


PERCEPTION OF SUSTAINABILITY AND STRATEGIES OF BULGARIAN COMPANIES

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ARTICLE INFO	ABSTRACT
<p>Article history:</p> <p>Received 01 September 2023</p> <p>Accepted 19 December 2023</p>	<p>Purpose: The article aims to investigate how different understanding of ESG and/or CSR influence the adoption of formal ESG/CSR policy and relevant activities, and which factors are related to it as there is a gap in research on the formation of ESG/CSR strategy.</p>
<p>Keywords:</p> <p>CSR; ESG; Strategy; Company Size; ESG Factors; Employment Brand.</p> <div data-bbox="172 943 480 1189" style="text-align: center;">  </div>	<p>Theoretical Framework: ESG strategies are one of the critical components for ensuring sustainable growth (Liang et al., 2022), but the understanding of the concept is not necessarily guaranteed. Moreover, despite the increasing interest in the topic, the literature concerning transition and emerging economies and ESG practices is still quite limited (Garcia et al., 2017).</p> <p>Design/Methodology/Approach: We surveyed various national companies with scalability about their perception and implementation of CSR/ESG and identified three clusters of enterprises based on their understanding of responsibility and sustainability. We analyzed the likelihood of adopting a CSR/ESG strategy for each type.</p> <p>Findings: The study reveals different elements which impact the process of forming a sustainability strategy in a transition economy and confirms the one of significant precondition is the company size. In addition, strong brands are seen as predictor of a strategy implementation.</p> <p>Research, Practical & Social Implications: We suggest that business which tend to address the dimension of sustainability have a comprehensive attitude toward strategy adoption and for effectively practicing sustainability awareness of the concept and all its dimensions is key. Based on the classification of the different companies their CSR/ESG activities could be analyzed.</p> <p>Originality/Value: The results show major factors of sustainability which are crucial to implement a formal sustainability strategy.</p> <p>Doi: https://doi.org/10.26668/businessreview/2023.v9i1.4147</p>

A PERCEPÇÃO DE SUSTENTABILIDADE E ESTRATÉGIAS DAS EMPRESAS BÚLGARAS

RESUMO

Objetivo: O artigo tem como objetivo investigar como diferentes entendimentos de ESG e/ou CSR influenciam a adoção de políticas formais de ESG/CSR e atividades relevantes, e quais fatores estão relacionados a isso, já que há uma lacuna na pesquisa sobre a formação da estratégia de ESG/CSR.

Referencial Teórico: Estratégias de ESG são um dos componentes críticos para garantir o crescimento sustentável (Liang et al., 2022), mas a compreensão do conceito não é necessariamente garantida. Além disso, apesar do crescente interesse no tópico, a literatura sobre transição, economias emergentes e práticas de ESG ainda é bastante limitada (Garcia et al., 2017).

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Desenho/Methodologia/Abordagem: Pesquisamos várias empresas nacionais com escalabilidade sobre sua percepção e implementação de CSR/ESG e identificamos três grupos de empresas com base em seu entendimento de responsabilidade e sustentabilidade. Analisamos a probabilidade de adoção de uma estratégia de CSR/ESG para cada tipo.

Resultados: O estudo revela diferentes elementos que impactam o processo de formação de uma estratégia de sustentabilidade em uma economia de transição e confirma que um dos pré-requisitos significativos é o tamanho da empresa. Além disso, marcas fortes são vistas como preditoras da implementação de uma estratégia.

Pesquisa, implicações Práticas e Sociais: Sugerimos que empresas que tendem a abordar a dimensão da sustentabilidade tenham uma atitude abrangente em relação à adoção de estratégias e, para praticar efetivamente a sustentabilidade, a conscientização do conceito e de todas as suas dimensões é fundamental. Com base na classificação das diferentes empresas, suas atividades de CSR/ESG poderiam ser analisadas.

Originalidade/Valor: Os resultados mostram principais fatores de sustentabilidade que são cruciais para implementar uma estratégia formal de sustentabilidade.

Palavras-chave: RSE, ESG, Estratégia, Tamanho da Empresa, Fatores de ESG, Marca Empregadora.

PERCEPCIÓN DE SOSTENIBILIDAD Y ESTRATEGIAS DE LAS EMPRESAS BÚLGARAS.

