

DIFFERENCE BETWEEN WISH AND NEED – EVIDENCE OF BUILDING CSR INDEX IN CROATIA

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Abstract

Issues relating to Corporate Social Responsibility (CSR) have taken a centre stage in modern societies. Strategic accent of CSR is strongly emphasized by the new EU Communication on CSR that was issued in October 2011 which puts forward a new understanding of CS. This understanding no longer refers to CSR as a voluntary action beyond compliance but highlights that every corporation causes impacts which it is then responsible for. Contemplation of the concept of corporate social responsibility as a derivative of certain conditions markets create, thus determining the nature of relations between various stakeholders, positions it in the context of major forces in today's economic and social changes. In order to assess voluntary practices of Croatian companies, the Croatian Chamber of Commerce and the Croatian Business Council for Sustainable Development started developing a benchmarking methodology, which was launched in 2008 in the form of the CSR index of Croatian public and private enterprises. The used methodology for index development was context based, although it was initiated in accordance with similar comparative methodologies such as BITC CR Index. Since 2008, the index was revised, improved and conducted on an every year basis through a voluntary questionnaire that covers six different fields. The principle goal of the project of CSR index was to accelerate development of CSR as a strategic integration tool among Croatian companies and foster a knowledge sharing process among its participants. In this paper we will describe how a project evolved from an idea to an ongoing important national project, and how all stakeholders involved in that process tried to build a benchmark of acceptable corporate behavior among all participants involved.

Keywords: corporate social responsibility index, index development, stakeholder management.

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1. INTRODUCTION

Society has come to ask more and more from business. At the start of the new millennium, the established power balance and division of labor amongst governments, corporations and civil society are shaken with globalization as the most important force for this erosion (Palazzo and Scherer, 2008). Western economies and capitalism established a new way of doing business where companies have to fight fiercely for their market share and consider the wider social and environmental consequences of their actions (McWilliams and Siegel, 2001). More than ever it can be seen that if a company is acting in a socially irresponsible manner, there will not only be consequences in the form of lawsuits, but also sales declines, increases in the cost of capital, market share deterioration and costs related with negative reputation etc., and that its success and therefore survival depends on satisfying normative expectations coming from its environment (Hopkins, 2003).

Company without passion towards its clients, respect to its employees, quality of its products and social responsibility will never become great (Collins, 2001). Furthermore, a company seen as bad in society will have a hard time attracting clients, employees and investors (Lange and Washburn, 2012). Therefore, the European Union's concern to create and develop the necessary framework to express the relationship between corporate social responsibility (CSR) and sustain-

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able development should be taken into account (Hristache, Paicu and Ismail, 2013). After the Lisbon Treaty was signed on 13th December 2007 as an international agreement that improves the two treaties which comprise the constitutional basis of the European Union (hereafter EU), the EU is on its way to become a smart, sustainable and inclusive economy, and these mutually reinforcing priorities should encourage the Member States to deliver high levels of employment, productivity and social cohesion. Also, in the 2008 European Competitiveness Report, the European Commission published an analysis of the links between CSR and competitiveness, where it examined the effects of CSR on six different determinants of competitiveness at firm level: (a) cost structure, (b) human resources, (c) customer perspective, (d) innovation, (e) risk and reputation management, and (f) financial performance. It is concluded that CSR can have a positive impact on firm-level competitiveness in the case of all six determinants, but that it will not always do so, being very dependent on the sector, size and circumstances of the company. The strongest evidence of a positive impact of CSR on competitiveness was found in the cases of human resources, risk and reputation management, as well as, innovation (Bird, 2007). For most of the competitive determinants examined, there was evidence that the impact of CSR is as relevant to SMEs as it is to larger companies (Jenkins, 2006; Udayasankar, 2008; Russo and Perrini, 2009; Sacconi, Blair, Freeman and Vercelli, 2011). Because of this, in March 2010, the European Commission made a commitment to renew the EU strategy to promote CSR as a key element in ensuring long term employee and consumer trust. Since Croatia has applied for the EU membership in 2003, and is considered to have a functioning market economy, as well as its pending accession to the EU as the 28th member in July 2013, this issue is of growing importance.

