

BUSINESS GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY IN BULGARIA

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ABSTRACT

The aim of the research is to gain insight into a form of corporate governance strategy that sets up the standards for a leadership at a higher level than the legal regulation and defines corporate social responsibility (CSR) as a management system for the relationship between the organization and its environment (all stakeholders) based on ethics and respect for the employees and their families, local communities, consumers, society and the environment.

The article presents the peculiarities of the main types of social policies that apply to the Bulgarian business organizations, such as: assessment of social costs on the competitiveness of the company; looking for tax benefits from pursuing social policy; "Minimum social costs"; "Targeted social costs and responsibility". Other grounds for characterizing CSR as a duty, reaction or activity of companies in Bulgaria are also illustrated.

KEYWORDS: Business strategies, ISO 26 000 Guide, Application of CSR

JEL: M14, M21

1. INTRODUCTION

EU Member States are actively involved in the global discussions and support the creation of a global sustainable development policy, including the CSR policy as part of it.

The main international institutions that formulate Sustainable Development Policy and, respectively, CSR and monitor its implementation, monitoring and improvement are the United Nations General Assembly, the United Nations Climate Change Forum, and the United Nations Forum on "Business and Human Rights, which is guided by the Working Group on Business and Human Rights and organized by the Office of the High Commissioner for Human Rights, the International Labor Organization (ILO).

The fundamental documents in this direction are: UN Millennium Development Goals (MDGs) (Millennium (2017)); the outcome Document from United Nations International Conference on Sustainable Development (Rio+20) (Rio+20 (2017)); as well as the Kyoto Protocol¹. They all reflect the extent to which the global debate on CSR topic has reached and draw a broad framework for the implementation of its main outcomes.

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No less impact on the development of the global business policy regarding the CSR implementation and its integration in the business practices, prove out to be the establishment and development of international standards and guidelines that set the framework, which is then refined by individual and national good practices, Model Content Frameworks, core subjects and principles for implementing social responsibility by organizations such as ISO 26 000 Social Responsibility (ISO (2017)), Guidelines for multinational enterprises (Guidelines, (2011)) and the Principles of Corporate Governance (G20/OECD Principles, (2015)).

The aim of this study is to analyze the Corporate Social Responsibility Memorandum - Some Approaches and Good Practices (Analysis (2009)), adopted by the Economic and Social Council in Bulgaria in December 2009, following the development of business management and corporate social responsibility, as well as current changes in this field in Europe and the world that have occurred since 2010.

The New Global Sustainable Development Agenda 2030 "Transforming our World" and the adopted new Goals for Sustainable Development (Transforming (2017)) reflect the clear intention of the countries around the world to act proactively to inform, create the necessary conditions and motivate businesses furthermore to recognize its place in the broader community and to take a commitment and responsibility for its transformation towards more sustainable development in the interests of the people, planet and prosperity.

2. EUROPEAN STRATEGY FOR CSR

CSR is developed at universal, European and a regional level. As a member of the European family, Bulgaria is also a party to the main contractual instruments related to the theme of sustainable developmentⁱⁱ. The European Parliament, the European Commission, the Council of Europe and the European multi-stakeholder forums on CSR are responsible for the diverse aspects of sustainable development in the EU.

The European Commission addresses the issue of corporate social responsibility development in the context of the sustainability, competitiveness and innovation potential of the European economy (Corporate (2017)) and, respectively, defends the idea that "CSR brings benefits for risk management, cost savings, access to capital, customer relationships, and human resource management" (Falk (2015)). This definition evolves and, given the dynamic development of practices and scientific achievements in the field, it acquires new dimensions in the renewed European CSR strategy for 2011-2014. The European Commission complements the definition of corporate social responsibility, including "the responsibility of businesses for the impact on the society"ⁱⁱⁱ.

The European Parliament declares that "corporate social and environmental responsibility should become an integral part of trade agreements of the European Union" (P7_TA (2010)). This clearly demonstrates the EU's willingness and ambition to extend the implementation of the concept of corporate social and environmental responsibility actively to its international partners so that it is supported by the strength **of trade agreements** and in particular by the framework they create for monitoring the implementation of the principles underlying them.

The European CSR strategy is designed as an action plan to support the development of a prosperous society by an inclusive growth, delivered by improving Europe's competitiveness and innovation prospects. It focuses on enhancing the

visibility and dissemination of good CSR practices, improving self-regulation processes (The Community (2017)), promoting market reward for CSR (through public outreach and promotion), improving the transparency in non-financial indicators, and last but not least - synchronizing national, European and global understanding of CSR.

The practices of CSR are extremely rich and varied - different business organizations have different accents of their social responsibility. But they all have a common focus - they contribute to the sustainable development of the economy and the public (Dimitrov (2014)) (Bakardjieva (2009)). The objective of promoting the wider dissemination of CSR practices forms and strengthens the tendency to recognize and apply globally and globally valid tools applicable to the broader range of industries and countries.

