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CODES OF CONDUCT IN THE MACEDONIAN FOOD INDUSTRY

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Codes of conduct in the Macedonian Food Industry

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The master program leads to a double degree from two academic institutions: the Faculty of Agricultural Sciences and Food (FASF) at the University “Ss. Cyril and Methodius” (UKIM) in Skopje, Republic of Macedonia and the Swedish University of Agricultural Sciences (SLU) in Uppsala, Sweden. The master thesis is published at both universities, UKIM and SLU.

Магистерскиот труд е подготвен во рамките на Меѓународните студии по Агробизнис (120 ЕКТС) коишто се финансиски поддржани од СИДА. Не треба да се смета дека изнесените ставови во овој труд го искажуваат официјалното мислење на СИДА.

Магистерските студии водат кон двојна диплома од страна на две академски институции: Факултетот за земјоделски науки и храна - Скопје (ФЗНХ) при Универзитетот „Св. Кирил и Методиј“ во Скопје (УКИМ) и Шведскиот универзитет за земјоделски науки (СЛУ) во Упсала. Магистерскиот труд е објавен на двата универзитета, УКИМ и СЛУ.



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“Symbiosis for healthier life and future”
SOCIAL RESPONSIBILITY POLICY OF ALKALOID AD

Summary

Today, the society is demanding from the industries to perform Corporate Social Responsibility (CSR) activities and show their responsibility by contributing and developing sustainable businesses. Especially for the agribusinesses in the Republic of Macedonia (RM), linked with many scandals concerning food and beverage production, it is crucial to work strategically with CSR, for example, by using ethical guidelines, such as codes of conduct (CoC). Stakeholders want to be sure that companies using ethical CoC are accountable, showing concerns for their employees and providing safety at work, avoiding corruption, and protecting the environment. These codes represent corporate efforts of the companies to communicate proactively and properly in order to show their accountability and gain legitimacy and reputation among key stakeholders.

The aim of this study is to describe how companies create incentives for promoting responsible leadership through a stakeholder and legitimacy theory in practice, and how the CoC are used as a tool for sustainable businesses development. A literature review that leads to the development of a conceptual framework is introduced. It offers a framework for interpreting determinants of the CSR, CoC and their effects on the companies particularly on the legitimacy, reputation and the real performance of the companies in agribusiness. The theoretical approach and empirical study are used in order to give us deeper analysis of the CoC and CSR practices within companies and the way how they are communicated with the relevant stakeholders.

The surveyed companies in this project are three Macedonian food companies, which can be said to be among the few companies with implemented CoC and CSR practices in RM. The implementation of CSR practices and development of CoC presupposes awareness of the importance of social and environmental values on the part of the CEO and the management team. A reason for studying these corporate efforts is willingness to share the perceived experiences and relevant documents regarding CSR and CoC. A mixed method has been used for the project, meaning that internal and external documents, web pages and personal interviews serve as methods for accessing data. With a view to describing the incentives for promotion of the CSR activities and the CoC within companies, the respective documents have been compared with the case findings.

The conducted study represents the current situation with the implementation of the CSR concept in RM. The Government of RM has constituted a Coordinative Body for CSR in RM, and has developed a National Agenda for CSR Development in RM. The key for undertaking corporate responsibility initiatives for food companies in RM is associated with conceptualizing the role and importance of food industry in the country. Key factors are identified as explanatory in the search for legitimacy associated with corporate responsibility. These factors are related to institutional facts, corporate type (ownership and size) and management (structure, culture, leadership, style and communication efforts). The results from the conducted study differ depending on the type of the company, ownership, and business approach of the management team. The findings from the case studies substantiate the notion that in some cases small enterprises sometimes show more transparency and proficiency for the CSR concept than larger companies which, in their organizational structure, have implemented a separate department for human resource management which is responsible for conducting these activities (UNDP Baseline study, 2007, p. 35).

Key words: collaboration, development, management, reporting, responsibility, sustainability.

Abbreviations

CoC - Codes of conduct

CSR - Corporate Social Responsibility

EAR - European Agency for Reconstruction

FAO - Food and Agriculture Organization

FDI – Foreign Direct Investment

GDP - Gross Domestic Product

GRI - Global Reporting Initiative

IG – Industry Group

ILO - International Labour Organization

IPARD - Instruments for Pre-Accession Assistance for Rural Development

MAFWE - Ministry for Agriculture, Forestry and Water Economy

NGO – Non-governmental organisation

RM - Republic of Macedonia

SBD - Sustainable Business Development

SEE - South East Europe

EUROSIF - European Social Investment Forum

SME - Small and Medium Enterprises

TBL - Triple bottom line

UN - United Nations

UNGC - United Nations Global Compact

WBCSD - World Business Council for Sustainable Development

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1 Introduction

The following chapter guides the reader throughout the background of the study. It also introduces the basic definitions and principles of corporate social responsibility (CSR) and codes of conduct (CoC) which leads the reader to the aim and main research questions of the study. In order to give the reader information about the structure of the study, an outline is graphically presented.

1.1 Problem background

During the last twenty years of its development the Republic of Macedonia (RM) has been characterized by difficulties in the process of transition from a communistic to a democratic political organization. The main problems are faced after its independence, where the country inherited from the previous (former Yugoslavian) system a very large and old agro-processing sector (old production technology and machinery), while its domestic market fell from 22 million to only 2 million people (MAFWE, 2009, p. 109). Moreover, the sector has been affected by political changes and during the course of the privatisation process the agro-kombinats¹ have had problems in adapting to the new market situation. Eventually, most of the former agro-kombinats have now become insolvent and struggling to survive (*ibid*). These factors can inevitably result in a reduction of the legitimacy of traditional and new production technologies in the agribusiness sector (Heyder & Theuvsen, 2008). Consequently, the success of enterprises in the agribusiness sector can be affected by legitimacy losses (*ibid*). However, the old production facilities are not the only reason for this challenging situation; it is fairly certain that the human factor, showing limited concerns about social and environmental responsibility, and because of a constant race for profit is neglecting the integration of these issues. It must be emphasized that since the previous century, the CSR has been implemented as a concept for governing businesses. The CSR relates to phenomena such as transparency, stakeholder dialog and sustainability reporting (Marrewijk, 2003).

The focus on corporate responsibility is not a new phenomenon worldwide. The current interest in environmental, social and economic problems of the world is a challenge shared by scholars, businesses and politicians – humans in everyday life all over the world (Herbert & Rorarius, 2009). This leads to reactions and corporate concerns of a social character which are supported by the non-governmental organisations (NGO) as well as by the media. “*Much CSR activity is undertaken in response to outside pressures, so the leaders of a company need to decide which pressures to respond to and how to address them effectively*” (Boatright, 2009, p. 351). The dilemma arising in this respect is whether the companies which are not pursuing the CSR activities and CoC are to be left to continue with their work, or should be made to realise that changes need to be performed if they wish to become acceptable for the society. Generally, it can be argued that companies do recognize responsibility to society, but at the same time it is hard to make a balance between profit and social responsibility.

Recently, several companies from the Macedonian Food & Beverage industries established the first non-profit company for packaging and packaging waste management with their own capital (www, Pakomak, 2012). This shows that the Macedonian companies are becoming aware of the need for integrating CSR practices and ethical guidelines. Moreover, integrated CSR and CoC within companies will not only show and prove their respect and responsibility to the society and the key stakeholders, but they will start to realise that they will have other benefits from

¹ Agro-kombinats are the former state owned enterprises.

this, such as becoming more competitive on the market, unlike other companies that have not yet envisaged considerations in that direction (author's own opinion).

Notably, Macedonian production and processing companies are becoming aware that one of the important issues that need to be addressed within their businesses is CSR and CoC (author's own opinion). Implementing and communicating CSR activities will show that profit is not the only important thing, as it was recently, but that today, among other things, a big concern is conducting social, economic and environmental sustainable practices. *"Today it is a widely held belief that it is no longer enough for a company to say that its only concern is to make profit for its investors, while performing activities that can fundamentally affect (both negatively or positively) the lives of communities"* (Petkovski & Nikolov, 2008, p.4). In order to retain internal and external stakeholders, companies are beginning to realize that being ethical while running their daily activities is of great importance. For that reason, implementing ethical guidelines such as CoC and CSR activities will have positive impact on the companies for promoting an image of a responsible leadership and competitive advantage.

1.2 Problem

"CSR is the integrity with which a company governs itself, fulfils its mission, lives by its values, engages with its stakeholders, measures its impact and reports on its activities". (www, Department of Trade and Industry in the United Kingdom, 2011, p.1).

The recent advancement of the CSR activities within companies is appreciated by most of the stakeholders, however, the Macedonian food companies are not doing enough and they are acting in self-interest (author's own opinion). Companies are expected to have good CSR practices, in other words, to provide safe working conditions for employees, environmental stewardship, and contributions to community groups and charities. However, the problem is that many companies are claiming to be socially responsible but often they do not implement such a standard. Hence, it is of great importance for the companies to communicate the CSR activities transparently, because the purpose thereof is to build trust and legitimacy between stakeholders. *"Accountability and transparency is the key for conducting business in a responsible manner"* (*ibid*).

The consumers' awareness is rising and they are increasingly more concerned about food safety and its production such as, where food comes from, in what condition it is prepared, how it is transported and stored i.e. "from farming to table" practices. *"There is a need for development of a comprehensive and effective food system which functions in such a way that food safety considerations are built into the food chain from production to consumption"* (Chaudhary, 2005, p. 3). Companies are expected to establish an ethical guideline which will help them to gain accountability and legitimacy between various stakeholders as well as to show and prove their social responsibility by reporting the sustainability activities transparently. However, the level of awareness and willingness to pursue the CSR activities is very low and Macedonian food industries see the only path for gaining accountability, legitimacy and sustainability in providing regular safety policies as well as other directions and legislations imposed by the Government of RM i.e. imperative norms (author's own opinion). This means that pursuing sustainable activities on a voluntary basis Macedonian food companies, yet, do not see as a challenging form for avoiding various industrial scandals and gaining legitimacy. By practicing sustainable activities, companies could avoid industrial accidents, boycotts and lawsuits arising from environmental violations (Jackson in Brown, 2005). Werther and Chandler (2006) argue that by ignoring these issues and not acknowledging its responsibilities companies could lose its societal legitimacy, which in the end affects the operational and financial performances.

Additionally, the problem that Macedonian food industries are faced with are the difficulties to manage and understand how to make profits and achieve sustainability for their products and at the same time to take care of social, environmental and economic issues i.e. to make a balance among economic, environmental and social goals (Petkovski & Nikolov, 2008). Macedonian food companies are still in the phase of understanding what the benefit from practicing the CSR activities will be. Some of the practical questions that corporations are faced with are:

- What will be the positive impacts on the companies as a result of integrating the CSR and CoC?
- Will codes of conduct serve only for building a positive image of a responsible leadership?
- How can these effects be communicated in a trustworthy way?

The implementation of the CSR practices, development of a documented CoC, and communication of achieved results from this kind of approach is fundamental for sustainable development of a company. For these reasons, the study aims to describe the perceived benefits from these approaches by explaining the incentives, awareness and willingness of the companies who are already pursuing these practices within their businesses.

1.3 Aim and delimitations

This study concerns corporate perspectives of CSR in RM. According to the UNDP² report, (2009), the situation in RM shows that well developed companies which are operating on an international as well as on a domestic market are more aware of the need for practicing CSR activities, and there are few small companies that are showing this awareness which are operating only on a domestic market.

The aim of this study is to describe how companies create incentives for promoting responsible leadership through stakeholder and legitimacy theory in practice, and how the CoC are used as a tool for sustainable businesses development in Macedonian food companies. These codes are compared to what can be seen as a world standard, the ten principles of UNGC³ and the eight ILO⁴ Conventions. The objective is to extend our understanding of incentives for implementing CSR activities, and in particular CoC.

The study aims at addressing the following research questions:

- How is CSR defined and implemented by Macedonian food companies?
- What are the communicated incentives for integrating the CoC within Macedonian companies?
- What are the perceived benefits of the use of the CoC in Macedonian food companies?
- To what extent is the implemented CoC in compliance with the UNGC ten principles and the eight ILO fundamental conventions?

² United Nation Development Programme is the UN's global development network, advocating for change and connecting countries to knowledge, expertise, and resources to help people build a better life (www, UNGC, 2012, p. 1).

³ United Nation Global Compact is a strategic policy initiative for businesses that is committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

⁴ International Labour Organisation is a professional body which was founded in 1919, but became a specialized agency of the United Nations (UN) in 1946. The aim of its foundation is to solve problems with employment issues.

The study focuses on analyzing three companies (Alkaloid-botanicals, IMB-Bitola Dairy and Kadino Industry Group - bakery). These companies have been selected because they are very active on the domestic market and moreover, their management has a well developed awareness of social responsibility. Their strategies and operative management efforts are documented and communicated in CoC. Two of the food processing companies were a part of the research in the UNDP Baseline study⁵ regarding the CSR development in RM, and the third company was awarded for CSR activities in 2010 by CSR Coordinative Body of the RM (www, Konekt, 2012).

The study is limited in the research process to three case companies. These companies are aware of the positive impact from the implementation of the CSR practices and CoC. This is explained by the fact that the subject of CSR is a new approach in RM which leads to two problems: limited number of companies using a CSR approach and a slowly evolving awareness of willingness to communicate CSR efforts. Other contacted companies were not open for collaboration.

Selected companies are representing positive examples of how other companies in RM may implement the CSR practices and CoC.

1.4 Outline

The outline of this study is described in Figure 1, and gives the reader information about the whole structure of the project.

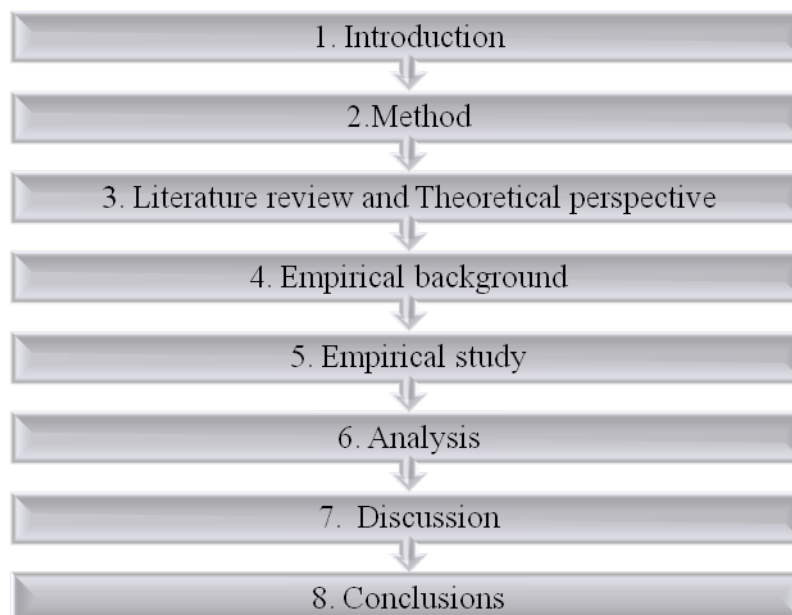


Figure 1: An illustration of the outline of the project.

Chapter 1 gives the problem background, states the problem and formulates the research questions, shortly explains the approach in the study and delimitations;

Chapter 2 presents the methods used (in the researcher's work);

Chapter 3 presents theories applied, which are used for data interpretation in the empirical study and the relevant literature review which refers to the subject of this paper;

⁵UNDP Baseline study is the very first comprehensive analysis on the situation of CSR in RM (UNDP Baseline study, 2009, p. 3).

Chapter 4 presents the companies which are involved in the study;

Chapter 5 presents the case findings obtained from the conducted interviews designed for the purpose of this study and studied documents;

Chapter 6 analyses the case findings with the literature review, in order to provide better understanding of the purpose and aim for integrating CSR activities and CoC;

Chapter 7 discusses case findings from the study research and gives answers to research questions;

Chapter 8 presents thesis conclusions according to the case findings and answers the aim of the study, gives implications for the managers from food industries and recommendations for future research.

2 Method

This chapter explains the research method which is used for this project. The analyses are based on primary and secondary data. Primary data are obtained from the interviews which are conducted for the aim of this paper, and secondary data are obtained through analyzing articles, journals, internet and other relevant documented sources.

According to Bryman (2008), research methods are associated with different kinds of research designs. During the development of this report, a combination of research methods is used, such as, formulation of research questions, introduction to a country and choices of industries and selected companies, then literature review which leads to development of conceptual framework. As a final stage, an empirical study is conducted in order to obtain and analyze data for further usage in this project.

2.1 Research strategy

2.1.1 Qualitative research method

The aim of this study is to describe how companies create incentives for promoting responsible leadership through stakeholder and legitimacy theory in practice, and how the CoC are used as a tool for sustainable businesses development in Macedonian food companies. Accordingly, the following research questions were formulated (Chapter 1, Introduction, section 1.3) in order to guide the research process:

RQ 1: How is CSR defined and implemented by Macedonian food companies?

RQ 2: What are the communicated incentives for integrating the CoC within Macedonian companies?

RQ 3: What are the perceived benefits of the use of the CoC in Macedonian food companies?

RQ 4: To what extent is the implemented CoC in compliance with the ten UNGC principles and the eight ILO fundamental conventions?

In general, there are two kinds of research designs for obtaining data: quantitative and qualitative research designs (Bhattacharjee, 2012).” *Quantitative research design are intended to collect primarily quantitative data such as numeric scores and metrics, while qualitative designs are aimed at collecting qualitative data such as interview or observational data”* (ibid, p. 37). The qualitative research method was chosen in order to give deeper understanding of the related factors (internal and external) influencing the incentives for implementing the CSR practices and the CoC document in the respective studied companies. The fact that the qualitative data are based on words allows for a deeper understanding of the respective theme (Saunders et al., 2003).

After defining the main determinants which are included during the research process, the following part in the method chapter is a short description about the steps which can be used for conducting the research. The complete research process according to Bryman (2008) is illustrated in Figure 2.

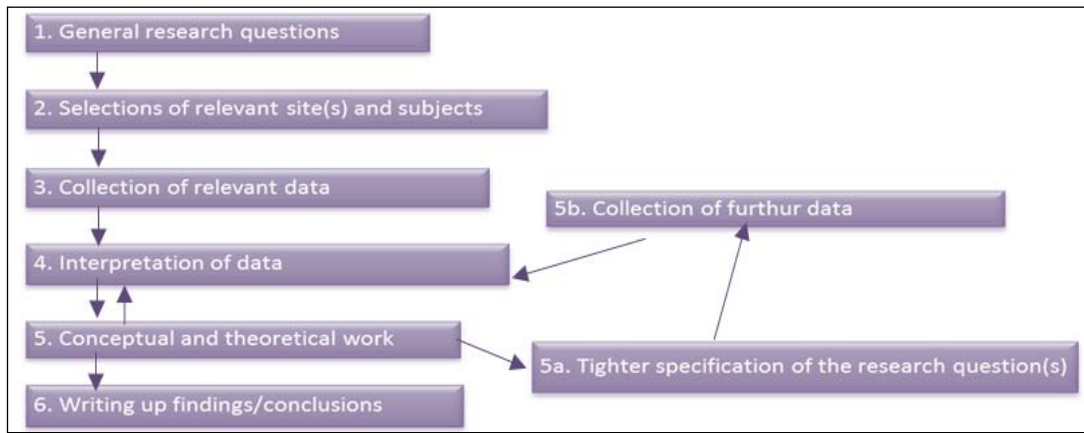


Figure 2: Illustration of the main steps of qualitative research, (by Bryman, 2008, pg. 370)

The illustration above presents a summary of the main steps of the qualitative research method by Bryman (2008, p. 370). The first step starts with the formulation of the research questions, continues with the selection of the subject of study, the choice of companies, data collection (literature, interviews, etc.), analysis and interpretation of the data, to the final step where the conclusions and recommendations are written from the findings obtained from the case study.

