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CORPORATE RESPONSIBILITY AS THE TIP OF THE "ICEBERG" OF CORPORATE GOVERNANCE

KORPORATIVNA ODGOVORNOST KAO VRH "ICEBERG" KORPORATIVNOG UPRAVLJANJA

Anđelko S. Lojpur [1]
Vlado Dimovski [2]
Ivan Radevic [3]

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Abstract
The issue of the quality of corporate governance and a concern for greater social responsibility are equally pressing both in market and transition economies. In reality, in transition economies, the process of corporate governance has, in our opinion, just only emerged from its infancy, which suggests that the final outcome in terms of consequences can be ambivalent. In this regard, our intention in this paper is to reiterate and support with arguments our claim that activities on the development and upgrading of institutional support to the mentioned process cannot be understood as merely a reaction to the unbearable conflicts of interest, scandals and corruption cases that this process generated in market economies. We believe that efforts must be taken to bridge the existing gap between legislation and moral norms and their application in everyday life.
Key words: Corporation, corporate governance, corporate social responsiblity, business ethics; morality.
Sažetak
Problem kvaliteta koproracijskog upravljanja i briga za sve naglašenijom društvenom odgovornošću podjednako pritiskaju zemlje tržišne ekonomije i zemlje u tranziciji. U stvarnosti zemalja u tranziciji proces korporacijskog upravljanja je, po nama, tek izašao iz faze „povoja", što upućuje na zaključak da konačan ishod u smislu posljedica može da bude ambivalentan. U tom smislu, namjera nam je da u ovom radu iznova i argumentovano potenciramo pristup da se aktivnosti na razvoju i dogradnji institucionalne podrške spomenutog procesa ne smiju posmatrati samo kao reakcija na nepodnošljive sukobe interesa, skandale i korupcionaške afere koje je taj proces iznjedrio u zemljama tržišne ekonomije, već se mora istovremeno raditi da se prevlada ispoljeni jaz između zakonske regulative i moralnih normi, te primjene istih u svakodnevici.

Ključne riječi: *korporacija, korporacijsko upravljanje, društvena odgovornost, poslovna etika, moral.*

[1] Faculty of Economics, Podgorica.
[2] Faculty of Economics, Ljubljana.
[3] Faculty of Economics, Podgorica.

"There are three causes of the global economic crisis: greed, speculation and non-transparency. These are moral and ethical issues".

D. Lama

1. INTRODUCTORY REMARKS

The paradigmatic basis of corporate governance consists of a rather broad corporate legal framework and decision-making practice in supervisory boards and corporate managements. Viewed in a narrow sense, the system of corporate governance should ensure that top management, including executives appointed by them, achieve the objectives of the corporation and thus fulfill the fundamental obligation, which means the greatest possible "value" created for owners.

What is the actual content and task of corporate governance in the area of corporate social responsibility and why it is important is one of the key issues this paper focuses on. In the context of this question, it should be noted that history reminds us that "very few got rich using their own money". At the same time, one should bear in mind that today's system was created by corporations and states together and is a neoliberal capitalist system. Viewed at a global level, driven by greed and inherent selfishness, this system has shown itself to be indifferent to anything other than satisfying insatiable hunger for profit.

The ongoing scholarly discussion on the concept of corporate social responsibility is already very complex and scholars are divided between those who are "for" and those who are "against" this concept, which still does not mean that we should accept a middle solution. The gap between the two ethically extreme approaches – M. Friedman's minimalist view contained in the expression that "the only social responsibility of business is to increase its profits" and a much more realistic approach of R. E. Freeman, who points out that "corporate responsibility is the responsibility of all stakeholders" – seems almost unbridgeable.

It seems obvious that "the area of social responsibility is a "soft" area, which is a matter of personal and social values as well as the slippery terrain of cultural norms" (D. Wren, p. 505). Nowadays, when we live in a system dominated by corporations, the titles such as "the pathological power of corporations" are part of our everyday lives, as is the the following observation: "Capitalism is not moral. It is up to us, therefore, to be moral, if we are capable of it"(A. Compte-Sponville, p. 100). This raises additional questions, such as: Who controls corporations and in whose interests do they exist? Does it pay off to be socially responsible? Is there a possibility for sustainable development? Can it be expected of corporations to behave ethically? Where is morality there? Are socially responsible companies more successful?

If we view the previously asked questions as a whole, we can say that over the past years there has been an increase of interest in corporate ethical performance or a host of activities that go under a single name – corporate social responsibility. According to Kotler, "Corporate social responsibility or business social responsibility is a company's commitment to improving community well-being through discretionary – voluntary business practices and contributions at the expense of one's own resources" (P. Kotler, p. 14).

The European Commission defines Corporate Social Responsibility (CSR) as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their owners, shareholders, employees, consumers, suppliers, government, media and the general public on a voluntary basis". It is obvious that, in both definitions, the focus is on voluntariness. It is, perhaps, largelly due to the fact that modern corporations and members of their administration are allowed to choose whether they will do business in a socially responsible way guided by their principles, primarily ethical ones, that recent literature very often unambiguously claims that corporate social responsibility has become one of the most important development issues in the 21st century. Additional reasons to support this claim should be sought in the lack of confidence in corporate activities, high emphasis on the quality of life, product safety and consumer protection, a torrent of corporate scandals, etc, However, many advocates of greater corporate social responsibility are trying hard to explain that all these issues are actually not the most relevant ones, and that the key argument should be the fact that a firm can operate successfully if it does it in a fair way. In other words, a company can make a profit, while simultaneously doing business responsibly in relation to both its stakeholders and the environment.

