to the Agency for Business Registers. CSR data were obtained by interviewing managers of listed companies. The data analysis was performed by using statistical methods: descriptive statistics, MANOVA test and correlation analysis in SPSS.

### Theoretical Background

In recent years, the concept of CSR has become more and more actualized in management theory and company practice. As a result of a large number of papers, very different definitions and explanations of the concept are created. Definitions of CSR range from very generalized, which implies that CSR requires the enterprise's obligation to take care of their activity impacts on society (Davis, 1967), to those with very precise terms about the enterprises' obligations that should be fulfilled toward

society, such as the "triple bottom line concept" (Elkington, 1998), or "pyramid of CSR" (Carroll, 1991; Dahlsrud, 2008).

These and many similar definitions show the fact that there is a very complex concept which includes a large number of elements and dimensions. This paper accepts CSR model, stated from "The Commission of the EU" in the "green paper" (Commission of the European Communities, 2001). According to this report, CSR has an internal and an external dimension. The internal dimension refers to:

- a) Human resource management,
- b) Health and safety at work,
- c) Adapting to change,
- d) Management of environmental impacts and natural resources.

The external dimension of social responsibility refers to socially responsible behavior of companies towards external stakeholders and it includes:

- a) Local communities,
- b) Business partners, suppliers and consumers,
- c) Global environmental concerns.

Considering the fact that companies are part of society, we should keep in mind that the business activities of the enterprise affect the environment and social groups within the community, which can prevent the formation and expansion of social and environmental problems (Crane & Matten, 2007). Also, voluntary commitment of companies to solve the present environmental and social problems can lead to an increase in the quality of life of the community (Coombs & Holladay, 2012). For these reasons, the socially responsible behavior of companies has an enormous significance for the community (Adeyanju, 2012; Sen *et al.*, 2006; Post *et al.*, 2002). All companies in society are expected to behave responsibly. However, experience shows that this is not the case and there are very large differences in the level of CSR.

Since the engagement of businesses in the community involves certain investments, the question is whether there is a relationship between the available resources (actual financial performance) of companies and the degree of his responsibility towards the society (Nelling & Webb, 2009; Knox & Maklan, 2004)?

### **Previous Research on the Relationship of Corporate Social Responsibility and Business Performance**

Previous research on the relationship between CSR and business performance can be divided into two groups:

- studies that examine the impact of CSR on business performance of enterprises,
- studies that examine differences in CSR caused by the business performance of enterprises.

A large number of researchers have been engaged in studying the CSR impact on business performance of companies. All this research can be divided into qualitative and quantitative (Weber 2008). Qualitative research explains the analysis of case studies and theoretical generalizations, and show that CSR has a positive impact on corporate performance through following aspects: improvement of corporate image and building a good

reputation (Mallin & Michelon, 2011; Hillenbrand & Money, 2007; Laura, 2006), improvement of enterprise competitiveness (Kemper *et al.*, 2013; Sharma & Kiran, 2013; Wagner & Schaltegger, 2004; Porter & Kramer, 2003), loyalty encouragement and employee motivation (Bauman & Skitka, 2012; Arenas, 2008; Rupp *et al.*, 2006; Welford, 2007), enabling the creation of shared value (Porter & Kramer, 2011), reduction of operating costs (Epstein & Roy, 2001), increasing revenue and market share of the company (Kotler & Lee, 2007), etc.

The second research on the relationship between social responsibility and the company's efficiency is quantitative in nature. A number of researchers have applied quantitative methods to examine if there is a statistically significant impact of social responsibility on the company's reputation, financial performance, competitive position in the market and so on. For example, Vartik in 2002 demonstrated that there exists a positive correlation between the amount of charitable giving and the reputation of the company (Wartick, 2002). The same interdependence was confirmed through several similar studies (Brammer & Millington, 2005; Hillman, 2001). Also, a large number of authors was examined the relationship between socially responsible firm behavior and the way of company perceiving through the eyes of existing and potential employees (Choi & Yu, 2014; Jin & Drozdenko, 2010). Their research proves that the greater amount of corporate benefits is associated with better reputation of companies as a good employer and with employee loyalty (Albinger & Freeman, 2000).