2.1.2 Case study

The research design used for the development of this research method is a case study, as a qualitative research method.

“The case study is a research strategy which focuses on understanding the dynamics present within single settings”, (Eisenhardt, 1989, p. 834). This research strategy was used in this study in order to understand the various ways and approaches towards respective concepts. According to Bhattacharjee, (2012, p. 94), *“this method is more popular in business research than in other social disciplines”*. This makes a clear picture about the decision on using case study as a research method in this project.

Yin (2003) proposes that case studies can be categorized according to their ability to explain, describe, illustrate, explore or do a meta-evaluation. He further describes two variations of case study design including *“single- and multiple- case studies”* (*ibid*, 14; Bhattacharjee, 2012, p. 95). Highlighting that *“multiple-case study approaches are generally considered to be more robust”*, he further recommends that when the option presents itself, a multiple-case study, even one with as few as two cases, is preferable to a single-case approach (Yin, 2003, p. 46). During this study multiple-case study method was implemented since three case studied companies with different characteristics were analyzed. According to Bhattacharjee (2012), multiple case studies require cross-case analyses as a second phase of data analysis. In such analysis the researcher should look for similar concepts and pattern between different case sites, ignoring contextual differences (*ibid*). Accordingly, the cross-case analysis was made as a second stage of the analysis process from the study.

Case study refers to integration of primary and secondary empirical material. This approach *“combines data collection methods such as archives, interviews, questionnaire guide and observations”* (Eisenhardt, 1989, p. 534). In the same study the author suggests two types of data analysis in the case study research method (*ibid*): within-case analysis and cross-case analysis. Accordingly, developed CoC and the CSR activities of the case companies were

analyzed using purposive methods and compared with the case findings and the theories used in the literature review. By conducting the multiple case studies for this project the author builds an understanding of the incentives for pursuing these two concepts through testing a theory with the collected and analysed data, thus this approach has been chosen as the most appropriate research method.

2.2 Choices related to Case studies

This section introduces the reader with the choices which were made for the research project. Particularly, the section elaborates on the choice of industry as the subject of the research, choice of the concepts which will be studied, the choice of the companies, and gives an explanation of the conducted empirical study.

2.2.1 Introduction of the chosen country

After the development of the theoretical framework, an introduction to the situation with the structure of the business sector is given, and the situation of the process of CSR implementation in RM is presented. The concept of CSR in RM was introduced in 2002. Since then, many activities have been finalised, such as presentation of the baseline study for CSR implementation in RM developed by UNDP in 2007. Furthermore, the next year, a national Agenda for Implementation of a CSR concept was developed, and at the end of 2008 a Coordinative body for CSR implementation in RM was established (www, cbscr, 2012). Due to the fact that the CSR concept is relatively new and is developing every day, as well as the CoC concept as a guideline for the company's activities which is not quite introduced within Macedonian food companies the choice of the country is made in this relation.

“The process of integration of RM into the EU imposes adoption and promotion of the CSR concept and its contribution to social cohesion and creation of sustainable development”(Petkovski & Nikolov, 2007, p. 13-14). Consequently, the implementation of the concept is important for the ongoing process of EU integration. Furthermore, the “promotion of CSR is important for attracting foreign direct investments” (ibid, p. 15). This means that attracting FDIs leads to a rapid increase of the investment funds supplementing financial objectives with social, environmental or ethical considerations in the selection and realization of the investment (ibid). For example, the socially responsible investing for European market has grown from €36 billion in 2003 to over €1 trillion in 2005 (ibid; EuroSIF, 2006). Inevitably, in order to utilize part of these funds, Macedonian enterprises will have to change their manner of conducting day-to-day business activities in order to enact the principles of CSR behaviour (Petkovski & Nikolov, 2007, p. 14).

Officially published data for the structure of the business sector in RM from the State Statistical Office in RM is analyzed and presented.

2.2.2 Choice of the industry

The subject of this study is the food sector. *“The agribusiness is an industry sector with large conflict potential because it has public goods characteristic, handles with nature and produces food which is indispensable for life”* (Heyder & Theuvsen, 2008, p. 178). As an industry sector, the agribusiness or food production sector has an important role for public health. Due to the fact that the majority of the Macedonian population deals with agricultural production whose products are the basis for the food production industries, and the fact that these industries have been having a tradition of production of brand products for years backward, were the author's

main reasons to focus on the CSR and CoC implementation in this branch and the respective companies.

Additionally, food production companies are constantly observed by organizations such as NGO's and various associations. Therefore, the implementation of the CSR and CoC concepts are of crucial importance for food companies in order to show accountability. Friedman and Miles (2002) argue that, from a CSR perspective, organizations are seen as key drivers in the process of building a better world, therefore, they are under increasing pressure to demonstrate good and accountable corporate responsibility (Pinkston & Carroll, 1994).

2.2.3 Choice of the concept to study

For a company business strategy it is not enough to obtain only financial results for the investors, but also the economic, environment and social aspects of business development it have to be considered (Petkovski & Nikolov, 2007). In developing a business strategy managers should decide to put efforts for the implementation of more activities than they are requested by the legal framework of the country.

The concept chosen for the study is the business approach to CSR and CoC documents. CSR is a new conceptual approach introduced in RM. As a concept, CSR was introduced in 2002 for the first time as a result of the presence of foreign institutions in RM (Rumpt, 2011). In 2007 a baseline study was developed by United Nation Development Program (UNDP baseline study). The study conducted by UNDP concludes that companies are aware of "*attractiveness of the CSR concept and the need of inclusion of CSR issues in their agenda at the highest level*" (ibid, p. 3). This finding indicates that companies are aware of the concepts and benefits of its implementation, which serves as a base for this research project. The objective of the developed research project was to estimate the progress towards CSR implementation through a case study of three companies which are aware of the CSR process, where two of them were part of the UNDP baseline study conducted in 2007. Since the implementation of this concept is on a voluntary basis, the attitude of the companies is that this is a concept only for large sized and well developed companies with an international approach.

2.2.4 Choice of the companies

The next process in the research method is the choice of the companies for the case study. The very first step regarding the selection of the companies was sending e-mails to ten companies. The respective companies were asked to be part of the author's research project. Only two companies (Alkaloid AD and IMB Bitola Dairy) replied. Furthermore, those companies that failed to reply were contacted by phone. Unfortunately, some of them refused to support the project and some were not even thinking in this phase at all in the direction of implementing the CSR activities. There was a need of having companies engaged in the CSR activities and the CoC due to the fact that this project is to describe the incentives for pursuing these activities. Since the number of companies pursuing the CSR concept is limited in Macedonia, and given the fact that this is a relatively new concept, the author focuses on three companies which are internationally active. The second phase was to make a review through articles and reports related to the CSR in RM. Two of the selected food companies (IMB Bitola Dairy and Kadino) were chosen during the initial review of the CSR articles for RM such as, *Baseline study on CSR for the Republic of Macedonia*, conducted by the UNDP in 2007, which was a reconfirmation for IMB Bitola Dairy to be chosen. The choice of the third company (Alkaloid AD, Skopje) was reconfirmed during the review of the listed companies awarded by the Coordinative Body for

CSR implementation in RM. At the end of the literature review a short elaboration of the CSR concept in RM is presented, as well as the situation with the business sector. The companies are categorized according to the number of employees in different ways. In terms of size (Official Gazette No. 28. 30 April, 2004; Potevska, 2000) the companies are categorized as large, medium, small and micro sized companies, according to the number of employees, annual revenue and average value of total assets on the annual accounts for the last two years (accounting years).

Kadino Industry Group is categorized as a small company with a tendency to become medium sized company. IMB Bitola Dairy AD is categorized as a medium sized company with 200 employees, and Alkaloid AD Skopje is categorized as a large sized company with 1,035 employees.

These three companies sized as small, medium and large are selected for the research process. The management of these companies has shown awareness about the corporate social responsibility concept and the importance of developed ethical CoC as a business guideline for managers and employees.

2.3 Literature Review

For the literature review the abductive approach was applied in which explanatory hypotheses are formed and evaluated. According to May (2001), in social sciences there is always a reflection back from the empirical data toward the theory, and vice versa. Alvesson & Sköldbörg (1994) argue that with this approach empirical findings are developed and theories are fine-tuned which function as an inspiration during the research process. Patel & Davidson (2003) describe that the abductive approach has its own characteristics and resemblance to a combination of the inductive and deductive approaches. The benefit perceived from this approach is that the researcher has a bigger freedom to carry out his/her own work. While conducting an abductive research the researcher aims to explain an occurrence with relative theories, and then prove it through additional observations (Alvesson & Sköldbörg, 1994). In other words, it is a process of explaining something experienced or observed where there is no existing knowledge to explain the phenomenon.

With a view to introducing the subject to the reader a selection of academic literature and articles is made in the following order: literature suggested by the SLU mentor in this study, literature used during the master's degree completion, articles obtained by the author from the open source academic journals, and additional literature obtained from the internet during the process of writing the thesis. The respective articles were mainly obtained from databases such as: SLU, JSTOR, ScienceDirect, Emerald, Sage Premier, SpringerLink and Elsevier.

From the proposed literature, a selection of the most important study subjects was made. In the process of literature review the most important definitions are presented which were used in the further development of the study. The definitions for CSR and CoC are presented in the literature review process and the most important components which are included in these concepts. The combination of various literature sources contributes to the precise understanding of the studied subjects. The presented definitions are used for a clear understanding of the findings from the empirical study of the selected companies. Furthermore, during this process a review of the published literature and documents for the implementation of the studied concepts in RM as a selected country was conducted.

2.3.1 Identification of theoretical framework

During the process of the literature review, the main definitions for CSR and CoC were presented, as well as the main components which are included to define these two concepts. Since the aim of this research is to study the practical implementation of the concepts in RM, definitions of the concepts which are accepted by the Government of RM are adopted.

The CSR, as a concept, could be defined in various ways depending on the awareness of the management team for this concept. For accessing the implementation of the CSR concept the legitimacy of the enterprise is used (Heyder & Theuvsen, 2008). The confrontation of legitimacy with “*multiple stakeholders’ goals and relationships could be notably promising for a company in agribusiness to pursue a CSR strategy*” (*ibid*, p. 2). The previous statement explains the decision of the author of this research to choose the stakeholder and legitimacy theories as determinants for accessing the CSR model implementation in the selected food companies.

Another focus in the research is on the implementation and compliance of the codes of ethical conduct as a guide in the company. “*Codes of ethics have become a fact of life in today’s business world*” (Chonko *et al.*, 2003, p. 237). The usefulness of codes of ethics as a guide for decision making is strengthened as managers become more familiar with the specific content of the code (*ibid*). “*Codes of conduct, ethical codes or guidelines for behaviour appear to be a clearly visible sign that an organization is aware of the need for ethical behaviour and requires a commitment to such behaviour from its workforce*” (O’Dwyer & Madden, 2006, p. 218). Previous statements give a precise explanation that CoC or ethical codes are much implemented in business life. Therefore, developed and documented CoC need to be introduced to managers of the company as well as to employees. Developed CoC from the respective companies are to be compared with the eight ILO conventions and the ten UNGC principles.

2.4 Data collection

2.4.1 Methods of Data collection

There are two types of data: *primary data* - collected for the first time and for the purpose of the study and *secondary data* - previously collected and analysed from other researchers and documented in reports.

Two techniques were used for the collection of the relevant data:

- interviewing as a data collection technique, and
- documents study, triangulation and validation

Combination of data types can be highly synergic (Eisenhardt, 1989). The methods suggested for data collection were implemented in the process of development of the research project. The following Figure 3 illustrates the processes of data collection and case findings validation, as well as gives information regarding the methods used for data analysis of the case findings.

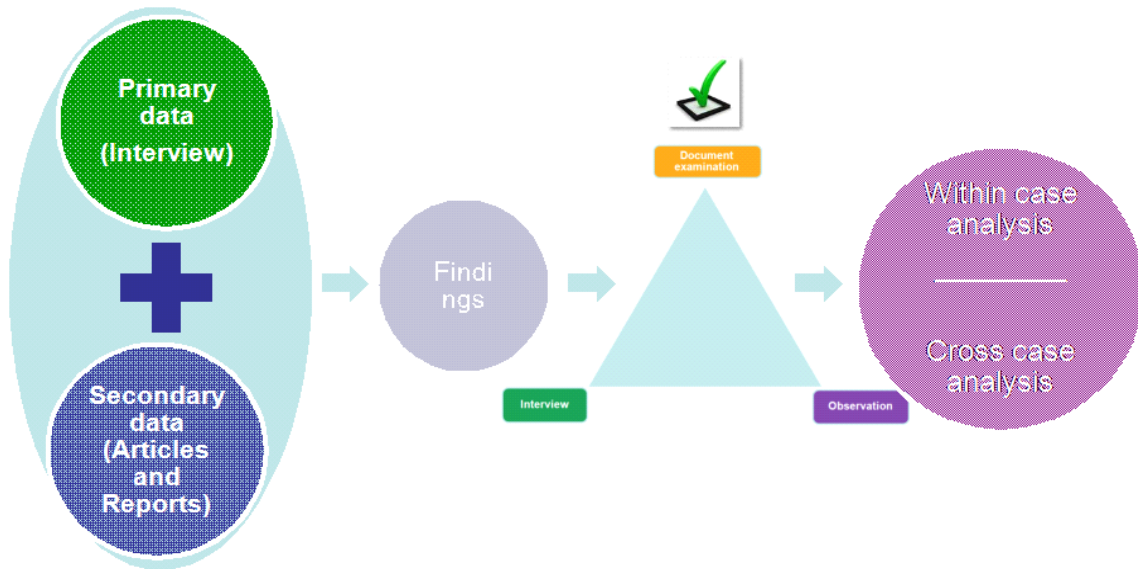


Figure 3: Illustration of the data collection method and the stages of data analysis (Developed for the thesis)

Detailed information and explanation regarding the use of each step illustrated in the figure above is given below.

Interview

Interview is a data collection technique in which primary qualitative data are obtained. *“In-depth interviewing is a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program, or situation”* (Boyce & Neale, 2006, p. 3). Interviews have some advantages in terms of obtaining larger amount of data which can be used in the research process and disadvantages, meaning that this technique can be time consuming (ibid). Interviews are personalized form of a data collection method, and are conducted in the *“same protocol as questionnaires”* (Bhattacharjee, 2012, p. 79). *“The interview, as a technique, can be conducted as: face to face and telephone interview”* (ibid). For the conducted research project a telephone interview was introduced by the author.

For conducting a telephone interview, a prepared questionnaire was used. The developed interview guide questionnaire was distributed by e-mail to the relevant representatives of the companies as an introduction to the following process of interviewing. After that, telephone interview was conducted. When the process was completed, the obtained findings were used in a further research step.

Selection of persons is a part of the interview process and is of crucial importance for obtaining relevant data (ibid). The conduct of the interview process with persons who are not competent for the researched subject may produce an inadequate research result. In this study the interviewed persons were selected as the most competent representatives for participation in the research process, which means that the persons are directly involved in the preparation and implementation of the CSR practices and CoC (see Table 1).

Table 1 below presents: selected companies, interviewed persons, position of the representatives, and the interview method. In addition, the table also contains information about the date when a questionnaire and request for telephone interview was sent and the date when it was conducted. This information represents the willingness of the representatives to cooperate in this project.

Table 1: Conducted interview

Company	Interviewee	Position	Contact	Interview method	Interview sent/ Conducted
Alkaloid AD Skopje	Nikola Eftimov	Head of Human Resources	Tel: + 389 2 310 40 44	E-mail	07/04/12
			Fax: + 389 2 317 16 44 e-mail: neftimov@alkaloid.com.mk	Telephone	07/31/12
IMB Bitola Diary AD Bitola	Lidija Burevska	Human Resources Manager	Tel: + 389 47 226 380 ext. 118	E-mail	07/04/12
			Fax: + 389 47 237 073 Mob: +389 71 375 112 e-mail: lidija.burevska@bimilk.mk	Telephone	07/16/12
Kadino Industry Group	Todor Gjorgjevski	Executive Director	Tel: + 389 2 258 14 04	E-mail	07/18/12
			Fax: + 389 2 258 14 06 Mob: +389 70 205 529 e-mail: todor@kadino.com.mk	Telephone	07/26/12

Source: Interviews; web sites of the respective companies

The questionnaire produces two types of data which are used for different approaches. The qualitative approach (words) is useful for understanding the rationale of the theory and by the quantitative approach the researcher examines statistics to provide explanations of the researched subject (Eisenhardt, 1989).

The thematic questions used during the interview process were separated in two sections. In the first section, the questions refer to the CSR concept as a business strategy and provide information about the management attitude for this business concept, and how this concept influences the company development. The second section provides information about the CoC, the implementation of the codes, and the benefits from the implementation of the CoC in business operations.

Another way of collecting qualitative data is documentation “where external and internal documents, such as memos, electronic mails, annual reports, financial statements, newspaper articles, websites, may be used as independent data sources or for corroboration of other forms of evidence” (Bhattacharjee, 2012, p. 107). During the development of the research project, many types of officially published documentation were used as a secondary data.

Triangulation

An interview was conducted between July 15th and August 1st using an e-mail and telephone interview as a method, based on a previously prepared interview guide (see [Appendix 4](#)). Each telephone interview was around 40 min in duration. Once the interview process was done, parts of the provided information were translated into English. The author uses multiple sources of evidence for data verifications and different kind of activities as a part of the triangulation technique. In order to provide trustworthiness, credibility and validity confirmation of the data, the respective answers were sent back to each interviewee to be checked and confirmed. The data collected from the interview process, after their confirmation and validation, served as a ground in comparative analysis.

2.5 Analysis of the collected data

This section refers to an analysis of the obtained primary data during the interview process and the secondary data which were obtained from the published documents. These data refer to the CSR and CoC concept. A data analysis was conducted in two stages: within-case analysis and cross-case analysis. In the first stage, the **within-case analysis**, each of the case studied company was analyzed with the obtained qualitative data. After the completion of this stage, the second conducted stage of the research project is the **cross-case analysis** which is to assess the similarities and differences between the analyzed cases.

The detailed process of data analysis could be presented in two steps. The first step is a secondary data analysis. These data were obtained from officially published documents and web pages which refer to the CSR concept and CoC documents. The secondary data which refer to the CSR concept were compared with the stakeholder theory and legitimacy theory which are elaborated in the literature review process. Accessed documents as a secondary data source for the CoC were compared with the eight ILO conventions and the ten UNGC principles.

Primary qualitative data from conducted research interview process were analyzed as a second step. Primary data obtained from an interview on each selected company were separately analyzed for each of the studied company. Then, the findings from each company were compared with the secondary data source from the materials and other relevant documents for the CSR and CoC. The findings create a clear picture about the ways of using the CSR and developed CoC in the analyzed companies. After that, a cross-case analysis of the findings was made in order to make comparison between the companies for CSR and CoC approaches. Furthermore, a discussion regarding the analysed case findings and the literature review is made. Eventually, conclusions are drawn from the case findings and recommendations for future research.

2.6 Framework of the Research Project

This section presents the implemented research methods, studied concepts and types of data which were used in this research project. During the development of the research project a deductive and inductive approach was implemented. The deductive approach is based on a theory review, while the inductive method is applied to generate conclusions which emerge from the findings (Perry, 1998). Consequently, the structure of the research project includes:

- The literature review as a research method provides findings about the theoretical approach towards the CSR concept and CoC documents and elaborates awareness about the concepts in RM.
- Selection of companies which were analyzed: Alkaloid AD Skopje, Bitolska Dairy AD Bitola and Kadino Industry Group DOOEL Skopje
- Selection of concepts which were analyzed: CSR concept and CoC documents.
- Data collection technique:
 - Interview process
 - Documents, web pages, case findings
- Research method: Case study
- Within-case analysis
- Cross-case analysis
- Triangulation technique for data validation: Correlation among the literature review, the implementation of this concept in RM and the findings from the conducted case studies.

