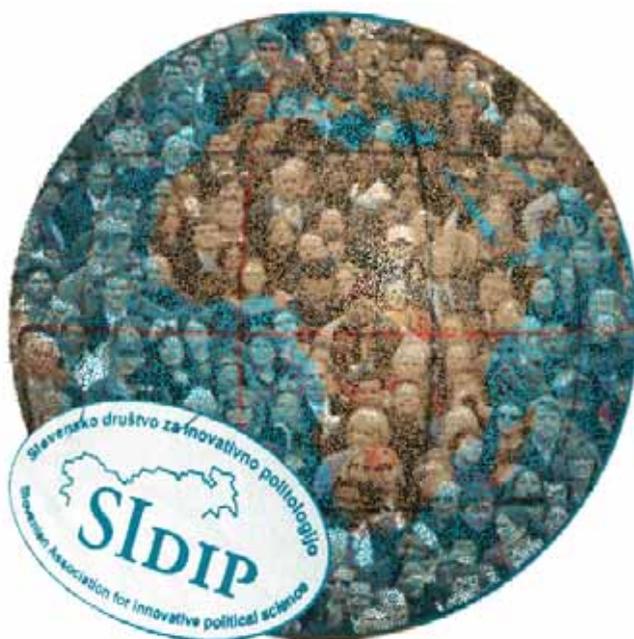


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Corporate social responsibility and the role of the State

Dolores Modic¹

| 7

Abstract

The term social responsibility is generally used in connection with private entities, whereas the role of the state and public organizations is often forgotten.

We usually see the state and public organizations as regulators in the context of social responsibility, whose goal is to achieve socially responsible actions of the private sector. However, we can see the role of the state and public organizations as threefold: 1) as regulators and promoters, 2) as »leading by example« and 3) as supervisors.

In the paper we explore all three roles, with special emphasis on the identified problematic areas. Some practical implications are shown on the example of Slovenia.

Key words: social responsibility, CSR, the state, public sector, Slovenia

In short: why corporate social responsibility and the role of the State?

The term social responsibility is used mainly in connection with private subjects. The English expression corporate social responsibility is often translated in Slovenian as social responsibility of companies, which of course does not suit, since it does not include the subjects of the public law.

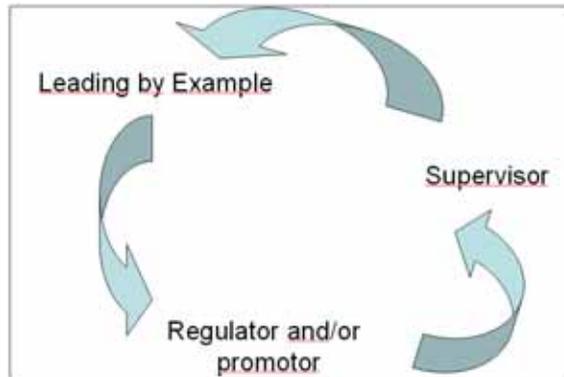
In a changing world, the state² and the governments need to evaluate their role; in that context we will (briefly) try to make a case against a declining role of the state in the field of corporate social responsibility and instead will try to substantiate a renewed role of the state.

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² The state as a centerpiece of political decision making, which aims at steering the society towards socially acceptable goals (Kušej et al, 1998: 29).

When we speak about social responsibility, we can identify, above all, three main roles of the state and the public sector: 1) the state as regulator and promotor of good practices, 2) the state as "first among equals" or »leading by example« and 3) the state as a supervisor.

Picture 1: Three roles of the state concerning CSR (author's interpretation)



There are several discussions in progress in regard to all three roles. We will examine the distinction between the regulative and the voluntary approach (also called “the soft approach”), with the indication that at least some degree of regulatory approach is crucial to the implementation of corporate social responsibility. Although some seem to be surprised by the fact that problems of social responsibility arise even inside the public sector, we will show the importance of leading by example and some tools, which are therefore needed. Lastly, but not leastly, the importance of supervision will be shown as a *sine qua non* of the corporate social responsibility.

Corporate social responsibility; terminology and definitions

“Corporate social responsibility refers to a new governance model³ based on stakeholders satisfaction beyond, not only legal prescription, but also individual ethical orientation” (Perrini, 2007: 5) is a definition, given by Perrini, which can serve as a good starting-point.

³ The new governance model referring to the responsibilities of organizations (that is, to the responsibilities of the decision makers (Board of directors or government decision makers) to all stakeholders (Perrini, 2007:5 and Walsh and Lowry, 2005: 38).

Hence, social responsibility⁴ of an organization is its responsibility for all the activities that impact people, communities and their environment. Social responsibility has four levels (see Picture 1).

Picture 2: Pyramid of CSR (Carroll, 2008: 66 and Jaklič, 2005: 79)



Economic Responsibilities

Business organizations are mainly economic entities. Some authors, with Milton Friedman (Friedman, 1970) leading the way, believe this is the only objective of business entities. They believe that business entities can not be socially responsible, since they are artificial legal entities. Only individuals can act in a socially responsible manner, which in our context means only businessmen can act socially responsible. Friedman sees two major obstacles in this context: 1) the businessmen would, if acting socially responsible, be spending someone else's money and 2) the businessmen have no mandate to decide on the »social« aims, which need to be engaged (Friedman, 1970: 33). But basically all agree, that the principal role of businesses is to produce goods and/or services and supply the market with them, thereby maximizing their profits. Without their principle

⁴ The terms corporate social responsibility (hereinafter CSR) and social responsibility are terms usually used together or practically without distinction. If we would try to identify the difference, we could say that the term corporate social responsibility is used mainly in relation to private entities, whereas the term social responsibility is used more widely. However, the sole analysis of both terms reveals no distinction.

role being achieved, there can be no discussion on the corporate social responsibility, since the businesses would not survive.

Legal responsibilities

Not much emphasis is given to the concept of duties and responsibilities in our (western) society⁵. The central point has been, for individual entities, on rights; whereas the duties were researched in relation to states. However, there are some documents that clearly state the duties are also an essential part; especially duties to the community; and here our "story" of legal duties begins⁶...

Businesses are expected to comply with laws and other regulations promulgated by states, local government and, in this day and age, more and more also by supra-national authorities. The legal regulation should, at least in theory, be only the framework in which the businesses carry on their activities⁷. However, as we will see in this paper, the line between legal and soft methods is not clear and although many favour the soft approach, a more legalistic one is more appropriate in some areas.