However, the research on the impact of social responsibility on the financial results did not provide unique results. For example, (Salzmann *et al.*, 2005) tried to apply multiple regression to examine whether there is a social impact on financial performance. However, their study did not lead to statistically significant results, so they could not make general conclusions. In addition, a number of studies for mentioned relations gave mixed results. For example, Margolis & Walsh, with a meta-analysis of 127 studies that examined the relationship between social and financial performance during the period between 1972 and 2002, concluded that there may be positive, but also a negative social impact on the financial performance of the company (Margolis & Walsh, 2003). Similar results are provided by studies which were conducted by (Scholtens, 2008; Wagner *et al.*, 2001).

Wang *et al.*, (2008) conducted research on a sample of 817 firms and proved that socially responsible behavior contributes to the improvement of financial results only up to a certain point, but if you are above this point and continue to invest in social responsibility, the impact of these investments on the financial results become negative.

Research links between business performance and CSR are much more modest. In accordance with the "slack resources theory", companies with financial problems usually allocate their funds to projects that provide positive results in a short period of time and but not significant resources to CSR. In contrast, companies that generate solid financial results have more resources available to invest in the field of CSR, such as employee relations, environmental protection and contribution to the community. Thanks to that, financially strong companies

can afford the investments that have long-term strategic effects, such as the provision of services to the community and its employees (Waddock & Graves, 1997). In accordance with it, (Tsoutsoura, 2004) examined whether there is a link between CSR and financial results on a sample of 500 companies in the five-year period. Applying a multiple regression and correlation analysis proves that there is a positive and statistically significant relationship between financial performance and CSR, which confirms that the level of CSR behavior is conditioned by the financial results of the company.

Contrary to these claims, there are implications that the available resources and the financial result are not the dominant driver of CSR, but much greater impact may have personal values and attitudes of top managers. If there is no motivation of top managers to make socially useful services, the company will find ways to get involved in solving the problems of the community, regardless of the available resources and the financial result (Hemingway & Maclagan, 2004). These attitudes suggest that differences in the level of CSR are not primarily caused by the efficiency rate of operations and achieved results.

Based on the above, it can be concluded that there is no hard evidence of a statistically significant relationship between CSR and business performance. A field related to the impact of firm efficiency on CSR is not fully explored in literature. For these reasons, this paper examines whether there are differences in the degree of CSR between less efficient firms in Serbia compared to companies that achieve better business performance.

## **Methodology**

To determine whether there is a link between business performance in Serbia and their CSR, primary research is conducted. We examined whether companies that have better financial results (efficient firms) also have a greater impact on society and behave responsibly.

Based on the financial results achieved in 2012, and on data from the Economy statement published by the Agency for Business Registers, all enterprises are divided into three groups ([www.apr.gov.rs](http://www.apr.gov.rs)):

- a) Companies that have above average results (100 companies that have achieved the highest net profit)
- b) Companies with below average results (100 companies that have achieved the highest net deficit),
- c) Companies whose results are at the average level (100 companies that have made a net gain of less than the minimum net profit of the group's most efficient).

An online questionnaire to evaluate the level of social responsibility of these companies was forwarded to the managers of these companies. The research initially included 300 subjects (100 managers from each group of companies), however, a large number of managers did not respond to the survey and their answers were incomplete. From 300 divided questionnaires, only 184 (61,33 %) were processed. In the structure of the sample small businesses participated with 22 %, medium-sized businesses with 35 % and large enterprises with 43 %. Private companies were predominant in the sample (78 %), while state-owned enterprises accounted for 22 %. Companies that generate above average results participated with 39.1%, companies

that generate average results accounted for 32,6 %, and companies that have below-average results were accounted for 28,3 %.

Data collection was done by interviewing managers of companies that operate in the territory of Serbia using the two types of questionnaires. One questionnaire included questions related to general information about the companies: company name, size, ownership, business efficiency. The second questionnaire included questions related to testing the degree of CSR.