The structure of the research project shows that during the development of the study, three companies were analyzed. An analysis was conducted on two concepts implemented by the company. For each analyzed concept two types of data were obtained: primary and secondary data. These two types of data were analyzed using case study as a research method which includes: within-case analysis and cross-case analysis.

The implementation of this structure of the research project produces findings which are validated during the process of triangulation. This structure provides a separate analysis of the documents and interview findings for each company as a separate case. As a result of this analysis, the findings for the structure of the company and managerial approach for each case are presented. In the next step, the findings from the case studied companies are compared. This kind of approach presents findings about different managerial approaches.

The aim of this research processes is to give the correct view of the reality by combining and analysing empirical data in relation to the theory used. The whole methodology which includes case study as a qualitative research method was appropriate for this project. The data obtained from the case studies provided the answers for the research questions formulated for the purpose of the study.

2.7 Strengths and weaknesses of the research methodology

Each method and technique used for this study has its own particular strengths and weaknesses.

The case study method is “*an in-depth investigation of a problem in one or more real-life settings (case sites) over an extended period of time*” (Bhattacharjee, 2012, p. 41). This means that this kind of research approach gives the ability to capture the reality in details by the current situation, and to develop a subtle understanding of the link between social, cultural, and political factors that might have influenced the phenomenon of interest (ibid). Furthermore, the research questions formulated in the beginning can be modified during the research process if they are to be found less salient and less relevant for the purpose of the research. Unfortunately, the case study has some weaknesses. First, as this method is used for hypothesis testing (positivist) or theory building (interpretive) and involves no experimental treatment, the findings remain weak and are more likely to be criticised as subjective. There is a possibility of interpretation biases, since one person is gathering and analysing the data at the same time. Second, the quality of findings obtained from the study depends on the integrative powers of the researcher, where, an experienced researcher can easily recognise the concepts and patterns in the respective case findings and the novice researcher may miss (ibid, p. 42). Furthermore, due to the fact that the findings are heavily contextualised it is difficult to generalise the case findings from one industry research to other industries.

It is worth noting that by using a combination of data sources (primary and secondary) for the respective case study, some insufficiencies from the secondary data source (published documents) were supplemented with the primary data source (conducted interviews), for example, the lack of information regarding the behaviour of the employees during the implementation process of the CoC was supplemented with the answers obtained directly from the interviewee through the conducted interview. The combination of data sources helps to validate and confirm the case findings by using the triangulation technique.

The strength of the use of a cross-case analysis is that the researcher can look for similar patterns and concepts between different cases while ignoring the contextual differences which

can lead to idiosyncratic conclusions (Bhattacharjee, 2012, p. 98). This means that individualisation of the characteristics or quality of the conclusions can be avoided. For the purpose of this project, particularly for the process of the analysis, the author has selected three case companies in the same industry but with different sizes (e.g. small, medium and large).

As mentioned in section 2.3 of this chapter, the strength of the abductive approach used for this study as a part of the qualitative research is that the researcher has a bigger freedom to carry out his/her own work. Likewise, while conducting an abductive research the researcher aims to explain an occurrence with the relative theories, and to prove by using additional observations (Alvesson & Sköldberg, 1994). One of the salient weaknesses that Vince (2011) argues is that in this process the created hypothesis may or may not be true and further work is required for verification.

3 Literature review and Theoretical perspective

This chapter provides a literature review showing the importance of the CSR in the Macedonian Agribusiness sector. Based on the importance of the CSR, the process of implementing CSR practices is described, focusing on the enactment of the CoC within companies. For this purpose, definitions for most important components and international principles related to CSR are reviewed.

The review offers a brief introduction to:

- the ten principles of the United Nations Global Compact (UNGC) and
- the eight conventions of the International Labour Organization (ILO)

It offers a conceptual framework based on:

- Definitions for the stakeholder theory and legitimacy theory.
- Development of a theoretical framework of the CSR
- Structure of the document for the CoC

The understanding of these topics involves the reader in the chapters that follow. Furthermore, this chapter gives more detailed information about a subject which is of great importance, but not much developed in RM.

3.1 Principles of UN Global Compact (UNGC)

The UNGC is a strategic policy initiative for businesses that is committed to aligning their operations and strategies with the ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption (www, UNGC, 2012, p. 1). The principles which are stated in this global initiative are developed in order to assist the private sector to face with the process of globalization and to engage in collaboration with the companies which are participants in this international initiative. The UNGC requires from the companies to follow the ten principles in the aforementioned areas. Table 2 below describes the ten UNGC principles in their four areas of influence.

Table 2: UN Global Compact principles

AREA OF INFLUENCE	NUMBER	STATEMENT
HUMAN RIGHTS	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights
	Principle 2	Make sure that they are not complicit in human rights abuses
LABOUR	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
	Principle 4	Elimination all forms of forced and compulsory labour
	Principle 5	Effective abolition of child labour
	Principle 6	Elimination of discrimination in respect of employment and occupation
ENVIRONMENT	Principle 7	Businesses should support a precautionary approach to environmental challenges
	Principle 8	Undertake initiatives to promote greater environmental responsibility
	Principle 9	Encourage the development and diffusion of environmentally friendly technologies
ANTICORUPTION	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery

Source: author's creation (based on www, UNGC, 2012)

The first UNGC principle, stated as universal and as something that belongs equally to every human being is about human rights. Basically, businesses driven by companies have a big impact on human rights. Therefore, the UNGC has developed guidance for human rights as the most important issue. The guiding principles according to (UN, 2003, p. 1) are grounded in the recognition of:

- (a) The States' existing obligations to respect; protect and fulfil human rights and fundamental freedoms;
- (b) The role of business enterprises as specialized bodies of society performing specialized functions, required to comply with all applicable laws and to respect human rights;
- (c) The need for rights and obligations to be matched with appropriate and effective remedies when breached.

These guiding principles should be read by all subjects included in the process of business development.

Labour is the second part of the UNGC Principles which deals with four fundamental principles in the workplace. Businesses are challenged to take these universally accepted values and apply them at the company level. The implementation of the content of these principles ensures that the company respect labour rights. These four principles are derivatives of the ILO conventions (www, UNGC, 2012).

According to Table 2, the environment is the third part of the UNGC which consists of three principles. These principles give direction to companies' management for environmental awareness and responsibility in terms of minimizing pollution, using friendly technologies, supporting various NGO campaigns, where businesses can contribute to society by promoting responsible entrepreneurship and clean production.

It is assumed that “*the long-term sustainability of a business depends on free and fair competition*” (www, UNGC, 2012, p. 13). Finally, as a last part of the UNGC principles is Anti-corruption and it includes one principle. It should be implemented in the management strategy with a view to the company reducing the impact from bribery. This means that all business processes will be developed according to the company’s policy.

When the company’s management decides to commit to the implementation of the CSR concept, the same needs to be put in practice and a corporate CoC should be enacted, which must be based on the UNGC principles as described above in Table 2.

3.2 International Labour Organization (ILO)

When talking about the CSR concept, we must mention the International Labour Organization (ILO). The facts and the purpose of its establishment and existence which are published on its official website (www, ILO, 2012) are briefly discussed. The ILO is a professional body which was founded in 1919, but became specialized agency of the United Nations (UN) in 1946. The aim of its foundation is to solve problems with employment issues. The main goal of this organization is to regulate social injustice and work towards higher employment. We have to mention that ILO has four strategic objectives (ibid):

- Promotion and realization of standards and fundamental principles and rights at work
- Creation of greater opportunities for women and men to decent employment and income
- Enhancement of the coverage and effectiveness of social protection for all
- Strengthening the tripartite and social dialogue.

Based on the internet research, in order to provide data for this organization, it was found that the ILO has approved 189 conventions (www, ILO, 2012). All these conventions regulate employees’ rights at work. When we talk about the concept of corporate social responsibility and the codes of conduct participation, it should be noted that these international conventions should be followed in order to obtain workers’ rights. Namely, Macedonia became a member state of the ILO in 1993 and until now has ratified 70 ILO International Labour Standards (Conventions), including the eight fundamental Conventions (www, ILO, 2012). These fundamental conventions are presented in Table 3 below:

Table 3: ILO Fundamental Conventions

ILO FUNDAMENTAL CONVENTIONS			
No	Code	ILO Convention	Introduced
1	C009	Forced Labour Convention	1930 (No. 29)
2	C087	Freedom of Association and Protection of the Right to Organize Convention	1948 (No. 87)
3	C098	Right to Organize and Collective Bargaining Convention	1949 (No. 98)
4	C100	Equal Remuneration Convention	1951 (No. 100)
5	C105	Abolition of Forced Labour Convention	1957 (No. 105)
6	C111	Discrimination (Employment and Occupation) Convention	1958 (No. 111)
7	C138	Minimum Age Convention	1973 (No. 138)
8	C182	Worst Forms of Child Labour Convention	1999 (No. 182)

Source: *author's creation (based on www, ILO, 2012)*

According to the published work country program 2007-2013 by the ILO, a request was sent to the Government of RM to take “*necessary steps to ensure full compliance of national labour law with ratified conventions regarding, inter alia, the full exercise of freedom of associations and the right to organize and to collective bargaining at all levels in both the private and public sector*” (ILO decent work country programme 2010-2013, p. 6). When these necessary steps are fulfilled by the Government, the working condition in Macedonia will comply with the ILO conventions.

3.3 Stakeholder and legitimacy theories

These two theories, stakeholder and legitimacy theories, are closely connected with the CSR. Business management involves many resources in order to obtain high quality collaboration with its stakeholders, and gain much legitimacy.

3.3.1 The Stakeholder Theory

For a company to be successful on the market and to do businesses with other companies or business groups, the management team should develop a clear strategy. This highlights the stakeholder concept. This concept becomes very popular among academics, media and managers.

The Stakeholder theory and its approach were developed by Richard Edward Freeman, in the 80's of the previous century. According to Freeman (1984), a stakeholder is any group or individual who can affect or is affected by the achievement of the organization's objectives. For the purpose of this report, Figure 4 below describes a stakeholder model.

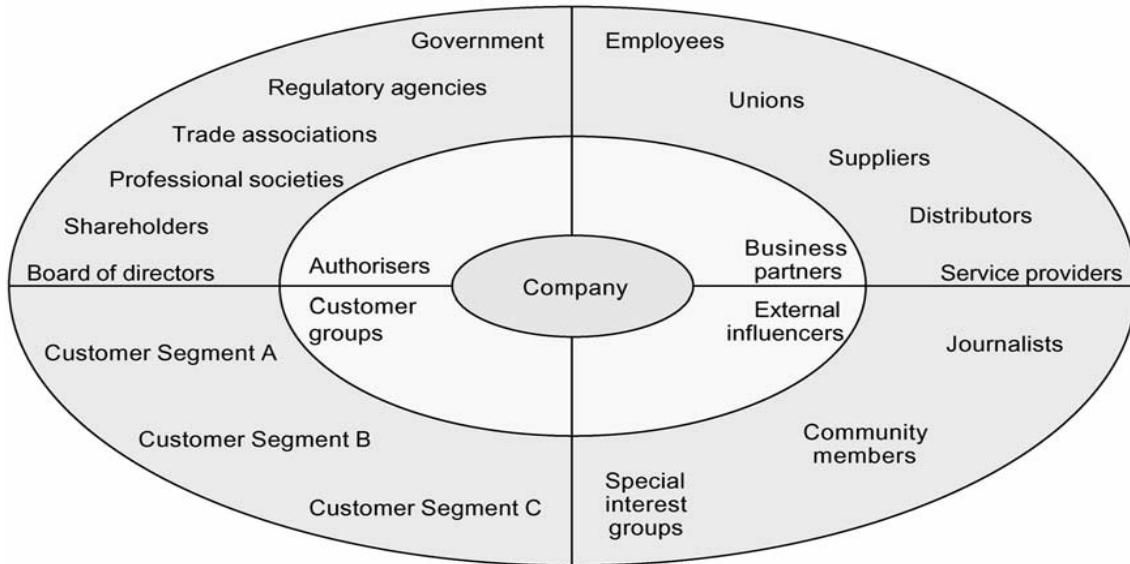


Figure 4: The Stakeholder model, (Roberts, 2003, p. 162) adopted from Dowling 2001.

Various groups of stakeholders also have specific interests and distinct expectations from the company and, as it is shown in Figure 4, they consist of the following categories (Roberts, 2003):

Authorisers - individuals or institutions engaged to provide services for businesses and at the same time to supervise their progress. This group which consists of internal and external participants includes managers from various management levels of the firm and governmental authorities.

Business partners - are a stakeholder group which assists the companies in their activities to reach their business objectives. This stakeholder group consists of internal and external actors, employees and representatives of other business companies involved, respectively.

External Influencers - this stakeholder group consists of special interest groups, for example the NGO's, as well as community members and the media. These groups provide special services for the above groups with an interest in following the companies' various activities which affect the external environment and the community as a whole.

Customer groups - are stakeholders which consist of different individuals and businesses based on their various interests and expectations from the company.

The figure shows that the respective company is surrounded by different types of stakeholders. The company needs to create good relationships with the stakeholders. All groups have a significant role in relation to the company. "Stakeholder analysts argue that all persons and groups which have interests in participation in a company want to obtain some benefits" (Donaldson and Preston, 1995, p. 68). It is obvious that the company could not exist by itself, but the management must conduct their activities to balance the requirements by all its stakeholders. Hence, these activities can be seen as support for the company's work from the stakeholders involved. According to Mitchell *et al.* (1997, p. 6), stakeholders can be identified by the possession of one or more of the following attributes:

- The stakeholder’s power of influencing the company,
- The legitimacy of the stakeholder’s relationship with the company and
- The urgency of the stakeholder’s claim on the company.

Previous statements give a clear suggestion that the management of the corporation has to make a normative market research to identify which are the key stakeholders that can contribute to the company’s development. Once the market research is completed and the main stakeholder companies are identified and selected, the determinants or attributes for estimating stakeholders need to be given by the management team. Identification and building good relations with stakeholders must be one of the main priorities of a company.

3.3.2 Legitimacy theory

A company should have good legitimacy within its organization (internally) and in the community (externally) in order to perform good business activities. Good legitimacy for the company is important for a long term development and sustainability. Legitimacy in this concept is understood as the conformity of an organization with social norms, values and expectations (Oliver, 1996). Legitimacy theory addresses how companies should identify themselves to their stakeholders, and also legitimacy means how well the company values are consistent with stakeholders’ values and norms (Suchman, 1995). From the definition we can conclude that legitimacy is not a universal concept, but it is rather a judgement by the stakeholder and therefore this perception is very flexible. There are four principles which should be followed to gain legitimacy (*ibid*):

- The company can publish its plans to improve their conduct and performance
- The company intention to change stakeholders’ view of the company.
- The companies direct its stakeholders’ attention on the positive things they are working on.
- The company tries to change stakeholders’ expectations of the company.

This refers to external legitimacy which is important for the organization. An internal legitimacy is of great importance too, and is driven by the employees who accept a good leadership and continue taking care of a good working atmosphere in the company. According to Brinkerhoff (2005, p.3), literature distinguishes three types of legitimacy:

- normative,
- pragmatic, and
- cognitive legitimacy

Based on the literature review, Figure 5 offers an overview of legitimacy, and after that a short description for each type of legitimacy is given.

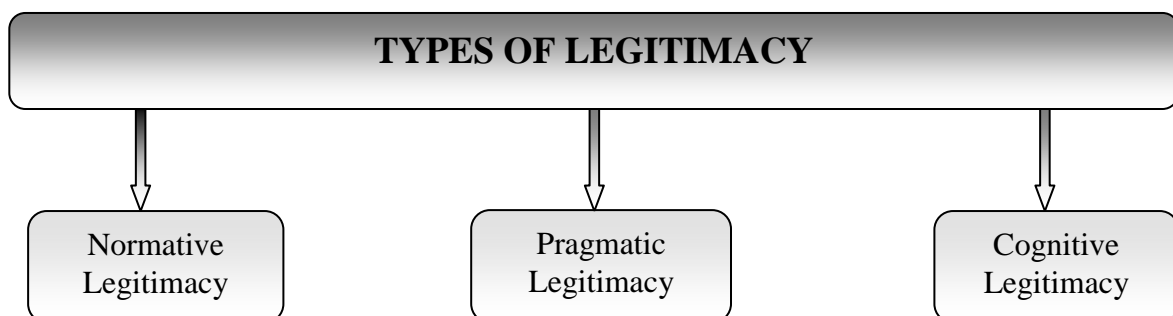


Figure 5: Three types of responsibility, (*Brinkerhoff, 2005, p. 4*).

The first type of legitimacy, *normative legitimacy*, refers to the organization when socially accepted norms, standards and values are followed. The second type of legitimacy, *pragmatic legitimacy*, refers to the legitimacy given by stakeholders, assessing how the company can fulfil their interests. Lastly, the *cognitive legitimacy* ties the legitimacy to organizational pursuits such as objectives and activities that society understands and values as appropriate, proper, and desirable (*ibid*).

Although, as previously mentioned, some analysts argue for a conceptual separation between reputation and legitimacy, these are closely connected (Deephouse and Carter, 2005). The management of the company must have commitment for developing a good reputation. A company can develop its reputation through various strategic options (Brinkerhoff, 2005, p. 13):

- Building a reputation within the organization, and
- Partnering with other organizations that already possess the desired forms of legitimacy.

Legitimacy is the crucial factor when the management makes decisions for long term collaboration with other company. In other words, two companies will have a stakeholder relationship based on the legitimacy of both companies. The importance is more valued if the companies are present on the international market. Likewise, legitimacy has a bigger input if the company implements the concept of the CSR.

3.4 Corporate social responsibility (CSR)

The CSR differs from place to place, from industry to industry, and over time (Welford, *et al.* 2007, p. 52). It is increasingly accepted that in order to define precisely what social responsibility means to a company it needs to engage with its stakeholders and to take into account their needs and aspirations when designing the CSR strategies and programmes (*ibid*).

In general, the CSR can be defined in many ways, depending on the purpose of its creation. The European Commission has concluded that the CSR is defined as a concept that on a voluntary basis integrates social and environmental demands into business operations and creates an interrelationship with stakeholders of enterprises (European Commission, 2001). Having in mind this definition, it can be concluded that companies and corporations have a different kind of responsibilities, mainly economic and legal responsibilities. This wide concept is used by the companies which are aware that they are responsible (socially and ethically) for their activities towards their stakeholders.

There have been many debates about the CSR during the last century, but, yet there is not a CSR definition which is generally accepted (Dahlsrud, 2006). Companies have recognized the benefits of the CSR activities for both, themselves and for the society as a whole (Boatright, 2009). Some elements of the CSR development originates from mid-nineteenth century, specifically the concept of the CSR originates from the 1950's when American corporations rapidly increased in size and power (*ibid*).

The process of development of the CSR approach in the EU countries started after the 1980's and literature shows that today much more attention is given by the EU countries to the CSR approach than by the United States (*ibid*, p. 350). According to Hartman *et al.* (2007), the recent

developments regarding the CSR have highlighted the need in using the stakeholder theory for studying various aspects of the CSR activities.