2. THE IMPORTANCE OF GOOD CORPORATE GOVERNANCE

The corporation is a very old institution which dates back to the Middle Ages, although at that time it had a somewhat different role as compared to today . In the 18th century, due to speculation, dishonesty and financial obligations, it was so discredited that in 1720 it was banned in English speaking countries. At the beginning of the 19th century, it resurfaced in the United States and the United Kingdom with considerable restrictions; in the middle of the same century it was again a generally accepted form of raising capital for business ventures, and in the beginning of the 20th century it became a "commercial instrument" of huge financial strength and efficiency. In the process, a separation between supervision and ownership was made in the corporation; supervision is performed by professional managers who might have no shares in the company, while owners do not control the company any more. Since some authors today claim that ownership in the sense of Roman law has completely disappeared from the modern-day corporation, things have become further complicated as regards the functioning of privatized companies in transition economies (For more detail, see: A.Lojpur, p. 21- 35).

The correct understanding of the process of corporate governance basically comes down to the quality of corporate management, and the ultimate requirement is to improve the overall quality of the corporate economy. In the broadest sense of the term, corporate governance can be understood as a management system by which company owners (shareholders) control the management in order to ensure the efficient business operation of the company and the maximization of the wealth of its members. A company's business operations are aimed at enabling potential investors who "supply" the company's capital to obtain a complete and as quick as possible return on investment. The OECD Principles have a much wider approach to this term, whereby corporate governance is explained as a set of interdependencies between the company's board of directors, its shareholders, and other stakeholders. In short, it can be concluded that corporate governance is an important mechanism that helps in the process of achieving corporate goals, while monitoring performance is the key element to enable achieving them.

Let us start from the well-known facts that corporate governance is basically about the following issues: 1) how to govern a corporation or determine the goals of a company's business (vision, mission, strategy, etc.) according to which organizational resources will be allocated and 2) how to find ways to resolve conflicts between many stakeholders within an organization. Viewed from the perspective of the management, it is a matter of in what way and how efficiently and effectively a corporation uses its resources to satisfy and protect the interests of its stakeholders. In that sense, the original intention regarding the role of the board of directors in a corporation was that it should exist as "a group" that would function independently of the management and would primarily and continuously work to ensure that the interests of its owners, i.e. shareholders, who for objective reasons cannot be involved in everyday activities of the corporation, are protected and satisfied.

However, the examples of Enron , Worldcom, Tyco, and the collapse of large financial companies such as Lehman Brothers, Bear Stearns, Merrill Lynch, Wachovia, and many other corporate scandals have shown that in a large number of companies certain events occured not as it was prescribed or was to be expected, but according to the following scenario: members of management boards most often maintained very close relationships with the director, they would "take care" of the general manager, and the general manager would, in turn, "take care" of them, and auditors would confirm that everything was "right", etc. When many other pending problems are added to the previously mentioned frauds and scandals, there is no doubt that corporate governance today has become a serious global problem that managers and members of boards of directors should deal with (For more detail, see A. Lopur, p. 301-318). If we contemplate further on these issues with regard to the social responsibility of modern companies, then B. Thurlow's words from as early as during the initial phases of the corporation, that is, when the corporation was still far from its present form and power sound quite warning: „Corporations have neither bodies to be punished, nor souls to be condemned, they therefore do as they like". In one of his numerous analysis of neoliberalism and "capitalist democracy" N. Chomsky sends a similar message claiming that [coorporation are] special kinds of persons. Persons who had no moral conscience. [They] are designed bylaw to be concerned only for their stockholders, koja nema moralnu savjest.". The same authors claims that: The individuals participating in them may be the nicest guys you can imagine. [...]In their institutional role they're monsters because the institution is monstrous".

In essence, the collapse of corporations, from the smallest to the largest, has multiple consequences and affects us all. Investors and shareholders are forced to withdraw their capital, employees lose their jobs, pension schemes are broken, suppliers withdraw and sever connections with unsuccessful companies, local governments are affected, etc. Hence, many questions arise: Why and how do companies collapse and businesses fail? What should be done to prevent a company's collapse? What should be done to regain investors' confidence and how? The answers to these and many other questions are directly related to the quality of corporate governance. Some assumptions could be made that might turn into lessons: firstly, poor corporate governance makes company collapse possible or inevitable, and secondly, good corporate governance is the best prevention from collapse and the best way to restore investors'confidence in the company. That this will not be an easy or simple task is testified by the following statement by J. E. Stiglitz: "The economy of the 1990s was a perverse cocktail: three quarters of lies, one quarter of greed. All this was shaken by the famous invisible hand"

In addition, we must bear in mind that the aforementioned problems and many others, had been manifested in all their severity much before we actually faced the "global economic crisis" at the end of 2007, and, therefore, the issue of good corporate governance, in addition to its micro dimension, has no less important macro dimension, since after the collapse of their numerous and large companies, some national economies have already reached a stage of real or apparent bankruptcy (Greece, Spain, Italy, etc.). The question arises of how close or how far are we from A. Lincoln's old observation: "I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country... Corporations have been enthroned and an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its reign by working upon the prejudices of the people until all wealth is aggregated in a few hands and the Republic is destroyed."

