The potential of Internal Corporate Social Responsibility to positively influence socio-economic progress indicators in Albania.

Case studies on garment sector in Albania

Master thesis submitted in fulfilment of the Degree

Master of Business Administration, in Public Governance and Management.

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AFFIDAVIT

I, Eneida Todhe, hereby ensure that:

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ABSTRACT

Corporate Social Responsibility is what it takes a society to develop sustainably, no matter what the economic status is: developed or developing. When I say no matter the economic status is, it implies that business whether in developed or developing countries is bound by social, economic and environmental interests as long as it exists within the society. But as usual, business aim is to increase profits and escape the binding interests and become biased on its activities. This situation is often encountered in developing countries. Therefore, the study of CSR seems reasonable and is backed by many international organizations. While the notion is differently used and understood, my focal point in bringing it up through this study is its relevance to socio-economic progress indicators that will be the subject of this master thesis.

This thesis will treat internal CSR and how it positively influences socio-economic progress indicators specifically in Albanian garment industry. The voluntary aspects of CSR seem to be an impossible mission in the country where the obligatory aspects stated in the Labour Code are questionable on practical basis. However, the importance of tackling the topic lies on recommendations on how to stimulate CSR application presented in the last chapter, for a better future of the socio-economic environment in Albania as a decisive factor for the European Union Membership.

Key words: Internal CSR, developing country, socio-economic progress indicators.
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1. Introduction

“.....first you need to have healthy respect for your workers and invest in their welfare”

Indian Prime Minister, Manmohan Singh, 2007

Today, globalization has created huge problems by making the world stands on two extreme sides. On one side there is the business community who profits by extending their activities where possible, on the other side stands the community who loses by being exploited where possible. This message goes beyond general discussion over Corporate Social Responsibility, as a strategy, a policy or as a tool used by the business community. Before having the community outreach with development projects or philanthropic activities or going green policies, companies should first start paying attention to their employees. The International Labour Organization, that presents the foundation of decent work by embracing human principles, calls for tremendous figures of globalised economic consequences. According to International Labour Organization, worldwide “there are 270 million occupational accidents (out of more than 2 million result in death) and 160 million cases of occupational diseases every year. The International Labour Organization has estimated that the economic losses due to poor protection may be totally as much as 4 % of World Gross Domestic Product. But the loss it says goes further with the lasting costs of pain and fear suffered by the victims and their families, not calculated in the economic terms, but social consequences are obvious especially to the workers who become disabled to work due to injuries or diseases at work”\(^1\). The question that is raised is “What is really happening?”

There have been 67 registered accidents in 2012\(^2\), out of 19 of them are reported as death cases. Based on these figures, employees in The Republic of Albania suffer from poor working

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\(^1\)This is taken from the speech of the State Secretary Jan-Erik Stostad, Ministry of Labor and Social Inclusion, Norway, during China International Forum on Work Safety, Beijing 18 November 2008. This fact shows the importance of improving working conditions to reduce human capital loss as well as the economic loss which are the main pillars of an on-going society.

\(^2\)“Koha Jone” (English translation: Our Time) daily newspaper, Sunday, December 2012, A column written by Sonila Isaku. This is reported from Mrs. Filloreta Kodra, Vice Minister of Labor and Social Affairs. Vice Minister reports that this situation exist due to lack of safe working conditions especially in mining, manufacturing.
conditions, weak social protection and huge undue stress from mass layoffs. The latter is the prevailing situation in many industrial sectors. Occupational diseases and accidents at workplace are not regularly counted and informal economy is one of the factors for such a situation. In developed countries, employees feel protected and they have many rights whereas in Albania there are only a small number of companies that have established correct relations with employees. According to the data received from the Gender Alliance for Development Centre\textsuperscript{3} in Albania, there are a significant number of employees without a contract and insurance package from the employer. The Chief of the Confederation of Trade Unions for Shkodra District\textsuperscript{4}, Fatmir Smajli, says that on one hand there are companies not committed to enforce contracts and on the other hand there are employees who are not aware of their rights. Actually, he says that the majority of the Trade Unions members are young people coming from rural areas that possess low level of education, 65-70\% of them have only nine years of studies\textsuperscript{5}. In addition, their qualifications are lower and they do not have the proper knowledge regarding laws and many injustices at their workplace sound normal to them. On the other hand, educated individuals working for big worldwide companies such as Vodafone (a telecommunication company), feel exploited and not well treated. Brunilda Salkuthi (age 22), is working for a year and a half as a Sales Representative at Vodafone Albania. She feels irritated about working at Vodafone. She says that employees in that position work whole week even weekends and under huge work stress. “We are the part of the crew that works front line and have direct relation with the client but when we try to get together to bargain over working conditions our voice is never heard”\textsuperscript{6} she says. This is mainly coming from foreign investors that are affiliation of well-known international companies or subcontractors in several industries. According to the data taken from the Confederation of Trade Unions for Shkodra district, foreign companies do not comply with

\textsuperscript{3}Gender Alliance for Development Center is a non for profit organization established in 1995 in Albania. Main objective of this center is to trace gender gap through surveys and lobby through advocacies and trainings to minimize gender inequality. It works also on policies issued from the Ministry of Labor, Social Affairs and Equal Opportunities tackling this topic. Source: http://www.gadc.org.al.

\textsuperscript{4}Shkodra is among the biggest cities in Albania, situated in the northern part of it, which has many active garment companies.

\textsuperscript{5}“Monitor” is an Albanian daily magazine mostly focused on economy and business. The figures are extracted from an interview that Mr. Fatmir Smajli has given to the magazine.

\textsuperscript{6}An informal interview with her, she responded the question: how do you consider working with Vodafone Albania? Are you satisfied with the working conditions and the salary you get?
the Labour Code and fair treatment of employees. Strained working relations and undue stress is a situation not in favour of both employers and employees, affecting work-life balance, mental health of employees and family relations on one side and employers’ economic performance on the other side, putting to risk the survival of the company. Long term vision must outweigh short term profits. A vision is built collectively by taking into consideration everyone’s interest while profits are made for one’s interest by exploiting human and natural resources. David Packard, the co-founder of Hewlett Packard Company in 1939 said: “I think many people assume, wrongly that a company exists simply to make money. While this is an important result of a company’s existence, we have to go deeper and find the real reasons for our being. As we investigate this, we inevitably come to the conclusion that a group of people get together and exist as an institution that we call a company so that they are able to accomplish something collectively that they could not accomplish separately– they make a contribution to society, a phrase which sound trite, but is fundamental.” When David articulated this statement which sounds like an “anthem” of Corporate Social Responsibility, envisioned a group of people functioning as a company to the benefits of all interested groups.

1.1 Research question statement

“How can internal CSR positively influence socio-economic progress indicators in Albania?”

This question is the basis of my master thesis that is built upon theoretical resources, fieldwork research, collection of information and analysis of the data. The concept is little known in Albania and this thesis will contribute to the values that the research might bring in the future. By closely investigating the environment and what is available for CSR practices, I hope this thesis will contribute to better understand its socio-economic importance and it will also help to formulate the strategies.

1.2 Master Thesis Objective

The main objective of writing this thesis is the identification of a positive relation between CSR and socio-economic progress indicators in a country, especially in a developing one.

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7 “Monitor” is an Albanian daily magazine mostly focused on economy and business and this piece of writing is taken from this magazine, demonstrating a general view of employment relations.

8 “Corporate Social Responsibility”, a guide to Corporate Social Responsibility.
Regarding CSR concern in Albania, there exist some sporadic practices done by international companies especially in the form of philanthropy and environmental protection. In this context, this thesis will have the role of presenting the overall situation through facing the facts, analyzing the data (primary and secondary) and forming recommendations. Assessment of socio-economic profile of the country is an attempt to visualize the need for CSR practices in Albania. The research study is mainly focused on the garment sector in Albania. My interest especially in the garment sector in the country, is manifold: 1) it is showing a progressive trend in the country; 2) it is an export oriented business; 3) this is the sector mostly employing those society members who possess low level of education, easily manipulated and subjected to hazardous working conditions, 4) it represents the sector with the highest number of people employed (mainly women). Therefore, the garment sector shows a two-way contribution in the Albanian economy: first it has a significant market share in the domestic economy and second it contributes to the decrease of unemployment rate. Because most of the companies that operate in the sector are subcontractors, I found it interesting to make a research study about a subcontractor company and a domestic one, and look into their daily operations by examining the working conditions of their employees and how do they affect employees’ productivity and personal life, company’s performance and its turnover. The intention is to detect socio-economic progress indicators.

1.3 Methodology

My research strategy is the case studies approach, guided by theoretical resources. My focus is the study of CSR mainly as social tool and it implies a social research. The latter reason is why qualitative data are required.

The methodology includes the theoretical study that serves as a guidance of the fieldwork research. The literature review will help to unfold a rainbow of CSR definitions over decades. This thesis makes also use of some available information on different websites, newspapers, economic journals and non-governmental organization (NGO) reports and empirical studies carried out before (mainly related to decent work, management strategy and Labour Code

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9“*The use of qualitative content analyses in case study research*, Volume 7, No.1, Art. 21 January 2006, Florian Kohlbacher, Associate Research Partner, Department of Change Management and Management Development, Vienna University of Economics and Business Administration.
implementation) that is relevant to my field of study. The fieldwork research is crucial to closely inspect, analyze and conclude the facts and the information, gathered by interviews that are conducted in two companies selected that serve as case studies sample. The target population is employees. The case studies bring to focus internal CSR activities and observe how these activities directly and indirectly influence on socio-economic progress indicators. In order to prove that CSR impact on social lives of the people involved, their economy as well as the companies’ performance and turnover, I decided to analyze a company engaged in internal CSR activities and a company not engaged in internal CSR activities. The selection criteria are the company size, the sector of operation and the national background. In order to compare the effects of perceived internal CSR activities as well as to observe the indirect impact on socio-economic progress indicators, interviews are used as the instruments. The interviews conducted are informal conversations which contain some predetermined questions and some spontaneous ones, with the main aim to create comfortable situation with the interviewees to achieve the objectives of this research study. The interviews are of two types in order to provide data of how internal CSR is perceived from both sides: employers’ and employees’ point of view. Interviews of executives are conducted within business premise while interviews of employees are conducted outside business premise as informal conversations. Based on qualitative data gathered from interviews, a descriptive approach is employed to better concentrate on the aim of the thesis and achieve the objective of the initial point.

1.4 Design of the thesis

The thesis is conceived mainly as a four-part division where each part has significant theoretical and practical implication with the research question:

The first part includes sound literature about the history and evolution of CSR. Furthermore, it describes in details two aspects of CSR (external and internal), the main drivers to engage in CSR practices and the main CSR instruments. The main importance of the first part is to have an insight on what constitutes CSR and how to engage in it. This is followed by some CSR good practices to show tangible results of it. The developing context is another feature to better connect it to Albania as a developing country and to have a picture of how CSR is perceived in these countries and what are the main barriers toward engaging in it.
The second part includes Albania’s profile of a country with many social, economic and political problems. However, it still remains a potential candidate for EU membership although it is too far away from European standards in implementing laws and drafting policies. A special focus is given to business environment (general data on employment and sector importance related to GDP contribution and foreign direct investment stimulation are presented) in order to understand better the function of law. The legal framework and the ratification of international conventions on working conditions are well depicted. In this part special attention is paid to CSR status in Albania in order to consider the main form of CSR activities carried out in the country and the legal part of CSR as a necessity toward voluntary activities.

The third part is about the case studies in the garment sector. This section is opened with a general overview of the garment sector in Albania including its characteristics. The case studies bring to focus internal CSR activities and observe their links with socio-economic progress indicators. In order to prove that CSR impact on social lives of the people involved and economic life of their families as well as the companies’ performance and turnover, I chose a company engaged in internal CSR activities and one not engaged in internal CSR activities. The selection criteria are the company size, the sector of operation and the national background. Composition is important but linkages are decisive in achieving results. Therefore, internal CSR activities contribute to strengthen the link between employers’ and employees’ interests, dictating their own needs. An interview guideline is drafted to compare the effects of perceived internal CSR activities as well as to observe the indirect impact on socio-economic progress indicators. The interviews are of two types in order to have data of how CSR internal is perceived by both sides: employers’ and employees’ point of view.

The forth part is the final act of what are the prerequisite to successful CSR implementations in developing countries. The final part include recommendations on how to ensure the right absorption of CSR concept in countries which have the slightest knowledge about it, promote social dialogue and collaborative relations between actors involved, build enough capacities to carefully implement CSR practices. After the case studies analysis, it is crucial to emphasize the importance of internal CSR in stimulating productive workforce through improving working conditions and labour-management relations that can positively influence socio-economic progress indicators.
1.5 Limitations of the research

The objective of this research is to analyze how internal CSR can have positive relation with socio-economic progress indicators. As internal CSR has different forms and includes different targets, this study focuses on working conditions and labour-management relations between business executives and employees. This limits the study of internal CSR toward employees’ perspective, excluding customer and supplier perspective.

The primary data of these case studies are only collected by the interviews. During the interviews that are conducted with executives and employees in different settings, some questions are avoided for unknown reasons. Including also my personal inspection to the companies, case studies description and interview analysis are also based on my assumptions that pose the risk of influencing the outcome.

The research strategy employed to meet the objectives of the thesis is by using the case studies. In order to make a comparison, two companies are selected and there are ten employees interviewed from each company. The sample is relatively small, only related to one economic sector. In these circumstances, the question of generalization is another limitation issue. That means that conclusions achieved at the end remain tentative\textsuperscript{10}. This thesis attempt can serve as a continuum for further research.

\textsuperscript{10}“The use of qualitative content analyses in case study research”, Volume 7, No.1, Art. 21 January 2006, Florian Kohlbacher, Associate Research Partner, Department of Change Management and Management Development, Vienna University of Economics and Business Administration.
2. Literature review

2.1 The history of CSR concept

The CSR concept has existed in business practices as early as 1870s\textsuperscript{11}. Main countries of CSR origin are the USA and the UK, where it was first introduced in formal writings\textsuperscript{12}. In the “Journal of Political Economy” in 1916, J. M. Clark claimed that “if men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether this have been recognized by law or not”\textsuperscript{13}. But the first who really initiated to give form to CSR concept was Howard R. Bowen with his book “Social Responsibilities of the Businessman” (1953)\textsuperscript{14}. This book mirrored his idea that the potential of business’ actions influences on citizen’s lives. He initially defined CSR as “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of objectives and values of our society”. Bowen’s definition has generated discussion that lately brought the topic to another level by developing research methods to enquire the truth about CSR in business, society and worldwide; although a pure universal definition of CSR is still hostage to the contextualization.

2.1.1 The variation and evolution of CSR concept

The evolution process of CSR concept has undergone certain transformation by testing practices and conducting researches. After Bowen’s initial attempt in 1953, CSR concept entered another area, subject to alteration in form and content. In order to have a clear picture of CSR evolution and variation process including period factor, authors’ name and their respective definition, I will try to include in a table main prominent figures that have contributed in enriching CSR literature

\textsuperscript{11}This year relates to the best example of that time Cadbury Chocolate makers in the UK who after doing successful business that had an idea of going “Greenfield” site. The company’s name was Bournville and its commitment toward employees welfare with joint consultations was one of CSR initiative. (“A historic perspective of the CSR movement”, December 2004).

\textsuperscript{12}“Corporate Social Responsibility”, Evolution of a Definitional Construct, Archie B.Carroll, University of Georgia, Business and Society, Vol.38 No.3 Sept. 1999.

\textsuperscript{13}Source: “A historic perspective of the CSR movement”, December 2004

\textsuperscript{14}Carroll “Corporate Social Responsibility” page 169. Carroll finds his book as a landmark of CSR literature especially of the modern area and agrees that he should be called “the father of CSR”.

