The World Guide to Sustainable Enterprise

Volume 3 – Europe
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The World Guide
to Sustainable Enterprise

Volume 3: EUROPE

Wayne Visser
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Introduction

When I published *The World Guide to CSR* in 2010, it was the most ambitious project of its kind, providing the most comprehensive country-by-country analysis of corporate sustainability and responsibility, with over 100 contributors profiling five regions and 58 countries. It remains an excellent reference book and I highly recommend it.

However, I am acutely aware of how fast the ideas and practices around social responsibility and sustainable business are evolving around the world, many of which I have observed at first hand in my work in over 70 countries, including more than 30 countries in the past five years. So I knew *The World Guide to CSR* needed updating, but I also knew the agenda had shifted.

One of the shifts I have become aware of is a move away from narrow conceptions of corporate social responsibility to a more multifaceted understanding. Indeed, my work in the last five years has been all about promoting the evolution of CSR from defensive, charitable and promotional modes to more strategic and transformative approaches – what I call CSR 2.0. Despite these efforts, and those of the ISO 26000 standard on social responsibility, it seems that if the label doesn’t change, it is hard to change people’s preconceptions and habits.

The second shift I have noticed is away from CSR and towards sustainability as a more holistic practice, as well as alternative conceptions such as Michael Porter and Mark Kramer’s notion of creating shared value (CSV), or what myself and Chad Kymal are now calling creating integrated value (CIV). The change in language may seem like semantics, but it signals a change in thinking, which is important. In essence, the management of
social, environmental and ethical issues is moving from the periphery (as a
nice-to-have, optional extra) to the core of business (as a must-have, stra-
tegic imperative).

The third shift I am observing is that sustainable business is becoming
less about compliance and risk management and more about break-
through opportunities and innovation management. On the one hand, we
see the rise of eco-innovation, being strongly promoted by the European
Commission, OECD and UNER, and on the other hand, the explosive growth
of social entrepreneurship, with the catalytic support of institutions such as
Ashoka, the Schwab Foundation and the Skoll Foundation. In effect, envi-
ronmental and social challenges are being turned into market opportuni-
ties and we are looking not only to big corporates to bring solutions, but
increasingly to creative, disruptive start-up ventures as well.

The combination of these three shifts convinced me to change the focus
of the new World Guide, from corporate social responsibility to sustainable
enterprise. Like The World Guide to CSR, this new edited collection brings
together powerful summaries of the best academic research and practical
cases on sustainable enterprise from countries around the world. However,
unlike The World Guide to CSR, the emphasis is on sustainable business
and social entrepreneurship, rather than traditional CSR and philanthropic
approaches.

I define sustainable enterprise as any business, large or small, that inte-
grates sustainability and responsibility, which includes value creation, good
governance, societal contribution and ecological integrity, into its strategy,
operations and products, in order to have a transformational, positive
impact on the biggest social and environmental challenges we face.

The emphasis on sustainable enterprise, rather than corporate social
responsibility, means that we are looking especially at innovative practices,
including social enterprises, eco-entrepreneurs and companies that are
introducing sustainable products and services into the market. We want to
showcase companies and projects that are bringing disruptive solutions to
our global challenges, rather than code-compliance or incremental change.

Sustainable enterprises are typically businesses that are practising five
principles: creativity (innovation, entrepreneurship), scalability (designing
solutions that can be applied to the mass market), responsiveness (using
their business to directly tackle global social and environmental chal-
 lenges), glocality (adopting global best practices, while maintaining local
adaptation and sensitivity) and circularity (embracing zero-waste, closed-
loop, cradle-to-cradle production).
Sustainable enterprise has also evolved from being a largely Western, developed-country phenomenon to being a diverse, “glocal” practice, with rapid take-up and many exciting innovations coming from developing countries and economies in transition. So I am especially pleased that we have 101 countries and eight regions profiled across the four volumes of The World Guide to Sustainable Enterprise — including 33 countries in Volume 3: Europe.

My hope is that, in the coming five years, the sustainable enterprise movement will continue to spread around the world and to evolve into more transformative practices. We desperately need to reinvent capitalism to help smooth the transition to a low-carbon, more equitable and sustainable society. Sustainable enterprise can — indeed, must — be an integral part of this economic revolution. The alternative is a world in a state of perpetual crisis and collapse, where business is cast as the arch villain. Let us choose instead a more positive future — one that is safe, smart, sustainable, shared and satisfying — where business responsibility and innovation are a source of solutions and a beacon of light.

