CORPORATE SOCIAL RESPONSIBILITY

FAIR TRADE BUSINESS MODEL AS A FUNCTION OF SUSTAINABLE DEVELOPMENT

Daniela Nuseva, PhD, Stojanka Dakić, MSc, Ozren Uzelac, MSc
Faculty of Economics Subotica, nusevad@ef.uns.ac.rs
Faculty of Economics Subotica, stojankad@ef.uns.ac.rs
Faculty of Economics Subotica, uzelacozren@ef.uns.ac.rs

Abstract: *Fair Trade as an innovative trading model strives to achieve greater equality in the international trade, by offering equitably distribution of the gains between marginalized producers, traders and consumers. In this way, it aims to improve producers incomes in some of the poorest countries in the world and help them to actively participate in the development of their communities and societies. Fair Trade contributes to sustainable development by promoting environment-friendly technologies, corporate social responsibility, human rights, elimination of child labour, campaigns to change practices in international trade, raising consumer awareness etc. In this paper are identified the organizations within Fair Trade business model, using the analytical description method. In the proces of analyzing the Fair Trade contribution to sustainable development, the focus is placed on the available data of Fairtrade Labelling Organizations International on benefits of Fair Trade Premium to small producer organizations in the developing countries.*

Keywords*: Fair Trade, supply channel, sustainable development, World Fair Trade Organization, Fairtrade Labelling Organizations International*

1. INTRODUCTION

The following universally accepted definition of Fair Trade was created by FINE in December 2001(World Fair Trade Organization, 2009): „Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade organizations have a clear commitment to Fair Trade as the principal core of their mission. They, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.“

The roots of Fair Trade can be found in the initiatives of North Americа`s and Europe`s churches in the late 1940s. They wanted to assist poor communities in developing countries in a way that will allow them to obtain higher profits through direct tade and fair prices. Fair Trade as a movement pointed to the disadvantaged agricultural and handicrafts producers in the developing countries.

Today, Fair Trade is also a business model, with a number of organizations ensuring compliance to defined Fairtrade standards in every phase of the supply channel from small producers in the South to the consumers in the North.

2. ORGANIZATIONS WITHIN FAIR TRADE SUPPLY CHANNEL

The organizations that make up the structure of Fair Trade movement undertake various activities within the trade chain from producers in the South to consumer in the North. They can be classified into the following groups:

1. Producer organizations in developing countries or countries of the South, which produce and supply the market with Faritrade products;
2. Buyer organizations in developed countries or countries of the North, which appear as importers, wholesalers or retailers of Fairtrade products purchased from producer organizations in a developing country;
3. Network of Fair Trade organizations that sets standards for Fairtrade certification;
4. A large number of primarily conventional organizations involved in some way in the chain of Fair Trade and
5. Lobbying organizations.

2.1. Producer organizations in developing countries or countries of the South

Producer organizations involved in Fair Trade system grow or produce products (food, such as coffee, cocoa, tea, fresh and dried fruit, spices, etc., as well as handicrafts such as balls, glassware, jewelry, musical instruments, toys, etc.) and export them to Fairtrade products consuming countries. Producers are the heart of Fair Trade. Producer organizations differ among regions and depending on product. They include producer associations, cooperatives, family units, workshops for handicrafts, government organizations, private companies and others.

Membership in producer organization is voluntary. There are large differences in the size of the organizations. Although they differ in size, common to all, is that they represent „marginal“ producers. They operate in economies where wages and incomes are low, social benefits almost non-existent and working conditions are extremely difficult. Considering the lack of experience or available resources, without the help of Fair Trade organizations, they are not in position to obtain direct access to the market, neither local nor foreign. Producer organizations face with difficulties which are often associated with issues of racial, ethnic or gender inequality.

Martins (2011) points out that "The participation in the Fair Trade movement implies knowledge of business management, ranging from simple accounting techniques to the sustainable use and conservation of natural resources. Usually, these tasks are far beyond the capabilities of many local communities if they are intending to get involved in exporting their products and becoming part of the international trade. These different capabilities demand efforts in areas that are not directly linked to the production and commercialization of the products, such as education and capacity building" (p. 418).

Any producer organization that wants to support sustainable development, to provide stable income to its members, to encourage democratic participation and respect other criteria, such as women`s equality, human rights, environmental protection, local culture, etc., is a potential partner of Fair Trade. Producer organizations to be accepted as a trade partner in the Fair Trade system, must be able to produce (usually after getting some help) a marketable product. They must be able to provide a range of products at a reasonable price and in sufficient quantity for a specified period of time.