RESUMEN

Propósito: El artículo tiene como objetivo investigar cómo diferentes comprensiones de ESG y/o RSE influyen en la adopción de políticas formales de ESG/RSE y actividades relevantes, y qué factores están relacionados con ello, ya que existe una brecha en la investigación sobre la formación de estrategias de ESG/RSE.

Marco teórico: Las estrategias ASG son uno de los componentes críticos para garantizar un crecimiento sostenible (Liang et al., 2022), pero la comprensión del concepto no está necesariamente garantizada. Además, a pesar del creciente interés en el tema, la literatura sobre transición y economías emergentes y prácticas ASG sigue siendo bastante limitada (García et al., 2017).

Metodología: Encuestamos a varias empresas nacionales con escalabilidad sobre su percepción e implementación de RSE/ESG e identificamos tres grupos de empresas en función de su comprensión de la responsabilidad y sostenibilidad. Analizamos la probabilidad de adoptar una estrategia de RSE/ESG para cada tipo.

Conclusiones: El estudio revela diferentes elementos que impactan en el proceso de formación de una estrategia de sostenibilidad en una economía en transición y confirma que una de las condiciones significativas es el tamaño de la empresa. Además, las marcas fuertes se consideran un predictor de la implementación de una estrategia.

Implicaciones de la Investigación: Sugerimos que las empresas que tienden a abordar la dimensión de la sostenibilidad tengan una actitud integral hacia la adopción de estrategias y, para practicar efectivamente la sostenibilidad, es clave tener conciencia del concepto y todas sus dimensiones. Con base en la clasificación de las diferentes empresas, podrían analizarse sus actividades de RSE/ESG.

Originalidad/Valor: Los resultados muestran los principales factores de sostenibilidad que son cruciales para implementar una estrategia formal de sostenibilidad.

Palabras clave: CSR, ESG, Estrategia, Tamaño de la Empresa, Factores de ESG, Marca Empleadora.

INTRODUCTION

It took a half century from the first major mentioning of corporate social responsibility (CSR) by Bowen (1953) to the first major mentioning of environmental, social, and governance (ESG) framework by UN Global Compact (2004). These 50 years lead to expansion, embedding, formalization, and institutionalization of the initial CSR concepts into the core business strategy and regulatory framework. ESG now is an enhanced CSR stakeholder's engagement along the value chain. Notable differences between ESG and CSR include comprehensive quantifiable metrics and reporting and managing a whole new set of risks.

We subscribe to the definition by the World Business Council for Sustainable Development, which states that the “Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (Holme and Watts, 2000). During the last five decades entrepreneurs and investors from the developed economies recognized CSR as an eminent part of the business strategy and a crucial factor for monetary benefits (Nave and Ferreira, 2019).

CSR has become intrinsic for corporate strategies and many studies analyze their impact on firms’ performance, financial results, mitigating different risks, perception by investors and customers. With the new regulations for non-financial reporting enforced in the European Union the importance of a formal CSR/ESG policy is increasing and impacts not only large companies but smaller enterprises as their partners as well (Stefanova, 2022). A CSR/ESG strategy reveals to what extent related activities are part of the company’s operations.

Despite the increasing interest in the topic, the literature concerning transition and emerging economies and ESG practices is still quite limited (Garcia et al., 2017). The following study is concentrated on the perception of what CSR and/or ESG consists of and what activities are at the focus of formal CSR/ESG strategies in Bulgaria. The country is an example of upper middle-income and open economy, where a lot of SMEs perceive themselves as part of a developing economy. We assume that the analysis would fit other transition countries, which are still in the lower-income group.

The article aims to investigate how different understanding of ESG and/or CSR influence the adoption of formal ESG/CSR policy, and which factors are related to it as there is a gap in research on the process of forming a sustainability strategy (Pratama and Herman, 2022) and the level of CSR is insufficient in emerging economies (Popkova et al., 2021).

LITERATURE REVIEW

Liang et al. (2022) view the ESG strategies as one of the critical components for ensuring sustainable growth. To identify what is the potential for such growth there has to be information on the level of adopting CSR/ESG strategies and what they are concentrated on. According to research by a team of authors at the University of Reading (Morais et al., 2020) there is awareness about the concept of ESG, but corresponding activities are not properly applied. Awareness does not guarantee full understanding of the concept and consequently CSR/ESG implementation might not be effective. The same report states that external drivers

for adopting ESG practices are mainly government policy, followed by investors' view, while customers base and public opinion are with similar weight. Despite these external stimuli the motivation for adopting a formal policy might be related to better performance and financial results, usually in the long term.