Furthermore, in order to clarify the importance of good corporate governance, although this time from the position of quality financial reporting, prof. Ž. Šević rightly points out: "But, unfortunately, the power of individuals, and probably implicit corruption (you can not criticize those who pay you, because they will stop paying you), as well as the practice of appointing experienced people as board members, who besides being experienced are also friends (or at least good acquaintances) of the general manager, or of powerful people in the board of directors, certainly did not contribute to the quality of the situation" (Ž. Šević, p. 9). This "quid pro quo" relationship is slowly changing, especially with the adoption of the 2002 Sarbanes Oxley Act, whereby more and more demands are placed before the Board of Directors. The demand rises for increased public access to financial reports, and ultimately, senior managers are required to personally "verify" corporate financial reports.

3. CAN CORPORATE CAPITALISM BE MORAL

"Contemporary capitalism and a habitable planet cannot coexist".

That the overall purpose of corporate business is to maximize long-term returns to its owners is not disputable, and although logical, it admittedly sounds quite idyllic. In support to the claim that generating profits for shareholders is of uttermost significance, we can say that managers who are focused solely on the interests of owners often have the opportunity to make decisions and make decisions which frequently result in a negative outcome, not only for the corporation, but also for its environment. In this sense, the concept of corporate governance is broad enough to include management, power, duty and influence n the one hand, and accountability and supervision on the other. Nevertheless, the essence of the problem in question, although at first glance might not seem so, it certainly far from simple. Namely, there are many examples of company collapses that occurred in spite of the fact that their annual reports and audit reports looked quite fine. More specifically, we are referring here to various malversations (Artur Andersen, WorldCom, Enron, Parmalat, Tyco, ImClone, etc.) that have caused an erosion and decline in public confidence in corporate governance, in the morality of today's managers and companies, and in a socially responsible behavior of corporations in total.

It appears logical to ask the following questions here: Do shareholders manage their assets effectively, do they control the management that works or should work only in the interest of those who own the capital and if so, how do they do that? In the light of the previously said, this paper we will also seek to answer the questions that come from the critics of corporate social responsibility: Why should one be moral (honest)? Why should you do what is right, especially when many around you profit by doing exactly the opposite?

The evident additional need to understand more deeply the essence of the process of corporate governance and to improve its quality undoubtedly arises from the primitive brutality of modern corporations. This is also corroborated by the fact that serious research into corporate social responsibility was actually instigated due to many instances of poor customer experience, pressures by NGOs and media hunt for fraud cases and scandals. At the same time, thanks to globalization and increasing competition, consumers have become increasingly selective and demanding.

In addition, it turned out that customers do not want to buy goods produced involving the exploitation of children and work in inhumane conditions for low daily wages; or, better to say, they "said" that they found cosmetics and foods tested on animals unsuitable for use, and that they were ultimately willing to pay more for products or services produced in line with ethical standards. In that sense, J. Bakan distinguishes between several forms of the above-mentioned pathological disorders of the corporation, while at the same time posing a question whether they could be applied to a corporate entity: a) a lack of interest in the feelings of others; b) inability to maintain stable, lasting social relationships, c) indifference to the security of others; d) dishonesty: frequent lying, deception.

As can be found in the literature, primarily in their beginnings in the US, corporations were small and had clearly established contracts with the state. It was prescribed precisely what they could do and produce and how long they had the right to operate, while the amount of capital was stupulated and take-over of other companies not allowed, etc. Therefore, although everything was not idyllic at first, it is clear that corporations were created to be subordinate to mankind and to serve it. However, with the passing of time the corporation concept deviated from the initial idea, corporations have grown to unprecedented proportions, and quite a few of them are now more powerful than the greatest world economies. In Western civilization, they have undoubtedly grown into the basis of overall social development .

The already mentioned triumph of capitalism occurred and it resulted in an unprecedented financial power of the modern day corporation leading to a "spontaneous" emergence of "neoliberal capitalism as the last phase of corporate capitalism" (B. Dragaš). S.Young, recognizes two types of capitalism: "crony capitalism" and "brute capitalism" as the ultimate developments, or better to say, special forms of market capitalism (in a negative sense, of course), whereby both of these types are ultimately linked to the possibility of acquiring an extremely advantaged position and to the behavior of private business in the function of protection and a complete triumph of private interest in the market (For further detail, S. Young, p. 28-44).

When it comes to morality, or even broader, to corporate ethics of managers and modern-day corporations, it seems that we have not gone beyond a useless and clumsily formulated illusion; we are ever closer to the conclusion that it is not but petty-bourgeois idealism, and often even militant capitalism , a blind naivety of the poor, etc. It is not clear whether the term has become obsolete over time or the Devil himself got involved as is illustrated on the covers of Bakan's book. "Corporations often have halos around their heads for upholding socially acceptable values, although at the same time they whip up their devil's tails (S. Horvat). If there is no need for morality, fine then; but we think it is about something else which has to do with the corporation concept as J. Bakan sees it in his seminal book "The Corporation: The Pathological Pursuit of Profit and Power" Nevertheless, the evil that the corporation emanates has been here for a while, even before the Enron scandal, which was very quickly referred to as the "turning point", after which nothing would be the same in business, and, therefore, it can be said that the instances of immorality are as old as the corporation itself.