“The CSR is concerned with the integration of environmental, social, economic and ethical considerations in business strategies and practices” (Jones *et. al*, 2007, p. 244). The concept of a triple bottom line is integrated in the structure of this definition. The term triple bottom line (TBL) was coined by John Elkington in 1994 in an attempt to create a new language to express what was perceived as an inevitable expansion of existing corporate models, from purely economic values to economic values as a part of managing sustainable conduct (Herbert *et al*. 2010, p. 1). According to the same authors, the use of TBL in the academic world that deals with sustainability issues has drastically increased (*ibid*). The TBL includes three aspects of sustainability (Marrewijk, 2003):

- The economic aspect
- The environmental aspect and
- The social aspect

“The implementation of the CSR concept provides benefit to a wide set of company’s stakeholders such as customers, workers, states, NGO’s, suppliers, media” (Schorling, 2010, 7). The CSR has gained increasing recognition among companies as a new and emerging form of governance because it helps them to respond to the fundamental changes in the overall business environment (Jones, *et al.*, 2007, 245). According to previous definitions of the CSR, there is a voluntary basis for pursuing CSR strategies (Heyder & Theuvsen, 2008, p. 2). Since the implementation of the CSR concept is on voluntary basis, its implementation depends on the economic perspective of the company (*ibid*). The previous statement implicates that the implementation of this concept depends on the company management and their awareness for the CSR which creates its economic perspective.

Assuming a stakeholder perspective, there are two key drivers for companies to act in a socially responsible way and be accountable for their activities and impacts (Adams & Zutchi, 2004). The first key driver is the recognition of the power of companies and the acceptance by them that they have a broader responsibility than simply earning money for shareholders. The second key driver is the recognition that it is in a business interest to report the CSR activities (*ibid*). The preparation of reports on the implementation of the CSR approach has a crucial role in the whole process since it shares information about the activities of the company.

3.4.1 Communication of the CSR

The implementation of the CSR concept by the company should be stated in a nonfinancial report to send information about its activities regarding different groups of stakeholders. Namely, the company reports for its CSR activities (which includes the economic, ecological and social approach of the company) and it is related with the increased transparency of the company (Petkovski & Nikolov, 2007); however, the development of this kind of reports is still on a voluntary basis (*ibid*). According to Perrini (2005), the CSR reports are yet to become one of the main characteristics on the business scene. The guidelines for preparing CSR reports are suggested by two multinational organizations (GRI⁶ and WBCSD⁷). A suggested guideline

⁶ “The Global Reporting Initiative is a non-profit organization that promotes economic, environmental and social sustainability”. “GRI provides all companies and organizations with a comprehensive sustainability reporting framework that is widely used around the world” (www, GRI, 2012, p. 1).

⁷ The World Business Council for Sustainable Development is a CEO-led organization of forward-thinking companies that galvanizes the global business community to create a sustainable future for business, society and the environment (www, WBCSD, 2012, p. 3).

gives description about the CSR activities which should be stated in the reports. Generally, reports contain information about the economic, environmental, social, and governance performance (Welford *et al*, 2007). In the process of globalization the CSR reports are an obligation of the organizations of all types, sizes and ownership (Logsdon & Wood, 2005). The company implements the CSR activities if it prepares a report which contains information regarding the conducted activities in the areas of: philanthropy, environmental responsibility, positive relation with all stakeholders, good human relations, and after all producing good financial results for the shareholders. These activities contribute to gaining legitimacy from stakeholders. This is important, especially in the process of globalization which increases competitiveness among companies.

3.4.2 Sustainable Development

All of the activities which are implemented by the company regarding the CSR concept lead to obtaining sustainable development of the company. Sustainable development is defined as an “*important concept of integrating social, economic and sociological dimensions jointly addressing conservation and change*” (Hediger, 1999, p. 1120). For the purpose of this research project sustainable development is estimated as a concept which refers to changes in the company. The same author suggests that sustainable development in its concepts includes a weak and a strong sustainability which are “*grounded on an ethical premise of keeping the general production capacity of economy constant, or maintaining essential functions and capacities over time*“. The statement implies that weak sustainability is more a value-based concept and refers to satisfying minimum standards for development. On the other hand, strong sustainability as a concept has deeper approach for satisfying basic needs of production. Hence, weak sustainability is focused on satisfying external factors and needs which will obtain sustainable development in the short term, but strong sustainability is focused on satisfying internal and external factors and these lead to long term sustainability.

3.5 Codes of Conduct

The previous subheading states the definitions and purpose for the implementation of the CSR. In order this approach to be implemented it must be documented. This document is known as CoC. The Code is often interpreted as demonstrating a strong commitment to a company’s social obligations (Mamic, 2003). The international federation of accountants (2007) states a comprehensive definition of the CoC as: Principles, values, standards, or rules of behaviour that guide the decisions, procedures and systems of an organization in a way that:

- (a) Contributes to the welfare of its key stakeholders, and
- (b) Respects the rights of all constituents affected by its operations.

“*Most of the companies’ documents were developed as a result of various external factors, such as pressure on companies in order to enact the ethical CoC*” (Pater & Gils, 2003, p. 762). Furthermore, there are various purposes for the development of the CoC such as: regulating employees’ ethical behaviour, aligning individuals’ behaviour with the company, or they can serve as a control mechanism (*ibid*). When the management of the company commits to work according to the principles of the CSR then they have to prepare CoC. It must be stressed that this is a mandatory obligation and is completely voluntary. During the years companies have developed their own principles as to how they will act in various disciplines. When these

principles are documented by the management of the company they become an official document i.e. CoC for the company. The main purpose of the codes is to be sure that the company is working regarding the principles of CSR in all stages and sectors of the company.

Codes are used in internal and external communication with its main stakeholders and the employees. Furthermore, CoC can be used as a company's identity and can contribute as a part of marketing strategy for reporting consumers and other stakeholders about the actions taken as part of their social responsibility.

“Writing a code of conduct has undoubtedly the advantage of setting managers to think about the central values of their company and to reflect on situations in which these values are at stake” (Njihof et. al, 2003, p. 66). The CEO and management team of the company which is responsible for the creation and implementation of the CoC should be focused on planned activities to be performed in compliance with the codes in all units and should be proactively following up the CoC in order to prevent the loss of the company credibility.

“The language with which companies communicate with their employees and other stakeholders indicates not only information about the content of code specifications, such as whether the company has a policy on bribery, but also reveals much about the company's values and the degree of concern it has about its ethical and citizenship responsibilities” (Logsdon & Wood, 2005, p. 56). Not only does the CoC document indicate the employees' behaviour and the act of their responsible manner within the company, but it also discloses the real intention of the company in terms of if it really implements it as part of its strategy or just wishes to increase its image.

“A code of conduct is an instrument for responsibility within the organization, but as it is by itself is not sufficient to shape a responsible organisation” (Njihof et al., 2003, p. 67). As it was stated before, the codes of conduct and the CSR approach are both on a voluntary basis. While usually these two approaches are connected, there are exceptions, as the results from this study shows that there are cases when a company has a very good CSR approach though the management of the company has not developed a documented CoC. A well developed CoC means that the management has created a document with strict strategy for its responsibilities. An advantage for the management team is that during the preparation of the CoC the team can rethink about the processes and other values that should be implemented in the code.

The above definition of the CoC and its importance in the process of business communication implies that this document relies on specific standards such as, the ten UNGC Principles and the eight fundamental ILO Conventions.

The connection between the theoretical findings and the practical implementation of the CoC in the study of Macedonian food companies is dealt with in chapter five where a comparison is made between the respective codes used in the selected companies and the eight ILO conventions and ten UNGC Principles.

3.6 Theoretical framework

The previous sections describe subjects, models and theories which contribute to a clear description of the various aspects of the CSR concept. In the following parts of the paper the main focus is given on the assessment of the practical implementation of the CSR and CoC in the selected companies. Table 4 below summarises the chosen theoretical framework which

gives the reader a better understanding of the theories applied for this project regarding the CSR and CoC concepts.

Table 4: Summary of the theoretical framework

CSR (incentives)		CoC (compliance)		
Stakeholder Theory (Building relationship)	Legitimacy Theory (Company identifies itself)	The ten UNGC principles	The eight ILO conventions	
Authorisers Individuals or institutions engaged to provide services for businesses.	The company can publish its plans to improve their conduct and performance	Human rights Principle 1 Principle 2	(1) Forced Labour Convention	(2) Freedom of Association and Protection of the Right to Organize Convention
Business partners Assists the companies in their activities to reach their business objectives.	The company's intention to change stakeholders' view of the company.	Labour Principle 3 Principle 4 Principle 5 Principle 6	(3) Right to Organize and Collective Bargaining Convention	(4) Equal Remuneration Convention
External Influencers NGO's, Community members and Media	The companies direct its stakeholders' attention on the positive things they are working on	Environment Principle 7 Principle 8 Principle 9	(5) Abolition of Forced Labour Convention	(6) Discrimination (Employment and Occupation) Convention
Customer groups Different individuals and businesses based on their various interests and expectations from the company.	The company tries to change stakeholders' expectations of the company.	Anticorruption Principle 10	(7) Minimum Age Convention	(8) Worst Forms of Child Labour Convention
COMMUNICATION (CSR reporting)				
GRI (Guidelines)		WBCSD (Guidelines)		
SUSTAINABLE DEVELOPMENT				
Weak sustainability (Company satisfies external or internal factors)		Strong sustainability (Company satisfies external and internal factors)		

Source: Author's creation for the purpose of this project

The table above shows that the approach of the CSR in its structure includes the stakeholder theory, which explains the company's relationship with its stakeholders as it is presented in Figure 4. Since the research in this project is limited to domestic companies, a CSR definition developed by Petkovski & Nikolov (2007, p. 2) has been used in the study, which is based on a proposed definition of the European Commission: "CSR is a concept on voluntary bases in which companies integrate the social and environment responsibility in their business activities and interaction with their stakeholders".

Another component which is analyzed as a part of the CSR concept is the legitimacy of the company. Legitimacy is more abstract attribute gained by companies from their stakeholders as well as from their various involvements in social and environmental issues. As this study shows, companies are making different strategies and conducting business activities in order to gain better legitimacy among the stakeholders and a desire for attracting foreign direct investments (FDI) or shareholders.

The respective CoC document from the company is compared with the so-called world standards for the CoC, the ten UNGC principles and the eight ILO conventions in order to see the compliance of the company's developed document. Moreover, the analysis is about to show if the company has used these principles and conventions as a guideline during the preparation of its CoC document.

As mentioned before in this study, and as it can be seen in Table 4, the communication of the CSR activities by preparing the special CSR report is of big importance for the company to show transparency. The GRI and WBCSD are two main organisations which are giving guidelines for the preparation of the respective document.

All of these theories and certain aspects used for the analytical phase of this study show that the good relationship with various groups of stakeholders, the strong and well developed legitimacy, as well as the transparent communication of the CSR activities lead the company to sustainable business development. Depending on which factors (internal, external or both) are satisfied, the company's sustainability could be weak or strong. The definition of weak sustainability in this study is when the company satisfies only external or internal factors, and strong sustainability is when the company satisfies both, internal and external factors.

The implementation of the CoC is a part of the CSR approach of the company. This document gives strict directions for the employees' behaviour and company's management approach. The content of the CoC document is based on ethical principles of behaviour. "*Acting ethically is important, both for individual success and organizational effectiveness*" (Boatright, 2009, p.18). Accordingly, this study estimates ethical behaviour of the companies through their developed CoC. Furthermore, the respective document for CoC has ethical content if it is based on the ten UNGC principles which are adopted in the National Agenda for CSR in RM and the eight fundamental ILO conventions which are also ratified by the Government of RM (Petkovski & Nikolov, 2007).

It is worth noting that the CSR is a relatively new concept in RM (since 2002) and it was introduced as an activity of an international organization which operates in RM, particularly the World Bank Institute. Even though in 2008 the Government developed a National Agenda as guidance for the companies in this concept, there is not yet a developed business climate for further implementation. There is still a prevailing general conviction that "this concept is obligation only for profitable companies which represent the smaller part of business subjects in RM, especially in the food sector" (UNDP baseline study, 2007, p. 19).

4 Background for the empirical study

This chapter gives a clear picture to the reader about the current situation with the CSR approach in the Republic of Macedonia. Officially published statistical data are analyzed in order to show the present situation with the business sector in RM. Information about the companies studied for this paper is given hereafter.

4.1 The CSR concept in RM

The CSR concept is widely accepted in developed countries. This concept in the Republic of Macedonia was introduced in 2002 through the activities of the World Bank Institute (Petkovski, & Nikolov, 2007). Later in 2004, the UNGC was launched in Macedonia with 25 companies that had joined this initiative (UNDP, 2007, p. 19). For the implementation of the CSR concept in RM, the National Coordinative Body for CSR Implementation was established in December 2007 (Lazarevski, 2010, p. 8). The main responsibilities of this coordinative body are to promote the CSR concept in RM. In 2008, Macedonia became the third country in the EU, after Denmark and Lithuania, in adopting a national CSR Agenda (Rumpt, 2011). *”The Macedonian CSR Agenda brings the concept of the CSR closer to the Macedonian business community and intends to prepare Macedonian companies for accession to the EU common market and make them more attractive potential outsourcing partners for the large foreign companies”* (Petkovski, & Nikolov, 2007, p. 13).

The National Coordinative Body for CSR Implementation in RM organizes a competition for a National Award, among the companies implementing the CSR concept, and the competition is organized in the following categories (www, Coordinative body for CSR implementation in RM, 2012):

- Employees
- Ethical management
- Client/consumer relationship
- Environmental protection
- Investment in Community

The main targets of this competition are small and medium enterprises (SME) and large companies. These activities are supported by many national authorities, and are also co-financed by the EU through the National Program for Competitiveness and Innovation (CIP), conducted by the Ministry of Economy.

This concept in RM is introduced as a result of the fact that companies, especially internationally oriented ones, are strongly influenced by the community, NGOs, etc. and beside legal laws for conducting business, they have to show a voluntary approach to social and environmental issues. The implementation of the CSR concept leads to increased sustainability of the company and business development.

The implementation of the CSR concept by the companies, as well as the developed CSR agenda is of great importance for the process of EU integration for the Republic of Macedonia, because the food sector will show CSR awareness. The authors of the “CSR agenda” (Petkovski

& Nikolov, 2007, p. 11), used the respective OECD guidelines⁸ for a CSR strategy development which consists of eight main points that need to be integrated in the CSR concept:

1. **General policies:** sustainable development, human rights, development of local capacities, etc.
2. **Information publishing:** Publishing of annual report, publishing information about social and economic rights.
3. **Employment:** Implementing the main commitments stated in the International Labour Organization. **Environment:** Implementing Environmental management systems, transparent reports for impacts on the environment, etc.
4. **Bribery reduction:** Refusing bribery, transparency regarding bribery reduction
5. **Customers:** Obtaining fair business, marketing and campaign practices, quality of product and services, etc.
6. **Science and Technology:** Protection of intellectual property, transfer of knowledge.
7. **Competition:** commitment to fair competition.
8. **Taxes:** Compliances with legal taxes.

In spite of the efforts made to implement the CSR concept in Macedonian companies, there is still a misunderstanding of the concept (UNDP, 2007; Rumpt, 2011). For example, one of the reasons is in the human attitude that this concept presents an obligation only for the big companies and not for the small ones, and the other reason is the outmoded conception of the management of the CSR concept as financial burden of the company.

The main vision in the prepared agenda is “*Promoting sustainable business development which develops social inclusion and protects environment degradation.*” The agenda suggests the following midterm goals (Petkovski & Nikolov 2008, 12):

- Raising CSR awareness
- Developing capacities for competitions and CSR establishment in industries or companies
- Providing conditions for a CSR approach

The above goals give a strict direction about the government intention for CSR development in the Republic of Macedonia. Also, they highlight the need and importance for CSR reporting of the companies. This requirement comes mainly from the company’s stakeholders, because they expect to be informed about the business activities and the social and environmental impact. Furthermore, the report suggests that the Government of RM should implement an obligation for the companies to prepare a CSR report for their impact on the environment.

Unfortunately, the business climate in our country is on a very low level of CSR engagements and most companies are mostly preoccupied with survival (Rumpt, 2011), misconceptions, lack of understanding of the CSR concept and a shortage of indicators that would motivate the CSR engagement in a corporate strategy in the Macedonian companies. All of this serves as development of the concept for corporate responsibility in RM.

⁸ “The OECD guidelines set out how governments expect companies to behave; they offer a basic outline for corporate codes of conduct on how to deal with socially relevant issues” (www, OECD, 2012, p. 1).

4.2 The Business Sector in the Republic of Macedonia

This section offers some basic information for the business sector in RM. To this aim a statistical research was done on the published data from the Statistical Office of RM. Table 5 below shows the structure of registered business entities by sections.

Table 5: Structure of Business Sector in RM (Statistical Yearbook, 2012, 482)

ACTIVE BUSINESS SUBJECTS	
Section Activities	Business entities
A Agriculture, hunting and forestry	2,963
B Mining and quarrying	176
C Manufacturing	8,155
D Electricity, gas, steam and air conditioning supply	98
E Water supply, sewerage, waste management and remediation activities	283
F Construction	4,400
G Wholesale and retail sale; repair of vehicles, motorcycles and personal and household goods	27,468
H Transportation and storage	6,380
I Accommodation and food service activities	4,313
J Information and communication	1,419
K Financial and insurance activities	420
L Real estate activities	450
M Professional, scientific and technical activities	5,369
N Administrative and support service activities	1,319
O Public administration and defence; compulsory social security	203
P Education	986
Q Human health and social work activities	3,246
R Arts, entertainment and recreation	1,213
S Other service activities	4,257
TOTAL	73,118

Based on the above table, section A refers to agricultural production, and section C includes manufacturing. Accordingly, these subsectors represent 15% (www, Invest in Macedonia, 2012) of the total number of the registered business entities in the business sector in RM.

Furthermore, an analysis of the structure of business entities by the number of employees was made, and the results are presented in Table 6 as follows:

Table 6: Structure of enterprises by employees (Statistical Yearbook of RM, 2012, 483; Statistical News Release, (2011, 2)

No of employees	2009	2010	2011
n/a	6,243	10,756	6,674
1-9	59,398	59,276	60,620
10-19	2,223	2,483	2,754
20-49	1,483	1,568	1,698
50-249	1,159	1,211	1,187
250 +	204	203	185
Total	70,710	75,497	73,118

Table 6 gives information about the situation with the business sector in RM. The business structure in RM shows that most of the enterprises are with a total number of employees 1 - 50. According to the Macedonian legal system (EAR, 2004, p. 3; Potevska, 2000, p. 16) these entities are classified as small and medium enterprises (SME) and in 2011 they represented 90% of the total business subjects in RM.

4.2.1 The Food Sector in RM

This subheading gives a short introduction to the Macedonian food sector, as well as the situation within the sector. The food sector is of a complex nature. It includes primary production which deals with the production of raw agricultural products and secondary production which includes food production and processing industries for the final use by the consumers.

The importance of the food sector is reflected in a number of roles associated with: food production and processing, sale and regulation of payment, absorption of working force and contribution to the gross domestic product. *Food production is a strategic goal for the countries all over the world* (Peshevski, 2003, p. 10). Today the importance of agribusiness is bigger as a consequence of the rapid increase of population, changes in consumer behaviour for high quality food and increase of playability in developed countries. According to the Food and Agriculture Organisation (FAO) experts (Mihajlovic, 1997, p. 61) over 13% from the world population, mostly in developing countries and underdeveloped countries suffered from insufficient food production. The development of the agribusiness sector is the key to solving the problems with the food supply in such countries.

