The Feasibility of Corporate Social Responsibility and Social Welfare – The Case of Kosovo

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Abstract

This contribution investigates and scrutinizes the need to understand what Corporate Social Responsibility (CSR) does and could mean for the poor and marginalized developing country as in the case of Kosovo. Moreover, this paper analyzes the undertakings of CSR for bridging the area of social welfare and economic development. Admittedly, CSR prospect in Kosovo is at the embryonic phase, thus, key input of this article is to analyze CSR appraisal in terms of contribution to social welfare benefits, and sustainable economic development. The article’s spotlight in what way CSR prospective is currently being manifested in Government’s agenda, in the business sector, and civil society stakeholders concerning social responsibility of all. This submission suggests the interplay of state institutions and corporate actions in terms of leveraging CSR potentials for better social welfare. The paper concludes by drawing courtesy at numerous CSR issues, and through a critical approach it presents the current state of CSR in Kosovo and its potentials towards providing better social welfare in particular.

Keywords: Corporate Social Responsibility, businesses, stakeholders, low-income, Kosovo, social welfare and sustainable economic development.

1. Introduction

Today, Corporate Social Responsibility plays a critical role in charting strategic directions for enterprises. CSR is about reading between the lines of corporate goals with pro social values and applying these values at the nearer and larger societal level. CSR has become invaluable such that “it is the CEO and board agenda” (McPherson, 2014). Companies are using CSR to guide enterprises in fleshing out their larger social responsibilities. Of particular interest is the use of CSR in applying pro social values as a catalyst to economic development and social welfare.

In terms of a regulatory framework, multiple institutions have addressed the concerns of a common standard. At this point, the most prominent documents promoting standards on Corporate Social Responsibility have reached international recognition status (Ruggie, 2011).

The United Nations (UN) Human Rights Council endorsed the UN Guiding Principles (hereinafter GP) on 16 June 2011 and is the most outspoken document of this sort. The same UN Guidelines played a leading role in shaping the European Union’s (EU) CSR agenda (European Comission, 2011), which is implemented by its member states nationally.

The EU’s CSR agenda has two sets of guiding principles. The first set targets three main business sectors (Information and Communication Technology (ICT) sector, Employment and Talent Acquisitioning and Oil and Gas sector) (European Commission, 2015). The other set is targeted at small and medium enterprises (Directorate-General for Enterprise and Industry, 2015). Via the promotion of their CSR agenda the EU aspires to enable a sustainable economic structure to shape a cohesive social welfare.

It must be noted that, only a few Member States have managed to incorporate CSR in their national plans since the publication of these guiding principles (Business & Human Rights Center, 2015). Within European foreign policy, despite having it only recently emerged, CSR is increasingly becoming a strong bargaining chip for promoting human rights and social welfare.

This piece of work uses desk research methodology and crucial secondary sources. The whole purpose of

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1 These documents include, but not limited to ten principles of UN Global Compact launched at the year 2000, the OECD Guidelines for Multinational Enterprises adopted in the same year 2000, the ISO 2600 Guidance Standard on Social Responsibility, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises on Social Policy, and perhaps the most robust of all promoting CSR is the UN Guiding Principles on Business and Human Rights.
adopting this methodology is to gain a clear picture on which these sources have been assessed critically.

The regulatory framework of Kosovo loosely stipulates direct references of binding application to the EU CSR framework. However, most of the applicable laws, some more and some less than others, suggest CSR frame.

This paper underlines the need to grasp the importance of CSR, especially in the context of a poor and marginalized developing nation such as Kosovo. Hence, this paper analyzes the undertakings of CSR in bridging the area of social welfare with economic development. In addition, the main purpose of this article highlights how CSR is currently being manifested at three levels; governmental, business and civil.