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and unfolding a rainbow of definitions. This is an attempt to observe the trend and pinpoint factors influencing CSR understanding.

1960s

**Keith Davis:** “Businessmen’s decisions and actions taken for a reason at least partially beyond the firm’s direct economic or technical interest”.

**William C. Frederick:** “Social Responsibility in the final analysis implies a public posture toward society’s economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms”.

**Joseph W. McGuire:** “The idea of Social Responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations”.

**Keith Davis & Robert Blomstrom:** “Social Responsibility, therefore, refers to a person’s obligation consider the effects of his decisions and actions on the whole social system. In so doing, they look beyond their firm’s narrow economic and technical interests”.

**Clarence C. Walton:** “In short, the new concept of social responsibility recognizes the intimacy of the relationships between the corporation and society and realizes that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals”

1970s

**Harold Johnson:** “A socially responsible firm is one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities and the nation”.

**The Committee for Economic Development (3-circle definition):** “The inner circle: basic responsibilities for the efficient execution of the economic function-products, jobs and economic growth. The intermediate circle: encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities, e.g. with respect to environmental conservation, hiring and relations with employees, and more rigorous expectations of customers for information, fair treatment and protection from injury. The outer circle: outlines newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment, e.g. poverty and urban blight”.

**Henry G. Manne & Henry C. Wallich:** “To qualify as socially responsible corporate action, a business expenditure or activity must be one for which the marginal returns to the corporation are less than the returns available from some alternative expenditure, must be purely voluntary, and must be an actual corporate expenditure rather than a conduit for individual largesse”.
**Thomas Zenisek:** “CSR is a “fit” between two components of a “business ethic” and societal expectations of the private economic sector.

**Archie B. Carroll four-part definition:** “The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time”.

### 1980s

**Thomas M. Jones:** “CSR is the notion that corporations have obligation constituent groups in society other than stockholders and beyond that prescribed by law and union contract. Two facets of this definition are critical. First, the obligation must be voluntarily adopted; behavior influenced by the coercive forces of law or union contract is not voluntary. Second, the obligation is a broad one, extending beyond the traditional duty to shareholders to other societal groups such as customers, employees, suppliers and neighboring communities”.

**Frank Tuzzolino & Barry Armandi:** “Organizations like individuals, had criteria that needed to be fulfilled or met, just as people do, as depicted in the Maslow hierarchy. This implies that organizations have psychological, safety, affiliative, esteem and self-actualization needs that parallel those of humans as depicted by Maslow. The hierarchy serves as a conceptual tool whereby socially responsible organizational performance could be reasonably assessed”.

**Archie B. Carroll:** “In my view, CSR involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive.”

**Peter Drucker:** “But the proper ‘social responsibility’ of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs and into wealth”.

**Edwin M. Epstein:** “CSR relates primarily to achieving outcomes from organizational decisions concerning specific issues or problems which (by some normative standard) have beneficial rather than adverse effects on pertinent corporate stakeholders. The normative correctness of the products of corporate action have been the main focus of corporate social responsibility”.

**Michael Hopkins:** “CSR is concerned with treating the stakeholders of a company or institution ethically or in a responsible manner. Ethically or responsible means treating key stakeholders in a manner deemed acceptable according to international norms.”
1990s

**Archie B. Carroll**: “For CSR to be accepted by the conscientious business person it should be framed in such a way that the entire ranges of business responsibilities constitute total CSR: economic, legal, ethical, and philanthropic. Furthermore, these four categories or components of CSR might be depicted as a pyramid. To be sure, all of these kinds of responsibilities have always existed to some extent, but it has only been in recent years that ethical and philanthropic functions have taken a significant place”.

**Wood**: “The basic idea of CSR is that business and society are interwoven rather than distinct entities”.

2000s

**European Commission**: “CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their business operations and in their interaction with their stakeholders on a voluntary basis”.

**The World Business Council for Sustainable Development (WBCSD)**: “CSR is the commitment of business to contribute to sustainable economic development, working with employees, their families and the local communities”.


CSR evolution process is characterized by dynamism and it brings to light new arguments and facts. The first decade of formal concept of CSR that belongs to 1960s created the basis of what CSR is, by sticking to the idea that business’s economic purpose must take into consideration social consequences as indispensable part of it. The 1970s ideas are related to how a CSR initiative looks like as a management tool. While in 1980s the concept is treated in a broader sense including not only economic and social but also environmental issues by adding the flavour of volunteer actions. The 1990s Carroll’s pyramid explained that CSR practices depend on economic, social and cultural background of a country. While in 2000s the institutionalization of CSR, through the establishment of international bodies and platforms such as CSR Europe and Global Compact, has largely contributed to mainstream it in a global level.
Despite of a plethora of CSR definitions, its significance is indisputably huge because it affects relations within a society. The scheme below shows the space that a company occupies within a society and its links with other stakeholders\textsuperscript{15}, in an attempt to realize how CSR may influence attitudes and linkages.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{csr_diagram.png}
\caption{Source: “Daffodil International University Journal of Business and Economics”, Vol. 3, No. 1, pg. 203.}
\end{figure}

\textsuperscript{15} According to Freeman “any group or individual who can affect or is affected by the achievement of the organization’s objective” is called stakeholder. A further analysis is carried out by Clarkson who divides stakeholders into two groups: primary and secondary. Primary stakeholder group is “one without whose continuing participation the corporation cannot survive as a going concern (shareholders, employees, supplier, consumer, government). Secondary group is “one who influence or affect, or is influenced or affected by the corporation, but not engaged in transactions with the corporation and are not essential for its survival”. (See “Corporate Governance Journal, Vol. 1)
2.1.2 Internal and external CSR

The summary of CSR definitions shows that CSR is perceived differently by all aforementioned. It is clearly articulated that it has a three dimensional effect: economic, social and environmental. CSR has legal and voluntary nature and it is driven by some factors such as attraction and retention of the best employees, image improvement and market expansion. Due to its ray of activities, CSR has two distinguishable aspects usually mentioned as internal and external. The difference can be clearly understood: internal CSR deals with stakeholders concern within business operation activity while external CSR deals with social concerns that do not affect business activities. In order to develop further a more comprehensive picture of internal and external CSR, it is better to treat each of them separately and analyze the importance of both of them.

Internal CSR: Internal CSR tests business ability to conduct daily operations with its main stakeholder: employees and supply chain. Main elements of the internal CSR are: human resources management that deals mainly with recruitment process, attraction and retention of the best employees, lifelong learning, employees’ rights, working conditions, health and safety, work-life balance, fair treatment and fair wage distribution, education and training. Transparency and ethical behaviour that is broadly used as code of conduct are also crucial to build employees identity. The feeling of belonging to a business that one can really contribute by being motivated and estimated is related to “identity theory” that explains the fact that employees feel proud and committed to work with organizations or companies that have a positive attitude toward them. This responsible behaviour should be reflected also in the whole supply chain which is important to have sustainable development throughout the business chain till the customer base. Some other internal aspects of CSR despite those mentioned above, are building positive relation with government officials through tax payment and obeying to law, ensuring the

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17 “There are several examples of codes of conduct signed by the social partners at European level, particularly in the textile, clothing and commerce sectors, which the Commission welcomes” Green Paper Com (2001). It is important mentioning due to the relevance of the topic and field of study I have chosen.
18 “The contribution of CSR to organizational commitment” by Steven Brammer, Andrew Millington and Bruce Rayton”, pg.4
quality of the product considering customer’s health, fair play in market place and good management of water and electricity consumption as an indicator of environmental impact. Investing in human capital and contributing to environment protection through active thinking and doing, can enhance business prosperity and competitiveness. Adaptation to changes through internal restructuring should be considered a “must” especially in time of economic crises when companies discharge their economic burden to employees’ layoff and this creates socio-economic problems to the community in which the company operates.

**External CSR:** The most known external aspects of CSR are the contribution to local community development and environmental stewardship. The first is well known as being a philanthropic activity that stands on the practice of giving back to the society mainly for social issues such as poverty alleviation and literacy and “corporate citizenship” promotion. Donation is a worldwide human gesture. Although it provides only short term solution to social issues, it does not promote sustainability. Climate change, depletion of natural resources, deforestation, pollution, urban blight are some of environmental concerns that affect societal lives. Partnerships between companies, civil society and government are crucial to effectively control the environmental degradation especially in developing countries. Although external CSR is not integrated into business daily operation, it can guide toward value creation. Having analyzed both aspects of CSR, there is no doubt that CSR is crucial to the business survival. However, “it is argued that companies pursuing external CSR ignoring internal CSR do not score well on the public radar by emphasizing that for a company to be considered truly socially responsible, internal CSR is essential”.

Frequently, we encounter that CSR concept is mainly related to voluntary activities beyond legal requirements. If I refer to the text above, I can assume that internal CSR is mainly of obligatory nature whereas external CSR is of voluntary nature. In practice, this distinction is not clear when we talk about voluntary and obligatory CSR in developing countries. In order to go beyond legal requirements, companies should first comply with the regulatory system established in the

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20 “Understanding the impact of internal and external CSR: Perspectives on changing dimensions of Global Marketing”, Marya Wani & Vishnapriya Raghavan, section four: Conclusion.
21 “Critical perspectives on CSR and development: what we know, what we don’t know and what we need to know” M. Prieto-Carron, P. Lund-Thomsen, A. Chan, A. Muro and C. Bhushan, International Affairs 82: 5, 2006
society they operate. Bhushan is right when he says that “the main challenge in India, is first to get business to meet these basic [legal] obligations”\textsuperscript{22}. To sum up, it does not make much sense to discuss about companies that employ voluntary activities when they do not meet legal obligations. In this context, the discourse should be shifted toward putting pressure on companies through the improvement of legal framework and the increase of governmental capacities increase, to ensure the right enforcement.

2.1.3 CSR drivers

This section will treat the main drivers that push companies to engage in CSR activities at national level, based upon an overview of 20 Member Countries of European Union that are partners with CSR Europe\textsuperscript{23} Among the most dominant are:

1) **Environmental protection** that includes eco-efficiency and sustainable consumption (Austria); strong environmental regulatory framework (Croatia); preservation of biodiversity and raw materials like water and climate change (The Netherlands); sustainable energy (Hungary).

2) **Promotion of decent work and decent life** through ensuring safety in the workplace (Italy); providing core labour standards and ensuring decent working conditions (Norway); respecting human rights and providing equal opportunities for all (Slovakia, Norway), providing equal salary between women and men and reducing gender gap (Switzerland), non-discrimination practices (Belgium), labour force participation (The Netherlands) and above all ensuring the welfare of all employees (The United Kingdom).

3) **Community involvement** through philanthropic activities (Czech Republic, The UK); fighting exclusion and poverty as well as community engagement (Portugal); community development programs and sponsorship activities and social projects organized with NGOs (Turkey).

4) **Promotion of social dialogue** through stakeholder dialogue, transparency and reporting (Belgium, Slovakia).

\textsuperscript{22} Bhushan wrote about “CSR in India” but this part is taken from “Critical perspectives on CSR and Development: what we know, what we don’t know and what we need to know”.

\textsuperscript{23} “A Guide to CSR in Europe; Country Insights by CSR Europe’s National Partner Organizations” is a compilation of twenty countries part of the Network of National Partner Organizations of CSR Europe.
5) **Competition** through fair trade (Belgium), sustainable products, technological and marketplace innovation (The Netherlands, Ireland).

6) **Combat bribery and corruption** through transparency and sustainable procurement procedures, (Belgium, Ireland, and Norway).

In a nutshell, the main objective of all the countries included in the guide document, is to achieve sustainable development through social and productive market economy and social cohesion\(^\text{24}\). This confirms the statement of Peter Drucker that “The 21st century will be the century of the social sector organization. The more economy, money, and information become global, the more community will matter”\(^\text{25}\).

While there is a distinct perception of drivers in developed and developing countries, Wayne Visser assumes that drivers are mainly dictated by cultural, political and national business system\(^\text{26}\). In an attempt to identify main drivers that push companies in developing countries to be committed in CSR activities, Visser splits them in two categories: internal and external drivers. Internal drivers include cultural tradition, political reform, socio-economic priorities, governance gap, crisis response and market access; external drivers include international standardization, investment incentives, stakeholder activism and supply chain\(^\text{27}\). The purpose of this short presentation is merely to understand the distinction of CSR drivers perceived in developed countries and those perceived in developing countries. Further analysis will proceed in the section where developing context will be given specific attention.

**2.1.4 CSR instruments.**

While developing countries are striving to make CSR common practice, developed countries have come up with measuring CSR impact. CSR measurement issue is considered challenging, although there is a plethora of corporate social reporting literature. CSR Europe, founded in 1995

\(^{24}\)“A Guide to CSR in Europe; Country Insights by CSR Europe’s National Partner Organizations” is a compilation of twenty countries part of the Network of National Partner Organizations of CSR Europe.

\(^{25}\)“Corporate Social Responsibility and Environmental Management”, Vol.15, Issue 1, Article First published online 6 Nov 2006.

\(^{26}\)“Corporate Social Responsibility in developing countries”, Wayne Visser, Chapter 21

\(^{27}\)“Corporate Social Responsibility in developing countries”, Wayne Visser, Chapter 21, pg. 481, fig. 21.2 that shows drivers of CSR in developing countries.
is the leading European business network for CSR, counting for 80 multinational corporations as members and 25 national partner organizations. CSR Europe main work consists in supporting companies through experience exchange, expertise enhancement and report issuing. The latter one is the most challenging process requiring time, efforts and capacities. Hence, CSR Europe (2000) emphasizes the salience of CSR impact assessment through reporting and it states that “in order to measure their overall performance as well as their performance on specific CSR issues, companies should use input, output, outcome and process indicators”. The idea taken from here is to see whether the objectives set from the initial point are met by pinpointing several indicators related to objectives set. As Professor Wallich said in 1972 “three basic activities seem to be involved in the exercise of corporate responsibility: 1) the setting of objectives; 2) the decision whether to pursue given objectives; 3) the financing of these objectives”. In this context, a company must envision what CSR activity they want to practice, what instrument they have to use and how to develop a list of indicators to evaluate the impact.

Some of the instruments can be: 1) code of conduct employed on voluntary bases to promote labour standards. In order to follow a code of conduct special attention should be given to internationally recognized principles and guidelines. These principles and guidelines should form the basis of the code of conduct with regard to national legal framework. 2) Management standards encompass procedures and processes that a company follows on its day-to-day activities. Management standards include: workplace standards (SA 8000), quality...

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28 “CSR Europe working with you 2009-1010” December 2008, first page “Who we are”; presents a collective of Multinational corporation members’ logos as well as partner organizations to create an idea of worldwide companies engaged in CSR.
29 “CSR Europe working with you 2009-1010” December 2008, first page “Who we are”; presents a collective of Multinational corporation members’ logos as well as partner organizations to create an idea of worldwide companies engaged in CSR.
management standards and other frameworks (ISO 26 000\textsuperscript{36}, AA 1000\textsuperscript{37} etc), national standards (SIGMA project), sectoral standards (FORGE). 3) Reporting instrument serves as a communication tool to help the company be more systematic in evaluating the progress of CSR activities using CSR indicators\textsuperscript{38}. The three instruments have a great potential to measure CSR performance and how it influences on a specific domain (social, economic and environmental). Therefore, the main objective of these CSR instruments is to show transparent socially responsible activities and to evaluate the positivity that stems from CSR.

