

# Corporate Social Responsibility in North Macedonia



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**Abstract** The overall development of the society and its' improvement toward higher economic, political and cultural stage, leads to shift in boundaries and change in the way in which the society functions. Profit is no more the main objective of the companies, but the enterprises have included the social agenda as their key corporate driver.

Although the idea of Corporate Social Responsibility (CRS) is widely accepted in developed countries, it is very little practiced in developing, and especially in transition economies. Namely, the companies in these countries have gone through restructuring process, and are still struggling to survive. Furthermore, the transformation from socialist economy to a market economy has resulted in creating a form of "wild capitalism".

Republic of North Macedonia as a transition country has gone through the same processes as the other transition economies. The CSR concept was introduced for the first time in 2002, through the activities of international organizations. However, the real actions, projects, agendas, baseline studies have followed in the period after 2006. Today, the CSR concept is mainly promoted by the multinational corporations, which with large companies have invested in North Macedonia. SMEs have still very low level of knowledge about the CSR concept, its' advantages, importance and benefits. Most of them are not even aware that some actions that they are taking are related to the CSR concept.

The chapter gives broad presentation of the CSR concept in the Republic of North Macedonia. It begins with a description of the historical perspective of CSR development in North Macedonia. Then a review is given of some of the most important activities, projects related to the CSR, which were implemented by the international organizations, government and other public institutions. The chapter uses results from the previously conducted interviews, surveys, questionnaires, but it also carries out its' own researches about the way in which the most successful companies in North Macedonia are practicing CSR in reality.

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## 1 Introduction

Today, the corporate social responsibility is among the greatest challenges for the companies, worldwide. Today, the profit is no longer the only objective of the firms, the companies have changed their agenda, and now they are trying to be profitable and socially responsible in the same time. Today, almost all corporations have included the social agenda in their everyday activities. Today, the consumers, the buyers are aware about the CSR, and they constantly put pressure on the companies to become more socially responsible. In developed countries large companies are not the only ones which are socially responsible. Medium sized, as well as small companies have also included the social agenda in their everyday activities. Simply, the public awareness about the importance of CSR is on its' highest level, and the general public is constantly putting pressure on companies to be more socially responsible. It is simple, if the companies are not socially responsible, they may fail on the market. Actually, many multinationals have felt the consequences of not being socially responsible.

Although the practice of socially responsible businesses is general rule in developed countries, the situation in developing countries is quite different. That particularly applies to transition economies, due to many reasons. First, the companies went through the process of structural transformations and they were struggling to survive many years. North Macedonia as a transition country was not facing only problems related to the harmonization of its law system, but as well as problems in establishing a new system of values, which will be acceptable for the majority. It is normal that when a company faces problems such as reduction in sale, losing markets or loss, to be concentrated on staying alive, rather than on being socially responsible. Namely, the companies faced volatile business climate, weak enforcement of consumer rights and widespread corruption in the past 3 decades. Second, in the previous system, only the government was responsible for implementing socially responsible projects. That is, the firms have learnt that the government is the one that supposes to take care of social responsibility, and they still expect that the government should lead such activities. Third, the transformation from socialist economy to a market economy has resulted in creating a form of "wild capitalism", when everybody tries to "eat" the competitor and to conquer the market without respecting ethics and moral and without practicing responsible behavior. Finally, the general public awareness about the importance of CSR is at very low level, and the companies do not face pressure neither from the customers, nor from the mediums, non-governmental organizations or from the government institutions.

As a consequence, the concept of CSR was introduced in North Macedonia very late. Actually, CSR concept was primarily introduced in 2002, in the time when this concept was actively applied in developed countries, as well as in other developing countries. Since the concept of CSR was introduced too late, it is reasonable to expect that the level of CSR practicing in North Macedonia lags behind the other countries. However, the objective of this chapter is to determine the level of CSR

awareness in the country, to find out whether the companies know what CSR means and whether they include social agenda in their everyday activities.

In order to get reliable picture we have distributed questionnaires to UNGC members from North Macedonia and to companies which are listed on the Macedonian Stock Exchange. Also, we have established direct communication with some SMEs, with an intention to determine whether they clearly understand the term CSR and whether they are involved in any manner in CSR activities. We must emphasize that we faced difficulties in the process of collecting data. The companies were not very responsive, and the great part of them was not even ready to start a communication and to disclose information about their CSR practices. In this occasion we would like to thank Komercijalna Banka AD, which was very open in sharing its' CSR experience, as well as the Macedonian Chamber of Commerce for their tight collaboration and for helping us in collection data for different CSR indicators.

This chapter is organized as follows. In the first part it will be given a historical review of activities related to the CSR, which were introduced in the Republic of North Macedonia. In the second part we will give a review of already conducted researches. In the third section the role of different stakeholders will be elaborated and finally in the fourth section will be given the results of research. The chapter will finish with conclusion, in which the inferences of this chapter will be presented.

## **2 Historical Review of the CSR Activities in the Republic of North Macedonia**

Unlike developed countries and great part of developing countries, the concept of CSR was unknown in North Macedonia in the '90s. The companies, the government and overall the whole country were struggling to overcome many serious challenges and problems. The government faced very serious economic problems, such as hyperinflation, extremely high rate of unemployment and stagnation, and as a result the last thing about which the government thought was to promote the concept of CSR. From the other side, the companies have lost their traditional markets in ex-Yugoslavia, the process of privatization had just started and the only think in the managers' head was how to keep the company alive. The situation in the country was extremely difficult, and the process of structural reforms and society transformation created a form of "wild capitalism", where everybody tries to survive, using legal, but as well as forbidden measures.

In such situation, it was expected that neither the government, nor the media or non-governmental institutions were prepared to promote a concept of CSR. So, it was necessary the initiative for rising the CSR awareness to come from outside, or more precisely from international organizations. As a result, the concept of CSR in North Macedonia was introduced very late in 2002, through the activities of international organizations, such as World Bank, Institutions of the World Bank Group, UNDP and USAID. Before this period CSR term was almost unknown to the general

public. The companies, media, non-governmental institutions did not take in to account the concept of social responsible behavior in their work. The government, as a major institution did not pay any attention on CSR and did not take any measures to promote, stimulates or practice social responsible behavior.

The first activity was in March 2002, when the six-week Interactive Future Leaders' E-Conference on CSR was held at the Faculty of Economics, University SS. Cyril and Methodius in Skopje. As a follow-up to the conference, participants from the University held a round-table discussion about the establishment of CSR in the country, a written document on the subject was prepared, and a book was published.

In November 2003, also at the Faculty of Economics in Skopje, SS. Cyril and Methodius University a public presentation "Corporate Social Responsibility—Towards Sustainable Business" was held. The presentation was supported by the World Bank Institute.

In the period April 2003 till January 2006 fully funded project by the USAID was implemented. The focus of the project was on establishment of Corporate Government Council and on introducing the necessary changes in Company Law. Although the center of attention of this project was not the CSR, the project was an important link in the process of development of CSR. Namely, the project provided much useful information related to the CSR and also was very important for rising awareness about CSR among many different stakeholders. Finally, this project was very important for establishing tripartite public-private body, called "National Entrepreneurship and Competitiveness Council".

Starting from 2004, the National Global Compact Network has organized several conferences, workshops and other training events in North Macedonia in order to promote the ten principles endorsed by the UN. In 2006 a couple of meetings were held in order to prepare a basic document for proper functioning of CSR and finally the constitution of Advisory Board was finalized in October 2006. In the same year the Act of the network was approved and the action plan, also. Currently, the Global Compact Network Macedonia is comprised of 49 companies, non-governmental organizations and other members.

In December 2006, North Macedonian network of the Global Compact and the Environmental program of UNDP have organized a workshop on Environmental Principles of the Global Compact and implementation of the Integrated Pollution Prevention Control (IPPC). Another project that was related to the CSR was USAID funded Business Environment Activity in 2006 whose purpose was to improve the country's business and investment climate.