Society expectations for a growing number of social and environmental business activities have led to newly adopted decisions regarding the enhancing of disclosure of non-financial information and information on diversity by large enterprises and groups. Society and investors expectation regarding the disclosure on such type of information have increased significantly, and the enterprises can chose whether to meet that expectation, or to explain in details why they've chosen not to do it. (European Parliament Report (2013)).

Companies are increasingly under pressure to report publicly and transparently on their social and environmental behavior (Thorns (2015)). The pressure on enterprises to report their business policies on corporate social responsibility (Ibidem (2017)) comes from politicians, consumer organizations and other non-governmental organizations. With this steady trend towards expanding voluntary reporting of non-financial information, companies are seeking to use this labor-intensive business for the benefit of business development.

Another, no less important, work direction for CSR promotion is the EU initiative to create a Capital Markets Union (Public Consultation (2015)), which aims to restore investors' confidence, to connect more effectively the free flow of capital with businesses that needs funding, to break down the barriers that are blocking cross-border investments in the EU and preventing businesses from getting access to finance, thus fostering growth, competitiveness and the development of sustainable jobs. Within its framework and in terms of restoring investor confidence, the topic of socially responsible behavior by companies is gaining momentum.

After 2012 there is an increasingly dynamic development and adoption of CSR. Thanks to the efforts of world leaders, the work within the EU, the accumulation of expertise by companies and the dissemination of information to all stakeholders involved in the process. CSR is increasingly perceived as **a basis for a sustainable business model** in which the responsible and transparent management of all resources (human, environmental and financial) is a guarantee for a stable production, supply and consumption, fair pricing and adequate use of resources, resulting in the sustainable development of the market, society and environment as well. Bulgaria is also involved in this process, although there is a clear need for more efforts to be put in this direction, because there is a delay in achieving positive results in the implementation of global and European trends in practice.

3. TREND OF INTEGRATED REPORTING IN UNIVERSAL INTERNATIONAL INITIATIVES AND ACTS

Unlike the beginning of the 21st Century, when most international institutions set up separate and independent, sometimes even repetitive, collections of good practices, management systems, ethical codes of conduct, and CSR implementation methodologies, over the past five years, most of them have been united.

The most significant partnership agreement, designed as a **Memorandum of Understanding** (Working together 2012)), was signed several months before the The United Nations Conference on Sustainable Development, Rio+20 (10.01.2012) of the Global Compact of The United Nations, the United Nations Environment Program (UNEP), the International Institute for Sustainable Development, the Global Reporting Initiative and the International Organization for Standardization. The main reasons for this collaboration may be found in the ambition to reduce the administrative burdens and costs for business organizations that previously have to comply with dozens of formal requirements in order to report their progress and / or compliance with each of them. In addition, the reunification facilitates the production of sustainability reports (CSR reports) and the communication with other stakeholders.

In 2010, under the auspices of the Prince of Wales, an International Integrated Reporting Council (IIRC) (Integrated Reporting (2017)) was established as the first global coalition of regulators, investors, companies, bodies, standard setters, the accounting profession and non-governmental organizations that work to create value as the next step in the evolution of corporate reporting. In 2011, the Council adopted a pilot program for the implementation of a new **International Integrated Reporting** (<IR> Framework) that reflects the progress in financial performance, governance, development vision and sustainability reporting of business organizations. Providing integrated information in this way aims to help shareholders and stakeholders to make informed decisions; solutions that will lead to effective capital allocation according to the financial and non-financial results and the value creation (and preservation) by companies in the long run.

4. TREND OF SYSTEMICITY, OPERATIONALIZATION, MEASUREMENT OF THE IMPACT OF CORPORATE RESPONSIBILITY IN UNIVERSAL INTERNATIONAL INITIATIVES AND ACTS

The International Standard ISO 26 000 Guide on Social Responsibility (ISO 26000 and OECD Guidelines (2011)) is the first comprehensive guide that describes in detail the content, the main subjects and principles for implementing the social responsibility by the organizations. It acts as an "umbrella", uniting under its hat a number of management systems. Companies choose whether to move from individual standards to an integrated system that combines the seven core topics of ISO 26 000. Respecting the principle that CSR is a voluntary action by companies, the international standard is not subject to certification, which means that business organizations which apply for it, are not subject to verification by a third independent party. In some countries, a number of national CSR standards (Greenleaf Publishing (2017)) have been developed, which reiterate ISO 26 000, but also provide the certification possibility.

The OECD Guidelines for Multinational Enterprises (OECD Guidelines (2011)) were updated in May 2011. In their most recent version, they include recommendations

for better compliance with the human rights and a new comprehensive approach to due diligence and responsible supply chain management. As stated by OECD Secretary-General Angel Gurría, "... the business community shares responsibility for restoring growth and trust in markets"^{iv}.

