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**Diploma Thesis**

**Corporate Social Responsibility and their  
Application in Albania**

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## DECLARATION

I declare that I have worked on my diploma thesis entitled “Corporate Social Responsibility and their Application in Albania” by myself and I have used only the sources mentioned at the end of this thesis.

In Prague on 27.11.2014

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Corporate Social Responsibility and their  
Application in Albania

Společenská odpovědnost podniků a její uplatnění  
v Albánii

## ABSTRACT

Corporate Social responsibility (CSR) is a new concept, especially in small economies like Albania. This thesis presents an overview of how companies in Albania perceive CSR and what tools and activities they use to implement it. Moreover, nowadays the relationship between the profits of a business and the consideration that they give to the environment, communities and towards making their employees happy, encouraging and motivating them to share the same values is extremely important.

This will be analyzed through data collected via a questionnaire. CSR was introduced to Albania less than a decade ago. This thesis provides a historical background outlining the steps involved in the development and implementation of CSR in Albania. Companies cannot rely only on their own activities and efforts in embracing CSR practice; therefore this thesis aims furthermore to find the main actors and partners that contribute to CSR application and implementation.

Key words: corporate social responsibility, stakeholders, government, social investment, corporate citizenship.

## ABSTRAKT

Společenská odpovědnost firem (CSR) je nově se prosazující koncept a to zejména v malých ekonomikách, jakou je například Albánie. Diplomová práce podává teoretický i praktický přehled nejen na celkovou situaci, ale i na to, jak firmy v Albánii vnímají toto téma a jaké prostředky a nástroje využívají k jeho plnění.

V současné době je korelace mezi ziskem a vlivem, který firmy na své okolí mají a tím, jak podporují a motivují zaměstnance stále důraznější. Tento faktor je také analyzován v dotazníkovém šetření, které bylo provedeno na vzorku firem fungujících v Albánii. CSR byla zavedena v Albánii před necelými deseti lety a v této souvislosti poskytuje diplomová práce i historické pozadí, kroky směřující k vývoji a implementaci CSR.

Firmy nemohou spoléhat jen a pouze na své vlastní aktivity při vytváření CSR a proto si práce klade za cíl hledat další aktéry a partnery, kteří mohou přispět při realizaci CSR.

Klíčová slova: společenská odpovědnost podniků, společenská investice, společenský obchod, podnik jako občan

# 1 Contents

<b>INTRODUCTION.....</b>	<b>6</b>
THE AIMS OF THE THESIS .....	10
METHODOLOGY USED FOR THE THESIS .....	11
<b>1 CHAPTER 1 LITERATURE REVIEW.....</b>	<b>14</b>
1.1    DEVELOPMENT OF APPROACHES TO CSR .....	14
1.2    DEFINITION OF CORPORATE SOCIAL RESPONSIBILITY .....	19
<b>2 CHAPTER 2 THEORIES ABOUT CSR.....</b>	<b>20</b>
2.1    CORPORATE SOCIAL PERFORMANCE (CSP) .....	20
2.2    SHAREHOLDER VALUE THEORY .....	20
2.3 <i>STAKEHOLDER THEORY</i> .....	21
2.4    CORPORATE CITIZENSHIP.....	22
2.5    ISO STANDARDS.....	25
<b>3 CHAPTER 3 CURRENT ROLE OF CSR: TRENDS, ISSUES, MOTIVATIONS .....</b>	<b>26</b>
3.1    COMPANY MOTIVATION TO IMPLEMENT CSR.....	26
3.2    INCREASE OF SALES AND MARKET SHARE .....	26
3.3    DIMINISHING OF RISK.....	27
3.4    GAIN OF COMPETITIVE ADVANTAGE .....	28
3.5    PROTECTION OF REPUTATION .....	29
3.6    CSR AS A TOOL FOR INTERNAL ENGAGEMENT .....	30
3.7    THE ROLE OF GOVERNMENT IN CSR.....	31
<b>4 CHAPTER 4 CSR APPLICATION IN ALBANIA .....</b>	<b>34</b>
4.1    ECONOMICAL AND SOCIAL SITUATION IN ALBANIA THE LAST DECADES.....	34
4.2    LEGISLATION IN ALBANIA.....	36
4.3    INITIATIVES FOR ESTABLISHING CSR IN ALBANIA .....	37
4.4    THE SURVEY .....	39
4.5    SWOT ANALYSIS.....	42
4.6    THE QUESTIONNAIRE .....	43
<b>5 CHAPTER 5 CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>51</b>
5.1    CONCLUSIONS .....	51
5.2    HYPOTHESIS.....	52
5.3    RECOMMENDATIONS .....	53
APPENDIX 1.....	54
APPENDIX 2.....	56
LIST OF CITATIONS.....	59
LIST OF PICTURES.....	63
LIST OF TABLES .....	64
LIST OF GRAPHICS.....	65

## **List of Abbreviations**

CECP	Committee Encouraging Corporate Philanthropy
CED	Committee for Economic Development
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
GRI	Global Reporting Initiative
ISO	International Organization for Standardization
NGO	(Non-governmental Organization)
PRI	Principles for Responsible Investment
SME	Small and Medium-sized Enterprise
SRI	Socially Responsible Investment
SVT	Shareholder Value Theory
UNICEF	United Nations Children's Fund
YAPS	Youth Albania Parcel Service



## Introduction

*“Not everything that counts can be counted; not everything that can be counted counts.”*

*Albert Einstein*

*“Corporate social responsibility (CSR) is a complex phenomenon. It is no wonder that conceptions of CSR vastly differ and definitions are abundant. It is relatively widely agreed in the CSR literature that CSR is a concept assuming that companies have responsibilities, which require them in certain situations to engage in activities beyond immediate financial interests of the firm and the mandatory obligations set by the legislations.” (HALME, 2009, pg.2)*

The definition of CSR varies and can be viewed from different angles. Different nations have different interpretations. This is based on their cultural, political, social and institutional environmental background. Contextual factors and the institutional environment mostly influence CSR models. *“Based on the comparison along the indexes, Gjolberg concludes that the country of origin matters to companies’ CSR practices. Spanish and French companies are strong in the soft process-oriented index whereas Nordic and Swiss companies are strong in hard performance index. Gjolberg finds that leading CSR companies come primarily from two company clusters. The first cluster of CSR leaders comprises countries with comparatively strong globalized economies and high proportion of transnational corporations: the UK, Switzerland and the Netherlands.” (HALME, 2009, pg.3)*

It can be concluded that in these countries society monitors target companies and can easily influence and affect their reputations. *“The second cluster is formed by companies originating from the Nordic countries which have several political-economic features in common. They have strong consensual-corporatist traditions, extensive social and environmental policies and political cultures underlined by egalitarian and participatory values. They are communitarian countries.” (HALME, 2009, pg.4)*

Every country wants to obtain advantages from the world economy and to achieve sustainable development. Given that fact, globalization is progressing and besides opportunities, it

moreover brings many challenges. When the economies of less developed countries compete globally, they risk becoming less competitive against international businesses. In order to compete internationally, they require high technology and finance, and face many barriers and challenges. From this perspective, Corporate Social Responsibility integrates social and environmental concerns at the heart of business operations, becoming a critical tool for gaining competitive advantage and sustainable growth businesses. On the other hand, in a country which lacks expertise in business management and strategies, CSR can sometimes divide its economy by supporting the global network and reduce the stability of that country.

One of the key trends in today's business world is admitting that a mutual relationship between corporations and society exists. Therefore, it is necessary to pay attention to and focus on corporate social responsibility. When we follow the logic of business, corporations could not achieve profits if society is not healthy. A good educational system, a stable political situation, equal opportunities for all, a comfortable and stimulating working environment – these and more are key factors that play a critical role and significantly impact the future of corporations. At the same time, as Albert Einstein said, these cannot be easily calculated and transferred into numbers. Today, we can observe that CSR has a rational and economic basis due to the fact that it attracts more customers and reduces internal costs.

On the other hand, society needs healthy companies in order to work properly. Besides economic profit, business supplies other functions that the state cannot offer. Companies can highly contribute to developing job opportunities and wealth for citizens. They provide innovation and increase the overall quality of life of the inhabitants.

When it comes to a discussion about CSR, there are two main groups arguing whether or not it is possible to combine ethical and moral behavior with business and these pros and cons have been main arguments since the introduction of these concepts. The development of our society produces more and more indicators that such a combination is not only possible, but also desirable. Economic systems started from nothing, but except the choice of people in them and their development, are certainly defined from the basic development of society, culture, mindset and behavior.

In the global market, consumers demand products and services from those companies that they believe are doing “the right thing” in terms of human rights and the environment. Investors need to be sure that their money is worth investing so that is why they require companies to understand and manage their risks and to do so they should provide new strategies for identifying every business emergency.

CSR application and practice is a strong tool for cooperation and integration. Economic interests facilitate the integration of cultural and socio-economic activities in a given country. Socially and environmentally responsible businesses attract more skilled employees and a wide group of consumers that consent to them becoming more prosperous and expanding the boundaries of their markets.

In the socio-economic context CSR has its own importance, because it contributes to social welfare and by so doing, drives the actors who are engaged in CSR to contribute to social welfare in general, to poverty reduction and the minimization of social exclusion.

*“In a more narrow vision the social economy is on all accounts a market economy. It applies the following principles:*

- *Division of labor; specialization leads to “endogenous” exchanges (as opposed to “exogenous” exchanges resulting from the existence of surplus), which increase the overall productivity of the system where they are inserted;*
- *Development; it is linked to inter-generational solidarity, i.e. the commitment of the present generation towards the future one, as well as to accumulation of resources;*
- *Freedom of enterprise; those who have entrepreneurial skills should be free to start a business. Entrepreneurial skills include risk-prone behavior (i.e. the impossibility to guarantee the results from the entrepreneurial activity); innovation or creativity (the capacity to progressively add knowledge to the product/process); the ars combinatoria (i.e. ability to combine inputs in order to achieve the best result);*
- *Purpose, i.e. the objective to be attained through the product (good or service)”*  
*(TACSO, 2013)*

This thesis discusses the barriers that avert stakeholders, public and private institutions, civil society, community groups, and municipalities to engage in CSR activities on the one hand and on the other hand it shows the contribution that these actors can give to such initiatives by becoming promoters and facilitators for successful models of application and implementation of CSR in Albania.