International Finance Corporation in 2006 launched a regional project on improving corporate governance in South East Europe. The purpose of the project was to introduce a better corporate governance practices in private companies and banks in North Macedonia, Albania, Bosnia and Herzegovina, Montenegro and Serbia, thereby improving their ability to attract investment. Among other objectives of this project was to prepare the region, including North Macedonia for potential entry in EU and international markets.

One of the most important steps in promoting CSR activities is the establishment of National Coordinative Body for Corporate Social Responsibility in 2007, as well as the creation of National Agenda 2008–2012. North Macedonia was the first country that established national body for CSR in the region, and the 3rd in Europe, after Denmark and Lithuania.

The establishment of National Agenda for CSR is considered as the crucial step in promoting CSR. Yet, the real outcomes of the agenda implementation are not confirmed, still. The reason is that the Ministry of Economy is responsible for keeping track of the implementation of CSR through the annual progress of updates to the Government, which looks like a simple list of conducted activities, rather than a full evaluation of effectiveness and policy impact. Despite this, although there are provisions in the Agenda that the CSR reporting is compulsory first and foremost for the state owned enterprises, the Ministry of Economy who is in charge for including such provision in the Company Law, did not do it, because it considered that it would be too burdensome for the companies, and so avoided the implementation of such provision. In spite of generally emphasized role of National Agenda for CSR, in reality many provisions deliberately were not applied, and so the National Agenda looks strong on paper, but not in the practice.

Also worth mentioning EU funded project CIP—The frame program for competitiveness and innovation 2007–2013. In the scope of this program, there were 3 subprograms: Frame program for entrepreneurship and innovation; Program for Supporting Information Technology Policies; Energy Intelligence. The results from this project were very satisfying and despite other benefits, many publications were published (about reporting, handbooks, guidebooks), that were very helpful in overcoming the greatest obstacle for CSR development—the shortage of knowledge and information.

Among the newest projects is the USAID funded project—Project for development of business ecosystem. The Memorandum of this project was signed at the beginning of 2018.

At the end of this part, the general statement will be repeated once again. The concept of CSR was introduced in North Macedonia very late. Consequently, CSR is still perceived as a relatively vague concept by majority of the companies, and in most of the cases it is equated with donations, sponsorships and philanthropy. Therefore, CSR is commonly considered as an obligation for the profitable companies. In the very limited number of companies, mostly the MNC and large companies, CSR is perceived as a strategic commitment of the company. In part of other cases CSR is perceived as a suitable tool for occasional promotion of the company and in large part as an unnecessary or even worse as an unknown activity that only disrupts the regular functioning of the company.

### 3 Research Review

Since the concept of CSR is still vague in North Macedonia, it is normal that there are not many researches related to this concept in the country. In fact, there is very limited number of studies which have elaborated the concept of CSR in North Macedonia. Furthermore, since the concept was introduced very late, all existing studies are not older than 10–15 years.

The proof that the concept of CSR is new and not completely known in North Macedonia is the research conducted by the Institute for Sociological, Political and Juridical Research, which showed that 21.65% of the companies in North Macedonia have never heard about the concept of CSR, 48.45% of surveyed enterprises have heard about CSR, but they do not know how to define the term, and only 29.9% of the enterprises answered that they are fully familiar with the term CSR. The results of this study are defeating. Namely, 70% of the surveyed enterprises have never heard or they do not know the exact meaning of the term CSR. It is impossible to believe in future enviable CSR development in business sector, when generally companies are not even aware of the real meaning of the CSR concept. Same study also argues that the companies equal CSR with donations and sponsorship and they think that CSR activities are supposed to be according to the company's possibilities and that CSR is not a component which supposes to be integrated in the company's strategy. So, generally the managers practice CSR concept in a manner which is sufficient to meet the legal requirements. This can be confirmed with a statement of one manager of medium sized chemistry company, who answered that the main CSR challenges are the regular payment of salaries, tax liabilities and suppliers, as well as timely delivery of products.

On the other hand, the general perception of many managers is that, CSR is obligation only for the profitable companies. Namely a manager of one bank has answered that "it is too early to think about implementation of CSR, because the overall business climate is overburdened with other priorities which are tough to realize."<sup>1</sup>

In the Baseline study<sup>2</sup> it is emphasized that the unreliability of the legal and judicial institution are among the main factors that affect businesses' confidence and their readiness to accomplish social and environmental responsibilities.

Generally the results from the previous research have shown that companies which want to be socially responsible put an accent on certification. However, the real outcomes of the certification are not confirmed, and some studies<sup>3</sup> suggest that there are companies which see the certification only as a good promotion, by putting the certificate on the wall, without real benefit in practice. The analysis of the

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<sup>1</sup>Coordinative Body for Corporate Social Responsibility. (2008). *National Agenda for Corporate Social Responsibility in the Republic of Macedonia 2008–2013*. Skopje

<sup>2</sup>Mzavanadzeet, N. et al. (2007). *Baseline Study CSR in Macedonia*.

<sup>3</sup>*Baseline study on CSR Practices in the new EU member states and candidate countries*. (2007). United Nations Development Programme. Public Policy and Management Institute.

certification in relation to the type of the company has shown that MNCs are more prone to certification. The same is true for the big companies. On the other hand, small and medium sized enterprises (SME) consider that certification is too costly.

Among the most important aspects that can have strong influence on CSR development is the public disclosure. Public disclosure positively influence on CSR, since the companies can track their progress and since all stakeholders are well informed about the way in which certain company takes care of environment and wider community. That puts stronger pressure on companies to become more socially responsible and to increase their corporate social engagement. One study<sup>4</sup> has shown that regarding the public disclosure, the companies usually restrict themselves to the legal minimum. Great part of the companies (75.4%) which were interviewed in this study, answered that they do not have history of CSR informing, while approximately 1/5 are in process of establishing such practice. So, the companies in North Macedonia usually restrict public disclosure to legal minimum. As for the MNCs which are located in North Macedonia, they answered that they provide CSR data to their headquarters and that these information are later included in group-level reports. The other study<sup>5</sup> has also confirmed the low level of CSR reporting in North Macedonia. Namely, the study has underlined that there is very limited use of internationally recognized standards in developing reports in North Macedonia. The study has confirmed that subsidiaries of MNCs in North Macedonia provide data to a Group Center, but they do not prepare local country or regional report.

What refers to the CSR strategy, the previous study<sup>6</sup> has found that almost 46% of the banks in North Macedonia do not have CSR strategy, nor do they envisage developing one. CSR is not an integral part of their business strategy, nor is it seen as an instrument for achieving their strategic goals. Same study has analyzed the reasons for non-satisfactory level of CSR development in North Macedonia, and according to study they are:

- Lack of understanding of the concept of CSR, and its scope;
- Volatile business climate (companies are focus on short term business strategies and practices, opposite to the long term focus, due to the instability and uncertainty of the business climate);
- Lack of socially responsible investors;
- Low level of awareness and weak enforcement of the consumers rights and lack of consumers activism;
- Weakness in the corporate governance;
- Lack of dominant model of corporate governance.

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<sup>4</sup>Stamenkova Van Rumpft, J. (2011). *CSR in Macedonia: Country Report*. University of Oslo. Research Report Series No. 2011–14.

<sup>5</sup>Idem, pg.

<sup>6</sup>Ristovska, M. (2010). *Socially responsible conduct of companies in transition economies: The case of Republic of Macedonia*. *Analele Stiintifice ale Universitatii "Alexandru Ioan Cuza din Iasi – Stiinte Economice*. 57, 235–244.

The author of the same study also argue that North Macedonia ranks very low in CSR development, in comparison to the other countries, in terms of legal and political environment, and among other reasons for that is the weakness in implementation capacity of the national government.

In one study<sup>7</sup> research was made on 500 different companies in North Macedonia (micro, SME and large) and through questionnaire were investigated the different aspects of CSR in North Macedonia. The study has shown that the main reason for CSR practicing in SME is image building, while the main reasons for CSR practicing in large companies are economic motivations and increased employee's satisfaction. The same study has also shown that SMEs practice CSR in the form of donations, while large companies in the form of sponsorship. Large companies consider that they need more training in order to improve competitiveness, while SMEs consider that they need more training in preparation and disclosing financial information, CSR policies, implementation of ISO 26000 and preparing reports in accordance to the Global Compact Initiative (UNGC) principles.