2.1.5 CSR Good practices

In a time when CSR is the equivalent of sustainable development, many companies engaged in CSR activities have become a success story. The European Report on “CSR and competitiveness, European SME’s good practices”\textsuperscript{39}, shows a compilation of some CSR good practices of small and medium enterprises in the European Union. The report shed light on how CSR activities, whether internal or external, directly or indirectly, impact on companies’ performance as well as the well-being of the society (employees, local community). The Companies make use of CSR activities to fulfil their priorities, so different companies deploy different CSR activities. Based on the report aforementioned, I have extracted some good examples to show at the same time positive outcome coming from these activities. 1) Employee oriented internal initiative. For “MELBUD” Medium sized Construction Company in Poland, employees are the pillar of the company. “In order to create a competitive culture through motivation, there is a competitive remuneration scheme. They also finance leisure activities as well as organize integration activities such as Constructions workers’ Day Party or Christmas Party for employees. There is a

\textsuperscript{35}SA 8000 is the first auditable social certificatory standards for decent workplaces across all industrial sectors. It is based on conventions of the ILO, UN and National laws. It covers the following areas of responsibility: child labor, forced labor, workplace safety and health, freedom of association and right to collective bargaining, discrimination, discipline, working hours, remuneration, and management system for human resources.

\textsuperscript{36}ISO 26 000 refers to international standards on social responsibility including organizational governance, environment, human rights, labor practices, fair operating practices, consumer issues and community involvement

\textsuperscript{37}AA 1000 refers to international standard for the measuring and reporting of ethical behavior in business.

\textsuperscript{38}“Instruments for evaluating the performance of Corporate Social Responsibility; the Romanian case” The Romanian Economic Journal, No.27, 2008

\textsuperscript{39}“CSR and competitiveness, European SME’s good practices”, Consolidated European Report by Irene Mandl & Andrea Dorr, in the framework of the specific call for proposal “Mainstreaming Corporate Social Responsibility (CSR) among SME’s” Grant Programme 2005.
pension programme for each employee that can be used when they get retired”\textsuperscript{40}. “Ascensores Jorda S.A” medium sized manufacturing company in Spain, is mainly focused on providing safe workplace for employees. “The company’s internal meeting scheme (2-3 times per year) which analyzes working conditions and suggests improvement has had positive impact. The impact is seen on accidents rate decrease (from above 30% in 2004)\textsuperscript{41} and on employees security, satisfaction and productivity increase”. 2) Society oriented external initiative. “Galfinband S.A” a metal industry company located in Romania, is mainly contributing in the field of education by equipping schools with IT laboratories and sponsoring outstanding students\textsuperscript{42}. “LR Gebäudereinigung” a cleaning company located in Germany, contributed to the reestablishment of 6 nursery schools in Sri Lanka \textsuperscript{43}offering 80 children the opportunity to study and have a better life in future. The whole project gave a hand to the people of Sri Lanka to recover from the unfortunate situation. 3) Environmental oriented external initiative. “Lumag Sp. Zoo” Motorization Company located in Poland shows much concern about environmental issues and therefore has integrated some CSR activities including recycling. Waste management within the process and outside of it, is followed by the recycling process. After these processes they get the raw material to further proceed with the production\textsuperscript{44}. “Javierre S.L”, a construction company located in Spain, is engaged in an environmentally friendly management. The company has integrated a management system toward environment impact and has acquired all the tools to evaluate this impact. These company’s activities are totally complied with environmental

\textsuperscript{40}“CSR and competitiveness, European SME’s good practices”, Consolidated European Report by Irene Mandl & Andrea Dorr, in the framework of the specific call for proposal “Mainstreaming Corporate Social Responsibility (CSR) among SME’s” Grant Programme 2005.

\textsuperscript{41}“CSR and competitiveness, European SME’s good practices”, Consolidated European Report by Irene Mandl & Andrea Dorr, in the framework of the specific call for proposal “Mainstreaming Corporate Social Responsibility (CSR) among SME’s” Grant Programme 2005.

\textsuperscript{42}“CSR and competitiveness, European SME’s good practices”, Consolidated European Report by Irene Mandl & Andrea Dorr, in the framework of the specific call for proposal “Mainstreaming Corporate Social Responsibility (CSR) among SME’s” Grant Programme 2005

\textsuperscript{43}Sri Lanka was attacked by a natural disaster called tsunami in 2004. The project launched by the German company was of great importance in getting over the situation.

\textsuperscript{44}“CSR and competitiveness, European SME’s good practices”, Consolidated European Report by Irene Mandl & Andrea Dorr, in the framework of the specific call for proposal “Mainstreaming Corporate Social Responsibility (CSR) among SME’s” Grant Programme 2005
regulation and at the same time the company is so committed that this behaviour is followed by the supply chain \(^{45}\).

The clear fact of these good examples is that the will to be committed toward CSR activities can generate opportunities for sustainable growth. There are plenty of “CSR success story” companies in Europe, the USA and Asia that provide good practices which should be disseminated to stimulate further CSR mainstream. “Johnson & Johnson” is one of my favourite examples for being a socially responsible corporate worldwide with tangible impacts, detailed indicators and innovative system \(^{46}\). Since 1943 “Johnson & Johnson” is a leading company in the production of medicines and medical equipments. The company presents a strong evidence of sustainable growth by incorporating CSR activities of social, economic and environmental issues in day-to-day business activities.

2.2 CSR social dimension

“The wider aim of CSR is to create higher and higher standards of living while preserving the profitability of the corporation or the integrity of the institution, for people both within and outside these entities.” (Michael Hopkins, April 2011)\(^{47}\). This reflects the idea that CSR discussion should keep an important position in a country’s socio-economic environment. CSR should serve as a main tool to identify and improve the relation between business and society. The society looks like a whole atomic system and when you go further inside this system you can observe the smallest unit of it. Then you will understand what the system’s components are and how it works. This comparative form illustrates the composition of a societal system made up of individuals, groups and organizations. The Individuals compose the smallest unit of the society and the basic element for groups and organizations. Individuals organize in groups and organizations to cope with socio-economic problems that an individual is not able to achieve it alone. In this context, the main responsibility of organizations is to take care of the well-being of the individuals (the main element of the society), that should go beyond their short-term

\(^{45}\)CSR and competitiveness, European SME’s good practices”, Consolidated European Report by Irene Mandl & Andrea Dorr, in the framework of the specific call for proposal “Mainstreaming Corporate Social Responsibility (CSR) among SME’s” Grant Programme 2005

\(^{46}\)“J&J” Responsibility Report 2011; this report contains 82 pages and is drafted in compliance with Global Report Initiative guideline including Environmental, Human Rights, Society, labor practices and decent work, Product responsibility, economic and GRI index.

\(^{47}\)Original source: Michael Hopkins “A planetary Bargain: Corporate Social Responsibility Comes of Age”.
economic self-interest. Different organized groups have different functions in a society. Organizations’ main objective is to provide social cohesion through programs, projects and social dialogue; businesses’ main objective is to achieve financial results. This is a shallow thinking but if we go further we can realize that businesses cannot achieve their objective if they do not hire individuals (create jobs), create conditions for competitive and productive workforce (take care of working environment and employees’ safety and health), invest in their skills and care for their well-being. Therefore, business cannot exist without employees and cannot expand without customers and supply chain. So there is a clear interdependence between business and society.

In order to create an economic and social identity based on relations with employees, customers, supply chains, governmental institutions and other businesses partners, a company must consider CSR as an integral part of its mission and vision. A well-off society is a prerequisite for a business to blossom. Economic development must go hand in hand with social development. The well being of the people of a certain nation needs to be measured as an indicator of economic progress. Other main indicators of socio-economic progress on an individual level are standard of living (i.e. education, job security, salaries and healthy lifestyle), quality of life (i.e. interpersonal safety and trust, gender quality, career prospect, non discrimination, leisure activities); on a group level are civic activism, clubs and associations, intergroup cohesion and inclusion of minorities and disabled. Osberg says “social progress consists first meeting the ‘needs’ and then satisfying the ‘wants’”. It is absolutely communicating that perfect condition for citizens to have their right and freedom to live as they wish, and be able to make choices based on their evaluation and self-growth.

48 Part five, Chapter 21 “Operations and Corporate Social Responsibilities”, Pearson www.myomlab.com
49 Part five, Chapter 21 “Operations and Corporate Social Responsibilities”, Pearson www.myomlab.com
52 “Seven reports on the identification of Rural indicators for Rural communities”, Social progress prepared for the Rural secretariat of Agriculture and Agri-Food Canada, Corinne Harris, Mike Burns, September 2004.
2.3 CSR economic dimension

Norwegian Prime Minister Gro Harlem Brundtland says that “Meeting the needs of the present without compromising the ability of future generations to meet their own needs”\(^{53}\). This statement gives the idea of responsible business behaviour toward promoting decent jobs, respecting human rights and protecting environment for a better prosperous future of the society. Socially responsible initiatives can be profitable and cost saving in the long run. In this way a company can increase the probability of avoiding negative social effects and enhancing the positive ones. Therefore, if a company succeeds this leads to expansion of economic opportunities. Economic opportunities will generate growth and improve the standard of living. The last one is one of the socio-economic progress indicators in terms of Gross Domestic Product (GDP) and Purchasing Power Parity (PPP). It is obviously conceptualized that for a company to succeed, the incorporation of CSR within its core activities is a necessity as social needs are constantly changing. And the positive change of the society is strongly linked with the business success. This success should be built upon a partnership between business and other societal groups such as state institutions and NGOs, as an attempt to pursue clear long term objectives on the benefit of the whole society. Social dialogue and transparency are crucial in establishing trust and partnerships. These hidden components sometimes neglected present the foundation of strong relations that often lack in the developing countries. Economic dimension of CSR affect individuals and society as a whole and therefore it ought to be a priority in terms of creating opportunities for growth. Main indicators that show economic progress on national level are GDP per capita, life expectancy, literacy rate, measure of poverty, demographic and disease indicators.

2.4 CSR environmental dimension

Environment is business premise regardless its domain of operation. Climate change, natural disasters and natural resources scarcity in many countries, these are issues which have in common human-related causes. If people or businesses were to manage their responsibilities, this would have led to lower risk of environmental disasters. Responsible management toward environment can bring benefits to economy and society as well. The responsible use of natural

\(^{53}\) Lately this expression is used by the World Business Council for Sustainable Development as a motto for promoting CSR worldwide.
resources, the responsible behaviour toward human resources and the responsible attitude toward financial gain can form the triangle of sustainability through proactive leadership and management. CSR environmental protection activities have been discussed a lot recently due to obvious negative impact of business operations on environment. At the same time, employing some environmental-friendly activities such as recycling, eco-manufacturing, waste management, etc. is of cost-saving and contributes to environment protection.

### 2.5 CSR in developing context

Main indicators in terms of economic and social progress of a country are level of democracy, employment rate, literary rate, life expectancy, influx of foreign direct investment, information technology, opportunities of innovation, and development of human capital. The challenge in developed countries remains sustainable growth while developing countries are striving to get out of underdeveloped economy accompanied by widespread poverty, high unemployment and illiteracy rate, poor infrastructure and healthy system, shortages of foreign investment, poor law enforcement, political instability and lack of privatization mechanisms. In this situation, I think it is necessary to shed lights over the impact and role of business in developing countries. Some research studies on CSR practices in Lebanon\(^{54}\) and Bangladesh\(^{55}\) showed that companies use CSR through philanthropic activities. This evidence doubts CSR knowledge of executives as well as their abilities to formulate strategies and policies toward socio-economic issues. The main reason why this concept is mainly misconceived is that the importing process from a developed country to a developing one is blurred due to cross-cultural differences. Different manifestation of CSR practices pushed researchers to identify main drivers deriving from this fact. Wayne Visser\(^{56}\) has identified the following drivers: 1) Cultural tradition of philanthropy. The well known moral principle of helping the poor aligns business practices to the context of CSR today, mainly in religious countries. 2) Some developing countries have been subject to

\(^{54}\)“Corporate Social Responsibility: Theory and Practice in Developing Country Context”, D.Jamali & R. Mirshak, Journal of Business Ethics (2007). This is a study on eight companies that are engaged in CSR practices in Lebanon. Four companies were subsidiaries of international companies and four others domestic companies. The study revealed that none of the companies had a systematic approach of assessing CSR impact by not paying attention to economic contribution or social contribution confirming in this way the worldwide fact that CSR in developing countries is present with philanthropic activities.


\(^{56}\)“Corporate Social Responsibility in Developing Countries”, Chapter 21, Wayne Visser
changes of political regimes and as a result \textit{socio-economic transformation} is unavoidable. In this context democratization and privatization have shifted the role of business to greater responsibility for social issues mainly. Socio-economic priorities are always present on the political arena. But in developing countries this is shared with business community that aims at addressing socio-economic drawbacks such as poverty mitigation via job creation, improvement of infrastructure, education system and health care system. This is utterly in contrast with the western CSR application model that focuses more on consumer protection, fair trade, green marketing, climate change or social entrepreneurship. 3) CSR in developing country is also seen as \textit{governance gap}, in the sense of weak state institutions and poor governance capacity. Failures of government to address socio-economic issues have raised the voice of CSR advocates. They strongly argue that business must assume social responsibilities that public capacity can’t accomplish. This is a little risky for communities that depend on companies for social services whose main objective is to make money and are always pursuing shareholders goals for profitability\textsuperscript{57}. This means that they their investments rely on profit maximization through exploiting country’s workforce where possible. 4) The use of CSR initiative as a \textit{crises response} is another issue. Many developing countries suffer from environmental, social or economic crises and in this case business community responds to crises alleviation by investing money in mitigating crises impact. This is the case of a destructive earthquake, flooding situation, tsunami etc. 5) Some ambitious companies in developing countries try to align their CSR initiatives with the international standards in order to be competitive and have global \textit{market access}. Sometimes meeting the rules of the game helps getting expanded and creates opportunities for partnerships. 6) \textit{Standardization} for a big company is essential to remain competitive and ensure sustainable profits.

Main factors that impede CSR introduction in developing countries are of socio-economic and political nature such as: 1) poor legal framework; 2) weaker institutions representing the interests of vulnerable groups such as women and disabled people; 3) lack of pressure from society and consumer to constrain companies to engage in CSR activities; 4) lack of cooperation in institutional level; 5) lack of social dialogue due to political pressure\textsuperscript{58}.

\textsuperscript{57} “Corporate Social Responsibility in developing countries”, Chapter 21, Wayne Visser
\textsuperscript{58} “Making sense of Corporate Social Responsibility”, Audra Jones. This studies CSR concept in Latin America as opposed to The USA CSR concept development.
At the end, all these drivers and factors associated with culture factor can undoubtedly alter the flavour of CSR. Carroll’s four-part pyramid shows clearly that in a developing country, there is a certain order for CSR which emphasizes again the importance of context where it is being practiced.

2.6 CSR pyramid in developing context

![CSR Carroll’s pyramid](image)

**Economic Responsibilities** - imply “the economic value added”\(^5^9\) responsibility which includes providing investments and opening jobs. Economic responsibility also includes obligations such as paying taxes and insurance, producing safe goods and services as well as promoting innovation through technological advancement. The outcome is positively perceived especially in economic growth and social capital enrichment.

**Philanthropic responsibilities** – Philanthropic activities are the prevailing form of CSR activities in developing countries. International companies that operate in developing markets make use of this strategy to promote their brand and create a good image and at the same time they perform a “religious” ritual by giving back to the society where they operate. The performance of philanthropic activities is always evaluated by the amount of money given for a certain purpose,

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\(^5^9\) *This is how Wayne Visser explains economic Responsibility in his work “CSR in developing countries”.*
which shows lack of interest in measuring the outcome or impact. Obviously, these kinds of CSR activities are mainly used to attract public attention and to improve the image of the company that is an indicator for future profit maximization.