Questions in the second questionnaire were grouped into two dimensions of CSR that the EU Commission states. Within each dimension there were four groups of questions (which are explained above). The second segment of the questionnaire enabled the assessment of CSR as perceived by their managers. For evaluation of response the five-point Likert scale was used, ranging from 1 - strongly disagree, to 5 - totally agree.

The premise of the study was more efficient companies in Serbia behave more responsibly towards society. In accordance with that, the following hypothesis are formulated:

H1: There are significant differences in CSR between companies in Serbia to achieve above-average, average and under average results.

H2: There are significant differences in all aspects of CSR between companies in Serbia that have a different financial results.

H3: There is dependence among degree of CSR in Serbia and business efficiency.

Data analysis was carried out in several steps. First, the appropriate descriptive measures for checking the validity of the general hypothesis were determined. To check the validity of the first and second hypothesis we used a multivariate analysis of variance, while for checking the validity of the third hypothesis correlation analysis was used. The data were analyzed with the SPSS program.

## **Results of Analysis**

Results of descriptive statistics are presented in Table 1. The table presents average values for each segment of CSR, each group of companies and their deviations from the average. The average values were calculated based on the assessment of certain segments of social responsibility by the manager of each company.

In order to check whether there are differences in the degree of CSR, between average and below-average efficient companies, a multivariate analysis of variance was conducted. In order to check the fulfillment of the preconditions for the implementation of a multivariate analysis of variance, the authors made:

- 1) Test of Equality of Covariance Matrices (Table no. 2) and
- 2) Levene's Test of Equality of Error Variances (Table no. 3).

Table 1

**Corporate Socially Responsible of the Most efficient, Average and Below-Average efficient Firms in Serbia**

CSR	Firm Efficiency	Mean	Std. Deviation
Human resources management	Below average	1,4615	0,66023
	The average	2,7333	1,0328
	Above average	4,1667	0,8575
	Total	2,9348	1,40479
Health and safety at work	Below average	2,0769	0,86232
	The average	2,9333	1,43759
	Above average	3,0556	1,58938
	Total	2,7391	1,40530
Management of environmental impacts	Below average	2,3077	0,94733
	The average	2,8	1,08233
	Above average	4,0556	1,21133
	Total	3,1522	1,31601
Adaptation to change	Below average	2,5385	1,45002
	The average	2,6	1,24212
	Above average	3,833	1,20049
	Total	3,0652	1,40479
Local communities	Below average	1,9231	1,03775
	The average	2,6667	1,39728
	Above average	3,7222	1,40610
	Total	2,8696	1,4848
Business partners, suppliers and consumers	Below average	1,6923	0,48038
	The average	3,2667	0,96115
	Above average	4,333	0,76696
	Total	3,2391	1,31968
Global Environmental concerns	Below average	2,0377	0,85485
	The average	3,0667	0,96115
	Above average	3,8889	0,83235
	Total	3,1739	1,08124

Table 2

**Test of Equality of Covariance Matrices<sup>a</sup>**

Box's M	84,271
F	1,134
df1	56
df2	4597,609
Sig.	,230

The resulting value of the Box's Test of Equality of Covariance Sig. is 0,230 (which is well above the reference value  $\alpha = 0,001$ ), proving that the assumption of homogeneity of variance and covariance matrix is not disturbed.

Table 3

**Levene's Test of Equality of Error Variances**

CSR	F	df1	df2	Sig.
Human resources management	1,601	2	181	0,213
Health and safety at work	4,056	2	181	0,064
Management of environmental impa.	1,187	2	181	0,315
Adaptation to change	0,462	2	181	0,633
Local communities	1,245	2	181	0,298
Business partners	2,541	2	181	0,091
Global Environmental concerns	0,334	2	181	0,718

As it can be seen in Table 3, the value of Levene's test is greater than  $\alpha = 0,05$  ( $I_1 = 0,213$ ,  $I_2 = 0,064$ ,  $I_3 = 0,315$ ,  $I_4 = 0,633$ ,  $I_5 = 0,298$ ,  $I_6 = 0,091$ ,  $I_7 = 0,718$ ), which indicated that the assumption of equal variances was not violated.