Since the practicing of CSR is on lowest level among SMEs and the general perception is that they are not completely aware about the meaning of CSR concept, we will mention one research<sup>8</sup> which was conducted on 122 SMEs, by distributing questionnaires. Before we present the results from this research, we must refer to precaution, because the research was conducted on companies that attended CSR presentation, which means that it was conducted on companies which already were familiarized with the term CSR. The limitation of the results is because the key group of companies, the one that were not informed about, were not included. The results have shown that 71% of examined companies have heard about CSR, 14% have heard, but they do not know the real meaning of the term, and 15% have never heard. It is interesting that 86% of surveyed companies consider that they may have benefits from CSR. As for the main benefits from CSR activities, majority of respondents answered that the greatest positive effects from CRS activities are better reputation (21%) and better quality (21%).

According to the Baseline study the weaker point in the CSR practice is the performance management. Namely only 8.2% of the examined companies have already established proper system of performance management, while 39.3% are in process of. The majority—52.5% of the respondents answered that they have not demonstrated any effect in this respect.

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<sup>7</sup> *Corporate Social Responsibility for all: National Review Report – Macedonia*. (2015) Skopje.

<sup>8</sup> Stamenkova J. (2011). *CSR in Macedonia: Country report*. University of Oslo. No. 2011–14.



## **4 The Role of Different Stakeholders on CSR Development in the Republic of North Macedonia**

It is clear that the main objective of the companies is to maximize their profit. So given the objective, it is understandable that the companies are trying to reduce the costs, including the costs which are related to the CSR activities. Obviously, if there is not any pressure from different stakeholders, the companies won't be interested to invest in activities which are related to the CSR. Consequently, the stakeholders are the ones who can play a major role in CSR development, by putting constant pressure on companies to include social agenda in their everyday activities. This is especially important in developing and transition economies, such as Republic of North Macedonia, where great part of the companies are not even aware about the meaning of the term—socially responsible company. In order to achieve better performances in CSR, there has to be stronger pressure on companies from different stakeholders, in order to become more socially responsible.

### ***4.1 The Role of the Government***

The elaboration of the role of different stakeholders will start with government, since the government needs to have the most important function in CSR promotion and development, especially in ex-communist systems, where there is a tradition of government leadership in policy driving. The general perception in business, as well as in the public at large in these countries, is that the social responsibility is a government obligation. Furthermore, given the European Union aspirations, Republic of North Macedonia needed to commit itself to promotion of CSR as a factor of competitiveness and sustainable socio-economic growth, which means that the government put an accent on promoting CSR policies. Despite these remarks, the fact is that the systematic government incentives and initiatives for social and environmental performances are missing. Additionally, although there is National Coordinative Body for CSR, within the Economic Social Council of the Government of the Republic of North Macedonia which deals with CSR issues, and Sector for Encouraging Social Responsibility in the frame of the Ministry of Economy, still unlike the other countries, there is not anybody that has a lead role in CSR promotion and which is solely responsible for tracking CSR results. Of course if there is not strictly responsible body for CSR, it is hard to track the improvement in performances and to follow the accomplishment of CSR obligations of the companies.

Overall, there are two ways how the governments worldwide regulate CSR: heavily regulated and voluntary nature. In North Macedonia the second alternative is accepted and the government is tolerating the companies in their irresponsible behavior. There are also cases where although some measures are foreseen in National Agenda, as the most important CSR document, such provisions are not included in the law, and so the companies are not obligated to follow certain rules,

which are part of the agenda. The main reason for that is that the companies went through the process of transformation, restructuring and privatization, they were struggling to survive long, and the government was not willing to put any additional pressure on them to be anything more than profitable. Such government behaviour reflected bad on labour rights and working conditions, consumers' rights, pollution, etc.

Furthermore, the great concern is the fact that some of the CSR indicators are mostly dependent of the government behavior, actions and policies. For example, the corruption, freedom of media, equality in various aspects (gender, nationality, religion, etc.) are solely reliant of government. It is unreliable to expect the companies to avoid corruption, when there are many accusations for corruption against government officials. So, instead of triggering the social responsibility, in some areas the government is pulling back the process.

We can generally say that government must promote as soon as possible CSR initiatives on national and local level. In addition new regulation, tax incentives, subsidies must be introduced. New forms of spreading information and including CSR in education must be applied urgently. Despite that, the government needs honestly to implement all regulations related to the CSR. Namely, although North Macedonia was among the first countries in Europe that has established the National agenda, still many measures which were foreseen in the agenda weren't concretized in certain law, and so it all looks more like a verbal commitment, without real willingness to become a rule of law.

## ***4.2 The Role of International Organizations***

We have mentioned previously that the international organizations have played the pioneer role in introducing CSR concept in North Macedonia. Consequently, in the absence of projects and activities supported or implemented by the international organizations, the situation with companies' involvement in CSR activities would have been poorer.

The concept of CSR in North Macedonia was firstly introduced by World Bank Institutions, UNDP and USAID. They implemented many projects in cooperation with local higher education institutions, civil society, government, business community and media. The main focus of their projects was on raising the awareness about CSR, organizing trainings and seminars for North Macedonian companies, but also financing sustainable and green projects. In the past years the companies which were applying for finance from international financial institutions (in most of the cases the banks are intermediaries) are obligated to include the sustainable development and green component in their projects, in order to get money for those projects. That is very clever, unimposing, but smart way to stimulate the companies to be more socially responsible.

Generally, in countries where CSR is not well developed, it is expected that the government should play the major role in CSR promotion. It must be noted that in

**Table 1** Number of complaints to Organization for Consumer Protection in North Macedonia in the period 2005–2018

Year	Total number of complaints
2018	2886
2017	1816
2016	3658
2015	2697
2014	3263
2013	2621
2012	2650
2011	3300
2010	2659
2009	3528
2008	4304
2007	4122
2006	3944
2005	3823

Source: Annual Report, Organization for consumer protection, different years

North Macedonia, just as in the other developing countries, CSR activities are mostly donor driven and there is limited involvement of government. Even though the donor driven capacity building programs bring benefits to great number of companies, especially SMEs—which mostly need support, still those programs cannot reach complete supply base, and as a result many SMEs are left without technical support. Despite that, external funded programs frequently lack strategic access, and the final result is the absence of ideas how to make projects sustainable after the project cycle is finished. Besides that, those programs have limited capacity in sharing the project experience on other sector, without external finances. Also, most of the initiatives miss coordination and there is no possibility of mutual learning. All that can lead to inefficiency and unnecessary duplication of the programs. These notes do not mean that the role of international organizations' is underestimated, contrary they only warn about certain risks in case of inadequate government participation in the whole process.

### 4.3 *The Role of Consumers*

In general there is a low level of awareness about the consumer issues and rights in the Republic of North Macedonia. Unfortunately, the consumers are not well informed about their right, and in the same time the “power” of Organization for Consumer Protection is very poor. In addition the data about the work of Organization for Consumer Protection will be presented (Table 1).