## THE AIMS OF THE THESIS

This thesis aims:

- To evaluate to what extent Corporate Social Responsibility is applied in companies operating in Albania.
- To evaluate the impact that Corporate Social Responsibility has on the development of social communities and the environment in Albania.
- To identify the main partners and stakeholders that supports the implementation and practice of Corporate Social Responsibility.

During the progression of this thesis, several theories and practical examples from diverse models will be introduced so that broader information is provided regarding the approach that several countries have to CSR and the existence of different theories.

For the purpose of this thesis it is thought necessary to put forward a hypothesis which will be proved or not with each and every result.

***Hypothesis:*** Companies in Albania have low levels of applications and practices of Corporate Social Responsibility.

***Several key objectives have been identified and are set out below:***

- Provide a definition of corporate social responsibility, and existing theories.
- To identify the impact of corporate social responsibility on employees, social welfare and development of communities and the environment.
- To identify possible patterns created in the private sector in recent years.
- To analyze the benefits of corporate social responsibility based on different theories and practical cases.

## METHODOLOGY USED FOR THE THESIS

Both qualitative and quantitative research methods were used to gather and analyze information in this thesis.

A qualitative approach was selected as a methodology that would provide holistic monitoring of the events and also observe phenomena that may be less evident. This method was combined with quantitative research, which was used as a structured technique to quantify the data from the questionnaire.

The study was conducted on the basis of face to face interviews and analysis of the national and multinational legal framework, as well as a review of existing literature in this field.

### **Limitations of the thesis**

During the preparation of this diploma thesis, different types of complexities were encountered. Initially, there were difficulties in Albania associated with finding materials for corporate social responsibility and resources connected to it. Secondly, difficulty was experienced in finding materials about CSR practices and implementations in Albania, where studies and reports are limited due to the short period of Albania's CSR existence. Further obstacles were encountered related to corporate social responsibility as a new concept and, as a consequence, being perceived by domestic companies in different ways and therefore limiting the findings of the thesis.

Additionally, the commitment and applicability of CSR in Albania was reported on the basis of self-assessment by staff members who were reporting for companies on the basis of a concept that is not well known to them. Remembering that CSR in Albania is quite a new concept, the probability of finding positive models was also low.

In regard to the variety of available literature, it should be said that the topic of corporate social responsibility is still not in the mainstream and is not a main focus amongst experts and the professional public. Predominantly, we can find literature in the English language, however, almost nothing has been published in Albanian. All resources are therefore sourced from English literature, mainly from The Oxford Handbook of Corporate Social

Responsibility. This handbook contains several case studies showing different angles and ideas on CSR from more than twenty high profile authors.

## CHAPTER DIVISION

The thesis extends to five main chapters. In the first chapter there is an overall introduction to corporate social responsibility, and an introduction to the aims and objectives followed by the hypothesis raised.

The second chapter gives theoretical approaches to CSR and an explanation of the key concepts of corporate social responsibility. It also gives a proper definition of CSR. The whole chapter is structured in a way that gives a theoretical understanding based on the literature review for CSR and also broader explanations of the theories that exist regarding CSR.

The third chapter makes an explanation on CSR trends, issues and motivations within companies. It gives a very important view on how governments are engaged in CSR

The fourth chapter provides an assessment of CSR application in Albania. It develops the history of how CSR started in Albania and all the efforts that have been made so far in applying CSR practices. It gives a detailed analysis of the data collected from the survey carried out in targeted companies. It also provides an analysis of the current development of CSR in the Albanian economy, an understanding of the relevant actors, available resources and incentives that can promote it further, enriched with expert information from the interviewees themselves.

Chapter five summarizes the conclusions and recommendations arising from this hypothesis, it gives the conclusions based on the results gained from the questionnaire and the comments given from the respondents. Based on the conclusions, the thesis gives recommendations for the actors involved and companies in Albania.



# 1. Chapter 1

## Literature Review

### 1.1 Development of approaches to CSR

Throughout the last few decades, *“socio-economic and social-legal developments have shifted considerable social power to the private economy in general and more specifically to large corporations. The central role of business has extended from that of the traditional economic actor to being a political and social actor.”* (TOPPINEN, 2010, p.1)

As corporations have grown and become more and more profitable in recent years, society has witnessed several scandals, particularly in the 1990s. These excesses increased awareness in society and created a greater focus on the behavior of businesses. The scandals that ended corporations such as Enron and significantly damaged the reputations of Shell and Nike also triggered discussions on legitimacy, obligations and responsibility toward society and stakeholders.

*“Socially responsible investment (SRI) is more widespread than ever in the US, Europe and Asia. The last half century has witnessed the evolution of SRI and its associated substantial changes, from the fair labor practices in the 1940s, value-based investing in the 1970s, and human rights violations and global labor standards in the 1990s, to the most recent concerns that involve corporate governance.”* (TOPPINEN, 2010, pg.1)

We can see that even before the 1940s society was introduced to initiatives that are part of the CSR concept.

For example, we can mention the organization YMCA (Young Men’s Christian Association) introducing and supporting social programs for people in need.

*“YMCA was established in 1844 by George Williams as a volunteer in London. Welcoming and engaging newcomers and immigrants has always been part of YMCA’s work. YMCA housing began in the 1860s to give young men moving to cities from rural areas safe and affordable lodging. Facilities included gyms, auditoriums and hotel-like rooms. Among those*

*who stayed at YMCA residences were journalists Andy Rooney and Dan Rather, leaders Malcolm X and Dr. Martin Luther King Jr., novelist Jack Kerouac, and US Ambassador Andrew Young.”* (YMCA, 2014)

It was nothing strange if owners of big businesses financed local initiatives, donated to building churches, educational institutions and supported local communities through philanthropic activities. As an example, we can mention the founder of Standard Oil, John D. Rockefeller, who funded medical, educational, cultural and scientific activities. (CARROLL, 2008)

In the 1950s, society witnessed a slow formation of opinions and ideas in terms of CSR and the overall focus aimed at concrete issues that needed to be solved. “*Howard Bowen, the founding father of CSR*” was elaborating on the question as to what is exactly needed and expected from business owners in the field of CSR. (CARROLL, 2008, pg. 25) He introduced several management strategies and appealed for the necessity of managerial education in the social sphere. He also introduced one of the first definitions of CSR:

*“It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.”* (The evolution of CSR, 2007)

In 1960, society witnessed a further approach to the conceptual understanding of CSR, however, in practice, the initiatives were still dominated by philanthropy and fundraising. “*The literature expanded the definition during the 1960s with Keith Davis’ definition of CSR as referring to “Businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest“.* Davis established the so-called *Iron Law of Responsibility*, which held that “*social responsibilities of businessmen need to be commensurate with their social power.*” (The evolution of CSR, 2007)

In 1971, the independent US-based think tank Committee for Economic Development (CED) published its “*Social Responsibilities of Business Corporations*”. As a code of conduct, the CED outlined a three-tiered model of CSR:

- “the **inner** circle: the basic responsibilities an organization has for creating profit and growth;
  - the **intermediate** circle: an organization must be sensitive to the changing social contract that exists between business and society when it pursues its economic interests; and
  - The **outer** circle: the responsibilities and activities an organization needs to pursue towards actively improving the social environment e.g. poverty or urban crowding issues.”
- (The evolution of CSR, 2007)

In the 1970s, terms like “neighborliness, village or ecosystem” were used to describe a construct that is broader than just boundaries of a particular system or organization, society, etc. Eilbert and Parket defined CSR as: “...think of it as ‘good neighborliness’. The concept involves two phases. On the one hand, it means not doing things that spoil the neighborhood. On the other, it may be expressed as the voluntary assumption of the obligation to help solve neighborhood problems.” (The Evolution of CSR, 2007)

In the 1980s, other alternative concepts were introduced – corporate social responsiveness, corporate social performance, public policy, business ethics, sustainability or stakeholder theory. The year 1995 turned against giant corporations after a scandal.

“Shell was accused of complicity in the execution of Ken Saro Wiwa and eight other activists in Nigeria. Corporations started to realize the importance of their public image and reputation. They began to understand the need for strategy to convince the public they could play a very valuable and socially meaningful role within the ecosystem they occupied.” (The evolution of CSR, 2007)

Nowadays, strong corporate social responsibility is expected from global corporations. It is mentioned often that multi-national corporations do not possess strong enough CSR reputations.

“Building up CSR reputations is difficult for global brands, as global brands have to build local CSR reputations through local relationships while also demonstrating global social responsibility. Moreover, the CSR practices of global brands are typically perceived as being

*self-interested, which may reduce their effects on brand equity. Specific examples have shown the relevance of CSR for global brands. BP's problems with their local oil operations in the Gulf of Mexico near Louisiana had strong global repercussions for the global BP. Nike has sought to associate itself with the rights, needs and aspirations of the socially disadvantaged."* (TORRES, 2012, pg. 2)

Currently, corporate' commitments to corporate responsibility *"can now be viewed as a global trend underlined by a growing number of international standards such as ISO, GRI and the UN Global Compact, or by the global span of company rating agencies such as SAM-Dow Jones Sustainability Index.* (TORRES, 2012, pg. 3)

Context dependency aspects of CSR are highly important when we consider CSR in relation to sustainable development. This is very logical when we follow the idea that development in general is *"determined by the many decisions in an economy and society about ways of living and the patterns of production and consumption that support those choices about lifestyle. Already over 20 years ago, the Brundtland Report first noted that there is no single blueprint for sustainable development. The Brundtland Commission claimed that what is sustainable depends on local conditions and circumstances."* (HALME, 2009, pg.2)

Better understanding of context dependency allows us to understand the historical consequences. It may appear that the roots of CSR which were founded in the 19th century in the US were similar to the ones in Europe at that time. The early entrepreneur families, such as Rowntree, Lever Brothers, Rockefeller, Ford or Carnegie, aimed to make their money in ways that were *"more responsible than many of their peers and once that money was made they sought to return some to society The point of departure between the continents came around 1920 when in Europe the practices of many of these benign capitalists were absorbed into the standards of the emerging welfare state whereas in the US the idea remained that companies in the liberal economic conditions of American society were free to create wealth and then equally free to put as much into the hands of foundations so it could be given to good causes."* (HALME, 2009, pg.3)

Europe, in reference to corporate responsibility, was for a long time muted, especially after 1920. *“Corporate responsibility was only to emerge in the UK with the advent of Thatcherite policies aimed to restructure the UK economy in the early 1980s with its demand that business would need to play a new role in the provision and governance of society as the state’s role was reduced.”* (HALME, 2009, pg.3)

## 1.2 Definition of Corporate Social Responsibility

In the last decade, as the number of players from multinational corporations has increased and global brands have become the main actors in the field of CSR, new concepts have developed as well. Let's introduce, for example, global social investment, corporate reputation, community partnership and corporate social policy.