2. Contemporary Understanding of CSR

The baseline of CSR understanding is that CSR is in the interest of enterprises and it stands closely linked with societal Improvement, which has a direct effect in business performance. CSR is a reflection of doing better for the company's image. The prevalence of CSR dynamics seeks to increase corporate reputation and prestige by way of searching modalities to distinguish his/her company from the rest of peers. Similarly, expectations of stakeholders[^2] of those of employer and employee are set to be high from one another. This is why; contemporary understanding of CSR is not an easy task.

Be that as it may, defining CSR is often highly debated among scholars. To begin with, the European Commission defines CSR as “the responsibility of enterprises for their impact on society” (European Commission, 2011-2014, p. 6). This definition is in line with UN Guiding Principles, which defines CSR to respect human rights as “a global standard of expected conduct for all business enterprises wherever they operate” (Ruggie, 2011, p. 13). The meaning of these two definitions in the context of CSR practices, denotes their application to every business irrespective of the size, and for all institutions in charge of designing CSR policies.

A tempting question at this juncture remains, whether conceptualization of CSR could be viewed through the same lens in marginalized and low-income countries as well. It is critical to note that the contemporary concept of CSR is recognized world wide through international recognized documents. Hence, corporate social responsibility is quite complex one, and it is immensely challenging work. Nevertheless, in relation to third countries the application of CSR concept does not differ from EU perspective or UN point of view. The difference is rather at the means of enhancing CSR practices.

The EU definition of CSR is constantly being promoted in third countries and throughout regions via various programs and within the framework of European of business developments and social dialogue (European Instrument for Democracy and Human Rights, 2014). This sort of initiatives represents a powerful driving force in an increasing job generation and in a coherent way with CSR principles in mind.

In the context of Kosovo, EU promotes CSR almost in every sector by way of grants and given assistance in various modalities. Through this approach, EU assistance for Kosovo aims promotion by way of maximizing CSR potentials at different areas, be it, in the role of education or businesses in society as a result of these grants or/and assistance. Practically speaking this conveys the definition of CSR by EU Commission.

An interesting assertion of observing CSR in underdeveloped and or low-income countries such as Kosovo, by reading the answer of Milton Friedman ‘the business of the business is business’ to the question as to what is a business for? Indeed, knowing the situation in Kosovo, Milton’s claim reveals many questions, particularly because there is no such thing as one way of CSR manifesto. A different country adjusts the CSR policies according to what is needed the most. In this context, the capability of a small and underdeveloped country such as Kosovo is way lesser in comparison to that of Denmark in terms of implementing CSR practices. To convey the message of difference between the two, NewCo Ferronikeli is a clear-cut example where the pro and cons could face the clash. Kosovo is a poor country, and badly in need of attracting foreign investors, thus it has less capability to impose strict environmental rules whereby NewCo Ferronikeli would have been left with no choice but to apply them. The reason is simple; the Government of Kosovo has to balance the interest of all stakeholders. It cannot afford the refusal of working license even if the company would cause damages to the environment. Enormous damages, not even talking about refusing a working permit for trivial damages. In this case, the large number of people employed in NewCo Ferronikeli balances the interest of society with the fine line of the caused damage. Whereas, if such case arises in Denmark, where CSR is widely practiced, and where unemployment is not a major issue, it would be impossible to gauge the fact of operating a factory that causes damages to the environment, even if it is not at high risk scale. Simply put, Kosovo has no means and capability to cope such measures against its broken economy. Kosovo somehow is forced to accept what businesses chose to do rather what is

[^2]: For purpose of this article stakeholders could be businesses, government, civil society, shareholders, consumers, and interested group.
required to do. In this sense, striking a balance of CSR practices in two different countries indicates the need of applying different approaches. Therefore, the outlining balance is determined by assessing the implications of different factors in the market such as unemployment, job growth, etc. Yet, it is undeniably businesses are having their impact though at different level of expenses at the back of environmental damages or other damages at other sectors.