And finally, we come to what according to J. Bakan leads to the unambiguous conclusion that the modern-day corporation is a pathological institution sustained by the pursuit of profit and power. In this regard, we will cite what is, perhaps, the key finding of his, now already a cult book where he concludes the following: "Over the last 150 years the corporation has risen from relative obscurity to become the world's dominant economic institution. Today, corporations govern our lives. They determine what we eat, what we watch, what we wear, where we work, and what we do. We are inescapably surrounded by their culture, iconography, and ideology. And, like the church and the monarchy in other times, they posture as infallible and omnipotent, glorifying themselves in imposing buildings and elaborate displays. Increasingly, corporations dictate the decisions of their supposed overseers in government and control domains once firmly embedded within the public sphere, The corporation's dramatic rise to dominance is one of the remarkable events of modern history, not least because of the institution's inauspicious beginnings" (J. Bakan, 2004, p. 5).

The answer to the question what to do is, in our opinion, quite simple – an artificially created "person" cannot think of morality and, therefore, such a "person" cannot be socially responsible nor does it make sense to expect responsibility from corporations. But we have the right to expect respect for moral principles from those who lead corporations, i.e. from shareholders, board of directors, and from corporate employees. However, every day the reality of corporate life further underscores its pathological character and the real inability of human beings to overcome this power and govern corporations. It is clear that this artificial "person" overpowered human beings and made them subordinate. "Do not rely on the market to be moral for you. Do not rely on your firm to be moral for you", says Compte-Sponville (p. 92).

So, as we have tried to argue briefly here, all corporations essentially exhibit the characteristics of a psychopath. However, if the corporation, as a "prominent member" of our society and also a decision-making institution of our time, has acquired the characteristics of a psychopath, then logically the question arises of who should bear moral responsibility for its actions? The closest to our understanding is the answer provided by A. Compte-Sponville, that responsibility can only be personal, individual, and as the author further claims "I cannot see any sense in speaking, as is almost always done especially in the world of CEOs – about the ethics of a firm or the morality of a company. I would rather claim the opposite, that a firm has no morality: it has only accounting and clients. A firm has no duty: it has only interests and obligations. A firm has no feelings, no ethics, no love: it has goals and balances only". Finally, concludes the author, "in short, there is no morality of a firm or company ethics" (Compte-Sponville, p. 92).

4. SOCIAL RESPONSIBILITY IN THE PRACTICE OF MODERN CORPORATIONS

"What kind of society isn't structured on greed".
M. Friedman

"A great business is really too big to be human," H. Ford once said. In favuor of this idea of business, it is worth quoting a "definition" according to which the corporation represents "An ingenious device for obtaining individual profit without individual responsibility" (The Devil's Dictionary, A. Bierce).

The previously stated could mean that there is no doubt that the idea of corporate social responsibility is as old as the corporation itself, or its business. The question is only to what extent this need was imposed on employers over time, either as a product of necessity or as a result of their periodically awakened consciousness and understanding of responsibility and ethics, the latter seemingly hard to believe. It should not be surprising then that the very concept of corporate social responsibility is too broad, and, therefore, it is common knowledge that there is no unified understanding of corporate social responsibility, nor is there a list of the areas and activities it encompasses. We believe that the title of the paper faithfully reflects all the misunderstandings about the concept of corporate social responsibility and the importance of accepting it. Namely, it is only a tip of the iceberg (one tenth) of corporate governance, which faithfully reflects everything that goes on "under water" (nine tenths).

The recent history of corporate responsibility dates back to some thirty years ago and is primarily related to the United States and the United Kingdom. In European professional, academic and business circles, a strong turnaround and a more dynamic approach to the study of this issue (including its semantic aspect) took place at the end of the last and in early years of this century. The power of corporations that has reached unprecedented heights today began at the moment when the corporation became a legal "person", thus taking over the place of people who own it. And though social responsibility imposes itself as the new belief of the corporation, Bakon (2004) concludes that nothing has changed significantly: "It remains, as it was at the time of its origins as a a modern business institution in the middle of the nineteenth century, a legally designated 'person' designed to valorize self-interest and invalidate moral concern".

To understand better the problem we are dealing with, we will begin from the fact that social responsibility refers to the obligation of a "person", an individual or a corporation to consider the consequences of their decisions and actions on the entire social system. In this sense corporations or business people apply the so-called Trefecta of Responsibility when they take into account the needs and interests of those who may suffer the consequences of their business decisions. In doing so, they take into account interests that are considerably wider than their own or the narrow technical interests of their firm are are contained in three basic requirements: a) economic (cost, growth, revenue); b) social (charitable contribution, fair trade, employee welfare) and c) environment (resource consumption, land use, waste management).

Corporate social responsibility implies that businesses are accountable for profits to shareholders, but also to individuals and groups (that is, all stakeholders) who are in any way affected by the profit. Social responsibility is the responsibility of managers to follow such regulations, make such decisions, and take such steps that are desirable in relation to the goals and values of our society, encompassing an important truth which in the future must be a guiding principle in business (Howard Bowen, 1953). However, the definition of corporate social responsibility most commonly referred to in the relevant literature is the definition of the World Business Council for Sustainable Development as the "continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". However, when we talk about pursuing profits, maximizing profits in itself will not necessarily lead to unethical behavior. K. Krkač articulated this issue as follows; "Exclusive maximization of profits will prevent unethical behavior only in those cases where the benefit of unethical behavior (reflected in the value of company shares) is lower than the cost of future (very probable) costs of current unethical effects (expressed in terms of severity of penalty and loss of reputation = loss of clients= loss of profit). In all other cases, exclusive maximization of profit leads to unethical action." (p. 4).

"Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing 'more' into human capital, the environment and the relations with stakeholders" (European Union, Green Book, 2001). M. Porter adds that social responsibility in its many forms, including the philanthropic one, directly impacts the competitive advantage of a company and it can be concluded that there is "demand" for social responsibility at the global level. Bearing all the above-said in mind, we can list some of the requirements and principles that connect all the existing definitions of corporate social responsibility: inclusion in community life, account keeping, sustainability, transparency, ethical behavior (no corruption), honesty, etc. In this respect, the following applies to the common principles of social responsibility:

They are universal and apply to all types of businesses.

Their realization takes place on a voluntary basis.

They are focused on cooperation with stakeholders.

They express an obligation to contribute to quality, not just the quantity of life.

The idea of quality is much more complex than that of quantity, it is broader, more complete, and refers more to people's condition.

They emphasize development, not just economic growth.

They define the concept of a sustainable development strategy .

Socially responsible companies are adhering to the "triple result" approach, taking into account social, economic and environmental impacts of their business.

If we accept the attitude that profit is not the only or the most important goal of an enterprise, we have abandoned the idea of the corporation as a purely economic institution, which makes the corporation understood more as a "tool" for the realization of a whole set of mutually diametrically opposed social demands and politics, such as: a) the profit concept, b) the stakeholder concept, c) the social power/social responsibility concept. The obvious problem with these concepts seems to be that that they are fairly "remote" one from another, suggesting that there is no universal CSR pattern. Thus, for example, it would be beneficial to point to the "additional explanation" of M. Friedman, the creator of the first among the previously mentioned concepts and certainly one of the leading authorities in this field. who believes that social responsibility is acceptable only in one case – when it is insincere. "A manager who treats social and environmental values as a way to maximize the wealth of shareholders, not as an end in itself, does not make a mistake. It is like "putting a pretty girl next to a car to sell it", said Friedman. "The goal is not the promotion of beauty, but the sale of cars. Good intentions, just like pretty girls, can increase sales".

Unlike Friedman's, A. Carroll's understanding of CSR is far more useful to us since the aforementioned author emphasizes that "Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time" (Carroll, Buchholtz, 36). This additionally reinforces the importance of the CSR concept, as it also points to the macro dimension of this concept in terms of meeting the requirements of sustainable development. This final conclusion could be expressed in the form of a general formula of corporate social responsibility that is close to accepting the intentions of all three previously mentioned concepts and according to it corporate responsibility represents a synergistic (simultaneously observed) "sum" of economic, legal, ethical and philanthropic duties. Experience shows, and we can almost conclude, that there is no doubt that corporate governance affects the very essence of a firm. The key principles which justify why some companies take the lead in CSR ranking are the following:

- CSR agenda is about action, not just about rhetoric;
- Leadership actively engaged in CSR;
- CSR aligns with corporate brand purpose;
- CSR drives internal and external engagement;
- CSR focus on human and social interest.

Taking the aforementioned into account, we will state some of the reasons why an enterprise should support a CSR strategy:

- There is an evident risk that the company's reputation may be endangered , and the company cannot afford not to support such a strategy.
- Ever more diverse pressures by consumers; they expect more than ordinary products and services from companies.
- Possibility to gain consumer loyalty; consumers are ready to reward ethical enterprises with stable business.
- Freedom of action; obtaining a "license" of a company focused on the welfare of society.
- Benefits in terms of human resources; attracting and retaining successful, motivated and loyal staff.

- Increased value of the brand; consumers, as a rule, want to identify with a brand they consider to be good.
- Competition; companies that implement a CSR strategy gain a competitive advantage.
- Companies become more attractive for investments; investors look for opportunities to invest in ethical companies and to respect social welfare.
- Direct support to the fulfillment of the national economy's requirements concerning sustainable development.

In the light of the above-said, there is a need to underscore a positive link between CSR and consumer response to a company's products or services. In this regard, it should be borne in mind that consumers are the key stakeholder group able to raise the question of corporate social responsibility at any moment, and that is why the numerous surveys investigating this relationship are especially useful (G. Dess et al.).

A 2002 survey of corporate citizenship, conducted by Cone Communications, shows that if price and quality were similar, 84% of Americans would most likely switch from one brand to another if the other brand were produced by a company that provides funds for charitable purposes.

A 2001 interactive survey conducted by Hill & Knowlton & Harris shows that 79% of Americans take into account non-profit activities when deciding whether to buy a particular company's product, and 37% of respondents consider corporate social engagement, the so-called "corporate citizenship" as an important factor when deciding what to buy

Based on a study carried out by the Corporate Responsibility Officer Association (CROA), we can point out the following : a) More than 30% of firms believe that demonstrating their social responsibility can help improve their performance; b) 67% of firms point out that at least one of their products or services is advertized highlighting a message of social responsibility; c) 43% of the functions concerning social responsibility are directly related to bosses or the board of directors, and most of them have proposed at least one social responsibility initiative within a year.