Frank Tuzzolino and Barry Armandi take an interesting approach in regard to this argument. They have defined a hierarchy of needs of the corporation based on Maslow's hierarchy of needs. In their approach, companies, similarly to human beings, have their own needs that have to be fulfilled. This hierarchy was introduced as a conceptual tool through which any CSR activity should be assessed in the lifecycle of the company. (ARMANDI, 1981)

First, let's present the definition that this thesis will refer to. This definition is based on the definition of European Commission for CSR which has recently put forward a new definition of CSR which seems even simpler but is actually very important and highly significant:

*“The responsibility of enterprises for their impacts on society.”* (Com (2011))

The Commission expands on its definition with the following:

*“Respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility. To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of:*

- maximizing the creation of shared value for their owners/shareholders and for their other stakeholders and society at large;*
- identifying, preventing and mitigating their possible adverse impacts.”* (Com (2011))

## **2 CHAPTER 2 Theories about CSR**

The following chapter describes four mainstream theories which discuss CSR. This division is based on the research of authors Garriga and Melé who divide CSR into the following elements:

- Economic – the company is a purely wealth developing tool
- Political – the company is a powerful political tool
- Integration – the company is a tool for satisfying society's needs
- Ethical – what is the ethical relationship between company and society

(GARRIGA, 2004)

### **2.1 Corporate Social Performance (CSP)**

The principle of CSR is based on the idea that the company, besides creating wealth as its main purpose, also bears a responsibility for social issues caused directly or indirectly by the company. The model of CSP reflects the development of CSR in the 1980s. At this time, the economic activities of the companies were not connected to their ethical principles and moral behavior. CSP can therefore be perceived as a pioneer initiative and included the then approaches to CSR, with references to terms such as human rights, work conditions etc.

### **2.2 Shareholder Value Theory**

Milton Friedman is considered to be the key proposer of the shareholder value theory. Milton Friedman sees the only responsibility of company towards society as being the maximization of profit for shareholders. (MELÉ, 2008) Friedman perceives managers to be company employees. From this is derived their responsibility toward their employer and their duties to act in accordance with the requirements of the company, which is to maximize profit.

Shareholder Value Theory is based on a democratic society, the ability to freely conduct business and other economic activities, private ownership and a market economy. Business is perceived as a private and autonomous activity. The company should be engaged in activities that have an element of CSR if this is demanded by law, or if this will generate profit for

shareholders. Social problems are not perceived as something the company should work with, rather this is the responsibility of state institutions.

Followers of this theory point out its effectiveness at increasing wealth through decreasing costs and prices, investment or research activities. They argue that this approach not only increases the overall profit of shareholders, but also significantly supports the efficiency of the economy. Negative social consequences caused by companies and issues caused by malfunctions of the market can be diminished by setting up correct legal acts and government regulations, together with charity work.

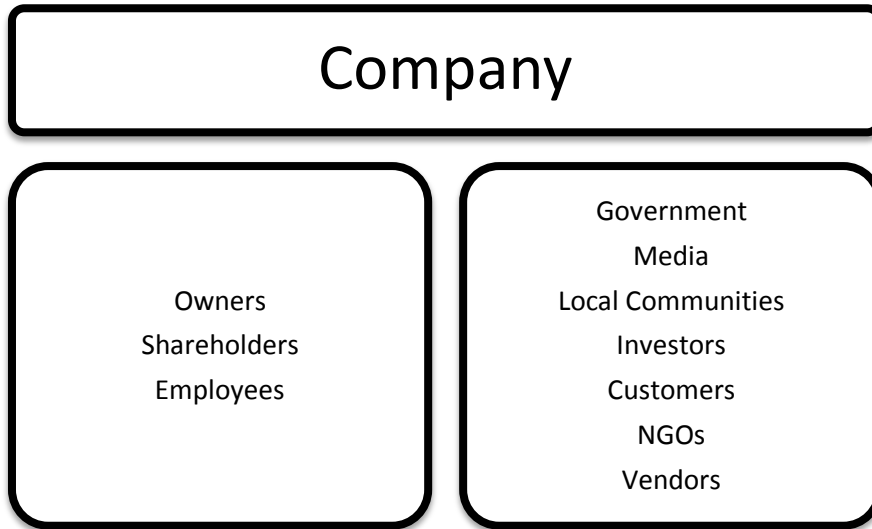
Followers criticize the lack of long term profitability, claiming, that the company must stand on the side of its shareholders and pursue their interests first. This criticism falls between the gap in the law and the impossibility of effective and flexible regulations. (MELÉ, 2008)

### *2.3 Stakeholder theory*

This theory, in contrast to the previous one, includes all relevant groups, besides shareholders, who are impacted by the activities of the company. This term includes all potential individuals or interest groups which may either profit from company activities or the opposite. We can perceive stakeholders from two sides – the inner circle is formed by key groups that are irreplaceable. The wider circle is formed by groups that have a certain impact on the company and vice versa. The picture below displays both internal and external stakeholders.



Picture 1 Internal and external stakeholders



*Source: Developed by the author*

The purpose of the company is to create wealth for its stakeholders and it is inevitable that while doing so, the company has to consider its ethical code and moral behavior.

The academic literature highlights the following benefits of the stakeholder theory. First of all, it is corporate social responsibility in its wider understanding than purely the relationship between management and shareholders. This theory advocates this approach as a guide for success from the long term perspective.

Criticisms of this theory are based on the fact that it is almost impossible to set clear and specific goals that can be reached while respecting the interests of stakeholders. Further, critics claim that managers can vindicate the wrong decisions they have made, claiming that these decisions were made in the interests of the stakeholder group which currently profits from it.

## **2.4 Corporate Citizenship**

In the last couple of years, it has been observed that some global brands have patterns of good corporate citizenship. (CARROLL, 1991)

Good corporate citizenship is defined as a “*contribution a company makes to society and the environment in which it conducts business. Traditionally, it has been understood as*

*philanthropy and investment in social causes. Corporate citizenship is not only about obligations, it's also about rights. It is about how the private sector can prosper and at the same time improve the environment it operates in. Globally competitive business cannot exist in failed, unstable, corrupt, undemocratic countries.”* (Corporate Citizenship and Business Ethics, 2012)

Every year, Forbes puts together a list of the best corporate citizens. Forbes tracks “324 data points, most of which are about environmental, human, legal, and financial transparency. Twenty-four companies that made the 2011 list disappeared from it this year, 21 made the list for a five consecutive years and three: Intel, Starbucks and Cisco, have made it in all 13 years.” (The 100 Best Corporate Citizens, 2012)

Good corporate citizenship has been and will be positive for public relations. Not only this, but there are also benefits in recruitment from this approach. It is more and more true that people are willing to reduce their salaries to work for a socially responsible company.

*Below is the list of the 20 best corporate citizens. (The 100 Best Corporate Citizens, 2012)*

Picture 2. The top 20 Best Corporate Citizens

Rank	Company	Symbol
1	Bristol-Myers Squibb Co.	BMV
2	International Business Machines Corp.	IBM
3	Microsoft Corporation	MSFT
4	Intel Corp.	INTC
5	Johnson Controls Inc	JCI
6	Accenture plc	ACN
7	Spectra Energy Corp	SE
8	Campbell Soup Co.	CPB
9	Nike, Inc.	NKE
10	Freeport-McMoran Copper & Gold Inc.	FCX
11	Sara Lee Corp.	SLE
12	Mattel, Inc.	MAT
13	Gap, Inc.	GPS
14	Coca-Cola Co	KO
15	Altria Group Inc.	MO
16	McGraw-Hill Cos., Inc.	MHP
17	Eaton Corp.	ETN
18	Kimberly-Clark Corp.	KMB
19	Hormel Foods Corp.	HRL
20	Abbott Laboratories	ABT

*Source: (The 100 Best Corporate Citizens, 2012)*

The modern approach toward this theory was defined in the 1990s and it is still quite often identified with corporate social responsibility. The academic literature sees the main difference in the fact that CSR is perceived as an external element, whereas in this theory, company is part of society.

The theory works with the term citizen and its meaning from the political point of view. It includes the idea of individual rights and obligations in the frame of a political community. (MELÉ, 2008)

Strength of this theory is that the company perceives being a citizen as being part of society. The company therefore sees itself as part of society. The company accepts that there are social and ethical aspects of its activities and goes beyond the traditional economic approach. Another benefit of this theory is that it offers a truly global approach.

Criticism is based on the variety of interpretations of the term citizen. The theory also contains a number of initiatives from voluntary activities to cooperation with the public and private sector to management of global brands and reputation. Further the theory lacks precise definition of conditions under which citizenship can be related to companies. Last, but not least, there arises a question of who should bear responsibility for developing the principles of the global citizen.