**Legal responsibilities** – Legal issues in developing countries have always been a hot spot. The pressure of law is almost vague due to poor implementation of legislation and limited audit capacity. Typical behaviour includes tax avoidance and poor enforcement of labour contracts. On the other hand, societal expectations rest on legal framework that should serve as controller of ethical business behaviour.

**Ethical responsibilities** – Ethical behaviour of companies in developing countries is undermined by the embedment of “corruption” as a culture of doing business. Non-transparent tax payment scheme and lack of an enabling competitive environment are characteristics of developing countries. Ethical businesses is mainly perceived by going “beyond the law” and aligns business activities to human principles such as respect for people, social harm avoidance and do what is right. In developing countries where law does not function properly ethic is a questionable issue and almost unnoticed.

If I make an attempt to summarize the content of the pyramid it would sound like that: the main role of companies in developing countries is to invest for profit maximization (regardless the legislation) and help the community in case of natural disasters. Obviously, the priorities in developing countries are considered the two first (economic and philanthropic responsibilities). Therefore, in order not to have this rank of responsibilities, the key to promote responsible business behaviour in developing context is through good governance, transparency, strong rule of law and absolutely constant communication. The welfare of a community should be in the agenda of the business community and governmental institutions, a cooperation of both will have positive impact on social and economic cohesion. This brings to focus also the importance of pressure factor from community, NGO that operates in the country as well as international organizations, to ease the conceptualization of CSR and disseminate good business practices.
3. Profile of Albania

Albania comes from forty-five difficult years of communism and it was a centralized state and oppressed society with strong communist and socialist rhetoric. Forced volunteer work was typical of that time. The main purpose was to educate people with the principles of helping the society by cleaning up the environment and harvesting in cooperatives. In 1990-s, after forty-five years in isolation, Albania underwent certain reforms from socialism toward capitalism and it became part of a free market economy. The collapse of communism was followed by privatization of the state-owned enterprises until then under the ownership of the central government, free trade market with European countries and later on with many other powerful countries such as U.S.A and Canada. Pluralism and exposure to the rest of the world changed the political, social and economic structure in Albania and a new legislation was introduced. Nowadays, Albania is member of several international organizations and a potential candidate of European Union membership posed as a big challenge to the political elite in achieving required standards imposed as benchmark.

3.1 Socio-economic background of the country

Albania is a small country (28 748 square km) with a population of 3.2 million people. It is a Parliamentary Republic with the status of “Emerging Democracy” and mainly called as “the most difficult case of democratization”. Albania is located in the southeast part of Europe and is mainly perceived as a country of a strategic position. Albania’s transition period has appeared long and harsh with some progress but not enough to get the country out of the developing world context. Values of GDP and inflation rate that are considered two main indicators of a country economic progress have been fluctuated since its transformation to free market economy. Recently estimated GDP per capita value is 8817$ while inflation rate has been increased moderately. This market liberalization influenced the structure of Albanian economy causing a

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60 BTI 2012, Albania Country Report
61 European Forum for Democracy and Solidarity, Albania, 2012
62 BTI 2012, Albania Country Report
63 BTI 2012, Albania Country Report
64 BTI 2012, Albania Country Report
shift from agricultural-oriented economy to service-oriented economy. Unemployment is the key concern, although figures show decrease of unemployment rate from 18.4% in 1999 to 13.5% in 2007\textsuperscript{65}. The main challenge is long-term unemployment that counts for 86.8% in 2007\textsuperscript{66} and it mostly affects the youth (from 86.8%, 60% belongs to 25-34\textsuperscript{67} age-group). In 2007 unemployment rate for man was 12% and for women 17.1\%\textsuperscript{68} showing a dominant gender gap. Emigration is increasing in number and it is seen as the main source of remittances. Informal economy is also another distinctive feature of Albanian economy. It is estimated to have a contribution to 30-45\%\textsuperscript{69} of the GDP that is pretty high. Education like the economy has been under transformation effect most of the time showing confusion and distortion of the system. The first decade of democracy in transition witnessed huge closes of vocational schools from 308 to 45\textsuperscript{70}. Another feature is school dropout for economic and social reasons reflecting the socio economic drawback in Albanian family. R&D sector is generally underdeveloped with no investments. Health care system lacks general investments and adequate policies as well. Life expectancy has increased from 70.5 years in 1990\textsuperscript{71} to 77.1 year in 2012\textsuperscript{72}. Human Development Index (HDI) value for 2012 is 0.749 that puts Albania in the position of 70\textsuperscript{th} out of 187 countries\textsuperscript{73}. The table below shows some indices that compose the HDI and its progress during years:

\begin{table}[h]
\end{table}

\textsuperscript{65}ETF Albania, Country Information note 2010-2012
\textsuperscript{66}ETF Albania, Country Information note 2010-2012
\textsuperscript{67}Assessment of social and economic conditions of districts in Albania, UNICEF Albania, December 2000
\textsuperscript{68}ETF Albania, Country Information note 2010-2012
\textsuperscript{69}ETF Albania, Country Information note 2010-2012
\textsuperscript{70}ETF Albania, Country Information note 2010-2012
\textsuperscript{71}Assessment of social and economic conditions of districts in Albania, UNICEF Albania, December 2000
\textsuperscript{72}Human Development report 2013, Albania HDI values and ranks in the 2013 Human Development Report
\textsuperscript{73}Human Development report 2013, Albania HDI values and ranks in the 2013 Human Development Report
<table>
<thead>
<tr>
<th></th>
<th>Life expectancy at birth</th>
<th>Expected years of schooling</th>
<th>Mean years of schooling</th>
<th>GNI per capita (2005 PPP$)</th>
<th>HDI Value</th>
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<td>69.7</td>
<td>12</td>
<td>6.8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1985</td>
<td>71.4</td>
<td>11.3</td>
<td>7.6</td>
<td>4.238</td>
<td>0.651</td>
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<tr>
<td>1990</td>
<td>71.6</td>
<td>11.5</td>
<td>8.5</td>
<td>3.905</td>
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<td>1995</td>
<td>71.8</td>
<td>10.2</td>
<td>9.3</td>
<td>3.663</td>
<td>0.655</td>
</tr>
<tr>
<td>2000</td>
<td>74.2</td>
<td>11</td>
<td>9.9</td>
<td>4.937</td>
<td>0.698</td>
</tr>
<tr>
<td>2005</td>
<td>76</td>
<td>11.4</td>
<td>10.2</td>
<td>6.220</td>
<td>0.729</td>
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<tr>
<td>2010</td>
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<td>11.4</td>
<td>10.4</td>
<td>7.588</td>
<td>0.746</td>
</tr>
<tr>
<td>2011</td>
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<td>11.4</td>
<td>10.4</td>
<td>7.822</td>
<td>0.748</td>
</tr>
<tr>
<td>2012</td>
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<td>11.4</td>
<td>10.4</td>
<td>7.822</td>
<td>0.749</td>
</tr>
</tbody>
</table>

**Table 1: Source: Human Development Report 2013, Albania**

Note: “HDI is a summary measure for assessing long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge, and a decent standard of living. A long and healthy life is measured by life expectancy. Access to knowledge is measured by: mean years of schooling for the adult population which is the average number of years of education received in a life-time by people aged 25 years and older; and expected years of schooling for children of school-entrance age which is the total number of years of schooling a child-entrance age can expect to receive if prevailing patterns of age-specific enrolment rates stay the same throughout the child’s life. Standard of living is measured by Gross National Income (GNI) per capita expressed in constant international dollars converting using purchasing power parity (PPP) rate. (Explanatory note on 2013 HDR composite indices)”

According to the World Bank Poverty Assessment Program, poverty is widely spread but mostly present in rural areas where the main way of earning a living are the agricultural activities. The findings of a study carried out by The Albanian Institute of Statistic in 2002 showed that 25% of the total population lives below the poverty line and 5% in extreme poverty who are not able to cover the basic needs. Environment degradation is obvious because there are massive and

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74 Human Development report 2013, Albania HDI values and ranks in the 2013 Human Development Report
75 BTI 2012, Albania Country Report
uncontrolled deforestation, high level of CO2 emission and waste mismanagement. Government has paid little attention to environmental protection policies and initiatives. There has been little contribution in this direction from foreign NGOs, not enough to identify the causes and change the reality. However, a prominent achievement in this issue is the establishment of a plastic recycling centre. State institutions in Albania are more focused in achieving standards rather than achieving real growth in terms of socio-economic indicators. The main obstacles remain the will to enforce the existing legislation, weak institutions and the pervasive culture of corruption.

3.2 Current Business environment in Albania

Albania is a lower middle income country with a small economy size, mostly dominated by small and medium enterprises. The total number of enterprises counts for 87,484 and they are divided into small enterprises employing 1-19 employees, medium enterprises 20-79 employees and large enterprises over 80 employees. The small and medium enterprises are dominant in terms of number, they consist of 92% of all enterprises, while larger enterprises (over 80 employees) comprise less than 1% of all enterprises but in terms of turnover and employment large enterprises outweigh small enterprises (employing 29% of the labour force and 28% of the turnover of activity). These figures show the significant role of larger enterprises in domestic market. Division by sector provides another picture of overall enterprises where the prevalent sector in Albanian economy is service sector (especially commerce) with 64% of the total, while 22% belongs to industry but on the other hand the industrial sector has a significant number of people employed.

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77 Assessment of social and economic conditions of districts in Albania, UNICEF Albania, December 2000.
**Table 2: Distribution of enterprises by size and sector**

<table>
<thead>
<tr>
<th>Economic activity</th>
<th>Total</th>
<th>1-4</th>
<th>5-19</th>
<th>20-79</th>
<th>80+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>87,484</td>
<td>80,102</td>
<td>5,429</td>
<td>1,525</td>
<td>428</td>
</tr>
<tr>
<td>Agriculture</td>
<td>767</td>
<td>644</td>
<td>91</td>
<td>24</td>
<td>8</td>
</tr>
<tr>
<td>Industry</td>
<td>8,537</td>
<td>6,878</td>
<td>1,068</td>
<td>417</td>
<td>164</td>
</tr>
<tr>
<td>Construction</td>
<td>4,444</td>
<td>2,749</td>
<td>1,173</td>
<td>476</td>
<td>46</td>
</tr>
<tr>
<td>Transport &amp; communication</td>
<td>8,163</td>
<td>7,780</td>
<td>304</td>
<td>58</td>
<td>21</td>
</tr>
<tr>
<td>Trade</td>
<td>12,043</td>
<td>11,657</td>
<td>349</td>
<td>27</td>
<td>10</td>
</tr>
<tr>
<td>Other services</td>
<td>42,524</td>
<td>41,060</td>
<td>1,307</td>
<td>136</td>
<td>21</td>
</tr>
</tbody>
</table>

**Table 2: Source: INSTAT Business Register, 2008**

Considering the table, we see that small enterprises (1-4) are larger in number compared to large enterprises, but their contribution to employment is lower compared to larger enterprises because most of small enterprises are family business. According to the World Bank Doing Business 2011 report, Albania has ranked 15 from 183 countries due to the introduction of the new tax system called “One stop shop” with the aim to attract foreign investors. When it comes to enforcing contracts and closing business, Albania’s scores are lower. This is the reason why 40% of the entire economy is in a complete informality. The informality is related to undeclared labour and real wages, unprotected employees and poor working conditions. Even the internal factors are not able to change the facts. Internal factors of the company are strongly linked with strategic management as how to predict the future based on established vision and mission vital for being competitive. Strategic management is brand new term in management process in the Albanian open market. Main elements of strategic management are vision and goals, analysis of external and internal business environment, human resources management, public relations.

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82 BTI 2012, Albania Country Report
83 BTI 2012, Albania Country Report
management, marketing strategies as well as creative thinking\textsuperscript{84}. A survey that has been carried out to evaluate the level of strategic management in Albanian companies, shows lack of experience in strategy planning as well as companies’ incapacity and inability to implement strategies\textsuperscript{85}. New methods adopted are not clearly and fully understood and they are temporary used as pragmatic activities rather than a long term strategy incorporated within the vision and mission of the company\textsuperscript{86}. Lack of creative thinking and management skills makes it difficult for companies to create a sustainable internal environment that would be decisive for their existence in the market\textsuperscript{87}. In addition, businesses in Albania are built upon top down structure without a clear strategic management creating barriers to apply contemporary management models\textsuperscript{88}. This is the reason why the majority of domestic Albanians companies possess enough capacity and power to operate and compete at national level but not internationally. This fact will pose other challenges when Albania will be part of EU, when competition in business environment will be tougher\textsuperscript{89}. Therefore, standards cannot be met by obtaining an International Organization for Standardization (ISO) certification only, but by operating within a clear strategic framework. There should be goals to achieve, results to measure and strategies to be implemented and monitored. The financial service provider (banking sector) is the most developed sector in the country, in the sense of hiring new technology, training employees, using code of conduct and meeting legal requirements. This sector shows transparency toward government and the general public and where CSR is mostly an internal strategy to serve not only to customers but also to employees.

To conclude, companies in Albania are very distinct from other countries for the culture they bear and code of conduct they employ within the working environment. The most dominant is top-down authoritative leadership, preventing and oppressing collective bargaining. These features show social cohesion problems of the Albanian society.

\textsuperscript{84}“Strategic Management Aspects in Albanian Companies”, Tirana, Albania
\textsuperscript{85}“Strategic Management Aspects in Albanian Companies”, Tirana, Albania
\textsuperscript{86}“Strategic Management Aspects in Albanian Companies”, Tirana, Albania
\textsuperscript{87}“Strategic Management Aspects in Albanian Companies Tirana, Albania.
\textsuperscript{88}Strategic Management Aspects in Albanian Companies Tirana, Albania
\textsuperscript{89}“Strategic Management Aspects in Albanian Companies Tirana, Albania
**3.2.1 Government-Business relationship in Albania**

As seen above, the Albanian economy is mainly dominated by small and medium enterprises. As a potential candidate of EU, there is in place the EU Charter for Small Businesses since June 2003\(^90\). The main role of the charter is to guide government toward improving business environment through regulatory reform, access to finance, business advocacy, entrepreneurship, education, and competitiveness\(^91\). The establishment of Small and Medium Enterprise Agency was conceived as a mediator between the government and the business community by regularly monitoring and reporting to the Ministry of Economy, but it does not provide businesses with financial and advisory aid\(^92\). Despite the introduction of “one stop shop” and opening of SME Agency, the business environment in Albania still suffers from many weaknesses. An assessment of SME performance in Albania is carried out by Investment Compact for South East Europe, Stability Pact for South Eastern Europe, OECD and European Bank for Reconstruction and Development\(^93\). The main focus of this assessment is to evaluate business-government relations in terms of bureaucratic barriers, regulatory framework, tax policies, transparency, fair competitive environment, financial aid, entrepreneurship encouragement etc.

1. **Corruption** is so dominant in business and government entities that it is identified as one of the negative factors that hinder economic development. Political influence, nepotism, bribery and “a culture of non-compliance” are pervasive and perceived as a normal way of doing and thinking\(^94\).

2. **Transparency.** The Transparency International Index (2000) ranks Albania in the 81\(^st\) in a group of 102 countries, scoring 2.5 out of 10\(^95\). This is a product of corruption, and businesses that operate in an informal economy, tend to be less transparent toward government. This is due to lack of trust coming from not reliable regulatory framework, lack of independent institutions and social dialogue under political influence.