It is clear that the general perception of the consumers is that very often they are manipulated by the merchants and that they frequently buy products that do not

correspondent with the desired ones. In spite of that, the number of complaints submitted to the Organization for Consumers Protection is very low. Moreover, the number of complaints does not have an increasing trend, but the opposite, it is unstable and in the period 2005–2008 had more complaints from the consumers, than now. Actually, the lowest number of complaints was in 2017. Surely, that the confidence of the customers has not risen and that rising confidence is not the reason for lower number of complaints. In fact, this is another fact which is an evidence of low level of consumer awareness. Despite that, the consumers are not well informed about the importance of certain standards and labels on the products which indicate the quality and security of the products. As a result, the companies are not under pressure to invest in standardization and to assure the quality of the products, since that would probably not bring an increase in sale. On the other hand, the certification cost money and increase the price of the products, and given the bad economic condition in the country, the consumers are not ready to pay higher price for more secure and better quality products. Namely, the consumers care about the environment and poverty in the world, but it is questionable whether they are ready to convert their care to actual willingness to open the wallet, when it comes to buying decision. That additionally reduce the pressure on companies and the main driving force for company's socially responsible behavior—increased sale, is missing. It is to expect that if the consumer awareness about CSR does not increase, better performances in CSR cannot be expected. Of course, that the role of other stakeholders is very important, but still their influence is limited. Namely, the influence of the government is limited on meeting the legal requirements, the influence of international organizations is only in the period when certain project is active, but the influence from the customers is unlimited. Specifically, if the consumers are aware of CSR, they will choose products on market in accordance with that and only socially responsible companies will survive. That would definitely be the best way to force companies to include the social agenda in their everyday activities and to be more socially responsible. Otherwise, if their investments are not rewarded on the market, and consumers do not make any distinctions between products from socially responsible and socially irresponsible companies, nobody will invest in CSR projects and activities. As conclusion, many measures, activities and projects must be undertaken in order to better inform the consumers about their rights, to inform them how to recognize the qualitative and secure products on the market. Also, as economic condition in the country improve and living standard increase, the greater purchasing power of consumers will allow them to buy more expensive products, but with better quality and more secure. That will put great pressure on companies to be more socially responsible.

At the end, it is important to emphasize that the government is also very responsible for low level of awareness of the customer. Namely, the government supposed to determine the ecological and social labels for certain groups of products and accordingly to inform the customers about the meaning and importance of this signs and labels. Unfortunately, because of the lack of systematic government action, there were not satisfactory measures in this relation. It must be underlined that in the period after independence and in the years later, the government conscious

escaped to promote such measures. There were two reasons for that. The first one is that almost all companies were struggling to survive, and it was unreasonable to ask them to mark the ecological and social aspects of the product. Secondly, the customers had extremely low level of living standard, and they were not ready to pay higher price for more secure and ecologically and social eligible products. However, the situation is much improved and companies are on their feet now, and the government supposed to have introduced many measures for rising awareness about the importance of buying secure and healthy products. Furthermore, different kind of campaign should have been organized to inform the customers that they can contribute for better environment and health, by buying products from environmentally and socially responsible companies.

#### **4.4 *The Role of Media***

The role of media is also very poor. It has not fulfilled its mission to bring to light the irresponsible business practices. Overall, the general insight is that there are strong ties between media and business—political factors, which further inhibit the revealing of irresponsible practices. The proof of the strong political influence on media is the press freedom index in North Macedonia, which is very high. Namely, North Macedonia is ranked 99, out of 180 countries according to the Global Press Freedom Index.<sup>9</sup> Generally, the pressure of media is concentrated on pollution, while the other aspects of CSR are not well covered. Very rarely the media reveal some scandals related to the labor rights and corruption, which is very defeating, when it is known that violation of labor right and the widespread corruption are common. It is definite, that nowadays the Media are very important tool in raising the awareness about certain issue. The “voice” of media is spreading very fast and has unlimited range of influence. Media reports and news can be very influential in creating bad image of socially and environmentally irresponsible companies and in the same time a perfect advertisement for the CSR responsible companies.

Although the impact of media on CSR is very limited, there are some examples worldwide, where due to the media pressure many companies have changed their behavior, or opposite certain positive examples which were presented on media, have stimulated other companies to practice positive experience. Such examples were present in North Macedonia, too. Namely, the instance of Vitaminka Company, Prilep is an evidence for that. To be precise, last year the company has promoted that it will partially extend the maternity leave for three mothers. That is, 3 months after the maternity leave, new mothers will only need to work four hours, instead of eight hours. This measure was shown in all media in the country and attracted great attention from the public. The positive atmosphere caused many companies to accept that practice, and in the period of only one week other companies have announced

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<sup>9</sup><https://rsf.org/en/ranking?#>, 25.04.2019.

that they will accept that policy—Makprogres, Fitofarm, Evropa, Zur Markets, etc. This is a very good example how the media can stimulate the companies to be more socially responsible. If this policy which was implemented by Vitaminka was not presented in the media, it wouldn't have any impact on other companies' policies. However, the Medias in North Macedonia are still very concentrating on reporting about political issues and policies, and they do not consider SCR as a topic that would attract much attention from the general public. Consequently, their impact on CSR development is very poor.

#### ***4.5 The Role of NGOs***

Although there are many NGOs in North Macedonia, the role of civil society in promoting corporate social responsibility is very limited, since there is negligible number of projects related to CSR. In general, the civil sector is underdeveloped when we consider its' role on CSR development, in comparison to the Western European countries. Generally, there are two groups of NGOs that focus on CSR issue:

- Watch dog role—these NGOs only monitor the CSR activities and are a kind of public critics of actions of individuals, companies or are lobbying for necessary legislative changes.
- NGOs for promoting inter-sectoral partnership and corporate philanthropy. These NGOs are more prone to direct engagement in CSR initiatives.

The most important NGO which deals with CSR issues is “KONEKT”. The main objective of this NGO is the promotion and stimulation of sponsorship and donations, and in the same time spreading the idea among companies that social responsibility can be an efficient tool that will lead to more effective and long-term development of North Macedonia. Konekt is the only Macedonian NGO that is a member of the United Nation Global Compact Initiative (UNGC). Considering the important role of this NGO in CSR development, we tried to contact this organization in order to get more information, by email. Unfortunately, we still have not received any feedback from them.

Other important NGOs in North Macedonia are the ones which are dealing with pollution issue. Namely, Macedonian towns are among the most polluted cities in the world. It happened many times in winter, that the capital Skopje is the most polluted town in the world. What worries is that this is happening constantly in the past years, and unfortunately nothing has been improved. NGOs are also connected with certain political structures in the country and their “voice” is regrettably depended of the political party in power. That is the reason why nothing has been enhanced and the country notes records in pollution.

Another civil society organization that is important for CSR is the Organization for consumer protection. The role of this organization is to raise the awareness about the consumers' rights and to organize campaigns and write publications about the

**Table 2** Number of NGOs, members in UNGC

County	Number of NGOs which are members of UNGC, in relation to the total number of UNGC members
North Macedonia	1/12
Albania	2/4
Bosnia and Herzegovina	4/7
Montenegro	2/4
Serbia	19/48
Bulgaria	11/44
Croatia	3/37

Source: <https://www.unglobalcompact.org/what-is-gc/participants>, 25.04.2019

consumers' rights. Unfortunately, in comparison to this kind of organizations in the other European countries, consumer organization in North Macedonia is underdeveloped. Regrettably, great part of the consumers is not even aware of existence of such organizations, they feel unprotected and they do not know that there is a place where they can ask for their broken consumer right. There is a great need for organizing big informative campaign for the general public, by which the people will be informed about the existence and role of this organization. More about this NGO was presented previously in the part about the role of the consumers.

Finally, the proof that NGOs in North Macedonia have very poor influence on CSR development in the country is the number of NGOs which are members of UNGC—the mostly known CSR network. In addition the number of NGOs members of UNGC in North Macedonia, in comparison to the other neighboring countries, will be presented (Table 2).

The presented table confirms the statements about the low level of NGOs involvement in CSR activities. Unlike the other countries where there are more NGOs, members in the UNGC network, in North Macedonia there is only one civil society organization, member of UNGC. Conversely, in Bosnia and Herzegovina 57% of UNGC members are NGOs, in Albania and Montenegro 50%, in Serbia 40%, etc.