## **2.5 ISO standards**

ISO 26000 for Corporate Social Responsibility is a non compulsory standard so the companies can voluntarily choose to use it. It is a guidance for the companies and all of them can use ISO 26000 for a better guidance and not to elaborate CSR in just knowledge or own practices. So ISO serves as a guidance for the companies to better use and implement social responsibility and is not a standard that companies can claim to be certified (ECOLOGIA, 2011).

*“Social responsibility comes under ISO 26000 for social responsibility and that means that businesses and organizations do not operate without guidance or standards. Their relationship to the environment and the society where they operate is a very significant factor in their capability to operate effectively. What is more important is that it is being used to measure the overall performance of a company”* (ECOLOGIA, 2011).

### **3 CHAPTER 3 Current role of CSR: trends, issues, motivations**

#### **3.1 Company motivation to implement CSR**

Traditionally, companies believed that they can only invest in CSR once they generate profit and when they have money available for such activities. The current approach considers that both economic and CSR benefits for the company are mutually inclusive. These two elements are mutually combined and interconnected, even if the company's motivation to implement CSR is purely based on economic benefits.

From a marketing perspective, Philip Kotler states that the potential benefits are an increase of sales and market share, decrease in costs, support of positioning and brand image enhancement. Further, companies can benefit from having more loyal and better employees. (KOTLER, Philip; LEE, Nancy. Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause. New Jersey, USA: John Wiley & Sons, Inc., 2005. p. 10)

The motivation is then based on decreasing the risks and costs, increasing competitive advantage, increasing brand awareness and reputation which altogether leads to synergy in creating values.

#### **3.2 Increase of sales and market share**

Let us have a closer look at the potential of increasing sales and market share. A great example of success is Ben & Jerry's. Ben & Jerry's is an American based ice cream company founded in 1978 by two friends Ben Cohen and Jerry Greenfield.

The company has always been known for its socially responsible values, which define them as a value-led company.

Ben & Jerry's CSR behavior is at the core of its business. It is not something it has to do; it is something which is part of its initiative that it fully embraces. The founders believe that social issues cannot be solved unless companies take responsibility and resolve problems themselves. Ben & Jerry's is a great example of a value-led company which acts in the interest of the common good, and customers and other stakeholder groups highly appreciate this. This is the

reason why this company can afford to sell its products with 25% higher prices and customers are still willing to buy them, since they know they are contributing to a good thing.

Kotler supports this statement in the research of Cone/Roper from which he derived that more than 75% of respondents positively perceive companies that try to support local communities and behave overall in accordance with CSR principles. 66% of respondents claim that they would prefer to purchase a good or service from such companies and 62% state that they are willing to shift their purchase behavior and start purchasing goods or services from companies that behave socially responsibly. (KOTLER, 2005)

An interesting fact emerged from a study entitled Business for Social Responsibility which was based in 23 countries and asked 25 thousand respondents about their consumer behavior related to corporate social responsibility. 17% of respondents claimed that they sometimes did not purchase the good or service because they did not agree with the social disengagement of the relevant company (KOTLER, 2005).

### **3.3 Diminishing of risk**

In response to CSR risk, academics think mostly about social risk, which has increased over the last few years due to globalization. Social risks develop when a specific interest group tries to leverage its position and through appealing to another interest group makes the company change its approach or politics (KYTLE, 2005).

Reluctance or inability to satisfy these needs can lead to negative consequences. Firstly, there is a risk that customers may stop purchasing the goods and services and they will shift to a different company that satisfies their needs. Further, there might be legal consequences that may negatively impact the company both locally and globally.

The amount of social risk that a company takes on is a result of a combination of several factors. These factors are - the specific issue – social, environmental or ethical and the relevant interest group or group of stakeholders. Specifically, their opinion on the company based on knowledge derived from media, official or unofficial sources. Or this may be a factor of tools stakeholders have at their disposal and can use against the company, such as boycotts, demonstrations, online communication (KYTLE, 2005).

The goal is then to manage stakeholders' relationships which involves providing information to relevant interest groups and also integrating them to help find solutions.

### 3.4 Gain of competitive advantage

The company can, through CSR, position itself and distinguish itself from the competition. At this stage, the company perceives CSR as a strategic topic and tries to adapt to the external environment in order to optimize its position in the relevant sector.

Under optimization, it is meant to find a balance between the stakeholders' requests and the company's goals in accordance with long term sustainability (KURUCZ, 2008).

Experts agree that in the short term CSR mostly brings increases in costs, in the mid-term the benefits in terms of innovation and ability to penetrate new markets start to appear. However, the long term element of success can be and most of the time is very problematic for small or medium sized companies which cannot afford the luxury of time.

*The table below shows the relationship between CSR and competitiveness*

Table 1 Relationship between CSR and competitiveness

	Interest	Motivation
Investment decision	Production	Higher ROI, Lower production costs
Marketing decision	Customers	Satisfaction of customer needs and wants, higher customer loyalty, higher prices of products
Stakeholders requests	Stakeholders	Increase of trust
Understanding of company values by interest groups	Interest groups	Improvement of understanding the company values
Porter analysis	Competitive rivalry, new players on the market, negotiation position and power	Reaching a uniwue position on the market
Dynamic perspective	Corporate culture	Ability to foresee, innovative approach in reacting to market changes and new trends

*Source: Own interpretation based on (Martinuzzi, 2014)*

### 3.5 Protection of reputation

For many companies, strong brands represent their most valuable assets. Customers no longer decide only based on functional characteristics of the product, but also based on the psychological and emotional elements and this influences their buying behavior. The reputation of the company is connected to several factors, among which are the company's approaches toward social and environmental politics.

A. B. Eisingerich and G. Bhardwaja researched the reaction of customers to any negative information about the company. The research found that a more important influence on customers forgiving any negative misconduct is not the approach of the company toward the customer but the approach of the company towards CSR. Other aspects of the research on the other hand show that this is not always an absolute case. It depends on the level of customer knowledge about the quality of goods and services. If the customer is knowledgeable; he or she will form his or her further perception of the company according to quality, whereas less experienced and less knowledgeable customers will base their perception of the company's reputation on CSR.

Many organizations monitor the relationship between CSR and reputation. As an example let us introduce the CSR Index, which displays the opinion of the public to corporate citizenship for more than 200 companies. The following table presents the top ten best companies according to the CSR Index.

*Table 2 Top ten companies according to the CSR Index*

1	Publix Super Markets Inc.
2	Google
3	UPS
4	Kellogg's
5	Amazon.com
6	Berkshire Hathaway
7	FedEx
8	Campbell Soup Company
9	Baxter International
10	3M

*Source: Reputation Institute, 2014*



### **3.6 CSR as a tool for internal engagement**

Not only customers, but also employees understand and perceive how a company behaves toward society. Through positive engagement and implementation of CSR, a company can attract and motivate qualified employees. Employees are an important part of the success story of the company, since their work attitude impacts the effectiveness and overall growth of the company.

When integrating CSR, the company should first look at how employees are persuaded by its politics. Further, the company should aim to develop such a work environment where employees can achieve better results and where they are kept motivated.

Through CSR, a company communicates its values and beliefs and presents its human face to society. If this is done effectively, the company can easily gain competitive advantage. It has to be considered, that implementing CSR must be done in such a way that it does not appear to be too orchestrated. Rather it is preferable, that each and every company tailors its implementation according to the needs of the company and its employees. This represents quite a challenge for many companies nowadays.

The recent study of Pablo Rodrigo and Daniel Arenas finds that the reactions of employees to CSR activities are subject to several factors. Most of these factors do not correspond with the general attitude of the employees towards the company itself; rather these correspond to their overall opinion and previous experience.

The study divides the employees into three categories: i) engaged, ii) indifferent, and iii) refusing. Overall, it cannot be said, that only CSR activities can ensure the higher engagement and positive work attitude of employees. Therefore, other initiatives and activities have to be suggested in order to reach the expected outcome; such as adequate salary, employee benefits etc. There is a sort of multiplication effect which can support the positive work attitude of employees. (RODRIGO, 2008)

As a result, it can be said, that companies should overall invest more to increase the awareness of their employees. Also top management should try to inform their teams on the subjects that matter. Employees, who identify themselves with the company's values and perceive the

company as a supporter of moral and ethical standards will unintentionally influence society around them and become strong brand ambassadors. Well-implemented CSR can therefore inspire employees to achieve better work results and consequently increase productivity.

### **3.7 The Role of government in CSR**

Governments, in order to support the private sector in implementing CSR, have to systematically categorize public policies. When doing so, *“it first complements the existing, often unsystematic, accounts of how governments address CSR. Second, it also brings the issue closer to political science.”* (STEUER, 2009, pg. 49)

*“The main idea behind CSR is also known as the triple bottom line principle, implying that businesses should not only serve economic, but also social and environmental ends. For some scholars, this view of the corporation stands in stark contrast with the neo-classical shareholder view, asserting that a firm’s only responsibility is to do business and make a profit. For most business ethics scholars CSR is in the interests of business,”* (STEUER, 2009, pg. 49)

Why then should governments be interested in CSR? What benefit does this bring to the state? The following proposition should answer this question.