Then they made:

1) Multivariate Test (Table No. 4) and

2) Tests of Between Subjects Effects (Table 5).

Table 4 shows that the corresponding p-value of Wilks's lambda, which refers to the socially responsible behavior of companies is 0,000. Hence, we conclude that there is a statistically significant difference between companies considering their performance.

Table 4

**Multivariate Tests**

Effect	Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Pillai's Trace	0,950	4,907	14,000	76,000	0,000	0,475
Wilks' Lambda	0,191	6,802 <sup>a</sup>	14,000	74,000	0,000	0,563
Hotelling's Trace	3,494	8,984	14,000	72,000	0,000	0,636
Roy's Largest Root	3,269	17,744 <sup>b</sup>	7,000	38,000	0,000	0,766

Table 5

Tests of Between-Subjects Effects

Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.
Human resources management	56,140 <sup>a</sup>	2	28,070	36,952	0,000
Health and safety at work	8,069 <sup>b</sup>	2	4,034	2,147	0,129
Management of environmental impacts	25,821 <sup>c</sup>	2	12,911	10,653	0,000
Adaptation to change	17,474 <sup>d</sup>	2	8,737	5,267	0,009
Local communities	25,350 <sup>e</sup>	2	12,675	7,378	0,002
Business partners	52,667 <sup>f</sup>	2	26,334	44,056	0,000
Global Environmental concerns	19,128 <sup>g</sup>	2	9,564	12,284	0,000

- a) R Squared=0,632 (Adjusted R Squared=0,615)
- b) R Squared=0,091 (Adjusted R Squared=0,049)
- c) R Squared=0,331 (Adjusted R Squared=0,300)
- d) R Squared=0,197 (Adjusted R Squared=0,159)
- e) R Squared=0,255 (Adjusted R Squared=0,221)
- f) R Squared=0,672 (Adjusted R Squared=0,657)
- g) R Squared=0,364 (Adjusted R Squared=0,334)

Table 5 shows data testing differences in attitudes by a segment of CSR. Several separate analyses have been conducted and it is appropriate to use a slightly lower risk of error than usual  $\alpha = -0,05$ . Dividing the value of  $\alpha$  by 7 (the number of dependent variables), we obtain a new risk type I error of 0,007, which will continue to be a reference value. We have that p-values concern: the health and safety of workers (0,129) and responsible adaptation to changes (0,009) are higher than the revised risk error (0,007), while the p-values associated with the other segments of CSR under the revised risk errors are (0,007). Thus, we find that there is no difference between companies in two segments - the health and safety at work and responsible adaptation to changes, while the other segments have statistically significant differences.

Table 5 also shows the value and the corrected values of some proportion of the variance in the dependent variable (Partial Eta Squared). Corrected values of this indicator are: 0,615 for Human Resources Management, 0,049 for Health and safety at work, 0,3 for Management of environmental impacts, 0,159 for Adaptation to change, 0,221 for Local communities, 0,657 for Business partners, suppliers and consumers and 0,334 for Global Environmental concerns.

In order to test whether there are differences between the companies with respect to their degree of efficiency, according to the segment of CSR, we will continue with the implementation of MANOVA procedure. It includes a series of univariate ANOVA tests for each of the dependent variables and the results of this analysis are presented in Table 6.

Table 6

Multiple Comparisons

CSR	Mean D. (I-J)	Std. Error	Sig.
Human resources management			
X <sub>21</sub>	0,33027	1,27179	0,001
X <sub>23</sub>	0,30470	1,43333	0,000
Health and safety at work			
X <sub>21</sub>	0,33027	1,27179	0,319
X <sub>23</sub>	0,30470	1,43333	1,000
Management of environmental impacts			
X <sub>21</sub>	0,49231	0,41716	0,733
X <sub>23</sub>	1,25556*	0,38487	0,007
Adaptation to change			
X <sub>21</sub>	0,06154	0,48805	1,000
X <sub>23</sub>	1,23333*	0,45028	0,027
Local communities			
X <sub>21</sub>	0,74359	0,49665	0,425
X <sub>23</sub>	-1,05556	0,45821	0,078
Business partners, suppliers and consumers			
X <sub>21</sub>	1,57436*	0,29296	0,000
X <sub>23</sub>	1,06667*	0,27029	0,001
Global Environmental concerns			
X <sub>21</sub>	0,75897	0,33437	0,085
X <sub>23</sub>	0,82222*	0,30849	0,032