The concept of CSR is so broad and has many forms, scopes and implementations, that there is not one correct definition. The concept of CSR is based on the growing belief that modern companies have more responsibility towards their role in society. Stronger civil society pressures, technology development, resource gaps and other trends are forcing companies to integrate CSR into all elements of business. If the CSR is seen as a narrow conception, corporations have little or no obligation to society other than creation of economic rents that can accrue to the shareholders with recognized rights (Baller and De Bry, 2003). On the other hand, if it is seen as an expansive concept, the corporation should serve as an instrument of public policy by other means (Devinney, 2009). However, it represents practice that should go beyond legal requirements, and each company should have the right to decide to which areas they should pay more attention to, in line with their own strategic objectives, sources of risk and business opportunities which contribute to enhancing their competitiveness by increasing reputation, reducing operating costs, monitoring industry trends, meeting customer needs, motivation and attraction of the best employees, risk management and access to cheaper capital. It is also often described as discretionary corporate activity intended to further social welfare on a voluntary basis, beyond the interests of the firm or requirements of the law (Barnett, 2007). It is applicable to businesses of all sizes, although most are investigating the impact of large companies because their influence is most visible, and their power greatest. However, small and medium enterprises should also be socially responsible.

At the core of the CSR concept is the idea that reflects the social imperatives and the social consequences of business success. Therefore, it empirically consists of clearly articulated and communicated policies and practices of corporations which reflect corporate responsibility for wider societal good (Matten and Moon, 2008). The fundamental three lines of CSR inquiry are characterized as: (a) stakeholder driven (CSR is viewed as a response to the specific demands of largely external stakeholders), (b) performance driven (the link between external expectations and company's CSR action, with the focus on measuring the effectiveness of such actions) and (c) motivation driven (examines either the extrinsic reasons for CSR engagement in the company or intrinsic rationales building on philosophical concepts to advance particular notions of its obligations and responsibilities) (Basu and Palazzo, 2008). Corporate social responsibility is not a static and linear concept, but a process of constant negotiating and redefining the feasible. Outcomes that responsibility covers are changing over time with regard to the cultural and political aspects. Being responsible is not an immutable, constant state established by applying business activities

in practice and how they are incorporated into the business. The concept of corporate social responsibility (CSR) postulates exceeding a standard compliance with law and as such it becomes an expectation that companies will actively engage in fulfilling their duties towards the stakeholders. It is an expectation that corporate codes of conduct will be backed up by more profound strategic deeds (Fryzel, 2011). It refers to the will, capacity and capabilities from which companies learn and incorporate changing expectations of the society into its risk management, change and opportunities, as well as the ways in which they meet the expectations of their business environment. CSR can be a platform for short-term performance and long-term health of the company, to set proper goals and to create a timeline for achieving them (Bačun, Matešić and Omazić, 2012). Likewise, it is important because corporations are the most efficient way of determining social needs and delivering social solutions. There are four main reasons why society would benefit from companies acting in this manner: (a) companies with more acceptable practices within a society would have more satisfied stakeholders (customers, employees and owners) and would last longer and thrive in more adverse circumstances, (b) corporations possess more knowledge than individuals and governments so they are more likely to be able to use that information for tailoring products and services to the appropriate constituencies, (c) corporations have a better understanding of trade-offs, technologies and trends which are operating within a society so that they can act in a way more rational and realistic than the government, and (d) being free of the transparency required by governments and many civil society organizations, corporations are more easily engaged in social experimentation (Devinney, 2009; Garriga and Melé, 2004).

Nevertheless, most mainstream economists have ignored this perspective and continue to maintain that the multi-stakeholder corporation, even if imagined for a desirable purpose, does not have a uniquely defined objective function, so that a multi-stakeholder objective function would open the way to managerial slack and self-dealing. Stakeholders, government and public in general are therefore calling companies to account for the actions of their senior management and corporate board members, and the success of a company and its board members will be measured not only in financial terms, but also in human and social benefits and costs (Kemp, 2011; Lacey and Kennett-Hensel, 2010). The complete integration of CSR in accordance to the sustainability is one of the viable solutions to face the problems of the contemporary society more and more characterized with global economic crisis, the loss of public confidence, criticism and debate about the role of business in the current context (Omazić, 2008).