Whether one size fits all in the context of CSR, it is arguable. Consequently, to some degree CSR practices fits at particular size irrespective of the country. It appears to be that contemporary understanding has to be seen through lenses of different aspects. Country context and the perception of CSR by various stakeholders at the same country somehow determine the understanding of CSR. Undeniably, in low-income countries such as Kosovo, where the prime focus is alleviation of the poverty and economic development, one cannot expect to apply same standards or the best practices of CSR of as that of Denmark.

Given that, for low-income and/or undeveloped countries, it might be suggested that scrutinizing of CSR notion in broader concept would sound as right approach to address societal problems. It denotes that the ability of stakeholders to deliver for society via a wider lens of CSR perception has greater impacts and yet stakeholders would behave more maturely in line with obligations derived from within. Thus, policy developers at all levels of society should treasure the right approach, so, the dissemination of profits could reach to the most needed once.

3. Legality of CSR

The discussion about the legality of CSR certainly indicates the theme of connection between the CSR and the law. In the eyes of law, CSR is rather a shallow concept; however, at the very least, CSR enables companies to extend their activities beyond what is required strictly by the law.

The baseline of legality on CSR is upholding applicable laws. To this implicitly, CSR and law are irrefutable linked. Paramount consideration of any CSR practice is compatibility of businesses operating based on relevant business laws (Halina, 2008). On the contrary, if the companies do not abide by laws, then it comes in play the force of law.

In the context of Kosovo, the existing regulatory framework with direct reference on CSR is none. Nevertheless, it is undeniably that many applicable laws point on the CSR mount. The Constitution of the Republic of Kosovo is the starting point on scrutinizing the CSR aspects. The Constitution of Kosovo sets fundamental rights and freedoms that every stakeholder should adhere to. Article 22 expressly names eight international documents that find direct application in the Republic of Kosovo (Constitution of the Republic of Kosovo, 2008).

It is implicit from articles of the constitution, and the subsequent promulgated laws, rules, and regulations, to accent the equilibriums through which CSR is implemented. Otherwise stated, given its extensive coverage of most fundamental instruments on human rights, the Constitution meritoriously acknowledges directly the concept of CSR in this country.

Likewise, given the fact that EU’s approach occurs at the same course with UN Guiding Principles, it could be argued that Kosovo’s legal basis, in the same way contains the link with most recognized international instruments. Consequently, modeled meticulously on equal remedy, Kosovo has established the nitty-gritties of legal framework for Corporate Social Responsibility promotion.

4. Feasibility of CSR

Feasibility of CSR is about the likelihood between flourishing businesses and/or tarnishing businesses’ reputation. It avers these two competing influences as, “CSR practices and prosocial claims operate as both reputation-building activities and deterrents of future activism”(King, Brayden, & McDonnell, 2012, p. 2). This spells out two lines of arguments. First one is that companies who distinguish themselves from the rest of their peers in terms of contribution for the society may be subject on negative activism. In the contrary, the second point argues that by giving the significance of the contribution for good to society, in fact, will help increasing companies’ reputation, profits and so would be less exposed and / or vulnerable to activist’ target to damage the business. It is indisputable, an enterprise may be subject of heavily criticism to ruin their reputation, but this must not end business’s prosaically of engagement on CSR (King, Brayden, & McDonnell, 2012, p. 6).

An acute question on the feasibility of CSR concept is the distinction of it from philanthropy framework if there is any. At the first site, for many the differentiation between the two may sound just a hazy idea. But before we turn to the details of differentiating the two, it is proper to briefly set out the definition of philanthropy concept.

Philanthropy is defined in various ways, among others as a “desire to promote the welfare of others, expressed especially by the generous donation of money to good causes” (Oxford Dictionaries).
In broader understanding, philanthropy is asserted to be about ideas, values, actions, and about doing things (Robert & Moody, 2008) right whenever is needed the most. In relation to social issues, philanthropy is concerned to some sort of private actions of doing well to the public, expressed in various modalities by way of donating money, and volunteering work. Others including the author of this paper associate philanthropy standing on the top of the “pyramid of corporate social responsibility…or as an outcome of corporate social performance” (Saiia, Carroll, & Buchholtz, 2003, pp. 169-201).

