

# Corporate Social Responsibility in Croatia Case Study of the Best Value Added Companies

Dulčić, Ž.<sup>1</sup>, Bilić, I.<sup>1\*</sup> & Ninčević, V.<sup>1</sup>

<sup>1</sup> Faculty of Economics, University of Split, Split, Croatia

\* Bilić, I., E-mail: [ibilic@efst.hr](mailto:ibilic@efst.hr)

## **Abstract**

*The current economic crisis, as well as the corporate micro and macro environment have an impact on the ways corporations perform their business, overall corporate strategy, corporate communication strategy and corporate responsibility strategy, on how they perceive corporate social responsibility, and moreover how they present those company's efforts regarding corporate social responsibility in the media. In this paper we will take into consideration current trends in corporate social responsibility in Croatian companies at present, with the respect of the previous researches on the same topic and development of this emerging phenomenon within observed corporations.*

*This paper explores different aspects of corporate social responsibility in Croatian companies, surveyed in two phases; the first phase was in 2011 when 70 companies participated and second one was in 2015, which was performed only on companies which participated in the first phase. Initially this survey started on a population of 500 biggest Croatian companies according to the value added. Also, some previous studies on the same population of the biggest Croatian companies is incorporated to provide readers with some valuable insights into the current trend of the corporate social responsibility and corporate management awareness about this topic in Croatia particularly after Croatia joined the European Union.*

## **Keywords**

*corporate social responsibility, corporate strategy, corporate communications*

## **1. Introduction**

Corporate Social Responsibility (CSR) is a concept that has attracted worldwide attention and acquired a new resonance in the global economy. Since the 1970s (Friedman, 1970; Grunig, 1979; Wisser, 2011), we can find roots of CSR in academic literature. In business world, on the early beginnings CSR was perceived as something disturbing, which was best described by an old Friedman statement and in a neo-classical economic theory of organization, where the purpose of organization was seen in making profits and accountability to themselves and shareholders' interests, as a way to contribute in wealth fare of the society (Friedman, 1970). In the 21<sup>st</sup> century CSR is seen as a tool which corporations use for better self presentation, or an ability of a business to produce wider social value beyond shareholders and market value (Corenlissen, 2008). The concept of CSR was introduced in Croatia in the 1990s and has passed through a long process of incorporating CSR in domestic business. Some important milestones can be identified, Lisbon Agenda (European Committee on Employment and Social Affairs, 2013) or CSR Index developed by Croatian Chamber of Commerce and Croatian Business Council for Sustainable Development with the support of the UNDP office in Croatia and AED. The project was launched in 2008 (Omazić & Vlahov, 2011). The authors of this study aimed to reveal the development of CSR practice in best Croatian companies according to the value added ranking, under the pressures of economic crisis, accompanied with Croatian accession to the EU,

precisely two years after. Companies were surveyed in two phases, first in 2011 and then in 2015, and research results revealed a rather similar state of the CSR in Croatia.

## 2. Corporate Social Responsibility

The CSR construct describes the relationship between businesses and the larger society. CSR may be defined in general terms as “the obligation of the firm to use its resources in ways to benefit society, through committed participation as a member of society, taking into account the society at large and improving welfare of society at large independent of direct gains of the company” (Kok et al., 2001). Furthermore, Visser (2011) defines CSR as way in which corporations consistently creates shared value in society through economic development, good governance, stakeholder responsiveness and environmental improvement. Even though it is evident there are numerous efforts to define adequately CSR it is impossible to find a universal, clear or realistic definition of the CSR, as it always is when something is of core interest or a buzz word. Furthermore, it is obvious that CSR is incorporated into every aspect of the business strategy and decision making since it became an essence of sustainable company’s strategy and success.