As mentioned earlier in this thesis, businesses can support sustainable development on a voluntary basis. *“This motivation touches not only policy objectives related to sustainable development and environmental protection, but also to foreign policy goals such as human development and development assistance.”* (STEUER, 2009, pg. 50)

Secondly, CSR policies are perceived as a supplement to regular law policies and regulations, especially where *“new regulations are politically not desirable or infeasible. Compared to hard-law regulations, the soft-law character of CSR and CSR policies implies comparatively low political costs in terms of resistance by special interest groups. Decrease of state intervention might open up the possibilities for more responsible forms of interaction between*

*stakeholder groupings, including new forms of government interventions such as CSR policies.” (STEUER, 2009, pg. 50)*

Thirdly, it has to be said, that *“governments inevitably define CSR negatively with conventional social and environmental regulations because the ‘voluntary business contribution to sustainable development starts where the legal framework ends. Moreover, governments seek to play a more active role in defining the concept and also fostering the respective practices positively with softer, non-binding initiatives.” (STEUER, 2009, pg. 50)*

Fourthly, due to the fact that CSR is connected with managing business relationships with the relevant stakeholders, *“the concept obviously reshapes not only management routines, but also the roles of, and relations among, businesses, governments and civil society. In this respect, CSR leads to shifting involvements of the public and private sector. Since CSR is far more than a management approach that could be left to the discretion of managers, governments have a natural interest in co-defining the shifting involvements of the different sectors rather than being passive objects of change.” (STEUER, 2009, pg. 51)*

Last but not least, as evidenced by the activities visible in recent years, it is apparent, that *“soft approach of CSR policies coincides with a broader transition of public governance altogether, which leads away from hierarchical regulation towards more network-like and partnering modes of self and co-regulation. CSR is not simply a feature of the new global corporation but is also increasingly a feature of new societal governance.” (STEUER, 2009, pg. 51)*

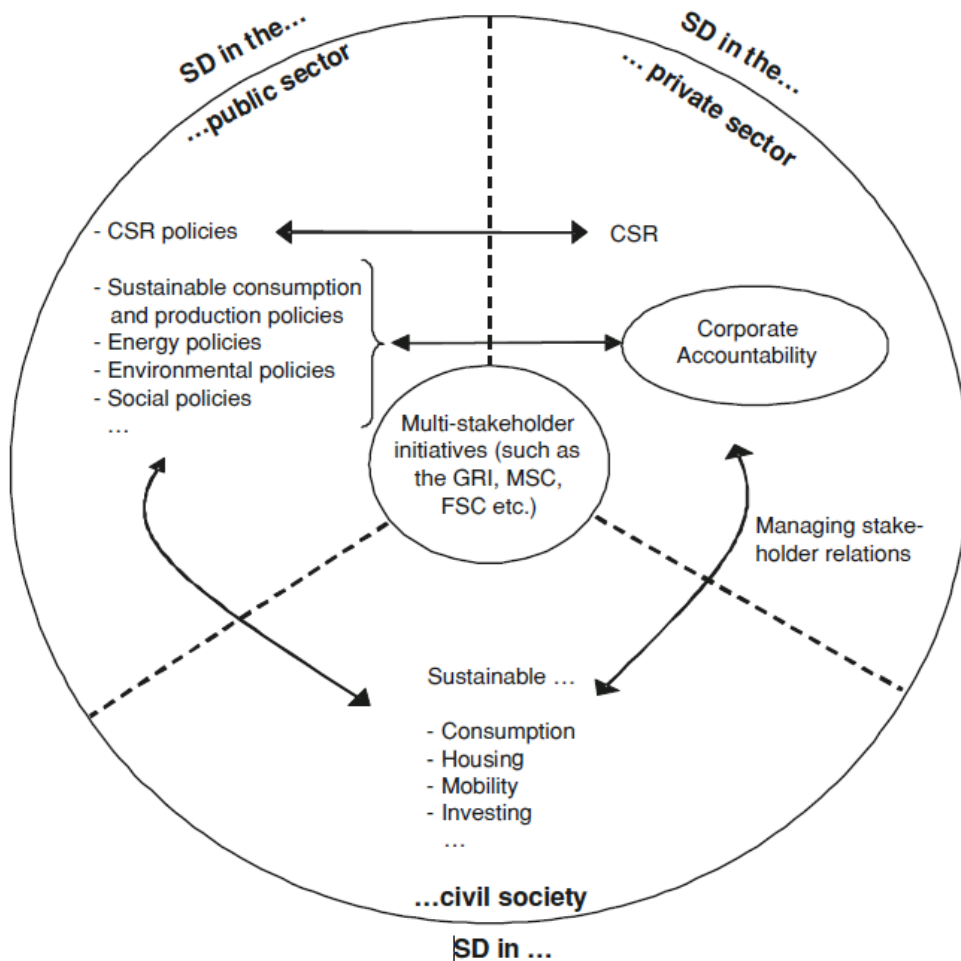
Further the authors imply that CSR is *“no longer a sole matter of governments, but rather one of all three societal domains working together through new governance arrangements. (STEUER, 2009, pg. 51)*

It is a logical consequence, that many EU governments take an active part in promoting CSR, therefore, new political activities emerge as well. *“Numerous governmental CSR initiatives form a cross - sectored yet coherent policy field because (i) they are all characterized by the governance principles of voluntariness and collaboration, (ii) the policy instruments are*

consequently soft-law in character and (iii) they all share the purpose of fostering CSR and sustainable development complementarily to traditional hard-law regulations.” (STEUER, 2009, pg. 51)

Considering the fact, that CSR is a voluntary activity since the activities go beyond the requirements of the law, the picture below displays numerous examples of how sustainable development works within, and across the three societal domains – public sector, private sector and civil society. (STEUER, 2009, pg. 54)

Picture 3 Sustainable development (SD) within, and across the three societal domains (STEUER, 2009, pg. 54)



## **4 Chapter 4 CSR application in Albania**

### **4.1 Economical and social situation in Albania the last decades**

This chapter presents the application and practices of Corporate Social Responsibility in Albania and the approach that companies with their activities in the country have towards CSR.

It also provides information about the background of CSR in Albania, the first steps towards CSR and its evolution until the present time. A large number of companies report including CSR activities at several levels. However CSR activities have usually consisted mostly of charitable donations. This thesis is concerned with going more into detail in understanding if businesses in Albania meet their obligations towards their employees, environment and society in general.

After five decades of isolation from the rest of the world, lack of market access and competitiveness, the country is trying to move slowly by small steps towards membership of the European Union. Acceptance requires a number of accomplishments and, among other things, CSR has an important place. It has to be pointed out that there are quite limited reports and limited literature on activities concerning CSR in Albania which is one of the difficulties that this thesis has encountered.

To present the actual status of companies associated with the integration of corporate social responsibility in their structures, the impact of CSR for their employees and safety at work, development of communities, their contribution to the environmental issues, interviews were conducted with representatives of national and international small and medium-sized enterprises (SME) operating in the country.

Corporate Social Responsibility as we have already mentioned is still a new concept for companies and not only in Albania. Companies have difficulties in understanding CSR, its application and of course knowing how to measure results, which is even more complex.

Notwithstanding this, we can say that two decades after the fall of communism, companies in Albania have started to show their first engagement with CSR practices.

Before deepening our analysis let's start with a brief introduction of Albania.

In common with every country Albania has its own history and development. Albania is located in Southeastern Europe. The country is positioned in a way that the entire west and southwest borders have a coast on the Adriatic and Ionian Sea. To the northeast and northwest it is bordered by Kosovo and Macedonia and on the south and southeast it is bordered by Greece.

It has not yet been discovered by tourists and that is why people, who visit once and like the undiscovered feel, keep coming back.

Albania was under communism for almost 50 years and as a consequence its market was closed to international collaboration and competitiveness

Nowadays, it is dominated by large, small and medium-sized enterprises (SMEs). There is a mixed picture on environmental protection, business environment and general competitiveness.

Though CSR is a new concept, Albania has tried to embrace it, nevertheless it will be a long path and it needs the cooperation and collaboration of the main and more important actors. As a small country, since the fall of communism, Albania has tried to be competitive in European markets and has captured all the possible opportunities given. Moreover, the implementation of CSR standards serves as a means to create competitive advantage for Albanian businesses both regionally and on the wider European market as we have already mentioned. National and international companies in Albania compete on the global markets with the desire of expanding their activities in the future for increasing profits.

In 2014, following its alignment towards being part of the European Union, Albania is now officially a candidate country for EU accession. Therefore integration, promotion and implementation of CSR standards become a challenge in themselves.

EU accession will bring is competition and adaptation to a more sustainable way of working and doing business.

Further EU accession requires real engagement and that means that companies, private businesses, government, civil society and NGOs need to have a realistic approach towards CSR.

Corporate Social Responsibility is a key part of the Europe 2020 Strategy which aims for an integrated sustainable social market economy. The aims of the EU Strategy point out that sustainable growth will only come from a more competitive economy, and greener and more efficient resources. Also the strategy emphasizes smart and inclusive growth with stress on an economy developed on innovation and knowledge. They specifically mention and require Promotion of Corporate Social Responsibility as a main factor in ensuring long term service of employees and consumer trust as well as raising the profile of CSR in the business community. (SEC 2010)

Government is the mechanism that creates, promotes and enables a positive environment for the development and implementation of CSR.

## **4.2 Legislation in Albania**

The government as we have already mentioned has a very significant role in promoting CSR. It is the key factor in promoting CSR and attracting companies by offering continuous dialogue and showing ongoing collaboration.

CSR has no binding effect and is not mandatory for countries. ISO 26000 is not compulsory but since the approval of the standards, countries have been invited to implement the standard and to also include them in their legislation.

Based on our first National CSR Report 2013, Albania has no specific legislation for CSR. *“The European Parliament Resolution of March 3, 2007 identifies a list of eligible legislation whose enactment has the potential to stimulate CSR practices”* (Ministry, 2013)

Even Albania has tried to establish some legislation that might enable CSR in the future. The below legislations are good examples that Albania can use in the enabling CSR applications and practices.

Table 3 Laws in Albania that can help in future enabling CSR

<p>Law 9901/2008 “On entrepreneurs and commercial companies”, as amended by way of Law no.10475.</p> <p>Reporting to environmental protection authorities of an activity under Law no.10431/2011 “On environmental protection”</p>
<p>Law no.8957/2002 “On small medium enterprises”, as amended by way of Law no. 9497/2006and Law no.10042/2008.</p>
<p>Law no.9497/2006 “On the establishment of the Albanian Investment Development Agency”  Law no.10431/2011 “On environmental protection”. Also, some of the environmental violations represent criminal acts under the Albanian Criminal Code.)</p>

*Source: National CSR Report Albania 2013*

**4.3 Initiatives for establishing CSR in Albania.**

An important initiative towards embracing CSR practices in Albania is the establishment of the local United Nations Global Compact Network (UNGCN) in 2005. The UNGC is a strategic initiative for businesses that are committed to respecting and applying in their strategy and operations the ten universally known principles regarding the areas of human rights, labor, and environment. This participation does not mean that we are part of the Global Compact Network but with the lead of the UNDP, efforts are being made to establish a network in Albania. (OSCE 2013)

The initiative includes always working closely with the Ministry of Economic Development, Trade and Entrepreneurship to organize and facilitate all the processes and help setting up the network.

