Vuk Raicevic', Rade Glomazic² BUSINESS-NGO PARTNERSHIPS FOR SUSTAINABLE DEVELOPMENT OF POLITICAL AND LEGAL ENVIRONMENT OF SERBIA

The past decade has witnessed a rise of corporate social responsibility (CSR), the globalisation of business, and a revolution in information and communication technologies. This has led to the establishment of new networks between public and private sectors, and the redefining of traditional roles and expectations of governments, business, and the civil society. Partnerships have emerged as the new approach to business: using the skills of business, the capital of philanthropy, and the marketplace rigor, partnerships develop and deliver system-changing solutions. We look at partnerships in the pursuit of sustainable development, with a focus on NGOs and the corporate sector in Serbia and provide recommendations for creating a partnership-enabling environment. Keywords: corporate social responsibility; sustainable development; partnership; code of conduct; NGO.

Вук Раїчевич, Раде Гломажич ВЗАЄМОДІЯ БІЗНЕСУ ТА НЕПРИБУТКОВОГО СЕКТОРУ У ГАЛУЗІ СТІЙКОГО РОЗВИТКУ: ПОЛІТИКО-ЗАКОНОДАВЧІЙ КОНТЕКСТ СЕРБІЇ

У статті показано, як в останнє десятиліття розвивалась концепція корпоративної соціальної відповідальності (КСВ) у контексті глобалізації бізнесу та революції у сфері інформаційно-комунікаційних технологій. Нове середовище призвело до встановлення нових форм взаємовідносин між державним та приватним секторами, ролі держави, бізнесу та суспільства було суттєво переглянуто. Партнерства стали новим підходом до бізнесу: навички ведення бізнесу у поєднанні з капіталом філантропів та динамічними ринковими змінами призвели до кардинальних системних змін у функціонуванні держави та суспільства. Акцент у дослідженні зроблено на партнерствах, спрямованих на стійкий розвиток, зокрема, на взаємодії неприбуткових організацій та корпорацій у Сербії. Надано рекомендації щодо формування сприятливого середовища для подальшого розвитку такого співробітництва. Ключові слова: корпоративна соціальна відповідальність; стійкий розвиток; партнерство; кодекс корпоративної етики; неприбуткові організації. **Рис. 3. Літ. 19.**

Вук Раичевич, Раде Гломажич ВЗАИМОДЕЙСТВИЕ БИЗНЕСА И НЕПРИБЫЛЬНОГО СЕКТОРА В СФЕРЕ УСТОЙЧИВОГО РАЗВИТИЯ: ПОЛИТИКО-ЗАКОНОДАТЕЛЬНЫЙ КОНТЕКСТ СЕРБИИ

В статье показано, как в последнее десятилетие развивалась концепция корпоративной социальной ответственности (КСО) в контексте глобализации бизнеса и революции в сфере информационно-коммуникационных технологий. Новая среда привела к установлению новых форм взаимоотношений между государственным и частным секторами, роли государства, бизнеса и общества были существенно пересмотрены. Партнерства стали новым подходом к бизнесу: навыки ведения бизнеса в сочетании с капиталом филантропов и динамичностью рыночных изменений привели к кардинальным системным изменениям в функционировании государства и общества. Акцент в исследовании сделан на партнёрствах, направленных на устойчивое развитие, в частности,

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на взаимодействии неприбыльных организаций и корпораций в Сербии. Даны рекомендации по формированию благоприятной среды для дальнейшего развития такого сотрудничества. Ключевые слова: корпоративная социальная ответственность; устойчивое развитие; партнёрство; кодекс корпоративной этики; неприбыльные организации.

1. Introducing partnership for sustainability

The concept of sustainability is traded as if at a "global exchange market", where opinions and practices on which option or policy is appropriate are confronted. The prevailing opinion is that the current economic model is unsustainable. Although sustainable development as a common orientation is under question, the strategies for achieving it differ among the key players due to existing leverage differences in available capacity to tackle the myriad of challenges ahead. Being a driving economic force (even more influential than governments), the role of contemporary business is of a special significance. The basic component of all democratic societies today is reflected in increasing the responsibility for development. In this context, it is appropriate to speak of events spanning the past 30 years, and monitor strictly the events in the area of quality improvement, under the influence of general management changes in the world, i.e. transfer of social responsibility with the exclusive interests of owners, shareholders and broader influence of various individuals and informal groups, which could influence decisions and actions of companies. From this perspective, social responsibility can be viewed as an obligation of an organisation to solve problems and take measures to promote best interests of society and organisations.