Thus, one can not deny that much effort is being invested in attracting managers and investors to ethical and socially responsible behaviour. However, a few very simple questions can seriously undermine the whole structure of the doctrine of social responsibility. Wouldn't it be wiser to teach managers to make bigger profits? Or, what kind of interest does a company have to open a smaller plant or build a road in some underdeveloped area, equip a college computer classroom, bring electricity to an underdeveloped area, etc? What will happen when the concern of managers for social welfare comes into conflict with the material interests of shareholders? Is there a need for a positive correlation between the CSR concept and the ever-increasing demand for sustainable development at the global level?

One of those who point out the incompatibility of the basic goal of the corporation (profit) and the demands for social welfare is the well-known economist M.

Friedman. He claims that managers will not be able to generate enough profits for owners and improve social welfare at the same time. Other arguments "against" social responsibility stem from the fact that the costs of social responsibility reduce the organization's efficiency and the earnings of its employees, decrease dividends and increase prices, etc. These arguments are mostly given by free market advocates who claim that corporate management serves society to the extent it is able to increase dividends of its shareholders. In addition, quite a few critics dispute and particularly attack the philanthropic activities of corporations, pointing out that too much charity funds go to organizations and institutions hostile to business. The attacks of the other group, based on opposing views, stem from the fact that the actual reason for the philanthropic activities is improving the image of the corporation and that, in fact, these activities are effectively used to secure the personal interest of the corporation.

On the other hand, the proponents of greater corporate social responsibility do not dispute the legitimacy of profit. They are trying to redefine it to include a set of goals that are of general social interest. The concept of "corporate conscience" is an attempt to humanize the corporation and give its managers a whole set of motifs that go beyond their owners' selfish race for wealth. The arguments "for" greater social responsibility stem from the fact that the corporation is a natural member of society which uses society's resources and should, therefore, pay the appropriate equivalent value for it by helping society to solve its numerous problems. In addition to this, those in favor of greater corporate social responsibility often argue that corporations need to repair what they themselves have disrupted (air pollution, ecological accidents, etc.), and that those corporations which treat social community better thus acquire goodwill and society is friendly towards them, etc.

It remains to be concluded that not understanding the positive impact responsible business may have is one of the main obstacles to it. This particularly refers to the view that corporate social responsibility is a matter of choice and good will rather than an essential part of responsible business. Since there are numerous pros and cons regarding the good practice of corporate social responsibility, it is up to each company to decide and develop its own corporate social responsibility strategy most suitable to its needs.

5. THE RETURN OF MORALITY INTO BUSINESS – FASHION OR REALITY

"Dishonestly if we can; honestly if we must"

M. Twain

"Money is a bitch that never sleeps" says Gordon Gekko. Quite a few managers talk to their subordinates in the following way: "I don't know how you will achieve the goal, it's important you do it!", "It's up to you how you do it!", "I don't care how you do it ...". Such attitudes send an unequivocal message that all available "means" to achieve goals are often permitted, including morally questionable ones.

In this part of the paper, we will refer back to its introductory part and the expressed faith in the "return of morality" into business. Thus, for example, the already quoted author, A. Comte-Sponville concludes that although this is not only about fashion, this issue seems to have become fashionable now. Namely, as the aforementioned author goes on to say, "a few years ago, from the other side of the Atlantic as usual, we got a fashion that we can call the busines ethics trend – which is always just a managerial version of the above-mentioned "return of morality" (A. Comte-Sponville, p. 33).

Ethics can be defined as a set of principles, norms and standards in behaviour that apply to individuals and groups alike. Regardless of whether we observe them at the individual or company levels, there are two types of drivers of all our activities: first, a logical need for pursuing our personal economic interests, and second, the need for satisfying the moral side of our personality. For a large number of people, ethics is something mysterious, hidden, impractical and remote from the public, and it is even more so when it is brought in direct contact with business, The problem of business ethics occurred simultaneously with the desire of an individual to generate profits. Or, it is, perhaps, better to say, that it has been evident from the beginning of the emergence of market economy. Making as much profit as possible seems to be enough reason for many managers to break down moral barriers and ignore ethical standards. The key question, when it comes to managerial ethics, is the following: Does the desire for profit erode business ethics?

In the literature, there is often no differentiation between corporate social responsibility and business ethics, and these terms are used almost as synonyms. This is probably due to the fact that looking for an answer to the same questions, for example, whether it is moral that only a few generations exploit billions year-old natural resources is part both of corporate social responsibility and business ethics. We are of the opinion that there are enough reasons to consider these two categories separately. First of all, ethics is based on personal values acquired over the years. Consequences of ethical behaviour do not apply to society as a whole. They sometimes apply to individual employees, sometimes to shareholders, and sometimes to consumers, etc. It can be concluded that ethics is basically a personal issue, while social responsibility refers to the corporation as a whole and has significant consequences on society. By this, we refer primarily to the concept of sustainable development which sets the following goals at the global level :

No Poverty: End poverty in all its forms everywhere;

Zero Hunger: End hunger, achieve food security and improved nutrition and promote sustainable agriculture;

Good wealth and Well-being: Ensure healthy lives and promote well-being for all at all ages;

Qualiti education: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;

Enter equality: Achive gender equality and empower all women and girls;

Clear water and sanitation: Ensure availability and sustainable management of water and sanitation for all;

Affordable and clear energy: Ensure access to affordable, reliable, sustainable and modern energy for all;

Decent work and economic growth: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;

Industry, innovation and infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation;

Reduce inequalities: Reduce inequality within and among countries.