2. DEVELOPING CSR INDEX IN CROATIA – BRIDGING THE GAP

Corporate Social Responsibility initiatives, of diverse kinds, address the gap between current practice and what is seen as more appropriate conduct by companies (Idowu and Louche, 2011). Since CSR is a very broad concept, it is hard to formulate its definition and state its forms and implementations, especially if it is case on country in transition. First National Conference on corporate social responsibility in Croatia was organized in December 2004. The overview of the activities brought participants to a conclusion that an evaluation and awarding process would be a good incentive to boost implementation of CSR practices in Croatian business. The project started in 2006, when Croatian Chamber of Economy (CCE) and the Croatian Business Council for Sustainable Development (HRBCSD) signed the Cooperation Agreement which sought to present a common interest for mutual cooperation and consultation of all interested stakeholders to increase understanding of the importance of corporate social responsibility and development of methodology for evaluating socially responsible practices among the members of the CCE and HRBCSD. The agreement set grounds for funding application which was submitted to the Academy for Educational Development (AED). The funding was granted and also United Nations Development Project (UNDP) expressed willingness to support some of the activities of the project.

The goal of the signed agreement was to create a methodology for assessing voluntary CSR practices of Croatian companies named CSR Index and to initiate the award design that would valorize responsible business practices of companies and award the best of them annually. The

concern was to allow comparative annual assessment of the most successful Croatian companies with respect to their responsibility and application of the principles for sustainable development, affirmation of the best local practices by awarding an annual award, popularize CSR in the business community, the media and the general public, participative companies to facilitate the process of internal analysis, planning and reporting on CSR and sustainable development, to encourage mutual learning and advancement of responsible business among a large number of Croatian companies and track trends of CSR in the Croatian context. It should have also facilitated the process of internal analysis for the companies involved, as well as planning and reporting on CSR and sustainable development. Also, one of the goals was to target and popularize CSR in the business community, the media and the general public which would also allow customers to make more informed purchase decisions

The project started by formation of working group which consisted of local experts in various fields of expertise, this way covering all major CSR dimensions. It consisted of experts from (a) business associations (HRBCSD and CCE), (b) academic, scientific and research institutions (Faculty of Economics and Business – University of Zagreb, Zagreb School of Economics and Management), (c) local nonprofit organizations (Odraž, CEPOR, Otok znanja), (d) private company experts (Ericsson, IPSOS Puls, Hauska & Partner and MAP Savjetovanja), (e) Government institutions (National Competitive Council) and (f) financing institutions (AED and UNDP). Criteria upon which they were chosen were their interests in playing an active part in the project and their capacity to perform and influence others.

Although the extent and nature of CSR programs vary greatly from one organization to another, the aim of the methodology was to create a common ground and allow Croatian companies an objective assessment, benchmark of their socially responsible practices and comparison with other companies. The working group consulted with similar methodologies such as the Dow Jones Sustainability Index, FTSE4Good Index and Business in the Community CR Index and created the methodology which included self-assessment in six main areas defined with a set of criteria developed according to their relevance, availability and verifiability: (a) economic viability and sustainability, (b) inclusion of CSR in business strategy, (c) working environment and HR practice, (d) environmental protection, (e) market relations and (f) relations with the local community. A complex set of indicators was determined for each category that was translated into a set of related questions whose answers gave adequate, measurable and verifiable information. Prior to its official release, as a part of methodology design, a pilot project was conducted with 16 companies where decision makers/managers gave their comments on all unclear questions and open issues. After processing all the comments, the current form was set with six dimensions consisting of a maximum of 600 points altogether; 100 points for each category. All six categories have the same relative value, and the Index measures achievement in each of the dimensions from 0-100 percent, where the number of points of an individual company is put in relation to the maximum possible points in each dimension, with additional qualitative assessment of the quality and credibility for the responses to open questions from the Expert Committee.

Since the resources at the beginning of the project were rather limited, it was very difficult to widely promote the launch of the CSR Index to approximately 70 000 business organizations registered in Croatia. Thus, it was decided that an opportunity to participate in the evaluation is going to be given to business organizations which were rated as most successful in the Republic of Croatia for the past fiscal year. These criteria included a range of financial indicators of business efficiency with which companies are ranked already used by Croatian Chamber of Economy in the awarding process for the most successful business. In order to have better coverage, it was decided that access and participation in the contest is going to include 500 best rated small (less than 49 employees), medium (from 50 to 249 employees) and large (with 250 and more employees) business organizations which met the previously mentioned criteria. Those companies were contacted via e-mail that was directed towards the key person within each of them. The questionnaire itself was converted to an on-line application which was located on the website of the Croatian Chamber of Economy and needed to be completed on-line. Since, the methodology of the Index highlights and rewards development and implementation of the management sys-

tem, which is usually better developed in large enterprises, the size of the company plays role in the overall success in CSR Index. To eliminate that advantage at the beginning of a project, two questionnaires were developed: larger and more detailed for large and medium and smaller, and less detailed for small companies, with a special questionnaire in both for the manufacturing companies.

