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STAKEHOLDER MANAGEMENT IN SERBIA'S CSR PRACTICE

Upravljanje zainteresovanim stranama u praksi
društveno-odgovornog poslovanja u Srbiji

Abstract

The article tests the stakeholder management theory in the case of Serbia, a country where modern corporate social responsibility practice was introduced relatively recently, despite rich tradition of philanthropy. To validate the theory, we formulated three hypotheses, assuming that stakeholder management is predominantly used as a PR tool, that stronger corporate governance correlates with developed CSR function within the organisation and that regulated industries such as researched examples of construction and banking demonstrate more advanced stakeholder management. These hypotheses were examined against the available literature review and a comprehensive empirical study (desk research, online survey and in-depth interviews with business managers, compared with best European practice). We have shown that the financial sector places most emphasis on its customers, whilst the construction sector (cement industry) sets the local community and employees in the cornerstone of its business operations, in line with international practice. However, public relations or marketing sector are primarily engaged with stakeholders' relationship in Serbia from a company's image perspective, lacking understanding the stakeholder role in business performance improvement, which indicates a lower level of development and early stage in transition to best European union practices.

Key words: *stakeholders, corporate social responsibility (CSR), management, banking, construction (cement) industry*

Sažetak

U članku se istražuje primena teorije upravljanja zainteresovanim stranama u slučaju Srbije, u kojoj je praksa savremenog društveno-odgovornog poslovanja (DOP) nedavno uvedena, uprkos bogatoj tradiciji zadužbinarstva i dobročinstva. Radi provere teorije, utvrdili smo tri hipoteze, pretpostavljajući da se upravljanje zainteresovanim stranama kao deo DOP prevashodno koristi kao oruđe odnosa s javnošću, da kvalitet korporativnog upravljanja zavisi od funkcije DOP u organizaciji, kao i da u više uređenim industrijama kao što su građevina i bankarstvo postoji naprednije upravljanje zainteresovanim stranama. Hipoteze su ispitivane na osnovu raspoložive literature i sveobuhvatnog empirijskog istraživanja (kabinetsko istraživanje, anketiranje i dubinski intervjui poslovnih rukovodioca, upoređeni sa najboljom evropskom praksom). Ukazano je da finansijski sektor najviše pažnje poklanja klijentima, dok građevina (cementna industrija) u središte poslovanja stavlja zajednicu u kojoj posluje i svoje zaposlene, što odgovara i međunarodnoj praksi. Međutim, služba za odnose s javnošću ili marketinga prevashodno se bave odnosima sa zainteresovanim stranama u Srbiji, iz ugla slike preduzeća u javnosti, bez dovoljnog razumevanja uloge zainteresovanih strana u unapređenju poslovnog učinka preduzeća, što pokazuje niži stepen razvijenosti privrede i rani stepen tranzicije ka najboljim praksama Evropske unije.

Ključne reči: *zainteresovane strane, društveno-odgovorno poslovanje (DOP), upravljanje, bankarstvo, građevina (proizvodnja betona)*

Introduction

Our article tests the stakeholder management theory in the case of Serbia, a country where modern corporate social responsibility (CSR) management practice was introduced relatively recently despite rich tradition of philanthropy [69]. To validate the theory, we have formulated the following two hypotheses:

- H1: In transition economies with weak stakeholder management, CSR activities facilitate communication with stakeholders. However, this process is predominantly viewed as a public relations function rather than a means of improving a company's overall business performance and sustainability.
- H2: In regulated industries, dominated by multinational enterprises, such as the banking and cement industries, stakeholder management in the CSR context is more advanced.

These hypotheses are first contrasted against the relevant literature review and then empirically tested by means of a comprehensive, structured online survey of business leaders in Serbia, further validated by semi-structured in-depth interviews with top executives, as well as desk research of top three market players in banking and cement industries in Serbia, compared to Hungary, Slovenia (selected as countries from the region experiencing similar transition), as well as the European Union (EU) leaders (mainly coming from Western and Northern Europe).

The role of CSR in stakeholder management: From understanding to engagement

The origin of “stakeholder” in management literature can be traced back to 1963, when the word appeared in an international memorandum at the Stanford Research Institute defined as “those groups without whose support the organisation would cease to exist” [13, p. 174]. Consequently, *Freeman*, known as “the father of the stakeholder theory”, considered that the business objective should be to supplement the “general welfare” for many, individuals or groups, regardless of whether they are related [17], and hence the role of stakeholders was intertwined with their

ability “to affect or (be) affected by the achievement of the organization’s objectives,” which *Freeman* also termed as “Principle of Who or What Really Counts” [15, p. 411]. To this day, the concept has evolved and is now widely recognised as a pillar of an organisation’s effectiveness where “stakeholders play important roles as advocates, sponsors, partners and agents of change” [28, p. 2].