#### **4.6 Business Organizations**

Since the companies are facing huge problems and are trying to stay alive, it is understandable that the primary objective of business organizations is to raise the voice of the companies and to help them stay alive. As a consequence the business organizations were not involved in promoting CSR concept as much as business organizations in developed countries are. The exception is the American Chamber of Commerce in Macedonia (AmCham) which is highly involved in promoting CSR activities in the Republic of North Macedonia. Namely, AmCham has promoted many projects which are related to the CSR. Despite that, AmCham has organized

two conferences about CSR and also is publishing a magazine which very often covers topics that are related to the CSR. In the scope of the AmCham there is a special committee for Community Engagement & Responsible Business Conduct, that has implemented many projects and activities related to the CSR. The most important are the Companies Giving Back in Macedonia database, which was launched in June 2016 (more than 200 CSR Projects implemented, including 44 companies), **“Open a Door” internship program for students from low income families, which started in 2015 and Guest speaker program with the Faculty of Economics Career Center, which started in 2015 (the aim of this project was to organize formal and informal training on job searching strategies, interviewing skills, networking, public speaking/presentation skills, teamwork, and more).**

The other business organizations also have important role in promoting CSR activities. The involvement of Economic chamber is mainly in helping the companies in process of certification and gaining the environmental EXE certificate, which is evidence about the good performances of SMEs. Through this process Economic chamber contributes in the process of informing SMEs about the importance of being socially responsible and helps them in becoming more socially responsible. Also, the Economic Chamber provides much important information related to the CSR activities and is among the greatest sources of such data. The chamber additionally tries through many events, during the meetings to raise the awareness about CSR among the companies, no matter of their size. The two most important business organizations in the Republic of North Macedonia—Economic Chamber of Macedonia and Macedonian Chamber of Commerce are members of the UNGC network, and are devoted to 10 principles of UNGC. The Economic Chamber of Macedonia was also one of the primary sources of information for this research.

## 5 Results of CSR Analysis

In order to get reliable picture about the CSR in North Macedonia we have carried out a comprehensive analysis about the CSR development in North Macedonia. In some areas we have also performed comparison in relation to the other neighboring countries. Also, a questionnaire was distributed among the companies in North Macedonia from different regions, with different size and history in practicing CSR activities. In the analyses were included the companies which are and which used to be a part of United Nation Global Compact Initiative, the listed companies on the North Macedonian Stock Exchange (MSE), as well as companies that have never practiced CSR. General picture is that the companies were not ready to share their CSR practice and policies. Fraction of the communicated companies did not even answer on the request for information, other part have refer us on the UNGC report for that company and only one company—bank “Komericialna Banka” AD Skopje, has given us broad elaboration about CSR activities, invested funds, disclosure, etc.



The results will be presented separately for different areas, which are important for CSR.

## **5.1 Labor Issues**

There are different indicators related to the labor issues. The first one is gender equality in labor force. North Macedonia is ranked on 106th place, which is very poor performance. Only Bosnia and Herzegovina ranks lower than North Macedonia, while the other neighboring countries show much better performances. For instance, Bulgaria is ranked on 37th place, Croatia 58th, Montenegro and Serbia 77th and Albania 92nd. The data suggests that North Macedonia has problems with gender equality and that strong actions from different stakeholders—especially government, must be promoted in order to improve the woman equality in the country.

As for the unemployment rate, the situation is very similar. More specifically, only Bosnia and Herzegovina has higher rate of return, while all the other countries from the region, have lower rate of unemployment. The young unemployment is also very serious problem for North Macedonia. Till 2005, the country had the highest youth unemployment in the whole region, above 60%. In the period after, there was slight improvement, but still youth unemployment is high, counting nearly 46% in 2017. Same as other labor indicators, only Bosnia and Herzegovina has higher youth unemployment than North Macedonia. The only difference is that from the countries in the region, Greece has almost same youth unemployment rate as North Macedonia, generally due to the debt crisis and implemented structural reforms in that regard.

Generally, it can be said that North Macedonia is ranked very poor in relation to the labor indicators. The thing that especially worries is the youth unemployment, and the missing actions intended for improving this situation. The government is pointing out the reduction in the unemployment rate, but the fact is that this result is a consequence of implementing different methodology and especially due to the high rate of immigration.

## **5.2 Environment**

In general, CSR indicator which generates the greatest attention from different stakeholders is the environmental issue. Above, we mentioned that the most important stakeholders are “silent” and they do not put enough pressure neither to the government nor to the companies to be more socially responsible. However, the opposite is true for the environment. Namely, NGOs and media are very “loud” in regard to the environmental issues. In spite of that, some major improvements are not recorded, at all. Contrary, many North Macedonian cities, especially the capital

Skopje is very often among the most polluted towns in the world. More concretely, during the winter PM particles in the air in most of the days were higher than 400. Considering the fact that every concentration of PM above 300 is accounted as hazardous, it is clear that the people are under constant risk of getting some serious disease. Tetovo, Gostivar, Bitola, Strumica and other North Macedonian cities also have very high concentration of PM during the winter, which pose a serious risk to human health. One cannot blame the companies for that, because there is a lack of systematic government policies and actions. The companies which were considered as the greatest polluters were temporarily closed, but the situation did not improve at all. That is to say that wood heating and traffic remain the major concerns. Here will be presented some environmental indicators.

According to the CO<sub>2</sub> emission per capita, North Macedonia has CO<sub>2</sub> emission below Serbia, Croatia, Greece and Bosnia and Herzegovina and higher than Albania. As for the environmental performance index, North Macedonia has better score than Serbia and Bosnia and Herzegovina, but on the other hand worse score than all the other countries—Albania, Croatia, Bulgaria, Greece, and Montenegro.

### ***5.3 Transparency and Business Environment***

Among the most serious challenges for the government over the past years was combating corruption. Although this problem was considered as a serious obstacle in the countries' Euroatlantic aspirations, no government showed honest volition to suppress the corruption. On the other hand the corruption is recognized as one of the greatest threats for good CSR practices. The data about Corruption Perception Index (CPI) for 2018 is an evidence for our statements. Explicitly, CPI ranking position of North Macedonia is 99th. In relation to the other Balkan countries, only Albania has shown poorer performances, while all the other countries, although have ranking higher than 70th (except Croatia), they all showed better position than North Macedonia. What especially worries is the deterioration of the position on CPI scale. To be precise, CPI ranking of North Macedonia was constantly improving till 2014, when North Macedonia was on the 64th position, with a score of 45. Since then the situation is worsening, and unfortunately the current score is 39 and 99th position.

Another important indicator of business environment in relation to the CSR development is the competitiveness index. The global competitiveness index shows that just as in the case of the other indicators, North Macedonia is ranked very low. To be exact, only Bosnia and Herzegovina has shown poorer performances, while all the other countries have higher competitiveness index than North Macedonia.

It is also important to mention "Ease of doing business" ranking, where all the countries are assessed according to different economic performances. Thanks to many positive measures which were implemented in North Macedonia, the country has sharply improved its' ranking, and now not only that is ranked on best position

among the neighboring countries, but is ranked on 10th position out of total 190 countries.

As for the transparency and business environment it can be said that combating corruption still remains the greatest issues in the country. The corruption impede business investments, especially foreign investments, and as a results the companies—both domestic and foreign are not concentrated on long-term development, but opposite are trying to maximize their short-term profit. That finally results in refraining from CSR activities and projects. As an inference, the government is solely responsible for widespread corruption and bribery, and finally for non-satisfactory level of CSR development in North Macedonia.

## ***5.4 Corporate Governance and Performance***

### **5.4.1 Accounting and Auditing Standards**

Corporate governance has direct link to responsible competitiveness, transparency and reduction of corruption. It is very important in countries, such as North Macedonia where corruption is a serious issue, to have an effective management and appropriate accounting and auditing standards as an assurance for ethical behavior of firms and the attitudes governing business-government relations. Since reporting and auditing is very important, the strength of auditing and accounting standards is extremely important. Current North Macedonian strength of auditing and accounting standard index is 4.4, out of 7.5. The highest score was in 2014, when accounted 4.84. In comparison to the other neighboring countries North Macedonia stands very good. Namely, only Bulgaria has better ranking, with a score 4.6, while all the other countries showed poorer performances in auditing and accounting.