Partnership for sustainability is one of the key strategies of collaboration with a corporate sector; it is also increasingly recognized that the corporate sector can play an important role in promoting and protecting human and community development issues. Over time it has become obvious that a single sector approach in resolving issues has failed to deliver the best results, primarily as each sector has limited human and financial resources, but also due to competitive nature of stakeholders involved. Neither public, nor private sector alone, can be held individually responsible for not resolving problems or setting social agendas (Juniper, Moore, 2003). In 1992 the UN Conference on Environment and Development (the Rio Earth Summit) placed partnerships between governments, private sector and civil society as a central issue in achieving global sustainable development. Ros Tennyson in "Partnering Toolbook" (2004) asserts that "only with comprehensive and widespread cross-sector collaboration can we ensure that sustainable development initiatives are imaginative, coherent and integrated enough to tackle the most intractable problems". At the World Economic Forum in 1999, the UN Secretary-General, Kofi Annan, presented the UN Global Compact that encourages business to engage in cross-sector partnerships with the public sector and civil society in order to promote development. At the World Summit on Sustainable Development in Johannesburg (2002) the need for and the importance of collaborative alliances between the 3 sectors was highlighted further. Partnerships as a new approach to development were put very high on the agenda.

The Council of Europe established the principle of partnership as one of the requirements for accessing structural EU funds.

Cross-sector partnership opens up possibilities for introducing new concepts, especially in the area of CSR and sustainable development which are, for most stake-

АКТУАЛЬНІ ПРОБЛЕМИ ЕКОНОМІКИ №6(156), 2014

holders and companies in the region, quite novel and not recognized as a development option with a business potential.



United Nations (UN) as a main developmental force believes that partnerships and participation are critical for delivering development results. The UN definition of partnership is that they: are voluntary and collaborative relationships among various parties, both public and non-public, in which all participants agree to work together to achieve a common purpose or undertake a specific task and, as mutually agreed, to share risks, responsibilities, resources and benefits. The basic concept of partnership is simple and straightforward: in identifying common ground between private, nonprofit and public sectors and to combine skills and expertise of private sector with public sector's legitimacy and knowledge of development issues. The traditional partnership of non-governmental organisations (NGOs) and corporate sector usually consists of investments in policies and programs carried by the NGOs. But, there is a growing number of companies interested in broadening their partnership with NGOs and this involves a desire to be included in designing, implementation and monitoring of programs that they are part of. Their involvement means introducing possible innovations. Innovation is not possible without partnership. More inclusive steps in the direction of partnership are necessary, based on the joint analysis of the expected impact of business on developmental activities.

1.2. Barriers and opportunities. One of the main barriers for NGOs in implementation of partnerships for sustainable development is the saturation of Serbian corporate sector with different initiatives demanding contribution and financial support. Another barrier is the recent financial crisis that has had as a direct consequence on many companies' budgetary limits for this and similar activities. There are also other factors connected with the financial crisis reflected in psychological forces such as fear of economic recession etc. Another barrier for implementation is the inadequate capacity of NGOs and public administration for the creation and subsequent maintaining of partnerships with corporate sector, inadequate policies, and a less than stimulating legal environment for businesses to become active in social sustainability projects. Furthermore, apart from this disabling legal environment and lack of capacity, one of the obstacles for the creation of successful cross-sector partnerships are existing prejudices and stereotypes envisaged by the 3 sectors (public, private and non-profit) regarding each other, and also an inherited organisational culture. Lastly, as a problem for implementation, there is a lack of commitment among key stakeholders to seriously continue developing and working on the new paradigm of cooperation. Partnership for sustainable development is a mechanism that creates opportunities for participation at all levels. As such, these partnerships have a potential for empowerment. They can ideally attract all stakeholders and all citizens and through them harness human and other resources that are simply not accessible otherwise.

2. Rationale based on theoretical analysis

The "Brundtland Report" definition – shown below – has been the most frequently quoted definition since 1987 when the world community met to formulate the concept of sustainable development:

"Sustainable development is...development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