Besides *Freeman*, numerous other authors have discussed the concept of stakeholders, linking stakeholders to objectives and performance [31]; or organisation’s strategy [47]. *Post et al.* [50, p. 229] indicate stakeholders’ double function as beneficiaries and/or risk bearers: “The stakeholders in a corporation are the individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity by means of their activities, and that are therefore its potential beneficiaries and/or risk bearers.” *Clarkson* [8, p. 92] conceptualises stakeholders by their rights and interests: “Stakeholders are individuals or groups that have or demand ownership rights or interest in the corporation and its activities (past, present and future). The rights or interests are the results of transactions or actions undertaken by the corporation and they can be legal or moral, individual or collective.” *Mitchell et al.* [42] further derive a typology of stakeholders based on the attributes of power, legitimacy and urgency, while *Phillips* [49, p. 125] distinguishes between normatively legitimate stakeholders (those to whom an organization holds a moral obligation) and derivatively legitimate stakeholders (those whose stakeholder status is derived from their ability to affect the organization or its normatively legitimate stakeholders). These definitions have implications for stakeholder management [18] and developed in corporate practice, leading to International Finance Corporation definition of stakeholder engagement as “a means of describing a broader, more inclusive, and continuous process between a company and those potentially impacted that encompasses a range of activities and approaches, and spans the entire life of a project” [27]. As concluded by *Jeffery* [30, p. 8], “Organisations can no longer choose if they want to engage with stakeholders or not; the only decision they need to take is when and how successfully to engage.”

Stakeholders, whether active or passive, internal or external, primary, secondary or key, narrow and wide, are essential for the success of a company, a specific business project or activity [16]. Recognition and inclusion of stakeholders at an early stage of a project, or business goal can greatly decide the positive outcome, and ensure avoiding the relevant business risks. After analysing 400 strategic decisions, *Nutt* [46] demonstrated that half had 'failed' (status: not implemented, partially implemented, produced poor results) because decision makers miscarried to align them with the interests and information held by key stakeholders. Thus, *Freeman* [16] proposed that each company generate some type of a "generic stakeholder map" where stakeholders would be analysed and strategically determined according to their level of influence, which we took as a basis for our empirical research.

Stakeholder management is thus deemed an integral part of sound, responsible and sustainable business practice, and ISO 26000 [29], the Global Reporting Initiative [20] and Global Compact Communication on Progress [66] are using stakeholder mapping as one of core pillars in their reporting principles. Besides, recent research highlighted "the importance of greater alignment not only between the interests of stakeholders and those of managers in CSR departments, but also between stakeholders and business or operational units within the same organisations" [30, p. 20].

Importance of stakeholders in Serbia's business (and CSR) practice

Over the last decade, there has been significant progress in reporting and overall transparency of business activities of Serbian companies, which are publishing more information about the achieved financial and operating results, ownership and management structure, as well as results in the area of responsible business practice. At present, companies mainly communicate their CSR performance by means of official Internet presentations, press releases and other forms of media publicity [71]. CSR reporting is still rare; only around 20 companies use either the Global Reporting Principles (GRI), or the Global Compact Communication on Progress (GC COP), which

are not subject to external verification except in seven cases¹. These reports inevitably include an overview of a company's stakeholder management. Thus, the pressure exerted on Serbian companies by media, non-governmental organisations (NGOs), consumers, trade unions, investors and business partners as a reaction to socially irresponsible behaviour is still incomparably smaller compared to developed countries [72]. However, with the progress of the European Union (EU) accession process the expectations of stakeholders in Serbia towards CSR have also increased. Consequently, in February 2014 the "First Cross-sectoral Panel on CSR and the Role of Business Sector in the Society" was organized by the Business Leaders Forum, and attended by business executives, government officials and NGO representatives, aiming to discuss the importance of CSR for sustainable growth and European integration process. The Head of the European Union Delegation in Serbia, *H.E. Michael Davenport* then concluded, "EU will not impose any special standards regarding CSR, but it will certainly insist on general principles: obeying the law, respecting ethical, environmental, consumer rights... are goals to which the society should aspire. As Serbia makes progress in the accession process, Serbian companies will have to adapt to the way businesses are managed across Europe, and CSR is an integral part of this process" [61].

In our article, we will focus on companies from two industries: banking and the cement industry, which are subject to regulated product or service declaration and accountable advertisement, monitored by consumers' associations and exposed to media attention. They are also dominated by multinational companies, which generally bring more advanced business practices to transition economies.