The OECD Principles on Corporate Governance, presented at the G20 Finance Ministers meeting, were updated in September 2015 (OECD Principles (2015)). They provide recommendations for national policymakers on shareholder rights, executive remuneration, financial disclosure, the behaviour of institutional investors and how stock markets should function. The sound corporate governance is seen as an essential element for promoting capital-market based financing and unlocking investment, which are keys to boosting long-term economic growth.

Regional European CSR initiatives and acts – as the adopted on 22.10.2014 EU Directive 2014/95/EU of the European Parliament and the Council amends the accounting directive 2013/34/EU. It lays down the rules on disclosure of non-financial and diversity information by large enterprises and groups, it's enforced since 01.01.2017 (Company reporting (2017)). The Directive has a binding force, unlike the universal instruments mentioned; hence it is an important document in the field of CSR. It is also a step towards improving the disclosure of information with an intention of restoring and enhancing the investor confidence.

5. UNDERTAKEN ACTIONS TO FOSTER THE IMPLEMENTATION OF CSR IN BUSINESS ORGANIZATIONS IN BULGARIA

The main challenge for the further implementation of CSR in Bulgaria and Romania is the need for public recognition, motivation, encouragement and support for companies and businesses pursuing a consistent policy of applying good corporate social responsibility practices.

CSR is a real opportunity to strike a balance between the interests of all stakeholders on crucial issues such as: respect for human rights; ensuring coherent economic and social development; combining an increase in competitiveness at a company and national level with an increase in the living standard of the employed.

An important instrument for achieving these balances is also the adoption and the voluntary implementation of social dialogue opportunities and collective bargaining between employers' organizations and trade unions, as a form of CSR. At the same time, the proven pattern of **bipartite cooperation in European (and to some extent in the national) context** is synergistic with the CSR principles^v.

As part of the policy to promote the implementation of CSR practices in the country, the Bulgarian government initiated in 2008, in cooperation with all stakeholders, the preparation of the National CSR Strategy (2009-2013) (National CSR Strategy (2009)). This is a positive initiative designed to provide additional impetus for the introduction of socially responsible business initiatives at a company level in Bulgaria. The Strategy has also set up a standing advisory Council to the Minister of Labor and Social Policy. Unfortunately, the practical usefulness of both the Strategy and the Council cannot be highlighted, and the latter can hardly be identified as a working body. This is a clear signal that the stakeholders themselves - their representative associations - should play a leading role in formulating, implementing and monitoring such documents, and that the role of the government should be focused

on implementing relevant supportive public policies, using a combination of legal, economic, financial, information and combined instruments.

Another very important document is the **National Code for Corporate Governance** adopted in 2009 and updated in 2012 (National Code (2012)) applicable to public companies whose securities are traded on the Bulgarian Stock Exchange. Its application by companies is voluntary. At present, more than 53 companies are reported to have complied with the Code's principles. Many of them are pioneers in the field of CSR and apply very interesting and diverse social responsible initiatives. In order to increase the number of enterprises and encourage their adoption of the Code, it is necessary to conduct targeted information campaigns for the main stakeholders - associations of the various actors on the capital market, social partners and civil society organizations.

It should be noted that the Bulgarian Stock Exchange - Sofia has an ***Index of Companies with Good Corporate Governance***, which includes the seven best-managed companies. However, the investors do not take into account the inclusion of companies in this index as a reason for their more positive perception or a higher corporate image.

The process of transition to a low carbon "green" economy in Bulgaria is still in its early stages, but it is already sensitive to the issue, and some of the normative acts and financial mechanisms for development (mostly in the operational programs) such as the development of eco-technologies, eco-innovation, environmentally friendly production of goods and services, resource efficiency, the introduction of environmental standards, and others. This issue needs to be explored carefully to ensure the positive effects of such practices combining environmental protection and sustainable development with preserving and promoting competitiveness and sound business logic. On the other hand, too much investment in renewable energy sources (RES) in recent years, with guaranteed high purchase prices of the electricity produced during the introduction of the capacities in operation, aggravates the price of electricity in Bulgaria by increasing the "**duty to the community**" taxes and are the cause of social tensions and protests.

A process of promoting/stimulating/ "green" job creations has begun since 2010. The provision of free and preferential financing, measures for their promotion, and modalities for their implementation are governed by changes in the Implementing Regulations of the Law on Employment Promotion (EPA) adopted at the meeting of the Council of Ministers on 08. 12. 2010 (Implementing Regulations (2010)). In 2011, a National Action Plan for Promotion of Green Public Procurement (2012-2014) was adopted, which lays down mandatory goals for state institutions (for local authorities the goals are recommendable) for procurement of green goods and services^{vi}.

The social partners in Bulgaria are also very active in implementing projects aimed at promoting CSR - both individual and joint actions^{vii}.