Ethical Responsibilities

Ethical responsibility presents a step beyond the legal responsibilities. The ethical norms are a preface of legal norms; they embrace *a modus operandi* that is desirable and expected by societal members⁸, although not codified. The soft approach is greatly dependent on the business' ethical responsibilities, since it presumes self-regulation. In this sense we can speak of ethical responsibilities as foreshadow of legal responsibilities (Carroll, 2008: 64), since the ethical policies tend to reflect themselves in

⁵ We can look in most charters of basic human rights; where duties play only a side role.

⁶ The social contract theory by Locke, also emphasised rights of individuals and duties of the states. But in »today's social contract« another set of entities exist; the companies as artificial entities. We will see later in this paper, that due to their social power, they are closer to states than individuals (therefore a bigger emphasis on their duties and responsibilities should be given).

⁷ Another problem that arises is how the companies interpret the law (Jaklič, 2005: 278).

⁸ Some difficulties present themselves in the understanding of the ethical responsibilities of companies, since they are (by law) perceived as distinct and separate entities from their owners and the people that run them. Hence, the ethical responsibilities of (not only companies, but also all) organizations must be understood as ethical responsibilities of organization's decision-makers.

internal acts of the organizations (for example in Ethical Codes or Codes of Conduct). The soft approach does not have the legal power at its disposal; therefore it is highly dependent on the norms (written or only executed) by the organizations themselves.

Philanthropic Responsibilities

»The distinguishing feature between philanthropic and ethical responsibilities is that the former are not expected in an ethical or moral sense« (Carroll, 2008: 65). The ethical responsibility bases on the fact that business' are (just) good (passive) citizens (following the principle "do no harm"), whereas philanthropy expects an active stance. The philanthropic responsibilities are "icing on the cake" (Carroll, 2008: 65), since in the last stance business' are supposed to be good (active) corporate citizens.

Corporate social responsibility and related ideas

Corporate social responsibility and sustainable development

The most widely excepted definition of Sustainable development (SD) is the definition by the Bruntland Commission that defined SD as »development that meets the needs of current generation without compromising the ability of future generations to meet their needs and aspirations.«

SD stands on three pillars (Simola names them »the tripartite goals« (Simola, 2007: 131): a) economic development/corporate profitability/economic value, b) social development/responsibility/social equity and c) environmental protection.

CSR is inherently linked to the problematic area of SD, since they both share the same basis; both rest on a bigger orientation of organizations in their environment and their more responsible treatment.

Corporate social responsibility and globalization

There is much being said on globalization, therefore it is not a new phenomenon (Kofman et Youngs, 1996). Unfortunately that does not mean we can find many coherent definitions (Soros, 2003: 1). In general, we can define globalization as a complex of changes in the society, politics and

economical system, which are a consequence of the expanded trade and cultural exchange on a global level. In a specific economic context the term globalization is relating to the changes in trading, especially market liberalisation and free trade and also in advanced (economic) welfare worldwide (hence, we can see it covers all areas of CSR). In this context we will understand globalization in this paper and we will see the problematics of CSR, SR and globalization are closely interconnected, since the consequences of the first two do not usually limit themselves to only one particular area. In the era of globalization, multinational corporations can be extremely powerful, having both political and economical power, that can not be efficiently controlled by national governments (Shestack, 2005: 103). Therefore supranational organs or intergovernmental mechanisms need to be developed in order to ensure *de facto* compliance of the CSR principles by all organizations. "Globalization thus places a spotlight on multinational corporate conduct⁹." (Shestack, 2005: 103)

Corporate social responsibility and Business Ethics

Business Ethics and CSR are tightly linked from the start. Business ethics as a study on what is right and wrong in business situations, activities and decisions, has been an umbrella for the development of CSR (Crane and others, 2008: 56). The problems of CSR have been mostly studied in the business ethics classes (for example in Slovenia this is still the case), classes devoted to the problematics of CSR in particular are practically non-existent, that is also why the thematic clusters of business ethics and corporate social responsibilities are usually (at least in Slovenia) studied together. The distinct difference between the two can be described on one hand of resolving individual matters (business ethics) and on the other hand of the orientation towards the wider role of the business (Crane and others, 2008: 56).

Corporate social responsibility and corporate citizenship

After 1990 we can see a turn in language of CSR towards the terminology of corporate citizenship. »Corporate citizenship really means developing

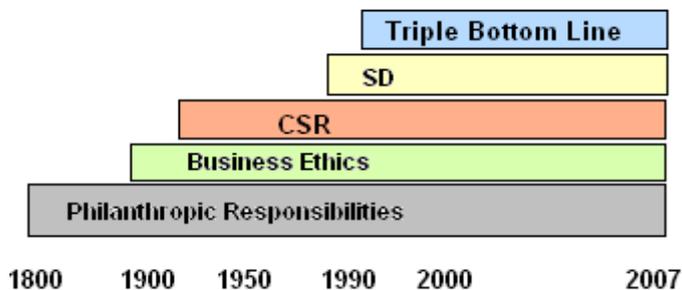
⁹ The aspiration of CSR is of course that the organizations comply with its principles on all areas of engagement (geographicly and in all sectors).

mutually beneficial, interactive and trusting *relationships* between the company and its many stakeholders — employees... communities... governments... through the implementation of the company's strategies and operating practices.» (Waddock, 2003: 3). Some believe corporate citizenship and philanthropic responsibilities are one and the same (Jaklič, 2005: 279). They represent the tip of our pyramid, where the debate starts to focus beyond the pyramid itself and into the political sphere. This reveals the changing nature of the role of business in society towards some degree of participation in the political sphere (Crane et al, 2008: 57). The term also associated with corporate citizenship and CSR is active citizenship; the latter relating to political participation of individuals (Vrana, 2007: 9-10). "The debate on the political nature of CSR is still relatively young but represents one of currently most dynamic discussions in the CSR..." (Sherer and Palazzo, 2007, in Crane et al, 2008: 57)

A historical overview of the concepts

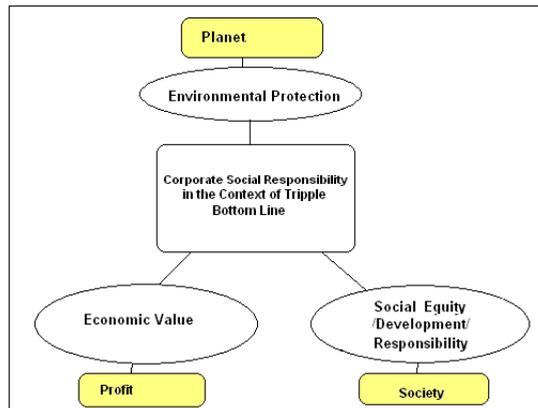
The concepts, we have mentioned, in the last chapter are not new, since we can trace e.g. the beginnings of social responsibility into the first decades of the 20th century, at that time an inherent element of business ethics. The concept of sustainable development is a bit younger, although we can place it at least into the seventies or the eighties of the 20th century .