Basu and Palazzo (2008) suggest three fundamental lines of CSR inquiry prevalent in the academic literature as follows: (1) Stakeholder driven—as a reaction to the demands of external stakeholders that might include NGOs, governments, activists and pressure groups. CSR may thus be observed as a reactive company’s response and even kneejerk in some cases. It can also be argued that the organization’s heart is not really in it, and this might be viewed as largely cosmetic, directed by external demand, without any clear goal or strategy developed inside an organization; (2) Performance driven—very interest-oriented, motivated by the concept of “good ethics is good for a business”. Playing the role of good citizen will bring additional good promotion or reputation for the company. In this case, the real motive behind the organization’s efforts at communicating an ethical message/image could be purely for financial gains, or good self-presentation with the aim to attract customers, investors or other targeted group of stakeholders; and (3) Motivation driven—also extrinsic motives, such as corporate image improvement, preempting legal penalties and risk management, or intrinsic motives, such as virtue ethics, Kantian ethics and so forth.

Snider et al. (2003) warn of the considerable growth of interest in CSR in corporate communications, with CSR reports as web content on demand, mainly in reaction to stakeholder demands. Research with U.S. corporations and U.K. firms reveals that companies often report socially responsible behaviors in terms of specific stakeholder groups (Robertson & Nicholson, 1996). Although some researches indicate that communicating about CSR activities does not necessarily reflect positively on a company (Sen & Bhattacharya, 2001), what is possible, especially when that communication reflect self-presentation or motivation to present company in some idealistic way, other information, evidence or behavior may show completely different picture. Other researches show that organizations communicating a socially responsible image are perceived more positively and are trusted more (Swaen & Vanhamme, 2004). However, adopting such policies requires communication with the stakeholders, not only to convince them that the company is serious about its CSR strategies, but also to reap benefits that come with such an image, e.g., competitive edge, keeping out new entrants, avoiding penalties for unethical behavior, preempting the impact of future legislation as well as long-term investment in corporate image (Jahdi & Acikdilli, 2009).

CSR incorporates development and maintains the free flow of information. Social media, word-of-mouth, web word-of-mouth, activist movements, democratization of media and even

governmental actions initiated inevitable change regarding problems that companies did not consider as their own business responsibility initiated. While FTSE4 Good Index ([http://www.ftse.com/Indices/FTSE4Good\\_Index\\_Series/index.jsp](http://www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp)), DJSI (<http://www.sustainability-index.com/>) or other indices teach companies about the importance of CSR for investors, with incorporating corporate social responsibility and sustainability issues into their regular annual reports (Porter & Kramer, 2006). Investors and other financial public are not the only reason why companies add CSR reporting on their agendas or websites. High pressure of other stakeholders, influenced by power of social media required a more holistic view of interested stakeholders for company's CSR activities and reporting about it.

With respect to theoretical and empirical contributions of researchers within the field of stakeholder theory and context specificity in which Croatian companies exist we have identified eight relevant stakeholder groups: (1) shareholders, (2) employees, (3) customers, (4) suppliers (including creditors), (5) government, (6) communities, (7) media, and (8) universities (Tipurić, Lovrinčević, & Mešin, 2013). With respect of the mentioned groups of stakeholders, company's CSR need to be incorporated into company's core business, customers, employees, suppliers, shareholders in a proactive manner, with the aim to do the best for all interested parties, rather than be a nice company that donates something to marginalized community groups, without respecting other company's stakeholders.

### 3. Corporate Social Responsibility Research Overview

For the purpose of this paper, secondary research of the literature was employed, and it is obvious that CSR concept is interesting for many researchers' worldwide. For the purpose of this paper it is most important to consider previous, most recent CSR researches in which Croatian companies were surveyed. The most recent surveys are presented below.

Omazić and Rubčić (2013) surveyed Croatian companies. This research showed interesting results: (1) 53.3% of CSR activities represent a part of company's strategy; (2) 33.3% of donations and charities are occasionally based as it usually was in Croatian companies; (3) 46.7% of CSR is under communication or marketing jurisdiction; (4) 53.3% of Croatian companies avoided reporting it as it is not a legal obligation; (5) 13.3% of Croatian companies participated in the CSR index.

