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**ANALYSIS OF COMPETITIVE ADVANTAGES OF ORGANIZATION
WITH THE IMPLEMENTED STANDARDS OF SOCIAL
RESPONSIBILITY SA 8000 AND ISO 26000:2010**

**ANALIZA KONKURENTSKIH PREDNOSTI ORGANIZACIJE SA
IMPLEMENTIRANIM STANDARDIMA ZA DRUŠTVENU
ODGOVORNOST SA 8000 I ISO 26000:2010**

ABSTRACT

The level socially responsible business activity of organizations is becoming an increasingly important factor that defines the organization's overall competitive advantage. Insufficient awareness of management and low level of awareness of the benefits brought by the standards of social responsibility implemented in organizations are the main reason for the small number of organizations certified to SA 8000 standards in Croatia. In comparison with developed economies the proportion of organizations with the SA 8000 standard implemented in Croatia is very low, namely the number of certified companies is less than 1% of all registered businesses in Croatia. In addition to internal competitive advantages which are achieved through compliance with the guidelines of international standards with SA 8000, socially responsible organizations often use the opportunity to take advantage of implemented standard for marketing. In the most developed world economies, organisations are rising the levels of socially responsible marketing in three directions, which are based on appropriate legal, ethical and socially responsible behaviour. International standard SA 8000 and International Standard ISO 26000:2010 give guidance to organizations and offices on how to improve their business and working relations. Mentioned standards provide concrete tools for improving until an internationally recognized certification bodies carry out certification audits to issue certificates to organizations that are arranged in accordance with the guidelines SA 8000. Application of standards for social responsibility in organizations has brought additional changes in the areas of health and safety at work, interpersonal relations

and internal and external communication, also there was an increase in the level of transparency and the general openness. It also changed the way of working through the control of working conditions. These improvements have a positive impact on the overall business of organizations, their position in the labour market and the overall position in the community. SA 8000 and ISO 26000:2010 are regulating human rights as well as reducing possibility of sexual, racial and other discrimination. The fundamental difference between the standard SA 8000 and ISO 26000:2010 is that ISO 26000:2010 is not intended for certification and it is used as a set of instructions for establishing socially responsible businesses SA 8000 is intended for certification and is compatible with other ISO standards, so it can be implemented as an integrated management system along with other ISO standards (ISO 9001:2008, ISO 14001:2004). The aim of this paper is to increase awareness and knowledge on standards for socially responsible business and the benefits organizations receive after the implementation of these standards.

Key words: Social responsibility standard, SA 8000, ISO 26000, Social responsible entrepreneurship, Social responsible management