The RM has a total area of 25,713km² or 2,571,300ha (Statistical Yearbook RM, 2012, p.14). The statistical analysis presents that 490,000ha or 19.10% of the total area are plains, 2,032,500ha or 79% are hilly and mountainous and 48,800ha or 1.9% of the area are lakes and the biggest lakes are Ohrid, Prespa and Dojran (ibid., p.15). Agricultural production is organized in agricultural land areas which represent 321,813ha (Agriculture Census 2007, p.28) or 12% from the total land area in RM.

From the data we can conclude that the structure of the land in RM is mostly hilly and mountainous. According to the published information from the *Census of Agriculture* in 2007 the total land area used for agricultural production was 264,339ha which represented 82% from the agricultural land area of RM. The same source provides information that there are in total 471,069 people engaged in agricultural holdings. The Annual Report of the State Statistical Office (2012) provides information that the total labour force in RM is 941,019.

The statistical finding shows that around 50% of the available labour force is directly engaged in the food sector (Agriculture census 2007, p.108; www, State Statistical Office, 2012, News Release 2012, p. 2). This percent of engaged labour force in agriculture is higher if consultants, trade associations', education etc. are considered. This labour force indirectly contributes to the agribusiness development. Here it should be stated that in the figure the total labour force in RM is counted, not just official employees, because there is a big portion of labour force involved in agribusiness activities but not officially registered.

Since the food sector has a big contribution to Macedonian Economy, the Government give support to the Macedonian agribusiness companies through various programs. The support is distributed through a separately constituted agency for financial support of the agribusiness sector. This agency works under the control of the Ministry of Agriculture and was constituted

in 2009 as a result of the need for distribution of the financial resources from the Instrument for Pre-Accession Assistance in Rural Development (IPARD). This Agency is also used for distribution of financial assets for subventions from the budget of RM which the Government allocate for agriculture development.

For this issue, the Government of RM have prepared a development program (IPARD, 2009) and a full analysis of the food sector was made. According to the research contributed by the Institute for Economy for the purpose of this program in 2003, there are approximately 1,600 companies in the processing sector, producing food and beverages (IPARD, 2009, p. 108). The majority (90%) are small and medium companies where the average number of employees is up to 50 (see Table 6).

“The agribusiness is an industry sector with a large conflict potential because it has public goods characteristics, handles with nature and produces food which is indispensable to life” (Heyder & Theuvsen, 2008, p. 177). The implementation of the CSR concept in food production companies can contribute to the stable development of this sector. The implementation of this concept is highlighted with the fact that RM is a country waiting to become a part of the European Union. This will open the possibilities for agribusiness development on the international market. In those economic conditions, companies which are implementing the CSR and gaining legitimacy, consequently have a competitive advantage above the other companies operating on the Macedonian food market.

4.3 Case studies

This section gives the reader an overview of the main structure of the respective companies selected for this study. For a better understanding, some statements from the interviewees are presented. In Table 7 below the key characteristics of the analyzed companies are presented.

Table 7: Characteristics of the selected companies (*Alkaloid Annual Report 2010; interview IMB, 2012; www Kadino, 2012*)

Company	Employees	Annual (EUR)	Ownership	Classification
Alkaloid AD Skopje	1,035	9,337,000 Profit	Shareholding	Large company
IMB Bitola Dairy AD Bitola	200	32,520,325 Turnover	Shareholding	Medium company
Kadino Industry Group DOOEL Skopje	44	50,000 Profit	Private	Small company

As it can be seen from the table above, each company is representing one of the group classifications as large, medium and small, respectively.

4.3.1 Alkaloid AD Skopje

The basic information about this company is obtained from the annual report published on the official website of the company as one of the regular yearly activities. The report is structured in parts which gives a clear picture about the activities of the company. Furthermore, at the same time the begging key financial indicators of the company are highlighted, and the accomplishment of the company during the previous year is stated. Then, an introduction to the

management structure of the company (Board of Directors) and the main corporate information are presented. The next part of the annual report gives information about the products of the company. At the end of the report useful information about the shareholders is given.

Based on the report analysis, Alkaloid is the biggest pharmaceutical company in RM ranking as No.6 in the South-East European (SEE) region. Alkaloid is also one of the leading companies on the Macedonian stock exchange market and in the regular stock exchanges operations participates with over 18% in the total recorded turnover on the first official market (Alkaloid, 2010, p.22). The organizational chart is presented in Figure 6 below.

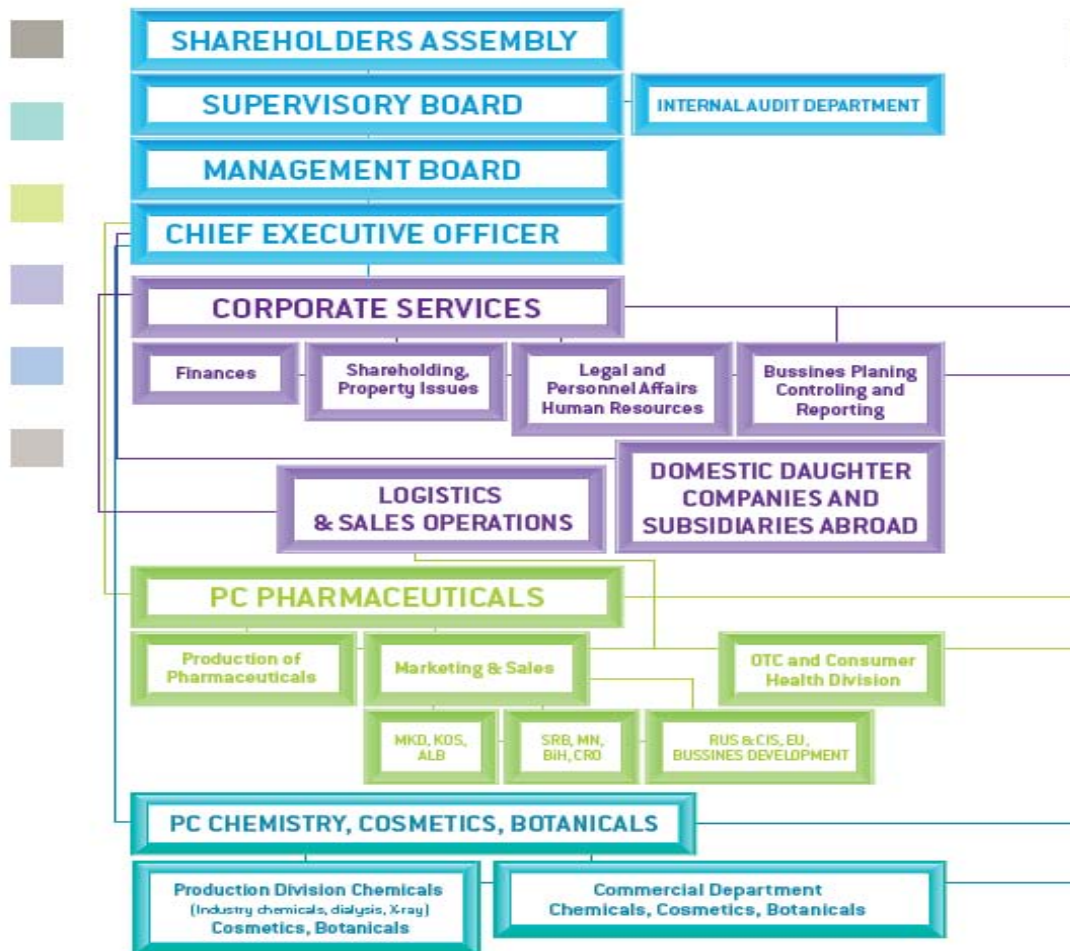


Figure 6: Organizational chart of Alkaloid AD, (Alkaloid Annual Report 2010)

Alkaloid AD Skopje has existed on the Macedonian market for 75 years. The core company business is drugs manufacturing, processing botanical raw materials, cosmetics and chemical products. The Botanicals Unit produces a line of teas under the brand GOOD NATURE, spices and condiments such as, dried vegetables, iodised salt and other products. Furthermore, the processing possibilities of herbal material, roots, leaves, fruits, seeds, etc., allow the production of a wide range of herbal material in a carefully controlled environment. It is one of the best established companies on the Macedonian market. The activities of Alkaloid take place both on the domestic and international markets. The company is a shareholder company in which around 95 % is owned by private domestic and foreign shareholders.

There is a separate section in their Annual Report for their social responsibility activities. As it is stated in the Annual Report, “Corporate Social Responsibility is an integral part of the business strategies and operations of Alkaloid AD Skopje, and is incorporated in all segments of its operations” (Alkaloid, 2010, p. 22). Alkaloid was a part of the project conducted for the

introduction of the CSR Concept into RM and won the National Award by the Ministry of Economy for Ethical Management in 2009 (*ibid*; www, Konekt, 2012, p.6).

As a part of the company's philanthropic activities, the foundation "Trajce Mukaetov" was established with a decision of the Board of Directors of Alkaloid AD Skopje. The aim of this Foundation is sponsoring, donating and funding talented students, as well as sponsoring the development of projects. This Foundation also awards scholarships to students who need to meet some standards of the company, and consequently some of these students become future employees in the company. Based on their complete report for business and social activities, the author of this paper can conclude that this company has a proactive approach towards social responsibility.

Recently, there is one daughter company of Alkaloid named as Alkaloid CONC in Skopje and thirteen subsidiaries around the Balkan region (Bosnia, Serbia, Croatia, and Slovenia), Europe and the USA. According to their published document (Annual Report, 2010) the company has implemented many of the management standards.

The implemented standards and certificates are as follows: ISO 9001:2008; IS) 14001:2004; HACCP; ORGANIC EU 2092/91; ORGANIC USDA-NOP; ORGANIC JAS GMP and Fair Wild Standard, Version 2 (08/2010) (www, Alkaloid, 2012).

4.3.2 IMB Bitola Dairy AD Bitola

IMB Bitola Dairy was founded in 1952 as the first dairy company in RM. Since then, the company has been continuously investing in its development. At the end of 2007, IMB Bitola Dairy became part of the company Danube Foods Group, which recognized the potential of IMB Bitolska Dairy. The Danube Foods Group⁹ has also invested in the regional company IMLEK¹⁰ which operates in Serbia. IMLEK and Bitolska Dairy have the same dairy production program. The Danube Foods Group is a company which operates a group of companies operating milk and dairy products. It is located in the Netherlands (www, Business Week, 2012). Figure 7 below illustrates the organisational structure of the company:

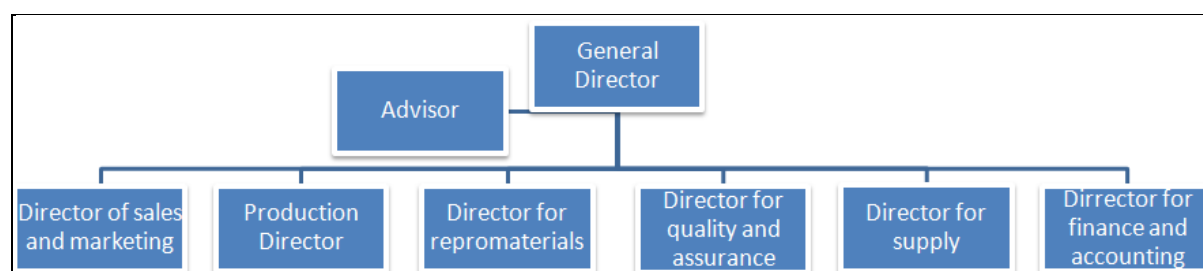


Figure 7: Organizational chart, IMB Bitolska Dairy, (*Human Resource Manager, interview, 2012*)

IMB Bitola Dairy (Bimilk) started as a small company and through the process of modernization has become the most developed dairy company in RM with yearly milk production of around 65 million liters (www, Bimilk, 2012) . The company has created various products with a unique

⁹ Danube Foods Group B.V. owns and operates a group of companies which provide milk and dairy products and is based in Amstelveen, the Netherlands.

¹⁰ IMLEK is a regional company operating in the territories of Serbia, Montenegro, Bosnia and Herzegovina and Macedonia.

taste for the consumers on the market, such as the outstanding and exceptional product - the delicacy cheese “Pecorino”, which is only exported to the USA, and the well known yellow cheese “Kajmakchalan” which is the leading product of the company’s export strategy. Apart from dairy products, IMB Bitola Dairy has adopted various fruit juices. The production of juices started in 1997 as an innovative product. In the beginning they were branded as “Bitolski sokovi”, which is translated as “Bitola’s Juices”. In 2010, they were rebranded as “Bifruit”, and the production palette consists of nine juices from various fruits.

This company satisfies millions of consumers in the country as well as on the foreign markets such as Croatia, Serbia, Kosovo, the USA, and Canada. Their intention is to implement high standards in the production, marketing and selling process.

Their intentions for the CSR are posted on the company’s official website (www, Bimilk, 2012). The management of the company have stated that they are responsible to the citizens and want to influence their lifestyles by creating quality and healthy products. The document about the CSR is segmented in three parts to provide:

- Environmental behaviour
- Sponsorship and donations
- Quality

The management is fully dedicated to implementing various environmental programs. Likewise, the company has a tendency in improving production technologies of dairy products and at the same time minimizing the negative influence of the production process on the environment.

In the field of sponsorships and donations, this company is active through donations in many humanitarian campaigns. Through these campaigns they wish to help the most specific groups such as children, sports activities, medicine, etc.

The quality is the third most important issue stated in the CSR program, by which the company intends to meet the consumer needs and to become the cornerstone in this industry.

4.3.3 Kadino Industry Group

Kadino IG is a young entrepreneurial company. It has been on the Macedonian food market for seventeen years with 44 employments. In this period this company has created two brands: Kadino Mill and World Wide Bakery. Kadino Industry Group is the first mill baking industry with original products - Burek and Mini Burek (baked rolls). The production of these products was made by implementing an innovative technology (www, Kadino, 2012).

The products like Burek and Mini Burek originate from the Ottoman period (1465) when they became a traditional and most famous Balkan speciality. These products are used by various nations, Balkan ones like Macedonian, Albanian, Serb, Bosnian and Bulgarian. The ingredients are specially selected to address the Muslims population as a target group (*ibid*).

This company is analyzed as an example of good practice of the CSR implementation in accordance with the developed project for CSR implementation in RM conducted by the UNDP in 2007. The main attribute for the CSR approach of this company is the attitude of the manager that his company is engaging in the CSR in order to contribute to the creation of a more human society, and building a good reputation which is important for a competitive market (Petkovski and Nikolov, 2007, p.35). Kadino IG is a good practical example, and it is remarkable that this small company has showed greater sense of transparency and communication than larger companies.

During the development period, the company obtained the integrated ISO 9001:2008, HACCP system in accordance with the requirements of CAC/RCP 1-1969, 2003 which is a guarantee for high-quality ecological products and professional way of organization. The organizational chart of Kadino is illustrated in Figure 8.

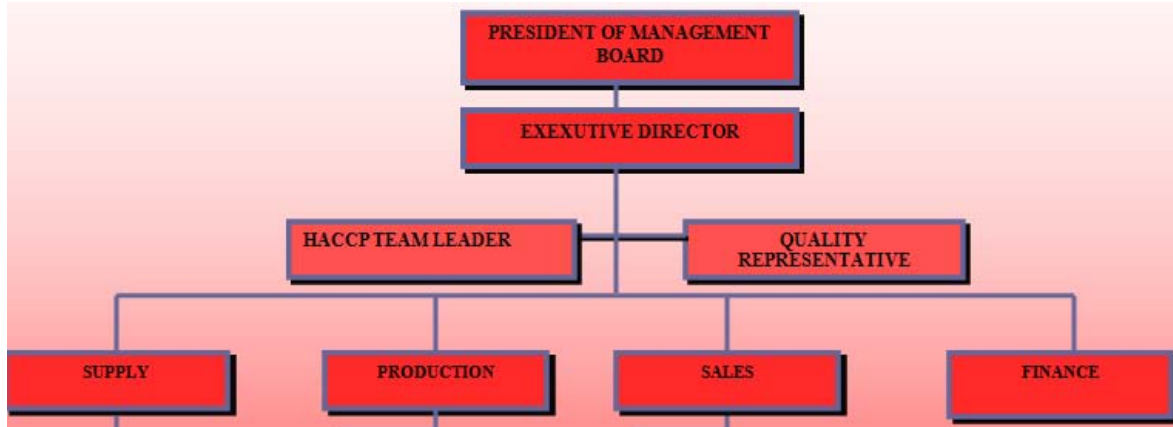


Figure 8: Organizational structure of Kadino Industry Group, (Interview, Kadino IG, 2012)

From the figure above, the structure of Kadino IG, it could be concluded that this company does not have a separate department for human resources management. Most of the business decisions for the company development are taken by the executive manager, which is a characteristic of the SME sector.

5 The empirical study

This chapter presents the empirical data from two sources: the interview processes, official documents of the studied companies and their official websites. The focus of the empirical study is corporate responsibility and developed documents for codes of conduct. In this stage the CSR analysis is presented through the stakeholder and legitimacy theories. The developed document for a code of conduct by the management is compared with the ten UNGC Principles. Furthermore, the CoC is also compared with the Fundamental ILO Conventions. The model which is used for the presentation of the stakeholder relationship of the company is adopted from the (Dowling, 2001) stakeholder model (Figure 4).

- The empirical study elaborates a within-case study of the three case studied companies. The elaboration of the findings is organized as:
- CSR activities: findings from secondary data and interview process
- CoC documentation: findings from secondary data and interview presentation

These approaches are presented in each of the studied cases separately.

5.1 Results from AD Alkaloid Skopje

Alkaloid AD Skopje is a large sized company. This company recently participated in the competition for implementation of the CSR practices, a project financed by the European Union and implemented by the Ministry of Economy in partnership with: The Macedonian Enterprise Development Foundation, the Association of Chambers of Commerce of RM and the Association Konekt (www, Konekt, 2012, p. 2). The case study analysis of the company was conducted for the purpose of assessing the management approach to the CSR activities and CoC.

5.1.1 Within-Case findings for CSR activities

During its development the company Alkaloid has been striving to implement the standards for business development. As a part of the competition in the project for implementation of the CSR in RM, where 38 large companies and SMEs participated with 63 projects, Alkaloid was one of the eleven awarded for the best CSR Practices for 2010 in the category for Ethical Management with the project: *“The Fair Wild standard - crown of the 75-year tradition of high values”* (ibid).

The main goal of the company and its management team regarding the implementation of the CSR activities is their intention to develop sustainable products, which consequently leads to corporate sustainable development. Accordingly, in the prepared annual report it is highlighted that *“the concept of social responsibility is an integral part of the business strategies and operations of Alkaloid AD Skopje and is incorporated in all segments and operations”* (Alkaloid Annual Report 2010, p. 34).). Furthermore, part of the CSR analysis is the stakeholder business relationship. Stakeholders related with Alkaloid are illustrated in Figure 9:



Figure 9: Stakeholder model of Alkaloid (*Alkaloid, Ethical Code of Conduct, 2009, p.6*)

Figure 9 shows the five key areas that the management focuses in terms of their stakeholders. Analyzed documents published by the company show that main focus is put on satisfying clients' needs. Another focus is put on making efforts for creating good working conditions for the employees such as developing programs for continuous education and creating a reward system. Furthermore, this company makes good efforts for community development through various activities, for example, scholarships for students and supporting sports and cultural manifestations. Last and very important, the company focuses on the shareholders and investors in Alkaloid, where the most important issues regarding the company's development are transparently published on their website.

As a part of the CSR activities the gaining of legitimacy is the crucial issue for the company. Having these activities constantly the company gains a good reputation among the internal and external stakeholders. On the other hand, the company fulfils the suggested four principles in the legitimacy theory. In other words, this approach contributes to the company's credibility.

The next step in the research process was the telephone interview with the selected interviewees, persons responsible for the respective activities. The findings from this process are presented in [Appendix 2](#).