Also another key initiative of the Ministry in collaboration with UNDP was the development of a draft plan which is going to be implemented in the future. The National Action Plan (NAP). This was an initiative of the Ministry of Economy, Trade and Energy together with the help of UNDP. CSR was drafted and ready for implementation, it will serve as guidance for



the businesses in Albania and for all those who will be interested in implementing and applying the practices of CSR (OSCE 2013)

In 2011, the European Commission issued its first report on the European Multi-stakeholders Forum on CSR. *“This included what was new and gave prominence to the standard of ISO 26000. High priority was given to the creation, development and implementation of CSR. It also stated that all members should start to work on implementing it immediately. By 2014, all members should already have implemented CSR”*. COM (2011)

#### **4.4 The Survey**

The survey focused on: 25 national and international companies working in Albania, large small and medium – sized enterprises (SMEs) that are operating in several sectors: marketing, mobile telecommunication companies, banking sector, advertising, customer services, media, construction and health insurance.

The scope was to understand through the results of the questionnaire how these companies understand CSR and what is their level of interest in CSR and to what extent they are involved in the implementation of the CSR.

The stage of selection where the companies were chosen was important because they formed the basis of the practical part and the subsequent conclusions and recommendations. The selected companies were chosen based on their size which include large enterprises and small and medium ones.

Since Albania is a small economy, the number of companies represents the scope of the research. They were selected in terms of their extended experience in the market, providing services for more than a decade. Moreover, these companies have branches throughout the country and share the same policies in all branches.

The scope of operations of the companies is different. The companies chosen operate in the following sectors: marketing, customer care, construction, telecommunication, advertising, banking, administration, food, garments, processing and refinement, media, insurance, investment, and consultancy.

The research was conducted on the basis of face to face interviews with representatives from each company. The representatives were selected based on the possibility and willingness of participation, since the questionnaire was conducted on a voluntary basis and would not affect the position of the interviewee in any case. They were selected depending on the area and their

job position so the ones that had experience in CSR and could provide the best information for their company were chosen

Almost all the representatives were willing to take part and no objections were encountered, except from a minority where the participants were hard to reach because of their busy schedule and lack of time. The answers are based on the participants' knowledge and information that they had regarding the CSR application regarding their companies.

The participants' job positions in the company had an importance in the evaluation of the interviewee, meaning that the closer they were to such politics and initiatives like CSR the better they were able to represent the reality of the implementation of CSR in that company. Their positions in the company were also chosen carefully and the questionnaire was represented by: managing directors, advisors, administrators, marketing managers, head of sales, public relations.

The interviews were conducted face to face where both the interviewee and the interviewer went through the questions together. Qualitative and quantitative research methods were used to complete the practical part. Qualitative methods were selected as a methodology because it provides a holistic monitoring of the proceedings and it provides more detailed information. This method was combined together with quantitative research, which was used as a structured technique to quantify the data from the questionnaire.

Both open and closed questions were used in the questionnaire for enhanced understanding of the relationship between the company and CSR, but also for an additional significant reason, that of facilitating the conclusions and recommendations.

The process of the practical part was initiated by gathering information on the companies that existed in the market in Albania. This information was used to select the samples for the survey.

The market in Albania has a range of services to offer to customers. There are companies that have been in the market since the first days of democracy and also companies who have started activities in recent years.

## 4.5 SWOT Analysis

<p><b>Strength</b></p> <ul style="list-style-type: none"> <li>• Increased attention on CSR since 2008.</li> <li>• Commitments from large companies in the CSR serve as very good example for further application of CSR.</li> <li>• Initiation of first annual report from Government.</li> <li>• Increasing interest and understanding the importance of CSR.</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Low level of practice of CSR</li> <li>• CSR should not be seen just in terms of donations.</li> <li>• Understanding of CSR remains formless.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Increasing importance of CSR as willing for the EU accession.</li> <li>• Opportunities for CSR are available.</li> <li>• Increased government support in creating the bases for CSR.</li> <li>• Public-private partnerships good potentials.</li> </ul>	<p><b>Threats:</b></p> <ul style="list-style-type: none"> <li>• Lack of a good network and practices of CSR.</li> <li>• Role of government still vague</li> <li>• Low partnership between governments and companies.</li> <li>• Low interest of stakeholders.</li> <li>• Lack of a good network and good partnership for CSR.</li> </ul>

As a reference to SWOT analysis the strength and the weaknesses have some important point as internal factors of companies. There is definitely an increased attention on CSR and for so also some good practice nevertheless the understanding needs to go deeper in all CSR aspects. Regarding the external factors as opportunities is the fact that Albania is looking forward to the integration and for that there are possibilities and opportunities that needs to be caught and

use. The Government has been more active and raised his role in the promotion of CSR though there is still a low partnership between

#### **4.6 The questionnaire**

The questionnaire consists of eight questions, both open and closed where it included twenty-five respondents. In each question, there were between four and seven possible choices per question. The questions were constructed in a way that the interviewees would have the opportunity to choose more than one option where possible, and in such a way that more information was gathered.

The questions were structured in a way that the interviewer had the possibility to share more specific information regarding their policies and application of CSR where applicable.

The aim of the questions in the questionnaire was to understand what the companies know about CSR, do they have information regarding the topic and do they understand what is been doing in approaching the practices of CSR by the companies and focusing on the aims and objectives of the thesis.

Some of the questions in the questionnaire are compiled in a way that the respondent had the possibility to choose more than one option. The result in the questions with multiple options will be more than 25 respondents for one option of choice. That was not obligatory but simplifying and giving more chances to get a better result and a better understanding of CSR application in these companies.

There is one open question where deeper information was requested and those in practical examples and achievements where was possible.

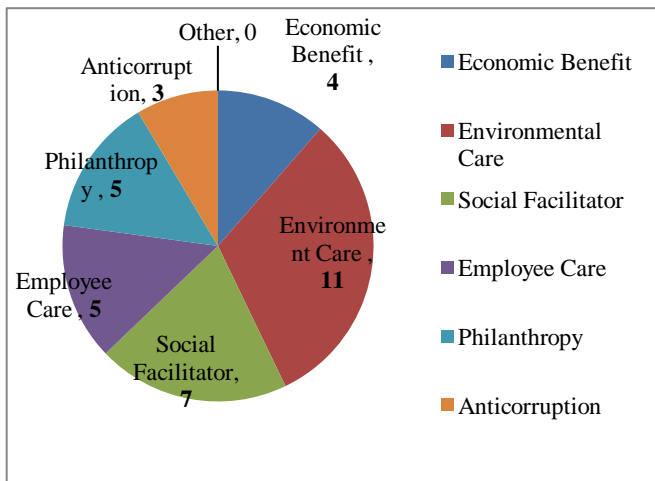
For the interpretation of the questionnaires result, it is thought the construction of graphs accordingly to each question. Exception one of the questions will be interpreted differently as it is an open question and has no need for the graphic.

The graphs will contain the number of the respondents that have answered one or more than one option within a question. So during the data collection the result of the respondents for some specific questions were more than 25 (the actual number) since they had the possibility to choose one or more depending on their company activities in regards to the question.

**- Findings of the questionnaire**

*To establish good practices and good implementation of CSR first steps are in the understanding of CSR itself.*

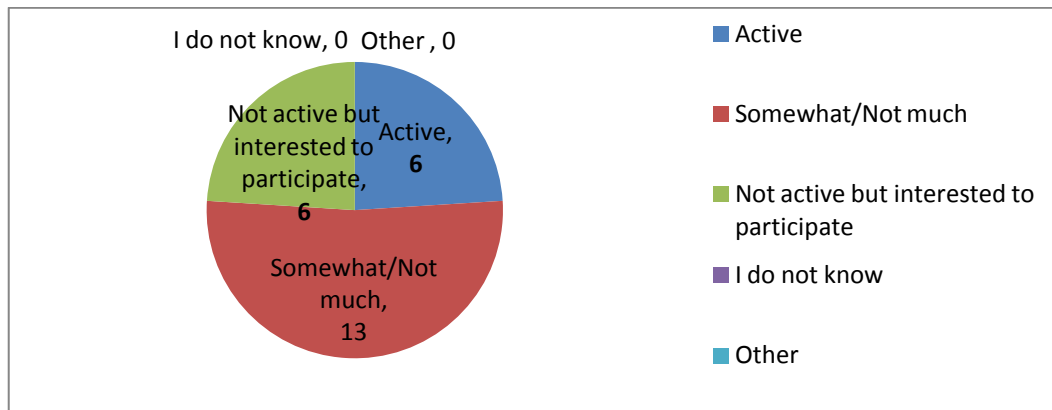
**Graphic 1**



As we can see from Graphic 1, environmental care has the highest choices from the respondents. They see CSR as a tool where companies should be responsible and careful for the environment where they operate. The environmental care is the followed by social facilitator. The companies perceive CSR as a good impact on social

issues. It is interesting that the same choices are between philanthropy and employee care in the understanding of CSR. Just a few of respondents understands Corporate Social Responsibilities as economical benefit and anticorruption.