Omazić and Banovac (2012) take into consideration three main categories of indicators, economic, environmental and social, with the results of the survey as follows: (1) complete availability for this group of indicators is 57% Croatia; (2) 30% Croatia; and (3) 33% Croatia what positioned Croatia on the first place in all three categories within the four observed countries, i.e., Croatia, Slovenia, Serbia and Bosnia and Herzegovina.

Bilić (2010) found out that CSR is corporate communication component on company's web site is significantly correlated with higher value added ranking of the company, company type, and was not correlated with industry the company belongs to. Moreover, hierarchical cluster analysis classified developed CSR as a characteristic of a less developed corporate communication function.

### 4. Research Methodology and Findings

Initially this survey was started on the population of the 500 biggest Croatian companies according to the value added, with the aim to explore the best practice regarding the CSR: The authors started this study with the assumption that those companies are the ones that represent the examples of the best practice in Croatia. The analysis was performed in hard copy questioner, which was initially distributed via mail to 500 companies, addressed to the persons responsible for companies' communication or

public relations. In the first phases of the survey 70 companies returned questionnaire filled in a proper manner, which represents 14% return rate, acceptable for social sciences. The research was conducted in 2011. In the second phase the questionnaire was sent via e-mail as an online survey to the previously collected e-mail addresses of corporate communications or public relations persons, accompanied with the summary of the results from the previous survey. In this iteration, 31 companies filled the questionnaire, so the response rate reached 44.29%.

Research respondents were corporate communication executives or persons who performed the communication function in the surveyed companies. The questions were grouped in 2 groups, which represents activities performed by corporate communication department (hereinafter CCD) or corporate communication executives (hereinafter CCE), company as itself, as a complete entity.

The data collected was processed using statistical software for quantitative and qualitative data processing of social researches SPSS 17.00 in order to analyze the collected results. Statistical data processing included descriptive statistics, where we focused more on the average level of observed question and most frequent value.

Some basic characteristics of the surveyed companies are that more than half of them are situated in Zagreb, precisely 52.9%. They mostly belong to three industries: constructing, transport, food and beverage. Most of them are companies with more than 100 employees, 81.13% which is in Croatian mentality a big company; although under bureaucratic classification most of them are still small or medium-sized enterprises. Distribution of the companies according to the years of existence is as follows: up to 10 years 5.71%; 11-20 years 32.86%; 21-40 years 31.43%; 41-65 years 31.43% and the last category, over 65 years 14.29%.

Persons, who were responsible for completing our survey, are classified in three main groups: (1) corporate communication executives 35.5%; (2) public relations officers or companies spokespersons 17%; and (3) others, from different departments, who were in charge for company's communication 47.5%. The results speak for themselves, without person responsible for company's communication, what is found in almost half of surveyed companies; it is hard to expect that companies have somebody who takes care of the wholeness of company's communication efforts in CSR or any other aspect of communications with company's internal or external stakeholders. Furthermore, survey respondents are mostly females (60%), aged 31-40 (38.6%), with a university degree in business (47.1%), belonging to the middle and top management. Responses on both scales were indicated on a five-point Likert scale ranging from 1 (*strongly disagree*) to 5 (*strongly agree*).

**Table 1. Development of Corporate Communication Strategy (n 70; 2011)**

<i>Likert scale</i>	<i>Development of Corporate Communication Strategy</i>	<i>of Connection between Corporate Communication Strategy and overall Corporate Strategy</i>
	<i>Percent</i>	<i>Percent</i>
Strongly disagree	7.1	7.1
Disagree	12.9	12.9
Neither agree or disagree	30.0	24.3
Agree	34.3	38.6
Strongly agree	14.3	15.7

Missing	1.4	1.4
total	100	100

From the results presented in Table 1 it is very transparent that 50% of the best Croatian companies, according to the value added have not developed an overall communication strategy at all. As it is observed in literature and practice it is evident that companies without communication strategy perform their communication efforts on the ad-hoc basis, without clear plan of activities or either short-time or long-time goals. Moreover, if they have a communication strategy, slightly more than half of them, precisely 54.3% of them connected communication strategy with the overall corporate strategy. Research results showed a lack of strategic thinking about communication in Croatian companies, and moreover it is important to highlight that surveyed companies represent the best ones in Croatia.