Some sectors of the economy are able to work proactively towards creating tools for the sustainable development of their industries. These are: the Bulgarian Chamber of Mining and Geology with its own sectoral Sustainable Mining Standard (Sustainable Mining Standard (2017)); The Union of Brewers in Bulgaria - adopted the Code of Responsible Commercial Communication and Ethical Standards (Code of Responsible (2005)). In this order are all of the collective projects of the Bulgarian UN Global Compact network members. The analysis of their activity shows that reporting and auditing processes should be developed gradually, respecting the voluntary principle of

disclosure of data on a socially responsible practice. Social reports should be informative and report on the social performance of companies.

Activities to promote CSR achievements through **annual competitions** have been successfully organized. The Ministry of Labor and Social Policy organizes an annual competition for a socially responsible business. This practice should be highly praised and promoted as an annual one, and the established Annual Business Social Responsibility Awards by the Bulgarian Business Leaders Forum (Annual (2013)) already have more than 12 editions. In 2012, a pilot competition "European CSR Awards for Partnership and Innovation" (UN Global (2012)) was held in the EU for the first time, from Bulgaria the partner in this event is the UN Global Compact Network Bulgaria.

As far as the education policy is concerned, high-profile specialized masters and bachelor programs at the University of Ruse and some other Bulgarian higher schools (Stefanova (2013)) can be highly appreciated. A number of manuals for the implementation of good corporate governance practices and corporate social responsibility have been published. In this context, a key role is given for the further CSR training of public administration, as well as the creation of an optimal information environment for its development. At the same time, it is regrettable that the number of higher schools and universities where the principles and practices of CSR in Bulgaria are being taught is unjustifiably low. The development of the Bulgarian CSR Strategy should focus on fostering the teaching of social responsibility issues in economic higher education institutions and business faculties in multi-profile universities^{viii}.

6. FACTORS, FOSTERING THE APPLICATION OF CSR IN BUSINESS ORGANISATIONS

The application of CSR practices is a voluntary action on the part of companies. Normal business logic implies rational reasons (advantages) that companies clearly understand and want to realize, motivating them to choose socially responsible behaviour. Integrating the concept of CSR into the corporate strategy and the application of the CSR principles in their practical activities offers many advantages for the companies.

The main positive effects of socially responsible behaviour are: increasing labour productivity and production quality; a beneficial impact on the image of the company; easier access to investment; improving relations with state institutions, bodies at national and local level, and target audiences.

The global financial and economic crisis (2007 - 2008 and its second peak in 2015) has significantly changed the patterns of doing business globally, bringing to the fore **non-monetary factors of competitiveness as a positive image, trust, integrity, transparency**. In this light, new dimensions are added, which are even more important for the survival and prosperity of companies. Reporting of non-financial information is a **form of risk management**. In the good faith use of the tools available, risks emerged during the reporting process itself, which to date have been left out of the attention of managers. The focus is on analyzing social relations, sustainability of the development and the environment. Over the past years, a significant amount of good practices have been accumulated across EU countries towards **reporting non-financial information** (Bakardzhieva (2013)). It is a matter for stakeholders to preserve the **voluntary nature** of this action and to convince companies and businesses of its appropriateness. On the

one hand, one should not hesitate to regulate this process - the practice in EU countries is definitely in the direction of voluntary. Compulsory elements exist in only three countries (Denmark, France and Great Britain - until it leaves the Union), but they only apply to **large companies**^{ix} and are mainly related to the disclosure of the adopted CSR policy, and even if there is no such policy this has to be declared and explained. It is a great challenge to present in a convincing way the arguments for the benefit of the rational use by voluntary business organizations of voluntary reporting (disclosures) in the formats of the various existing reporting initiatives.

Negative demographic trends in Eastern Europe, the active emigration of well-educated and qualified staff, further promoted by free movement within the EU, have highlighted socially responsible behaviour as an opportunity to attract and retain qualified human resources. Nowadays, the maxim is that the company does not select the cadres and the cadres choose who to work for. The application of CSR, adherence to business ethics leads to the establishment of corporate culture, brings a positive image of the company and helps to motivate, form loyalty and retain highly qualified professionals.

A specific factor encouraging the implementation of CSR practices by Bulgarian companies is the development and improvement of the national two-helix and tri-helix dialogue. In recent years, the social partners, working together and in a spirit of constructive cooperation, have agreed on a number of initiatives and measures to be implemented voluntarily, including through the actions of the business units in CSR activities.

Due to the still **serious economic imbalances in Eastern European countries**, successful companies in smaller towns and cities are facing serious expectations from local communities, and responding to different initiatives that improve the quality of life in the community - help in building infrastructure, supporting existing and even creating new educational establishments, environmental initiatives, support for people with special needs or disadvantaged groups and others. The application of CSR practices contributes to both the improvement of different aspects of the situation of a particular local community in view of its specific needs and its overall sustainable development.

