

Communication and Cultural Studies

Corporate Social Responsibility and Ethics. Case Study: Vodafone Albania

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Abstract: There are many discussions about ethics beginning with a fair and fundamental question: “What is ethics all about?” It is the same as morality, or is kind of a soft law that imposes values but without enforcing them? What is the contribution of the society in imposing values and ethical standards, and how business is involved? Ethical standards are applied in business word, differing from social responsibilities that business has in the social environment where it operates. To better exemplify those concepts the researcher goes through one of the largest companies that offers wireless communications, Vodafone Albania; also one of the world’s largest mobile telecommunication operators. The bright side of social responsibilities is associated in some cases by regressive informal standards applied to all investors and new businesses in the country. The cost of informality is paid in full by the society diminishing the values of social responsibilities and ethical standards applied by business organizations. Even though, Vodafone has successfully implemented social responsiveness initiatives through cause promotions initiatives, corporate social marketing, cause related marketing, company philanthropy, community volunteering, and socially responsible business practices that support social causes to improve community well-being and protect the environment.

Keywords: business organizations; Vodafone Albania; corporate social responsibility; philanthropic activities

1. Introduction

1.1. Corporate Social Responsibility and Ethics: Vodafone Albania one Case Study

Business ethics is a term often used to describe the behavior of employees in commercial organizations. Ethics are beliefs about what’s right and wrong and they can be seen as rules of behaviors or “soft laws”. Ethics is about “what one need to

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do”, coming from the Greek philosopher Socrates that wisely concentrates all the society values and ethical beliefs in one question “What ought one to do?” According to him, ethics is more an acting standard, a practical behavior that distinguishes it from theoretical rules of morality. Is important to define ethic concept as an acting standard of behavior to explain better why ethics affect individual behavior in the workplace. Acting ethically is becoming more fruitful for managers in all levels and they are encouraged by the company to do so. Realizing that as a good approach, the company will try to extend with adoption of written codes that formally will announce their intent to do business in an ethical manner.

Business organizations are integrated part of the society and both business and society are committed to demonstrate their efforts made for the common good. Social responsibility is the attempt of a business to balance its commitments to the society where the business organization belongs. More than a good will the corporate social responsibility is a genuine attempt by a company to build meaningful relationship between the corporate sector and the rest of the society (World Business Council for Sustainable Development).

Ethics and social responsibility are related concepts. Common part of both is the obligation toward community. An employee of a commercial organization it’s obliged to act ethically toward a customer because of the general policy of the company that requires implementing of ethical behavior code by all the employees. A corporation has obligations toward the organizational stakeholders. These groups are affected by practices of corporation performance and some of well known companies like Starbucks and Chiquita highlight that responsibility is gauged by how companies listen and respond to stakeholder’s concerns (Blowfield & Murray, 2003). If “obligation” could be the common word for ethics and social responsibility, there are many other things that divide those concepts. Today corporate social responsibility is a way of doing business, even though limitations of ability competing in global market and restrictions of profit maximization are seen as examples against implementation of this policy.

According to Kotler and Lee (2005, p. 3), corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources, but should be a distinction from “*business activities that are mandated by law or that are moral or ethical in nature, and perhaps therefore expected*”. Corporate social responsibility is referred more to a voluntary commitment of business organizations that demonstrate being socially responsible by adopting community friendly business practices, or are engaged in monetary or nonmonetary contributions.

1.2. Significant Changes and Business Environment

One of the most significant changes affecting business environment, in recent years, has been the growing interest in questions to do with the scope and nature of corporate social responsibility. At the same time there has been steady growth in the number of concepts on offer for those who would capture the essence of contemporary debates about how business should interact with the physical and social environment that sustains it, over time.

“Managers now wrestle with ideas such as the ‘triple bottom line’ – in which financial performance must be matched by environmental sustainability and social responsibility, sustainability, social capital, social and ethical accounting, corporate citizenship and so on” (Longstaff, Corporate Social Responsibility).

There are many reasons why a company should be engaged in corporate social responsibilities. Benefits of engaging in corporate responsibility include increased sales and customer’s loyalty, increased workers motivation and enhanced skill set, improved government relations, improved trust, and leading to more sustainable profitability. Today, developing corporate social responsibility programs is part of business mentality and is seen as integrated part of business organizations.

“For many years, community development goals were philanthropic activities that were seen as separate from business objectives, not fundamental to them; doing well and doing good were seen as different pursuits. But I think that is changing. What many of the organizations that are represented here today are learning is that cutting-edge innovation and competitive advantage can result from waving social and environmental considerations into business strategy from the beginning. And in that process we can help develop the next generation of ideas and markets and employees.” (Fiorina, 2003)

Implementation of corporate social responsibility and ethics has been a concern in the business world. It was difficult even for developed economies and business organizations to accept this concept as part of their profit maximization goals. Before 1990’s, *“decisions regarding the selection of social issues to support tended to be made based on themes reflecting emerging pressures for doing good to look good”*. (Kotler & Lee, 2005) Today all benefits related to this process are touchable and companies try to incorporate these programs in their day to day activities.