2.2. Buyer organizations in developed countries or countries of the North

To be able to use the Fairtrade mark, organizations which import products with this label, must meet the following requirements:

- They have to buy directly from producer organizations using purchasing agreements that extend beyond one harvest cycle;
- They have to pay a guaranteed minimum price and a social premium above this minimum or pay the world market price when it is higher. For certified organic products they have to pay an additional premium;
- Importers must offer pre-financing equal to 60 percent of the contract upon request.

In addition to these conditions, their role is also, to encourage and assist producer organizations in different ways, such as advising them about the possibilities to develop their production, provide them training and skills in management, provide them with additional support in the difficult economic and social conditions, etc.

Importers initiate or participate in campaigns that aim to increase consumer awareness about the problems in the North-South relations. They promote Fair Trade as an alternative to the „unfair“ foreign trade activities and lobby for change on the policy level. Therefore, they are associated with different organizatios working on similar issues (NGOs, aid agencies, educational centers, etc.).

Organizations which import products with Fairtrade lebel in their countries emerge as wholesalers or retailers (sometimes a combination of both), offering Fairtrade products through various channels, such as specialty shops (Worldshops) and local groups or representatives, as well as many other channels as stores, shops for organic food, gift shops, supermarkets, catalogs and Internet sales. Certainly, an important channels are, also, restaurants, cafes, canteens, etc.

2.3. Network of Fair Trade organizations

Fair Trade organizations work in joint efforts to promote Fair Trade. They have a common vision and principles which direct their operations. A special role and importance in the supply channel have the World

Fair Trade Organization, which has developed Fairtrade standards for the organizations, and Fair Trade Labelling Organizations International, which established standards for the Fairtrade products. Both systems are based on common definitions and principals of Fair Trade.

2.3.1. World Fair Trade Organization – WFTO

The International Federation for Alternative Trade – IFAT was established in 1989. It rebranded and became The World Fair Trade Organization on 15 October 2008. This change is significant and was created to meet the requirements of Fair Trade organizations and the general situation in the modern world. The decision was accepted by the majority of its members (91% of the vote), which are now collectively known as the FT100.

WFTO is one of the most important institutions of Fair Trade and unique in representing Fair Trade members of the North and the South. It represents the Fair Trade organizations at all levels, managing the system of Fair Trade for more than 20 years. It is the only global nework of Fair Trade, in the sense that its members represent the entire range of Fair Trade, from production to sales.

WFTO is the global representative body for over 400 organizations, so we can say that it is the „authentic voice" and „guardian" of the values of Fair Trade. WFTO operates in more than 70 countries, grouped into 5 areas (Africa, Asia, Europe, Latin America and North America and the Pacific), with elected global and regional boards, which create market access through its policies, advocacy, campaigns, marketing and monitoring.

Around 110 million artisans, farmers, growers and producers lead Fair Trade through cooperatives, networks, brands and business and supply around 2.2 billion dollars net sales of Fair Trade throughout the world. One of the goals of WFTO is to enable small producers to improve their lives and communities through sustainble Fair Trade.

In this sense, the agenda of WFTO is very clear: the agreement on the framework and implementation of strategies and tools for change that will affect the poverty reduction, climate change and the financial crisis.

The opportunity to become members of WFTO have only organizations that are fully committed to upholding Fair Trade and its 10 standards. Their specificity is reflected in their 100% commitment to the goals of Fair Trade to eradicate poverty through sustainable economic development, supporting social and environmental policy and continual investment in marginalized artisans, farmers and producer communities in some of the poorest parts of the planet. WFTO members, which are subject to monitoring in relation to the application of these standards are listed on the FT100 index of world`s leading Fairtrade brands, businesses and organizations. FT100 aims to become a powerful instrument of transparency, traceability, social and environmental impact on public opinion.

2.3.2. Fairtrade Labelling Organizations International – FLO

Fairtrade Labelling Organizations International was established in 1997. It represents 24 organizations working to secure better conditions for producers and setting international standards of Fair Trade. FLO members around the world produce and promote products with the Fairtrade mark.

FLO coordinate the processes of identification and standardization of Fair Trade at the international level, through various activities, such as:

- Setting standards of Fair Trade. (The key role of the FLO is reflected in the development and monitoring of standards of Fair Trade. These standards apply to all Fairtrade products.)
- Organizing support for producers around the world. (FLO helps producers to get Fairtrade certified and develop market opportunities through locally established liaison officers to provide training, instruction, certification and to facilitate customer relationship management.)
- Coordinating the global strategy of Fair Trade. (One of the roles of FLO is to determine the feasibility of how members can contribute to progress and become more effective in the future. Changes in the world, climate changes, food insufficiency and global recession are more important issues to the public and stakeholders in Fair Trade. FLO manages the global strategy development on these issues. It is currently implementing a new global strategy for Fair Trade called „Making a Difference".)
- Promoting Fair Trade. (One of the FLO tasks is to create conditions for Fair Trade in debates on trade and development. It does this in cooperation with other international Fair Trade organizations, such as WFTO, NEWS! and EFTA. Together they lead the Fairtrade Advocacy Office in Brussels. This office coordinates the activities of the international Fair Trade movement in Europe and around the world.)