Sustainable development is a process that requires agreement on the balance between different processes of development: economic, community and environmental. Importance of maintaining balances is evident around the world. For example, if local water supply is inadequate (process of economic development), if water is not chemically and bacteriological acceptable (environmental development), and if it is not available to all residents (community development), then the quality of life and attractiveness of a community decline. Harmonising different interests of business, environment and community requires partnership. Partnership necessity can be seen particularly under today's rapid urbanisation and globalisation. Local communities face pressures today making it increasingly difficult for isolated efforts of individual institutions to develop and maintain development. Traditional roles of services are changing rapidly because of growing fiscal constraints, constitutional decisions and legal changes, dwindling resources, environmental demands, global economy and market liberalisation, changed values and new social norms, and urban demographic pressures (Milutinovic, 2006). Important is acknowledging that these are potential reasons for corporate sector action notably in local communities. Partnership is a model for vast administrative organisations to respond positively to changed external circumstances, which requires business. Critically important is to emphasise the extent to which partnerships marginalise more radical possibilities by setting agendas of what public can "think is possible" and not what is really possible to do (Atkinson, 1999). Strategy involves public economic, social and environmental priorities, identifies relations among them, and solves mutual questions in a synergistic, coordinated and balanced way. It is clear that formulated coherent objectives are more easily reached by alliances. Synchronised activities are both the premium task and the premium task-reaching tool. The concept of synchronised activities means a qualitative step forward to strategic approach, because it is the best possible way of managing a network of sectors and their capacities (SEED Initiative, 2009; Tennyson, 2004; Wilcox, 2004). This is a basic rationale for partnership goals.

If today the concept of sustainable development is a means to overcome mutually intertwined and connected problems at the global level, then the 3 main implementing elements are code of conduct, social responsibility and partnerships. The balance of relations between economy, society and environment, 3 fundamental pillars of sustainable development (Adams, 2006), cannot be achieved without a balance between implementation mechanisms. Solutions to one problem can make another problem worse. Any compromise would mean gambling without foresight with what remains of society's global capital. If economy, society and environment are regarded as the 3 forms of capital – economic, social and natural (Figure 1), then the method of their sustainable management resides in a symbioses of socially responsible behaviour, codes of conduct and partnerships.



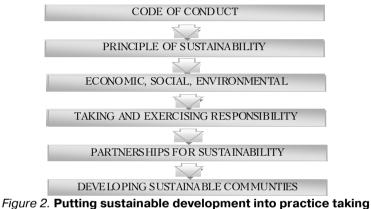
Figure 1. Sustainable development represented as 3 interconnected types of capital, the emphasis is on the linkages between economy, society and environment (Adams, 2006)

Codes of conduct are founded by ethics. Ethics should be observed as the tool for creating the best possible conditions. If conditions are widely considered as the destiny of the society, then expectations experience the Malthusian growth. The central place of today's applied ethics is the idea of social responsibility and its prevailing module – corporate social responsibility (due to the increased powers of companies in the last decades). The virtue of this notion is that it significantly expands the focus of corporate citizenship, without losing insight in distinct virtues. By including social postulates of sustainable development into the spheres of stakeholders' interest, this postulate gains its importance as it becomes an institutionalised way of placing expectations of civil society upon business. Corporate sustainability implies a conduct of business that combines financial, social, ethical and natural aims (Elkington, 1998). Realisation of merely financial aims will not create conditions for sustainable human growth, social justice, equality in distribution of common natural and produced goods of the world, and ultimately, in the wellbeing of individuals. The need for an active role in sustainable development of private actors was explicitly stressed at the World Summit on Sustainable Development (Johannesburg, 2002).

Civil society has a new role as a "corrector" of business sector in achieving a consensus on all encompassing objectives. The role has strengthened with globalisation, and has become the last complementary element needed for realising the concepts of partnerships. The importance of cross-sector partnerships was also recognized at the World Summit on Sustainable Development and seen as its key outcome (Witte, Benner, 2003). Sustainable development is an ambitious objective, practically impossible to achieve, without the activation of all players with vested interest in a sector (Juniper, Moore, 2003). The obstacles are numerous and previously confronted sectors realise the necessity of common work and collaboration. Dialogue is expanding and partnerships are being formed. The shift towards a more sustainable society presents a major challenge for single actors in each of the 3 sectors.

Continuing discussions about the interplay of the 3 sectors in changing the current system raise questions about weaknesses to be addressed in order to realise substantial changes. Inclusion of sustainability in development processes is hindered by lack of understanding, differences between theory and practice, lack of political commitment, importance of value, ignoring the values, ignoring the dimension of time and complexities of decentralisation (Glomazic, 2010).

This leads towards partnerships as the best mechanism of immediate expansion of influence on society to endorse this principle. In order to reach the planned outcomes, partnerships have to be formed between different sectors: government, private sector and civil society. This form of the structure of partnerships generates the best use of resources of all the involved in order to then have their partner action turn the quantification of these resources and objectives into qualified solved problems (Wilcox, 2004). The effects of this holistic approach are long-term.



the responsibility flow, developed by the authors

As a conclusion, the theoretical framework – taking the responsibility flow – can be created (Figure 2) with the key elements to attain sustainable development. First in the chain is Code of Conduct that incorporates high ethical principles such as: human rights, antidiscriminatory behaviour and commitment to social and environmental principles of sustainable development. It is a formal expression of values and best practices that should be taken to achieve sustainability goals.