For some, including the author of this paper, philanthropy is a motion in decline (Porter, & Kramer, 2002, pp. 56-68) in a quest to ensure more sustainable and continues responsibility to address social issues. By this logic, one would argue that CRS spells out a prefect margin of providing sustainable development. So, CSR is a wider concept than philanthropy. It encapsulates a better sustainable framework to address social issues since one of the objectives is to assure progressive development. In sum, the CSR requirement is to put in function all state apparatuses, business sector and society as a whole.

5. Manifestation of CSR in Government’s Agenda

The key institutional tool of increasing awareness on the CSR concept is the manifesto of it at Government’s agenda. In this sense, setting CSR in Government’s agenda is by way of strengthening it with two essential components – human competences and institutional design. The idea is that the apertures of the Government consist of many agencies and public institutions; therefore, it could be argued as having the sources and the means of promoting CSR. The difficulty is that often governments hesitate to make use of their potentials for so called voluntarily work of CSR.

In any event, the presence of the lack of willingness to invest more assets hits low the awareness of placing CSR in Government’s agenda. Kosovo’s Government approach towards promoting CSR is no exception to the low awareness about CSR practices in the country. At this point, an interesting question for discussion is how many Ministries of Kosovo’s Government have created departments or at the very least have opened small windows to deal with CSR aspects? Of course, there are other ways that Government sets its agenda to create better welfare for the society, but it seems to be more an incidental matching point rather having CSR promotion as a specific concept.

Setting CSR in the agenda of the government of Kosovo requires determination and full commitments in order to be able to pass many challenges lying ahead of it. The path of CSR frame in Kosovo is somehow an inappropriate notion taking into account, the lack of political will, the existence of a high level of corruption at all level of public institutions.

Be that as it may, as much as the society of Kosovo needs economic development, job creation, a good system of health care, a better system of education, the Government of Kosovo needs to have a clear conceptual framework, be it an economic or legal framework for connecting policies and laws with the quest of corporate social responsibility.

Equally, this paper suggests commencement of deep reforms in most areas in need including reforms in the foundations of business organizations. Unquestionably, say, for example, the reforms in the business sector, profit of the company must go hand in hand with the fact of being responsible towards society. Companies should produce an annual report on social responsibility. In turn, the most responsible companies, for society would gain many more in some ways. In this vein, institutional behavior as a regulator also defines the choice of policies and the actions they set to apply. This is crucial. So, CSR must be in Government’s development policy agenda.

6. Businesses and CSR in Kosovo

No doubt, governments remain driving facilitators of CSR but beyond this, businesses are anticipated and encouraged to be the representatives of CSR. Consequently, stakeholders recognize an increased positive visibility of businesses’ social performance. For instance, “the UK’s Chancellor of the Exchequer, Gordon Brown, commented that CSR had ‘moved from the margins to the mainstream, from the arena of charity to the arena of corporate strategy’ and consequently ‘that social responsibility is not an optional extra but a necessity’” (Brammer & Millington, 2006, p. 6).

Transposing social responsibility of businesses from voluntary mode on inevitability is not an easy task for low-income country such as Kosovo that is struggling hard to improve its economic development. The path of economic development becomes harder in the absence of trust on the government running the show. In this backdrop, businesses may carry central responsibility to reinstating trust and little hope for better social welfare. Indeed, cultivating and tracing activities of businesses is vital to fix trust issues before it could be hoped for better welfare given to the people of this country, Kosovo.