FLO vision is a world in which all producers enjoy security and sustainable development, satisfying their own potential and deciding on their future. FLO believes that trade can be a fundamental leader of poverty reduction and more sustainable development, but only if it is conducted with the aim of creating greater equality and transparency than those that exist today. FLO members believe that producers can overcome inquality and marginalization if they strengthen their position and take more control over their work and their lives, if they are better organized, have better resources and support and can provide acces to markets under Fairtrade conditions.

This FLO vision is based on the fact that citizens, businesses and institutions in developed countries support trade in this way, especially when they understand the needs of producers and the opportunities offered by Fair Trade to change and improve their situation. Informed consumers choices and business desires to meet the expectations of its customers, provide crucial support for FLO broader campaings to reform the rules of international trade and create more just economic system.

FLO vision and mission are reflected in the values and principles by which it works, so it sets itself as an example of the changes required in others. Trust is the most important factor in its operating.

Although the sale of Fairtrade products has grown rapidly last 20 years, many products remain outside the Fair Trade system. Therefore, FLO invited its partners to join it in the development of new strategies.

2.4. A large number of primarily conventional organizations

A large number of primarily conventional organizations, such as supermarkets, are involved in some way in the chain of Fair Trade. Approximately 43,000 supermarkets across Europe and 7,000 in the U.S. and Canada has in its assortment Fairtrade products. Although they are outside Fair Trade movement, they are becoming increasingly important participants in the Fairtrade products retail chain. With the growing Fair Trade market share will increase their importance in the distribution of these products. Many supermarkets are starting to sell Fairtrade products which are purchased directly from the producers with this trademark.

Selling in large supermarkets, national chains or small stores, Fairtrade products are becoming more accessible to consumers. The most important for them is certainly the trust in the Fairtrade label, so the Fair Trade labelling organizations never diminish the criteria that mus be meet. Accordingly, the Fairtrade label on products, no matter where consumers buy them, guarantees that they met the strict social, economic and environmental standards. The same international Fair Trade standards apply to all companies and retailers, regardless of their size or organizational structure.

It is important to point out that the Fairtrade certification model does not include monitoring of other business activities, so the certificate is valid for certain products and not for the company.

2.5. Lobbying organizations

Lobbying organizations contribute Fair Trade development, which is confirmed by the work of Fair Trade Advocacy Office (FTAO). It represents FLO, WFTO and EFTA in Brussels, where successfully lobby for the European Commission contemporary politics to support Fair Trade.

FTAO supports Fair Trade with the aim to improve trading conditions for the benefit of small and marginalized producers and poor workers in developing countries. It:

- Coordinates representation of FLO, WFTO and EFTA;
- Monitors the European and international policies on trade and development;
- Provides a continuous dialogue between the Fair Trade movement and decision makers;
- Develops policy positions in the field of Fair Trade and equity trading;
- Publishes informational publications and brochures.

However, it must be noted that if the lobbying organizations are considered as organizations which are trying to „persuade“ the government to change its views in favor of certain issues, than all Fair Trade organizations have a role in lobbying, either in the traditional way or giving the public its successful story.

3. FAIR TRADE CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

Government support in developing countries is often limited, so communities must take on the role of government structures, providing support, protection and advocacy of individual needs and interests.

Participition in Fair Trade contributes and promotes the survival of communities, and brings many and various benefits to small producers.

One of the most significant is certainly, the guaranteed minimum prices for the products included in it, which increases their income. Jaffee (2010) points out that "The base prices for Fairtrade products (at first only coffee) were initially established by movement NGOs in the late 1980s based on assessments of producers` costs and livelihood needs. Individual buyers may pay higher than the FLO minimums if they choose. The setting of prices became the purview of FLO after its creation in 1997" (p. 276). Greater economic stability, better credit and financing terms, lower interest rates, diversification of income sources, access to markets of developed countries, are important as well.

Beside these obvious benefits of Fair Trade, other are more complexed and less visible. In addition to the minimum prices, producer organizations receive Fairtrade Premium, as a sum of money paid above the guaranteed price of Fair Trade. It is precisely defined for all Fairtrade products and must be invested in a way to contribute sustainable development. Premimum can be invested in projects of social, environmental and economic development, based on democratic decisions at the level of producer organizations. Some forms of using these means are: building pharmacies, hospitals, schools, bakeries, storages and transportation facilities, constraction and reconstruction of houses, promotion of organic industry, effective management of water resources, cooperation with other communities, reducing illiteracy, etc.