3. **Tax system** is another constraint and perceived as inadequate by the business community. The tax system is perceived as a barrier rather than facilitator of businesses operation in Albania

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\(^90\)“Enterprise Policy Performance Assessment” Republic of Albania, December 2004
\(^91\)“Enterprise Policy Performance Assessment” Republic of Albania, December 2004
\(^92\)“Enterprise Policy Performance Assessment” Republic of Albania, December 2004
\(^93\)“Enterprise Policy Performance Assessment” Republic of Albania, December 2004
\(^94\)“Enterprise Policy Performance Assessment” Republic of Albania, December 2004
\(^95\)“Enterprise Policy Performance Assessment” Republic of Albania, December 2004; the result shows that the lower the score the higher the degree of corruption.
(78% of the participators in the assessment survey think that it discourages new start-ups rather than encourage them)\textsuperscript{96}. There are many taxes to pay such as the corporate income tax, a value-added tax, the state social and health care insurance contribution for employees, the property tax. This system is perceived of being highly corrupted and there is no transparency in declaring turnover and number of employees. In these circumstances, established businesses try to operate in the market through bribing tax officials by avoiding tax payment, paying minimum wages and not issuing receipts\textsuperscript{97}. This encourages informal business and creates an uncompetitive environment, discouraging new entrepreneurs to enter the market.

4. **Financial access and Advisory services** are mainly provided by foreign donors, namely different NGOs. The SME Agency is somehow active in both domains but because it relies on state budget, financial aid is limited and the agency’s role is to offer advisory services and technical assistance through foreign donors’ financial aid although not enough to provide them with ongoing services\textsuperscript{98}.

5. **Business incubators** is a domain not developed although there are established two business incubators one located in Tirana and one in Shkodra and both were established from World Bank assistance\textsuperscript{99}. This fact is not known on national level, meaning that state institutions such as local governments, different ministries and businesses associations are not aware of the role business incubators play in the socio-economic country progress.

\textsuperscript{96}“Enterprise Policy Performance Assessment” Republic of Albania, December 2004
\textsuperscript{97}“Enterprise Policy Performance Assessment” Republic of Albania, December 2004
\textsuperscript{98}“Enterprise Policy Performance Assessment” Republic of Albania, December 2004
\textsuperscript{99}“Enterprise Policy Performance Assessment” Republic of Albania, December 2004
4. CSR status in Albania

The concept of CSR is mainly related to environmental protection and philanthropic activities in Albania. Although, there are some CSR practices on these two domains from international companies (mainly Banks and Telecommunication companies), most of CSR practices are carried out of the business model. This shows lack of strategic management on how to elaborate a proper policy even on these two domains. Despite this fact, CSR is not even known in governmental institutions in the sense that there is no CSR national strategy.

4.1 UNDP CSR survey results

Albania can be viewed as the country of paradoxes where you can see rapid economic growth and poor social performance, high-tech on one side and low skill labour forces on the other. This imbalance is created as the result of informal economy and irresponsible business behaviour. Free market economy in Albania is as new as 23 years since 1990 and economic literature has been changed since then. In 2005, for the first time there was the introduction of an economic subject related to business ethics with the title “Economics, Ethic and Business”\textsuperscript{100}. This was the first step toward CSR promotion, educating generations of business managers with the vision to contribute to the improvement of socio-economic environment in Albania. CSR is little known in the business environment in Albania\textsuperscript{101}. Furthermore, I think this is the only study related to CSR that demonstrates a clear picture of CSR awareness at stakeholder level. The understanding of CSR creates a variety of perceptions between non-business and business group\textsuperscript{102}. Non business group viewed CSR mainly as a requirement rather than a tool to meet international standards, to improve socio-economic environment (85%)\textsuperscript{103}, while business

\textsuperscript{100} Information provided by, Phd. Doloreza Sinani, Lecturer at Faculty of Economics, Tirana. She lectures “Economics, Ethic and Business”.

\textsuperscript{101} “Baseline Study on Corporate Social Responsibility Practices in Albania” UNDP Albania, September 2008 to have an idea of what is the level of awareness of all business and non-business stakeholders about CSR and identify the underlying causes of such awareness.

\textsuperscript{102} “Baseline study on Corporate Social Responsibility Practices in Albania”. Data are mainly based on the findings of questioners as well as interviews.

\textsuperscript{103} Question: What would you say that CSR is about? From the Baseline Study- 85% of non-business responded to meet international standards.
respondents viewed it as environment protection strategy and philanthropic activities (90%)\textsuperscript{104}. The first group perceives CSR as an internal part of the company, while the second group perceives CSR as an external part of the company. The internal and external CSR, that are also explained in the first chapter, are both essential to be examined, in order to understand the broad concept of CSR and how to stimulate the overall understanding of it. Public awareness of CSR in Albania is relatively low which explains why there is almost an inexistent public pressure against irresponsible business practices. This fact is also approved by the business group arguing that public pressure is not a driver to involve in CSR\textsuperscript{105}. The main drivers of those few businesses practicing CSR come from inside, especially for improving management in order to attract the best employees and improve business image. The reason behind is competitiveness and market expansion, in other words to increase the shareholders’ profits. Indeed, this is not the truth for each company that operates within the territory of the country. There are some positive practices of CSR in Albania that can be used as sample toward CSR promotion. The study\textsuperscript{106} shows some CSR positive practices, including internal and external CSR employees’ benefits, community projects, charity activities and environmental protection. The table below presents a summary of CSR practices in six companies in Albania as evidence of CSR tracks in Albanian business environment scattered between different sectors of economy:

<table>
<thead>
<tr>
<th>Name of the company</th>
<th>Economic Sector</th>
<th>Aspects of CSR practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raiffeisen Bank Albania (affiliation)</td>
<td>Bank</td>
<td>Financial service provider Social policy, performance bonus, community support, environmental policy.</td>
</tr>
<tr>
<td>Pespa Alumil (100% Albanian)</td>
<td>Production</td>
<td>Social policy, environmental policy, technological innovation, quality control</td>
</tr>
<tr>
<td>Bankers Petroleum (affiliation)</td>
<td>Extraction</td>
<td>Care for the environmental, community support, production chain</td>
</tr>
<tr>
<td>Floryhen (foreign-albanian)</td>
<td>Production</td>
<td>Environmental policy, social and community care</td>
</tr>
</tbody>
</table>

\textsuperscript{104} Question: What would you say that CSR is about? From the Baseline Study- 90% of business responded to protect environment  
\textsuperscript{105} Baseline Study on Corporate Social Responsibility Practices in Albania” UNDP Albania, September 2008  
\textsuperscript{106} The study refers to the “Baseline Study on CSR practices in Albania” a project carried out by UNDP Albania.
<table>
<thead>
<tr>
<th>National Commercial Bank (100% Albanian)</th>
<th>Financial service provider</th>
<th>Employee benefits policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vodafone Albania (affiliation)</td>
<td>Telecommunication provider</td>
<td>Community support policy, environmental policy, supplier relations.</td>
</tr>
</tbody>
</table>

Table 3: Summery of CSR practices in some companies in Albania, from UNDP survey

According to the survey, there are many other companies interviewed and they stated that they were not involved in CSR due to some barriers toward this initiative. The first barrier that leads the list is lack of CSR knowledge that comes mainly from the lack of public pressure, NGO’s passivity and limited legislative audits. Other mentioned barriers toward CSR conceptualization and implementation are lack of sharing expertise especially from international organizations active in the country, lack of specific legislation on CSR and bureaucratic barriers. In this situation, state institutions and business organizations should absolutely focus on improving their communication. There is an immediate need for legal framework revision and bureaucratic procedures in a way to facilitate business activities. Transparency and communication are the key toward effective collaboration.

4.1.1 The Global Compact impact

The Global Compact initiated by the former Secretary General of The UN, Kofi Annan serves as a platform of global business community around the world to promote CSR on basis of partnerships, learning exchange and sharing good practices. The UN Global platform is established on ten principles and every business that would like to join this platform should submit annual reporting based on these ten principles by annual reporting.

UNDP in Albania has launched the Global Compact Platform in 2005 to increase the level of awareness by promoting ten principles of the GC in aligning Albanian business to EU standards. At the beginning of its introduction the interest and the participation were higher, counting up to 37 businesses operating in Albania. The main criteria to be part of this global platform of a great significance in CSR promotion was that each member was required to submit a report on CSR every year. But the result was that from 37 only 7 companies were able to submit the report.

107 www.unglobalcompact.org
reflecting the barriers issue mentioned above\textsuperscript{108}. The situation is obviously chaotic toward CSR and how to place it on the agenda of each business, on the regulatory system of the government and on the promotion projects or conferences of NGO’s and International Organizations. The missing factor is collaboration and information shared between business and non-business actors in the country. This is especially known from the survey carried out and the findings that showed lack of information of certain organizations involved in CSR promotion. In this case, media should come on stage as a powerful tool to disseminate information required, to bring together civil society, businesses and government not only to promote but create an enabling environment for CSR implementation. Due to EU membership adherence, future economic boom is likely to come from exports and investments so the importance of CSR in increasing competitiveness and achieving sustainability is highlighted\textsuperscript{109}.

To sum up, CSR concept in Albania is mainly perceived as philanthropic activity and charitable giving, predominant by large international companies. UNDP in close collaboration with the Ministry of Economy, Trade and Energy enabled to hold the Multi-Stakeholder forum with the participation of representatives from trade unions, NGOs, academia, government and business community in December 2011. The main objective of this forum was to facilitate the absorption of CSR concept through learning exchange and to advice and consult on CSR issues affecting all stakeholders.

4.2 Legal framework

Albania is working hard toward economic and social progress. The main driver of these efforts is EU integration. Drafting policies and legislation toward protecting human rights and building healthy employment relations through social dialogue and labour market mechanisms have been successful due to the international aid. Yet, the major challenges remain law enforcement and capacity building to evaluate, monitor and create opportunities to improve, innovate and advance. The ratification of 40 out of 45 conventions of International Labour Organization over “core labour rights” has improved the legal framework of Labour Code. On the other hand, Labour Code presents the core legislation related to employment relations that start with a signed contract properly enforced, safety and healthy workplace, rules of technical safety for

\textsuperscript{108} Information from Ms. Jorina Kadare, CSR associate at UNDP Albania office.

\textsuperscript{109} “Baseline Study on Corporate Social Responsibility Practices in Albania” UNDP Albania, September 2008
occupational safety and health, workers workload, compensation scheme (holidays and annual leaves), fair remuneration, fair treatment and social and health insurance and also non-discrimination law. There is in place also social security law and its by-laws as well as the law on Promotion of Employment and the program to promote employment and vocational training\textsuperscript{110}. Every issue mentioned above is clearly defined in each provision in the Labour code.

Law no. 9634/2006 “On the inspection and the State Labour Inspectorate” serves as a safeguard for the right implementation of the labour legislation by entities whether legal or natural people, private or public, foreign or domestic that undertake profit or non-for-profit economic activity within the territory of the country\textsuperscript{111}. The responsibilities of the State Labour Inspectorate are to monitor, control, counsel, notify, formulate, mitigate conflicts, prevent and put sanctions in case of legal violations\textsuperscript{112}. Its members are appointed by the Ministry of Labour, Social Affairs and Equal Opportunities that represent the main authority for planning inspection policies\textsuperscript{113}. The main duty of inspectors and controllers is to write reports at the end of the year. State Labour Inspectorate needs to present these reports on annual basis. Afterwards, the reports are presented to the Parliament and International Labour Organization\textsuperscript{114}. In this way, the implementation of labour legislation is monitored and in case there are violations, it is the State Labour Inspectorate that takes measures such as warning, penalty and suspension of activity and legal charges\textsuperscript{115}. Main source of finance for the State Labour Inspectorate is the state budget and foreign donors. Its activity and the work of labour inspectors are backed by Decrees of The Council of Ministers that by approving the State Labour Inspectorate statute\textsuperscript{116} emphasizes the need to treat the State

\textsuperscript{110} Ministry of Labor, Social Affairs and Equal Opportunities has issued the Employment Strategy and the law stated above supports the idea to align “Social Policy and Employment” with the European acquis. The Employment strategy is planned for the years 2007-2013

\textsuperscript{111} International Labor Organization “National Profile of Occupational Safety and Health in Albania” Tirana, March 2007, Paragraph 1.2.3 on Law on Inspection and the State Labor Inspectorate.

\textsuperscript{112} International Labor Organization “National Profile of Occupational Safety and Health in Albania” Tirana, March 2007, on Law on Inspection and the State Labor Inspectorate.

\textsuperscript{113} International Labor Organization “National Profile of Occupational Safety and Health in Albania” Tirana, March 2007, Paragraph 1.2.3 on Law on Inspection and the State Labor Inspectorate.

\textsuperscript{114} International Labor Organization “National Profile of Occupational Safety and Health in Albania” Tirana, March 2007, Paragraph 1.2.3 on Law on Inspection and the State Labor Inspectorate.

\textsuperscript{115} International Labor Organization “National Profile of Occupational Safety and Health in Albania” Tirana, March 2007, on Law on Inspection and the State Labor Inspectorate.

\textsuperscript{116} International Labor Organization “National Profile of Occupational Safety and Health in Albania” Tirana, March 2007, Paragraph 1.3.1.
Labour Inspectorate as the main body that exercise the power of law. The weakness point in this institution is the low number of inspectors. The table below demonstrates the fact that Albania is the second country in the region with the lowest number of inspectors:

<table>
<thead>
<tr>
<th>Country</th>
<th>The total number of inspectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania (2008)</td>
<td>95</td>
</tr>
<tr>
<td>Macedonia (2008)</td>
<td>102</td>
</tr>
<tr>
<td>Montenegro (2007)</td>
<td>41</td>
</tr>
<tr>
<td>Croatia (2008)</td>
<td>215</td>
</tr>
<tr>
<td>Bosnia-Herzegovina (2007)</td>
<td>590</td>
</tr>
</tbody>
</table>

Table.4: Source: ILO, Labour Inspection Data Set

The Labour Code is strongly supported by Decrees of The Council of Ministers in a way not to leave room for misunderstandings. In order to create a healthy and safety workplace, there is in place a specific legal framework for every economic activity such as industry, mining, trade, construction, agricultural, manufacturing etc. There are two types of contracts that serve as an agreement between employees and employers to regulate the judicial relationship between them: collective and individual contract. The contracts also include the rights and duties of both parties. In the table below there are shown employers’ responsibilities required by law and to what extent these responsibilities are put in practice:

<table>
<thead>
<tr>
<th>Does the employer have the responsibility to……….?</th>
<th>Provided for in law yes/no</th>
<th>Generally taken up in practices yes/no/sometimes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish an occupational safety health policy?</td>
<td>YES</td>
<td>SOMETIMES</td>
</tr>
<tr>
<td>Implement preventive and proactive measures?</td>
<td>YES</td>
<td>SOMETIMES</td>
</tr>
</tbody>
</table>

117 International Labor Organization “National Profile of Occupational Safety and Health in Albania” Tirana, March 2007, on Law on Inspection and the State Labor Inspectorate
<table>
<thead>
<tr>
<th>Question</th>
<th>YES</th>
<th>SOMETIMES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide safe machinery and equipment?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use non-hazardous substances?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assess risks and monitor them?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Record risks and accidents?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report occupational accidents and diseases to the competent authority?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ensure health surveillance of workers?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inform workers on hazards and the means of protection?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consult with worker representatives on occupational safety health?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educate and train workers?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish joint OSH committees?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 5: Source SLI 2007 and Employers Organization\textsuperscript{118}**

The table\textsuperscript{119} demonstrates general information as a result of a survey over responsibilities of the employers required by law and its practice in reality. It is obvious that employers are more interested and committed in financial gains rather than creating safety and healthy working places. This is a current situation in Albania that reflects the negligence of the employers and the deficit work of State Labour Inspectorate. Legislation is well drafted but not properly enforced and controlled. In addition to legal framework that guarantees employment relations and State Labour Inspectorate that guarantees law enforcement, there are also social partners to ensure social dialogue as well as guide the government toward drafting strategies and policies to achieve

\textsuperscript{118}International Labor Organization “National Profile of Occupational Safety and Health in Albania” Table 4.4.1 Tirana, March 2007

\textsuperscript{119}The main source of the table is from SLI and Trade Unions 2007 for the purpose of the paper writing from International Labor Organization, in the context of drafting the National Profile of Albania in Occupational Safety health
stability in labour relations between employees and employers. Trade Unions support the interests of employees and Employers’ Organizations support the interests of employers. The Trade Unions tend to be more active and they always fight to ensure decent working conditions as well as fair treatment of their members. Today, Trade Unions of Albanian workers have 86,000 members out of 20,000 of them belong to the garment industry. The social dialogue is mainly held between National Labour Council, Organizations of Employers and Confederation of Trade Unions. The organization of the meetings and issues discussed has been always a weakness due to lack of equal say on decision-making process. The situation that the most powerful has the right to decide and the most vulnerable has to stay quiet, has embraced almost all the economic sectors. This situation undermines the right to collective bargaining, stated in the International Labour Organization conventions ratified by the government of Albania. Therefore, this strengthens the voice of those who violate the law and weakens the voice of the right to work and live in dignity.