Led by a code of conduct, responsibilities are accepted and put into practice. A key element in the ultimate implementation of sustainable development are partnerships, because only through partnerships sustainability is treated with the holistic approach, that provides general solutions for the problems of sustainability and only through partnerships, is it seen to achieve sustainable development.

3. Business case analysis

3.1. Research purpose. For a decade NGOs have worked closely with the corporate sector in Serbia. In recent times this work has grown rapidly and is central in designing and implementing programs and project activities. There has been, however, a need to scan and systematise realised corporate partnerships, to obtain a valuable overview of effectiveness and receive feedback how to improve cooperation and offer tailor-made and customized social sustainability programmes for the future.

3.2. Research design. In "The Guide to Effective Participation" (1994) Wilcox recommended a questionnaire study and/or indepth discussion groups as an excellent way to start and advance partnership development. This was therefore why a corporate survey was used as a basis for our evaluative and explorative research on sustainability.

The survey utilised a questionnaire and interviews as data gathering tools.

Descriptive analysis is used to produce a situation analysis. Outcomes of the survey are presented as descriptive statistics.

The questionnaire was organised in 3 sections with the purpose to explore and assess the current and future levels of company's commitment to:

- Corporate Social Responsibility
- Code of Conduct
- Cooperation and Partnership

20 leading Serbian companies, the winners of the National Award for Corporate Social Responsibility, participated, 10 being NGOs actively working on cross-sector partnership programmes and 10 – who didn't have any collaboration with NGOs to date, but NGOs regards them as potential partners. Companies are relatively equal in their representation regarding size and importance for Serbian economy.

3.3. Research findings and analysis. The business case analysis is divided into 3 sections, which deal respectively with the levels of understanding and implementation of CSR, companies code of conduct, and the final section which examines current and future prospectives for cooperation and partnership with NGOs. Combined they create a clear Figure of companies approach and commitment to sustainability and their level of understanding of importance the partnership has in achieving more long-lasting results.

3.3.1. Corporate social responsibility. The first section of the survey attempts to assess ongoing CSR practices. This section is important because it measures CSR efforts which depict commitment companies are aspiring in pushing CSR activities forward. For NGOs it is important to understand the companies' approach to CSR in order to plan future activities.

The survey shows that for the majority of the interviewed companies main stakeholders are customers (27%) and then go employees and local communities (52%). Almost equally they have listed suppliers and local government. These results reveal why the majority of CSR efforts are focused on external audience with considerable PR and marketing activities. The encouraging result of the survey is that almost 90% of the companies have some kind of charitable activities. The marketplace represents the most important area for CSR investments, but there is almost equal importance to 3 other pillars of social responsibility practice.

The first impressions suggest this would be quite an appealing result: 70% of the companies adopted CSR strategic documents, but it should be noted that enterprises selected for this survey were those that were already considered "CSR champions" or leaders, so they do not represent the average Serbian company nor the real Figure of CSR development stage in the country, still the impression is that the progress made is quite visible compared to the situation a few years ago. Companies stated that CSR is embedded in their business (in order of importance) through companies: community relations, vision and values, governing principles and codes of conduct. In accordance to these results, good relations with local community are deeply embedded in their role as "corporate citizens" and try to act accordingly. Whilst from the results it is clear that most of the surveyed enterprises have some sort of CSR strategies/policies, it also shows that key stakeholders were not fully involved in developing priorities. There is

a feeling they were considered mostly as "recipients" of CSR agendas, and not equal partners. Regarding the implantation of CSR activities 75% of the surveyed companies have allocated resources in their annual budgets. PR managers and crossfunctional teams are main CSR implementers within the surveyed companies.

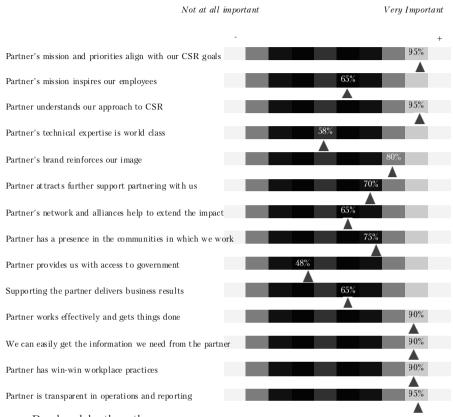
3.3.2. Code of conduct. The second section of the survey is dedicated to companies' code of conduct and its alignment on human rights, transparency and environment. A company's code of conduct is important in the current state of the world. In a philosophical sense, the world today exists in a state of moral relativism, and it is important that codes contain high moral principles. The survey demonstrated the willingness to change the world's current state through companies' commitment to environment, community reinvestment and high ethical standards. The survey shows that 95% of the companies have developed codes of conduct. This is a better result than expected by most observers. However, apart from regulated issues on employees, customers etc. the vast majority have no guidelines at all regarding how to engage in and develop community partnerships. This issue has not been seen as integral part of their codes of conduct.