The interview was conducted in order to provide a deeper understanding of the situation within the company. The managing position of the interviewed person in the company is in the Human Resources Department, and is responsible for the implementation of the CSR strategy. Moreover, Alkaloid has a special department taking care for environmental protection. *"Environment protection is one of the long-term corporate principles of Alkaloid. The environment management system is a part of the integrated system for quality management and good production practice"* (www, Alkaloid, p. 4), for which purposes an Institute of Development and Control of Quality was established. According to the interviewee, the main activities which the company conducts as CSR activities are categorized as philanthropy. The contribution to the environmental and social development is a motivation factor for the implementation of the CSR activities. These motives are directed at external factors. The company has engaged human potential for implementation of this concept, which means that

they have a serious approach. The stakeholders influence the decision-making on the implementation of the CSR activities which shows the good relationship between the company and its stakeholders.

According to the interviewee, the participation in these types of projects and the awards from the same leads to the company's gaining legitimacy and trustworthiness among their stakeholders.

5.1.2 Within-Case finding for Codes of Conduct (CoC)

The management team has developed and published CoC. The respective document represents an obligation for the employees. The structure of the respective CoC is as follows:

- Vision and mission
- Introduction
- Clients and markets
- Employees, collaborators and the environment
- Shareholders and properties
- Public and society
- Personal commitment

From the above structure it can be seen that the content of the document is professional. It contains directions for all stakeholder groups of the company. Regarding the importance of the company's CoC, the CEO of Alkaloid Zhivko Mukaetov in October 2009 stated the following:

“The Code of Ethical and Corporate Conduct is not something we apply the moment we are employed with Alkaloid AD or we practice when we find the time. *“The Code should serve as an indicator of what we do and how we behave every minute or moment of the day”* (Alkaloid Ethical Code, 2009, p. 5). This statement gives a clear picture about the attitude and commitment of the CEO to the CoC as an important issue for the implementation of this concept.

The compliance of the developed CoC with the respective eight ILO conventions is shown in Table 8:

Table 8: Compliance of Alkaloid CoC with ILO Conventions

COMPLIANCE WITH ILO FUNDAMENTAL CONVENTIONS		
No	ILO Convention	ALKALOID AD Skopje (CoC)
1	No.29 Forced Labour Convention	X
2	No. 87 Freedom of Association and Protection of the Right to Organize Convention	X
3	No. 98 Right to Organize and Collective Bargains Convention	X
4	No. 100 Equal Remuneration Convention	X
5	No. 105 Abolition of Forced Labour Convention	X
6	No. 111 Discrimination (Employment and Occupation) Convention	X
7	No. 138 Minimum Age Convention	
8	No. 182 Worst Forms of Child Labour Convention	

Source: Author's own creation (developed for the study)

The table above shows that the developed ethical CoC by the company complies with six ILO Conventions which are also ratified by the Government of RM. In the document minimum age of employment is not mentioned, which indicates that the seventh and eighth conventions are not included in the respective document. According to this document, management board of the company puts many efforts on labour standards which may result with satisfied work force in the company.

The compliance of the developed CoC with the respective UNGC principles is presented in Table 9:

Table 9: Compliance of CoC Alkaloid with UNGC Principles

NUMBER	STATEMENT	Compliance with CoC
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	X
Principle 2	Make sure that they are not complicit in human rights abuses.	X
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	X
Principle 4	Elimination of all forms of forced and compulsory labour	X
Principle 5	Effective abolition of child labour	X
Principle 6	Elimination of discrimination in respect of employment and occupation	X
Principle 7	Businesses should support a precautionary approach to environmental challenges	X
Principle 8	Undertake initiatives to promote greater environmental responsibility	X
Principle 9	Encourage the development and diffusion of environmentally friendly technologies	X
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	X

Source: Author's own creation (developed for the study)

The company's CoC is in compliance with all of the purposed UNGC principles. Alkaloid AD Skopje has developed and published a booklet which strictly defines all the statements which need to be followed by the employees and by the other stakeholders of the company. The directions in the document imply that the contents of the CoC give an instruction for a socially responsible company. The findings from the conducted interview regarding the implemented CoC are presented in [Appendix 3](#).

The findings represent the managerial approach towards the CoC. According to the interviewees' statements, the developed document in its structure contains ethical business aspects. Furthermore, the respective document was developed on the basis of all departments within the company. According to the interviewee, the challenge for enacting the CoC document within the company for the domestic country serves as a good example for other companies that have not yet implemented a CoC. However, on an international level challenges are more fruitful, for example, more shareholders are becoming interested in the company, and there are more chances for the establishment of businesses outside the country. Regarding the measuring

of the implementation of the respective document, the interviewee said that there were not evidenced results from the developed and implemented document and this could be taken as one of the main constraints of the CoC assessment process.

5.2 IMB Bitolska Dairy

This section presents the findings from the conducted research on the documents developed by the company and the data obtained from the interview process.

5.2.1 Within-Case findings for Corporate Social Responsibility (CSR)

The CSR as a concept has been implemented in the case studied company. The following text provides the findings from the conducted within-case study.

The concept of the CSR in this company was introduced after it had become a part of the Regional Dairy IMLEK from Serbia and the large corporation Danube Foods Group. The inclination toward the CSR can be estimated only through the statements which are posted on their website, since they have not prepared any kind of a CSR report for a more precise analysis. The company's CSR activities are concentrated on:

- Environmental behaviour
- Sponsorship and donations
- Quality

The CSR concept in its structure includes the stakeholders of the company. Regarding the developed stakeholder model (Figure 4) and the posted statements on the IMB official website, the stakeholders of the company are illustrated in Figure 10:

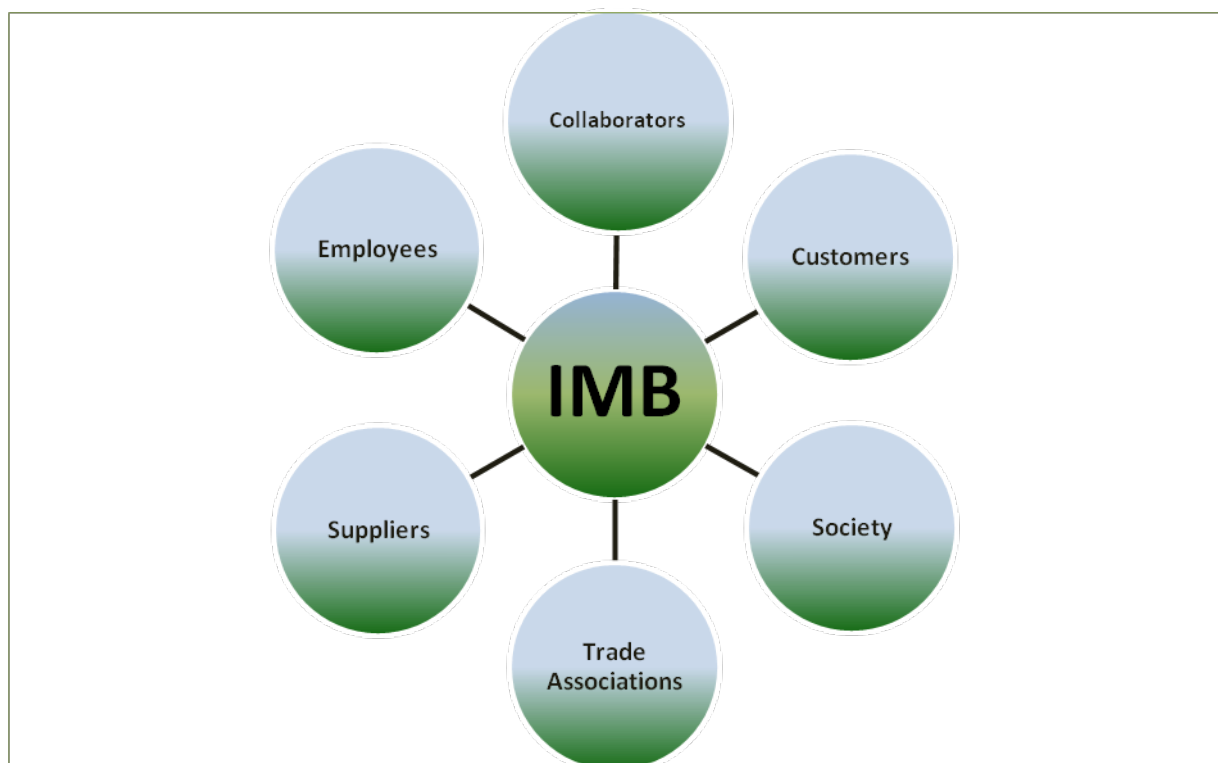


Figure 10: Stakeholder model of IMB Bitolska Dairy, (*www, Bimilk, 2012*)

Figure 10 illustrates stakeholder groups which are targeted by the company in their business activities. The current management of the company has not published any document for CSR activities on their website.

Legitimacy is also a part of their CSR concept. The company makes efforts to gain legitimacy through various kinds of activities such as sponsorships and donations. One of the main issues is producing high quality products, which consequently leads to good reputation as well as gaining legitimacy from each stakeholder group of the company.

For a deeper understanding of the HR management approach to this concept, qualitative primary data was obtained through the interview process (see [Appendix 2](#)).

The statement about the CSR definition describes the company's commitment to positive influence on the society and environment. According to the interviewee, the main activities which are undertaken for the CSR implementation mostly refer to philanthropy. On the other hand, the motivation drivers for implementation of CSR activities are environmental and social impacts. Thus, the motivation for implementation of CSR explains the concern of the management team for the external impact on the company's activities. Accordingly, the outcome of the conducted activities is assessed by gaining trust from the employees and various customers that shows a good stakeholder relationship as it is depicted in Figure 10. Regarding the influence on the company's decision for the CSR implementation, the interviewee said that stakeholders generally had influenced their decisions. For example, the consumers are those influencing their decisions, and that is the reason why the company addresses the CSR activities to them.

5.2.2 Within-Case findings for Codes of Conduct

The implementation of the CoC within the company and the official usage of it became an obligation as of early 2008. This means that the CoC was developed once the company became part of the Danube Food Group. The management of the IMB Dairy accepted the CoC in compliance with the CoC of the Group. According to the interviewed person during the interview process it is revealed that the CoC has defined principles which give instructions for the company's CR behaviour.

The document for CoC prepared by the company refers only to employees and their professional behaviour. The structure of the CoC is as follows:

- Vision of the company
- Corporative values
- Ethical standards for business behaviour
- Non-accepted types of business behaviour
- Business and interpersonal relationships
- Communication
- Dress code
- Administrative management
- Responsibility for company's assets

Table 10 below shows the compliance of the developed code of conduct with the eight fundamental ILO conventions:

Table 10: Compliance of the IMB CoC with the ILO Fundamental Conventions (www, ILO, 2012)

COMPLIANCE WITH ILO FUNDAMENTAL CONVENTIONS		
No	ILO Convention	Bitolska Dairy
1	No.29 Forced Labour Convention	X
2	No. 87 Freedom of Association and Protection of the Right to Organize Convention	X
3	No. 98 Right to Organize and Collective Bargain Convention	X
4	No. 100 Equal Remuneration Convention	X
5	No. 105 Abolition of Forced Labour Convention	X
6	No. 111 Discrimination (Employment and Occupation) Convention	X
7	No. 138 Minimum Age Convention	
8	No. 182 Worst Forms of Child Labour Convention	

Source: Author's own creation (developed for the study)

The information provided in the above table shows the compliance of the developed CoC for Bitolska Dairy with the respective eight fundamental ILO Conventions. Accordingly, the codes which are included in the Dairy's CoC and those which are in compliance with the ILO conventions are marked with X. As it can be seen, the first six of them are conducted within the company, whereas the other two are not presented in their respective document. According to the interviewee, these codes are directly taken from their partners IMLEK - the regional dairy from Serbia. The compliance of the developed CoC with the ten UNGC principles is shown in Table 11.

Table 11: Compliance of the CoC IMB Bitola Dairy with the UNGC (www, UNGC, 2012)

	UNGC STATEMENT	Compliance with CoC
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	X
Principle 2	Make sure that they are not complicit in human rights abuses.	X
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	X
Principle 4	Elimination of all forms of forced and compulsory labour	X
Principle 5	Effective abolition of child labour	X
Principle 6	Elimination of discrimination in respect of employment and occupation	X
Principle 7	Businesses should support a precautionary approach to environmental challenges	X
Principle 8	Undertake initiatives to promote greater environmental responsibility	X
Principle 9	Encourage the development and diffusion of environmentally friendly technologies	X
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	X

Source: Author's own creation (developed for the study)

Based on the above table, all of the company's principles are in compliance with the respective UNGC principles, indicating that the document contains directions referring to social responsibility.

Managerial attitudes toward the values and the process of development of the CoC document were estimated in the interview process. The findings are presented in [Appendix 3](#).

The findings show that the CoC within the company is a clear approach implying its role as an instruction for corporate behaviour. Moreover, the interviewee as a company's representative understands exactly what the benefits of the implementation of the CoC are. According to the interviewee, the company's main intention to enact the CoC is their stakeholders and employees instructions for CR behaviour. Interestingly, to the question regarding the obligation to read and respect the respective CoC of the company the interviewee responded that only the employees as internal stakeholders had an obligation in terms of the CoC, whereas the external stakeholders did not have an obligation to read and respect their CoC while conducting mutual businesses.

5.3 KADINO Industry Group Skopje

Kadino Industry Group has been present on the market for seventeen years with an original innovative production idea. Kadino Industry Group communicates their policy statements with the stakeholders on their website.

5.3.1 Within-Case findings for Corporate Social Responsibility (CSR)

The within-case study of the CSR approach was assessed through the analysis of the primary and secondary case findings. The company's approach to its stakeholders is declared through the officially posted documents on their website, the conducted studies for CSR in RM, and the conducted interview process (www, Kadino, 2012; UNDP baseline study, 2007; interview, 2012). The stakeholder relationship is illustrated in Figure 11.



Figure 11: Stakeholder Model on Kadino IG, (based on www, Kadino 2012)

The analyzed approach to stakeholders shows that the management team pays much attention to the customers and employees as the main driver for the company's development. As a part of the CSR concept, an approach toward gaining legitimacy is considered. Since Kadino is a small company, putting efforts in gaining legitimacy is one of the company's priorities. Regarding the CSR activities the company participates in social programs and gives donations of its products to families and churches. It is also a rare example of a small food company in RM which implements the CSR approach in its business development strategy (UNDP, 2007; www, Kadino, 2012).

Furthermore, the managerial attitudes toward CSR activities were estimated in the interview process. The answers regarding the company's management awareness in terms of the CSR concept is shown in [Appendix 2](#).

Based on the answers given by the interviewee, it is clear that the management of this company has awareness about the CSR concept. The main concern of the management team is developing a professional image and unique products, as well as gaining loyal consumers. Accordingly, the results which they are expecting are on a long-term basis. Furthermore, a developed image of the company is considered as a mid-term result. All employees are fully engaged in the firm's development. Although the company does not provide reports for their activities concerning CSR issues, the company has a proactive CSR approach which contributes to the company's development during the time period.

For the professional development of the employees, the management of Kadino has developed an educational-training centre. The training centre is currently used for knowledge transfer to the employees, whereas the educational centre is used for: training about the requirements arising from the standards which are implemented in the company and the production technology of the products. During the interview process the author of this project suggested to the interviewee that this educational centre could be used as a training centre for unemployed population, as well as for learning a new trade for many workers who had lost their job after the collapse of the old production facilities inherited from the previous (former Yugoslav) system, as a part of the CSR strategy of the company.

5.3.2 Within-Case findings for Quality and Safety Policies

In order to estimate the managerial approach toward the CoC, an analysis on the primary and secondary data was conducted.

The management team of the company has developed two types of policies: Quality and Safety Policy and Customer Satisfaction Policy. The Quality and Safety Policy encompasses the statements about the vision, mission and goals of the company showing the proactive and result-oriented approach of the company. The Customer Satisfaction Policy is developed to show the company's approach towards customers' satisfaction. This Policy includes the measuring of customers' satisfaction by indexes over a period of time. Please find below the statements regarding the Quality and Safety Policy.

- **Vision:** Our vision is to be the largest manufacturer of all-purpose flour in the Republic of Macedonia and the largest manufacturer and exporter of pre-baked and fresh frozen pasta in South-Eastern Europe.
- **Mission:** Our mission is to meet the needs of our buyers and consumers by offering them high quality products for personal as well as for manufacturing or service purposes in the Republic of Macedonia.
- **Goal:** Our goal is to satisfy the needs of our buyers and consumers through high quality products which are safe for the health. By accomplishing this we generate satisfied and loyal consumers. Our company stands as a symbol for professionalism.

The findings show that the quality and safety policies are represented through the company's vision, mission and goal. As it can be seen, the loyalty of the consumers is prevailing throughout these findings. The only way of making them loyal is Kadino IG always to serve high quality and safety products, as well as immaculate services that meet stakeholders' wishes and expectations (*ibid*). The developed Policy gives a frame for further development of the CoC. Since their vision is to become the "*largest manufacturer in RM*", the implementation of the official CoC is very important. Although this document gives direction for the behaviour of the employees and other stakeholder groups, however, it will help the management team to reach their goals.

Although the company has not developed an official CoC document, in order to investigate the willingness and attitudes regarding the CoC, an interview with a representative was conducted. The results are presented in [Appendix 3](#).

The results provide answers which help to understand the willingness of the respective company in enacting ethical business. For this purpose, the company has developed a Quality and Safety Policy, which was used as a ground for the process of interview. According to the interviewee, the main reasons to enact these policies are internal and external factors. An internal reason is that the policies define the employees' behaviour and serve as a tool for staff efficiency estimation; in other words, they are like a self-control mechanism of the employees. The external reason, already mentioned in the previous sub-headings of this chapter, is that the most important thing for the company is to "create loyal consumers". The best challenges they have been facing so far are the increased image of the company and the eased process for selling their products in other countries.

According to the interviewee, Kadino IG had not developed CoC documents because they were not in that phase of the development. Beside the fact for not having developed CoC the management of the company had shown a big awareness about the importance of having the document.

6 Analysis

In this chapter a cross-case analysis for CSR and CoC implementation among three selected food companies in RM is elaborated, related to the literature reviewed in Chapter 3. Furthermore, there is a presentation of how the CSR approach and the CoC are implemented in reality. This Chapter contains two sections with elaborate the findings from the case studied companies: (6.1) CSR implementation in case studied food companies, and (6.2) CoC implementation in case studied companies. Each of these sections contains subsections which refer to a cross-case analysis of secondary and primary data.

6.1 CSR implementation in Case studied food companies

This section provides the findings about the similarities and differences in the approaches to the CSR concept. These findings are obtained using the cross-case analysis.

6.1.1 Cross-case analysis of secondary data

The CSR of a company is implemented as a result of the company's management approach. The main indicators of the CSR approach are the *stakeholder* and *legitimacy* theories. In the previous chapter the approach of each company to the CSR concept is explained and developed. In the following part of the research process the comparison of the CSR concept among the surveyed companies is introduced. For this purpose, the stakeholder theory and the stakeholder diagram is used. Then, companies which have developed a relationship with purposed stakeholders are illustrated in Figure 12. For this purpose, **A** stands for Alkaloid, **I** stands for IMB Bitola Dairy and **K** stands for Kadino Industry Group.