*When it comes to the level of application of CSR in their activities, if they are active, not active but with willingness and in the first step of implementation here are some of the results:*



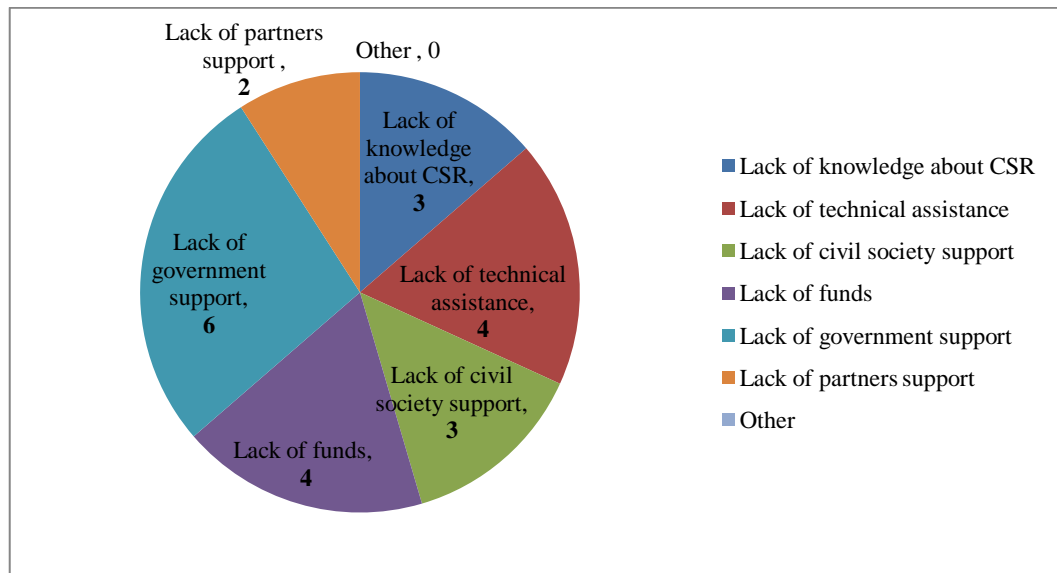
**Graphic 2**

In this question the respondents do not have the possibility to choose more than one choice. The question itself does not allow more than two possibilities. The companies are either active, not much or not at all but showing an interest. The total sum of the answers in this case will be 25 as there are 25 respondents for 25 companies. As seen from graph. 2. The majority has responded that they are not much involved in CSR practices. That means that they are not involved in all the activities that CSR include regarding their employee, environment and society. Regarding the 6 companies that are active in applying the CSR can be said that the number is significant and considerable though there might be some factors that need to be considered. Their being active in applying is based in the fact that these companies have been previously engaged in the CSR and have their own network and the level of information is higher. But even in this case they are based in the company perception about CSR when stating being active.

It is impressive to note the willingness that these companies have in the application of CSR but disappointing that they see it as a possibility for the future but not near terms.

*Some of the companies were not active though willing or not much but in a way active. The causes for that are several and let see below some of them:*





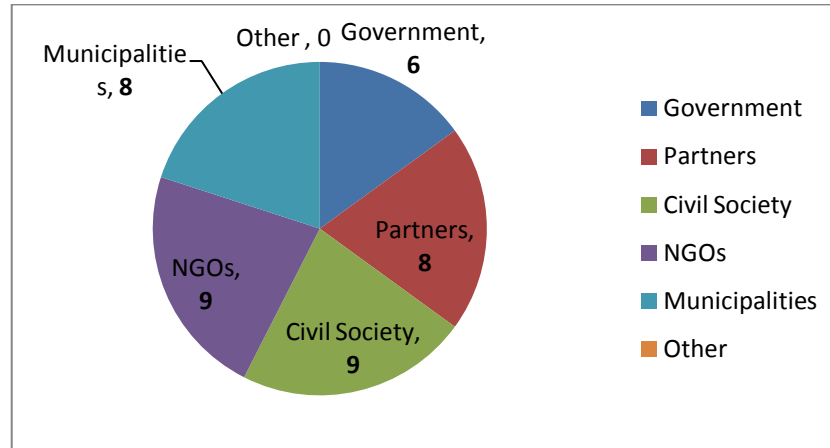
**Graphic 3**

With reference to graphic 3, we can see that there are several factors that do not allow companies to engage in CSR activities. It is essential to mention that the 6 companies that were active in applying CSR have not answered this question. Therefore the result is based on 19 respondents for 19 left companies.

In regard with the result we can see that there is almost uniformity between the causes of having a low application of CSR or not at all. Starting with the lack of government support where its role is perceived as promoter and facilitator and the mechanism that can invite and push companies in embracing CSR. There is also lack fund pacification for CSR practices or activities related to CSR. Lack of civil society and partners support are seen as secondary factors. Other obstacles are related to the competencies and capacities of companies in implementing CSR in their activities which is related to the lack of technical assistance.

*Relating to partners, government, civil society, etc., these are all actors that can help in sharing knowledge, raising awareness, supporting and promotion of CSR through CSR cases. Creating a network and being actively part of it shows a real engagement of CSR. In this*

regards, the graphic 5 shows the actors that these companies are collaborating with in the promotion of CSR and further.

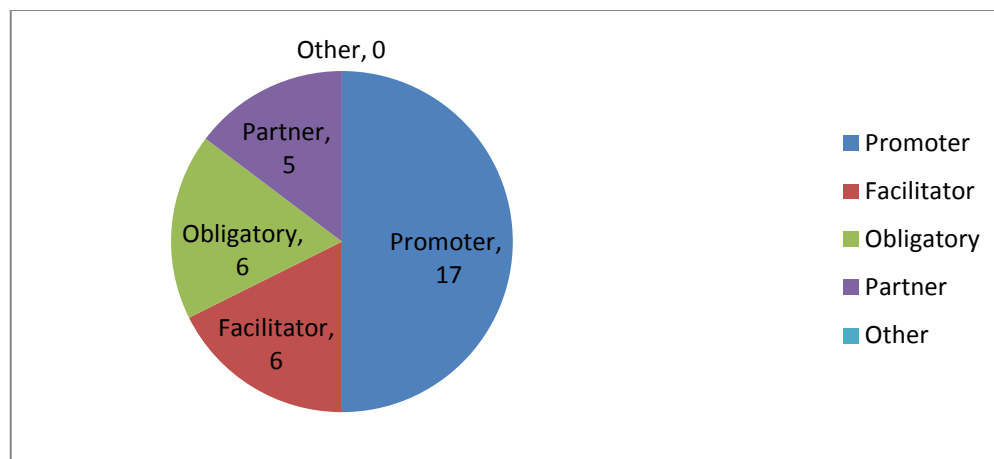


**Graphic 4**

With reference to graph.4, there is a predisposition in the business to have close collaboration with NGOs, civil society, partners, municipalities and governments and kind of similarity in the data. As we can see 9 respondents says that they have close collaboration with NGOs and also the same number of respondents have a close collaboration with civil society and following by the partners that are their network of CSR and municipalities and government. Municipalities are helpful in the application of local project that companies can initiate, especially international one. NGOs and companies have closer collaboration in more terms of donations, where companies give several donations in terms of community needs. Those companies that have an active engagement in CSR perceive government as the main partner of collaboration and the one to prepare the best environment for the best application of CSR. Municipalities are good partners in bringing together projects that will bring benefits to the communities. Business partners are an important element in creating a CSR network. Partners are seen as increasing competitive advantage and providing benefits in respect of human resources management.

*With reference to the collaboration between companies and several actors which we mentioned above it is significant to have an idea that what they, how they work together in applying the corporate social responsibility. Some of the examples are below:*

- Reconstruction of particular historical sites. This are basically initiatives of construction companies both private local and international.
- Raisin awareness for the community for different issues that are part of the all society through advertisement. This is typical for media local companies that have a close collaboration with NGOs in promoting several projects. They work closely to agree in a message that TV platform should broadcast. These collaborations bring together a better image for the company itself and bringing together a social liaison and raising awareness throughout the message.
- Investment in public sectors.
- Donations of school equipment such as computers.
- Donations for families in need (e.g. families of the fallen police officer).
- Green initiative. Planting trees in most needed areas.
- Close collaboration with NGOs for gender equal opportunities and diversity.



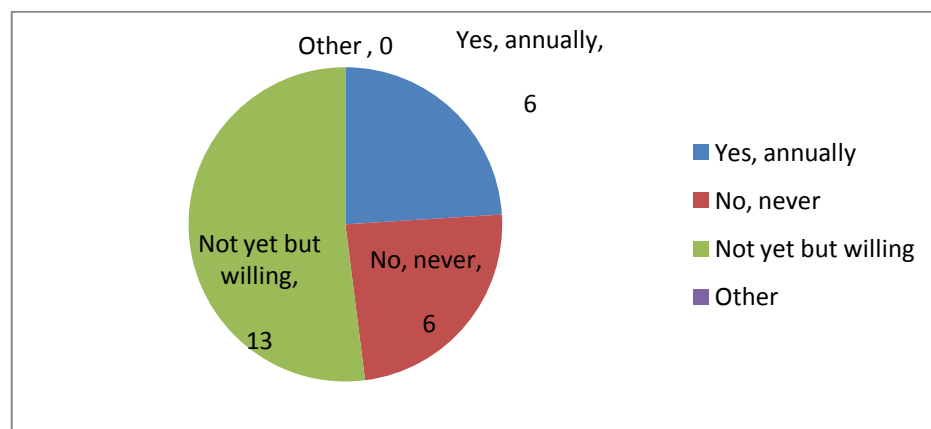
**Graphic 5**

*Government role has a high importance and significant for promoting and for serving as the main mechanism to bring all companies together in one big network. Of course several obligation are attributed which have already been specifically mentioned in the previous chapters. The graphic below shows how the companies perceive the role of government in the application of CSR.*

In accordance to the graph 5 (above the page) the role of the government should play in implementing CSR is a as a promoter. The majority sees the role of government as a promoter but then also as a facilitator, obligatory and partner. They share the ideas that government can serve as the main actor that can serve as a mechanism throughout the process of implementing CSR practices, starting with raising awareness and capacity building and helping in preparing the environment where CSR can be measured. It is interesting also to note the obligatory aspect of government as being difficult since in the poor political and economic environment people think that the government should increase company obligations towards CSR.

More and more today it proclaimed and in companies' interest to be transparent for the public, customers, employees and all the actors involved in their business.