Empirical study of businesses approach to stakeholder management

To test whether stakeholders are engaged in CSR activities in Serbia, and whether CSR is viewed as a PR tool or a means of improving a company's overall performance and sustainability, a comprehensive online survey with 92 business managers was conducted, followed by

1 Coca-Cola, Delta Holding, Erste Bank, Hemofarm, Holcim, NIS and Titan

individual, anonymous, in-depth interviews conducted with 10 Serbian top executives. These interviews were conducted between September 2013 and January 2014, with additional, comparative desk research undertaken until January 2015. Surveyed participants originated from successful Serbian companies, with emphasis on top exporters [53], companies awarded for CSR practice [64] and members of the Global Compact in Serbia [67] and/or Business Leaders Forum² [54]. The executives who participated in direct interviews were selected according to the company's successful market position, sound CSR practice and personal reputation (membership in leading business associations, personal philanthropic beliefs and media visibility), with a particular focus on representatives from banking and cement industries. The characteristics of the sample used in the online survey and the in-depth interviews, are presented below (see Table 1 and Table 2).

The survey questions were structured around the Global Reporting Initiative (GRI) criteria [20], focusing on stakeholder management as an integral part of sound, socially responsible business practice. The responses were close-ended and, when possible, scaled on 1-5 gradient to enable quantifiable measurement. A high, 92% of surveyed participants (see Figure 1) showed awareness of the importance of individual stakeholders, by identifying at least three different stakeholder groups. The majority (74%) highlighted the significance of consumers (clients, customers) for the success of their business activities, cognisant that without consumer acceptance, including alignment with sustainable consumption trends, their products/services would not have a market [40]. Secondly, significant importance was granted to the employees as core internal stakeholders – 61%, a positive finding for Serbia where close to 20% of citizens are unemployed [58].

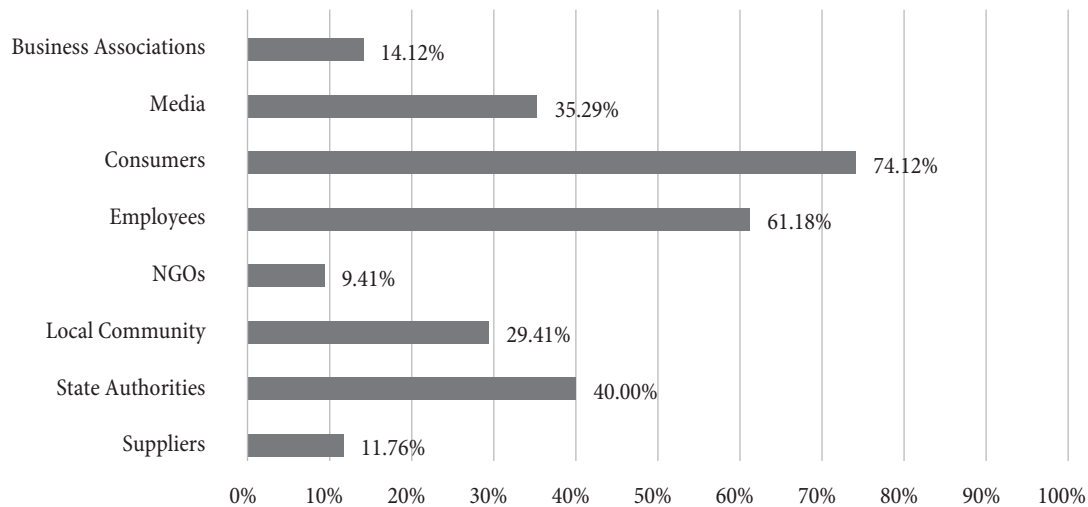
Table 1: Quantitative online survey (n = 92, business (usually mid-level) managers)

Industry	Manufacturing: 20% Service: 80%
Organizational form/size	Large companies: 46% Mid-size companies: 23% Small companies, business associations and NGOs: 31%
Employees	1- 200 employees: 53% 200-1000 employees: 21% Over 1000 employees: 26%
Ownership	Private, foreign capital: 58% Private, domestic capital: 31% State-owned: 11%
CSR awards	Yes: 48% No: 45% Do not know: 7%
Gender	Female: 57% Male: 43%

Table 2: Qualitative in-depth research (n = 10, top executives)