Picture 3: Historical overview of the concepts (Modic, 2008: 1761)



1990 was in the sign of the emergence of the Triple Bottom Line¹⁰ concept for business. Triple Bottom Line descended from the standpoint, that it is possible to distribute the possibilities of contribution of organizations (above all companies) into 3 areas, which are called the triple P: People/society, planet/nature, profit (Skadegard Thorsen and Meisling, 2006: 300).

Picture 4: CSR in the context of Tripple Bottom Line (authors interpretation)



The role of the State; must the State keep an eye?

The social role of the state in a new era

There is little controversy over the fact that the role of the state is a changing one. The World development report forum in 1997 talks of »five fundamental tasks that lie in a core of every government's mission, without which sustainable, shared, poverty-reducing development is impossible:

- 1) Establishing a foundation of law,
- 2) Maintaining a nondistortionary policy environment, including macroeconomic stability,
- 3) Investing into basic social services and infrastructure,
- 4) Protecting the vulnerable,
- 5) Protecting the environment.” (World development bank, 1997: 4)

¹⁰ The triple bottom line is also emerging as a popular conceptualization and reporting vehicle for articulating corporate social, environmental, and economic performance and as means for reporting the extent to which an organization meets its societal responsibilities (Brown et al, 2006: 3).

In the process of promoting social justice, equity among regions and social groups, and sustainability, the role of the state is however irreplaceable. Hence, the democratic state should be a tool for society to use to address the economic and social problems.

The fluxes in the market exist beyond denial, so we need the state to deal with them. The negative external costs are playing a role of a child that nobody wants to take care of. Historically, there is no evidence that the market can achieve general equilibrium within the economy, let alone sustainability and social justice.

In recent years, particularly since the advent of the globalization debate, the issue of a changed role of the state has re-emerged. In some theories the state has been weakened, but in our opinion we should rather talk of a readjustment of its function. The challenges of globalization, sustainable development and social responsibility have caused for renewed approaches to be taken. One of the key factors for nations is to open themselves to the world based on their own plans for fair and sustainable development that would be led by democratic governments (in contrast to leaving the future of such development to market forces). Open states and economies are all the more reliant on regulation at the national and international levels and require a state strong enough to promote and enforce it.

Globalization has sometimes become an »excuse for the governments not to act and when challenged, governments speak of the limits of their power in the face of liberalised markets, hot capital, and the complexity of global governance« (Zadek, 2001: 1) Therefore »the elephant that is the role of business in society, although visible, remains critically under-exposed in mainstream policy debate and practice« (Zadek, 2001: 2).

We return once again to the CSR pyramid, this time enlightening some new aspects. We sliced the pyramid into two parts this time; the first represents good management practices and the other corporate responsibility excellence. As we can see compliance with laws and regulations is an essential on which our desired goal lies. In that context we should also see the State in this discussion; it should provide strong solid basis on which to build on.

Picture 5: The hierarchy of corporate responsibilities (Leisinger, 2007: 122)



The state in the context of social responsibility

In the context of social responsibility the State is usually seen as a regulator. Therefore it should, above all, take care and provide for a greater implementation of social responsibility of the companies. This should be achieved mostly through policy (public policy) in two ways: voluntarily (the voluntary approach) and legally (the legislative approach). The first presumes a "soft" approach, for e.g. by commendation to the best practices/actions, corporate social responsibility practices coordination; the second on the other hand, acts through statutory provisions e.g. on obligatory transparent business, compensation responsibilities...

For example the government of United Kingdom sees its role as (Department of Trade and Industry, 2004: 24):

- a) providing a policy and institutional environment that encourages and rewards socially and environmentally responsible behaviour and
- b) setting the agenda and communicating on responsible behaviour.

We can see that it puts special emphasis also on the promotion of good practices that are present.

The states have dealt with this problematic differently, some with larger emphasis on the first approach, others with larger emphasis on the second

(Perrini et al., 2006: 34-53, and relevant web pages of individual states). We are listing only a few possibilities for comparative purposes:

a) Liberal approach in United Kingdom¹¹: This model emphasises, that corporate social responsibility is above all a problem of private sector; but goes beyond what we described as »good management practices«. Surprisingly, in March 2000, the Minister for social responsibility, part of the Department of Trade and Industry) was appointed (see also Perrinin, 2006: 35). The minister is responsible for the creation and promotion of legislation and promotion of good practices. A special emphasis is also put on annual briefing concerning good practices in the UK. The Government's strategy for sustainable development has "aims of integrating /the/ objectives on social progress, effective protection of the environment, prudent use of natural resources and high and stable levels of economic growth and employment to ensure a better quality of life for everyone, now and for generations to come." (Department of Trade and Industry, 2004: 2). The Government also supports the nongovernmental organization BITC (Business and the Community), which cognizance is to promote good corporate social responsibility practices, and beside this, the creation of corporate responsibility indexes (CR Index), that include self-evaluations of individual organizations. The intention of this index is to identify those companies, which will be suitable for Socially Responsible Investments. A subcommittee for sustainable development has been also active inside the Energy and environment committee, since 2005. The Department of environment, food and rural affairs (Defra) has had a leading role in taking care of sustainable consumption of assets. The government also believes that collaboration between all stakeholders is needed, similar to the governments of the participative model (see below).

b) The French legislative approach¹²: In spite of the fact that France recognizes a large importance of the private sector in the corporate social responsibility problematic, the French state is seen as a warrant of collective interest and, in this view, it also approaches the corporate social responsibility. Ministry for work, social matters and solidarity (Ministère des Affaires Sociales, du Travail et de la Solidarité) has a leading role at the

¹¹ For more information about the UK system see Albareda et al, 2006. There you can also find the comparison to the Italian model.