With regards to internationally proclaimed human rights, 40% of the surveyed companies stated they have incorporated this value in the relationships with employees, 25% – with customers and 25% – suppliers and 10% – with none. In relationships with the supplier conduct principle these companies have mainly implemented national law standards, 16% have incorporated anticorruption and other prohibited business standards, 14% – international human rights standards, and 13% have implemented standards on environmental protection. The fact that 90% of the companies consider this role of business will become more important in the long term shows high awareness of business on its impact and importance in solving social issues. These results are encouraging for future problem-solving agendas which include a multistakeholder approach.

3.3.3. Cooperation and partnership. The final part of the survey assesses the prospects for business cooperation and partnership with NGOs. Likert scaling, a bipolar scaling method (measuring positive and negative responses to statements), is used to measure the level of importance of different factors for successful partnership for the surveyed companies. The factors for successful partnership emerge from David Wilcox "guide to participation and partnerships" (Wilcox, 2004). This gave an insight on important issues for companies and will determine the achievement of consensus and building collaborative decision-making mechanisms of vital importance for developing partnerships.

These results show that Serbian companies are looking for the partners who can satisfy two requirements: 1) to share common vision, have a similar or identical approach to CSR activities, and to understand particular needs and context in which a company operates, and more specifically, 2) to have project management skills, be effective in implementation of planned activities, and very important to be transparent and accountable in reporting and producing desired outcomes and results.

Companies did not expect from Serbian non-profit organisations other benefits which are commonly found at developed markets, such as the provision of better and closer contact with government bodies and agencies, or to involve and engage employees more to work on workplace loyalty through some CSR activities. Though this is currently changing, as corporate volunteering and engagement become much more popular and more companies are grasping this potential vigorously.



Source: Developed by the authors.

Figure 3. Factors of successful creation and running partnerships

There is awareness that some partner organisations could help building and reinforcing company's brand name in certain communities or nationwide, so this is an important research result as well.

4. Conclusion & recommendations

Even though the study shows that almost all the surveyed companies have, in practice a code of conduct, few of them have guidelines or articles on the development of community partnerships or a notion of the importance of local community as a key stakeholder. More work is needed to adapt or redraft the existing codes. Company representatives and local community leaders should address the validity of these core elements into future documents. The majority of companies believe that the role of business in solving social issues will increase in the future. This can be used as a starting point for promoting the issue of cross-sector community development and joint partnership work, and at the same time for integration of universally proclaimed human rights and ethics in codes of conducts, going beyond national legislation minimum requirements.

All 4 pillars of CSR practice proved almost equally important, and a number of companies with allocated budget for charitable and CSR activities rose to 90%. This creates an encouraging business climate for further development of the CSR approach. From these results, there is an obvious need for promoting a more participatory approach and multi-stakeholder engagement in developing and designing CSR policies and reports for the corporate sector. This can be achieved through training, workshops, presenting best case studies, on-going education of all involved, but also with the assistance of internal or external partnership brokers.

The research shows that companies prefer working with non-profit partners who share the same vision, goals and understand their particular needs. Efforts should be given to continue meeting and introducing stakeholders, streaming for a more participatory approach. It is important to continue further raising awareness among corporate players on the importance of cross-sector approach and the benefits for company and end users.

In order to advance partnerships the following areas of practice are to be improved:

Promotion and Awareness

NGOs should organise programme presentations and team building sessions, with companies, on a regular basis and under the auspices of some established business association or network (e.g., UN Global Compact, FIC and BLF Serbia).

- Leadership

In all important projects and events NGOs should try to engage top managers and government officials at all stages, from drafting and designing projects, through the implementation of activities, facilitated internally or externally by partnership brokers.

Program Development

In terms of the content of partnership projects and programme development there are certainly some gaps to be filled in. Much more focus should be given to the communication flow process for the creation of more tailor-made projects that would fit particular goals of companies. Process should be aided by a facilitator or a partnership broker.

- Political and legal environment

NGOs should try to gradually establish more "partnership friendly" political and legal environment trough advocacy and lobby activities with non-governmental organisation, media and business community. Multistakeholder participatory groups and alliances might be initiated as forums where all interested parties will have a chance to network and suggest certain solutions.

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