2. Literature Review and Hypotheses

The challenge is to transform corporate social responsibility into practical actions. Most of business organizations are accepting the idea that acting ethically and being socially responsible is helping in achieving their economical objectives, but few of them are committed to find new innovative ways to approach the

community. Some of strategies employed by businesses to transform commitment to corporate responsibility into practical action are related with public educational programs, corporate community partnering, and community forums.

To better transform commitment to corporate responsibility into practical actions, business organizations should incorporate articulated organizational philosophies into mission, vision and values statements of the organization. If there is no clear strategy on community commitments all the attempts will be sporadic, meaningless, and will harm the company name.

H1. Corporate social responsibility is a newly developed concept in Eastern Europe countries, that are facing the transition from planed, government own economies to the free market mentality.

During communist's regimes in these countries, government was the owner of the assets and resources, greatly impacting production and management. Discriminations according political beliefs were very common and aggravations include imprisonment, death and deportation of economist's ad managers that spoke about free market concepts and effectiveness. The same methods were applied in Albania, located in South East Europe. Like in all the countries in Eastern Europe, after the fall of Berlin Wall, Albania started its process toward democratization and free market economy.

H2. Private entrepreneurs and business practices were allowed followed by laws that supported private business initiatives that were prohibited during communist era. Post communist governments created a friendly environment for foreign investors attiring the interest of large foreign companies that today operates in many different business areas.

2.2. Data Analysis and Discussion

One of the companies that operate in Albania is Vodafone, one of the world's largest mobile telecommunication operators. To Vodafone Albania, was awarded Albania's second GSM mobile phone license in June 2001. Since its launch in August 2001, Vodafone Albania has activated more than 311 base stations, covering almost all Albanian cities and the roads that connect these cities Mobile telephony became quickly popular to Albanians due to lack of telecommunication infrastructure in the country, either for individual or business development needs.

But today's success, the possibility to offer wide variety of products and services at Vodafone Albania cannot be fully grasped without mentioning the efforts of this company implementing corporate responsibility towards the community where it lives and towards the environment where its serves.

The bright side of social responsibilities is associated with the mentality of Albanians in doing business, and in some cases by regressive informal standards applied to all investors and new businesses in the country. The cost of informality is paid in full by the society diminishing the values of social responsibilities and ethical standards applied by business organizations.

According to the US Department of State Background's Note 2008, Albania remains one of the poorest countries in Europe, with a per capita income of 3500 Us Dollars in 2008. Not only was Albania the last of the post communist countries in Eastern Europe to embark upon democracy and free market reforms, but it was also the country starting the democratization and integration process toward West from a comparatively disadvantaged position, due to the former communist leader Hoxha's catastrophic economic policies. (Bureau of European and Eurasian Affairs, 2008).

Designing a stabilization program and furthermore a deep transformation of the Albanian economy requires taking important additional specific features into consideration (Muço, 1997). While noting Albania's progress, Ambassador Osmo Lipponen of Finland, Head of the OSCE (Organization for Security and Co-operation in Europe) presence in Albania, emphasized the country's poorly functioning economy as the basis for much of its instability. Lipponen (2004) also noted that the level of polarization in politics has led to political conflict rather than a discussion of important issues concerning the country and the reform process. The confliction policy produces a lack of the public's trust in national authorities.

Corruption is one of the main causes that greatly impact ethical standards and corporate social responsibility implemented in business firms in Albania. If the corruption and bribes are a shortcut in facilitating in a certain way business activities, the informality growth due to the corruption is harming both business and the society. The cost of informality is paid in full by the society that is suffering the highest tariffs in Europe in mobile communications. All efforts made by government could not insure a fruitfully understanding of mobile service providers in developing programs and packages to lower the tariffs in order to facilitate the community. Vodafone justify those tariffs with the high cost of infrastructure and non ethical standards applied by competitors that through corruption and bribes try to influence political decisions. Effective reforms against corruption are to be considered as the first step in bringing the confidence and trust to Albanians.

The U.S. Commission on Security and Cooperation in Europe carefully considered hearings from different actors in Albania and, concluding that: "*Albania must move toward having a normally functioning parliamentary system, beginning with undisputed elections conducted according to international standards, and a transparent, functioning administration in order to be able to manage its*

significant socioeconomic and rule of law problems. This needs to be supported by broadening civic participation in the governing process as corruption and lack of accountability have severely damaged the public's trust in national authorities."