SAŽETAK

Razina društveno odgovornog poslovanja organizacija postaje sve važniji čimbenik koji definira ukupne kompetitivne prednosti organizacije. Nedovoljna informiranost uprava te niska razina svijesti o prednostima koje donose standardi društvene odgovornosti implementirani u organizacijama, glavni su razlozi malog broja certificiranih organizacija prema standardu SA 8000 u RH. U usporedbi sa razvijenim gospodarstvima, udio organizacija sa implementiranim standardom SA 8000 u RH vrlo je nizak, točnije broj certificiranih organizacija je manji od 1% svih registriranih poslovnih subjekata u RH. Osim internih kompetitivnih prednosti koje se postižu pridržavanjem smjernica međunarodnog standarda SA 8000, društveno odgovorne organizacije često koriste priliku da marketinški iskoriste implementirani standard. U najrazvijenijim svjetskim gospodarstvima organizacije podižu razine društveno odgovornog marketinga kroz tri smjera koja se temelje na prikladnom legalnom, etičnom i društveno odgovornom ponašanju. Međunarodni standard SA 8000 te međunarodna norma ISO 26000:2010 daju smjernice organizacijama kako da urede i poboljšaju svoje poslovanje te radne odose. Navedene norme nude konkretne alate za unapređenja dok međunarodno priznata certifikacijska tijela provode certifikacijske audite kako bi izdale potvrde organizacijama koje su uređene sukladno smjernicama norme SA 8000. Primjena norme za društvenu odgovornost u organizacijama unijela je dodatne promjene na područjima zdravlja i sigurnosti na radu, međuljudskim odnosima i internoj i eksternoj komunikaciji, a došlo je i do povećanja nivoa transparentnosti poslovanja i opće otvorenosti. Isto tako promijenio se način rada kroz kontrolu radnih uvjeta. Navedena poboljšanja pozitivno su utjecala na ukupno poslovanje organizacija, njihovu poziciju na tržištu rada, te ukupni položaj u zajednici. Norma SA 8000 i ISO 26000 reguliraju ljudska prava te smanjuju mogućnosti spolnih, rasnih i ostalih diskriminacija. Temeljna razlika između standarda SA 8000 i ISO 26000:2010 je u tome što norma ISO 26000:2010 nije namijenjena za certifikaciju te se ona koristi kao skup uputa za ustrojavanje socijalno odgovornog poslovanja. Norma SA 8000 namijenjena je za certifikaciju te je kompatibilna sa ostalim ISO normama, na taj način moguće ju je implementirati kao integrirani sustav upravljanja zajedno sa ostalim ISO normama (ISO 9001:2008, ISO 14001:2004). Cilj ovog rada je povećati svijest i znanje o normama za društveno odgovorno poslovanje te o koristima koje organizacije dobivaju nakon implementacije navedenih normi.

Ključne riječi: *Socijalno odgovorno poslovanje, SA 8000, ISO 26000, Socijalno odgovorno poduzetništvo, Socijalno odgovorno upravljanje*

1. Preface

The strategy of social responsibility is becoming a trend amongst our companies and companies in the world. In this way companies create paths for broadcasting messages to all target groups, employees, shareholders, investors, consumers and even the public sector. In doing so, they find that their voluntary involvement and commitment can help to increase profits. The company's success can be measured in many different ways. In addition to financial indicators and reputation in the business community, there are the excellence of services offered to customers, success in providing opportunities for professional and personal development of employees and contribution to the prosperity of the community in which the company operates. Globalization offers more opportunities to companies than they had in the past, but also hides threats that companies which do business unethically can be exposed (Kotler, 2008, 707).

Approach to socially responsible business stems from the realization that the impact on society largely stems from the manner in which professional services are provided to customers. In line with this, the aim is to achieve service excellence and continuous improvement in the area of responsibility and professional conduct, with the development of employees and concern for the local community and global challenges, briefly the focus is put on the sociological component of PEST Analysis. Therefore the objectives of business is growth and prosperity while from the social aspect it is reduction of inequality and poverty. There is no economic growth and development without social and moral consequences and implications (Crowther, Aras, 2008, 83). In theory of CSR (Corporate Social responsibility) there are four components of sustainability: the impact on society, impact on the environment, organizational culture and finances.

CSR is a set of ethical aspects among which are included human rights, health and safety of workers, the use of good business practice, management, environmental management, client relationships, market activities, community involvement and social development (Goetsch, Stanley, 2010, 91). International Standard SA 8000:2008 is a tool for implementing CSR in companies. SA 8000:2008 international standard was issued in 1997. by SAI (Social Accountability International), New York, and CEPA (Council on Economic Priorities Accreditation Agency, London). Until 2012. norm has undergone two revisions while the last one was in 2008. The mission of norm is to globally improve working conditions. The standard is applicable to all types of organizations and in public sector.

Technical Committee of the International Organization for Standardization - ISO has in 2008. organized an ad hoc group which was working to develop an international ISO standard for CSR. In year 2010. first version of the International Standard ISO 26000:2010 was released that makes the array of international professional knowledge on social responsibility. According to SAI reports at the end of 2010. in the world were certified 3034 companies according to the requirements of SA 8000:2008, of which there are 4 companies from Croatia. ISO 26000:2010 is not intended for certification, and its purpose is to be used as a tool for the implementation of CSR. The analysis of the companies from Croatia that have implemented SA 8000:2008 norm has determined that their total income is greater than the average for the

sector in which they operate and that their operations in accordance with the principles of CSR positively affected the export of their products.