¹² We could also add here the German model (Perrini, 2006,:46) especially in the field of nature/planet/ecology (Pličanič, 2007:86).

care for implementation of the Law No. 240, from 2001, and of Regulation No. 221, from 2002, that are the framework for business law in regard to principles of corporate social responsibility. In 2003 the National strategy of sustainable development was accepted, for implementation of which the Council for sustainable development (Conseil National du Developpement Durable (CNDD) has jurisdiction. More emphasis is given on the legislation as in the other two (here selected) systems.

c) Finnish and Danish participative model: are concepts whereby companies integrate social and environmental concerns into their business operations based on the interaction with their stakeholders (ideally on a voluntary basis)¹³. Both countries are known as being very social. However the principles, on which they rest, are today (as elsewhere) caught up in a crisis. This fact contributed greatly to the emergence of a specific model based on collaboration of all stakeholders. The model, in Denmark is based on three axes: education concerning corporate social responsibility, the development of public-private partnerships and research. The role of the public sector is not restricted to promotion only, but enroaches also on the regulatory field: e.g. companies in certain sectors are obliged to make environmental reports (Statement of green accounts), furthermore they now have the possibility to also include reports on social responsibility in their annual reports. The government also instructed the creation of the so-called Social Index. Social index will allow socially responsible investing (SRI). Moreover, companies, which achieve 60 out of 100 available points, may use a special social label in their reports and on their products. Finland has also incorporated the principle of collaboration between all stakeholders with special emphasis on political management and support. Beside the state level, the local dimension is also emphasized greatly, since 2/3 of Finnish municipalities have their local Agenda 21, and are greatly involved in the problematics of both corporate social responsibility and sustainable development.

Legislative vs. voluntary approach

The social responsibility of companies is derived from their power, which is not only economic, but also political and social (Jaklič, 2005: 276). Because of the latter two, it is a necessity, that the state tries, also through its

¹³ See also Perrini (2006:46).

regulative powers, to grow "sustainable companies". Long-term existence, development of society and sustainable development are namely dependent on appropriate social responsibility of all subjects in the society. Unfortunately, in spite of the emphasized voluntary principle, it is shown, that a more regulative approach will be obviously necessary in the future, since the level of social responsibility is falling¹⁴. Besides, financial pluses of socially responsible actions are not conclusive. For example, Mintzberg (2008: 38) concludes that »the stock market is willing to reward socially responsible behaviour only to a point¹⁵«.

Although we agree that the soft approach is a better one (at least in theory) we must however admit that it does not always work. Additional regulation may enrapture the soft approach. What do we mean by that?

The evidence in practice: If we take for example the pre and the post Sarbanes-Oxley act¹⁶ situation in the US. »Following the passage of the Sarbanes-Oxley (SOX) legislation ... publicly traded companies there undertook development and revision of their codes of ethics in response to new regulatory requirements. ... Corporations that did not have codes of ethics developed such documents pursuant to SOX mandates. Corporations that already had formal codes of ethics changed them in response to the altered business and regulatory environments.» (Cannary and Jennings, 2008: 263). However Cannary and Jennings have asked themselves whether these changes were only superficial or if they in reality led to fostering better law compliance and increased ethical choices. They discovered that "it is clear ... that corporations... are at least attempting to

¹⁴ Martin (Martin, 2008: 80) points out the fact that the European Commission believes that the adoption of voluntary approaches should not be perceived as government's abdication from their commitment to sustainability and responsibility or as a compromise with business.

¹⁵ The research carried out, showed that if we compare the performance of companies in regard to their actions devoted to social responsibility (at least as declared in their annual reports) those who did not devote themselves to social responsibility actions at all exhibited the weakest performance, those with less than 8 percent of annual reports devoted to socially responsible actions, performed best (having 17.1 percent return on equity), while those with more than 16 percent of their annual reports devoted to socially responsible actions had only a 12.3 percent return in average.

¹⁶ The Sarbanes-Oxley act or officially the Public Accounting Reform and Investor Protection Act, 2002 was implemented as a result of a major outcry by the public, because of the Enron and other major scandals (such as World.com), which had major effects on all fields of social responsibility. Other authors see the Enron scandal and the subsequent Sarbanes-Oxley act as tipping points as well (Thomas, 2005: 35).

make ethics a central concern of everyday practices. What is also clear, however, is that corporate codes of ethics reflect a social system that seeks to promote ethical behavior by emphasizing legal requirements, regulatory procedures, and formal control of behavior.« (Cannary and Jennings, 2008: 277)

Public sector as a regulator

The state as mentioned is predominantly identified as a regulator. When Ronald Reagan stated, that government is not the solution of our problems, but is rather the problem itself, many agreed and clapped. But much has changed: The World Bank has stated in its twentieth World Development Report, in the year 1997, with the title "The role of state in a changing World", that "without /an efficient state / sustainable development on social or economic field/ is not possible. Today, many authors are agreeing with the thesis, that we need collaboration of governments in the field of sustainable development, since the companies, which are responsible for large share of pollution, do not manage to neutralize the negative effects. Additionally, we can not deny, that aspirations of companies exist that governments would not intercede »just now«, because they want to gain a certain comparative advantage in the field first (Speth, 2005: 30-32).

There is a close relationship between CSR and the law. The main instrument governments use to address a company's social, environmental and economic impacts is the law. Many countries have a wide range of laws, whether at the national, state or local levels of government, relating to consumers, workers, health and safety, human rights and environmental protection, bribery and corruption, corporate governance and taxation. A company's CSR approach should begin by ensuring full compliance with those laws already in place (Hohnen and Potts, 207: 15).

»Private enterprise requires a supporting infrastructure of laws and permissions, and more generally the consent of electorates, to pursue its business goals, whatever they may be. This is something that CSR advocates emphasize - they talk of a "licence to operate" - and they are quite correct. But the informed consent of electorates, and an appropriately designed economic infrastructure, in turn requires an understanding of how capitalism best works to serve the public good. The thinking behind CSR

gives an account of this which is muddled and, in some important ways, downright false.« (Crook, 2005: 20)

The limitations of the regulative approach

There are however some limitations to the regulative approach (adopted after Jordan and Lunt, 2006: 61-67 and Crane and others, 2008: 48):

- 1) Bad governance: relates to governments that are unaccountable, repressive or/and corrupt. They put their interests above those of their citizens; undermine human rights and also damage the economy in the country. Wealth is highly concentrated and rent seeking is a common occurrence. This situation is in its basis diametrical to that needed for CSR.
- 2) Weak governance: this situation underpins a lack of governments institutional and/or administrative capacities as well as financial, human, infrastructural resources to effectively serve the needs and aspirations of their citizens. The focus in such countries is therefore on institution building, in-depth analysis is however usually not possible, which means that the situation for the development of CSR practices are unfavourable.
- 3) Indifferent governance or lack of political will: can occur in either developed or developing countries. The governments are (or at least so it seems) democratic and well resourced. They are over-influenced by interest groups and/or lack the political will to make definite social, economic and environmental changes (see also above).
- 4) Do as I say, not as I do: we will devote a whole chapter to this matter, but just to make an introduction to the subject let me quote Crane and others (2008: 49): »Socially responsible behaviour will infuse the organization not through procedures, but through attitudes, not via directives but via examples, not because of »them«, but because of »us«.
- 5) Setting crude and minimal standards: The scope of the regulative approach is setting minimal standards. But as we have seen above, the true aspiration of CSR is to make solid ground for the voluntary approach that will base on self-regulation.