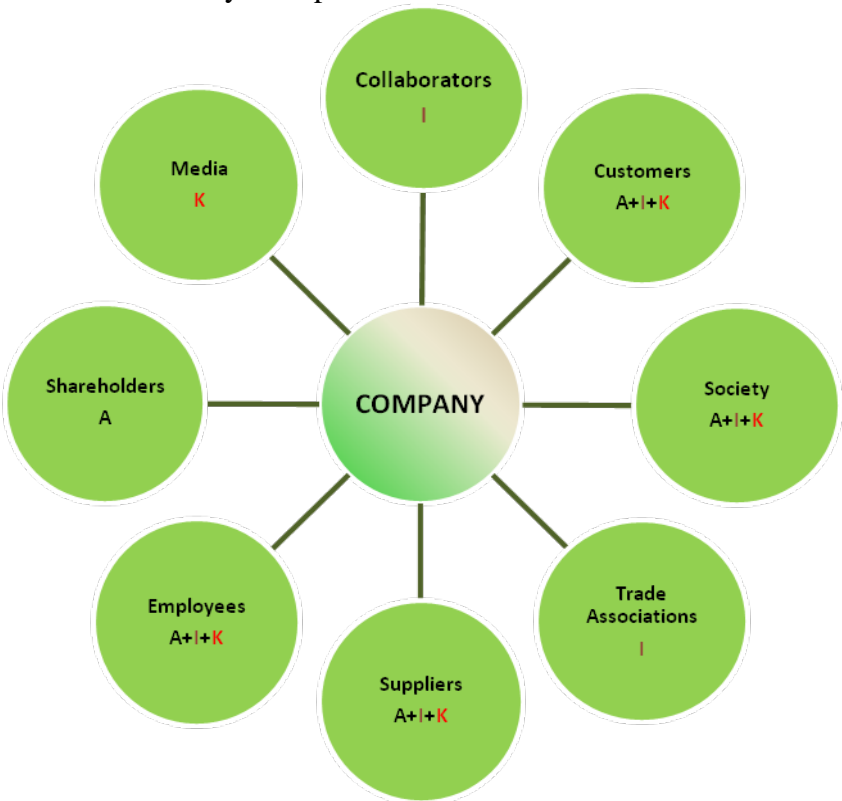


Figure 12: Summary of stakeholder models

Based on the data provided above, generally, the case studied companies have developed and maintained good relationships with various groups of stakeholders. All surveyed business subjects have developed a strong relationship with their employees, suppliers, customers and the society, which can be considered as primary stakeholders. On the other hand, the other group of stakeholders, which can be considered as secondary, varies depending on the company's organisational structure and size classification. For example, Alkaloid has created a good stakeholder relationship with shareholders because it is a Shareholder Company and participates on the Macedonian stock exchange. IMB Bitolska Dairy has developed a good stakeholder relationship with its collaborators and trade associations, since they are involved in the processing industry. Kadino Industry Group is a small private company and they are developing a stakeholder relationship with the media as a secondary group of stakeholders.

6.1.2 Cross-case analysis of the interview findings

For better understanding of the implementation process of the CSR concept an interview was conducted with the official representatives from the respective companies. As it was stated in the research method, prior to the telephone interview an interview guide was sent by e-mail to the company's representatives chosen for the interview. The structure of the questions used as an interview guide is presented in chapter 5 (Empirical findings) and can be seen in details in [Appendix 4](#) which is an integral part of the study. Furthermore, the answers from the surveyed companies are presented in [Appendix 2](#).

From the answers (see [Appendix 2](#)) provided it could be noticed that the studied companies have similar approaches towards CSR activities. All of the three companies define the CSR approach as a concept which has an impact on external factors such as the society and environment. On the other hand, an interviewed person from Kadino Industry Group argues that beside the external impact, the CSR approach has an influence on internal factors such as the employees. Regarding the CSR activities of case studied companies the main focus is put on philanthropy and product quality in order to satisfy consumers' needs.

The management of the studied companies have different motivation about the implementation of the CSR approach. The management team of Alkaloid AD Skopje and Bitolska Dairy AD Bitola are motivated to implement the CSR concept influenced by the company's business activities on the society and environment. On the other hand, the motivation for implementation of CSR activities by Kadino IG is building a professional image, creating unique products and getting more loyal consumers. The different motivation drivers are due to the fact that AD Alkaloid has been present on the market for 75 years, IMB Bitola Dairy has been present on the market for fifty years, and Kadino with its unique products has been present on the market for seventeen years.

Furthermore, another difference which can be highlighted is the interviewees' approach to the answers. For example, the interviewed persons from Alkaloid and IMB are in the position of HR managers and the interviewed person from Kadino IG is an executive manager, which means they have different management responsibilities in the company. Furthermore, the different approach occurs because Alkaloid and IMB have a HR department in their organizational structure which is responsible for the implementation of the developed CSR strategies and Kadino IG develops and implements the CSR strategies as a result of brainstorming with managers from all levels.

The case studied companies have different approach to assessing the results from the CSR activities. For example, in order to see how their activities are assessed by others, Alkaloid actively participates in the awards events organised by the National Body for CSR

implementation in RM gaining significant results by winning the awards in the Employee Relations and Ethical Management categories. As for the IMB Bitola Dairy, the results are assessed by the increased trust from the employees and customers. On the other hand, the results from the CSR activities of the Kadino IG are measured in accordance with the increased corporate image, long-term results and acquisition of more loyal consumers.

In addition, Kadino is a small sized company. This categorization implies that the company operates with limited financial assets. According to the interviewed person, the implementation of the CSR concept is as a result of the awareness from the benefits which can be estimated on a long term. Currently, the company is having practical problems with CSR implementation. Some of the problems were stated during the conducted interview:

"At the moment in RM there is not a financial benefit from implementing the CSR because of the existence of unfair competition on the market" (Kadino, personal interview, 2012-07-26)

Finally, regarding the interview guide questions, all three interviewed persons from the case studied companies have agreed that stakeholders have influence on their decision on the implementation of the CSR approach. According to their answers, mainly the direct external stakeholders such as consumers have more influence on their decisions. However, they respond that the decisions for CSR implementation are also influenced by other external stakeholders' pressures, such as the media, NGO's, collaborators, business associations, etc.

Additionally, in order to gain more understanding of the CSR approach the interviewees were asked about the participation in the company for packaging and packaging waste management Pakomak which is a member of the PRO-EUROPE¹¹. All of the interviewees respond that they are members of the company, and as a result of the membership they have a licence to use the symbol "Green Dot"¹² trade mark. Accordingly, it can be argued that the case studied companies show an awareness of the waste management practices, which represents another initial step for taking care of the environment.

6.2 CoC compliance in the case studied companies

This section provides the findings about the similarities and differences in the approaches to the CoC concept and Policies. These findings are obtained using the cross-case analysis.

6.2.1 Cross-case analysis of secondary data

The CoC is a document which is created by the management team of the studied companies in order to stipulate the business rules of the company. Two of the surveyed companies have developed a CoC, whereas the third one has developed Quality and Safety policies which in their structure are very similar with the official CoC, and it can be said that they are a starting point for the respective company in enacting the official CoC document. Literature review shows that the developed documents for CoC must rely on the ten UNGC Principles and the

¹¹ PRO EUROPE s.p.r.l. (PACKAGING RECOVERY ORGANISATION EUROPE), founded in 1995, is the umbrella organization for European packaging and packaging waste recovery and recycling schemes.

¹² "Green Dot" trademark is a financial symbol of the PRO EUROPE. The "Green Dot" has evolved into a proven concept in many countries as implementation of Producer Responsibility.

eight ILO Conventions. As a first stage of the analysis, the compliance of the developed CoC documents by Alkaloid D Skopje and Bitolska Dairy AD Bitola is analysed and illustrated in Table 12. Since Kadino industry group has developed Quality and Safety Policies, the analysis is made separately.

Table 12: Compliance of CoC (Alkaloid & IMB Bitolska Dairy) with ILO Conventions

COMPLIANCE WITH 8 ILO FUNDAMENTAL CONVENTIONS		
No	ALKALOID AD Skopje (CoC)	Bitolska Dairy AD Bitola (CoC)
1	X	X
2	X	X
3	X	X
4	X	X
5	X	X
6	X	X
7		
8		

Source: Author's own creation (developed for the study)

The table shows the respective conventions which the companies used during the preparation of their official CoC document. As it can be seen both documents do not include the seventh ILO convention which refers to minimum age of employment, which consequently eliminates the number eight convention which refers to worst form of child labour.

Table 13 below presents the analyzed compliance of the CoC with the UNGC which is adopted in RM in 2004:

Table 13: Compliance of CoC (Alkaloid & IMB Bitolska Dairy) with UNGC Principles

COMPLIANCE WITH 10 UNGC PRINCIPLES		
UNGC	IMB Bitola	Alkaloid Skopje
Principle 1	X	X
Principle 2	X	X
Principle 3	X	X
Principle 4	X	X
Principle 5	X	X
Principle 6	X	X
Principle 7	X	X
Principle 8	X	X
Principle 9	X	X
Principle 10	X	X

Source: Author's own creation (developed for the study)

From the table above it can be concluded that the developed CoC are compliant with the ten UNGC Principles, and it can be argued that when they were establishing the respective CoC document for the company the ten UNGC Principles were used as a guiding document.

6.2.2 Cross-case analysis of the interview findings

For further understanding, motivation and willingness for the implementation the CoC in the surveyed companies, an interview research was conducted. The structure of the questions which were used as an interview guide is presented in Chapter 5 (Empirical findings) and can be seen in detail in [Appendix 4](#) which is an integrated document of the study.

The summary of the answers provided from the respective case studied companies, Alkaloid AD Skopje, Bitolska Dairy AD Bitola and Kadino Industry Group, respectively, is presented in [Appendix 3](#). The first two companies have developed an official CoC document, whereas Kadino Industry Group has developed only a document for Quality and Safety Policy, and because of its nature similar to a CoC it is used as a part of the CoC document solely for this step of the research.

The findings show different approaches of the companies' management toward the CoC and its implementation. Accordingly, the interviewed persons from the case studied companies are aware that the CoC is a document aimed at giving directions and instructions for employees' ethical behaviour. However, it needs to be noticed that the CoC developed documents within the respective companies are more earmarked for staff behaviour, not targeting other groups of stakeholders.

Two of the analyzed companies have implemented a CoC in order to make working standards and to give information about the way of professional behaviour in the company. There is a different approach from Kadino IG, which implements policies aimed at creating a professional team as an internal factor, and the external factor for the enactment of the policies is related to gaining loyal consumers.

The basis for the CoC implementation also differs in terms of the managerial approach. Two of the selected companies have developed a CoC as a guideline for ethical and business behaviour. Kadino Industry group has developed its document policies during the process for ISO standardization. This explains the different approaches toward designing and implementing the documents for the CoC. In the process of implementation of the CoC/Policy two of the companies (Alkaloid and Bitolska Dairy) engaged people from different management levels of the company, whereas Kadino IG has developed the document as a recommendation from an external company engaged for the ISO standardization process.

Interestingly, regarding the stakeholder obligation for reading and respecting the developed documents the interviewees gave different answers. The interviewee from Alkaloid AD Skopje categorized as a large sized company with 1,035 employees and Kadino IG categorized as a small sized company with 44 employees responded that it was an obligation and a rule of the company for their enacted documents (CoC and Policies) to be read and observed by all stakeholders. Whilst the interviewee from IMB Bitolska Dairy, which is categorized as a medium sized company with 200 employees, responded that stakeholders did not have an obligation to read and respect the company's developed documents. The issue whether the companies have properly implemented and used the CSR activities and whether the use of a CoC is in the right direction is discussed in the next Chapter 7.

In conclusion, conducting CSR activities and enacting CoC and Policies provide not only domestic challenges and opportunities for expanding and developing businesses, but also provide potential FDI's and future collaborations. The implementation of the CSR activities will satisfy consumers' needs that the managers perceive as one of the most important issues and by conducting CSR activities they are more likely to gain legitimacy, trust as well as the consumers' loyalty.

7 Discussion

In this chapter the findings about the CSR concept and CoC obtained during the research process are discussed in relation with the literature reviewed. This chapter also discusses about triangulation between the literature review of the concepts and the findings from the conducted case study. The findings for each concept are discussed in two sections (CSR concept and CoC documents).

7.2 CSR concept

The aim of this section is to present a correlation among the CSR approach from literature review (chapter 3), the findings about the concept in RM (chapter 4) and the findings from case studied companies (chapter 5).

The conducted empirical study confirms that the findings about the CSR approach are different from industry to industry and from place to place (Welford *et al*, 2007). This explains why some of the definitions elaborated in the literature review do not correlate with the findings from the study. The CSR can be defined in many ways, but the CSR activities are implemented as a strategy for gaining legitimacy (Heyder & Theuvsen, 2008). The main concern for implementation of the CSR concept is legitimacy gained from the stakeholder groups related to the company.

Furthermore, the empirical findings from this project provide better understanding about the implementation of the CSR activities in the Macedonian food industries. First, Macedonia during the last twenty years of its development faced with difficulties in the process of transition from communistic to democratic political organization. The consequences of these changes came after its independence, when the country inherited from the previous (former Yugoslav) system a large and old agro-processing sector. Moreover, the Macedonian market fell from 22 million to only 2 million people (MAFWE, 2009, p.109). This situation became more difficult when the agro sector faced with the privatization process. Though, as a result of this situation the Agro-kombinats had huge difficulties in adapting to new market situation, and most of the former kombinats became insolvent and struggled to survive (*ibid*). Heyder and Theuvsen (2008) argued that these factors inevitably resulted in reduction of the legitimacy of traditional and new production technologies in the agribusiness. Accordingly, to assess the implementation of the CSR concept the legitimacy of the enterprise is to be used (Heyder & Theuvsen, 2008). Having this situation, it is understandable why most of today's companies have not even envisaged the idea for implementing CSR activities, because they are still in the process of development of the production technologies, especially in the agribusiness sector. Additionally, it can be argued that the mentality of the people plays a significant role for not pursuing the CSR activities, due to the fact that these practices are on a voluntary basis. Thus among Macedonian agribusiness companies still prevails the conservative thinking that the priority of the companies is to follow the directives, laws and legislatives imposed by the Government.

Secondly, the experiences with the Macedonian agribusiness companies show that someone from the outside needs to make the initial steps regarding the necessity for some things to be changed in order to put something into practice. Prior to the companies' CSR activities elaborated in the previous chapters for the project purposes, the initial steps regarding this issue

were the establishment of the first Coordinative Body for support, development and implementation of the CSR concept in RM supported by the Ministry of Economy in RM. Accordingly, the Agenda 2008-2012 for CSR development was prepared in which the CSR activities were defined. As the literature review describes, the vision for development of this agenda is to promote the sustainable business development, contribute to social inclusion and prevent the environmental degradation (Petkovski & Nikolov, 2007, p. 16). The developed agenda for CSR implementation represents the commitment of the Government to the implementation of the concept. The Government commitment in this case provides initial thoughts on the implementation of the CSR concept within the Macedonian companies.

On basis of the above, this research study reveals that the management of the studied companies has different motivation about the implementation of the CSR approach, where the management teams of Alkaloid AD Skopje and Bitolska Dairy AD Bitola create incentives for implementing the CSR concept with their business activities in order to develop the society and the environment in which they operate. On the other hand, the motivation for implementation of the CSR activities by Kadino IG is building a professional image, creating unique products and getting more loyal consumers.

In addition, the CSR agenda for RM has adopted the EU definition for CSR which understands the CSR as a concept where companies are integrating the social and environmental concerns within their business activities as well as in their interaction with the stakeholders on a voluntary basis (Petkovski & Nikolov, 2007, p. 7; UNDP baseline study, 2007, p. 18). The companies which operate on the territory of RM need to act according to this definition since this is accepted by the authorities in RM. The structure of the definition gives a clear understanding of the issues by the company which implements the concept. The business situation in RM indicates that the main concerns to the company management are stakeholder groups which are crucial for the business development.

On the basis of the above discussions and for better understanding of the practical implementation of the CSR concept within the companies from the research study conducted for this project it can be argued that the interviewed persons from the companies have not obtained a complete definition which is in compliance with the definition stated in the Agenda 2008-2012 for CSR implementation. All of the interviewed persons define CSR as a concept which includes social and environmental activities. The main concern of the case studied company is philanthropy which can be categorized as a social concern. Companies did not include stakeholders in the main definition of CSR.

The study involves different companies with a different categorization, such as large, medium and small sized companies. According to the (UNDP Baseline study, 2007) the implementation of the CSR activities within Kadino Industry Group as a small sized company has shown bigger sense for transparency than the larger companies, beside the fact that it is limited in budget. This conclusion is also supported by this project, since the executive manager of the company was open for cooperation during the interview process.

The common characteristic of the selected companies is their international approach. Consequently, the products of all the three companies are present on the international market. The international approach contributes to increased awareness about the concept. In line with the literature review, *"The increasing recognition of the CSR concept as a new governance among companies helps them to respond to fundamental changes in the overall business environment"* (Jones, at al., 2007, p. 245). This increases the image and legitimacy of the company among the stakeholders which have established a business relationship with the company.

The vision of the Agenda 2008-2012 for CSR development is sustainable business development. Accordingly, in the literature review sustainable development was defined as an "... *important concept in integration of the following dimensions: social, economic and ecological*" (Hediger 1999, p.1120). Furthermore, sustainable development elaborates weak and strong sustainable development. Weak sustainability is a value-based concept and it refers to obtaining minimum standards for sustainable development (Hediger, 1999). Strong sustainability has deeper needs for satisfying production (ibid). In this study weak sustainability is used as a concept which obtains minimum standards for a company to be classified as sustainable. The strong sustainability concept involves all requirements (internal and external) in order to provide a long term development of the company.

Based on the foregoing, the studied companies have shown strong sustainability since they are taking activities in order to respond to the requirements from the external and internal factors. The case study has shown that Kadino IG puts many efforts on developing internal factors which leads to strong sustainability. IMB Bitola Dairy shows a good approach toward the internal factors in the company which refers to the employees, and customers as stakeholder groups. Their approaches toward internal factors have showed better results once the company became part of IMLEK regional dairy. Alkaloid as a large company has a well-developed approach toward internal factors. The company organizes educational development programs for the employees in the company. Consequently, this approach attracts professional working force to the company and makes employees to be proud in contributing to the success of this company.

CSR reporting is an important part of CSR implementation as the company increases its transparency, thus gaining more legitimacy. Accordingly, by reporting for CSR activities (which includes the economic, ecological and social approaches) the company increases its transparency (Petkovski & Nikolov, 2007). Developing this kind of reports is still on a voluntary basis (*ibid*). The literature review reveals that in the process of globalization CSR reports are an obligation for organizations of all types, sizes and ownership (Logsdon & Wood, 2005). In line with this, case studied companies have different approaches toward CSR reporting. Alkaloid as a large company implements its CSR reports as a part of the annual report which the company publishes yearly and on their official website. Kadino Industry Group publishes reports for the CSR activities on their official website. Reporting as a part of the CSR strategy is not developed by Bitolska Dairy.

In conclusion, the main obstacle for the implementation of the CSR concept in our country is the lack of understanding of the concept and the benefits from its implementation. According to the previous studies, this may be due to the fact that this concept is a relatively new phenomenon in Central and Eastern Europe (UNDP Baseline study, 2007). As a new phenomenon it takes more time to be implemented. The findings give explanation why many domestic small and medium companies have not implemented the CSR concept in their daily business activities.

7.2 CoC documents

This section emphasises the importance of the implementation of the CoC document for the business activities. A triangulation of the definitions for an ethical CoC, the Macedonian context for CoC and the practical implementation of the CoC in case studied companies is discussed.