Reforms for fast integration toward western institutions are part of Albanian society challenges. A greater civic participation, as stated in the OSCE report, will improve the monitoring process on how the reforms are implemented and, how they impact the government efforts against specific element's unwillingness to reform the economy because of the illegal benefits they and officials involved, receive from monopolized sectors of the economy.

3. Methodology and Research Goal

3.1. Data and Methodology of Study in this Paper Research

The implementation of ethical standards allows no room to informality, and business organizations in Albania are focusing more to those beliefs not only as a genuine approach to customers, but also creating trust and effective commitment toward the community. Vodafone Albania, with its first corporate social responsibility report was the first company to transform this commitment into practical action.

This article was made created by respecting all the methodological rules. The methodology of this article was based in two parts: Studying the foreign and Albanian literature, bibliographic studies, collecting data from official sources as MOP, UNICEF Albania, MOH, DHR Resources and from different publications such as magazines. And practicing, which is related with the interviews with leaders and employees of the Public Administration. To collect the data for this article we made interviews, questionnaires and other researches. We created also a questionnaire, which was composed by 80 questions and 60% of the employees in Vodafone Albania company.

Vodafone Albania is recognized as the first business in Albania to apply the practice for issuing an environmental license, which is approved by the Ministry of Environment in cooperation with local authorities of the communities where the company installs these base stations. One of the successful strategies for increasing the social responsiveness is the funding of development projects in Albania. These projects are mainly focused on Health, Education, Poverty Alleviation and Environment. Vodafone is carefully implementing social responsiveness strategies following six traditional social initiatives that according to Kotler are "six options for doing good" (p. 23). The first social initiative successfully implemented by Vodafone following the financing of different programs in raising public awareness in some of social concerns in the country is Cause Promotions explained as: "...providing funds, in-kind contributions, or other resources of the company to

increase awareness and concern about a social cause, or to support fundraising, participation, or volunteer recruitment for a cause. The corporation may initiate and manage the promotion on its own..." (Kotler & Lee, 2005, p. 23)

3.2. Analyzing Data and Qualitative Indicators

The performance evaluation is mainly characterized by qualitative indicators and there are only a few quantitative indicators. Developing further this social initiative, Vodafone Albania supported Public Health Institute in implementation of the project "*The Improvement of Potable Water Quality Control in Albania*". This project provided new equipment necessary for performing microbiological analysis and computerizing the data processing system, as well as the training of relevant personnel on how to operate and manage this system. The support given by Vodafone to this project was associated by a well design campaign concerning the quality of potable water and increase awareness of citizens in using filters and other purifying devices. Related to this social initiative concept is the creation of Vodafone Foundation in order to manage effectively social programs and funds. Only in 2008 Vodafone Foundation financed more than seven projects concerning social issues related to access to education of blind people, opportunities for poor peoples in remote areas of the country, and programs preventing abuse and abandonment of pregnant mothers and children born out of wedlock. (During a press conference, Mr. Haris Broumidis, Vodafone Albania CEO commented: "*Vodafone Albania congratulates the progress achieved by Vodafone Albania Foundation that ensures the efficient use of the funds granted for the benefit of the communities in need. In light of the social investment policy in our business, we remain a dedicated donor for supporting such programs and projects that brings positive impacts in people's life and communities.*"¹)

Corporate Social Marketing is another initiative successfully implemented by Vodafone. This initiative includes behavior change campaigns intended to improve the environment, public health, and safety (Kotler & Lee, 2005). Efforts made by Vodafone are well explained with the campaign supported by the company in the movie theaters where customers were asked not to use mobile phones during the show. Following this concept Vodafone developed a campaign in raising awareness of mobile phones use in the car. Even though there are no statistics in Albania about accidents related to the use of mobile phone while driving, this campaign benefited the community to accept the fact that distraction caused by texting, or calling while driving are potential causes for car accidents.

Supporting Corporate Social Marketing initiative with behavior changes campaigns Vodafone was able to restore confidence creating also teams of experts and

¹ Vodafone Press Conference, 9 May 2008.

sociologists to speak on the high schools making students aware of ethical standards of usage of mobile phone during lessons in the classrooms. This campaign benefited not only teachers and school administrations that were struggling with this problem for long time, but also benefited the company that was seen as socially responsible and committed to raise awareness for proper and ethical use of its products.