### **5.4.2 Disclosure of Information: Reporting**

The best way to track the individual improvements in CSR performances among the companies is the disclosure of CSR information, by preparing CSR reports. In order to get more information about the disclosure practice in North Macedonia, we have examined whether North Macedonian companies practice disclosure of CSR data. So, as to get reliable results we have collected information through direct communication with the companies or by web page. We have included in our analysis institutions which are part of UNGC, as well as the companies which are listed on the Macedonian Stock Exchange. We have also established direct communication with some SMEs. Overall, the SMEs do not practice CSR disclosure, and the reporting is limited to small part of SMEs, which are forced to report their CSR activities either because they are making export or are part of the supply chain of large companies which demand that their suppliers comply with codes of conduct that cover social

**Table 3** Disclosure of CSR data among the companies in North Macedonia

Super listing	Stock listing	Mandatory listing
Total Companies 1	Total companies 27	Total companies 76
Prepares detailed CSR Report 1	No information about CSR on web 12	No information about CSR on web 23
	General Information 11	General Information 15
	Detail information 1	No web page 33
	CSR Report 2	CSR Report 3
	CSR Report on Group level 1	CSR Report on Group level 2

and environmental practices. In both cases, the SMEs are under pressure from external stakeholders to carry out reporting, because otherwise they will lose their clients. Also, there are 6 SMEs part of UNGC, which are obligated to prepare annual CSR reports, according to the guidelines of UNGC, in order to demonstrate their progress in regard to respecting 10 UNGC principles.

MNCs in North Macedonia are preparing CSR reports, since that obligation is imposed to them by their parent company and is a part of the global group strategy. In the most of the cases, MNCs do not prepare separate CSR reports for affiliates, but the data about affiliates' engagement in CSR promotion is included in company's group report.

During the research we have searched through the web sites of the companies, and we noticed that MNCs in North Macedonia, which enter through Greenfield investments, do not have separate web site for North Macedonian affiliate, but only one general web site. So, although these companies are a kind of triggers of CSR behavior, it is extremely difficult to find information for their CSR activities in North Macedonia. Contrary, MNCs which enter through mergers and acquisitions have country web sites, and generally provide detail CSR data.

As for the large domestic companies, it can be said that generally the reporting in North Macedonia is at very early stage and limited number of companies perform CSR reporting. The main reason among these companies for reporting CSR data is either the reputation, or because they are asked by customers, business partners or activist group. Explicitly, our research has shown that the companies that were part of the Global Compact Initiative conduct CSR reporting, since that is obligation for each UNGC member. As for the other group of analyzed companies—the companies which are listed on the Macedonian Stock Exchange we got the following results (Table 3):

As it is presented on the table, the only super listing company—Komerčijalna Banka AD—Skopje, prepares detailed CSR report. Despite that, during our communication we got detail information from this company about its' CSR activities. Actually, this company was the only company that has completely and in detail answered our questionnaire. Worth mentioning that unlike the other companies, Komerčijalna Banka AD has revealed also the information about annual amount of CSR investments. This company is a good example for all the others how CSR is supposed to be included in the company's strategy and how the companies need to

develop their own CSR strategy. Komercijalna Banka AD, also have Coordinative Body for CSR and practice CSR agenda through many activities, such as sponsorship, donations, education, volunteering, labor rights, etc.

As for the other companies which are on the stock listing, it can be concluded that almost half of them do not provide any CSR information on their web page. Only two companies prepare CSR reports, while foreign companies disclosure CSR information on group level. One company is a part of Global Compact Initiatives and prepares CSR reports according to UNGC instructions, while the other company is disclosing data about CSR in the annual report of the company, where there is special part dedicated to CSR activities.

As for the companies which are mandatory listing, it can be said that nearly 45% do not have web page at all. 32% of the companies have web page, but do not publish any information about CSR, nearly 20% publish only general information and 3 out of 76 prepare CSR report.

The general conclusion is that the results are disappointing. Not only that surprise us the fact that great part of the listed companies do not publish any CSR data, but devastating is that 45% of the mandatory listed companies do not have web page at all. It is apparent that nowadays the primary source of companies' information shall be provided on web, which means that vast part of the analyzed companies do not provide any online information to their stakeholders.

The reason for low level of CSR reporting among listed companies is that the listed companies on the Macedonian Stock Exchange (MSE) have an obligation to regularly disclose consolidated and unconsolidated audited financial statements and Annual report of operation, within 7 days of the acceptance by the Shareholder Assembly, but they are not obligated to prepare nor to publish the environmental reports. Naturally, if there is not such obligation for companies, they will not publish. In fact, companies limit their activities to legal requirement, and only small part of the companies publishes data which are not requested by the law.

Worth mentioning that this year only 2 large companies are members of UNGC. The reason for that is because UNGC impose some fee to large companies and consequently large companies withdrew from UNGC. Therefore, currently there are 12 participants in UNGC network from North Macedonia. 6 of them are SMEs, two local business associations, one NGO and one academic institution. As for the large companies, one is domestic company and the other is foreign ownership.

The involvement of MSEs in UNGC is very important, since they learn more about CSR, they taught how to prepare CSR report and finally they get what they mostly need—the knowledge about CSR concept and about the most appropriate way to practice CSR in the small company. The true is that very small part of the SMEs are involved in UNGC network, but still it encourages the increasing interest from SMEs for familiarization with the concept.

### 5.4.3 Members in Unite Nations UNGC Network

Another important indicator for corporate practice and performances is the number of companies which are members of some globally recognized CSR network. As UNGC is the best known CSR network in North Macedonia, we have analyzed how many companies from North Macedonia are members of this network. Till the beginning of 2019, there were 16 companies, of which 12 were companies, 1 was business organization, 1 was NGO and 1 was municipality. Since there were some changes in UNGC policy regarding the payment of annual fee, 10 out of 12 large companies withdrew from UNGC network. Currently, there are 12 UNGC members from North Macedonia, of which 6 are SMEs, only 2 are large companies (1 domestic and 1 foreign company), 2 are business organizations, 1 academic institution and 1 NGO. However, new trend of involvement of SMEs in UNGC is a very good sign, and supposes to be a start for further CSR development among SMEs.

For comparison, the data about the members from the other neighboring countries will be mentioned:

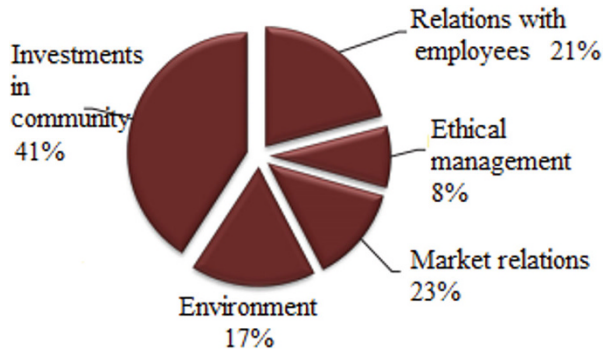
- Albania has 4 members, of which 2 NGOs, 1 SME and 1 large company;
- Bosnia and Herzegovina has 7 members, of which 4 NGOs, 1 company, 1 SME and 1 foundation;
- Montenegro has 4 members, of which 2 NGOs and 2 local business association;
- Serbia has 48 members, of which 19 NGOs, 12 companies, 9 SMEs, 3 Business associations, 2 Academic institutions, 2 public sector association, 1 Foundation.
- Bulgaria has 44 members, of which 11 SMEs, 11 NGOs, 10 companies, 4 Academics, 3 Business organizations, 5 foundations;
- Croatia has 37 members, of which 13 SMEs, 13 companies, 3 NGOs, 3 Academics, 3 Business Organizations, 2 Cities.

North Macedonia has more members in UNGC network in comparison to the Albania, Montenegro and Bosnia and Herzegovina, but sharply less than Serbia, Bulgaria and Croatia. It is notable that in contrast to the other countries, North Macedonia has extremely low number of NGOs in the UNGC network. Above, we mentioned that there is very limited pressure from NGOs on government or on companies to include the social agenda. The extremely low number of NGO, which are members of the UNDC, is in line with the previously elaborated statement.