Another positive factor in the development of CSR is also the growing confidence in both academia and entrepreneurs that "corporate social responsibility, creating value for key stakeholders, enables full integration between business goals organizations and their social responsibilities. Its integration into company development strategies and their implementation through appropriate management tools could help increase the value of firms and realize competitive advantages, thus contributing to their long-term sustainability."(Gogova (2011))

Carrying out a corporate social responsibility policy in the **field of environmental protection** can lead to tangible cost savings in doing business in a responsible and effective way. Key accents are placed on monitoring and discovering new ways to optimize energy costs, energy efficiency and water consumption by producing so-called **Green Accounts**. If this activity is not done formally, the collected and systematically analyzed information inevitably leads to optimization of energy and water consumption and hence to cost reduction.

Practicing CSR undoubtedly **helps to attract investors** by creating trust in them, based on formation and validation of image of sustainability, responsibility, transparency and integrity of companies that follow socially responsible behavior. An additional factor for a country like Bulgaria with a small national market and a real

sector highly dependent on export markets is the ability to attract potential business partners and create **strategic partnerships** based on the formation and validation of a positive image and reputation in society as a consequence implementation of CSR.

The **attraction and retention of customers** increasingly depends on the implementation of sustainable development and sustainable consumption concepts where the expectations of consumers and their business partners are related to responsible business conduct. Certain types of companies are in a position to be **flags in applying CSR**, motivating both their counterparts and partners:

- **Public companies**, due to their status and the fact that they work in a transparent and trustworthy manner among their stakeholders, a major part of which are the shareholders, are a major driver of the implementation of CSR in Bulgaria. They have the necessary culture to form an understanding of the benefits of applying good practices of corporate social responsibility. They also have the most serious motives for voluntarily providing the public with non-financial information.

- **Multinationals**, due to the scale of their activities, usually have a strong experience in pursuing socially responsible behaviour. They also act as a motivator for implementing CSR by extending and promoting good practices in this area in their supply chain. This includes not only imposing requirements and checking compliance, but also setting up long-term capacity building programs for their suppliers in the areas of corporate social responsibility.

- **Service providers of general interest, dominant market companies and state and municipal companies** are also more prone to CSR in their activities due to the nature of their business models and the fact that they are charged with more public expectations, often being in the focus of public attention, and often being an object of political attention also.

- **Small and medium-sized enterprises**, which form the basis for the Bulgarian economy, aim to ensure their sustainable growth through direct inclusion in the value chain of large companies, including multinationals. This inclusion stimulates their development both as a market and as a corporate culture. For SMEs, partnerships with multinationals are necessary to gain the necessary knowledge, motivation and capacity to engage in social projects or apply good practices in the areas of corporate governance, environmental protection, human resource development or anti-corruption practices.

As an illustration of the relationship between the type of company and the activity in terms of CSR implementation, we can bring the distribution of Bulgarian applications for the "European CSR Awards" for 2016 - MNC - 45%, large enterprises - 24%, SMEs - 24% and micro enterprises - 7% (Bulgarian UN Global (2013)).

Traditionally, the introduction of CSR into practice is linked to actions in several areas: ensuring a fair return on the funds of the owners/shareholders; ensuring fair pay; providing healthy and safe working conditions and opportunities for professional development; without discrimination of workers and employees; offering quality and safety-free products and services at a fair price to consumers; minimize negative impacts of the activity on the environment and strive for a satisfactory utilization of natural resources; transparency and dialogue in relation to the main stakeholders and audiences; contributing to economic stability and the sustainable development of the immediate vicinity; implementing good corporate governance practices and adhering to the highest standards of business ethics.

7. CHALLENGES TO THE APPLICATION OF CSR IN BUSINESS ORGANIZATIONS

The core of CSR initiatives are the companies in the real sector, supported and motivated in their efforts by national and branch organizations of employers, investors, NGOs and consumers. The consolidation of socially responsible practices has always been and should remain within the framework of voluntary initiatives. The efforts of state authorities, social partners and civil society should focus on proposing measures to **develop a supportive environment** in which institutions and citizens can "reward" social actions of companies for CSR practices with real and indisputable for all public benefits. At the same time, public insanity must be directed at company practices that represent **compliance with the law as a form of CSR** or against companies that violate the law or practice "buy indulgences" with episodically but widely advertised initiatives in the field of social responsibility.

One of the serious areas of CSR implementation is the active inclusion of companies to **curb the gray economy**. Companies with CSR practices as a pre-requisite are fully accurate to the law and operate in an undisguised manner. They could demand from their counterparts' assurances and evidence that their business is also undisguised. An important role in this respect is played by the joint actions of the social partners with considerable experience, including through training and awareness-raising campaigns.

The vision of the integrated approach for CSR implementation is addressed at the "European CSR Stakeholder Forum" (February 2009) in Brussels. The main aspects continue to be relevant today, but they are complemented by the new events and challenges that have occurred over the past decade.