In the literature review (chapter 3) the main definitions, reasons and factors about the prepared document for CoC are presented. The literature review findings show that enacting CoC demonstrates a strong commitment to the company's social obligations (Mamic, 2003), however, "*...it is not sufficient as it is by itself showing the responsible organisation*" (Njihof *et al.*, 2003, p. 67). In relation to this, the study shows that beside the fact that Kadino Industry Group has not developed the CoC document within the company, it still has prescribed rules and obligations regarding employees and other stakeholders groups, which shows its social commitment. The main reason for developing the CoC document is to communicate with the internal and external stakeholders. Furthermore, according to the literature review findings, "*...there are various purposes for development of CoC such as: regulating employees' ethical behaviour, aligning individuals' behaviour with the company, or they can serve as a control mechanism*" (Pater & Gills, 2003, 762). The conducted study shows that companies have developed CoC documentation for various business purposes, such as: Alkaloid has developed a document for ethical CoC with contents which give basic directions for collaboration with the stakeholders related to the company, IMB Bitola Dairy has developed CoC with a business purpose to define the behaviour of the employees, and Kadino IG has developed a policy with the purpose to define the vision, mission and business goals of the company.

Furthermore, the literature review reveals that "the language which companies use to communicate with their internal and external stakeholders shows not only the information about the CoC content, they also reveals the company's values and concerns it has about its citizenship responsibilities" (Logsdon & Wood, 2005, p.56). The study shows that the prepared document for CoC not only indicates the employees' behaviour and the act of their responsible manner within the company, but also discloses the real intention of the company for enacting the CSR activities.

In addition to the above discussed, Alkaloid has developed an Ethical CoC in order to show the willingness and the commitment of the management team to the implementation of the prepared code, as well as to increase the image and publicity of the company. The company participates in a project to compete with other companies, which is organized by the Government of RM, and is held each year, since 2010 onwards. The content of Alkaloid's CoC is a set of rules for business behaviour in all business aspects. It defines the behaviour of employees, collaborators and stakeholders. The conducted interview process has shown that there are benefits from this document. These benefits are the result of a professionally developed document for ethical conduct and its implementation. According to the interviewee, the CoC document can serve as an example for the companies which have not developed the respective document yet. Bitolska Dairy AD Bitola has also developed a CoC document. The content of their CoC defines the employee business behaviour. The developed CoC does not contain directions about the business behaviour of other stakeholders. Kadino has developed a document for Quality and Safety Policy which serves as a CoC document for the purposes of this case study, and as an initial document for the future development of the company's official CoC document. The perceived benefits are through the developed image and reputation of the company. Both stakeholder groups, internal and external, are obligated to respect the developed contents of the policy.

During the interview process, the interviewed persons gave a statement which describes the importance of the implementation of the CoC as a concept. All of the studied companies agree that there is no benefit for the company from this document on the domestic market, because the awareness of the people regarding this issue is on a very low level. On the other hand, case studied companies agree that the result from the implemented CoC is more significant on the international market, due to the fact that international stakeholders are more aware about the importance of the CoC for the company. Accordingly, studied companies agree that they have

benefits and challenges from the developed documents which give an indication that these documents are developed and implemented within the structure of the company. However, a general conclusion is that companies have experienced and are expecting more benefits regarding the implemented CoC on the international market.

According to the literature review, the CoC document needs to rely on specific standards, such as the ten UNGC principles and the eight ILO conventions. In relation to this, the study reveals that the developed CoC of Alkaloid and Bitolska dairy are compliant with the ten UNGC Principles, and while establishing the respective CoC document within the companies the ten UNGC Principles served as a guiding document. Regarding the compliance with the eight ILO Conventions, the findings show that both documents (Alkaloid and Bitolska Dairy) do not include the seventh ILO convention which refers to the minimum age of employment, and consequently eliminates the eighth convention which refers to the worst form of child labour. In this respect, it can be argued that in RM there is no practice in employment and use of child labour, which gives an explanation why this convention has not been taken into account by the companies (author's own opinion).

In conclusion, the developed and published CoC by the company management have to be implemented in the company's structure in order the effects of its implementation to be estimated. In line with the literature review Njihof *et al.* (2003), arguing that the written CoC make the managers think about the central values of the company and when these values are at stake they need to react accordingly. Hence, the documents for CoC in the case studied companies are developed as a result of the influences from external and internal factors and these documents are implemented in the company's structure. In order to gain better results from the developed CoC the managerial team of the company needs to constantly monitor the employees' behaviour toward the prescribed directions stated in the document, in order to estimate the results of the respective CoC.

8 Conclusions

The aim of this study is to describe how companies create incentives for promoting responsible leadership through stakeholder and legitimacy theories in practice, and how the codes of conduct are used as a tool for sustainable businesses development. For the purpose of the study the implementation of the CSR as a concept and the developed documents for CoC is separately analyzed. In relation to this, the conclusion consists of the following sections: Conclusions on CSR and CoC, General conclusion, Implications of the study, and finally Recommendations for further research are given.

8.1 Conclusions on CSR

As the concept of CSR in RM is relatively new, the Government of RM has developed a project and agenda for this approach. In RM there are many companies familiarized with the concept, however, few have implemented the same. The factors that determine the implementation of the CSR activities within companies' businesses are as follows. The factor awareness is determined when the management becomes aware of the benefits from the implementation, and the willingness to contribute to the society in which it operates. The factor time differs in relation to company's size. The management in smaller companies that do not have a special department regarding this issue find it to be a time burden while running every day businesses. Finally, the factor money determines the implementation because for most of the companies it represents a financial burden to enact the CSR activities.

Furthermore, due to the fact that this concept is on a voluntary basis, a small number of companies are determined to implement the CSR concept. Additionally, the mentality of the people plays a significant role for not pursuing the CSR activities, thus among Macedonian agribusiness companies prevails a conservative thinking that the priority of the companies is to follow the directives, laws and legislatives imposed by the Government.

The motivation factors for implementing the CSR concept within business activities in larger companies are mostly due to the willingness for the development of the society and the environment in which they operate, and for small companies it is due to the building of a professional image, creating unique products and getting more loyal consumers.

Furthermore, different business categorization (large, medium and small) companies have a different approach to the CSR concept. Large and medium sized companies in their organizational structure have developed a department for human resource management with a responsibility to implement the CSR concept which eases the process of implementation and the performance of the CSR activities. The situation with the small sized companies is that they do not have a separate department responsible for the implementation of the CSR concept, thus the decisions for CSR activities are determined as a result of a brainstorming process within the managers from all management level. This type of implementation and performance of the CSR activities is rather difficult because managers from different sectors need to think about other activities which are not in their every day prescribed activities.

The CSR reporting which can increase the legitimacy and reputation of the company depends on the awareness of the company's management about the importance of transparency. The Macedonian food companies still do not have practices for reporting these issues. While the practice of large companies is to report the CSR activities as a part of their annual report and on their website, medium companies use their website just to inform shortly their stakeholders that

they enact the CSR activities without giving details, and small companies report about their CSR activities on their website.

The companies are implementing the CSR activities mainly related to donations, sponsorships and human capital which are grouped in the social category. The other categories such as, Environmental Protection, Market Relations and Investment in the Community are not so popular amongst food companies.

8.2 Conclusions on CoC

The conclusion in terms of incentives for the implementation of the CoC differs among companies. The large company's incentives are in the direction of a business and ethical behaviour of the employees and their external stakeholders. The medium sized company has developed a CoC with a business purpose to define the behaviour of the employees. And the small sized company has developed a policy with the purpose to create a professional team as well as loyal and satisfied customers.

Regarding the benefit of having the CoC document within a company, the conclusion is that the companies are not seeing much benefits of having the CoC document for the domestic market because the awareness of the people and various stakeholders regarding this issue is on a very low level. On the other hand, the benefits of having the CoC documents for the international market are much more, due to the fact that the international stakeholders are more aware about the importance of enacting the CoC within the company. Namely, the perceived benefits and challenges from the CoC documents for the large company so far is seen only as part of a good example in enacting the CoC document, and on the international level the challenges are bigger, such as, attracting shareholders and opportunities in establishing businesses in various countries. On the other hand, the medium sized company has seen the benefits until now in terms of improvement of the employees' behaviour, and the benefits and challenges on the international level are yet to be expected. For the small sized company the benefits are seen in increasing company's reputation on the one hand, and the eased entry of their products on the foreign market, on the other hand.

The CoC are not fully in compliance with the eight ILO fundamental conventions i.e. the large and medium enterprises do not comply with convention number seven which refers to a minimum labour age. It consequently excludes the eighth convention which refers to the worst form of using child labour. As there is no practice of child labour exploitation in RM, it can be concluded to be the reason why companies have excluded these two conventions.

In conclusion, the companies have showed big awareness about the importance of conducting the CoC document within the company and for all of the studied companies this document can be used as a self-regulation of employees' behaviour.

8.3 General conclusion

Since the CSR concept and CoC documents are implemented with the aim to lead to sustainable development, it can be concluded that all of the case studied companies have a strong sustainability approach, which means that the CSR and CoC activities are taken as a result of the

internal and external pressure from stakeholders. Moreover, the management of the company expects long term results rather than short term results.

Regarding the benefit from the CSR concept and the CoC document within the company, a conclusion can be drawn from the studied companies that the implementation of these concepts is not profitable for the domestic market and this concept is much more profitable when a company is involved on the international market.

However, these conclusions refer to the studied companies in this project and cannot be generalised for all industries and other organisations.

8.3.1 Implications

The findings of the study provided from the interviews and the literature reviewed are of big importance for the managers from the food production and processing industries who are not yet implementing the CSR activities and are not developing the CoC document as a part of their business strategy.

The managers from the food sector should adopt the CSR activities and develop CoC in their business strategy since this concept provides legitimacy and builds the company's image. Moreover, due to the fact that RM is in a pre-accession process of joining the EU, these concepts will enable the companies to adapt to the EU legislative in the easiest way, and the chances for attracting the FDIs are bigger. Furthermore, enacting these concepts for food industries can result in gaining loyal consumers as well as strengthening the internal and external stakeholders. In this light, the interviewed person from the small company stated:

"By developing a professional image and unique products as well as by accomplishing the consumer needs we generate satisfied and loyal consumers" (Kadino IG, Personal communication 2012-07-26).

On the basis of the above statement, the CSR and CoC concepts can make the companies differentiate from the ones that have not implemented these concepts. Furthermore, this will have positive impacts on the companies for the promotion of an image of a responsible leadership and competitive advantage.

This project also has identified that most of the CSR activities are in the category of the social concern or philanthropy which could serve as an implication to start making changes and enact projects regarding other CSR categories, such as Environmental Protection, Market Relations and Investment in the Community.

8.3.2 Recommendation for further research

The CSR concept is a broad area of research. Given that this concept is relatively new in RM, and that there are not much researching articles, master theses or PhD theses done in this field by Macedonian scholars, it is recommended that similar research could be done in specific sectors such as wineries, breweries, meat industries etc., where the focus could be more on communicating the CSR activities with the relevant stakeholders.

Furthermore, the research for the awareness of the CSR concept and its benefits regarding the agricultural sector as a whole could be conducted. Finally, the most challenging future research is to investigate whether the companies pursue the true CSR strategy within the company or the only reason is to build the company's image.

Having the experience in providing data from the Macedonian companies, the most hindering factor in this relation is that Macedonian companies do not have much of an “open culture” when it comes to giving insider information, even if it is not of confidential nature.

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Personal messages

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Interview, 2012- 07-31

Bitolska Dairy AD, Bitola
Interview, 2012-07-16

Kadino Industry Group DOOEL, Skopje
Interview, 2012-07-26

Appendix 1: Letter of support



Swedish University of Agricultural Science
Department of Economics

16 February 2012

Letter of support,

This is a letter in support of a Master's thesis project that is carried out by Mrs. **Afrodita Musliu** during 2012. Her thesis project is in the area of environmental management with focus on marketing, and she is interested in conducting her study in a Macedonian company that addresses environmental management in a committed way. The main reason for Mrs Musliu's choice is that the case company serves as a good example for other corporations in their environmental management dedications. She is particularly interested in environmental management projects that are implemented recently in the company. All kinds of information about these projects is of interest for her.

Mrs. Musliu is an extremely committed student with high performance and ethical standards. I am very happy to take on the shared role as an advisor for her project. The Macedonian professor is well recognized and he might be easier to make contact with, should you want to ask about the thesis project (Professor Nenad Georgiev at Institute of Agricultural Economics, Faculty of Agricultural Sciences and Food, University 'Ss. Cyril and Methodius', Skopje, e-mail: georgiev_nenad@yahoo.com).

Having given you this background I very much hope you will enjoy sharing your empirical data about your company with Mrs. Musliu. She is dependent on accessing data – including hard facts and personal statements about the projects.

If I have omitted anything important, feel free to contact me. I am happy to elaborate on Mrs. Musliu's fine impressions. You will find my contact information in the letter foot below.

The contact information to Mrs. Musliu is:
Afrodita Musliu
mob. +389 70 999 425
e-mail: afroditamu@hotmail.com

I thank you kindly for your support in her project!

Sincerely yours,

A handwritten signature in cursive script that reads 'Cecilia Mark-Herbert'.

Cecilia Mark-Herbert

(PhD, Associate professor)

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Appendix 2: Summary of answers for the CSR

Corporate Social Responsibility (CSR)			
Q	Alkaloid	IMB	Kadino
What is your current position?	Head of the HR Department	HR Manager	Executive Manager
How do you define the CSR process?	As a part of company business strategy	Recognition of impact of its operating activities on society and environment, generally backed by a commitment to minimize any negative effect and to maximize the positive impact	The CSR process can be defined through Corporate responsible company which accounts internal and external factors.
What kind of corporate actions would you describe as CSR activities?	Staff education Philanthropy Standard development	Environmental behaviour Sponsorship and donations Quality	Philanthropy Donations Quality products
What motivates you to implement CSR activities?	Development of the society and environment in which business activities are conducted	Taking account of how company actions impact the society and environment	Building a professional image and creating unique products
How the CSR is implemented in your company in terms of organization?	HR management team Marketing sector Special department for environmental protection	Management team responsible for these activities	Management team brainstorming
How do you assess the outcome of the CSR activities?	Gained legitimacy and awards for CSR implementation in last three years	Trust from employees and customers in our company	Increased corporate image, long term results
Do your stakeholders have influence on your decision for the implementation of the CSR concept?	Stakeholders influence on decision for implementing CSR concept. For example, the slogan that company uses "The health above all" is one of the indicators that company does for the consumers as one of the most and direct influenced stakeholders	Various stakeholders, but generally speaking consumers have influence, because the main CSR activities refer to them	The consumers mainly, we are doing everything in order to gain consumers' loyalty, by fulfilling the consumers' needs. And other involved stakeholders.

Appendix 3: Summary of answers for the CoC

Codes of Conduct (CoC)			
Q	Alkaloid	IMB	Kadino
What do you see as the role of CoC/Policies?	Document which is used for business transparency and ethics.	CoC has defined principles which are giving instructions for CR behaviour. The CoC will help the company to keep the reputation and promises as a brand company.	Gives strict direction for employees' behaviour, and could be used for staff efficiency estimation.
What was the purpose of creation the CoC/Policies for your company?	Setting standards for business and ethical behaviour of the employees.	Everyone to know what he/she can expect from the company and vice versa.	Creation of a professional team as well as loyal and satisfied customers.
What is the basis for your CoC/Policies?	Ethical and business behaviour. It includes all segments of these key areas.	Ethical behaviour The internal and external communication and correspondence Health and wellbeing of employees	They use it as a control mechanism for employee's behaviour
Did you involve other organizations in designing the CoC/Policies?	There was no company from the outside. All departments in the company were included in developing the CoC	The employees from all management levels	A consulting company which has implemented the ISO standardization.
Do your stakeholders have an obligation to read and respect your CoC/Policies before starting a business?	They certainly do, and not only before starting the business but also during the doing of the business	As for the employees they have an obligation to read and respect the CoC, because the CoC gives us instructions and guides the employees' behaviour. The external stakeholders do not have an obligation to read and respect it.	All stakeholders before and during doing businesses.
What kind of challenges have you seen so far with CoC/Policies?	So far the challenges for our country are seen only as a part of good example in enacting the CoC document, and on international level the challenges are bigger, as attracting shareholders and chances for establishing businesses in various countries.	The challenges are yet to be expected.	The image of the company has increased and the entry of our products in other countries is eased.

Appendix 4: Interview guide

INTERVIEW GUIDE – Master’s thesis project about social responsibility and the use of a code of conduct

(Data will be used solely for the preparation of the Master’s thesis for International Master in Agricultural Economics and Resource Management at the Faculty of Agricultural Sciences and food in Skopje and the Swedish University of Agricultural Sciences)

(Student contact: afroditamu@hotmail.com)

Background

1. What is your current position? How does this job relate to corporate responsibility? Please explain.

Која е Вашата моментална позиција во компанијата? Каква е поврзаноста на Вашата работа со општествената одговорност на претпријатието? Ве молам објаснете.

Corporate Social Responsibility (CSR)

2. How do you define the CSR process?

Како го дефинирате процесот на ООП?

3. What kind of corporate actions would you describe as CSR activities in your company? Please give an example.

Кои активности на компанијата би ги опишале како ООП? Ве молам дадете пример.

4. What motivates you to implement CSR activities in your company?

Што Ве мотивира да имплементирате ООП активности во вашата компанија?

5. How the CSR is implemented in your company in terms of organization? Please explain.

Како ООП активности се спроведуваат во вашата компанија, од организациски аспект (постои ли посебен сектор за овие прашања)? Ве молам објаснете.

6. How do you assess the outcome of the CSR activities? Please give an example.

Како го оценувате резултатот од ООП активности? Ве молам дадете пример

7. Do your stakeholders have an influence on your decision for implementation of a CSR concept? Please explain.

Дали вашите заинтересирани страни имаат влијание на вашата одлука за спроведување на ООП концепт? Ве молам дадете пример.

Code of conduct

1. What is the role of the code of conduct, (Policy)ⁱ as you see it for your company? Please explain.

Која е улогата на кодексот на однесување, како што Вие ја гледате за вашата компанија? Ве молам објаснете.

2. What was the purpose of the creation of the code of conduct (Policy) for your company? Please give an example(s).

Која беше целта за воспоставувањето на (политика) на кодексот на однесување за Вашата компанија? Ве молам дадете примери.

3. What is the basis for your code of conduct (Policy)? What issues does it address? And why these issues? Please explain.

Која е основата на вашиот кодекс на однесување? Кои прашања ги опфаќа? И зошто тие прашања? Ве молам објаснете.

4. Did you involve other people/organization in designing and implementing your codes of conduct (Policy)? Please explain.

Дали во дизајнирањето и имплементирањето на кодексот на однесување беа инволвирани и други луѓе/организации однадвор? Ве молам објаснете.

5. Do your stakeholders (internal and external) have an obligation to read and respect your code of conduct (Policy) before starting doing business? Please explain.

Дали вашите заинтересирани страни (внатрешни и надворешни) се обврзани да ги прочитаат и почитуваат вашиот кодекс на однесување пред да стапите во бизнис? Ве молам објаснете.

6. What kind of challenges have you seen so far in your work with a corporate code of conduct (Policy)? Please give an example.

Со какви предизвици сте се сретнале до сега во вашата работа со корпоративниот кодекс на однесување? Ве молам дадете пример.

Thank you for answering this interview questions. I hope you are open for a continued dialogue if needed. I welcome suggestions of other persons I may contact about these issues.

Ви благодариме за одговорите на прашањата од интервјуто. Се надевам дека сте отворени за континуиран дијалог, доколку има потреба од тоа. Добредојдени се сугестии и од други лица кои би можела да ги исконтактирам во врска со овие прашања.

Sincerely yours /Искрено Ваша,
Afrodita Musliu

Date/Датум: 2012/07/04

ⁱ For the purpose of interviewing the Kadino IG which has not developed an official CoC document, the interview guide was prepared and conducted on the basis of the implemented Policies of the company.