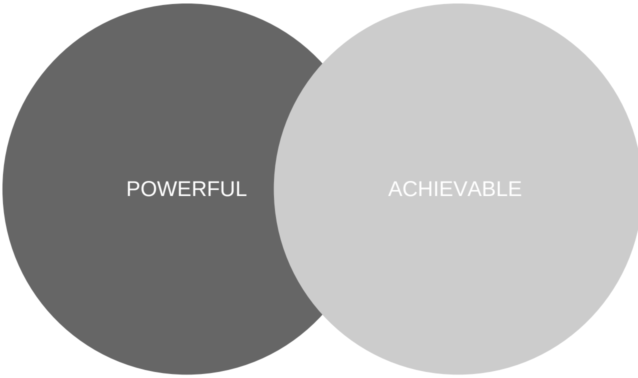

Figure 7.2 Political innovations.

Source: Gehl and Porter (2020).

do not pass this bar). Gehl and Porter (2020) ingeniously apply the tools of business analysis – and five forces framework – to show how the political system functions just as every other competitive industry does, and how the duopoly has led to the devastating outcomes we see today.

That is the reason managers are required to conduct their business operations in a socially responsible manner, i.e. they are expected to function in such a way to represent the well-being of a society as a whole in addition to solely represent the economic interests of the company (Bahtijarević-Šiber et al., 2008).

Levels of corporate social responsibility

The White Paper on Corporate Social Responsibility (2003), published by the European Commission, defines corporate social responsibility as a concept (Kurtić, 2011) which companies use as a guideline to voluntarily integrate their concern of social issues and environmental protection into their business operations and stakeholder relationships (owners, shareholders, employees, consumers, suppliers, government, media and the broader public).

Social responsibility of managers has undergone for stages in its evolution (Table 7.2).

Companies are aware that they must contribute to a sustainable development by managing their business activities in a manner which leads to the increase of economic growth, while simultaneously securing the protection of the environment and promoting social responsibility, including the interests of the consumers. However, it should certainly not result in an *economic benefit increase versus reduction of social benefit* scenario.

Archie Carroll created a model of four criteria of business system social performances, which represents a basis for managerial reactions taking into account their different levels of responsibility (Figure 7.3; Daft, 1994).

Table 7.2 The evolution of the corporate social responsibility concept

Time period	*Phase*	*Essence – managerial focus*
1 From the industrial revolution to the 1930s	Maximising profit	Economic interests: All actions, activities and managerial decisions are focused on meeting the essential goal: maximising the profit of the business system.
2 From the 1930s (period of the Great Depression) to the 1960s	Trust management	Managerial concern for employees, consumers and society as long as they protect the interests of the owner.
3 From the 1960s to the 1990s	Activism	Issues of employment equality, protecting the environment, consumerism[2] and similar.
4 The last decade of the 20th century and the outset of the 21st century	Social sensibility	Ability to effectively and efficiently meet the demands of social responsibility. Managers develop processes of decision-making where the reactions of the environment are anticipated and social and community values are valued (proactive functioning).

Source: Adapted from Kurtić (2011).

1. *Economic responsibility*: The first level of corporate social responsibility is economic responsibility, given that it is, above all, the basic economic unit of society. It is its responsibility to produce the goods and services that society wants and to maximise profits for its owners and shareholders. Economic responsibility, taken to the extreme, is called the profit-maximising view and it is advocated by Nobel laureate economist Friedman. This view shows that a company needs to operate on a profit-oriented basis with its only mission of profit growth, as long as it follows the rules of the game.
2. *Legal responsibility*: All modern societies are based on rules, laws and regulations that business should follow. Legal liability defines what the company considers important, given the appropriate conduct of the company. The company is expected to meet its economic objectives within the laws enacted by the relevant authorities. Therefore, a company that knowingly violates the law is considered a worse performer in this category.
3. *Ethical responsibility*: Ethical responsibility includes behaviours that are not necessarily codified in law and must not serve the direct economic interests of the enterprise. In order to be ethical, a decision-maker in a company should act, as stated earlier, with fairness, honesty and righteousness, respecting the rights of individuals, and ensure different

treatment of individuals only when it is important for the goals and tasks of the company. Unethical behaviour occurs when decisions allow an individual or company to work to the detriment of society.

4 *Discretional responsibility*: Discretional responsibility is exclusively voluntary (non-coercive) and is guided by the wishes of the company to make social contributions without obligations in relation to the economy, law or ethics. Discretionary activities include a generous philanthropic contribution that does not offer a return to the company, nor is it expected. Every company is required to be actively involved in socially responsible activities that result in improving the image of the company as a caregiver of socially responsible activities within society.

However, many managers in different companies and elsewhere have concluded that it is useful for them to take action regarding the intensifying social issues. For example, many companies have profited by filtering matter which pollute the environment through factory chimneys, and selling or reusing the recycled waste. Some companies have gained profit building blocks of flats with low rents in poor neighbourhoods. In other words, contribution to solving social issues does not always produce net expenses. Companies management should be obliged to create, apply and publish harmonisation programmes for internal codices of social responsibility. These codices should be based on domestic norms of the country in

Figure 7.3 Levels of corporate social responsibility.

Source: Daft (1994:163).