To analyze what internal practices could suggest the presence of CSR/ESG strategy we look at the different aspects of business sustainability and responsibility. Nave and Ferreira (2019) categorize CSR dimensions, which include concerns related to environmental impact, uptake of initiatives for solving social problems and improving social welfare, contributing to the development of the region, companies acting in an ethical way. Business ethics are continuously evolving, but generally it is directed towards integrity, fairness, law abiding, leadership, transparency, sustainability. Considering ethics a foundational principle is that businesses should respect human rights despite their size, industry, ownership, etc. (UN, 2011) and it is seen as a separate core ethic value in CSR/ESG strategy (Dathe et al., 2022). In order to commit to protecting human rights enterprises should have targeted policy as part of their strategy. Hess (2017) also accepts human rights as significant aspect of CSR and see connection between human rights violation and corruption. The fight against corruption, including bribery and following laws and regulations, as one of its forms, is widely accepted as an integral part of CSR (Branco et al., 2012). Ho and Lin (2012) find association with this factor and CSR strategy – as the commitment to responsibility and sustainability (adopting a formal strategy) would lead to a better prevention of corruption. The fight against bribery and corruption could be supported by improved compliance (Hess, 2017), which proves to be another key component of company's responsibility. Weller (2017) claims that the development of business ethics will even lead to blurring the boundaries between compliance and CSR practices. From this several factors enhancing CSR could be brought out – protection of human rights, taking actions against corruption and bribery and being compliant and law abiding.

One of the pillars of CSR/ESG is sustainability which could be reflected in numerous ways in how companies operate. Enterprises concentrate on their environmental impact, energy efficiency, use of alternative energy resources, recycling, and many others. There are various related practices, which could be considered as elements of the ESG logical matrix.

For the purpose of this study we will accept all relevant activities as part of managing environmental footprint following the research of Vanham et al. (2019) where all types of environmental activities related to Social Development Goals defined by the UN are united under an environmental footprint family. Research of emerging economies shows contradictory views on whether environmental strategy would have a positive or negative impact on company's performance, however, authors unite around the idea that this impact is positive in terms of governance and social dimension (Thomas and Bhaumik, 2023). In short, as far as developing countries are concerned implementing a sustainability strategy oriented towards governance and social aspects will be beneficial for the firm. Often environmental performance is associated more with increasing costs, which might be the reason for its constraining effect on enterprise's results.

The social dimension of CSR/ESG also includes the philanthropic or altruistic side of a company's responsible actions. The main principle behind it is giving back to the community and contributing to society through investing time and/or money towards various social needs (Law and Ang, 2013). In a way the responsibility as commitment to obligations towards sustaining the nature should be derived from the concept of individual rights (Kolev, 2021).

We distinguish between these two aspects as in the one case businesses allocate funds towards a social problem and in the other could perform any type of activities to benefit society, including volunteering and other initiatives in which employees participate. Employees could be active contributors in CSR activities, but at the same time CSR/ESG is also implemented through human resource management and employees empowerment. This might include developing competences, education and skill training, providing different opportunities aiming to empower social and economic development of human resources (Sulaiman and Muhamad, 2020). To summarize these elements we would consider activities aimed at developing employee capacity as a joint aspect of company's sustainability. Employment is addressed by several UN Principles and issues in Social responsibility international standard (ISO 26000). They relate to either human rights or labour practices, including health and safety, however we view inclusivity, diversity and non-discrimination as a separate factor in company's CSR as they are topical themes in the field (Csillag and Gyori, 2016) and other authors outline it as a separate commitment (Dathe et al., 2022) In practice employment of people with disabilities could be strategic part of CSR and lead to economic profit (Csillag and Gyori, 2016), but it remains a challenge for enterprises to adapt their CSR strategy to relevant internal activities (Miethlich and Slahor, 2018).

Social aspect of ESG also include product liability and it is used as a key issue (MSCI, 2023) which represents product safety and quality. Different authors state that CSR is used to signal product quality as it increases consumers trust, but Calveras and Ganuza (2018) claim that a company is more likely to be socially responsible, if it supplies high quality products.