Attracting and retaining quality human resources is an increasingly important factor for competitiveness. It is in this respect that the **application of CSR to internal audiences** - staff and its immediate surroundings - is becoming more and more important. At the same time, the possibilities for interventions and systemic action by companies at individual level are relatively limited. This is the role of the social partners, which, through joint actions, can, together with state bodies, formulate and implement strategies aimed at balancing the labor market by enhancing the attractiveness of professions, key for the competitiveness of important sectors of the economies of the Eastern European countries, where there is a systemic shortage of qualified specialists. It is crucial to build a positive view of the quality of jobs in these professions, as well as the creation of the status of "**protected professions**" and "**protected specialties**".

The development of internal CSR can change business models by **stimulating labor productivity, career development, lifelong learning** and, as a result, strengthening social justice and sustainability, based on decent pay according to labor results, good working conditions and social protection.

Today, the EU countries face an unprecedented crisis of refugee waves. Confusion among political and administrative elites is undisputed. Diametrically opposed positions, ranging from wide opening of the doors to the emergence of the Great European Wall, overlap. There is no unified position between individual EU countries and within Member States. The application of the CSR principles, which imply "inclusion of all groups of workers" and "integration of migrants", would allow companies with more flexible and non-standard thinking to take advantage of this

additional source of human resources and to derive advantage of applying this form of CSR.

A serious challenge for Eastern European countries is the difficulty in applying CSR good practices to SMEs, which are mainly commercial companies. Many small and micro-enterprises are created not with the idea of being put on the market with a certain innovation product or business model, but simply because the owner (or their owners) did not have another alternative. Such commercial companies are generally in "survival mode". They are not looking for good practices to increase their chances of marketing, but only short-term solutions. Undoubtedly, attention should be paid to the possibility of working to stimulate those from small and micro-enterprises that are innovative (at least to some extent) who seek to grow, market themselves within the limits of a niche, identified by their management body, no matter how modest this niche is.

Again, in the context of CSR, it is important to **encourage the conclusion and implementation of charters, the drawing up of ethical codes and codes of conduct** as relatively new tools for cooperation between the social partners.

The social audit is not yet recognized as a voluntary instrument for verifying the CSR activities in order to strengthen the confidence of the stakeholders. This should be gradually changed in the national CSR strategies. The EU funds should be intelligently used to develop social responsibility for small and medium-sized enterprises, focusing on issues such as social exclusion, poverty and others.

In Bulgaria there is a relatively low **awareness of the essence of social responsibility of companies and enterprises**. According to data from a national representative opinion poll valid for 2013, more than half of respondents believe that "this is the responsibility for the disadvantaged and the Bulgarian children. Third is the responsibility for the company's customers" (Nikolova (2015)). Fifteen per cent of respondents do not have information on specific CSR activities.

8. NECESSARY MEASURES TO ENCOURAGE THE APPLICATION OF CSR TO BUSINESS ORGANIZATIONS

A key direction in future work to broaden the scope of application of CSR good practices is to **increase awareness of them amongst the medium, small and micro-enterprises and to promote the benefits of applying them**. The formation of SMEs as a "target group" to be "intrigued" by CSR goes hand in hand with the need for the fight against corruption to be turned into a good practice and a backbone of CSR policy among this category of business organizations. The creation of anti-corruption networks that genuinely combat the various forms of corruption in the administration and the non-governmental sector should be one of the main accents of CSR policy in the short and medium term.

Another key area is to motivate enterprises representing natural monopolies (or oligopoly structures such as mobile network operators) to apply CSR good practices. Here, a significant distinction needs to be made between the demand business organizations representing natural monopolies to be legislatively enacted in the same regime of providing information as public companies, and that they should be "indoctrinated" to apply social responsibility. The same is also recommended for enterprises with predominant state and municipal participation, as well as providers of services of general interest. In the event that state-owned companies and companies

with a monopoly position on the market begin to disclose information on the model of public companies represented on the stock exchange, their practice will in itself become CSR. Then the social knowledge of the state and municipal administration will be of value.

Investor Relations Directors are the main channel of communication for public companies. They are the "tool" that ensures the simplicity of their activity. Their contribution and role should be widely popularized, including by the state-controlled media.

The fight against the gray economy must continue in the full range of measures that have been implemented by the social partners so far with the expansion of good CSR practices and innovation in this area. The less tolerance towards the unfair competition that damages the responsible companies is exerted, the more their profit will create a shared value for society and business.

The voluntary nature of CSR policies and good practices should be preserved. Everything that is not voluntary is not socially responsible; it is just a normative requirement. Unlike regulatory instruments that express the will of the ruling political power, CSR represents a voluntary commitment of business to contribute to social, economic and sustainable development that goes beyond the statutory requirements regarding the conditions of work and rest, labor relations, environmental protection, etc. In this voluntary process, all stakeholders interact and partner, but in a way and through approaches where there is agreement and mutual assistance among all, not by reason. In the systematic introduction of business organizations to the CSR principles, the issue of "**responsible earnings**" must be emphasized. Basis of this understanding is the argument that: profits should be achieved in a responsible manner; CSR needs to come from the business itself, and CSR policy must be in tune with the core of the company's business; profit can create a shared value for society and business; corporate social responsibility is not philanthropy - it is important not how much money is spent, but how it is earned (Falk (2015)).