No.	Industry	Size	Employees	Ownership, Legal form	Gender
1.	Chairperson, Executive Board, Banking Industry	Large	1,500	Private, Foreign, Joint Stock Company	M
2.	Executive Board Member, Banking Industry	Large	510	Private, Domestic, Joint Stock Company	M
3.	Executive Board Member, Cement industry	Large	276	Private, Foreign, Limited Liability Company	F
4.	Executive Board Member, Cement industry	Large	275	Private, Foreign, Limited Liability Company	M
5.	Mayor, Municipality	195,000 citizens	171	State Municipality	M
6.	President of the Foundation, Media	Large	250/10	Private, Foreign, Non-profit	M
7.	CEO, Creative Industry	Medium	52	Private, Domestic, Limited Liability Company	M
8.	CEO, Medical Device Industry	Small	50	Private, Foreign rep. office	M
9.	CEO, Pharmaceutical Industry	Medium	600	Private, Foreign, Limited Liability Company	M
10.	CEO, Media and Publishing industry	Large	315	Private, Foreign, Limited Liability Company	F

2 Renamed into Responsible Business Forum (2015)

Figure 1: Selection of key stakeholders with impact on future business operations (up to 3 answers)

Source: Quantitative survey of Serbian business managers (n = 85; unit: %)

Greenwood [21] argued that act of labelling employees as stakeholders is more likely to serve the interest of the organisation rather than the interests of employees. We understand this to imply that a strategic view of employees as an asset contributes to advanced business practice and improved performance, expecting employees to gain additional significance in Serbia as the market develops. Thirdly, 40% of the participants noted the importance of government for their business, since unanticipated changes in the fiscal or monetary policy, legislation and overall business climate may jeopardise business operations and projected profitability. Highlighting importance of regulators was specific to the manufacturing sector, particularly medical devices, pharmacy, cement, beverage, tobacco industries, but also financial services. This was confirmed in qualitative, in-depth interviews. Nonetheless, overall importance of regulators is ranked relatively low, which is in line with other international studies [60]. Fourthly, about a third (35%) of business executives singled out the media as a key stakeholder that could influence the firm's reputation positively or adversely, known as "headline risk" [39]. Tabloidization, relatively non-transparent ownership structure and insufficiently profiled business journalism [10] render current media in Serbia capable to both enhance business reputation and destroy it overnight.

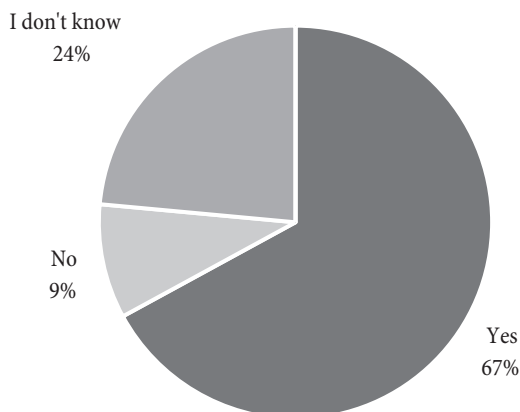
Yet, only a small number of participants recognised the importance of suppliers (12%) and the NGO sector (9%). Global corporate scandals, which escalated as a

result of poor supply chain practice³, or NGO pressure regarding non-ethical business behaviour (especially in the environmental area), are not a feature of the Serbian market, not due to lack of malpractice, but rather because of relatively weak advocacy capacities of the civil society, in combination with pressing economic problems burdening the citizens. On a positive note research has shown that responsible behaviour towards employees (human resources dimension) and towards customers and suppliers (business behaviour dimension) act as complementary inputs of financial performance, leading to mutual benefits and reduced conflict between those stakeholders [7]. Nonetheless, recent research also shows that even more regulated industries such as financial services institutions' have limited understanding on impact they could have by using their network of commercial clients to influence global sustainability, and that the relationship between the firm and its supply chain merits additional study [62].

As a confirmation of the previous finding, which treats consumers as the most important stakeholder group, 67% of business managers believe that their CSR activities matter to the buyers of products or services (see Figure 2). Academic survey results indicate that most consumers appreciate and either do or would reward firms that demonstrate sound CSR practice and/or offer sustainable products and services, such as fair-trade [43]. Consumers expect firms to protect the environment and

³ e.g. Enron, Nike, Bangladesh factory collapse

Figure 2: Question “Are your CSR activities important to consumers?”



Source: Quantitative survey of Serbian business managers (n = 85; unit: number and %)

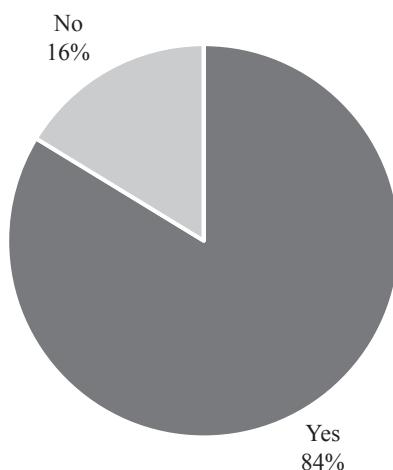
behave ethically, basing an increasing number of purchasing decisions on these factors (ibid).