The third initiative of corporate social responsibility is Cause Related Marketing that is commitment of making a contribution, or donation of a percentage of revenues for a specific cause “...most commonly this offer is for an announced period of time, for a specific product, and for a specific charity. The corporation is often partnered with a nonprofit organization creating a mutually beneficial relation ship designed to increase sales of a particular product, and to generate financial support for charity...” (Kotler & Lee, 2005, p. 23)

Vodafone's three-year commitment to the non-profit organization Albanian Children Foundation is the example of the company trying to bolster its reputation through a dedicated Cause Related Marketing initiative. Supporting this foundation, Vodafone generated financial aid for “Assisting Children Suffering from Autism” program. “Research carried out last year by Business in the Community found that 50% of consumers said they would feel more positively toward a company if it was involved in a cause related program” (Marketing, 28 April 2004). The reputation of the company is highly improved also by partnering with Hosting Center “Life and Hope”, a project carried by Community Center in Gjirokastra City, South Albania, that is involved in hosting and facilitation of the victims of human trafficking.

4. Discussion of this Paper Research

A widely known initiative is Corporate Philanthropy, implemented in forms of direct contributions to a cause or charity, most often in cash, grants, and donations. This is the most traditional of all corporate social initiatives (Kotler & Lee, 2005). According to the company press release in May 2008, Vodafone granted 31.370.907 ALL (Albanian Lek) that is equivalent of 300 Thousands US Dollars for the implementation of social impact projects in support of communities in need (Vodafone Press Conference, 9 May 2008). The contribution was substantial and helped finance more than seven community related programs. One of the most important was the financing of “Albania reads” project, formulated by UNICEF and approved by Albanian Ministry of Education and Science. This project was designed to promote reading among Albanian children in remote areas involving five Districts.

For the second consecutive year Vodafone is the official sponsor of Albania National Soccer Team. Supporting the National Team was highly appreciated by the Albanian community where soccer is very popular and all efforts made to improve and achieve success in soccer are seen with great respect from the society. *“We wish the Albanian National Football team to achieve its goals, while promoting the athletic ideals in the best possible way. We strongly believe that this team is amongst the most important Albanian ambassadors in the sports arena and we are here to support them during their efforts”* (Broumidis, 2009). Company philanthropy social initiative is also successfully implemented by additional grants to meet the needs and improve the living conditions for orphan children in Shkodra, North Albania. Vodafone Foundation charity funds traditionally have supported orphans in Albania, insuring a better living environment for this vulnerable group of the society.

Community volunteering as the fifth initiative of corporate social responsibility is performed by supporting and encouraging employees and retail partners to volunteer their time in support of local community organizations and causes (Kotler & Lee, 2005). The company is highly committed in community volunteering. Vodafone not only contributed with its employees and partners to clean the streets of Albania major cities, but also funded a project for manufacturing and installing 500 garbage bins in the roads of Tirana. The goal of this project was to keep the Capital’s roads cleaner. Only few months later after the success of this project in Tirana, Vodafone Albania extended the project in Durrës, the second largest city in the country. About 250 garbage bins were placed along rehabilitated roads of the city.

5. Conclusions

The last initiative involves adoptions and conceptions of socially responsible business practices that support social causes to improve community well-being and protect the environment. This initiative, transformed in practical action by Vodafone is better described with the recycling of mobile phones and their accessories. In collaboration with the international partner FONEBAK, operated through Shields Environmental Plc., all the shops and work stations of Vodafone Albania have special containers for the collection and recycling of mobile phones and their accessories.

The main purpose of recycling is the protection of the environment from the harmful substances contained within their batteries. Further on, the recycling of old mobile phones enables their re-usage in other countries of low development stages (such as in Africa or Asia) where the need for communication and telephony is significant. All the profits from the sale of the recycled products are used to finance social projects.

Vodafone Albania is successfully implementing corporate social responsibility initiatives following not only strategies related to single ones, but also incorporating different initiatives in a single process or commitment. Examples of related concepts show that six initiatives “for doing good” are benefiting both the community and business. There is no profit maximization without maximization of social responsiveness and company commitment to the community.

If social responsiveness is a way of doing business, do we really have a genuine attempt by business organizations to support community, or we have only attempts to buy community good will? It has been argued that company executives stress social responsibility only because this benevolent action will help them having more power and influencing in more non business areas (Banerjee, 2007, p. 124). It is difficult to design clear boundaries between community benefits from corporate social responsibility programs, and business profits by implementing social responsiveness. The truth is that both business and community have their beneficial portion on it. Business organizations are part of the community and they cannot stand in front of each other without active and fruitful interaction between them.

The example with the Vodafone Albania shows the importance of implementing strategies for increasing social responsiveness, but in the same time shows that management of social responsibility programs is very sensible task that requires both professionalism and consciousness from top managers of the company. Efforts made in establishing a continuous and effective relation with the community are to be considered as attempts to involve both business and society insetting common goals and objectives. More the company is successful with its social programs more active the society will be in interacting with the company and more support will give in reaching the company goals.

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