The questionnaire contains of 119 questions for medium and large companies and 61 questions for small companies. In order to protect the confidentiality of data, completion of the questionnaire is only possible when entering a user name and password separately assigned to every organization. It was decided that the questionnaire was going to be open for completion in the period of four to six weeks.

The data obtained from the completed questionnaires provides the first comprehensive insight into the socially responsible practices of Croatian companies and identify the areas where it is possible to achieve concrete and constructive steps forward, and thus facilitate further economic growth and development of the Croatian economy.

3. IMPLEMENTATION OF CSR INDEX AND ITS RELEVANCE IN CROATIA

Corporate entities of our age have accepted that social responsibility issues are corporate issues which consequently have now become part of their core activities. The first phase of the project started on November 12th, 2008 when the companies (small, medium and large) which met the pre-selection financial criteria were invited to participate in an on-line questionnaire. To publicly promote the project, a press conference was held on November 17th, 2008. The application process was closed on December 1st, 2008 and the results showed that from 1364 companies invited to participate, 152 companies opened the questionnaire (11%) and only 32 closed it (2.4%). These were 9 small, 12 middle-sized and 11 large companies. Industrial sector was presented by 18 while service sector by 14 companies. The highest score obtained this year was 523.02 points out of the possible 600 (87%) and the lowest was 94.47 points (16%), with an average of the 309.8 points.

Since the project was only launched, the Expert Committee decided that the quality of the open questioned will not be specifically rated. Instead, every company that won more than 75% of the possible 600 points was decided to be pronounced winners to give an acknowledgement to the pioneers in the CSR implementation process and to give greater visibility to the project and CSR in general. The seven winners in the first year evaluation process were, in alphabetical order: Coca-Cola HBC Croatia Ltd., Dalmacijacement p.l.c., Ericsson Nikola Tesla p.l.c., Hauska & Partner, Holcim Croatia p.l.c., Končar – Institut za elektrotehniku Ltd. and Vetropack straža p.l.c.

Next year, the second phase of the project started on November 4th, 2009 and the application process was closed on November 18th, 2009. This time, 1450 met the criteria and were invited to participate; 199 companies opened (13%) the questionnaire and a total of 42 (2.89%) finished and closed it, from which 12 were small, 12 middle-sized and 18 big companies. This year 27 companies were from industry sector and 15 were service companies. The number of companies that filled the questionnaire increased by 0.49% in comparison to 2008. The scores in the evaluation process were also slightly higher: (1) the highest 539.82 points (90%), (2) the lowest 107.41 points (18%) and (3) average 331.81.

This year, the Expert Committee evaluated the quality of open questions and awarded best answers, at the same time punishing those whose answers were not satisfying. Also, because of the need to further define the awarding process, the Committee decided to create three regular categories, awarding separately large, medium and small companies. Each category announced three winner but they were all communicated in alphabetical order to maximally avoid ranking details in public and give most attention to the awarded companies and the CSR concept itself. In the category of small companies the winners were : (a) Euro-Unit Ltd., Hauska & Partner Ltd. and Oikon Ltd. . In the category of medium companies, the winners were: (b) Hartmann Ltd., Končar – Institut za elektrotehniku p.l.c. and Atlantic Grupa division for health care – Neva p.l.c. In the category of large companies the winners were: (c) Cemex Croatia p.l.c., Ericsson Nikola Tesla

p.l.c. and Holcim Croatia Ltd. Furthermore, the Committee created an additional award for companies with the most significant progress in the number of points won in comparison to the previous year and the awarded company was Banco Popolare Croatia p.l.c.l.c.

After the first two years of the successful implementation of the CSR Index, as well as, the attention it was receiving in the business community, the project was ready to be taken onto the next level. It was applied and got funding from the structural CIP pre-accession EU fund in July 2010.

After applying the funds won, the third phase of the project was executed in 2010. The extra resources allowed implementing organizations to organize a series of educational workshops throughout the country, inviting companies to hear about CSR, its relevance for business performance and also to give instructions on how to apply and fulfill the questionnaire. The number of invited companies grew to 1535. During the process, 378 companies (24.63%) opened the questionnaire and 98 (6.45%) filled and closed the questionnaire. These were 35 big, 30 middle-sized and 33 small companies. This time 43 were industry sector and 55 service companies; this year the service companies prevailed. The highest score was 574 points (96%), lowest 68 (11%), with an average score of 300. The number of companies participating and their overall results for years 2008-2010 can be seen in Chart 1 and 2.

The award was once again given in three categories: (a) Energy Pelets Ltd., Hauska & Partner Ltd. and Oikon were awarded in the category for small companies, (b) Hartmann Ltd., Končar Institut za Elektrotehniku p.l.c. and Holcim Croatia p.l.c. were awarded in the category for middle-sized companies and (c) Cemex Croatia p.l.c., Ericsson Nikola Tesla p.l.c. and Coca-Cola HBC Croatia p.l.c. were awarded in the category for big companies. Moreover, the award for the company with the most significant progress of CSR in relation to the last year was given to Jadran Galenski Laboratorij p.l.c.

Chart 1: The number of companies participating in the CSR Index 2008-2010 (authors)

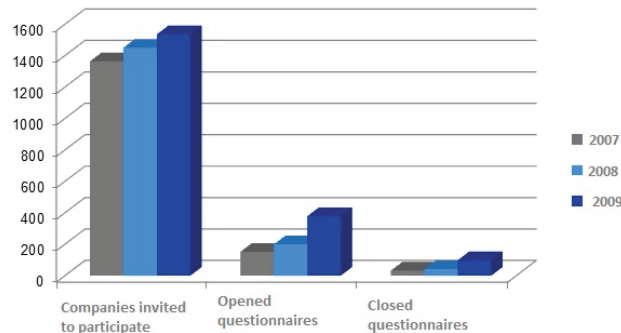
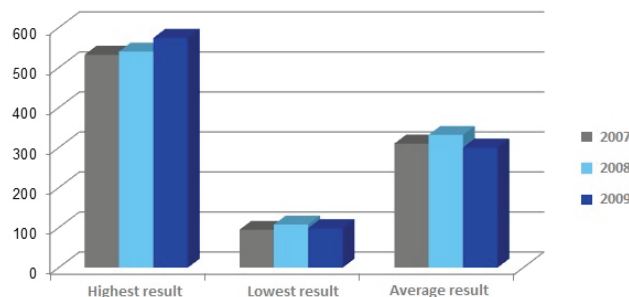


Chart 2: Overall results in CSR Index 2008-2010 (authors)



The results also show that companies listed on the stock exchange achieved higher results, as did those with certain percentage of foreign ownership, and there is no difference in the results between manufacturing and service companies. These findings confirm the assumptions: (a) financial markets are strongly CSR driven and (b) there is positive impact of international business cooperation and integration on the development of business profiles and social responsibility reputation. In addition, the overall results for 2010 showed positive correlation between the

Index results and number of employees, revenue per employee, and the amount of the added gross value. These results are shown in Table 1.

Table 1: Results of the CSR Index 2010 (based on the results in 2009) compared to results of the all companies which report to the National financial agency (Škrabalo, Miošić, 2011)

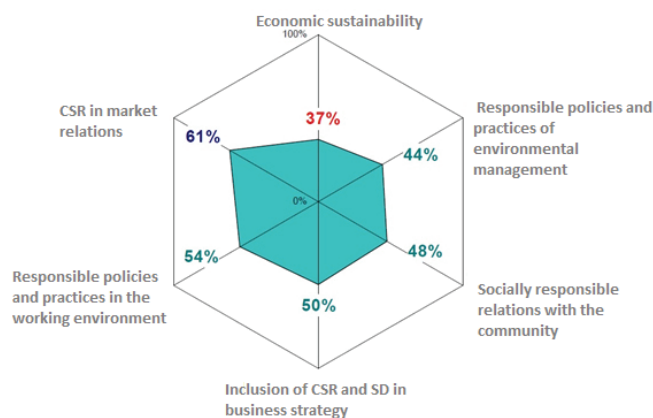
	All companies which filed report to the National financial agency (FINA), 2009	Companies in CSR Index, 2009
Average export of companies in overall income	13%	23%
Average monthly salary	4.634,00 kn	6.070,34 kn
Average income per employee	689.644,00 kn	1.089.637,11kn