However, in past research CSR in Serbia an important paradox was detected in surveyed citizens’ response [59]: “Business sector should inform the public about CSR activities, but shouldn’t communicate them further”. They later explain “CSR should not be advertised, i.e. the companies should not profit in that way, nor have direct gains, if it is considered as “real CSR”. However, companies are still expected to provide certain information about their actions”. On one hand, citizens desire to be informed, but they are also concerned that CSR activities may be misused as advertisement. The opinion of business managers is also divided with regard to this issue, although the majority supports communication; 84% of surveyed

business managers believe that their CSR activities should be communicated to the public, while only 14 participants are against it (see Figure 3).

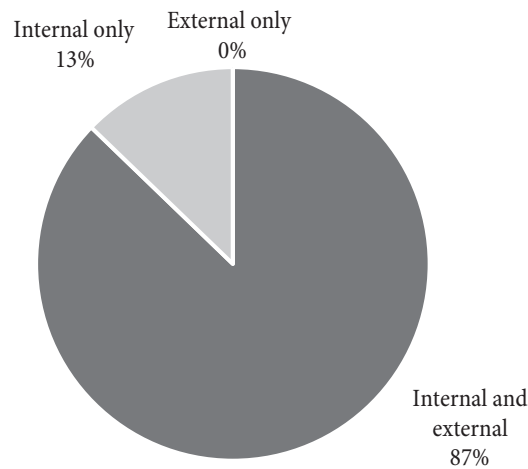
Amongst the surveyed business managers, an absolute majority (87%) considered it equally important to inform both the internal and the external public about the conducted CSR activities. Yet, a smaller share of just 13% considered the internal public (employees) as highly important stakeholders, which contrasts to 61% surveyed managers identifying employees among top three stakeholders (see Figure 4). Nonetheless, there is a growing awareness of the internal public, and the potential benefit from using CSR as a tool to attract, motivate and retain qualified workforce, transforming them into “brand ambassadors”, or valuable human resources (HR) tool

Figure 3: Question “Should CSR be communicated to the public?”



Source: Quantitative survey of Serbian business managers (n = 86; unit: number and %)

Figure 4: Question “Should CSR be communicated to the external public, internal public, or both?”



Source: Quantitative survey of Serbian business managers (n = 86; unit: %)

[9]. Indeed, none of the participants believed that CSR activities should be communicated towards external public only, implying understanding that CSR is not exclusively an external PR tool.

In line with the results of the online business survey, directly interviewed top business executives granted most significance to the consumers. Majority (60%) believes that they must fully shape their product/service offerings in accordance with customer needs, in order to ensure long-term sustainability, threatened by purchasing power decrease, low barriers to entry and fierce competition in certain sectors. Moreover, as members of top management, exposed to media attention, they also underscored the role of media in shaping a company's reputation (50%) despite awareness of limited participation and interest of the media in informing the public about good CSR practices and their outcomes, confirmed also by past research on philanthropy in Serbia [3]. Multinational corporations' executives with local production presence, led by cement industry representatives, all agreed that successful business relies on strong local community, and that they should develop together. Moreover, employees, media and local community are the top three ranked categories for these executives. 40% of executives also cited shareholders as important internal stakeholders, as well as executive managers who “should create a balance between shareholders and stakeholders, design a strategy which will bring added value to the company, so that owners wouldn't treat CSR as expense, but rather as a gain. CSR

should be incorporated in the management education process” (President of the Media Foundation). The local community and Government/regulatory bodies are viewed as equally important stakeholders by 40% of interviewed executives. Employees were ranked as important only by 30% of executives (cement industry included) which contrasts to online survey findings where mid-level managers valued more highly the importance of employees (61%). Therefore, we can conclude that mid-level management is closer and more sensible to the employees' concerns and role in business development. None of the interviewed executives mentioned the suppliers, calling attention to the fact that this question, highly pertinent at the global level, has not yet reached the same level of significance in Serbia, where supply chain responsibility is often reduced to basic fulfilment of contractual obligations. A municipality president deduced that it is important for management that “channels for communication with stakeholders are carefully selected, as you cannot conduct an identical dialogue with everyone”. Stakeholder dialogue is an important source of information that improves dealings and results, creates legitimacy for business decisions; in turn, for stakeholders it represents an opportunity to raise important questions about their concerns and expectations, and possibly participate in decision-making. With the aim of implementing a quality, two-way, continuous dialogue, companies often use a dedicated communication plan, where the level of the dialogue, model and intensity depends on the levels of influence of specific stakeholders and their

organisational forms [11]. Amongst surveyed executives, such an advanced form of stakeholder relationship was highlighted by representatives of the cement industry: “Our Community Advisory Panel consists of local decision makers and NGOs, which are surveyed annually about our relationship, with the aim of defining areas of additional focus and/or needs for improvement”.