Based on different dimensions of sustainability we depict several factors and analyze if there is a relation between them and the adoption of a formal CSR/ESG policy. We aimed to encompass various aspects in order to conduct a more comprehensive analysis.

Hypothesis 1. The understanding (the scope and depth of the notions of what makes a company responsible and sustainable) influences the probability of having a CSR/ESG strategy.

1^a. We expect that companies, which have more comprehensive and rich understanding of CSR would have higher probability of having CSR strategies.

Popkova et al. (2021) discuss the challenges before implementing CSR practices in emerging economies. The authors underline how crucial it is for businesses to improve labor conditions for their employees and uptake initiatives related to significant public problems.

Business university cooperation represents social dimension of sustainability in terms of education and might also lead to innovation (Gawel, 2014). Such collaborations are often part of a company' strategy (Del Baldo, 2013; Gawel, 2014). It is beneficial for both parties (Galan-Muros and Davey, 2019). A report of the European Commission (2018) states that if businesses and universities cooperate, usually it happens in various ways and progressively. The report confirms that it is more likely larger organizations to partner with higher education institutions and also it is more likely to observe cooperation between institutions in the same region. In addition, according to the business having a strategy to collaborate is the most often used approach to support such partnerships.

Sustainability strategies in small and large companies

Different researchers find evidence that corporations bigger in size will more often adopt ESG activities (Chang and Le, 2022; Morais et al., 2020; Nega and Diala-Nettles, 2018). This fact is not surprising as larger companies are able to allocate more

resources and have better capacity to build up a CSR/ESG strategy as well as to implement it. Nega and Diala-Nettles (2018) believe that company size is an important indicator because larger organizations can promote their CSR strategy more often than smaller ones. This view is also supported by Wickert et al. (2016) who comment on how firm size influences the implementation of CSR practices. Again, what types of activities are applied depends on the presence of a formal policy. But while for bigger organizations preparing specific statement may be easier, it is more difficult for them to apply such practices at all levels and for all employees. From this perspective, applying ESG would be less expensive for smaller companies also due to the lower level of bureaucracy (Wickert et al., 2016). However, for the latter reporting would bear greater cost. In short, Wickert et al. (2016) claim large organizations will focus on CSR communication and smaller – on implementation. Small firms practice CSR but less often promote these activities, for example through non-financial reporting or announcing policies on a dedicated website. Provided the visibility of CSR in small companies is lower, formalizing and communicating CSR will benefit them. As a whole although smaller organizations have less resources available, they still could use ESG as a competitive advantage (Morais et al., 2020).

Thus, we will test the Hypothesis 2 Company size positively influences the probability of having a CSR strategy.

We will explore the linkages between the size of companies and the perception of CSR/ESG company.

Small and medium enterprises present the bigger part of the business and are crucial for sustainability impact, so it is key to analyze to what extent they are adopting CSR/ESG practices, are they implementing specific strategies and what activities they focus on. Potential challenges might be related to conflicting strategic goals, uncertainty what exactly are ESG activities and what is their impact, lack of resources, risk of greenwashing, difficulties in communication and more. As for opportunities the main ones are attracting and retaining both employees and customers, proactive risk mitigation and attracting new investors, focusing on ESG (Morejon et al., 2022). Retaining talent is closely related to the firm's policy towards its employees.

Small firms are more responsive to pressure from various stakeholders and create strategies under their influence (Horisch et al., 2014). However, are more likely to not formally implement CSR management tools in contrast to large firms. Horisch et al. (2014) argue that knowledge of sustainability management tools is key to CSR strategy and its implementation,

defining the main difference between small and large firms. Considering environmental strategy Ko and Liu (2017) confirm that usually smaller enterprises avoid applying environmental activities as such actions are related to additional financial cost. In addition, the authors believe that environmental strategy would not necessarily increase the profits of small and medium enterprises directly but on the other hand will improve their capacity to benefit from new markets and new technologies.

Berber et al. (2014) research CSR strategies in Central and Eastern Europe. 10 years ago, although approximately half of the companies in Central and Eastern Europe have some form of official CSR statement, this percentage in Bulgaria is quite lower. The authors find correlation between having CSR statement and more environmental activities.