### 5.4.4 CSR Awards

CSR awards can be extremely important tool in promoting awareness and improvement in CSR practices. Since 2007, the Ministry of Economy of the Republic of North Macedonia is organizing annual CSR awards. The awards are granted in 5 categories: Relations with employees; Ethical management; Market relations; Relations to the environment and Investments in community. Since 2014 the Ministry has announced new type of award intended for the most inventive practices.

**Fig. 1** CSR Award applications by category 2007–2017. Source: Ministry of Economy of the Republic of North Macedonia



The awards are granted separately to the SMEs and large companies. In the past 11 years, 575 applications were submitted, from more than 170 SMEs and large companies. Additionally, we will present the distribution of award applications by category (Fig. 1).

According to the submitted applications in the past 10 years, it is notable that the companies were mostly active in the field of investments in community, where were submitted more than 40% of the total applications. Then follow market relations and relations with the employees. The category which is neglected is ethical management, for which were submitted only 8% of the applications.

Since 2013, this award event has exceeded the national borders and became a part of the initiative which was supported by the European Commission—European CSR awards. Since then, 1 large and 1 SME which have realized project jointly with some non-profit organization and which have won the highest points from the jury are representing North Macedonian companies in front of the European public on ceremony in Brussels. The important of this event is not because North Macedonian companies have the opportunity to present their CSR projects and activities in front of the European public, but the opportunity to meet European companies with long experience in practicing CSR policies and to learn from them, is priceless. Also, this event is a good opportunity for increasing the innovation and for practicing some CSR projects which proved to be successful in other countries. The expectations are that this event will have huge positive influence on North Macedonian CSR development.

Even though, there are some opinions that CSR awards do not influence on CSR development, the reality shows quite the opposite. This event is a way of tracking the CSR projects for companies which are ready to be engaged in CSR processes and activities. That is especially useful for SMEs, because those events are also an opportunity for sharing experiences, exchange of good practices and creates some degree of pressure on SMEs as well as on large companies to increase funds for CSR projects.

## 6 Labour

In the following part some data about labor will be presented. We must mention that many years the labor market in North Macedonia was underdeveloped, due to the disturbed balance between labor supply and demand. Although, in the past years the situation is slightly improved, yet the imbalance is still present. It is true that parallel with the rise in overall CSR awareness, the care about labor rights has also increased. In order to discover the CSR engagement in relation to the labor, we will consider 2 indicators: extent of staff training and number of companies using SA8000. The first indicator reflects to which extent the companies are investing in staff retention and career progression and the second indicator is the first auditable social certification standard, which promotes decent working place.

According to the first indicator, North Macedonia is ranked on 96 place.<sup>10</sup> Albania is ranked on 37 place, Montenegro 98, Bulgaria 117, Croatia 122, Serbia 134 and Bosnia and Herzegovina 136. Generally, it can be said that all countries in the region, except Albania, share the same experience and are ranked very low in regard to the extent of staff training. As it was already mentioned, all the countries went through the process of transformation and restructuring, which causes great imbalance on the labor market. That situation caused very little attention on labor rights, decent work places and on improvement of staff performances. It is normal that if the company does not consider that its' employees will be employed on long term, will not invest in employees abilities and performances. That is exactly what is happening in North Macedonia.

Unfortunately, the situation is even worse in relation to the SA8000. Namely, there isn't any company in North Macedonia that has SA8000. Unlike North Macedonia, there are 2 companies certified with SA8000 in Albania and Croatia, 24 in Bulgaria, and 56 in Romania. This is defeating, considering the fact that there are many confections, footwear and other labor intensive factories, where it is extremely necessary SA8000 standard to be implemented. The reason for that is because this standard is a guarantee for protection of basic workers' rights, prevention of child labor, forced and compulsory labor, it is a guarantee for healthy and safety workplace, it is an assurance for nondiscrimination, collective bargaining, etc.. Unfortunately, neither company in North Macedonia commits to respect these provisions.

## 7 Environment

Environment is extremely important part in developing CSR agenda in North Macedonia. Namely, the country is among the mostly polluted countries in the world during the winter, and that is why environmental agenda is very important

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<sup>10</sup>*The Global Information Technology Report: Innovating in the Digital Economy.* (2016). World Economic Forum, Geneva.



**Table 4** Number of ISO 14001 certified companies on the Balkan, in the period 2009–2014

Year		2009	2010	2011	2012	2013	2014
1	Albania	1	/	11	18	34	37
2	Bosnia and Herzegovina	87	100	148	174	141	150
3	Bulgaria	565	999	927	1.375	1.373	1.761
4	Croatia	469	451	488	745	828	951
5	Montenegro	18	15	25	16	24	26
6	Serbia	298	318	573	736	762	901
7	North Macedonia	45	62	91	146	131	137

part of the overall CSR agenda. In order to determine environmental development in North Macedonia, we will consider the following two indicators: Number of companies using ISO 14001 and number of companies registered in EMAS.

### *7.1 Number of Companies Using 14001*

ISO 1400 specifies the requirements for an environmental management system which an organization can use to boost its' environmental performances. ISO 14001 is essential for an organization seeking to manage its' environmental responsibilities in a systematic way that contributes to the environmental pillar of sustainability. ISO 14001 is very important environmental standard and the companies which have adopted this standard are committed to improve quality, transparency and consistency of CSR activity. Therefore, ISO 14001 can be used as a good indicator of the companies' willingness to support the idea for "preserving the environment". In addition, the information will be given about the numbers of companies which are using ISO 14001 standard.

We must emphasize that it was extremely difficult to provide information about ISO 14001 certified companies by country, since there is not any publicly available database for ISO 14001 companies. We only succeeded to provide such information for the period 2009–2014. The data from the Table 4 suggests that except Albania and Montenegro, all the other country which were included in the analyses have higher number of ISO 14001 certified companies, than North Macedonia. On the other hand, Bosnia and Herzegovina although lag behind North Macedonia in most of the other CSR indicators, has more ISO 14001 certified companies than North Macedonia. Also, Croatia and Serbia have 8 times more ISO 14001 certified companies than North Macedonia and Bulgaria 12 times more.

Although the adoption of the ISO 14001 standard is voluntary and the companies are not obligated to implement this standard, it is extremely important for the government to boost the companies to use this standard. In this manner the companies will be able to improve and track their environmental performances, to set their environment objectives and goals and subsequently to monitor and measure the realization of such objectives and goals.

## **7.2 *Number of Companies Registered in Eco-management and Audit Scheme (EMAS)***

EMAS is a management tool, which is very significant for the companies and other organizations, because it enable them to evaluate and report their environment performances. In fact, EMAS obtains a website with a search function, where the public can track the number of the companies and organizations that are registered in certain country. Unfortunately, there are not any companies or organizations from North Macedonia which are registered on this scheme. From the neighboring countries Bulgaria has 30 companies and 16 organizations, registered on EMAS, Greece 1025 companies and 18 organizations, while all the other countries, just like North Macedonia, do not have any registered company or organization on EMAS.

## **8 Standardization**

The implementation of international standards is another very important indicator of CSR development in certain country. Certification is extremely important, since the companies, organizations and institutions need to accommodate themselves and implement many provisions in order to get the certificate on their wall. On the other hand, certification is very expensive and usually it is not affordable for SMEs, which do not have neither money nor human and technical resources for certification. The government gives subsidies to the private companies which adopt NASSR, ISO or HALAL system. These subsidies are partial compensation of the costs for introduction, maintaining and modification of NASSR system and introduction and certification of HALAL and ISO standards. Although these measures seem quite good, still there are problems, such as problem with timely payment of subsidies from the government. Also, very serious obstacle is the fact that the companies need to initially cover the total amount of the expenses by themselves, and after the government is paying the partial compensation of the costs. Unfortunately, in general SMEs are not able to provide by themselves finances for certification, and at the end the final result of these measures is not so satisfactory, especially when it comes to SMEs. The other form of stimulating certification that was promoted by the government is giving advance to certified companies, in the process of public procurements.

Certification is particularly useful in countries where in supply chain companies collaborate only with the partners which maintenance certain standards, important for their field of work. Also, certification is predominantly important in countries where customers are used to check labeling, before buying the products. Since, these two conditions are not very typical for North Macedonia; the companies are not very excited to invest in certification.