2. Overview of guidelines for CSR

International Standard ISO 26000:2010 and SA 8000:2008 are defined by several principles that provide guidance for further business and have a significant impact on comparative advantage, reputation, employee commitment, and end user. Standards SA 8000:2008 and ISO 26000:2010 have almost identical requirements, the difference between Standard SA 8000:2008 and ISO 26000:2010 is that the SA 8000:2008 standard does not provide specific guidelines relating to protection of the environment, involvement of organization in local community and guidelines relating to the organization's clients. ISO 26000:2010 and SA 8000:2008 are becoming the process of managing communications of organization with internal and external public relations for the purpose of achieving mutual understanding, build social responsibility and the realization of common interests, have a positive impact on investors, competitive enterprises, government, media, suppliers or the entire community in which it operates. Therefore it can be concluded that according to the Porters model of five competitive forces, business are weakened by all forces acting on it and by the fact that it operates according to principles of socially responsible behavior that are integrated into business strategy it guarantees a competitive advantage.

According to the guidelines of the ISO 26000:2010, standard is defined by seven principles of social responsibility which include accountability, transparency, ethical behavior, respect for stakeholder interests, respecting the rule of law, respect for international norms of behavior and respect for human rights (ISO/DIS 26000, 2010, 10-14). The Principles are intended to help achieve the transparency of values and company goals.

Organizational responsibility for their own impact on society and the environment is essential component in a competitive business enterprise, and it imposes the obligation on management to answer for the control of interest of organization and commitments of the organization to legal authorities. In addition to the necessary transparency of decisions covering the area, purpose, nature and location of the organization, decision making, implementation, and review of decisions, including defining roles, responsibilities and powers of different functions within the organization; developing standards and criteria by which an organization assesses its performance relating to social responsibility, performance in the execution of relevant and significant issues of social responsibility; their sources of funding, known and likely impact of their decisions and actions on its stakeholders, society and environment, the identity of its stakeholders, criteria and procedures used for the identification, their selection and involvement (ISO/DIS 26000, 2010, 11). Previously mentioned standards are the foundation of ethical behavior expected of all levels within the system. Set standards help in preventing or resolving conflict of interests throughout the organization, which could otherwise lead to unethical behavior, establish monitoring mechanisms to track and control the implementation of ethical behavior, establishing mechanisms whose purpose is to facilitate reporting of unethical behavior without fear of reprisal, recognize and resolve the situations where local laws and regulations that do not exist or are in conflict with ethical behavior and respect for animal welfare and when it influences their lives and existence, including guarantee of decent conditions for keeping, breeding, cultivation and use of animals (ISO/DIS 26000, 2010, 11-12).

In accordance with ISO / DIS 26 000 from 2010. organization must respect the interests of their target groups, owners, partners, employees and up to customers. All interested parties can significantly affect the activities of the organization. In addition to all of these components it is required to accept respect for the rule of law, or rule of law and regulations that are necessary for implementation in accordance with established procedures in all jurisdictions in which it operates, but parallel to that respect international standards of behavior.