Figure 1. shows how producer orgainizations in developing contries distributed Fairtrade Premiums recevied in the period 2010-2011 on the global level (Fairtrade Labelling Organizations Intenational, 2012, p.58). Most of the amount was spent on investment in business or organizational development, production and processing, while there was no expenditure on gender equity during this period.

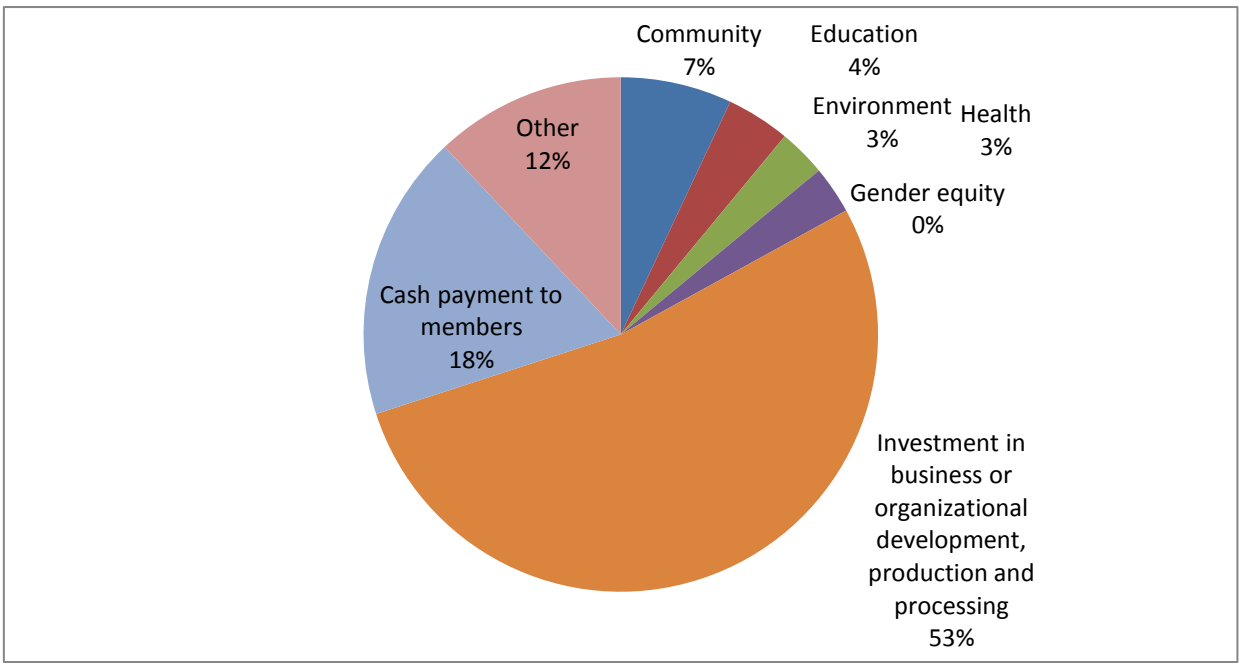

Figure 1: Fairtrade Premium expenditure by category: Small Producer Organizations and Contract Production 2010-11

On the other side, consumers in developed countries show great concern to know not only what quality products they buy, but also, where and how they were produced, and who has benefits of their purchase. They express their concerns through their ethical behaviour and that is why they are willing to pay higher prices for Fairtrade labeled products. Fairtrade label on products packages indicates to consumers that they are produced according to Fairtrade standards whose adoption and implementation is in charge of Fair Trade organizations.

Fair Trade is a part of ethical consumerism, but the profit gained operating through this business model differes from the profit gained by maximizing sales. There are obvious differences in the transparant negotiation, information and Fairtrade premium and prices which receive trading partners within the Fair Trade network.

Kroger and Schafer (2014) point out that "Organic agriculture and Fairtrade have become the most important alternative food production systems worldwide, and both are supported of a broad movement of social actors. They represent important challenges to the ecologically and socially destructive relations that characterize the global agro-food system. Both movements critique conventional agricultural production and consumption patterns and seek to create more sustainable world agro-food system" (p. 45).

4. CONCLUSION

The network of Fair Trade organizations promotes Fair Trade, sharing a common vision and principles which govern their operations. Their work from its foundation until today shows positive sentiments and opinions, emphasizing their contribution to the improvement of living standards and business conditions of marginalized producers, sustainable development, financial and other conditions in local communities, creating a good image in the eyes of consumers and others. The role of Fair Trade organizations as the fundamental „guarantee“ of this concept is unprecedented, even in the future will certainly come to their transformation.

Fair Trade shows that marginalized producers in developing countries can benefit from trade with their partners in developed countries. It is not a charity or donation, but a successful business model including better trading partnership in which each participant achieve profit.