4.2.2 Ratification of International Conventions and existing gap in practical use

After Albania paved the way to market liberalization, the next ambition was to adhere to international organizations such as World Trade Organization, International Labour Organization, and World Health Organization. As a post communist country the amendments in constitution and labour code were done on quick pace undergoing constant changes. This was a consequence of political, economic and social destabilization. The international adherence started in 1998 with the ratification of ILO Declaration on Fundamental Principles and Rights at Work then it was followed by ratification of WTO Ministerial Declaration adopted at Doha 2001, ratification of “European Social Charter” in 2002 and in 2008 adopted the Social Justice Declaration. This section will have in focus ratification of ILOs Conventions from the

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120 “Decent work: The Albanian Fason Industry” by Gjergji Filipi and Blerina Balla, November 2011.
121 “Decent work: The Albanian Fason Industry” by Gjergji Filipi and Blerina Balla, November 2011
122 “Employment Policy Review Albania”, prepared by International Labor Organization and the Council of Europe, 2003-2004. The Republic of Albania in accordance with Part III, Article A of the Charter, considers itself bound by 29 Articles of the Charter mainly related to the right to work, the right to just conditions of work, the right to safe and healthy working conditions, the right to fair remuneration, the right to organize, the right to protection of health and so on.
Albanian Government side that will provide some information important for the content of the thesis and specially its relation to the topic. The conventions are stated below:

- Convention No.29 “The forced labour Convention”
- Convention No. 87 “Freedom of Association and Protection of the Right to organize”
- Convention No.98 “On the right to organize and collective bargaining”
- Convention No. 100 on “Equal Remuneration”
- Convention No.111 on “Discrimination (Employment and Occupation)
- Convention No.138 on “The minimum Age”
- Convention No.182 on “The worst forms of child labour”
- Convention No.105 on “The abolition of forced labour”

It has also ratified the European Convention on Human Rights.

The ratification process was not difficult, on the contrary all conventions above are well adopted but the proper use of it in practice in Albania poses a big challenge. The report\textsuperscript{124} presents a reality that does not comply with the conventions ratified and adopted into the Labour Code. The Confederation of Trade Unions of Albania (Konfederata e Sindikatave te Shqiperise-KSSH) and The Union of the Independent Trade Unions of Albania (Bashkimi i Sindikatave te Pavarura te Shqiperise-BSPSH) are two main International Trade Unions Confederation affiliated organization\textsuperscript{125}. They are main internationally recognized bodies. The law foresees every worker to be part of unions (excluding military and senior government officials) and it is named as “antiunion discrimination” law\textsuperscript{126}. In case an employer does fire a worker that is a trade union member, he/she is charged with up to 50 times the monthly minimum wage according to

\textsuperscript{124} Report for the WTO General Council Review of the Trade Policies of Albania”, International Trade Union Confederation (ITUC), Geneva, 28 and 30 April 2010
\textsuperscript{125} Report for the WTO General Council Review of the Trade Policies of Albania”, International Trade Union Confederation (ITUC), Geneva, 28 and 30 April 2010
\textsuperscript{126} Report for the WTO General Council Review of the Trade Policies of Albania”, International Trade Union Confederation (ITUC), Geneva, 28 and 30 April 2010
“antiunion discrimination” law\textsuperscript{127}. The law recognizes the right to a collective bargaining and workers protection procedures, but in practice this is a failure. Social dialogue is weak and not able to reach an agreement between parties involved (employee and employer party) by violating workers right and trust. In case of showing law disrespect, sanctions from government’s side are missing that means the law is not obeyed responsibly although in compliance with international standards. This is the case mainly in garment, manufacturing and mining sector. Another convention ratified is that of equal remuneration for the same work for women and men, prohibition of sexual harassment, gender discrimination, although women’s contribution in the economy is distinctive. In practice, law is not well implemented due to lack of mechanisms from the government to break the barriers of an old patriarchal mindset that women must obey to men. The ratified convention over child labour is another new adaptation to the labour code but that is a big challenge to get implemented. Children are included in the vulnerable group that needs specific care and protection as they are not able to defend themselves. This is highly regulated by law and there are many NGOs that protect in case of children’s rights violations. Albania appears to have tremendous facts toward child labour, child exploitation and child trafficking as law enforcement in this direction is weak. Child labour is mainly a characteristic of garment sector in Albania and even though the Trade Union have reported many time over child abuses at work, no measures or actions have been taken showing weak state institution not able to protect its citizens be child or any worker in a certain industry. Forced labour is another concern in Albania and main target of this kind of labour are women and children, although there is a law prohibiting all this.

This is all related to responsible actions conform to the law but when the state finds itself not capable of protecting its citizens through law enforcement, sanctions in case of law violations and mechanisms to prevent such violations, then the issue of meeting the standards has not to do with some glossy regulatory framework just to meet international standards.

\textsuperscript{127} Report for the WTO General Council Review of the Trade Policies of Albania”, International Trade Union Confederation (ITUC), Geneva, 28 and 30 April 2010
5. Case study

Before introducing, analyzing and interpreting the case study, an overview of the garment sector would be necessary to assess the function it has in the socio-economic environment in Albania compared to other economic sectors.

5.1 An overview of garment sector

The fall of communism was associated with many changes in structure of Albania Economy, from agricultural and industry based economy to service based economy. The privatization process of telecommunication service provider and banking system brought about a highly developed sector with the highest average of monthly wage compared to agriculture, construction and other industry sectors that still suffer from inadequate technology\(^\text{128}\). Although, it is difficult to present precise information related to employment and wage levels by sector\(^\text{129}\), my research results will somehow show the garment sector development importance in the socio-economic environment of the country. The Albania’s garment sector has been active since in the communism time. After the fall of communism the garment sector activity experienced a sizeable boost in the country, given Albania proximity to the EU market coupled with cheap labour force and low operating costs. Different from other sectors, the garment sector mainly relies on Foreign Direct Investment that still remains the lowest in the region\(^\text{130}\). Therefore, this economic sector activity is largely comprised from subcontractors for EU market mainly in production of basic textile (i.e. jeans, shirts, underwear and work-wear). Textiles and footwear are Albania’s main exports accounting for 54% of all exports\(^\text{131}\) followed by construction material, food and tobacco that represent the second and third largest categories of total exports.


\(^{129}\) Due to the shortcoming of statistical system there is no data available that can show employment information by economic sector in general and by industry sector specifically. All information presented in this section have been product of different types of documents.

\(^{130}\) http://www.dfat.gov.au/geo/albania/country_brief.htm

\(^{131}\) International Trade Union Confederation, Union View, June 2007, the figure is related to year 2006.
respectively 10% and 7%\textsuperscript{132}. Main export destinations are Greece, Italy and Germany. Due to competition with other countries such as Bulgaria, Romania and China recent World Trade Organization member, the contract prices are lower and the consequences of this unavoidable situation are many. According to the data received from The Chamber of Garment Industry (in Albanian known as Fason Industry) there are around 300\textsuperscript{133} companies operating in the country, employing some over 100,000 people\textsuperscript{134}. A large majority of people employed in the sector are women and girls from rural and suburb areas (according to INSTAT this is the sector that has created the largest number of jobs excluding the agricultural sector\textsuperscript{135}) from poor family. Given the figures above where unemployment rate for women is higher than for man (respectively 17% for women and 12% for men), the development of this sector that mainly relies on female workforce would contribute to the decrease of unemployment rate for women and increase their income. Threatened from the competition of other countries, lower contract prices have resulted in substandard working conditions due to poor capital and low wages\textsuperscript{136}. Those who suffer mostly from working in this sector are women who are usually target of sexual harassment usually not told due to the lack of protection and fear of being fired. Their maternity leave is not paid and most of them are not registered with the Social and Health Assurance Institutes. The consequences afterwards are that these unregistered workers do not receive health and pension benefits guaranteed by Albanian Law. In case they suffer accident at their workplace or occupational disease due to exposure to harmful chemical substances they have difficulties in healthcare access usually covered by them. It is obvious that companies’ interest is to maximise their profits in such a way that reduce labour costs and avoid legal practices. Informal practices are almost in all sectors. On the other hand, executives of companies operating in the sector claim heavy burden of taxes on equipments and custom tariffs. Despite this, the garment sector lags behind with technological processes and skills, brand design and marketing, human

\textsuperscript{132}“Employment Policy review Albania”, prepared by International Labor Organization and the Council of Europe, in 2003-2004

\textsuperscript{133}“Results on research for EC Support Programmes and other national sources for founding projects in textile and clothing industry in Albania” prepared by The Chamber of Fason of Albania, 18 November, 2012

\textsuperscript{134}“Decent Work: The Albanian Fason Industry” by Gjergji Filipi and Blerina Balla, November 2011

\textsuperscript{135}“Results on research for EC Support Programmes and other national sources for founding projects in textile and clothing industry in Albania” prepared by The Chamber of Fason of Albania, 18 November, 2012

\textsuperscript{136}The lowest wage in the sector is 138 euro per month, the lowest in the region compared to Croatia, Macedonia, Montenegro, Serbia and Bosnia I Herzegovina, while the highest wage do not exceed 220 euro per month.
management resources and strategies to prosper in the future. Polytechnic University of Tirana, Faculty of Engineering-Department of Textile and Fashion as an important academic institution for textile and clothing industry, has been existed since in communism showing the importance of this sector development. The faculty is financed from the Ministry of Education on annual basis. Nowadays, there has been no effort at upgrading the sector by government and enterprises operating in this field by “just surviving”. In this situation, the main channel to increase competition and activity in Albania’s garment sector is through foreign investors’ attraction and a more adequate regulatory framework, especially to this sector.

To sum up the garment sector is considered an important economic sector because it is the leading sector in exports and it provides jobs and social inclusion for women living in rural areas. Therefore, recently, this sector has been the spotlight of United States Agency for International Development Projects, which aims at promoting the garment and footwear sector in Albania. The USAID hopes that his sector will become a strong driver for exports and employment in the future. Therefore the agency emphasises the importance of employees’ training and working conditions to increase companies’ performance and competitiveness in the market. Cooperation between the Chamber of Fason of Albania and EU partners programs is taking place to further develop the sector from sub-contracting to full product circle.

5.2 Case study Introduction

The case studies belong to Albania’s garment sector. The main objective of the case study is to practically verify the potential of internal CSR activities to positively influence on socio-economic progress indicators. Working conditions will be the frame of my inquiry while including other components such as working hours, wages and income, absenteeism, personnel turnover, quality of life, work-life balance, fairness, education and training, work related stress, productivity and performance that at the same time reflect internal CSR. The case study is built upon a sample of two companies in the garment sector. Through that sample, I will try to provide evidences that how internal CSR activities can result in higher employees’ productivity and

137 “Results on research for EC Support Programmes and other national sources for founding projects in textile and clothing industry in Albania” prepared by The Chamber of Fason of Albania, 18 November, 2012. The textile and clothing industry is not well represented based on the importance of the industry in the Albanian economy and GDP.

138 “Textile and Garment industry profile”

139 Gjergji Gjika, Chairman of the Chamber of Fason of Albania, “Briefly Info on C.F.A”, Tirana 15.09.2010
quality of life and financial performance of the company considering 3-level impact (the impact on individual, company and country level). Both companies come from different background within the same sector. Therefore results are based on open interviews to better observe the quality of satisfaction in both companies and how this quality can affect employees’ personal life and companies’ financial performance. Guideline interviews will appear in the last part of the thesis (Appendixes) but are referenced throughout the study. The types of interviews conducted are informal conversations. The purpose of interviews is to provide an insight on how employees perceive strategic movements toward the maintenance of daily work, managing employees stress and how employers perceive the feedback from the workers through their working attitude and behaviour. In the end, it is important to consider how constant communication inside the manufacturing premise impacts employees’ self growth and their outside linkages. Companies’ names are: KLER L.t.d and ALTEX L.t.d.

5.3 Conceptual framework

The reason of using a conceptual framework is to explicitly demonstrate how internal CSR can positively influence on socio-economic indicators. My analysis is focused on three levels: a) the socio-economic level in Albania, b) the company level and c) the employees’ level. In this context, if internal CSR of obligatory nature (i.e. regulatory framework on working conditions, equal remuneration, annual leave, and maternity leave for women etc) is regularly applied on daily activities the direct impact is on employees working behaviour. As shown in CSR good practices, employee oriented activities boost their engagement for more productive, qualitative and efficient work. In order to create a competitive and fair workplace, bonuses for most productive employee can be awarded, although this is applied on voluntary basis. The combination of both obligatory and voluntary will make the company perform better. Considering the socio-economic situation in Albania, obligatory CSR are the most important especially those related to law enforcement on working conditions. The next two circles analyse internal CSR impact on company’s level. A productive workforce always contributes to company’s bottom line and its future plans. When employees’ and employers’ interests are fulfilled the analysis goes on socio-economic level. This means that the circle will expand. Due to higher turnover, the company increases wages for existing employees and plans reinvestment.
(i.e. market expansion). In terms of socio-economic indicators, incomes impact on the standard of living and the quality of life of existing employees and new ones that soon will have a job, whereas reinvestment contributes to job creation, productive employment and business sustainability.

Socio-economic progress indicators

**Internal CSR activities**

- Working conditions
- Motivation, bonuses
- Training
- Work-life balance
- Social activities

b + c

Increase employee engagement and productivity
Increase work efficiency and quality
Increase high self esteem and enthusiasm toward work behavior

b + c

**Socio-economic progress indicators**

- Improve employees’ quality of life
- Increase employees’ standard of living
- Increase the possibility of market expansion by being competitive
- Decrease unemployment through decent job creation
- Promote productive employment and sustainable business

a + b + c

- Improve Company’s reputation
- Productive workforce
- Increase employees’ loyalty by building strong employee bond with the company.
- Fulfil stakeholders’ interests (employers’ profits and employees’ wages)
- Fuels employees’ positive thinking toward the future through job security

b + c
5.4 Presentation of collected data

5.4.1 Kler L.t.d company background

Kler L.t.d is a large shirt manufacturing company owned by Flamur Hoxha and administered by his wife Ermira Hoxha, both Albanian entrepreneurs. The company has been operating since 1999 and its export destination is Italy. The building is located in the 5th km in Tirana-Durres highway and it is a new four story building. The manufacturing process is divided in 5 lines and for each line is appointed a controller. There are 280 workers at cutting, pressing, packing and shipping the product. All equipments were acquired in 2005 aligned to European standards. This was the largest investment since the company was opened. The new investment included computerized cutting machines, special machines for shirt production and 12 computerized embroidery machines. The company produces up-scale shirt brands including Brancaccio, BC collection, Harmont and Blaine hugely popular in Italy, knitted t-shirts and polo shirts as well as woven shirts. The tagline of the company, “We are the best”, is strongly connected to the vision and the mission of the owner to develop sales by expanding into European market especially Scandinavians one. The company possesses an official website: www.kleralb.com as a way to promote itself and to advertise the work, standards and achievements up to now.