Practical implications and the case of Slovenia – a short summary

The Strategy of development of Slovenia (SDS) is the roof document that also includes sustainability concepts. Slovenia decided for a unified document, introducing a considerable conceptual novelty in the European space. The strategy declares four basic developmental goals of the state; the third one being the intergenerational sustainable developmental" goal. However, strong criticism appeared, since the emphasis, above all, is on economic point of view of development (Škrl-Marega and Wagner-Ogorevc, 2004: 1-3). The Government of the Republic of Slovenia adopted Slovenia's National Strategy, which sets out the vision and objectives of Slovenia's development. At the forefront of the new Strategy is the overall welfare of every individual (so pursuing the social factor). Therefore, the Strategy does not focus solely on economic issues but also involves social, environmental, political, legal and cultural issues. Due to such prioritization of the objectives, Slovenia's Development Strategy also serves as Slovenia's strategy of sustainable development.

a) Economic development

Pličanič (2007:88-89) says the state should inspire to enact the so-called "moderate" approach. The following means it should be active in its role, but on the other hand not to intercede too much in the economic processes.

If we inspect the field, through the case of obligatory briefing, concerning CSR. First the European Union advocated the voluntary principle, but with the changes in the 4th and 7th directive in 2003, it went over onto a more regulatory principle, since they prescribe the inclusion of environmental informations in annual reports. They are prescribing (7th directive also for consolidated annual report) at least "an honest examination of development and of execution of the company's activities" and of its position. This report must be at minimum balanced and exhaustive (for more see Vezjak, 2004). Since the directives are binding concerning goals, we will look at their implementation in the Slovenian system.

The regulation regarding obligatory annual briefing and there contained operating account, we can examine trough the Companies Act, that in section 8 frames the content of the business report: "Annual reports must contain at least an honest display of development and business results and

the financial position, including description of essential hazards and uncertainties, that the society is exposed to".

Reporting on social responsibility is not an urgency of briefing of companies; however, in spite of this, larger companies in Slovenia include these reports in their business reports (above all because of the certificate procedures) or issue separate reports on social responsibility. In light of this, perhaps the time has matured for obligatory briefing of societies on social responsibility and sustainable development - we can say, that we have, at least on the level of larger societies, *ad hoc* or *de facto* briefing (Watchman et al, 2007).

However we need to pay attention to the fact, that the rules of such briefing should be clear, because otherwise we can agree (Watchman et al, 2007), the lack of these is an incorrect approach (many warn especially about the problematic social component, since the environmental questions are more easily evaluated. The introduction of obligatory briefing would however be a progress, because so far, reports on social responsibility as such, are not causing legal responsibility toward third parties, since the annual reports do not institute it. In spite of this, we must not neglect the impact on reputation of companies, that issue false data (similarly can be said for a violation of ethical codes (Lundblad, 2005: 385-402).

b) Social development

In times, when the EU is trying to gain agreement on the implementation of the Charter of human rights, the companies are also realizing, they can add their own contribution to the independent legal arrangements in this field. The listed mirrors itself in increasingly frequent implementations of Ethical codes (or codes of conduct). In spite of this self-regulation, the EU and Slovenia are initiating stronger instruments for legal insurance of human rights.

If we follow the logic of the Slovenian Implementation of the renovated strategy EU sustainable development strategy from 2007, we can identify

the following significant areas (beside human rights) of CSR: education, the fight against poverty and social exclusion and healthcare¹⁷.

Slovenia invests 6 % of GNP into education, which is comparatively somewhere in the middle of the chart¹⁸, but if we look at states which have a similar background as Slovenia, they assign quite more funding than the others (for comparison Serbia assigns 3,5 % of GNP (Government of Serbia, 2007: 110), the Czech Republic assigns 4,2 %, Hungary assigns 5,1 % (OECD, 2007)¹⁹. The project Ekošola (Eco-school) has a relatively long tradition (since 1996) in Slovenia. The main focus is however on the ecological component of sustainable development and social responsibility. Ministry of Education and Sport prepared new amendments and supplements to two acts: the Organization and Financing of Education Act and the Elementary School Act, in both integrating the principles of sustainable development. One of the goals of the latter is “education and schooling for sustainable development and for active inclusion in the democratic society” (Implementation of the renovated strategy of EU sustainable development strategy in Slovenia, 2007: 29). Slovenia also intensively engages itself with problems and programmes of lifelong learning.

Slovenia has been engaged in problems of struggle against poverty and social exclusion since 2000 and has accepted more strategies and action plans in the past periods: (i) Programme of combating against poverty and social exclusion, in 2000 (ii) Memorandum concerning social inclusion, 2003, (iii) National action plan of social including, 2004, (iv) National report concerning strategies of social protection and social inclusion, 2006. In all these documents the social-economic conditions of inhabitants were investigated, the key challenges and vulnerable social groups were identified and goals and measures for their implementation are set for them.

¹⁷ For example, the Renewed EU Sustainable Development Strategy identifies seven such key challenges: climate change and clean energy, sustainable transport, sustainable consumption and production, conservation and management of natural resources, public health, social inclusion, demography and migration, and global poverty and sustainable development challenges. As we can see, we chose only some of the areas; however, Slovenia deals with all seven areas.

¹⁸ The OECD numbers show the average in the EU is around 6% (OECD, 2007).

¹⁹ Slovenian neighbours are also not doing much better; for example Austria devotes 5,5% Italy 5 % (OECD, 2007).

The next field is the healthcare. The area has been under media watch, especially the field of private-public partnerships. There has been a strong public interest in assuring that the field remains transparent (Modic, 2008: 1664).

c) Environmental Protection²⁰

The Slovenian constitution says in second part of the 72nd paragraph: "The state shall promote a healthy living environment. To this end, the conditions and manner in which economic and other activities are pursued shall be established by law." With this provision the Constitution has "chosen" an active role of state concerning protection of the environment and keeping the natural balance, which gives it a new function of an ecological state (Pličanič, 2007: 84) or of an ecological guard (Merhar, 2007: 5). The Constitution is emphasising the regulatory function. The principles are carried out in more legislative instruments: e.g. the principle of sustainable development in the 4th paragraph of the Environment Protection Act.