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December 2015
Croatia

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National context

Croatia is situated at the south-eastern part of Europe, where the Mediterranean, central Europe and south-eastern Europe meet. The importance of the geographical position is emphasized by the Adriatic Sea, as a part of the Mediterranean Sea, which penetrates the European continent towards the north. The surface area of the land is 56,542 km² and the surface of the territorial sea is 31,057 km², making Croatia a medium-sized European country.

Modern Croatia was created as an independent democratic country in 1991, after the breakup of Yugoslavia. It has a population of 4.3 million, with a negative growth rate of −2.3%. More than 70% live in urban areas, with Zagreb as the capital city. It is also an economic, cultural and political centre of the country, with 689,000 inhabitants. Croats make up 90.4% of the population, and the most significant minority are Serbs (4.4%).

The Croatian Kuna was introduced in 1994 as the national currency. On 1 July 2013 the Republic of Croatia became a full member of the European Union. GDP per capita was €10,205 in 2011, with real GDP decreasing 105% from 2012 to 2013. Services make up around two-thirds of GDP, especially
tourism, with 100 million of foreign visitors a year and accounting for 15% of the GDP. Agriculture makes up less than 5% and industry the remainder (shipbuilding, construction, chemical industry, food industry).

In terms of its history and culture, Croatia is one of the older European countries, with a tumultuous and heterogeneous history. The country has produced several renowned personalities, including three Nobel Prize-winners and the world famous scientist and inventor Nikola Tesla.

**Priority issues**

The biggest problem of the Croatian economy is relatively high degree of unemployment, which was 18.1% in 2013 (59% among young people). The Gini Index was 31 in 2011, suggesting a high level of income inequality in the country.

The risk rate of poverty in 2011 was 21.1%. The face of corruption is all too familiar but the one seen in Croatia has slightly different features from that in other parts of the globe. Cash accounts for almost half (44%) of all bribes in Croatia, with sums paid of around €200. Croatia was among the top ten states with high unemployment in the EU in March 2014, with a rate of 17.3%, compared with 10.5% in the EU. Croatia is implementing most EU environmental legislation, except for waste management requirements. The obligations for joining the EU should be met by the end of 2018.

**Trends**

The leaders of good practice are mostly large foreign companies that transfer their knowledge and practices into their national subsidiaries or branches (Pokrovac, 2013). The business sector promotes sustainability through various non-profit associations such as the: Croatian Business Council for Sustainable Development (CBCSD), Croatian Association of Employers, Sustainability Association of CCE (Croatian Chamber of Economy), and Global Compact Croatia. The UNDP (United Nations Development Programme) also deals with sustainability through projects and associations with civil society (Škrabalo, 2011).

Two of these associations – the CBCSD and the Sustainability Association of CCE – introduced the CSR Index project in 2009, with the aim of directing
the Croatian companies towards the principles of sustainable development and social responsibility (Omazić, 2012). In 2010 the number of companies which participated in this 119 question voluntary self-assessment was three times larger than when it first began.

According to the Croatian Business Council for Sustainable Development (2010) Index: 90% of the participating companies belonged to one of the sustainability business associations; 84% considered sustainability in making business decisions; and 72% published sustainability reports (45% within the annual reports and 28% in separate reports). Other findings were that 66% had environmental programmes and budgets; 64% mentioned sustainability in basic documents – Croatian Business Council for Sustainable Development (CBCSD) Report; and 60% reflected sustainability in their organizational structure. The number of Croatian companies publishing nonfinancial reports grew to 98 companies in 2010, but fell to 71 in 2011, along with a decline in the economy.

The top 25% of companies in the Index integrate sustainability into their organizational structure, business strategies and management systems. Analysis shows a statistically significant relationship between the overall scores in the Index and the extent of sustainability reporting, certified management systems and governance structures, e.g. a sustainability unit or committee.

**Government policies**

Despite a declared intention by the Ministry of Economy to create a Sustainability Strategy, there are no explicit policies aimed at encouraging the sustainability, nor specific sustainability requirements for state-owned companies, with the exception of the Anti-corruption Policy. At a more detailed level, there are different standards in the areas of environment protection and the protection of human and workers’ rights.

As a member of EU, Croatia has had to align with the EU Sustainability Strategy since October 2011 and the recent Directive on the nonfinancial reporting, which forms part of the Accounting Directive (2013/34/EU). The Directive mandates annual reporting in the areas of environment, social and work issues, human rights and the fight against bribery and corruption.

Going forward, education of state employees and the support of the Government in creating incentives for sustainability are necessary, as well
as the engagement of the public sector though sustainability criteria for public procurement.