5.4.2 Employer CSR perception and practices

Internal CSR for KlerR administrator is tasked to incorporate new ideas that align with the integrity of the company. It is important that these ideas are well communicated to the employees who are the main executers. If there is no mutual communication and understanding, then the objectives of the interested groups will never be accomplished. According to Mrs. Hoxha, building trust on mutual obligations is the key to develop reciprocity on both sides.

Firstly employees are introduced to physical working conditions and then to the agenda of working processes: position of work, time required to finish respective tasks, breaks in between, contract signing and discipline required to be respected. This initial phase is important for the employee to vow his/her commitment toward shareholders’ loyalty and vice versa. He/She is

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140 This is taken from KLER leaflet given to me by the administrator to further know the company.
welcome unless he/she undertakes a trial period to observe the abilities. The strategy is clear: everyone is subject to the same metrics.

Signing a contract is one thing and respecting it is another. The idea behind is that every word stated in the contract is executed as the Labour Code requires: safety and healthy workplace, working time and load per day and week (8 hours per day, no long hours), weekend off and summer holidays (20 days as stated in the Labour Code). Social and health insurance paid by the company. Obeying to the law is another feature showing the legal responsibilities, showing transparency and building trust with employees.

Pay scale is directly correlated to merit and experience of the employee, which considers that every employee is paid in a fair way according to work and his/her results and position. The scheme is planned also to create a competitive environment and motivate, reports the administrator of Kler. Work avoidance was a problem of the past leading to higher reduced output. Firing was not a solution and in order to respond better to that situation, the company’s administrators analyzed the underlying causes, mainly private related nature (marriage, pregnancy and family’s health problems). The decision taken was similar to a new rule toward absenteeism: employees who avoid absenteeism (4 days per month) at the end of month in addition to his wage, he/she is paid with an additional amount of 7.5% of the wage\textsuperscript{141}. This is not stated in Labour Code, but is a voluntary act that shows company’s ability to synchronize with employees’ problems. “Work avoidance can be abolished through bonuses rather than punishments; otherwise the problem will persist”\textsuperscript{142}. That turned to be successful CSR action that changed the ratio drastically by not avoiding the work, in the contrary devotion and reciprocity created a good team work relation. Giving employees an opportunity to increase their income and keep work going smoothly is cost saving to the company and beneficial to employees and their families.

KLER collaborates with the Labour Institute to offer multiple training, mainly six months paid program. KLER also collaborates with United States Agency of International Development (USAID) in improving manager-employee relation as well as how to foster a productive work environment. These collaborations with state and private institutions have increased human

\textsuperscript{141} How do you motivate your employees?\textsuperscript{141}

\textsuperscript{142} KLER administrator, Ms. Ermira Hoxha during the interview.
capital toward efficient productivity. The skilful labour force has enhanced KLER’s performance and reputation as well as annual turnover and wage distribution.

Social activities are a way to get the employees away from the routine and sometimes stressful days. Parties organized by the company on special occasions such as New Year Party, May Day Party, Women’s day, Religious Celebration are always on the agenda to get employees more socialized and organized, strengthen their social connections and their sociable skills.

To sum up, KLER is a company who pays much attention to the legislation, respecting employees by investing in them and taking care of their wealth and mental health as well. Their loyalty is well observed with respecting the discipline inside the working environment as well as respecting each other by avoiding conflicts and communicating better. Communication is the key to achieve mutual objectives and success. The fact that the company is doing well and identifies itself as a successful company, the future is dedicated to market expansion abroad.143

5.4.3 Employee CSR perception

“Working for Kler is great”144 when the work is done within the time required, avoiding workload and undue stress. The latest investment on new equipments help employees to work faster and safer, the in-house facilities such as elevator and telephone line makes the work go smoothly. Effective and efficient organization have minimized mistakes and misunderstandings. The work is carried out in chain and everyone is given a certain task. The work is done from Monday to Friday, from 7 till 3 o’clock with 30 minutes lunch break (flexible), transport provided by the company, Saturday and Sunday is off. “The company respects the contract and I have job security.”145 The clear division of tasks at Kler contributes to harmonic relations within employees, employees and controllers, controllers and administrator. The working chain is a normal process with everyone knowing his/her place and communication is the key to keep it this way. At Kler workers feel a positive stress, one that makes them work harder to catch up with his/her own peer and earn more. “If you can, you will, if you cannot there is nothing to get

143 This is affirmed by Mrs. Hoxha.
144 “Do you feel comfortable working for this company?”
145 “Do you have job security in this company?”
“worried about, you will get what you deserve”. This is how fairness is perceived. You get what you deserve but respecting each other.

No internal pressure, no authoritative or aggressive behaviour that means employees feel respected and their self-esteem is not “damaged”, but on the contrary strengthened by the culture of reciprocity and discipline in their work place and as such have the sense of obligation to carry out the work as it is required. Money related motivation is another factor why employees feel valued in this company. Bonuses on work performance and social activities covered by the company contribute to the increase of employees’ enthusiasm that directly contributes to working performance.

Trainings are seen as an opportunity for new employees to knowledge acquisition and social connections. Employees at Kler feel valued when their employer invest in them by cultivating their sense of pride. This sense of mutual obligation, respect, reciprocity and trust makes employees feel secure about the future at Kler. Optimism is accompanied with job security and income security.

Work-life balance is also another element that shows employee commitment to work toward a healthy family. Work is primary for ensuring income, but family time is important to spend this income in the most beneficial way. “This job allows me to spend much time with my family, mostly at weekends”\(^{146}\). This is a positive sign of how employees perceive internal CSR activities. Work is done within the working environment and once they step out of the building, family becomes more important. Leisure activities such as walking, shopping, taking care of children’s wishes, visiting a friend etc takes up a lot of time in employees’ life. Social activities affect people’s quality of life in terms of work stress reduction and relaxation.

To sum up, internal CSR activities have huge influence on employees’ behaviour and how they perceive working time. Employees feel connected to this company unless they make something wrong and unless this is perceived wrong and not compatible with the law.

\(^{146}\) “Does this job take from your family time?”
5.4.4 Altex L.t.d company background

Altex L.t.d is workers wear manufacturing company owned and administered by Treandafilos Tolos, a Greek entrepreneur. He does not speak Albanian language and during internal meetings, the administrator has hired a part-time translator. The company started producing in 2005 in a small town in the south of Albania, Permet. Prior to its opening in Permet, the company was first operating in Ioannina, Greece. Cheaper labour force and low operation costs were two decisive factors that brought the company in Permet. It is established in a huge one story warehouse. There are 110 employees working there, mainly women and young girls. The manufacturing process is divided into three lines. There is only one individual in charge of the three lines and she is of Greek origin. An office at the building’s entrance keeps all the documents necessary for the ongoing process of the daily work. The destination of wear workers is Germany. Altex produces winter and summer workers wear. Altex lacks the basic conventions of modern marketing that are a slogan or a website. The description of the workplace and its environment is crucial and helps to understand how the employer and employees connect themselves with the working environment as well as the atmosphere reflected by it.

5.4.5 Employer CSR perception

“Employees are free to choose a workplace that fits to their needs”147. This implies that there is no motivation at Altex, no rewarding scheme just work and payment based on for your performance. Employees are paid on meeting production target. In the interview with the administrator, I spotted some main concerns of his operating in Albania. He delegates the fault of underperforming to:

1) The Albanian working culture, by emphasizing the need of an authoritative manager.

   “Employees are always distracted while working sometimes resulting in incidents. Work negligence has resulted in low quality products and reduced quantity that highly affected the bottom line of the company” he says.

2) Heavy tax system and demanding regulatory system that incurs costs to company.

The administrator of Altex is not satisfied with the Albanian employees’ performance in quantity and quality. Mr. Tolos affirms that Albania’s employees are not as much productive as

147 “How do you motivate your employees?”
Greek employees. Moreover, he refused to talk about greek employees’ wage and their working conditions, letting me assume that the distinction is significant. However, according to him the change in quantity and quality is product of a different culture.

Meetings are part of the company’s culture mainly discussing work deficit and stealing phenomenon that is mainly turned to be a problem. In case of such negative behaviours, employees are dismissed from work without being warned before.

Altex does not have any program for training or any collaboration with any other manufacturing company. Every new employee is trained for two weeks and he/she is not compensated during the trial period.

To sum up, the main purposes of transferring the business to Albania were low wages, low labour force and higher profits.

5.4.6 Employee CSR perception

“It is a small town that can’t offer much, this is the reason why I am working in this company”\(^{148}\). Contracts signed are just fictive according to employees. There are many deficits of enforcing the contracts (e.g. in the contract it is stated Saturday and Sunday off, in practice it is only Sunday off; 20 days summer holidays, in practice only 14 days, wages distribution has never met the deadline stated in the contract that is 5\(^{th}\) of each month; in practice it is distributed later than 10\(^{th}\)). The contract is signed every three months. This fact eases the dismissal process of employees. There is high daily stress due to workload and long hours work usually unpaid. Employees feel disappointed about the disrespect of the contract.

The environment is not consistent with what it is required due to lack of damp-proof measures and problems with ventilation in summer and heating in winter. As they produce winter clothes in summer, ventilation is a huge problem that season impeding work processes as well as creating health problems to the workers. Employees confirm that ventilation is one of the problems related to their productivity.

\(^{148}\) “Do you feel comfortable working in this company”? What I realized was that none of the employees interviewed knew the name of the company they were working for, they just called it “working for the Greek”
While employees’ worry is that a day off at work due to family problems is registered unpaid, arguing that the administrator is not interested in the causes of their absences at work. The only thing important to him is to accomplish the task appointed to them. Relations between workers, controllers and administrators reflect a tense and non-harmonic workplace. Loud voice and sometimes insulting moments are present at daily work activities increasing stress and damaging employees’ personality and self-confidence. The gap between workers and administrators is creating huge problems with communication first and achieving goals second.

This harsh management process has stimulated negative behaviour and has also lowered employees’ morale. Employees carrying out difficult tasks perceive to be underpaid, underestimated and not secure for the near future.

No bonuses or social activities, or beneficial packages for workers on national official feasts, no additional payments for good results, are conceived as lack of estimation and respect toward employees’ work. “What I am getting paid will be never sufficient to support my family, because my wage (138 euro) never grows while food prices change from time to time”\textsuperscript{149}. Income factor is crucial to meet basic needs. Life is never easy with insufficient pragmatic materials they claim. Insufficient income directly affects the standard of living and indirectly affects their quality of life.

Stressful episodes are frequent because of job insecurity and punishment through fee payment and ordinary controls. Most of them claim work related stress as one of the justification of missing at work. Stress is strongly interfering in employees’ lives.

There is no pay scale in place. All employees at Altext, even though in specific position due to the multiple tasks of manufacturing business processes, get the same wage. This is fairness according to administrator, but not to employees. They feel exploited and underpaid. Perception of fairness in a company raises the question of some principles of integrity. Words should be translated into actions and actions into rules in order to avoid dissatisfaction and probably any negative consequence of some costs to the company.

\textsuperscript{149} “Is your income sufficient to support yourself and your family?”
Main feelings prevailing are stress, pessimism and no hope for a better future. This feelings impact the way they live their lives with their family and friends. Inactive social life and less leisure activities such as shopping or walking, affect their mental health and as a consequence reduce family time.

To sum up, the divergent interests of employers and employees as well as lack of communication, trust and reciprocity, induce negative feelings to employees. Negative feelings cannot produce positive results to the company, until it reaches the dead line. The final is market failure as the company is going to be closed soon according to Mr. Tolos, the administrator.

Scanning both companies is an attempt to understand the underlying benefits of internal CSR practices, it is important to make sure that the concept is properly perceived and adopted within legal CSR that is mandatory and social CSR that is voluntary. Employees are the invisible part of the company but essential in framing the brand and increasing the profits. Influencing employees’ performance through the culture of integrity is smart and cost saving. Doing smart business is not often encountered in Albanian business environment.

5.5 Data analysis and interpretation

<table>
<thead>
<tr>
<th>KLER with CSR internal actions</th>
<th>ALTEX L.t.d without CSR internal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract respected- social contract in force, Trust</td>
<td>No contract respected-breach of social contract, no Trust</td>
</tr>
<tr>
<td>Culture of communication and working in team</td>
<td>Pervasive culture of harsh management through authoritative manger</td>
</tr>
<tr>
<td>Absenteeism (bonus for 4 days of absence)</td>
<td>Absenteeism (-wage subtract day off, at work in case of work absence)</td>
</tr>
<tr>
<td>social activities + bonuses on special occasions</td>
<td>No bonus, no social activity</td>
</tr>
<tr>
<td>Training program – boosting self esteem and career options</td>
<td>No training program (two-week unpaid trial period)</td>
</tr>
<tr>
<td>Work life balance available through low stress and low workload, creating space for family</td>
<td>Work life balance not available, heavy workload and high stress reported</td>
</tr>
<tr>
<td>care</td>
<td></td>
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<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Wage scheme on merit and performance basis (progressive scale)</td>
<td>No wage scheme in place, minimum wage for all, except the administrator and manager</td>
</tr>
<tr>
<td>High employee engagement and productivity</td>
<td>Low employee engagement and productivity</td>
</tr>
<tr>
<td>Reported job security + satisfaction</td>
<td>Reported job insecurity + dissatisfaction</td>
</tr>
<tr>
<td>Leisure activities-family time, shopping, walking etc</td>
<td>No leisure activities due to excessive stress, economic problems, debts and inabilities to change job</td>
</tr>
<tr>
<td>Ethical behaviour-respecting each other and working environment</td>
<td>Unethical behaviour – stealing and lying, lack of transparency in working environment</td>
</tr>
<tr>
<td>Optimistic future prospect</td>
<td>Pessimistic future prospect</td>
</tr>
<tr>
<td><strong>Company destination- market expansion</strong></td>
<td><strong>Company destination-market failure</strong></td>
</tr>
</tbody>
</table>

Before interpreting the data in the box, the obvious fact remains: the company that is not complying with the law (i.e. contract enforcement etc) has not shown any interest in “going beyond the law” (i.e. motivation and engagement of employees through bonuses etc). In this case we can state that state’s hand is not visible and deficit work of Labour State Inspectorates or Controllers cannot be hidden. No pressure from the state institutions makes the executives more powerful toward making decision on management and production. No fines on the way they do business make them feel comfortable within their actions, ignoring the law and acting irresponsible. Even though, in case of poor law enforcement societal pressure is missing, collective bargaining is not seen anywhere and social institutions power is undermined by political influence. How can we push and inspire toward voluntary CSR actions when they are ignoring the obligatory ones?