The underpinning objective is to setting benefits for businesses from implementing CSR vision as well as to the impact of businesses to the society as a whole. CSR is not an empty and one-sided idea whereby businesses would be
asked to spend sources with no gains in return. Businesses alone cannot take the lead by doing the job of state institutions, but the experience of businesses can be great facilitator in support of creating well-functioning society. In the contrary, the effect of business assistance is deemed to be way lesser in absence of ineffective rule of law. The point is not to criticize businesses for not taking the lead in addressing social issues. An increasing weight rather should be addressed to the government to take the right approach to do its underexplored obligation to play in “channeling the CSR activities locally operating businesses to meet locally defined development” (Halina, p. 23) of social needs.

So far the contribution of the business sector in Kosovo is rather symbolic. Browsing on stakeholders dealing with CSR in Kosovo, the NGO named “Kosovo CSR Network” seems to be the most outspoken of its kind dealing on this issue. Generally speaking, CSR in Kosovo enjoys very low awareness among businesses with exception to the members of Kosovo CSR Network including Banks, few corporations and NGOs. Nevertheless, as stated in their website (CSR Kosovo) the work of Kosovo CSR Network seems to be based mostly on the Global Compact. Indeed, this is promising but not sufficient in line with the latest development with other international instruments at this point. This fashion of understanding CRS suggest to downplaying the contemporary understanding of CSR.

Businesses in Kosovo may not choose to operate according to ill-defined laws, but if they behave otherwise they risk mounting criticism for not behaving responsibly in relation with social issues. These two highlights do not incline to ignore current applicable laws and /or to act irresponsible due to the lack of proper legislature addressing social issues. For, if they chose up not to show responsible manners, the side effects might be devastated in terms hitting low reputation for businesses, and poor loyalty of customers for businesses’ products. This is why, the idea rather suggests, examining the broad prescriptions. Therefore, here it comes the interplay of social activism discussed in the following section.

7. Social Activism and CSR

At the outset it should be admitted that it would be neither wise nor adequate that it's for governments to set laws and for businesses to simply apply them as a tool kit out of the shelf. That said, it should be noted that the government’s obligation and businesses’ role as a facilitator must go in hand in hand with pursuit of CSR. The restriction potentials of both on CSR - businesses and government thinking lay the need of sketching the new methodology as relevant for NGOs and/or civil society in order to capturing the solving potentials of social issues. Here it comes the play of NGOs as part of civil society in advancing these potentials of social issues. Also, NGOs are often described as a backbone of democracy; therefore, it is not a surprise of the given role to serve as ‘catalysts’ even for most driven initiatives by extending their pressure “through impacting potential revenues and resources and the reputation of the firm” (Aguinis, & Glavas, 2012, pp. 936-940).

As the field of the CSR has developed, so does the contribution of social engagement from the side of civil society players. The social involvement is an added value to the improvement of CSR frame. The added value on CSR is observed on the quality of analysis of the CSR concept. It also offers an opportunity of creating an inclusive framework in addition to the contribution of businesses and public institutions’ contribution regarding the outcomes of CSR. Indeed, civil society’s role is to fill the gaps at any particular area by sharing knowledge, ideas and expertise on CSR. Ultimately, assists to integrate all conceptual understandings on CRS in line with societal values. Even a little involvement of social activism would open the door of greater responsiveness for the firm and activism in the future. Any responsible citizen could exercise activism to raise social issues. Irrespective of who is an active player, there may be many types of activism. The most common types as shown in the research of Soule and others are ‘boycott’ pointed at companies and ‘proxy proposals’ (Soule, pp. 3-4).

Putting this social activism on social issues, in the context of Kosovo, perhaps the most relevant and fresh example is the recruitment of ‘Young Bankers Program’ (ProCredit Bank) of Pro Credit Bank in Kosovo, whereby the idea of this program is to provide comprehensive development training to fresh graduated students but chases out senior employees and gets fresh grads in order to pay less (Xharra & Kqiku, 2015). Undoubtedly, such bank practices are neither in line with EU recommendations in the recruitment sector, nor these kinds of bank practices represent best practices. In the present case, the target social activism in the address of the Pro Credit Bank by way of boycotting its products and services is most likely to force the bank to engage in social issues of employment.