3. Analysis of the competitive advantages of companies with implemented CSR

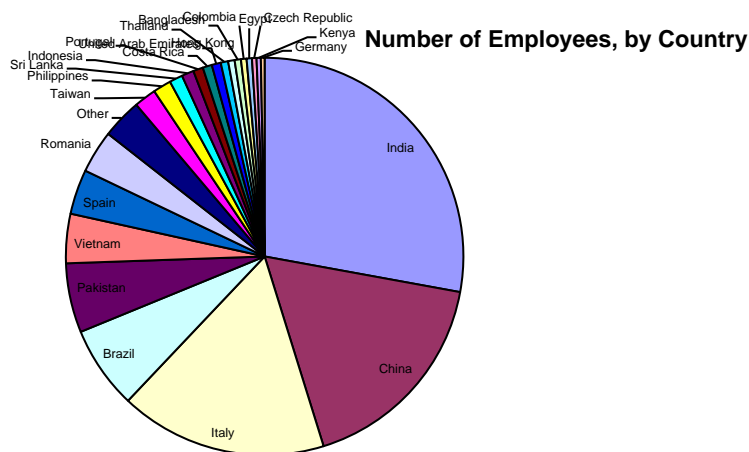
International Standard ISO 26000:2010 includes all forms of organizations regardless of its size and number of employees, although fewer or shallower organizations have a greater potential for flexibility, adaptability to rapid changes in technology and the environment which represents a fertile ground for social responsibility. ISO 26000:2010 Guidelines are a great help in making decisions particularly to small and medium enterprises.

According to a study carried out by IISD (International Institute for Sustainable Development) it is determined that the ISO 26000 Social Responsibility has a potential to be a comprehensive guide to the introduction of programs for small and medium enterprises (Lazibat i sur., 2011, 8). Studies show that the practice of social responsibility should be transferred from circuit emulation and bring it to a component that is based on business insight. Moving the focus of social responsibility, which rests on the foundations of large companies, will create an alternative tools and models and also provide assistance to small and medium enterprises in order to develop appropriate strategies to suit their businesses.

3.1. Implementation analysis of SA 8000:2008

By the end of 2010 in the world were 3034 organizations with implemented SA 8000:2008 standard. Most of them are implemented in Italy (913), India (639), China (440) while in Croatia SA 8000 has been implemented in only four organizations. According to information from ASI, the number of employees who work in organizations with implemented SA 8000 amounted to 1,731,207 employees. The graph no. 1 shows the structure of employees in organizations with SA 8000 standard implemented by countries.

Graph 1. Number of employees by countries



Source: ASI, 2010.

According to data from ASI in Croatia operate four organizations in accordance with SA 8000:2008 standard:

- Agencija za komercijalnu djelatnost d.o.o. – AKD (The Commercial Activity Agency)
- Hartmann d.o.o.
- Neomedica d.o.o.
- Zrinski d.o.o.

Based on the highlighted analysis is set a key hypothesis of this paper, which assumes that firms that have introduced the SA 8000:2008 are becoming more competitive in the market, by the fact that is better working environment and quality of final output. Additionally enterprises more easily sell their products on the market, because they are recognized member of the local community and thus manage to satisfy all the guidelines of the competitive strategies of Porter.

Due to the very small sample for analysis of only four companies in Croatia, an analysis was carried out on only one company, on the principle of observation techniques in naturally created situation (Marušić i Vranešević, 2001, 190), the main goal was to confirm a competitive advantage which is achieved by the fact that the company has introduced a SA 8000:2008, which is the key hypothesis of this paper.

3.2. Analysis of the competitive advantages of company Hartmann d.o.o.

Corporate social responsibility in the world is more and more used to build corporate image in a way that reflects favorably on its products. Expressing social responsibility through a commitment that exceeds the prescribed legal requirements, companies seek to increase the standards of social development, environmental protection and respect for human rights, promoting the interests of various stakeholders on the way to achieve quality, sustainability and strengthening the economic and social cohesion at local or national level. According to Kotler, power of mass advertising is weakening, and marketing managers are increasingly

turning to marketing with public relations to achieve the state of consciousness of brands for both new and already known products. Marketing public relations are effective for coverage of local community and to reach specific groups. In several cases, marketing public relations proved more cost effective than advertising. However, they should be planned in conjunction with advertising (Kotler, 2008, 594). In this way are realized new partnerships and expanded existing cooperations within the company regarding social dialogue, skills acquisition, equal opportunities, forecasting and change management.