Considering the right to healthy environment is constitutionally assured, it is introducing third generation of human rights, so it is still the more shocking, that "among all rights, this fundamental right is most massively and most fatally broken today" (Selinšek, 2003:650). The role of the state and its positive obligation would have to be the strongest, "but the legal systems and the public sector ... do not respond ... to mass violations" (Selinšek, 2003:650). That is why a need for criminal law incrimination of actions, against environment and nature appeared. But we can agree, that in spite of, principally strict legislative regulation ...is not to be expected... that the regulation... will influence the rise of ecological awareness at economic activities (Selinšek, 2003:669), especially not next to deficient control mechanisms. In this area we can also see the global impacts, since an EU research showed that 71 % of all researched cases the crimes against environment and nature have cross-border consequences. Despite a

²⁰ The ecocentric orientation in the environmental sphere on one side embraces the ideas of ecocentric ontology (with humans as an essential part of the nature) and ecocentric ethics on the other hand (humans are not only zoon politicon, but also zoon physiscon (Pličanič, 2007:85). However Strojín (in Selinšek, 2003:668) says that in the field of environment and nature, the technology devastated the area, which caused an antropocentric approach to nature (Pličanič, 2007:85).

relatively early regulatory engagement in this area, the EU has come across a rather large revolt of the member states (Zeitler, 2007: 213-226).

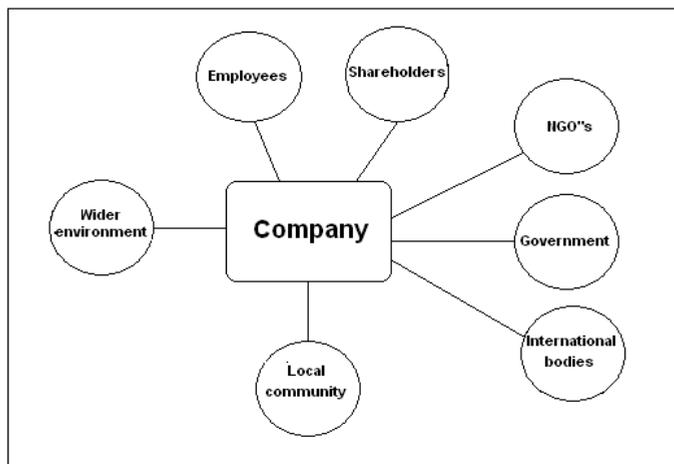
Slovenia has accepted numerous legal-political documents; resolutions, operating programmes, state plans, laws etc. In the field of compensation (payment of damages) we can emphasise for e.g. the Green Paper on ecological responsibility, the Green book concerning environmental responsibility and the Directive 2004/35/EC, where the EU initiates the rudiment "polluter pays".

Public sector as promotor of good practices

Outline

Public sector can not be efficient on its own. An active participation of all stakeholders is necessary. That *condition sine qua non* can be traced in numerous documents (e.g. in Sustainable Development Strategy for Enlarged Europe, 2007). The so-called "soft manner" relates to either companies, or population as a whole. Picture 5 gives us a simplified presentation of all the stakeholders, but we shall limit ourselves only to companies and population as a whole.

Picture 6: Stakeholders – a simplified sketch (author's interpretation)



Companies

Slovene companies are, on the level of the EU, in the top with introducing the ISO 14001. More than 320 companies have gained this certificate. Many other have initiated the system EMAS. Moreover around 50 companies gained the certificate OHSAS 18001 concerning the protection of health (Implementation of the renovated strategy EU sustainable development strategy in Slovenia, 2007: 12). Economic societies, cooperatives and independent businessmen submit annual reports for publication to AJPES²¹ and for the state statistics. The annual reports also contain reports on CSR. The palet of good practices includes, for example: councils for SD, open door for the local community, team for the efficient use of energy, sponsorships, mentorships...The data listed are pointing out, that there many good practices exist in Slovenia, that are worth being promoted.

There is of course the question of how to promote? One possibility is through certificates and prizes, which should be given special political emphasis from the state. Slovenia grants some certificates in this field, e.g. for family friendly company, for "women friendly company". Among prizes we especially mention the PRSPO²² prize. Slovenia also initiated the granting of the EU eco-labels, which two Slovenian companies in field of paper industry received so far (Implementation of the renovated strategy EU sustainable development strategy in Slovenia, 2007:20).

The financial advantages are one of the most powerful tools for promotion. Here we must mention the Environmental Fund²³, which grants favourable loans to investors (both natural and legal persons). The main objective of this programme is to remove the obstacles preventing the increase in the energy efficiency and better utilisation of renewable energy sources. Following are the main financial instruments designed to facilitate investments : granting aid and loans with subsidised interest rate and exemption of CO₂ tax if certain measures are implemented²⁴ (Implementation of the renovated strategy EU sustainable development

²¹ Agency of the Republic of Slovenia for Public Legal Records and Related Services.

²² Slovenian business excellence prize.

²³ Environmental Fund of Republic of Slovenia.

²⁴ We must also add a further note that due to the fact that financial funds are limited, the respective funds as a share of the GDP were continuing to decrease in 2007 and 2008.

strategy in Slovenia, 2007:11). We can argue that this type of promotion is underdeveloped in Slovenia (especially in the field of tax benefits).

The Government of the Republic of Slovenia is preparing the operational programme of green public tenders, which will be aimed at expanding the existent good practice.

Population as a whole (the community)

When we speak of promoting good practices to the population as a whole (the community), we have in mind (especially) the promotion of socially responsible investing (SRI), promotion in the field of education and some other incentive measures.

Including the public in resolving questions of sustainable development is assured through mediation of information, with a public character on government's web pages. The web page of the Council for sustainable development is also operational. Different consultations and informative meetings are being organized by the ministries with the interested parties (Implementation of the renovated strategy EU sustainable development strategy in Slovenia, 2007: 34). The research in this area is however, not substantiating this good cooperation²⁵. The latter is regrettable since »getting the message across« is one of the key elements of the corporate social responsibility strategies of the states.

The government sees the raising (of both *company and*) *consumer awareness* as one of the important goals, which would lead to changing unsustainable consumption habits²⁶. The government has a strong

²⁵ For example the research Mirror to the Government 2006, from the NGO Umanotera, says it »is of great concern that ...so many national organs received such low assessment scores« and that »The majority of the ministries and government offices received the assessment "satisfactory", though approximately the same number of the ministries received the mark "poor"« (Umanotera, 2007: 11). The mechanisms of public mechanisms are most evolved in the fields where law regulation is present, what again proves that Slovenia is not yet ready for a soft approach in the field of social responsibility.

²⁶ For example the Ministry of the Environment and Spatial Planning stimulates environmental awareness of certain target groups (primary and secondary school pupils, local communities etc.) together with enterprises (so-called social responsibility of the enterprises) such as Petrol (On the path to discovery of the pearls of the Slovene sea), Helios (Reconstructing village wells, water educational paths), Zavarovalnica Maribor (Zoja's maps), Slopak (Eco parliament of the Slovene youth), (indicator: number of socially

commitment to involve sustainable development issues (with special emphasis on environmental problems to the school curricula (in that meaning we are pointing out the project Eco-school (for more see Pribakovič Borštnik et al, 2004: 176-178)). Also the Agenda 21 identifies the meaning of education, as critical for promotion of sustainable development and improvement of the people's ability to deal with environmental and development issues. The government also makes substantial effort for the rise of research work.

Many states have already employed individual institution to prepare SRI indexes (see also above) that will make socially responsible investing possible for population. We can claim generally, that positive sides of socially responsible acts by the companies is mirrored also in the financial sphere, moreover some researches on SRI index charts are showing, that these companies are more successful on average²⁷ (see also Rossele, 2005). Slovenia does not have such an index for now, however according to some authors (e.g. Popit, 2007a) the index for now is not necessary, because Slovenes are still not prepared to invest, based on social responsibility of companies.

Ministry of the environment and spatial planning and Ministry of Transport have engaged in some incentive programmes, especially to: 1) reduce the final consumption of energy: informing consumers, investors and other target groups on energy, energy consultancy for citizens, stimulation of advisory services and stimulation of investment into measures of efficient use of energy, 2) measures for reducing the impacts on environment and 3) to pursue other goals (Implementation of the renovated strategy EU sustainable development strategy in Slovenia, 2007:11). Slovenia has already carried out individual projects of promotion, for e.g. the recent distribution of energy-saving bulbs²⁸.

responsible enterprises) (Implementation of the renovated strategy EU sustainable development strategy in Slovenia, 2007: 42)

²⁷ For example the analysis of the Dow Sustainability Index shows a 180% increase of the companies included in the indexes in comparison to the average 125% rise (since 1993).

²⁸ In cooperation with HSE (Holding slovenskih elektrarn). As the HSE reports the action has saved 3% of expenses on electricity in the households on a yearly basis. A similar action is taking place e.g. in the Netherlands.

Public sector as "First among equals" or "Leading by example"

We must be aware, that organizations of the public sector can only be truly successful at their own regulatory function at the time, when they themselves also stick to the principles of social responsibilities.

Social responsibility of all organizations, including those in public sector, can be viewed with the help of an analysis of criteria of practically all models for assessment of quality (EFQM, ISO, CAF²⁹), formed (or are still in the process of formulation) are also some standards, which separately engage in problems of social responsibility - so e.g. already formed model SAI (SA 8000) or the model ISO (ISO 26000), which is only taking shape) and problematic connected with sustainable development – as systems for management of environment, namely the ISO 14000 family of standards or the scheme of environmental management and estimation (EMAS).

Relevant models

First, we should mention a model, which is still taking shape and refers to social responsibility, the ISO 26000 model. According to it the social responsibility is characterised as actions of organizations, to assume the responsibility for impact their activities have on the society and the environment, whereas these actions are: a) harmonised with interests of society and of sustainable development (here we also see a connection, the model makes between social responsibility and sustainable development), b) be based upon ethical behaviour and are legal and c) are integrated into all activities of the organization. Key fields of social responsibility are also arranged within (where we can also see the same fundament of social responsibility and sustainable development): a) environment, b) human rights and employment, c) management of an organization and ethical principles of actions and d) question connected with users and incorporation into development of community/society. The model is designed for organizations of public as well as of private law (for more regarding this subject see Kaker, 2007).

²⁹ IFQM being the European Framework for Quality Management, ISO the International Organization for Standardization and CAF Common Assessment Framework.

Among the models that refer to systems of managing the environment it would be prudent to mention above all ISO 14000 and EMAS. The first one does not set any kind of special criteria for activity of a system, it only demands that the organization prepares its policy with respect to environment and goals, where it is supposed to consider existing legislation and environmental points of view of activity, of business, products and/or services of an organization, it is controlling or has an influence on (Pribaković Borštnik, 2004:161). The public sector also has positive experience with it (see the listed examples from Japan in Pribaković Borštnik et al (2004: 63). The second model is based upon the ISO 14000 standard, however it is supplementing the standard with stricter conditions for fulfilment of statutory requirements, environmental impact assessments, outside communicating and relations, inclusion of employees and management of environmental aspects. Primarily, the registration was only designed for organizations of the industrial sector, later it also expanded into other sectors. Some member states of the European Union, e.g. Sweden, stimulate establishment of this system and registration strongly in the public sector - local administration, schools and other public institutions (Pribaković Borštnik et al, 2004: 63-64).

EFQM and CAF – models that are already adopted in Slovenia and may be used for the measurement of social responsibility

We can read in the model EFQM below the description of "social responsibility", that "excellence is surpassing the narrowest legal frame, in which an organization operates and an aspiration to understand and to respond to anticipations of own participating sides and societies.", respectively that it is a theory and practice "of measurement and administration of environmental activity of organization and its impact on society, its reputation in these fields and of multilateral communication with society and participating sides." (Metrology Institute of Republic of Slovenia, 2004: 4)

The CAF model, is being used in Slovene environment often, which created bearing in the mind specifics of public sector, respectively as the model itself names them "prerequisites" is structured as the EFQM model, due to which it is possible to pursue the logic of social responsibility from the EFQM model. It, namely points at individual parts of model where social

responsibility mirrors. Comparatively we can, in lower table, take a look at submeasures of the EFQM model and its proper counterparts in the CAF model.

Table 1: Comparison of submeasures in EFQM and CAF models (Modic, 2007: 77)

E/R ³⁰	EFQM Model	CAF Model
E	1.a - Vision, values and ethics reflect social responsibility of an organization	1.1 Steering the organization by developing its mission, visions and values
E	1.c - Relations with outside stakeholders	1.4-Relations with politicians and other outside participating sides
E	1.d - Relations with stakeholders	1.3 - Relations with stakeholders
E	2.a - Entry data from stakeholders for strategy	2.1 - Gathering of data concerning momentary and future needs of the stakeholders
E	2.b - Entry data from measures and data, including demographic factors	
E	2.c – Preparation of strategy, including strategy of social responsibility	2.2 Developing, monitoring and updating of the strategy
E	2.d - Distribution of strategy, including the participating parties	2.3 Execution of strategy and planning in entire organization
E	3.a - Ethical values and justice at hiring and at conditions of hiring	3.1 Transparent planning of personnel resources
E	3.b - Developing the abilities of employees.	3.2 Recognizing, developing and using the competences of employees
E	3.e - Care for employees by striving for cultural and sociable activities	3.3 Including of employees by developing an open dialogue and authorization process

³⁰ E= enablers, R= results. Both models consist of two parts; the first part depicting the enablers, which cover what the organizations do, and the second part depicting results or the achievements by the organizations.

E	4.a - Partnerships, including partnerships with social organizations and local suppliers	4.1 Developing and introduction of key partnership relations
E		4.2 Developing and introduction of partnerships with citizens/consumers
E	4.b - Financial strategy to support the strategy of social responsibility of the organization	4.3 Administration of finances
E	4.c - Treatment of the environment	4.6 Administering the environment
E	5.c - Contribution of consumers and of partners to the product	5.2 Developing and assuring of products and services, aimed at citizens/consumers
E	5.d - Producing with consideration of possibility of recycling etc.	5.3 Inovating the processes in which the citizens/consumers include themselves
E	5.e - Daily relations with users	
R	6.a - How users see the image of the organization	6.1 Results of measuring of satisfaction of citizens /consumers
R	7.a - How are employees realizing the organization as an employer	7.1 How are employees realizing the organization as an employer
R	8. - Measures of satisfaction of society in regard to the organization and inner social indicators	8. Results for the society
R	9. - Partnership, financial measures, efficiency of processes, activity according to standards	9. Key results of the activity

As we see, the organizations of the public sector are also subjected to assessment of their social responsibility through the CAF model - for more see Modic (Modic, 2007:77-78).

Control

International level

Control is primarily needed on the level of supervising of actions of state. As systems of possible control we can list - according to Dalal-Clayton and Bass (Dalal-Clayton and Bass 2006: 43):

- 1) National Peer reviews
- 2) Internal reviews
- 3) External auditing
- 4) Parliamentary reviews
- 5) Budgetary reviews
- 6) Indicator-based and quantitative monitoring
- 7) Public, local monitoring
- 8) International monitoring.

Every listed mechanism has its own advantages and drawbacks (see *ibidem*, p. 44 and further). However as we have emphasised above, the globalization has caused the problems of corporate social responsibility to become “planetary”; they are not limited to one geographic area, but “fly” across the globe (not only environmental, but also for instance social). Hence it is crucial to develop efficient systems of corporate social responsibility control on the international level, and on a regional and local level (we list, only as an example, the Slovenian system in the next sub-chapter).

National bodies in the case of Slovenia

As in other states, we can also see in the case of Slovenia, that the field of CSR is very interdisciplinary, which is why there is a large divergence of competent authorities - similarly as e.g. in UK). For the field of CSR, we can say that Slovenia, as well as many European, other states and the EU, works on a voluntary principle.

In Slovenia we also have the Council for sustainable development, which is a consulting body of the Government of the Republic of Slovenia in the field of sustainable development, as the development, which equally considers

economical, social and environmental ingredient of development. It is, namely a body, analogous to bodies in some other European countries (see above) and works as a part of the Government Office for Local Self-Government and Regional Policy. The council is designed for achieving dialogue with civil society concerning all basic developmental questions. Its composition assures the implementation of principle of partnership between the state, social and regional partners, organizations of civil society and interest groups.

More active attraction of nongovernmental organizations based on the Finnish-Danish participative model, is necessary, because quite a few nongovernmental organizations work in Slovenia; engaging in both the problems of sustainable development as well as of corporate social responsibility: e.g. Institute for sustainable development, Institute for development of social responsibility, International center for sustainable development, Umanotera.

Furthermore, one of the strong "tools" is environmental audit. Environmental auditing started to develop in the beginning of the seventies, in the United States of America and in Western Europe. Later on, companies decide more and more to perform environmental audits, in order to get an independent outside evaluation, whether the management designed and established an efficient environmental policy and therefore ensured acceptable environmental attitude of the company. References on how the company can, in the least expensive and most effective manner, decrease harmful impacts like pollution of outside environment and how the use of environmentally friendly technologies can save money in the long term, are the most important result of environmental audits. Performing environmental audits in companies is not obligatory; it does however show a high degree of awareness of the company concerning its social responsibility and relation to environment. Similarly as in the private sector, also the supreme audit institutions, across the globe have, regarding increasing awareness about increasing endangering of environment, started to be aware of the key role of state at formulation of suitable measures for restricting harmful consequences for environment and for efficient and successful dealing with environmental problems. They realized the need for performing environmental audits in public sector also.

On lieu of a conclusion: from the "FROG" to "JAZZ"

The World Business Council for Sustainable Development (WBCSD) made, among others, two models for future. First is named FROG, which speaks about first taking care of profit (economic component is most definitely one of the foundations of CSR and SD), and taking care of environment afterwards. JAZZ testifies to the fact that the world works as a whole and that is why, we need an active role of all stakeholders, where the states and organizations of public sector must only be coordinators (Speth, 2005: 30-32).

Unfortunately we are not yet near the JAZZ model and that is why at least a partial regulatory role of the state is still necessary. We have argued the following (regulatory) principle, also emphasizing its limitations. We have shown in the case of Slovenia the field is extensive, whereby choosing only some examples. But the debate whether to apply regulatory or voluntary approach is just the first part of the story. The principles of social responsibility must also be incorporated into the public sector itself. We have therefore shown that leading by example is also a crucial element. Some models measuring the level of social responsibility are emerging anew, others, already in use, can be adapted to measure CSR. The common excuse on the lengthy implementing process of new models is therefore abundant; the models already in use in Slovenian public sector suffice for the measurement of social responsibility in this sector. Lastly, the area of control was sketched only briefly. Due to the fact that we live in a globalized world, where international business can play a major role in more than one country, the need for international control arises. However, national control mechanisms set the basis, therefore a short summary of national mechanisms have been shown in the case of Slovenia. We have, hence, depicted all three roles of the state; in an effort to round up the multiple roles of the state in regard to the problematic of CSR:

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