In view of a number of global processes that have an impact on East European countries with open economies, the strengthening of the protection and securing of human rights is becoming increasingly important within the framework of social responsibility policies. These are not just traditional issues such as: pay, working time, overtime, freedom of association, freedom of speech, social security and health and safety at work. It is also about the transparency of information on the chains of suppliers and subcontractors. The issue is too global, and business organizations need to be aware of this issue to take adequate measures and to avoid the need for legislative initiatives in this direction. CSR should ensure transparency of information on logistics chains and the human rights aspect. The aim is to eradicate discrimination. Unfortunately, the term "modern slavery" is already internationally recognizable. Business organizations should themselves focus their CSR strategies on this issue in order to avoid the need for legislative initiatives such as the "Modern Slavery Act" adopted in the UK in October 2013 (Modern Slavery Act (2015)).

Corporate Social Responsibility is a voluntary commitment of business that extends "above and beyond its legal obligations" but the implementation of social policies and the implementation of relevant good practices must be morally and communicationally supported by the state. **Adequate policy in the field of education** aimed at bringing it in line with labor market demand for professionals with a certain professional background will lead to undoubted positive results such as expanding the

socially responsible practices of business organizations in the field the development of human resources; providing scholarships for future highly qualified specialists; conducting traineeships in good corporate conditions, and more.

In the context of unfavorable European demographic trends and in view of the fact that most of the real manufacturing sector is deconcentrated and located in settlements outside of capitals and large cities, it is of the utmost importance to **actively promote CSR practices aimed at developing of local communities**. As the public administration activity is in direct contact with every citizen, through its behavior, any public sector employee could help raise public awareness of the importance and significance of CSR and the formation of a better consumer culture.

At the same time, a serious measure to promote the introduction of CSR practices in the activities of Bulgarian companies is the **reduction of administrative barriers to business**. This is a horizontal measure whose effect is to reduce the spending of resources and time by the business units, and the resources saved in this way can be redirected towards actions to introduce CSR practices.

9. CONCLUSIONS

1. The comprehensive policy to promote CSR implementation by business organizations should be aimed at enhancing public culture and understanding of the usefulness of socially responsible corporate behaviour in order to create a social environment that evaluates and stimulates such behaviour. Specific measures and actions are needed to collect and disseminate good practices, develop companies' capacity to implement CSR practices and promote transparency and disclosure of non-financial information. This is a continuous process, the success of which is only possible in close cooperation between social partners and state institutions and in the active involvement of other stakeholders.

2. The State, in cooperation with the social partners and other stakeholders, should take steps to raise public understanding of the benefits of CSR by engaging the media, stimulating the consumers' behaviour and building a relevant business culture to reward CSR activities. In this respect, the practice of successful implementation of projects by the social partners, both individual and through the implementation of joint programs, should be continued, expanded and enhanced.

3. Understanding CSR implies adequate education related to specific knowledge and skills, but meanwhile courses like "sustainable development", "corporate governance", "corporate social responsibility," and others are taught comparatively little in higher education. Therefore, a recommendation to the state is to encourage, in particular, European state universities, to include such courses in the programs of economics, business management, public administration, journalism and others.

4. The development of public attitudes about the value of socially responsible business behaviour is particularly important in the light of the latest serious challenges faced by the European economy. The lack of such behaviour leads to permanently high purchase prices of output as a result of non-transparent contracts for which the state and society pay; artificially creating a dominant market position; public tenders are being manipulated. At the same time, **CSR must in no way and cannot be used as "indulgence" by such business organizations** - and this is again determined by public opinion and behaviour. It is unacceptable to introduce law compatibility as a CSR practice, as well as to compensate for incomplete legitimate behaviour with occasional

CSR from the business. Informed stakeholders in the field of CSR must clearly oppose such an approach, especially when nominating and broadcasting prize winners in various competitions for best practice in social responsibility

5. The role of business organizations for spreading CSR as a model of behaviour is heterogeneous. The practice in some European countries shows that usually **this model is first perceived by large and structurally-defining firms** and then, generally along the supply chain, spreads to smaller companies. If public policies take into account this particular role of state and municipal firms, public companies, public utility companies and dominant market players, this will be very beneficial to CSR development. Appropriate local business governance codes will be set up, to which a large number of publicly traded public companies will voluntarily hold.

6. Efforts should be made by all stakeholders to include new CSR practices aimed at better balancing personal and working life, ensuring quality living standards, active aging.

7. It is important to emphasize the public stimulation and tolerance of CSR practices aimed at developing local communities, including through the encouragement of local authorities, to develop and implement policies and practices in the field of socially responsible behaviour.