**Case studies**

**Drogerie Markt (DM)**

Drogerie Markt (DM) is one of the largest drugstore chains in central and south-eastern Europe and is represented in Croatia with 152 stores. It won the 2012 CSR Index award for the greatest improvement (Pravilnik o provedbi natjecja Indeks DOP-a, 2013). Mostly, activities are philanthropic in nature, reflected by the motto “Together for each other”. For example, the “Friend of children” programme helped to fund equipment enabling early diagnosis of hereditary diseases in babies, and the “Cross the cervix cancer” helped to educate the public on the importance of gynaecological examinations.

DM received the European parliament’s “Pearl of Wisdom Cervical Cancer Award” for the most efficient European campaign for promoting cervical cancer in 2008/2009. Customers donated 1.2 million Kuna, with the aim of founding a Centre to provide psychological support for women with cancer. Further fundraising in 2010 allowed donations to the “All for her” Association of women with breast cancer. Another campaign, “Protect yourself ... and let the world shine in the sun” educates the public about the dangers of sun exposure and how to get protection from harmful UV-rays.

In 2013, International Year of Water, as a part of “dm green city project” they directed themselves in the preservation of this important resource and organized series of activities with which they wanted to raise awareness about the importance of water and the active participation of citizens in their protection.

**Hartman Croatia**

Hartman Croatia is the part of Brødrene Hartmann, an international corporation based in Denmark and specializing in the development, production and sale of ecological packaging from paper fibres. The Croatian production plant is situated in Kopriwnica and achieved a 2012 CSR Index award in the category of medium companies (Pravilnik o provedbi natjecja Indeks DOP-a, 2013). The company’s environmental management has reached the fourth out of five levels, in terms of the STEP® Environment model. For the
past four years, SA8000 has been applied to the area of human and workers’
rights. The Hartmann shaped paper fibres use recycled paper as their main
resource and can be recycled again after usage, therefore representing a
biodegradable, renewable resource that contributes to a reduction in CO₂
emissions.

Jadran Galenski Laboratorij (JGL)
JGL was founded in 1991 as the first completely private pharmaceutical
joint stock company in Croatia. It is one of the top three companies in
the national pharmaceutical industry and one of the 200 most successful
companies in the country. JGL are mostly focused on the development of
generic medicines, to make healthcare more accessible, and have a port-
folio of more than 300 products. JGL were winners of a 2012 CSR Index
award in the category of major companies, judged according to their
nonfinancial report (Pravilnik o provedbi natječja Indeks DOP-a, 2013).
Major areas of achievement include energy efficiency, since the beginning
of 2013 it started to use renewable energy at all its locations in Croatia.

In 2013, the amount allocated for donations was €74,000. These amounts
were direct cash donations and/or donations of special devices and instru-
ments, primarily to health institutions or institutions of a special signifi-
cance, as well as to clubs, non-governmental organizations that care
for sick children and the sea. JGL is the number one world producer of
seawater-based products, so they in the context of global pollution support
project “The sea is alive”. The project includes children education about
the need to preserve and protect the Adriatic Sea. Charitable activities have
included a campaign called “Your drop helps too”, which helped to raise
money for the Croatian ophthalmological society, to improve the education
of blind high school and college students of Croatia.

Further resources

Croatian Business Council for Sustainable Development – A non-profit
institution of the private sector. Thirty-six members combine knowledge,
innovation and accountability in the pursuit of development paths that
balance business success, social welfare and environmental protection.
Croatian Chamber of Economy – An independent professional and business organization of all legal entities engaging in business. It was established in 1852, organized in European tradition and on the so-called continental model of Austrian and German chambers with compulsory membership. Every company registered with the Commercial Court in Croatia is a member of the Chamber.

Croatian Chamber of Trades and Crafts – Along with this Chamber, 20 County Chambers and 116 Tradesmen Associations actively promote and protect the interests of tradesmanship. Guilds have been founded, as forms of professional activities. The participation of tradesmen at numerous international and domestic trade fairs is supported.

Croatian Employers’ Association – Established in 1993 as a voluntary, non-profit and independent employers’ association that represents, promotes and advocates for the interests of its members. Since 1994 the CEA has been the only employers’ representative within the national Social-Economic Council, the highest tripartite social body for social dialogue in Croatia.

National Network for Corporate Social Responsibility – An independent body composed of organizations of public, private and civil sectors that bring together the various stakeholders interested in the development of corporate social responsibility (CSR). The network was founded in September 2010 with a view to intensifying dialogue and partnership organizations implementing CSR to create a joint action and to achieve synergistic effects in the development of corporate social responsibility. Membership in the National Network for CSR is voluntary.

National Network of Sustainable Business – Active since 2010, it is an independent body consisting of the public, private and civil sector organizations.

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