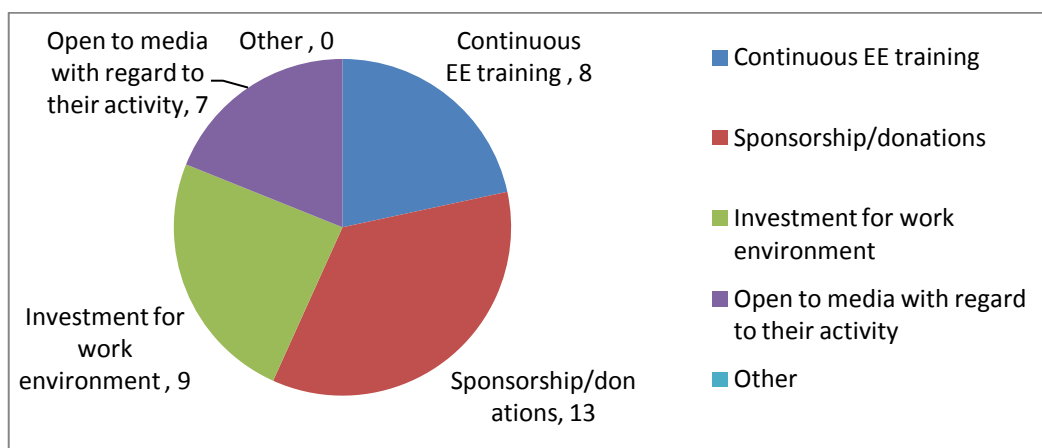
Below it is shown the graph on how the companies are opened and showing their reposting their activities regarding CSR. In this question the number of the respondent it is 25.



**Graphic 6**

The companies which are active in CSR practices also have in their own strategies the publication of annual reports where attention to customers, transparency, ongoing projects and new initiatives are all reflected. As we can see from graph 7 there is interest in report initiation but that is connected closely with the engagement of the company in the practices of CSR. The companies that have never had reports first need higher commitment to CSR practices, a better understanding and good partnership with the main actors, but these are still at discussion level as no initiative is planned in the near future.

*To have a better idea what activities do the companies findings are below:*



**Graphic 7**

Sponsorship and donations are the most common activities. A highest number of respondent have answered the donations and financial support. They do the donations on their own based activities or through the collaboration with Non Governmental Organizations that as was in the previous findings they collaborate together regarding this purpose. This number is followed by the investments at their own work which is basically based on the well maintenances of the equipments, computers, and the area of work.

## **5 Chapter 5 Conclusions and Recommendations**

### **5.1 Conclusions**

*The aims of this paper were set out as follows:*

- To evaluate to what extent Corporate Social Responsibility is applied in companies operating in Albania.
- To evaluate the impact that Corporate Social Responsibility has on the development of social communities and the environment in Albania.
- To identify the main partners and stakeholders that supports the implementation and practice of Corporate Social Responsibility.

*The main findings of this study are:*

*To evaluate to what extent Corporate Social Responsibility is applied in companies operating in Albania.*

The study found that a small number of companies that are actively pursuing CSR strategies. These companies also reported good practices in accordance with international standards of CSR as defined by EU authorities. The majority of companies reported no CSR activity and reasons for this were reported to be lack of support from government and lack of funds.

The banking and telecommunications sectors (comprising international companies) were found to be more actively involved in CSR than the construction sector (comprising local companies).

Responses to the survey showed that there is a distinct lack of strategic focus in many sectors where CSR is concerned. Related to this, there is poor knowledge and understanding about the benefits and methods of implementation of CSR strategies. This knowledge is often limited to traditional charitable and philanthropic activities carried out by companies.

*To evaluate the impact that Corporate Social Responsibility has on the development of social communities and the environment in Albania.*

Interviewees responded that they support partners such as NGOs who have direct influence in the communities and the ability to provide assistance where required. Other projects such as donations to schools and families as well as environmental projects positively influence the development of social communities and the environment.

CSR is primarily seen as an environmental care, social facilitator.

*To identify the main partners and stakeholders that supports the implementation and practice of Corporate Social Responsibility.*

Interviewees reported that, in their opinions, the main actors who help companies to implement and practice CSR are the government and partners of their own companies. Interviewees also reported that the government should be active in promoting CSR, but reported that in fact there is low government involvement in this regard.

In general, local government is active on environmental protection and provides assistance to vulnerable groups, but the survey found that there is a need to reinforce the law and business standards to ensure implementation of CSR strategies.

## **5.2 Hypothesis**

Furthermore, this thesis sought to test the hypothesis that “*companies in Albania have low levels of application and practice of Corporate Social Responsibility*”.

This study found that there is a lack of knowledge and understanding about the benefits to companies of CSR as well as the methods of implementation of CSR strategies. However, there is growing interest from companies in all sectors of the Albanian economy and a willingness to learn the principles and practice of CSR.

### **5.3 Recommendations**

The results of this thesis have highlighted that there is a need for Albanian companies to actively engage in dialogue with the societies in which they operate to better understand and meet their expectations for their communities. Only then will they be able to develop and integrate appropriate CSR strategies into the main operations of the business. Active application of CSR standards and strategies will help them to develop competitive advantage and achieve sustainable businesses.

Companies should further engage in dialogue with the Albanian government to lobby for appropriate legislation for standards, provision of funding and promotion of CSR information to spread knowledge of best practice in CSR and to lead the business community in their attempts to implement CSR to high standards. In turn, the government must dedicate resources to supporting business associations and professional organizations who promote understanding of CSR and who provide advisory services and research to the business community.

All members of the business community must broaden the CSR network amongst themselves to share information and knowledge. In particular, local companies who do not have access to the same sources as multi-national companies should approach the multi-national companies with a view to learning from their experiences and implementing similar strategies themselves. Companies who are currently leading the way in implementing CSR in Albania should make all attempts to publicize their knowledge and experience through annual reports, industry reports, specialized CSR reports and other forms of material. This will help to disseminate CSR knowledge throughout the economy and form a basis for future researchers and studies with the ultimate goal of improving CSR implementation in Albania.



## **Appendix 1 - APPROVAL FORMAT**

### **CORPORATE SOCIAL RESPONSIBILITY AND THEIR APPLICATION IN ALBANIA**

#### *The purpose of the thesis:*

- This thesis aims to assess the application of corporate social responsibility In Albania. Also, to identify the main stakeholders and partners that support in the implementation and practices of CSR.
- This thesis aims to provide a definition of corporate social responsibility and the existing theories regarding CSR. It will also provide important information about the impact of corporate social responsibility on employee health, social welfare and development of communities. With regard to these aims, your cooperation and collaboration with sharing your knowledge and experience is requested. This will represent an important contribution to all the conclusions and recommendations.

#### *Procedure of the interview:*

In this thesis the interviewer will conduct face to face interviews with participants from selected companies. The format of the interview will be available in advance for the participants and the duration will be 45 minutes.

#### *Risks and confidentiality:*

The thesis presents no risk to the participants. The true identity and the names of the participants will not be recognized, in this way protecting the anonymity of the participant included in the questionnaire.

#### *The rights of participants:*

Participation in this questionnaire is based on the principle of volunteering. The decision to participate will not affect your current relationship at work. Participants have the right to be informed whenever requested, about the progress and results of the thesis.

If you agree to participate in the questionnaire please fill in the following section. Your participation will be a great help in identifying and assessing the role of corporate social responsibility and its application in Albania.

.....

Participant (name / surname)

.....

Signature of participant

.....

Date

**Appendix 2 – QUESTIONNAIRE: CORPORATE SOCIAL RESPONSIBILITY AND THEIR APPLICATION IN ALBANIA**

**1. How do you understand the term Corporate Social Responsibility?**

- a. Economical benefit
- b. Environmental care
- c. Social beneficiary/facilitator
- d. Employee Care
- e. Philanthropy
- f. Anticorruption
- g. Other (please add your comment if it is not mentioned above)

**2. In your opinion at what level is your company active in applying Corporate Social Responsibility?**

- a. Active
- b. Somewhat / not much
- c. Not active, but interested to participate
- d. I do not know
- e. Other

*(If your answer is b or c, please answer question nr 3)*

**3. You said your company is not active in applying Corporate Social Responsibility, which is the main cause for that?**

- a. Lack of knowledge about CSR
- b. Lack of technical assistance for its implementation
- c. Lack of Civil Society support

- d. Lacking funds
- e. Lack of government support
- f. Lack of support from partners
- g. Other

**4. Does your company collaborate with the below actors in promoting CSR and with which of them:**

- a. Government
- b. Partners
- c. Civil Society
- d. NGOs (Non-governmental organizations)
- e. Municipalities

**5. Can you provide some examples on how your company works together with these actors in promoting CSR?**

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**6. In your opinion what is the role of government in the implementation of CSR?**

- a. Promoter
- b. Facilitator
- c. Obligatory
- d. Partner
- e. Other

**7. In your knowledge does your company publish reports which are related to CSR operations and achievements?**

- a. Yes, annually
- b. No, never
- c. Not yet, but interested
- d. Other

**8. In your knowledge, does your company provide some of the activities listed below:**

- a. Continuous employee trainings/work qualifications program
- b. Sponsorship/donation/financial support for those in need
- c. Investing for their work environment
- d. Open to media with regard to their activity
- e. Other

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## LIST OF PICTURES

Picture 1 Internal and external stakeholders

Picture 2 the top 20 Best Corporate Citizens

Picture 3 Sustainable development (SD) within, and across the three societal domains

## LIST OF TABLES

Table 1 Relationship between CSR and competitiveness

Table 2 Top ten companies according to the CSR Index

Table 3 Laws in Albania that can help in future enabling CSR

## LIST OF GRAPHICS

Based on questionnaire.

- Graphic 1** How do you understand the term Corporate Social Responsibility?
- Graphic 2** In your opinion at what level is your company active in applying Corporate Social Responsibility?
- Graphic 3** You said your company is not active in applying Corporate Social Responsibility, which is the main cause for that?
- Graphic 4** Does your company collaborate with the below actors in promoting CSR and with which of them:
- Graphic 5** In your opinion what is the role of government in the implementation of CSR?
- Graphic 6** In your knowledge does your company publish reports which are related to CSR operations and achievements?
- Graphic 7** In your knowledge, does your company provide some of the activities listed below: