

Strategic Approaches to Creating and Developing the Concept of Business Integrity

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Abstract

The continuous determination of the developing business systems to maintain a long-term relationship with its key internal, as well as external stake-holders, predominantly lies in the capacity of their managers, as leaders, to perceive, conceptualize and further prosper in harmonizing the external constraints to the internally achieved behavioural qualitative degree, particularly in strategic re-positioning and re-orientation of the business system. In creating so, the fundamental importance lies in creating and developing the concept of business integrity, especially in establishing the strategic model of performing of the business ethics management program that is focused at increasing the potential for a strategic shift from incidental strategic integrity positions or individuals to enacting the structural approach to the business integrity.

Profound increase of the expectations from the managerial actions, in quantitative and qualitative dimension, would not be effectively and efficiently performed without a proper determination of the sources for a sustainable competitive advantage, especially their categorization on the process and behavioural ones. While building – up the strategic transparency of the business, it is of an utmost importance to link the Business integrity with sufficiently sustained vision and values, organizational structure, management processes, as well to the concept for developing the human resources, owing to the influence that this concept possesses for increasing the public awareness, loyalty, as well as the models of responsibility and accountability. Business integrity creates strategically recognizable and above all socially responsible business system.

Keywords

Business integrity and sustainability, transparency, employee engagement (EE), competitive advantage (CA).

Introduction

Business sustainability of contemporary businesses, in fact, predominantly implies to the tendency of the organization to integrate the concepts that add value to the overall organizational performance, while attempting to harmonize the inner organizational resources and capabilities, on one hand, to the changing needs, motives and aspirations of the customers, on the other hand.

A proper structural determination of the essence of the *desired sustainable competitive advantage* lies in the managerial potential to integrate the behavioural manifestations of the employee engagement and involvement, transpar-

ency, economic sustainability with the prevailing model of the business integrity, including its strategy, good practices, code of conduct, as well as overall business integrity policy. The orientation for a consistent application of the business integrity model within the prevalent business practices is placed with its capacity to influence to unify *the prevalent strategic sustainability determinants, i.e. economic, social and environmental ones.*

1. Business sustainability framework for integrity

In essence, the managerial intention to develop a business model which would simultaneously add

value, while achieving its strategies and goals, leads to the concept of *business sustainability*, with an emphasis to the contemporary orientation not only to the environmental and philanthropic actions, but far more to those that create and maintain a long-term relationship of the enterprise to its key stakeholders, and promotes the organizational entity as an accountable responsible corporate citizen.

Therefore, the so-called *orientation beyond environmental constraints* implies to developing the elements of responsibility and accountability, fundamentally the *corporate social responsibility programs (CSRPs)*, which aim to promote the benefit that they possess from behavioural utilization of their long-term strategies (Bowd, Bowd & Harris, 2006). The practice of prominent multinational corporations proves this strategic shift, illustrated in the cases of Hewlett Packard, Coca-Cola, Microsoft etc.

The corporate strategies for achieving the *sustainability concept*, which is the framework for creating the business integrity, consists of the following *managerial sustainability orientations* (Biggemann, 2011), i.e.:

- *Internal* – a company may be able to communicate their aims, and however
- *External* – best illustrated on the practice of more than 30 years of IMP Group research, which has proven that companies are reliant on the actions and reactions of other parties that form the network in which they operate.

The applicative importance of above orientations is connected to building up the concept of *corporate citizenship*, which relates to the need for a *holistic and integrated responsibility assurance system* (Waddock, 2004), that would influence all levels of business, not only the bottom line, and, at the same time, would be able to segment and prioritize the key stakeholders, that is aimed at increasing the overall responsibility and accountability in the value creation chain.

The relation and influence of the *corporate citizenship towards the business integrity* is placed in the necessity to avoid perceiving this concept only as a marketing tool to increase profitability, with so-called *integrity form organizations* (Philips & Caldwell, 2005), meaning that developing and utilizing the business integrity is not a formal, but far more *thorough and inter-related model of establishing a vivid changes within all key organizational sustainability di-*

mensions, such as in vision and values, organizational structure, management processes, as well as in the developmental concept of the human resources.

Furthermore, precise determination of the *sustainability in business* (Biggemann, 2011) is more than environmental, particularly stating that the very sustainability follows the detailed *organizational sustainability orientations*, i.e.:

- *reflected in the long-term competitive advantage,*
- *implies to the business ability to thrive over time,*
- *determined to survive their founders and to accommodate to changes in the business environment,*
- *oriented to respond to new regulation,*
- *securing the support of other parties that supply critical resources, and*
- *it is about dealing with those that don't like one's business.*

Although 15 years ago, the main promoters of business sustainability were the corporate social responsibility programs (CSRPs), the practice of multi-national corporations has proven that these programs were not sufficient, even not complete. The prior reason for it is fundamentally owing to the fact that they *have not manifested enough evidence for the needed degree of the so called triple C – concept, i.e. commitment, collaboration and communication* of the company with the key – stakeholders, through the models of aligning the goals and unifying the overall business orientation.

It seems that companies, in contemporary times, are more concerned about the potential negative influence that environmental practices may have on their competitiveness and, therefore, this implication for the competitive advantage, particularly to the sustainable competitive advantage, becomes increasingly important. Due to this tendency, in certain cases, companies are able to *develop rather and recognizable unique, valuable and inimitable resources that are permanently derived from their environmental practices.*

The process of excluding a source of competitive advantage, from the environmental segment of the sustainability concept, implies to creating a so-called *environmental action – based competitive advantage model*. Theoretically determined, *environmental action – based competitive advantage model* refers to a *system that is achieved by companies settled into market niches that bring*

together consumers who attach special value to products' environmental dimension (Roy, 1999 as cited in Del Brio, 2007).

The business integrity dimension of this model is placed in the fact that environmental competitive practices are managed and implemented by human resources, consisting of managerial and non-managerial employees, that, on the basis of training and increasing of the awareness, are aimed at creating a *natural environment – based differentiation from the competitors*, as an integral strategic element of every concept of competitive advantage. It is quite evident that in the essence of the inter-connection of this model and the business integrity lies the importance of the *human capital*, especially the importance of the human resource management.

It is evident that the essence of the business sustainability is placed in the concept of business integrity, whereas their harmonization and proper utilization lead to strategic and sustainable competitive advantage.

2. Managerial involvement and employee engagement for business integrity

The existing level in the evolutionary process of human resource management is so-called *global strategic human resource management* and leads organizations to use all possible sources of competitive advantage, whereas human assets are one of these sources. The most important impetus of the above *strategic orientation to treating all of the employees*, regardless of the fact whether they are of managerial or non-managerial capacity, is conducted by the application of *resource – based view of creating competitive advantage, as well as achieving the desired sustainability*.

The process of creating *resource – based driven view of sustainable competitive advantage* implies a proper implementation of the following *fundamental criteria for coping with the so-called resource pitfalls* (Teece, 1998 as cited in Del Brio, 2007):

- *Given the dynamic environment, firms need to be able to identify, upgrade, renew and reinvent valuable resources, and*
- *Firms need to be able to create an environment where valuable resources may be self – reinforcing and to enhance their value and strengths, leading to important sustainable cost-disadvantages for companies with the aim of imitating them.*

- The only business factor that entirely satisfies the above detailed criteria is the human factor. Therefore, *a transparent determination of the position of employees in relation to the managers, in achieving the sustainability, is pretty needed.*

In analyzing the influence of the employees to creating the business integrity, the far most crucial feature of their performance is the *employee engagement*. A precise determination of employee engagement leads to the fact that it is *the extent to which employees commit to something or someone in their organization, how hard they work and how long they stay as a result of that commitment* (Corporate Leadership Council, 2004).

As a behavioural concept, employee engagement is *structurally complex, strategically driven, flexible in understanding and applying and best illustrated through pathway of best practices*. Modern organizations today face the challenge of attracting and further developing of the capabilities of their employees, in such a way that they would constantly transfer to key stakeholders the achieved business integrity behaviour, while adding value to the processes they perform. The employee talent would not be used if it were not properly developed, through the concepts of *employee engagement and commitment*.

Managerial attempt to determine the *most applicable, emerging integrity trends* that are an indicator of existing of employee engagement lead to the following Table 1 illustration:

Table 1 Focus and measuring of Employee engagement (EE)

No.	Trends for focus on EE	Common themes for measuring EE
1.	Employee – employee relationship evolving to partnerships	<i>Recognition and positive feedback for one's contribution</i>
2.	Increased demand for work/life balance	<i>Opportunity to perform well at challenging work</i>
3.	HR's greater role in promoting the link between employee performance and its impact on business goals	<i>Pride and satisfaction of the employer from employee performance</i>
4.	Increasing focus on selective retention for keeping mission-critical talent	<i>Understanding the link between one's job and the organization's mission</i>
5.	Work intensification as employers increase productivity with fewer employees and resources	<i>Effort above and beyond the minimum</i>

6.	Acquiring and keeping key talent re-emerging as top issues of concern	<i>Intention to stay with one's employer Job satisfaction</i>
7.	Decline in traditional communication methods and increase in cyber communication	<i>Personal support from one's supervisor</i>
8.	Needs, wants and behaviours of the talent pool driving changes in attraction, selection and retention practices	<i>Prospects for future growth with one's employer</i>

Source: Adopted according to Society for Human Resource Management, 2006, pp.14-27; Vance, 2006, p.73

In practice, employees that develop a proper cooperation with their colleagues create an innovative approaches to fulfilling the every-day tasks, increase the development of their talents, enable creative job design, develop positive expectations, beliefs and behaviour, horizontally and vertically, enact a proper balance between the work demands and work-life stability etc. are perceived as *engaged employees*. As a consequence, *business productivity increases, efficient usage of energy, resources and capabilities is above average, and at the same time, they are satisfied employees that are in a position to effect high organizational performance*.

The position of managers while developing the potential of engaged employees, in underlying the necessity for business integrity, refers at first level to their *managerial involvement*. In essence, managerial involvement implies, in accordance with our explorations, *developing a capacity of managers for an efficient usage, protection, utilization and development of various techniques that are needed for the most applicative combination of resources and capabilities of an organization*.

For instance, *managerial involvement in relation to the needs for environmental action – based competitive advantage model* is connected to solving the following *key environmental issues* (Roome, 1994 as cited in Del Brio, 2007):

- *The lack of managers adept at both business and environmental practice, and*
- *The absence of established competence in environmental management.*

Managerial involvement plays fundamental importance in *perceiving the combination of internal and external business elements, as a source of strength or opportunity*, which influences the overall sustainable competitive advantage. In this

integration of the managerial involvement with the desired business integrity, the role of the *transparency* plays the critical importance.

In particular, *transparency* essentially refers to the *disclosure of information, which was originally seen in corporate sustainability reports and required for product sustainability certification* (Mollenkopf, 2015). As such, transparency is of a significant importance for companies that thrive strategically to achieve the sustainability, especially the *economic sustainability*. In this context, *economic sustainability*, in our detailed explorations, implies to *variety of modalities through which companies require a higher level of transparency for information, that are practically critical for the process of resource and capabilities protection and utilization, aimed at ensuring the continuous process of achieving their competitive advantage*.

It is evident that *economic sustainability is inter-connected and supportive with the initially determined prevalent model of business sustainability*, in our analyses, fundamentally on the following way:

1. *economic sustainability* determines the framework for the integration of economic, social and environmental developmental tendencies, with an accent to identification of optimal pathways for their effective and efficient combination and location, by applying the concepts of *transparency, responsibility and strategic orientation*, whereas
2. *business sustainability* implies establishing and further development of consistent and permanent modalities of the mutual connection and inter-dependence of every business entity with its key stakeholders, with an emphasis on the organizational identity and image, by application of the concepts of *accountability, corporate citizenship and business integrity*.
3. In order to entirely *harmonize both sustainability modalities, economic and business one*, it is of a fundamental importance to develop proper *strategies for building a transparency in the workplace* (Meister, 2015), on the following way:
 4. *hire and engage transparent employees,*
 5. *encourage straight communication,*
 6. *insist on proactive use of social media by leaders,*
 7. *consider eliminating layers of titles and opening up transparency in finances,*

8. *create an online forum for employees to ask any question of the leadership.*

The integration of the above elements and its influence to the business integrity may be illustrated on the case of the *customers*, meaning that *if the employees are not being transparent with all information for the products/services, if their communication to the customers is not precise and detailed, if the companies' leaders are not familiar to the customers, if all important financial data for the transaction are not presented to the customer and if the important aspects of the communication between managers as leaders, on one side, and the employee, on the other side, are not revealed to the customers*, than the relationship cannot be characterized as sustainable, with limited potential for a repetitiveness of the purchasing process in the future.

The limitation in developing the dimensions of sustainability, economics or business one, influences to the capacity of an organization to integrate the sustainability into the prevalent concept of competitive advantage, creating a reactive, not a pro-active method for managing organizational changes, and, at the same time, decrease the capacity for a continuous and integrated internal and external communication process, that would be capable, on a permanent basis, to receive and transfer important information to and from the particular business entity.

3. Sustainable dimensions of the business integrity

In determining the sustainable determinants of the concept of business integrity, it is of an utmost importance to emphasize that, *the effects of integrity in achieving business sustainability are such that companies should find increased motivation to demonstrate and pursue integrity alongside the whole value chain.* (Biggemann, 2011). Therefore, each and every prosperous company should be in a position *to behave with a sustained pride, predominantly due to its' interest to develop a strategic type of relationship*, through which not only the material, but value elements are transferred, in both directions – enterprise to the key stakeholders and vice versa.

In increasing the scope and depth of the transferred value, the key role is played by the identification of the *key components of the competitive advantage* (Winer, 2004), which we would illustrate on the following way:

- *Competitive advantage must be able to generate customer value*, which, in fact, is defined by the customer in terms of lower price, speedy delivery, transaction convenience, or other important characteristics,
- *The enhanced value of the product or service must be perceived by the customer*, explained in terms that regardless of the fact whether the product or service is perceived as being superior to competitors' products or services, the very customer must be able to perceive your specific products or services as really more competitive than others on the market – best illustrated on the case of Intel, with the concept of *Intel inside*,
- *Effective competitive advantage requires that whatever business tactic is used, should be difficult for business competitors to copy it.*

The integration of the above competitive advantage components illustrates that it is expected to be, at the same time, *valuable, rare and not a subject of imitation*. This, in fact, is the *competitive approach* that has been applied by majority of enterprises, while attempting to achieve the *sustainable character of the very competitive advantage model*, illustrated in the cases of Intel, American Airlines, Ford etc.

The concept of *enacting the critical importance of the sustainability*, while undertaking the *transformative approach to organizational changes*, leads to a clear determination of the *features for sustainable growth*, an organizational state that is directly linked to the *potential of the business integrity*. These features can be segmented into the following ones (Hedstrom & Isenberg, 2014):

1. Identification of the 5 sustainability forces, including particularly the following:
 - *The big squeeze issue* – relating to the discrepancy between the growth of the population and the capacity of natural resources to sustain that growth,
 - *Transparency rules* – fundamentally determined as the real need for broader information that are suitable for sustainability analyses, not only to rely on standardized, comprehensive and sustainable reporting, which is, in a majority of cases, normatively constrained,

- *The rising tide of emotions* – as a dimension for sustainable growth, it is focused on re-orientation of the dominant focus of the companies towards the globalization and its rising importance for the sustainability and growth of contemporary businesses, precisely in a way of finding out the path for developing a positive emotions for the company by the key stakeholders,
 - *Servicing the poor* – as the majority of multi-national companies expanded their operations in the countries of the ‘third world’, it seems quite important for them to sustain the tendency in which the features of their products or services would best be accommodated in accordance with the expectations of the customers, containing values and beliefs that are culturally most suitable and acceptable,
 - *Environmental protection of the face of the business* – relating fundamentally to the necessity for building a business opportunity from protecting the environment, especially implementing the compliance standards, waste protection, water and air filtration, introducing electrical, hybrid product types etc.
2. Undertaking a transformative action oriented towards sustainable growth, which includes the following elements:
- *Portfolio analysis*, which relates to creating a ‘red zone analysis’, integrating the corporate and business unit strategies, new business models for the developing etc.
 - *Brand/image transformation*, an element that encompasses the application of the triple-bottom-line audit model, changing the core business value, creating a sustained NGO alliances etc.
 - *Supply Chain Management* – it is linked to launching targeted sustainability audits, building sustainable management systems through integrating the value chain within core business processes etc.
 - *Stakeholder engagement* – an element that includes a facilitation of workshops between the company and NGOs, preserving the influence of the stakeholders for not achieving the business and societal goals etc.

The common denominators of above detailed sustainability features undoubtedly imply simultaneous achievement of business profitability, innovative practices and organizational changes and growth modelling. Above detailed features of sustainable growth, analyzed in small enterprise, can best be illustrated through the importance of the strategic management process, which is critical for creating and developing the business integrity concept, on the following Table 2, for small enterprises:

Table 2 Competitive Advantage Strategic Management Process

Industry/ Business Conditions	Management Action	Leverag- ing the Marketing Mix	Result in CA through
Entry/exit barriers	The team	<i>Product</i>	Increased customer satisfaction
Timing	Flexibility and Integrity	<i>Price</i>	Creating 'Raving Fans'
Market share	Opportunity identification	<i>Place</i>	Highly satis- fied custom- ers
Culture of innovation	Risk taking and Decision- making	<i>Promotion</i>	Increased re-purchase rates
Intensity of coopera- tion	Technical expertise and Experiencing curve leveraging	<i>People</i>	Customer relationship manage- ment
General economic conditions	Industrial knowledge and Entrepreneu- rial ability		

Source: Adjusted according to Bressler, 2012, p.12

The concept that enables the integration of the business integrity within the overall sustainability is the most prominent model of sustainable competitive advantage. For majority of businesses, it emerged as critical in the late 1980's, as a result of the necessity of businesses to react to ignoring the importance of the most sensitive business factor, i.e. the people, while intense investing in new technology, organizational structures, management and marketing techniques etc. As such, sustainable competitive advantage, in our explorations, aims predominantly to fulfil the strategic business expectations, illustrated on the following way:

- Develop and implement a strategy that is simultaneously adding constant value to

processes and behaviour and enabling managers to develop sustainable capability and skills of their employees, which are needed for proper strategy implementation,

- Leveraging the relationship with the existing and future competitors in such a way that would enable innovative changes constantly and systematically to be implemented.

A proper unification of above strategic business expectations leads to clearing up the concept of *integrity in business*. The prior determination of the *business integrity* leads to the fact that, as a managerial approach, *it can yield strengthened competitiveness* (Azmi, 2006), through the following pathways:

- Facilitates the delivery of quality products in an honest, reliable way,
- Enhances work life, by making workplace more fun and challenging,
- Improves relationships with stakeholders,
- Possesses a potential to instil a more positive mindset that fosters creativity and innovations etc.

Strategic approach to the business integrity leads to clearing up the elements of the so-called *centred business integrity strategy*. In practice, it consists of the following *business integrity dimensions* (Fitzsimon, 2007):

1. Integrity with regard to financial and administrative activities which are internal,
2. Integrity in dealing with partners, contractors, job applicants and others seeking to obtain work or grant,
3. Integrity with regards to engagement with relations to public officials, and
4. Integrity of partners that are in relation due to research-funded activities.

Having in mind that great deal of business integrity analyses are empirically oriented, it is quite important to emphasize that it *differs from anti-corruption and anti-bribery policies*, due to its structural detailing through *specific business integrity policies, risk analysis, managing conflict of interest, receipt of gifts, modalities of payments, settling expenses for public officials, subcontracting, compliance agreements etc.*

The contemporary importance of the business integrity is proven in the latest OECD edition on this subject, named *Corporate Governance and*

Business Integrity: A Stocktaking of Corporate Practices (OECD, 2015). In this fundamental managerial material that should serve as a pathway for businesses in creating and promoting the business integrity concept, the theoretical determination of *Business integrity policies* is detailed as *integrity company programs, functions, people, processes or controls that seek to prevent, detect and/or address Serious Corporate Misconduct*.

The importance of *Business integrity standards created under the premises of OECD* are also stipulated within *the applicative benefits from OECD Guidelines for Multinational Enterprises*, detailed on the following way (OECD, 2011):

- Provide comprehensive framework for responsible business conduct,
- Call on enterprises to support and uphold good corporate governance principles and develop and apply good corporate governance practices, including throughout enterprise groups,
- Incorporate references to other OECD standards on business integrity, like Anti-bribery convention, recommendations for effective action against hard core cartels, recommendation on fighting against big rigging in public procurement etc.

The strategic importance of the business integrity concept lies in its potential to harmonize the business and economic sustainability concepts with the prevailing model of competitive advantage, while obtaining an optimal utilization of the relationship between managerial involvement and employee engagement and commitment.

Resume

Business sustainability of contemporary businesses, in fact, predominantly implies to the tendency of the organization to integrate the concepts that add value to the overall organizational performance, while attempting to harmonize the inner organizational resources and capabilities, on one hand, to the changing needs, motives and aspirations of the customers, on the other hand. Corporate strategies for achieving the sustainability concept, which is the framework for creating the business integrity, consists of the internal and external managerial sustainability orientations. Corporate social responsibility programs (CSR) have not manifested enough evidence for the needed degree of the so called triple C – concept,

i.e. commitment, collaboration and communication of the company with the key – stakeholders, through the models of aligning the goals and unifying the overall business orientation.

Theoretically determined, environmental action – based competitive advantage model refers to a system that is achieved by companies settled into market niches that bring together consumers who attach special value to products' environmental dimension. It is evident that in the essence of the business sustainability is placed in the concept of business integrity, whereas their harmonization and proper utilization lead to strategic and sustainable competitive advantage. A precise determination of the employee engagement leads to the fact that it is the extent to which employees commit to something or someone in their organization, how hard they work and how long they stay as a result of that commitment. In essence, managerial involvement implies, in accordance with our explorations, to developing a capacity of managers for an efficient, usage, protection, utilization and development of various techniques that are needed for the most applicative combination of resources and capabilities of an organization.

Economic sustainability, implies to variety of modalities through which companies require a higher level of transparency for information, that are practically critical for the process of resource and capabilities protection and utilization, aimed at ensuring the continuous process of achieving their competitive advantage. The limitation in developing the dimensions of sustainability, economics or business one, influence to the capacity of an organization to integrate the sustainability into the prevalent concept of competitive advantage, creating a reactive, not a pro-active method for managing organizational changes, and, at the same time, decrease the capacity for a continuous and integrated internal and external communication process, that would be capable, on a permanent basis, to receive and transfer important information to and from the particular business entity.

In increasing the scope and depth of the transferred value, the key role plays the identification of the key components of the competitive advantage, i.e. must be able to generate customer value, the enhanced value of the product or service must be perceived by the customer and should be difficult for business competitors to copy it. The concept of enacting the critical importance of the sustainability, while undertaking the transformative approach to organizational changes, leads to a clear

determination of the features for sustainable growth, an organizational state that is directly linked to the potential of the business integrity, i.e. identification of the 5 sustainability forces and undertaking a transformative action oriented towards sustainable growth.

The concept that enables the integration of the business integrity within the overall sustainability is the most prominent model of sustainable competitive advantage. As such, sustainable competitive advantage aims predominantly to fulfilling the strategic business expectations, i.e. develop and implement a strategy that is simultaneously adding constant value to processes and behaviour and enabling managers to develop sustainable capability and skills of their employees, which are needed for proper strategy implementation, and leveraging the relationship with the existing and future competitors in such a way that would enable innovative changes constantly and systematically to be implemented. Strategic approach to the business integrity leads to centred business integrity strategy.

The contemporary importance of the business integrity is proven in the latest 2015 OECD edition on this subject, named *Corporate Governance and Business Integrity: A Stocktaking of Corporate Practices*. The theoretical determination of Business integrity policies are detailed as integrity company programs, functions, people, processes or controls that seek to prevent, detect and/or address Serious Corporate Misconduct. The strategic importance of the business integrity concept lies in its potential to harmonize the business and economic sustainability concepts with the prevailing model of competitive advantage, while obtaining an optimal utilization of the relationship between managerial involvement and employee engagement and commitment. **SM**

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