8. For the well-informed implementation of socially responsible behaviour by business organizations, efforts should also be directed at "lighting up" supply chains (as part of the European and global economy), including the protection of human rights, the introduction of good labour practices, environment protection and transparent governance. Serious opportunities in this regard also offer the expansion of information disclosure practices to companies of major importance to the economy - with state and municipal participation, providers of services of general interest, structurally dominant and market-dominated enterprises.

9. In partnership with all stakeholders, the state and the social partners need to work actively to raise investor and consumer culture by creating opportunities for an **informed choice of socially responsible behaviour**. This is the way companies to feel supported for investing their own resources to implement CSR practices.

10. There is still a lack of a broad positive acceptance of CSR by the most of business organizations, making it a working and sufficiently open business concept. There are a number of reasons for this: lack of community culture and appropriate mechanisms for recognizing and stimulating CSR practices; a lack of adequate education to provide ethics as a basis for business relations and to provide knowledge of the long-term benefits of implementing CSR from eventual future managers; a relatively neutral civil position and public culture, and appropriate mechanisms to isolate business organizations that do not respect ethical rules of conduct. All these topics set the framework for future work of the social partners and state institutions.

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ⁱ International acts and initiatives in the field of CSR, to which Bulgaria is a country-participant.//IN: Analysis of the Economic and Social Council on Corporate Social Responsibility - Some Approaches and Good Practices, ESC / 2/012/2009, adopted at plenary session on 18.12.2009, Annex 3, p. 115

ⁱⁱ References to the relevant legislation can be found in Annexes 2 and 3.//IN: Analysis of the Economic and Social Council on Corporate Social Responsibility - Some Approaches and Good Practices, ESC / 2/012/2009, adopted at plenary session on 18.12.2009, Annexes 2 and 3, p. 118-125

ⁱⁱⁱ Available online at [http://www.europarl.europa.eu/meetdocs/2009_2014/documents/com/_com\(2011\)0681/com\(2011\)0681bg.pdf](http://www.europarl.europa.eu/meetdocs/2009_2014/documents/com/_com(2011)0681/com(2011)0681bg.pdf) //In: Appendix 2B. "Development of CSR with a European dimension" are explicitly quoted and discussed internationally and on a European perspective, including the European Parliament and the evolution of the European Commission's definition, p. 189-190 Accessed: 2017-08-12

^{iv} The business community shares responsibility for restoring growth and trust in markets," said OECD Secretary-General Angel Gurría. "These guidelines will help the private sector grow their businesses responsibility by promoting human rights and boosting social development around the world." IN: Organisation for Economic Cooperation and Development, New OECD guidelines to protect human rights and social development, 25. 05. 2011, p.12-15 Available online at <http://www.oecd.org/newsroom/newoecdguidelinstoprotecthumanrig-htsandsocialdevelopment.htm>. Accessed: 2017-08-12.

^v Good examples in this respect are good practices in the sectoral labor contract in Bulgaria. In a number of sectoral collective agreements, there are numerous CSR events practiced by companies across sectors - in terms of improving working conditions, protecting the interests of people with special needs, fighting corruption, unfair competition, unregulated lobbying, ethical behavior workplace and so on. See Appendix 6 IN: Analysis of the Economic and Social Council on Corporate Social Responsibility - Some Approaches and Good Practices, ESC / 2/012/2009, adopted at plenary session on 18.12.2009, p. 150-165

^{vi} "Green" is public procurement under a procedure where environmental considerations are taken into account in the procurement process. The EC has developed environmental criteria for 10 major product groups to be applied by all Member States with a view to preventing fragmentation and restricting competition within the Community's single internal market.

^{vii} Recently implemented projects of the social partners in this direction are: Project "Restricting and Preventing the Informal Economy" (BG051PO001-2.1.05, AICB, CITUB), Strengthening the Civil Society Structures for Improving Corporate Governance and Development of Corporate Social Responsibility "(07-23-10-C/04.-02.2008, BIC), project CSR for ALL, BG051PO0012.1.04, Operation" Improving the flexibility and efficiency of the labor market through active actions of the social partners "(BG051PO0012.1.04, KP Podkrepa).

^{viii} In its A7-0023 / 2013 Report on CSR: Promoting the public's interests and actions aimed at achieving a sustainable and inclusive recovery (2012/2097 (INI)) 2013, the European Parliament calls on the High Level Group and the Member States , in cooperation with the Commission and, where appropriate, with universities, to explore ways to include CSR, responsible governance and responsible citizenship in management education and vocational training for all future business leaders, so that they become a cornerstone of strategic corporate governance and promote awareness of sustainable consumption; believes that this could also include children participating in young entrepreneurship programs; and calls on the Commission to provide additional financial support for CSR education and training projects under the EU's Lifelong Learning and Youth in Action programs. p. 19-29.

With the introduction of a clause requiring transparency in supply chains in the so-called "Modern Slavery Act", the UK government has compelled all companies operating in the country with a net turnover of more than £ 36m to compile such reports. It is believed that this will affect about 12,000 companies. In France, the legislation currently being drafted is aimed at enterprises with more than 5,000 employees.

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