X<sub>21</sub>-The average – below average companies, X<sub>23</sub>-The average – above average companies

Finally, in order to verify the mutual consistency between business performance and corporate social responsibility, the correlation analysis has been made. Spearman’s coefficient values are shown in Table 7.

Table 7

Spearman's coefficient

CSR	Spearman's coefficient
Human resources management	0,795
Health and safety at work	0,268
Management of environmental impacts	0,508
Adaptation to change	0,480
Local communities	0,493
Business partners, suppliers and consumers	0,811
Global Environmental concerns	0,568

## Discussion of Results

Results of descriptive statistics show that there are differences between the most efficient, average and below-average efficient companies at the level of CSR, and that significant differences exist in certain CSR segments. The best condition is in areas related to: Business partners, suppliers and consumers, Global Environmental concerns and Health and safety at work, but the most problematic areas are: Adaptation to change, Human Resources Management, Management of environmental impacts and natural resources and local communities. The data also show that companies in Serbia, which generate the biggest profit act more responsibly towards society (they have the best grades in every aspect of CSR), while companies that have a negative financial result give less attention to each of the segments of CSR, compared to other groups of companies. In a word, more efficient companies in Serbia behave more responsibly towards society, which confirms the general hypothesis.

P-value of the Wilk-owls lambda (p-value is 0.000) confirms that there are significant differences in CSR between companies in Serbia which have a below-average, average and above average results. When it comes to specific segments of CSR, significant differences between companies in Serbia with different degrees of efficiency exist in areas related to: Human Resources Management, Management of environmental impacts and natural resources, local communities, business partners, suppliers and consumers, Global Environmental concerns. In contrast, in areas related to Health and safety at work and Adaptation to change, there are no significant differences in the behavior of most efficient, average and below-average efficient companies in Serbia.

Influence size of the company's efficiency considering CSR and some of its segments can be seen on the Partial Eta Squared indicators (an indicator of the proportion of variance in the dependent variable). This indicator explains the percentage of variance in CSR, conditioned by business efficiency rate. The highest degree of variability, conditioned by the efficiency rate of companies, is related to: Business partners, suppliers and consumers (65,7 %) and Human resources management (61,5 %), somewhat lower degree of variability conditioned by the efficiency rate of business is related to the management of environmental impacts and natural resources (30 %), Global Environmental concerns. (34 %) and Local communities (22,1 %), while the lowest impact variance conditional efficiency rate companies, linked Adaptation to change (4,9 %) and Health and safety at work (15,9 %). This means that achieved results of the enterprises in Serbia have very huge impact on their relationships with business partners as well as on its investment in human resources (over 60 %).

In contrast to this, efficiency of the companies in Serbia has very little impact on health and safety at work, where great attention to it pay even companies with negative financial results. It refers to the fact that this is an area where a great number of laws and harsh penalties exist, so companies comply with the rules in this area, regardless of the business efficiency.

Interestingly, the amount of the financial results has no great impact on philanthropy and contribution to the community (22 %). This means that philanthropy in Serbia is not primarily caused by actual company results and financial capabilities, but it is influenced by other factors.

By applying the Bonferroni criteria differences in the level of CSR between distinct groups of firms in each segment of the CSR were analyzed. Based on these results we can conclude that in the field of responsible behavior towards employees and responsible conduct towards business partners, there are differences between all three groups of companies. Using the same criteria in the areas of health and safety at work and the responsibility to adapt to change, there are no differences in the behavior of companies, regardless of their degree of efficiency. When it comes to the rational use of natural resources, there is no difference in behavior between average and below-average, and the most efficiency companies differ greatly from them.

Therefore, it can be concluded that there are significant differences in the level of CSR in general, as well as in each segment, between most efficient, average and below-average efficient companies in Serbia. This confirmed the first and second hypotheses.

The calculated value of the Spearman's correlation coefficient between business efficiency and the various aspects of CSR suggest that between them there is a high degree of direct agreement, confirming the third hypothesis. The exception is the relationship between company performance and health and safety at work, where there is no pronounced direct interdependence. The strongest link is present between business efficiency and responsible behavior towards business partners and employees.

In other words, companies that have greater financial results regularly pay their obligations to suppliers, employees, customers, shareholders and other stakeholders than companies that generate less revenue or operating with a deficit.

## Conclusion

Based on the above, it can be concluded that CSR has a growing impact on the performance of the company, actual results, the image and reputation of the company. At the same time, actual performance of the company to a large extent determines the differences in the level of CSR.

When it comes to companies in Serbia, which were the subject of this study, it can be seen that there is a positive relationship between business performance and their CSR, i.e. Serbian companies which perform better behave more responsibly towards society. The greatest differences in the behavior of companies in Serbia, caused by achieved results, are present in areas related to human resources management and relationship managing with external stakeholders. Companies do not understand completely the importance of relationship with stakeholders which can improve performance of the company, and better relations with customers, suppliers and staff is something common for companies with the largest financial results.

The smallest differences in area of CSR among enterprises with different degrees of efficiency are present in segments related to health and safety at work and responsible adaptation to changes. Regarding the first area, all the companies give enough attention, regardless of the financial result. This can be explained by the fact that this is an area that is largely regulated by legislation, so that all enterprises (regardless of achieved results) act responsibly, because they know what is expected of them and are aware of sanctions in case of disrespect of anticipated obligations. Conversely, responsible adapting to changes is an area with the least attention by the most efficient companies. At the same time, it is a social sphere that does not accurately predicted what exactly is expected of enterprises, there is no adequate legal support and it is not greatly promoted by government, so that behavior within it is left to the conscience of top managers and company owners. As awareness of top managers in Serbia about importance of CSR is at a low level, very little attention is given to CSR activities that do not have adequate institutional support.

In order to improve enterprise business in Serbia, and to increase degree of enterprises responsibility toward society, it is necessary to implement a large number of measures at micro as well as at macro level. Key suggestions for managers of enterprises in Serbia may be giving much more attention in the future to the attract, develop, retain staff and make responsible behavior towards them. It implies implementation of a large number of measures such as: developing programs for professional development and lifelong learning, implementation of policies aimed to ensure a balance between work and private life of employees, use of the ethics code, respect for diversity, taking into account the health and safety of workers at the workplace and FIG. With implementation of these and similar measures, companies become attractive for recruiting the most talented staff and their development and retention can significantly enhance business performance.

Also, to the managers of Serbian companies may be suggested that much more attention has to be given to: respect of contractual obligations, ethical behavior towards all stakeholders, honesty in trade and marketing, and other measures that can help them to build a reputation as a socially responsible company. Thanks to the good reputation, company shall become attractive to profitable customers, reliable suppliers and business partners, which can contribute to increasing their efficiency.

To macroeconomic policy makers in Serbia can be suggested to work on promotion of all CSR segments. Since to the level of CSR in Serbia a major influence has presence of legislation, it is desirable to introduce and implement a much larger number of laws and regulations to regulate a large number of segments in area of corporate social responsibility. In addition, it is advisable to implement a large number of other measures, such as the following:

a) Establishment of a national body which can be responsible for creating of an enabling environment, promotion and development of CSR, development of specific programs and measures that will enable realization of the priority plan objectives for "Sustainable Development Strategy", etc.

b) organizing a large number of media campaigns and various forms of forums and meetings (which should have a good media support), through which the state will transfer key elements of a national plan and measures which intends to implement in order to increase CSR.

c) The implementation of different incentive measures in enterprises to organize their business activities in a socially acceptable manner (tax incentives, financial rewards and non-financial rewards).

d) Restructuring of public enterprises and organizing CSR in them.

e) Introduction of subjects about different aspects of CSR in mandatory programs, schools and colleges, etc.

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