If we consider top down analysis, it is simply comprehensible: the company engaged in internal CSR is more probable to dominate the market in the future. This means higher wages for existing
employees (increase standard of living and quality of life of employees), new jobs creation, higher level of production and more exports. In terms of socio-economic progress indicators this situation would contribute to lower unemployment. Earning more would affect purchasing power and this would lead to promotion of better life for employees. Productive employment would lead to higher exports that would contribute to company’s financial performance, regular tax payment and GDP growth. It is obvious that when internal CSR is present, employees’ life perspective is perceived as highly positive accompanied by better working performance, personal growth, sociable environment, training opportunities, higher incomes, better personal life and positive future. As people are destined to spend much of the day at work and working, it should be understood that the working environment and working behaviour may affect their life style outside company’s premise that is their families. And on the other hand, families (especially considering mothers’ role) are main pillars of the society that should undergo steady growth in terms of social and economic aspects. Good working conditions are essential in human being preservation, either physically or mentally. At the end of the day he/she can be able to understand his/her achievement and self growth by being perceived as productive and estimated.
6. CSR Recommendations

It is accepted that CSR is an evolving concept of a complex nature. The complexity and dynamism at the same time requires the promotion of research approaches in this field, with particular focus on developing countries. But when the debate extends to developing countries, its conceptualization and implementation mainly relies on the country background and there is no room to talk about “one size fits all” approach. This is also indented by Votaw’s perspective (1972) when he articulates that “corporate social responsibility means something, but not always the same thing to everybody”\(^{150}\). CSR means something that apparently has a big role in a country’s progress process whether economic or social.

The concern of CSR in developing societies and economies is shaped through the assumed impact it will have on socio-economic issues. The need to consider CSR a discipline with measurable effects through systematically assessment of its impact on issues such as working conditions and wages in general is engaging many international organizations in getting to know the country’s capacities to adopt and promote it. CSR as a term has been circulating the last 5 years in Albania but its understanding is rather vague. There are few companies that have applied CSR and these few report regularly and transparently on their social and environmental impact. Domestic companies as well as intermediary organizations such as Chamber of Commerce and some business groups have shown some interests on CSR and how to make it an integral part of the business as a management strategy to increase competitiveness and sustainability. A contradictory fact is that many businesses are aware of ISO certificate and its importance but few efforts are made toward achieving ISO standards. Perhaps, this is due to lack of knowledge and in-depth understanding of it. Although, there is a regulatory framework in place, compliance with the law is still a major issue due to present weak mechanisms. Illegality and informality persist with unregulated unemployment and underdeveloped working conditions. There is a vague commitment toward social dialogue and CSR from government, NGOs, business community and civil society. CSR in Albania is still unclear related to its practices and impact as long as there is no assessment even in the philanthropic activities carried out by some.

international companies. The main challenge at the moment in the country is how to implement CSR when companies not obeying to law are so common (in this context Kler is an exception) and where the sector of SMEs does not have a clue what CSR is all about. Raising awareness of CSR is one of the challenges that confront the mentality of a post communist country. In these circumstances, Media and Nongovernmental organizations are seen as main mediators that can influence on government and business relation by engaging in raising CSR awareness through information dissemination, experience exchange and through analysis of current practices with the aim of identifying the benefits and evaluate the potential of CSR practices in business environment in Albania. CSR is a form of management and as a separate discipline needs further development through promoting it in universities and dedicating special attention in practice. Firstly it is important to ensure correct CSR understanding, by identifying its impact and benefits on three pillars: society, environment and economy. Secondly, ensure main actors are involved that requires the interaction between government, business entities, media and civil society. Pressures from civil society have immediate impact on government that should revise the regulatory system by strengthening legal actions in case of breaking the law and formulate strategies toward the promotion of good and responsible business. Strengthening audit capacities is another crucial point where government should interfere. In order to properly enforce the law, government should increase the number of labour inspectorates and controllers and increase their task responsibilities through responsible reports and penalties in case of task negligence. Civil society should serve as a watchdog of CSR activities in Albania. It is considered a third powerful sector, apart from private and state sector and mainly operates to fill vacuums created by businesses and not covered by governmental programs\textsuperscript{151}. Civil Society used to act as a charity organization in the past with the aim of doing good for people in need whereas in modern time, including NGO and non-profit organizations, its role is becoming very important, not only in advocating certain groups of people as a consequence of governmental deficit programs, but also in mitigating unemployment, creating values (voluntary works to serve the community) and contributing to GDP\textsuperscript{152}. Its role is not to blame governmental institutions but to provide public

\textsuperscript{151} “Neoliberal Restructuring and the third sector : Reshaping governance, civil society and local relations”, Johen Shields and B. Mitchell Evans, July 2000, Centre for voluntary sector studies, Ryerson University, Faculty of Business.

\textsuperscript{152} “Neoliberal Restructuring and the third sector : Reshaping governance, civil society and local relations”, Johen Shields and B. Mitchell Evans, July 2000, Centre for voluntary sector studies, Ryerson University, Faculty of Business.
policy dialogue through experience exchange and policy drafts. In 1999, European Commission has issued a communication “Promoting the role of voluntary organizations and foundations in Europe” as a leverage toward socio-economic issues. Another factor necessary for the promotion of CSR is social dialogue. Every sub unit in a society should have its representative of their interests in order to enable an effective functionality of business organization and trade unions as independent institutions, not influenced by politics but mainly focused on achieving dialogue.

CSR implementation needs human capital capacities. Trainings, programs and forums are essential in broadening CSR knowledge and developing CSR skills. Although implementation takes time and efforts, it does payoff at the end. In order to really evaluate CSR positive impact, it is important to develop tools and establish systems that help a systematic measurement and mentor of CSR impact on socio-economic progress indicators. Its essence lies on the goods it brings when it is measured and reported on real time. Recorded data are necessary to identify and improve internal and external situation and create opportunities via several proactive activities as soon as it is needed not to lose the market, the people and the environment. Doing good business does not necessarily mean being responsible, while responsibility is always related to good business as you are rendered accountable for your actions and aware of the consequences they bear.

153 “Bringing Society back in: Civil Society, social capital and third sector” Annette Zimmer & Mathias Freise, Westfälische Wilhelms-Universität Münster
Conclusions and remarks.

The objective of this thesis has been to analyse through the selected case studies, how internal CSR can positively influence on socio-economic progress indicators. As CSR is gaining momentum in the developed world, I thought it was necessary to study the presence of it in my country and how to bring it forward. The starting point was reviewing existing literature on CSR to have a better insight of the concept, its three dimensional nature and how it is perceived in developing countries. After that, my initial research was focused on written documents, local newspapers, economic magazines and different websites to provide information on socio-economic environment in Albania. During the information finding process, I came across some articles demonstrating shortcomings of the manufacturing industry, specifically garment sector. Main shortcomings were related to contract enforcement, working conditions and labour-management relations. Information stemming from these articles stimulated my interest and personal motivation to carry out further research in this sector. With the help of my friends, I succeeded to find the contact information of some companies in manufacturing industry. I managed to visit only four companies but allowed to carry out further research only in two of them. In these circumstances, I confirmed the case studies as methodology for the analysis of the findings. The case studies analysed two companies: Kler, the company that has incorporated internal CSR activities and Altext, the company that has not incorporated internal CSR activities. I chose interviews as the main instrument and then I started drafting the interviews guideline for executives and employees. First interviews were conducted with executives and later on with employees. The whole thesis aims at answering the research question: “How can internal CSR positively influence socio-economic progress indicators?”

The case studies showed that when a company provides employees’ safety through adequate working conditions, keeps them motivated through financial bonuses, shows respect for all and treats them fairly and care about their self growth, in this way the employees’ productivity is stimulated. Established communication and increased trust minimize mistakes and conflicts. Kler’s employees are more productive than Altext’s employees, showing that CSR is the key to motivation and productivity of the workforce. Employees are mostly interested, satisfied, loyal
and productive in those companies that have incorporated in their daily core business internal CSR activities. A productive workforce generates growth and growth generates financial gains. When the company generates growth that means it has accomplished the economic interest. When a company is not capable to generate growth, like in the case of Altex the destination is market failure. The company closes and its immediate negative effects are on the employees. Lack of the job and as a result lack of the incomes coming from it, would negatively effect their standard of living and their quality of life. While in the case of Kler that intents to expand the market, new jobs would be created and the existing employees would experience income growth. Positive impact is obvious and understandable. **Therefore, this analysis can show that internal CSR can positively influence on socio-economic progress indicators.**

The rationale for promoting CSR in Albania is of great importance in terms of socio-economic situation, if we relate to CSR “*as an entry point understanding sustainable development issues and responding to them in a firm’s business strategy*”154. In this sense where development is unsustainable and economic growth is not bringing social growth, CSR serves as a linkage between both economic and social growth, through positively influencing socio-economic progress indicators. Therefore, the presence of CSR in Albania would bring competitive advantage in the business environment associated with increase on profits and opening of new jobs. Albanian companies should start to comprehend that CSR activities help managing risks and building reputation. Investment in hiring, training and retaining the most efficient employees as well as strengthening relationship with the community contributes to prosperity of the company and its long term survival. Promoting, developing, implementing and measuring CSR in Albania is necessary to continuously monitor the progress of an adaptable business environment that leads to socio-economic progress environment. Albania should start talking more about CSR. It is an abstract notion but as the case studies showed the impacts are concrete.

154 “Corporate Social Responsibility”, an implementation Guide for Business, Paul Hohnen & Jason Potts, Published by International Institute for Sustainable Development, pg.15 “Why CSR has become important”. The document serves as a manual for CSR understanding and implementation as well as introduces a variety of international organizations undertaking the mission of ensuring the right adoption of CSR in certain economic context of a country.
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www.unglobalcompact.org

## Appendix

### 9.1 Table of interviewees’ information

<table>
<thead>
<tr>
<th>No.</th>
<th>Name and surname</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Ermira Hoxha</td>
<td>45</td>
<td>Business Executive (Kler L.t.d)</td>
</tr>
<tr>
<td>2.</td>
<td>Violeta Sani</td>
<td>47</td>
<td>Controller at line one</td>
</tr>
<tr>
<td>3.</td>
<td>Marian Doka</td>
<td>45</td>
<td>Employee</td>
</tr>
<tr>
<td>4.</td>
<td>Romelda memetaj</td>
<td>32</td>
<td>Employee</td>
</tr>
<tr>
<td>5.</td>
<td>Silvana Shiva</td>
<td>35</td>
<td>Employee</td>
</tr>
<tr>
<td>6.</td>
<td>Zenepe Haxhia</td>
<td>52</td>
<td>Employee</td>
</tr>
<tr>
<td>7.</td>
<td>Teuta Plaku</td>
<td>37</td>
<td>Employee</td>
</tr>
<tr>
<td>8.</td>
<td>Lutfie Dorzi</td>
<td>47</td>
<td>Employee</td>
</tr>
<tr>
<td>9.</td>
<td>Hafsa Xhafa</td>
<td>53</td>
<td>Employee</td>
</tr>
<tr>
<td>10.</td>
<td>Laureta Ismaili</td>
<td>38</td>
<td>Employee</td>
</tr>
<tr>
<td>11.</td>
<td>Mimoza Koburi</td>
<td>42</td>
<td>Employee</td>
</tr>
<tr>
<td>1.</td>
<td>Treandafilos Tolo</td>
<td>60</td>
<td>Business Executive (Altex.L.t.d)</td>
</tr>
<tr>
<td>2.</td>
<td>Eglantina Tatazi</td>
<td>33</td>
<td>Controller at packing and shipping process</td>
</tr>
<tr>
<td>3.</td>
<td>Shpresa Naqellari</td>
<td>42</td>
<td>Employee</td>
</tr>
<tr>
<td>4.</td>
<td>Irena Canka</td>
<td>38</td>
<td>Employee</td>
</tr>
<tr>
<td></td>
<td>Name</td>
<td>Age</td>
<td>Position</td>
</tr>
<tr>
<td>---</td>
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</tr>
<tr>
<td>5.</td>
<td>Bukurie Harka</td>
<td>42</td>
<td>Employee</td>
</tr>
<tr>
<td>6.</td>
<td>Suzana Kristo</td>
<td>29</td>
<td>Employee</td>
</tr>
<tr>
<td>7.</td>
<td>Loreta Tare</td>
<td>34</td>
<td>Employee</td>
</tr>
<tr>
<td>8.</td>
<td>Violeta Nasi</td>
<td>39</td>
<td>Employee</td>
</tr>
<tr>
<td>9.</td>
<td>Daniela Budo</td>
<td>27</td>
<td>Employee</td>
</tr>
<tr>
<td>10.</td>
<td>Orinda Pasho</td>
<td>29</td>
<td>Former controller of lines at Altext L.t.d</td>
</tr>
<tr>
<td>11.</td>
<td>Erjon Rrapo</td>
<td>34</td>
<td>Transport department</td>
</tr>
</tbody>
</table>

9.2 Table of Interview guidelines

<table>
<thead>
<tr>
<th>Motivation</th>
<th>Management strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>How do you motivate your employees for achieving higher performance?</td>
<td>Do you carry any satisfaction survey related to working conditions?</td>
</tr>
<tr>
<td>Do you have a rewarding scheme?</td>
<td>What is the rate of accidents in the workplace?</td>
</tr>
<tr>
<td>How often do you organize the employees?</td>
<td>Is time important to performing daily activities?</td>
</tr>
<tr>
<td>How do you care about employees’ family problems?</td>
<td>Does your company suffer from frequent turnover? If yes what is the reason?</td>
</tr>
<tr>
<td>Have you ever tested what employees’ expect from you?</td>
<td>How often do you invest on improving working conditions, and what kind of changes do you make?</td>
</tr>
<tr>
<td>Do you have a training program and a good career plan for your employees?</td>
<td>Are there many absences from employees’ side?</td>
</tr>
</tbody>
</table>
What actions do you take toward work related stress reduction? | What measures do you take in case of much absenteeism?
---|---
How do you assess employees’ level of performance? | Have you ever thought of changing internal management?

<table>
<thead>
<tr>
<th>Working conditions</th>
<th>Work life balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you observe any ethical behaviour in the company you are working?</td>
<td>Do you feel comfortable working in this company?</td>
</tr>
<tr>
<td>Have you ever been treated unfairly?</td>
<td>Do you work long hour? If yes, are you paid?</td>
</tr>
<tr>
<td>Do you notice management problems in the company? What measures are taken?</td>
<td>Do you work weekends?</td>
</tr>
<tr>
<td>Have there been incidents at work?</td>
<td>Do you work on days of national feasts?</td>
</tr>
<tr>
<td>What is the reaction of the company?</td>
<td>Are you paid?</td>
</tr>
<tr>
<td>Do you possess a working contract in the company you are working?</td>
<td>How long is your holiday break and is it the same as stated in the written contract?</td>
</tr>
<tr>
<td>In general, are your work tasks clear to you?</td>
<td>Are there many absences from your side?</td>
</tr>
<tr>
<td>How many breaks time do you have in between</td>
<td>Have you ever thought leaving the</td>
</tr>
</tbody>
</table>

Interview guideline for Companies’ Executives (a mixture of structural and semi structural open questions).
<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you have enough time to get your job done properly?</td>
<td>How do you forecast your future?</td>
</tr>
<tr>
<td>Are you exposed to unfavorable physical conditions in your work (example noise, chemicals, heavy lifting)?</td>
<td>Does your company help in case of family problems?</td>
</tr>
<tr>
<td>Do you feel protected from unions? Are you entitled to collective bargaining?</td>
<td>Does your company contribute to your leisure activities (party organizations, children’s kindergarden or your birthdays, or celebration on national feasts)?</td>
</tr>
<tr>
<td>Are there regular meetings to discuss work problems?</td>
<td>Do you trust the company?</td>
</tr>
<tr>
<td>Is your income sufficient to support yourself and your family?</td>
<td>Do you have job security in this company?</td>
</tr>
<tr>
<td>Do you receive support from your supervisor when you need it?</td>
<td></td>
</tr>
<tr>
<td>What do you expect from the company? Are you satisfied with what have you received so far? What do you wanted to change in the company?</td>
<td></td>
</tr>
<tr>
<td>Do you feel awarded for you results?</td>
<td></td>
</tr>
</tbody>
</table>

**Interview guideline for employees’**