**Table 2. How Croatian companies Performed CSR Comparative Analysis 2011 and 2015**

Questions	2011 (N 70)		2011 (N 31)		2015 (N 31)		Difference (N 31)
	Mean	Mode	Mean	Mode	Mean	Mode	
CCD (Note 1) are introduced with maximum level of CSR for consumers	4.54	5	4.53	5	4.06	4	-0.47
CCD are introduced with the CSR in company	4.46	5	4.50	5	4.35	5	-0.15
CCE consulting company Board about the CSR	4.21	5	4.17	5	4.06	5	-0.11
CCD receiving directions regarding CSR from company's Board	4.06	5	4.07	5	3.87	4	-0.20
Company performed its CSR activities on a high level	4.06	4	4.27	5	3.97	4	-0.27
Company participated in sponsorship and donations	3.96	5	4.13	5	3.72	4	-0.41
CCD surveyed perception of company's CSR with stakeholders	3.66	3	3.79	3	3.48	3	-0.31
Company promoted its CSR activities in the media	3.58	3	3.71	3	3.62	4	-0.09

According to our research results, it is evident that long and deep economic crisis, accompanied with joining the EU have slightly affected the CSR. A crisis affected companies with an overall reduction in cost, and as usual, all unnecessary costs were first cut, and most companies observed communications as an unnecessary function of marketing, where CSR usually belongs. From other perspectives, joining a bigger market pushed companies to improve their business, and pushed them harder to prove themselves on that new market as an important player.

Furthermore, some observation according to the survey results could be explained as a small difference in respondents' perception about the CSR activities within the company or with external stakeholders, up to 5% of difference (-0.25), but there are several answers where we can see the difference is even higher. The biggest differences can be observed in relations between CSR and customers -0.47, significant decrease in community engagement -0.41 companies participation in sponsorship and

donations. Also, it seems that surveyed companies' paid less attention to the reputation of the company within stakeholders, they did not survey them which was presented with a decline of -0.31 in 2015, and in self-evaluation of high-level of CSR activities in company -0.27.

The results presented in Table 1 and Table 2 represents corporate communication attitudes toward corporate communication strategy, corporate strategy and specific CSR performed by the companies themselves or performed by the company's management. As it is possible in any social research, some subjectivity may be present in respondents' answers. As researchers, we kindly ask respondents to be as objective as possible. Also, some of the lower scores regarding the CSR topic may result in the rise of the respondents' knowledge about the CSR, which may have affected their answers in a more critical manner.

## 5. Discussion and Conclusions

Our primary aim in conducting the same research, with a time lag was motivated with researchers' efforts to explore the trends in CSR under confused circumstances, declination of economy under long-term crisis, accompanied with a new legislation in the EU. The crisis was observed as a negative effect, while the accession of the EU may be observed as twofold, i.e., as a motivation for more attention given to CSR, or maybe more requirements for investment, particularly when it is related to the ecology or environment. Also, we were interested to reveal if a repeated research would provide us with different insights about the level of CSR in Croatia. Even these results have showed a slight inclination of CSR efforts in observed companies. We can see that respondents in most of the observed companies proved an above average level of incorporation of the CSR concept. Also, in the second part of 2015 Croatian government announced a slight recovery of the economy in terms of the GDP so it could be expected that companies philanthropic efforts will be bigger in the upcoming years.

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#### Note

Note 1. Corporate Communication Department (CCD) mostly represented by 1 person.