How much power of influence has NGOs in Kosovo? What types of social activism are engaged NGOs in Kosovo? The most common manners of NGOs social activism include open debates, roundtables, fireside talks. Meanwhile, other means of pursuit of social activism such as throughout protests is just a symbolic act.

Besides, the other type of social activism could be observed from participation of civil society members in state institutions. For instance, participation of civil society with their member at the National Council on European Integration,
the appointment of NGO liaison officer at the Assembly of the Kosovo (European Commission, Kosovo Progress Report) Kosovo Prosecutorial Council. In effect, NGOs social activism in Kosovo faces many challenges in terms of financing, and Government's plans to obligite “civil society to request dispensation for all donations above € 1 000 from one single source and for all spending above € 5000 from one single source” (European Commission, Kosovo Progress Report, p. 12) alarms serious concerns due to the lack of clear criteria for granting dispensation. In addition, in many instances, state institutions do not take into consideration recommendations outlined by NGOs. Likewise, the relationship between state institutions, specifically with Government and Civil Society is rather vague, unsatisfactory and often operating on ad hoc basis.

In sum, the contribution of NGOs social activism is significant to influence private sector or public sector, and this represents an increasingly influential element in advancing social issues in Kosovo.

8. Concluding Remarks

This piece offered analysis of Corporate Social Responsibility perspective from different angles. It is evident that stakeholders are taking CSR sincerely, and more than ever is being embodied in the national agenda of states.

The study argues the CSR understanding concept does not differ in country context. The problem is at the level of the impact it may have in addressing responsibility on social issues. Thus, the study concludes that in order for businesses to have some sort of impact on social issues, determining factors are country context and perception of CSR by stakeholders. Low-income countries cannot afford applying best standards and CSR practices as developed countries. It denotes that low-income countries lack in capacity and capability to handle CSR frame through same the lens of that of developed countries. At most, the responsibility of stakeholders with regard to social issues should strike a fine line between CSR best practices and current the state of the country. One size does not fit all, but this paper does not suggest that stakeholders should be viewed detached from social issues.

The paper draws attention to the legality of CSR, where it argued that the baseline of the legality of CSR is upholding applicable laws. In the context of Kosovo, Articles 22 of the Constitution, rules, regulations, and promulgated laws, accents, the equilibriums through which CSR is implemented. Notably, at this point, the paper concludes that idealized CSR concept and practices are feasible only under the protection of just laws.

It is clear that the current state of CSR is reflected at the agendas of stakeholders: Governments, businesses sector, and civil society’s contribution on CSR values and potentials. However, the question remains, whether CSR frame is sufficiently explored and leveraged in terms of potentials it offers to create better social welfare.

Obviously, stakeholders have moved to considering CSR more closely by matching with its purpose. The promotion of CSR as a specific and separated concept enjoys very little place at the agenda of the Government of Kosovo. CSR is rather being promoted incidentally, but poorly. The paper highlights many challenges that Government faces due to lack of political will, highly level of corruption, deficiencies of public institutions to handle CSR frame, and the lack of will to invest on voluntary concepts. Therefore, this paper suggests commencement of deep reforms in most areas in need including reforms in the foundations of business organizations.

The contribution of the business sector on social responsibility, their contribution is symbolic. Nevertheless, the paper spells out an increasing awareness of the business sector in relation with CSR issues. Given that, this paper suggests that businesses contribution for CSR serves as a facilitator, but the steering while is to be held by Government.

Least, but not last, the study spells out the significance of social activism that could be expresses in different types such as through boycotts, proxy proposals, roundtables, debates, protests and others. This depends very much from country contexts. The paper concludes that social activism is significant to influence private or public sector, and this represents an increasingly influential element in advancing social issues in Kosovo.

Lastly, the study sheds lights for further studies to operationalize the potentials of CSR as a measure to the extent CSR impact in improving social welfare in Kosovo.

References