With the incrementing the inflows of the foreign investments in the country and with the globalization of the domestic companies the situation supposes to improve. The reason is because MNCs demand that their suppliers comply with code of

conduct supply chain, which cover social and environmental practices. Globally, this way of spreading reasonable social and environmental behavior is very common and many MNCs influence on their value chain members by that technique. MNCs consider developing countries as a “high risk sourcing zones”, and because they do not want to risk their global image, they only buy certified sustainably produced products. In order to be sure about that, they also conduct strong scrutiny on their suppliers that comes from developing countries. It is expected that such policies which are adhered by MNCs, will force North Macedonian companies to put greater accent on certification, in order to escape multiple assessments, such as self-evaluation, questionnaires, monitoring and auditing processes.

The following standards are important, in regard to the CSR:

- ISO 9001—Quality management
- ISO 14001—Environmental management
- OHSAS 18001—Health and safety management system
- SA 8000—Social accountability international
- ISO 20000—IT service management
- ISO 22000—Food safety management
- ISO 27000—Information security management.

As it was mentioned previously, in 2014 137 companies were awarded with ISO 14001 standard and neither company SA 8000. In 2014, 446 North Macedonian companies were awarded with ISO 9001—quality management standard. Unfortunately, there is not any database for the number of accredited institutions, organizations and companies in North Macedonia and therefore it is very difficult to provide information about the number of certified institutions. There are many certified body, but the most important is the Economic Chamber of Macedonia where till now have been certified 164 institutions with ISO 9001, 41 institutions with ISO 22000 and 17 with ISO 14001.

At the end it is important to note that one of the greatest companies in North Macedonia in pharmaceutical sector—Alkaloid AD, has been awarded the Fair wild certificate for its teas from botanicals portfolio. That is very important, considering the fact that companies from only 11 countries in the world succeeded to accomplish the condition, for this certificate.

Ultimately, it is important to note that the fact that still there is not any available database for standardization in North Macedonia is an evidence for non-satisfactory level of awareness about the importance of standardization among North Macedonian companies. The government supposed to play the lead role in developing such database, in order to promote the certification and to provide more information for the companies.

## 9 Conclusion

Although integrating social and environmental issues into everyday business activities and relations with stakeholders is familiar practice for the companies in the developed countries, such practice is still vogue and not completely known for the

North Macedonian companies. The practice to sacrifice profit for the sake of certain social interest unfortunately is still unacceptable for the majority of the North Macedonian companies. The main reason for that is the late introduction of the concept of CSR in North Macedonia. In fact, the term CSR was firstly introduced in 2002, and the real projects, actions, activities, started even later in 2007. That is much later even in comparison to the other developing and transition economies.

The main reason for the late introduction of the concept was poor economic and political condition in the country. After independence from Ex-Yugoslavia, the country suffered from extremely high rate of unemployment, hyperinflation, negative GDP rate, instability and many other issues and problems. On the other hand, the companies lost their traditional markets in Ex-Yugoslavia and were forced to dismiss from work many employees, they recorded huge losses, and the only thought in their heads was how to stay alive. The whole process of transformation and restructuring looked like everything was allowed in order to survive and created a form of "wild capitalism". In such situation, it was impossible to promote socially responsible behavior. Actually, neither the government, nor the companies were interested for that.

The first initiatives for CSR in North Macedonia came from international organizations. UNDP, World Bank Institutions, USAID and the European Union were especially involved in that, and thanks to them, the idea of CSR was spreading among the government institutions, companies, NGOs, business associations, media, etc. Later the government, in most of the cases in collaboration with some international organization, started to be involved in CSR, also. The greatest step was the establishment of Coordinative Body for CSR and the creation of CSR Agenda.

Although the government is now more concerned in promoting CSR, still the results are not satisfying. Consequently, the government measures are not sufficient, and the final result is defeating. Namely, it is true that there is a great improvement in the last 10 years, but still the overall picture about CSR is inadequate. In order to be achieved major improvements, a greater commitment from the government is needed. Specifically, there is a general image that the government is still protecting the companies. It promotes certain measures in the Agenda, but they are not translated in the appropriate law. The analysis showed that the majority of the companies are only trying to meet the legal minimum, and only small part of them take more CSR actions, then what is required by law. Accordingly, the government must consider the option to slightly change the CSR policy, from voluntary regulation to moderate regulation of CSR. Indeed, excessive regulative is not desirable, but the government needs to create environment where the businesses will adopt CSR practices. That is needed, because North Macedonia is ex-communist country, where almost all policies were driven by the government. Therefore, companies are get used to accomplish what the government ask, and not to take their own initiative.

Another very important stakeholder is the consumers. Given the poor living standard in the country, the consumers do not put any attention on buying secure and healthy products. Although the awareness about the importance of corporate social responsibility has risen slightly among the consumers, still they are not ready to convert their care about CSR to actual willingness to open the wallet, when it

comes to buying decision. This situation is discouraging companies from investments in CSR activities and producing healthier and more secure products, since their socially responsible behavior will not be rewarded on the market. It is expected that when the living standard improve, the customers will put more attention on buying secure and healthier products.

The media is also very silent in disclosing companies' socially irresponsible practices. Though, the violation of labor rights, corruption and problems with a rule of law are widespread in North Macedonia, due to the business-political relations between the media, companies and government, many scandals are not publicly presented on media. That cause very limited pressure from media on government and companies. Similar is with the NGOs. In contrast to the other neighboring countries (in some countries more than 50% of the UNGC members are NGOs), in North Macedonia only 1, out of 12 UNGC Macedonian members is NGO. That is very defeating, concerning the fact that in many countries NGOs are the major drivers of CSR activities and projects.

Generally, among the business sector MNCs in North Macedonia are leaders in promoting CSR activities and projects. They are pursuing their global CSR strategy and submit annual reports to their parent companies. Although they are triggers of CSR activities, it is hard to find information about these activities, since they do not publish local report, but their activities are part of the CSR reports on a group level.

The greatest improvement is achieved among the large companies, especially among the biggest ones. Some of them, like Komercijalna Banka AD, for instance, can be assessed as a very good, even in comparison with some of European companies. However, the overall situation is still poor and CSR practice lag behind the companies from other countries. It is expected that as Macedonian companies enter into European market, they will be forced to be more socially responsible, since EU Commission demands implementation of socially responsible behavior of one of the globally accepted system of CSR for all companies which will to work in the EU market.

The worse is the situation among the SMEs. Namely, except some "exceptions" SMEs commonly do not even know, what exactly CSR mean. The "exceptions" are SMEs which are exporters or SMEs that are suppliers of the MNCs, and which are obligated to comply with the code of supply chain of the MNC. For the rest of SMEs, according to this research the greatest disadvantage is the shortage of information about CSR. Majority of the SMEs have either never heard about CSR or have heard, but they do not know the complete meaning of the word. In a situation when the majority of the companies equalize CSR with sponsorship, donations and philanthropy, it is understandable that the greatest problem is shortage of information. Moreover, they generally perceived CSR as company's cost and they do not consider the opportunity that sometimes CSR can save money. Reducing packing materials, minimizing transportation costs and installing energy-efficient lighting are cutting more. Furthermore, worker who works in descent conditions can be much more productive and useful than the disappointed one.

Thus, it is crucial that the government takes many actions and organizes many informative campaigns in order to raise the overall awareness about the CSR

concept. And the local government must be involved as well, in order to extend the coverage of the campaign and the information to reach greater audience.

It is very important for further development of CSR to introduce projects that stimulate CSR reporting. Public disclosure is among the best ways of promoting CSR, since it is a tool for tracking annual CSR activities and improvements. Furthermore, the judgment criterions must be developed, with an intention to assess CSR performances of each company. Besides, CSR database should be developed in order to know which enterprise and in what amount has supported CSR activities.

Finally, the companies must understand that CSR is not what they do with their money once they made them, but the important point is how they make their money.

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