Furthermore, the experience and results of numerous studies show that many firms recognize that they are not isolated from their wider community, and that, precisely because they use resources available in society, they have a moral obligation to give back part of the wealth they have amassed to their community and to engage in solving numerous social problems such as: poverty, crime, security, environmental protection, health care, education, sustainable development, etc. On the other hand, we all know or have heard of individuals or organizations that have acquired wealth in a way that is not moral or that have otherwise inflicted damage on their community, just as we have heard of individuals and organizations known for respecting ethical norms. At the same time, starting from the fact that "being ethical" in business definitely pays off, the question we are posing here is: Can decisions regarding the acceptance of moral principles in decision-making be stipulated by law, or should it be left to each individual to decide for themselves?

The extent of pathological behaviour of corporations and their leaders, who exhibit a kind of inhuman madness while trying to make a profit at all costs, can be seen on several examples, some of which are quite recent:

The Slovak Consumer Association compared foodstuffs in Germany, Austria, Czech Republic, Poland, Slovakia, Hungary, Romania and Bulgaria and found that the products by the same manufacturer and under the same brand sold in the new members of the European Union are of significantly lower quality. These fraudulent practices are mostly related to products that are purchased often and cost less. Although advertisements for products of well-known Western European brands are mostly translated, their packaging the same, and the price does not differ significantly, their quality in the countries of origin is much better. The manufacturers confirmed not to distribute products of the same quality to all markets are Nutella, Ferrero Rocher, SpaghettiO's, Lego, Heinz ketchup, Apple, etc. The biggest "losers" here are consumers who pay a high price due to taxes and expensive infrastructure, and eventually still get products of questionable quality.

The Agrokor Concern was the largest privately owned company in Croatia and one of the strongest companies in Southeast Europe with a total income of 54 billion kuna in 2014. More than 60,000 employees were employed in "Agrokor". In 2013, after having purchased Merkator, "Agrokor" plc became the largest retail chain in the region . However, it required €544 million, which "Agrokor", already shaken by the global economic crisis and the growing competition, did not have. Through some "accounting magic", a balloon was created in the company's balance sheets where company's losses "vanished", and its already failing business was shown to be good enough to maintain a stable credit rating. Large credit rating agencies which in 2014 gave Agrokor stable ratings, suddenly changed their opinion when the damage had already been done, and a subsequent audit found numerous irregularities in the accounting books.

The largest European car manufacturer Volkswagen acknowledged having installed software that showed the values of exhaust gases much lower than they really were in more than 11 million cars with EA 189 diesel engines. Their sales were suspended. The fraud was discovered by the International Council on Clean Transport, whose suspicion had been firmly denied by Volkswagen two years before. 500,000 of these cars were sold on the US market, which has much stricter regulations on the permissible level of exhaust gases.

In the 1970s, GM missed a construction error on their new car. However, they concluded that correcting the error would cost $ 8.6 per car. At the same time, with the anticipated sale of 41 million vehicles, they estimated that as a result of their mistake there would be approximately 500 deaths so that, with a compensation of $ 200,000 for each fatal injury, it would cost them $ 2.4 per car. GM did not make the necessary changes to the model, but decided to pay damages to the families of the dead. It turned out that the savings of $ 6.15 per vehicle were too tempting for the company, and the entire story broke open at a public trial when the jury considered GM's behavior unacceptable and ordered the payment to P. Amstrong in the amount of $ 107 million, plus a $ 4.8 billion penalty.

"The Baby Killer Scandal" is a drastic example referring to Nestlé, which in the 1960s and 1970s began an aggressive campaign in poor countries, urging mothers to feed their babies powdered milk instead of breastfeeding them. Developing countries were swamped with Lactogen and other types of powdered milk advertised as produced by "the people who care for babies and mothers". However, as Nestlé did not say to mothers that the use of powdered milk required sterilized dishes and certain hygienic conditions that could not be provided in those countries, the end result was probably the greatest infanticide in history.

"Phillip Morris" kept data on the harmfulness of cigarettes hidden for forty years, while the company's report prepared for the state states that smoking is "good" for the state, because it accelerates dying, thus reducing the burden on the state.

"Mitsubishi" knew and for twenty years concealed serious defects on its cars and even organized their secret repairs to reduce customer complaints.

Bill Ford, junior, led the protests of thirteen automobile corporations (Ford, BMW, Daimler Chrysler, GM, Mazda, Mitsubishi, Volkswagen and others) against a law passed by the US federal government to reduce CO2 vehicle emissions.

As much as 75 percent of the world's most powerful and richest corporations according to Forbes, have a consultant to prevent the establishment of trade unions. Or, for example, US-based corporations manage to avoid paying around $ 45 billion annually in taxes by artificially inflating the costs of their branches, etc.

Since the problem is esentially a legal one, it is best to begin from how lawyers "perceive" the problem. Thus, for example, in his answer to the question of "whether it can be claimed that a socially responsible company is the one that obeys the law and the requirements of state authorities based on it" prof. M. Vasiljevic says that "a socially responsible company is the one that is legally responsible" founding his claims on the liberal model. In his further elaborations, the author relies on the opinions of other authors and draws, as he himself says, a logical conclusion that "social responsibility of companies is primarily a moral requirement that society places on companies as a correlate alongside the two demands that they already have to meet: the economic (profit) and legal ones". Since the professor here begins from the fact that a responsible company is a company that respects a legitimate national order, including human rights standards, etc., which, in my opinion, is inseparable, it seems logical to me to seek an answer to the question in the following example : "In November 2007, on its UK website Apple published the price of £829 for their13-inch 2.2 GHz Macbook in the traditional white colour. However, at the same time, the same website published the price of £949 (70 pounds more) for the same product by the same company, but in black. Can we consider Apple's decision in this case ethical? Will the company's managers, torn between the the demand for maximizing profits and the respect for moral norms, turn a blind eye again?".