As the company Hartmann d.o.o. is a member of the Hartmann Group International, the company is one of the first in Croatia that has implemented SA 8000:2008 standard in 2009. Together with ISO 9001:2008 and ISO 14001:2004. Hartmann is an export oriented company that implemented standards are used, as well as SA 8000:2008 standard in order to build the image of the company that operates in a socially responsible manner. Hartmann's key customers require the possession of the SA 8000 certification and the company that operates in a socially responsible manner. In this way, Hartmann eliminated part of the competitors who do not operate according to SA 8000.

Hartmann's main product is the microfiber designed packaging for foods, consumer electronics, hospital equipment, etc. made from renewable raw materials, primarily paper, with controlled use of energy and water, which makes Hartmann a European manufacturer of environmentally-friendly and customer tailored packaging. Sustainable development as a strategic choice is reflected in the Hartmann's mission "to create packaging with minimum resources and maximum value for our customers, shareholders and employees.". STEP (Sustainability Tool for Entire Product Chain) is Hartmann's management model that clearly defines the five consecutive stages for the implementation of in-depth analysis of human resource management, safety and environment, using specific tools related to production processes, people management, supply chain management and reporting.

According to Hartmann's financial indicators in the period between 2009. and 2011. company operates with an average of 10% gain which is according to statistical indicators of the CBS above the sector average, thereby it is listed among the 500 most profitable companies in Croatia and has a stable liquidity. A special focus was placed on the quality of communication and cooperation with employees and all employees are familiar with the corporate strategy of sustainability through the booklet "Protect the values" that reflect the corporate values, sustainability principles, obligations towards international conventions for the protection of human rights (including CEDAW and the UN Convention on the children rights). The booklet contains a review of internal communications protocols, and appeals procedure and the obligation to implement an independent survey of employee satisfaction every two years, resulting in action plans for each department and production unit. In this way, organization practices "social awareness" in their relationships with clients and members of influential interest groups.

Customers are increasingly seeking information about social and environmental responsibilities of organizations so that they can decide from whom to buy, in who to invest and for whom work for (Kotler, 2008, 708). Using tools of SA 8000 the company has achieved a very high level of employee satisfaction, which was explored through the implementation of the survey on employee satisfaction. According to Central Bureau of Statistics (CBS), the average level of employee turnover in Croatia is significantly higher than average rates of employee turnover in Hartmann. Economic research on income and education shows that human capital is on average a good investment (Samuelson, Nordhaus, 2007, 250).

In accordance with that fact Hartmann's goal is to raise levels of employee satisfaction, with employee training and specialization Hatmann increases its effectiveness and also the end customer satisfaction. In the observed period of the last five years of operation, number of scrap was reduced by 12%, which has significantly reduced the cost of inadequacy, which corroborates the fact that adherence to the principles of social sensitivity gives a particular competitive advantage in the retail market.

4. Conclusion

Corporate social responsibility is in accordance with the basic message of the Sustainable Development Strategy and includes economic growth, social cohesion and environmental protection. Responsibility is noted through the relationship with employees, as well as all other participants in that business. Content of standards provides a picture of what could lead to social accountability in all organizations, including small and medium companies. Though a significant percentage of managers do not see ISO 26000 as a management tool for smaller organizations, and the key reason for this is that ISO 26000 considers a wide range, and only implicitly serves as a resource in operational challenges.

Selected profile of small and medium enterprises of potential users of standards include those that export to Europe and North America, those who work within the international supply chain, those firms whose products / services have environmental and social integrity, who are funded by the socially responsible and ethical investors and those firms whose top people value the environment and society of opportunities and risk seeing with macroeconomic level (Perera, 2008, 16).

Therefore, to operate a socially responsibly means not only to fulfill legal obligations, but to integrate care about society and the environment in their business, invest in human capital, environment and relationships with participants, thus ensuring the company a competitive advantage.

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