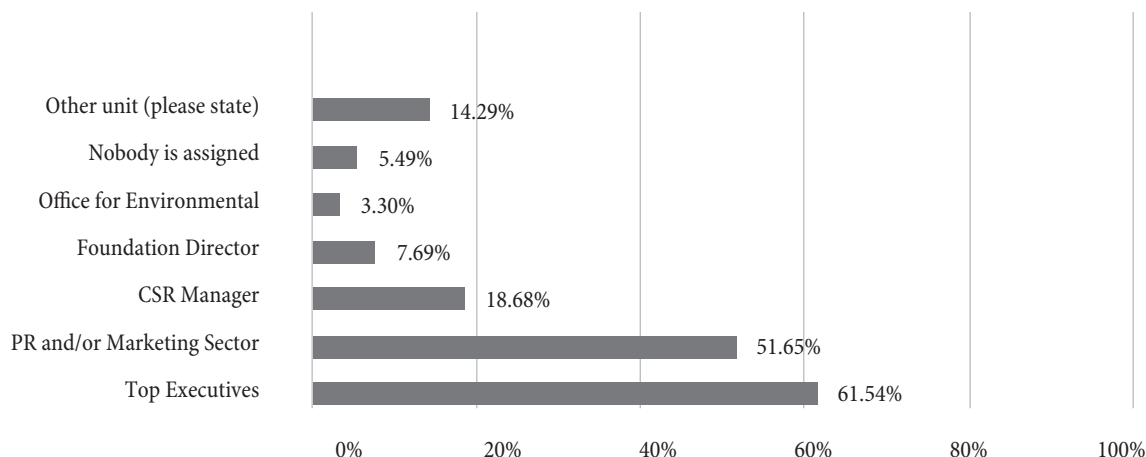
CSR function within Serbian companies compared to EU practice

According to the database of good CSR practices in Serbia [34] and analysis of companies’ official Internet presentations, only a few companies in Serbia employ CSR managers; in some, the HR Department or Regulatory Affairs Office or Charity Foundation Director performs this function, whilst the majority of companies have assigned CSR to the PR and/or marketing sector. In the course of research, we also observed that several large companies have a CSR-dedicated web page with general information, but without noting the responsible contact person/unit. Some companies cite the contracted PR agency, or head-office as responsible for CSR. This is confirmed in our business survey, with 52% of participating managers stating that the PR and/or marketing department predominantly takes care of individual CSR projects and actions (see Figure 5).

This implies that Serbian companies still principally regard CSR as a PR tool that could improve their public

reputation, as well as the brand value and attributes [41]. A fifth (20%) of the business survey participants confirmed that their company employs a CSR manager, which implies a more systematic, strategic CSR approach and practice exceeding occasional charity activities. An additional 8% of companies have established a charity foundation for CSR activities, which entitles them to certain tax incentives or work with the NGO sector to manage their CSR activities in a transparent and institutionalised manner [52], [65]. Nonetheless, since the survey was geared toward leading companies with more advanced business practices, this number should be highly discounted for a more general outlook on private sector CSR practice in Serbia. The study of banking and cement industry practice demonstrates that in these industries CSR is managed by the corporate communications sector, albeit by a specific employee fully dedicated to CSR activities and reporting. Moreover, specially structured “CSR Committees” have recently been introduced in the cement industry, composing of top management, and dealing with strategic issues (noted under “Other unit” in Figure 5). This novelty in approach represents a leap to more strategic use of CSR and could serve as an example of a good practice introduced to the Serbian market. Our findings support the value-enhancement hypothesis [6] and are consistent with the premise that the top management in controversial industries generally considers social responsibility to be important although their products are harmful to health, society, or environment.

Figure 5: Question “Which company unit is in charge of CSR activities and strategy?” (up to two answers)



Source: Quantitative survey of Serbian business managers (n = 91; unit: %)

Stakeholder / CSR management in banking and cement industries

The countries of Serbia, Hungary and Slovenia have been selected for comparison on basis of regional and market transition similarities, and further compared to leaders in the European Union CSR practice. Market leaders in

banking and cement industries were identified and screened by means of a comprehensive analysis of official Internet presentations (section relating to CSR/Sustainability) and available annual CSR / Sustainability reports in the period between November 2014 and January 2015 (see Table 3 and Table 4).