In other words, the Index results in 2010 suggest that companies are more productive when they are more socially responsible. What certainly features the best positioned companies that participated in the Index 2010 is a systematic approach to CSR. 90% of the companies that participated in the Index 2010 belong to some of the business associations for CSR and Sustainable Development (SD), 84% of them look at CSR and SD in business decisions, and 72% report on CSR and SD. 66% of them have annual programs and budgets for environmental protection, and 64% mention CSR and SD in the basic documents, which in 60% is reflected in their organizational structure. A particularly important finding was that the success in the field of CSR is associated with systematic approach. Specifically, CSR is regularly integrated into the organizational structure, business strategy and management systems in 25% of the most successful companies in the Index 2010, and a statistically significant correlation was found between the total score on the Index and the process of reporting on CSR, certified management systems and the existence of an organizational unit for CSR (department and cross-sector board).

4. LESSONS LEARNED AND ROAD AHEAD

After the third phase was finished, additional data was obtained from the questionnaires implemented in 2010 and areas for improvement connected to CSR in Croatian companies could be determined. Taking into account all the dimensions and their specific aspects, according to the Index 2010, CSR is most developed in relationships with suppliers and competitors, areas of the employee’s evaluation and investment in their education, as well as in relationships with clients. The worst results were achieved in relationships with shareholders and corporate governance, lobbying and advocacy, monitoring the impact of environment and employment policies. The dimension of economic sustainability has a relatively modest number of points related to the investments into research and development. Among the other topics that are in this dimension, strategic planning, mission and vision have the best results, and it can be concluded that strategic planning has become the rule amongst the companies in the Index.

Chart 3: The development of the CSR according to the Index 2010 dimensions (Škrabalo, Miošić, 2011)



The biggest challenge in this dimension is reporting financial indicators. This is certainly one of the key messages to be transferred to companies in the future. In the domain of market relations, it can be concluded that CSR is very well integrated in it because there are many examples of good practice (see Chart 3 below).

Companies that participated in the Index 2010 showed that they have written procurement policy and commitment to suppliers that include regular payment. Even two thirds of large and medium-sized companies in the 2010 sample have invested into business development of their suppliers, and half of them have adopted codes of corporate governance. In the dimension of CSR in the workplace, mixed results are obtained. Specifically, growing awareness of the need for investment in a stimulating work environment can be seen; 94% of companies in the Index 2010 reported that business performance is reflected in the compensation to the employees. Also, continuous professional development is the rule rather than the exception, and is evident from the fact that 84% of the companies devote 25% or more above the average for its industry in employee education. On the other hand, there is also a disparity of good practice with regard to the specific issues and goals, and the type and status of employees. Specifically, 90% of the company's managers have more benefits than what is mandated, as in vast disproportion to zero companies that provide the same benefits for their workers. Average percentage of women in higher management among CSR Index companies is 27.5 while the results show that the higher the score on Index, the higher the percentage, resulting in 32.5% of women managers in 25% most successful Index companies. Comparison with the average results in Croatia which are about 18% women managers in 500 biggest Croatian companies (Office of Gender Equality Ombudsman, 2013), show advantage in Index companies. Socially responsible employment policy is a topic that requires significant advances in the future, since the CSR Index 2010 showed that 72% of companies have no system for informing employees about the programs or activities that facilitate new employment, and 44% are without a process of consultation on the layoffs. CSR is still not widely and systematically communicated to all employees, according to the result that 43% of companies do not in any way educate or inform their employees about various aspect of CSR.

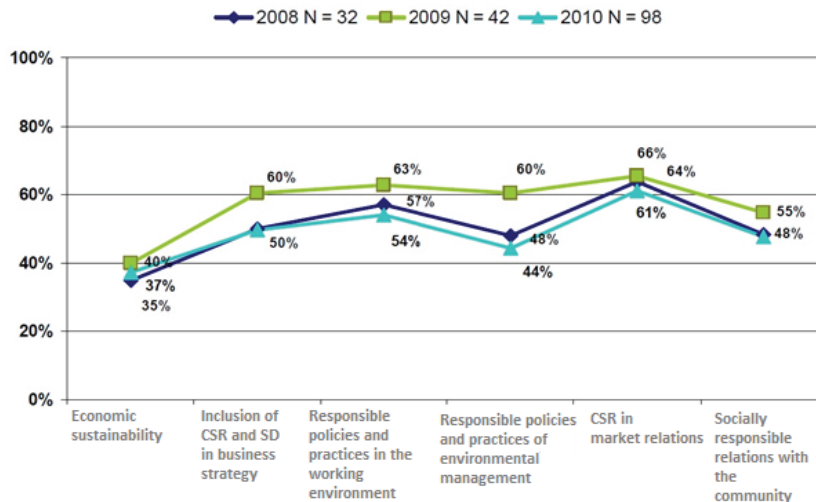
Furthermore, in the dimension of responsible policies and practices of environmental management are widely recognized opportunities for significant savings of resources, and the best results in this dimension were realized in the implementation of environmental protection measures. Around half of the companies in the Index 2010 have an environmental management system: 44% of them integrate environmental concerns into strategic and operational goals, 50% have a person responsible for environmental issues, and 43% include environmental criteria in the selection of suppliers. Companies that monitor impact of their operations on the environment are the best example of CSR practice which should be widely promoted among those companies that have not yet begun with similar practices.