To conclude, in our opinion social responsibility should not be an area where managers seek advice from lawyers or economists, it is a matter of conscience! Therefore, we can conclude that corporations must comply with legal regulations, but that is by no means sufficient. Society cannot be satisfied with this compliance only, because social responsibility, as a rule, goes beyond the law.

We can accept this interpretation as part of the answer to the question that arises here and regards the title of this part of our paper. The answer can be found in the fact that a company's social responsibility is nowhere prescribed as a legal obligation, and that it entered the normative realm through various and numerous declarations and resolutions (M. Vasiljević, p. 56), although since several months ago it has finally become an ISO standard. Namely, while until now social responsibility was mainly directed to and focused on philanthropic activities and viewed in quite a simplified manner, the guidelines of the international standard ISO 26000: 2010 finally extended it to human rights, the environment, consumer protection and the fight against fraud and corruption. In the part of the mentioned ISO standard that relates to the principles of social responsibility, in addition to a general attitude on social responsibility, seven principles are stated and elaborated in detail:

- Accountability. Companies should be responsible for their impact on society, the economy and the environment.
- Transparency. Companies should be transparent in their decisions and activities that affect society and the environment.
- Ethical behavior. Companies should behave ethically. Their behaviour should be based on values, honesty, equity and integrity.
- Respect for stakeholder interests. Companies should should acknowledge, respect and respond to the interests of their stakeholders.
- Respect for the rule of law. Companies should accept that respect for the rule of law is mandatory.
- Respect for international rules of behaviour. Companies should respect international norms of conduct; by respecting these norms they respect the rule of law.
- Respect for human rights. Companies should respect human rights and recognize their importance and universality.

It must be noted that this standard is not a substitute for legal obligations arising from the "rule of law" of a state. The standard should be considered more as an "assistant" in this matter so that corporate social responsibility, in addition to its legal component, acquires a moral one as well. However, already the first studies in transition economies unambiguously point to a huge "gap" between what is stipulated by the amended legislation and what is really happening in practice. It is precisely for these reasons that "codes" and indexes have been developed to estimate the achieved level of CS and they basically rely on the already mentioned ISO standards.

In the light of the previously said, it is logical to ask whether a new CSR paradigm is being developed suitable for multinational companies and whether a balance can be established between what could be recognized as "moral capitalism" and the concept of "sustainable development meant to be imposed on corporations". Is there a chance that the concept of corporate responsibility is "adapted" to the phenomenology of the world market and the challenges of our global civilization in the 21st century? If all the previous questions were synthesized, the key question would be: Who should actually control the modern corporation and how? Prof. H. Mintzberg offers a solution in the form of the so-called "conceptual horseshoe" by outlining eight key requirements.

Finally, we can conclude that the above numerous examples of "irresponsible" behavior both those more recent such as the cases of Volkswagen and Agrokor, or those earlier such as the scandals related to GM, Enron, Coca Cola, Mitsubishi and others suggest something more dangerous than the fraudulent acts themselves. Namely, it is becoming more and more clear that there is a connection with the legal system since numerous misdeeds take place under its protection, which is most clearly manifested by the fact that individuals in a position of state authority openly serve to and defend corporations. Hence, it becomes more understandable that precisely because of the numerous and major mistakes occurring in the process of corporate governance, the benefits that may arise from an effective corporate governance and its improvement are becoming more apparent.

5. CONCLUDING CONSIDERATIONS

Regardless of the prevailing concept, there is a general conclusion that the demands for greater corporate responsibility come from many stakeholders and society as a whole, and that as the number of various scandals and malversations increases, they are gaining in intensity. Viewed from a business perspective, managers need to be aware of the need to undertake various activities so as to contribute to improving social situation, which contributes to the improvement of reputation among consumers and can be considered a key precondition for the existence of the company itself. Viewed in broader terms, companies must be "attentive" to criticism and possible pressures coming from the environment and they must adapt to changes in the expectation of society in terms of CSR, which ultimately comes down to respecting the concept of sustainable development.

At the same time, our estimation is that alongside numerous negative consequences that socially irresponsible behavior of companies causes, there is also a growing awareness, and this has been confirmed by numerous studies including certain attitudes outlined in this paper, that social responsibility pays off, i.e. that CSR has a positive impact on consumers. Furthermore, this means that quite a few major companies are on the road to build a new paradigm of responsible behavior where morality will be highly valued. The change of the existing paradigm is reflected in the fact that companies do not regard the needs of social community as burdens that befell society which, thus, expects financial support from the company. Instead, the needs of social community are seen as a new and exceptional opportunity to develop new ideas, demonstrate new technologies and new ways to serve the market and meet the needs that have not existed before, thus making the entire process profitable for both the company and community. In this sense, many companies accept the so-called "triple bottom line" concept, which is about the application of principles of financial, social and ecological effects.

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