Table 3: Top 3 banks in Serbia, Hungary, Slovenia and EU (Western Europe): Overview of main shareholders, CSR management and CSR reporting

Banking Industry	Key stakeholder(s)	CSR managed by:	CSR reporting
Serbia (aggregate results)	Customers	PR/Marketing Sector, with dedicated person	Yes, in accordance to GRI and/or UN GC COP, without external verification
1.Banca Intesa [1]	Customers, Employees, Suppliers	Media Relations Manager	Yes, Sustainability Report: GRI/B level, not externally verified
2.Komercijalna banka [33]	Customers (charity, art)	PR	Yes, UN Global Compact COP
3.Unicredit bank [68]	Customers (Social Entrepreneurship)	Communications	Not on local level, Unidea Foundation on Group level
Hungary (aggregate results)	Customers, and to extent Community	PR/Marketing, with dedicated person	Yes, in accordance to GRI principles
1.OTP Bank [48]	Customers, Employees	Marketing Directorate, with designated manager responsible for CSR	Yes, Corporate Social Responsibility Report: GRI/B+, externally verified
2.Erste Bank [14]	Customers (Financial education, Charity, Culture)	PR	No, dedicated section within Annual Report
3.K&H Group [32]	Customers (Sports, Children Healthcare), Employees, Community (Environment)	Communications with dedicated CSR manager and CSR Steering Committee (CSRSC)	Yes, K&H Sustainability Report: GRI:G3, not externally verified
Slovenia (aggregate results)	Customers, Employees and to extent Community	PR	No, but dedicated section in Annual Report
1.NLB [44]	Employees, Community (Culture, Environment, Sports), Customers	Corporate Communications	Yes, Annual Report Social responsibility of the NLB Group based on GRI principles, without external verification
2.Nova KBM [45]	Employees, Community (Environment), Customers (financial literacy)	PR	No, dedicated section in Annual Report
3.SID Bank [57]	Customers, Employees	Communications	No, dedicated section within Annual Report
Western Europe [2]	Community	CSR Department	Yes
1.HSBC [26]	Community (Environment), Customers (Equator principles, Risk), Employees	Global Corporate Sustainability Division	Yes, Sustainability Report enclosed with Annual Report, with limited external verification (Equator Principles, CO2 emission)
2.Santander Bank [56]	Community (Environment), Customers, Shareholders/ Investors	Sustainability Committee, Sustainability Director, part of communications, corporate marketing, research division	Yes, Sustainability Report, GRI/A+, with external verification
3.BNP Paribas [5]	Customers, Community (Exclusion, Education, Culture, Climate Change), Employees	Corporate Social Responsibility Department	Yes, GRI/A, with external verification

Table 4: Top 2 cement industries (plants) in Serbia, Hungary, Slovenia and EU (Western Europe): Overview of main shareholders, CSR management and CSR reporting

Cement Industry	Key stakeholder(s)	CSR managed by	CSR reporting
Serbia (aggregate results)	Community	PR / Marketing	Yes, Sustainability Reports
1.Holcim* [25]	Local Community (Community Advisory Panels, Stakeholder Engagement Scorecard, Environment), Employees	Communications (dedicated employee for CSR) and CSR Committee	Yes, Sustainability Report, GRI: B+, externally verified (for 2012), for 2013 – only CSR report
2.Lafarge [38]	Local Community (Beocin Business park, Environment), Employees (safety at work)	Communications	No
3.Titan [63]	Local Community (Our community, our responsibility stakeholder dialogue, Environment), Employees	CSR Manager	Yes, Sustainability report, GRI: A+, externally verified
Hungary (aggregate results)	Local Community	PR	Yes, Sustainability reports
1.Duna-Dráva Cement/ Heidelberg Cement [12]	Local Community (Environment), Employees	Communications	Yes, Sustainability report without external verification
2.Holcim Hongária [24]	Local community (Community Advisory Panel), NGOs, Employees	Communications, Holcim Hungária Home Foundation	Yes, Sustainable development report, GRI: B, not externally verified
3.Lafarge Cement Hungary – Királyegyháza [36]	Local community (Environment)	Marketing Communications	Yes, without external verification
Slovenia (aggregate results)	Local community	n/a	No
1.Salonit Anhovo – Deskle [55]	Local community, Employees	n/a	No
2.Lafarge Cement - Cementarna Trbovlje [37]	Local community	n/a	No
Leading EU/Western Europe-headquartered cement companies (aggregate results) [19]	Local community	PR	Yes, GRI of highest mark, with external verification
1.Lafarge [35]	Local community (Stakeholder panels), NGOs, Employees	Lafarge Group Communications, Sustainable Development & Public Affairs, Senior Vice President Sustainable Development and Public Affairs	Yes, Sustainability Report, GRI: A+, externally verified
2.Holcim [23]	Employees (Occupational Health, Safety), Local community (CO2 emission, Community Engagement Plan, Community Advisory Panels)	Corporate Communications, Foundation for Sustainable Construction	Yes, GRI: A+, externally verified
3.Heidelberg Cement [22]	Local community (Community advisory panels), Employees	Group Communication	Yes, Sustainability report, GRI: A+, limited external verification on CO ₂ , health and safety