Dimension of CSR in the local community represents an area for change in the sense of understanding the interaction and contribution of companies to the society, above corporate philanthropy. In this dimension, large companies lead the social dialogue at the industry level and in shaping public policies, while small and medium-sized companies have not yet found their niche in which to participate and attempt to influence public policies affecting their business and ultimately survive in the market. Similarly, monitoring the impact of the business on the community represents areas of underutilized opportunity for understanding the competitive context. Specifically, 51% of the companies in the past three years did not in any way monitor relations between local communities and their businesses. If the results relating to the issue of financing political parties and issue advocacy and lobbying are compared, significant differences are evident.

On the issue of financing political parties, 80% of the companies had the official position (47% against), while lobbying and advocacy demonstrates the need for clearer and more systematic approach. 40% of the companies had no official stance on lobbying and advocacy, and in only 8% of the companies had officially been banned to participate. Although the issue of regulation and self-regulation of lobbying and corporate funding of political parties only recently appeared on the horizon of public and political debate, it could soon become very important in the context of Croatian membership in the EU and the growing sensitivity to the problem of political

corruption and clientelism. These aspects of the Index have educational function because they encourage companies to think and refine their own policies and approaches. There overall results on the Index 2008-2010 dimension, can be seen on the Chart 4.

Chart 4: Average score of the CSR in the on Index 2008 - 2010 dimensions (Škrabalo, Miošić, 2011)



5. CONCLUDING REMARKS

As this paper suggests, the index development is continues process. Therefore, each year a lot of research is done on improving the scope and usability of index. Since Croatia as a traditional economy is yet on its way to define its system of social values, public policy, as well as, political system is not supportive for CSR and relevant public institutions are not educated enough to support CSR practice, companies are still not having benefits from responsible business behaviors. The general objective of this project was to raise the level of understanding how important CSR should be in Croatia. To do so, it was necessary to create an alliance of the existing CSR activities performed by various organizations that will give added value to the future efforts. It was very clear from the beginning that only few companies understood all the benefits coming from integration of responsible practice to all activities in the companies and even though CSR is often mentioned in missions and visions of companies, it was not integrated into strategies and business plans. The only way for this to be changed was through systematic education of the companies, as well as, monitoring of the practices in Croatian companies.

CSR is becoming increasingly popular in Croatia. Using Index as a benchmark tool it can be seen that in the first year of its implementation only 152 companies out of 1364 opened the questionnaire and 32 of them filled it and one year later that number only slightly raised, 199 companies out of 1450 opened and 42 filled the questionnaire. However, in 2010 the number of companies has grown significantly, mainly due to the workshops "CSR Index - how to fill in a questionnaire on corporate social responsibility" held in Zagreb, Split and Osijek as a part of the project of the National CSR Network development, which was conducted in cooperation of HR BCSD and Croatian Chamber of Economy. Therefore, the number of companies participating in the Index was three times higher than in the first year even though there was no increase in the number of invited companies. Still, this comparative comparison is the first attempt to analyze the results of the CSR Index in order to monitor CSR development trends in Croatia, but taking into account that until 2010 only small portion of Croatian companies participated, all the results obtained should be viewed as preliminary indicators of future tendencies, so it is necessary to involve more companies every year and to continuously monitor their performance in the years to come. Each of previously mentioned relationships between business organization and its stakeholders is an essential peace of puzzle, and therefore must be managed in a way that a two-way flow of value exists and that interests of both parties are aligned.

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