REFERENCES

Chambolle, C., Poret, S. (2013). When fairtrade contracts for some are profitable for others. European Review of Agricultural Economics, pp. 1-37. doi: 10.1093/erae/jbs039.

Fair Trade Advocacy Office. (2013). Speaking out for Fair Trade and Trade Justice. Retrieved from http://www.fairtrade-advocacy.org

Fairtrade Labelling Organizations International. (2012). Monitoring the Scope and Benefits of Fairtrade - fourth edition – 2012. Retrieved from http://www.fairtrade.net/impact-and-research.html

Fairtrade Labelling Organizations International. (2013). Annual Report 2012-2013: Unlocking the Power. Retrieved from http://www.fairtrade.net/annual-reports.html

Jaffee, D. (2010). Fair Trade Standards, Corporate Participation, and Social Movement Responses in the United States. Journal of Business Ethics, 92:267-285. doi: 10.1007/s10551-010-0583-1.

Kornberger, M. (2010). Brand Society: How Brands Transform Management and Lifestyle. New York: Cambridge University Press.

Kroger, M., Schafer, M. (2014). Between Ideals and Reality: Development and Implementation of Fairness Standards in the Organic Food Sector. Journal of Agricultural and Environmental Ethics, 27:43-63. doi: 10.1007/s10806-013-9444-0.

Martins, R. (2011, Oct./Dec.). Fair Trade Practices in the Northwest Brazilian Amazon. Brazilian Administration Review, v. 8, n. 4, art. 4, 412-432. Retrieved from http://www.anpad.org.br/bar

World Fair Trade Organization (2009). What is Fair Trade? Retrieved from http://www.wfto.com/index.php?option=com_content&task=view&id=1&Itemid=13

World Fair Trade Organization (2012). Annual Report 2012. Retrieved from http://www.wfto.com/index.php?option=com_content&task=view&id=26&Itemid=109

ANALYSIS OF THE LEVEL OF ALIGNMENT OF MARKETING OBJECTIVES WITH SOCIAL RESPONSIBILITY IN THE COUNTRIES IN TRANSITION

Slobodanka Krivokapić[1]
Mediteran University, Montenegro, Faculty of Business Studies, Podgorica,
slobodanka.krivokapic@unimediteran.net

***Abstract**: corporate social responsibility and sustainable development have become a global paradigm. Current conditions and characteristics of the global business point to the necessity of gaining competitive advantage, and achieving goals that do not solely imply an increase in profitability. The companies in the market economy countries follow the strategies that are economically profitable, but at the same time socially responsible and establish a symbiosis between the principles of profitability and social responsibility. Implementation of CSR is based on the full commitment to the principles and processes through the alignment of the objectives of marketing activities. Literature and practice show that profit and social responsibility do not always go together. This is particularly evident in the countries in transition, such as the Western Balkan countries. An undeveloped institutional framework, frequent law amendments, inadequate corporate governance and a lack of strategic approach are conducive to business uncertainty and an exclusive orientation to profit. Doing business in these countries generally carries the risk for the owner, especially when operating in varying conditions where profit is emphasized and social responsibility neglected. Weaknesses in the implementation of corporate social responsibility arise from conflicting objectives, organizational culture, management, strategy and a wider social context. CSR is an important marketing tool in gaining a sustainable competitive advantage that ensures an interaction between different stakeholders and alignment of marketing objectives. The aim of the paper is to point out to the need to reconcile economic with social interests in the countries in transition by analysing the level of alignment of marketing objectives with social responsibility.*

***Key words:** social responsibility, marketing, stakeholders, transition society*

INTRODUCTION

Social responsibility is increasingly growing in importance in the world of business. The organizations that operate at the national and global level, regardless of ownership, are becoming more complex, because the requirements for financial sustainability and integration into the social and economic environment form part of contemporary business premises. Corporate social responsibility (CSR) has become a strategic and integrative element of modern business, which is basically a continuation of business activities. Porter & Kramer (2011) pointed that " CSR programs focus mostly on reputation and have only a limited connection to the business making them hard to justify and maintain over the long run" (p.76) and also emphasize that "the solution lies in the principle of shared value, which involves creating economic value for society by addressing its needs and challenges" (p.64).

An economic approach that perceives business as a basis for making profit is related to the social responsibility of business entities. In modern conditions economic responsibility has a tremendous importance in the competitive game. Harmonization of the interests and demands of stakeholders expressed through an approach for increased social responsibility is not of lesser importance in business, especially in the countries with developed market relations. Today, social responsibility is integrated into the business strategies of companies, particularly regarding the labour standards, environmental sustainability, reporting, transparency and relationships with suppliers and customers which is shown in Reports State of the Profession (2013). Social responsibility has become a necessity of modern business, which includes achieving and maintaining the satisfaction of customers, employees, shareholders, owners and other stakeholders. The companies that establish a symbiosis between the principles of profitability and social responsibility have long-term growth prospects. Development of corporate social responsibility has become a

leading paradigm at the global level. It has originated from the belief that companies are not only economic, but also social entities, which have a responsibility towards the society and are required to do things to improve the situation in the society in general. In addition to knowledge, skills, and process management, modern companies find competitive advantages in social responsibility as well. Social responsibility is seen as a necessity adopted by a growing number of companies with the aim of maintaining their market position.

Corporate social responsibility in the countries in transition is declarative and business entities are faced with numerous problems, including inadequate policies, the practices aimed at profit and maintaining business for profit. The absence of public policies on social responsibility, lack of experience in the application of modern marketing techniques and inadequate strategic management result in a low level of implementation of social responsibility which is reflected in inconsistency and conflicting objectives of business entities with the principles of corporate social responsibility, especially in the Western Balkan countries in the transition process. The aim of the paper is to point to the importance of reconciling marketing objectives with social responsibility in the countries in transition and the need to change the way of doing business in order to strengthen the moral, ethical and business values of modern business in the countries in transition.

1. THE ROLE OF SOCIAL RESPONSIBILITY IN BUSINESS

The role of business is primarily focused on creating the value for the owner or shareholder, in the manner that the value for the society is simultaneously created. When we look at market economies, the primary responsibility of business is the return of invested funds and economic benefit for the society. The fundamental principle of business is the ability of the company to create value for itself and in turn to create value for the society. The differences that arise between the goals of the company and the society cannot be ignored, especially if the societies have developed mechanisms to encourage social responsibility. There are conflicting opinions in the literature over the issue of whether the companies should be focused solely on the financial interests of owners, or the interests of stakeholders. The proponents of the former opinion explain that the business carries a great risk for the owner of the company, and lesser for the public concerned. In corporations, shareholders aim to achieve their interests, according to which they create values. Rappaport (1986) emphasized that business strategies should be aimed at maximizing the shareholder's value. He also pointed out to the fact that corporate missions primarily point to the responsibility of the management for profit maximization in the interest of the owner, and that the research indicates that the majority of employees in industrial complexes have similar views on the issue of profit maximization.

New perspectives have shown the weaknesses of the "shareholders theory" and acceptance of the" stakeholders theory (Freeman and Gilbert 1988) according to which the interested public has the power to seriously affect the corporations and their moral responsibility towards the stakeholders' interests. Hamel & Prahalad (1994) pointed out that the companies join the society due to their interaction in the complex, highly complicated and unstable environment and besides the economic mission they also have social responsibility. The competitive game in a turbulent environment brings to the fore the issue of sustainability which starts from the premise to meet the needs and expectations of customers (Kotler & Armstrong, 2010). .

Corporate social responsibility in the 21st century reflects the core values of the companies and forms part of their business strategies. Under the influence of numerous stakeholders the business is focused on the strategies that include the principles of social responsibility, among which environmental sustainability and resource conservation are very important (EEA 2013). In recent years, a growing number of companies worldwide have some form of corporative social responsibility. The "Sustainability Disclosure Database" Global Reporting Initiative includes 6065 companies with over 17.642 reports. CSR ranks high on the priority list of a growing number of companies and represents their commitment to the society in which they operate and implement their business activities. Requirements for environmental protection and the protection from unethical exploitation of resources have resulted as a response of companies to consumer demands. New technologies, resource conservation, consumer demands and government policies change the objectives of the company towards social responsibility. The companies that wish to maintain their competitive advantage adopt the principles of environmental sustainability and incorporate them into the corporate goals. Nemitz (2013, p 92) points out that "The majority of environmental goals fall into category in which market values are

not available. These goals, termed have two characteristics: non-exclusion-meaning that one person could not prevent another from consuming the resource and joint consumption".

Unlike large corporations, small companies have more freedom to direct their business objectives towards social responsibility, which is due to their financial power, mainly focused on the use of renewable energy sources, efficient use of resources, relationship marketing, as well as philanthropic activities.

The system of social responsibility strengthens the core values of the company, through cohesion of the objectives and tasks focused on the core of the competitiveness and resolving the social and environmental problems of the societies in which they operate.

2. MARKETING OBJECTIVES AND SOCIAL RESPONSIBILITY

The modern market is an "ethical arena" in itself, which reflects the goals of the company and the society, through the application of the principles of social responsibility. Kotler & Armstrong (2010 p. 629) point out that "Good ethic is a cornerstone of sustainable marketing".

Requirements for greater social responsibility are initiated by major social actors, as the need to solve numerous social and ethical issues. Most business organizations are faced with the challenges of reconciling corporative social responsibility (CSR) with strategic goals, and with the problems in their implementation. Modern business conditions require the integration of economic principles and the principles of social responsibility. The marketing objectives must provide the right direction and sufficient flexibility so that the company could adapt to changes. Kotler & Armstrong (2010) point out that „The social marketing concept holds that marketing strategy should deliver value to customers in a way that maintains or improve both the consumer's and society's well-being" (p 35).

Today CSR represents the agenda of all large corporations. The World Economic Forum has particularly stressed the link between corporate governance, corporate responsibility and competition, as the basis for conducting business. The studies show that corporate socially responsibility business is the basis for differentiating companies and consumers choose products of the companies that are recognized for their social responsibility. Most studies confirm a positive correlation between social responsibility and financial performances. Dess, Lumpkin & Eisner (2007) indicated the McKinsey&Company studies (p.332) that have been carried out, point to the relationship between good corporate governance and performance. This study includes the results of 12 analysed developing markets, which indicates that the worst companies, in terms of corporate governance, have lower return on capital than the market average. Moreover, the results show that the activities of the Board of directors were as important as the financial performances. The study showed that effective corporate governance affects the financial viability and social responsibility.

The statements on social responsibility set forth in the missions of companies are reflected on the marketing objectives. The task and purpose of the mission of a business entity is to guide the company towards the execution of its strategies. The power of the mission is reflected in how successfully the objectives of different strategies are harmonized. In practice, it happens that the objectives are intertwined between different business levels. Furthermore, there are conflicting objectives among stakeholders, as well as the question of trust among all stakeholders. Social responsibility rests on trust and voluntariness, and the trust is built through appropriate relations between external and internal stakeholders and managers. The managers are the first strategic players who are responsible for strategic choices, which include the most important predictions about the environment and the need of companies to gain the competitive advantage. The greatest attention of managers is mainly focused on key stakeholders, such as the society and customers, rather than on specific social groups. Their role in the implementation of social responsibility is very important.

The subjects of all marketing efforts that recognize the role and importance of social responsibility are customers. They are the ones who make decisions, put pressure and make purchasing decisions and choices. Customers in developed countries have a high level of awareness of the social corporate responsibility, as a factor that influences their purchases. "Sustainable marketing goes beyond caring for the need and wants of today's customers. It means having concern for tomorrow's customers in assuring the

survival and success of the business, shareholders, employees, and the broader world in which they all live" (Kotler & Armstrong 2010, p 663).The authors point out that the fulfilment of the needs of the target market and consumers is ensured through harmonization of public interests, economic efficiency, and information and consumer protection. The implementation of social responsibility implies harmonization of marketing and strategic goals, as well as the commitment of business entities to their own values and interests, as well as to the society as a whole.

3. SOCIAL RESPONSIBILITY IN THE TRANSITION COUNTRIES

Transition is a challenge for the countries that are building the market economy and which must deal with the issues not only related to business and economy, but to the social responsibility as well. The approach to corporate social responsibility is essentially based on creating a greater quality of life of the societies lagging behind in their development. Addressing this problem cannot be simply a matter of the economy, but the influence of political structures which create the system of values and relationships within individual countries. Numerous problems of the Western Balkan countries are reflected in the high unemployment rates, excessive foreign debt, structural problems and lack of liquidity (EC Progress Report, 2013). The economic objectives have become dominant, so the primary objective of business entities is to make profit, regardless of social consequences. Therefore, the governments in these countries are forced to solve numerous social problems. The uncertainty of economic operations, undeveloped markets and the effects of the economic crisis affect the inconsistency between marketing strategies and social responsibility.

Social responsibility is based on the trust between social actors which has been lost in the transition process. Institutional deficiencies and frequent amendments, or insufficient application of adopted laws, in most of these countries have influenced the level of social trust. There are a lot of regulations and little trust of the companies that do not have adequate strategies for corporate social responsibility and strategic market activities. Social responsibility is generally given very little importance. Improvement of working conditions, the overall social environment and ethical values should be the basis for an increase in profit, with the maintenance of the basic standards of the conservation of natural resources and protection of consumers. Despite this, the fact is that corporate governance is in its infancy. The public owned companies operating in the domain of public interest are an obvious example of this. The mechanisms of management are not aligned with the interests of the owner, or the state. Namely, the boards of directors usually act in an opportunistic manner, while the managers are usually appointed using political connections. The issue of making profit in the companies that are registered as public limited companies is similar. A lack of experience in the application of modern marketing concepts generally reduces the operating results and presents a barrier to business based on social responsibility. Compared with the developed market countries it can be concluded that there is no successful business without the development of the market and social responsibility.

The research on the application of corporate social responsibility in the countries of the Western Balkans is supported by international organizations with the aim of raising awareness, improving the institutional framework and enhancing confidence in social responsibility. The research studies point to the differences in the levels of implementation of social responsibility within the official policies and a declarative public interest for the introduction of corporate social responsibility. The results show that the index of social responsibility is larger in the companies with a large number of employees and that the perception of corporate social responsibility in the public is still low (Project "CSR of MNE Company", 2013).

The analysis of the practice reveals that the companies in the sectors of telecommunications, finance and energy that normally apply CSR in their home countries take advantage of the ambiguities of statutory provisions, the monopoly and underdevelopment of infrastructure for consumer protection by making the extra profit in the markets of these countries. This is particularly reflected in their relations with consumers who still do not have any real protection instruments. Examples of good practice of corporate social responsibility in successful companies are mainly philanthropic activities, rather than a systemic approach that integrates business objectives and social responsibility. The Western Balkan countries that are in the process of accessing the EU are obliged to harmonize the legislation and the policies for the improvement of

business operations and monitoring of social responsibility. The EU policy is focused on maximum transparency and informing consumers about the potential risks in the market (EEA, 2013).

The responsibilities are also aimed at strengthening the institutional mechanisms, developing the market, improving corporate governance and transferring the knowledge of modern business principles so as to create economically viable and socially responsible companies.

CONCLUSIONS

Social responsibility is of special importance in modern business. The theorists suggest that modern business is oriented towards sustainable competitive advantage, superior performances, corporate social responsibility and shared value. The system of social responsibility strengthens the core values of the company, through the cohesion of the objectives and tasks focused on the core of the competitiveness and resolving the social and environmental problems of the societies in which they operate.

The modern business paradigm requires the corporate social responsibility towards the community and developed market relations that create competitive advantage for the socially responsible companies. The business success in the market is achieved through the symbiosis of the business developmental goals and the goals of the society.

Implementation of the goals of the company and the application of social responsibility are ensured through the institutional mechanisms, developed market and the implementation of appropriate stakeholder-oriented strategies. The modern marketing provides the necessary interdependence and harmonization of marketing objectives and social responsibility among all stakeholders. Stakeholders, investors, customers and consumers represent the target points around which it is necessary to integrate the marketing efforts for the acceptance of social responsibility and implementation of the business strategy.

The companies that operate in the markets of transition countries have a low level of harmonization of marketing objectives and social responsibility, which reduces the effects of their operations and is reflected on the society as a whole. Insufficient social responsibility results in the reduction of efficiency and the value created and inadequate exploitation of resources. The companies that operate in the countries with undeveloped social responsibility practices are faced with the problem of sustainability and the slowdown in development.

The Western Balkan countries need to strengthen the institutional framework, develop market mechanisms, and improve corporate governance and the transfer of the knowledge of modern business principles in order to create economically sustainable societies.

REFERENCE

Brown J.T., Dacin, A.P. (1997) The Company and the Product: Corporate Associations and Consumer Product Respons“, *Journal of Marketing 61, p.69.*

Davies J.(2013)Report State of the Profession.
Retrieved from http:// www.info.greenbiz.com/rs/greenbizgroup/image

Dess G.G., Lumpkin G.T., & Eisner B.A., (2007) Strategic Management: Text and Cases. McGraw-Hill Companies

EEA (2013): Environmental pressures from European Consumption and Production: A Study in Integrated Environmental and Economic Analysis, EEA Technical Report No2, Copenhagen. Retrieved from http://.www.eea.europa.lu/publication

Fred R., D. (2011) Strategic Management – Concepts and Cases. 13th Edition, Pearson Education, Prentice Hall, New Jersey.

Global Reporting Initiative. Retrieved from http://www.database.globalreporting.org

Hamel, G., & C.K. Prahalad (1994) Competing for the Future. Cambridge, MA: Harvard Business School Press.

Kotler Ph.,& Armstrong G., (2010) Principles of Marketing. 13th Edition, Pearson Prentice Hall, New Jersey.Kotler Ph., & Keler K., (2008) Marketing Management. 12th Edition, Prentice Hall.

Drumwright,E. M. (1994) „Social Responibile Organizational Buying: Enviromental Concern as a Noneconomic Buying Criterion, *Journal of Marketing, 58.1-19*

Nemitz N.,P. (2013) Business and Sustainability Challenge: An Integrative Perspective, Routledge,New York. Retrieved from http://ebscohost.com

Porter, E.M.,& Kramer, R.M. (2011, January-February) Creating Shared Value. HBR. Retrieved from http://ebscohost.com

Porter, E.M., Kramer R.M.,(2002)The Competitive Adventage of Corporative Philantrophy. *Harvard Business Review*

Project (2011) Corporative Social Responsible of Montenegrin Company, Podgorica.

Progress Report, www.oecde.org/progressreport

Rapaport A.,(1986) Creating Shareholders Value: The New Standard for Business Performance. Free Press.