* Holcim and Lafarge announced merger on global level

Conclusions

Study of stakeholder management is significant from economic development perspective since it reflects the transition to modern market standards and a higher level of economic governance [4], which is why the European

Union as a policy maker, as well as the academic community, has become increasingly involved in this area. In our study, the cases of strategically planned and developed CSR based on stakeholder relations and engagement, which were the subject of research of Hypothesis 1 are still rare in Serbia, confirming that CSR is still primarily

viewed as a CSR tool with limited understanding of its role in stakeholder management and business strategy. Consequently, it is unsurprising to observe that implementation of CSR activities is the predominant task of the PR and/or marketing sector. Our findings also indicate a potential for CSR to be developed from charity and/or marketing to a management tool, where CSR would be defined in relation to key stakeholders and integrated in core business activity [70]. This conclusion is supported by a high awareness of surveyed business managers and executives with regard to importance of various stakeholders, though there are differing views by mid-level managers and executives relating to significance of employees as stakeholders, while all identify customers, government/regulator, media and local community as key stakeholders. Executives, understandably, find regulatory bodies to be a strongly relevant stakeholder, while suppliers tend to be undervalued, indicating a lower level of market development in Serbia.

Our research, including an in-depth study of banking and cement industries, demonstrates both an advancement of CSR practice in more regulated industries where multinational enterprises dominate, and certain sector variations in terms of stakeholder focus. The cement industry in particular has introduced more advanced CSR practices and engaged the community in Serbia (with a focus on environmental protection and local stakeholder engagement panels), while the banking industry compared to peers in the region and the leading EU countries pays less attention to employees, implying a need for a greater involvement of human resource managers in CSR activities. According to an international study, the businesses generally expect CSR to be mostly managed by HR in the future [51], as this ensures that CSR can become the organisation's core activity and employees the company's "brand ambassadors". With the same aim, CSR accomplishments ought to be examined in the executives' annual performance evaluation, and CSR activities listed in scope of work, in order to ensure its place on executives' agendas.

CSR is globally underdeveloped and insufficiently exploited to improve a company's core business by means of a more quality stakeholder engagement as suggested

by the presented literature findings, and therefore it is even more challenging for a less developed economy to advance its business practice in this regard. We therefore conclude with recommendations for companies operating in a transition environment such as Serbia:

- Corporate (and CSR) strategy should be structured and adjusted based on mapping, engagement and dialogue with key stakeholders, as a crucial factor of credibility and success;
- In addition to complying with a legal obligation of issuing annual reports and/or financial statements, companies should also report on CSR/sustainability. Reporting in accordance to GRI and/or Global Compact Communication on Progress (GC COP) criteria provides a broader and more transparent picture of the company, further engaging stakeholders;
- Companies should not expect that customers will recognise and value responsible business practices, but rather focus on sustainable products/services, which will introduce new customer groups, or penetrate to market niches. Thus, it is necessary continuously to work on improving customer communication channels, by enhancing the level of information and knowledge, and using complaints as valuable tools for business improvements. Consequently, the media should be educated and channelled to report on good practices and not only mispractice of companies;
- Using CSR as a tool to engage employees and attract/retain qualified workforce is an untapped resource and should be paid more attention;
- Similarly, supply chain management needs to be improved to achieve business success in the mid and long-term.

The suggested policies could be further assessed for impact, which may lead to additional fine-tuning. Future studies may also be able to find ways to overcome the current limitations faced by our research, including unclear governance structure in terms of CSR responsibility within the organization, with some companies and/or managers considering this to be part of PR, marketing, HR, operations, or even finance functions, and hence resulting in a somewhat subjective choice of interviewees in empirical research. One should also bear in mind the

generally socially acceptable attitude of interviewees leading to declarative commitments of executives towards CSR, which calls for a more reserved analysis of their statements. Furthermore, valuable sources such as CSR reports are still relatively rare, with local subsidiaries of multinational companies increasingly relying upon the head office to publish just one, high level report. Additional comparative studies may be particularly useful to verify findings and allow for more consistent conclusions drawn across countries and/or industries.

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