A certain motive for ESG implementation is bettering companies' reputation and branding (including employment branding). According to several authors (Maaloul et al., 2023; Puriwat and Tripopsakul, 2023; Rehman et al., 2020) ESG has positive influence on the way a company is perceived (including through intersubjective self-perception). If good management and disclosure of ESG information enhance business notoriety (Maaloul et al., 2023), it is likely that the management has a strategic plan oriented towards CSR. UN (2004) also represent the connection between ESG policies which translate into customer satisfaction and consequently brand reputation. In short, if CSR is key approach to ensuring company's reputation (Del Baldo, 2013) businesses have additional incentive to implement sustainability policy. More specifically an integrated and comprehensive CSR strategy leads to improved brand perception especially on a global market (Popoli, 2011). We address the issue from the other perspective and analyze whether a company with strong employment brand is more likely to apply CSR/ESG policy. Hypothesis 3. Companies with stronger brands will have more often CSR/ESG strategies.

DATA AND METHODOLOGY

The following study has been conducted among 106 companies in Bulgaria. Large companies with more than 250 employees represent 45% of the surveyed businesses, medium enterprises with 50 to 249 employees are 14%, small companies (10-49 employees) constitute 20% of the sample, and micro firms (up to 9 employees) amount to the remaining 21%. The study was carried out in the first half of 2023 based

on an online questionnaire. The questions included in it were formulated after several discussions and consultations with focus groups from two partnering universities in Bulgaria and France (Sofia University and UVSQ/Paris Saclay).

RESULTS AND DISCUSSION

Businesses generally exhibit confidence in their understanding of corporate social responsibility (CSR), although this perception often aligns more with social desirability than with an in-depth understanding of the concept. Interestingly, a mere 1% of surveyed companies admit ignorance of CSR, and an additional 7% are uncertain about its precise meaning, despite recognizing the term in various contexts. Not fully comprehending the concept of sustainability and the need for increasing the knowledge on the topic is identified by other authors as well (Morais et al., 2020).

As could be expected, businesses associate responsibility and sustainability with the environmental footprint of the company (83%). The survey explored nine manifestations of being responsible and sustainable (Table 1). It revealed that no company selected all nine dimensions. However, a substantial 33% chose eight, and nearly half (49%) selected up to five. This diversity in the selection indicates varying interpretations of what constitutes responsibility and sustainability in the corporate context. We expect that the understanding of the responsibility and sustainability will have impact on behavior of companies in the ESG domain. In order to test that we have to come up with a somewhat different perceptions of responsibility and sustainability based on the answers.

We have listed several approaches which can contribute to sustainability and responsibility, with comparable weight. The table below demonstrates them.

Table 1. Nine ways of being responsible and sustainable

What makes a company responsible and sustainable?	Share
Manage its environmental footprint	82,86%
Develop its employee's capacity	71,43%
Perform activities beneficial to the society	70,48%
Invest money towards significant public problems	67,62%
Do not tolerate bribery and corruption	65,71%
Protect human rights	63,81%
Be compliant and law abiding	61,90%
Supply quality products	59,05%
Employ disadvantaged people and people at risk	55,24%

Source: Authors.

Our analysis, employing K-means clustering, identified three distinct clusters among the surveyed companies.

The first cluster labelled “realistic egocentrics” consists of 34% of companies, which have selected on average 3 characteristics. Interestingly enough these companies more often choose the development of the employees’ capacity and compliance and law abiding more often than managing the environment footprint (the three predominant characteristics). The realistic egocentrics prioritize internal benefits and economic rationality over activities and investments in public goods. However, such behavior could lead to negative long-term effects (Dathe et al., 2022) as not all stakeholders interest is taken into consideration.

The second cluster consists of 41% of companies, which have selected on average 7.7 out of 9 characteristics. Practically the second cluster companies do not differentiate or prioritize different manifestations of responsibility and sustainability. We will call these companies “comprehensive” in terms of understanding of the concept.

The third cluster consists of 25% of companies, which have selected on average six characteristics, which fit best to the label of “altruistic” companies – investing money towards public problems (at the same level as managing the environmental footprint), closely followed by performing NGO type of activities beneficial to the society and even protecting human rights. We tend to think that this cluster suggests a superficial familiarity with CSR among a significant portion of businesses.

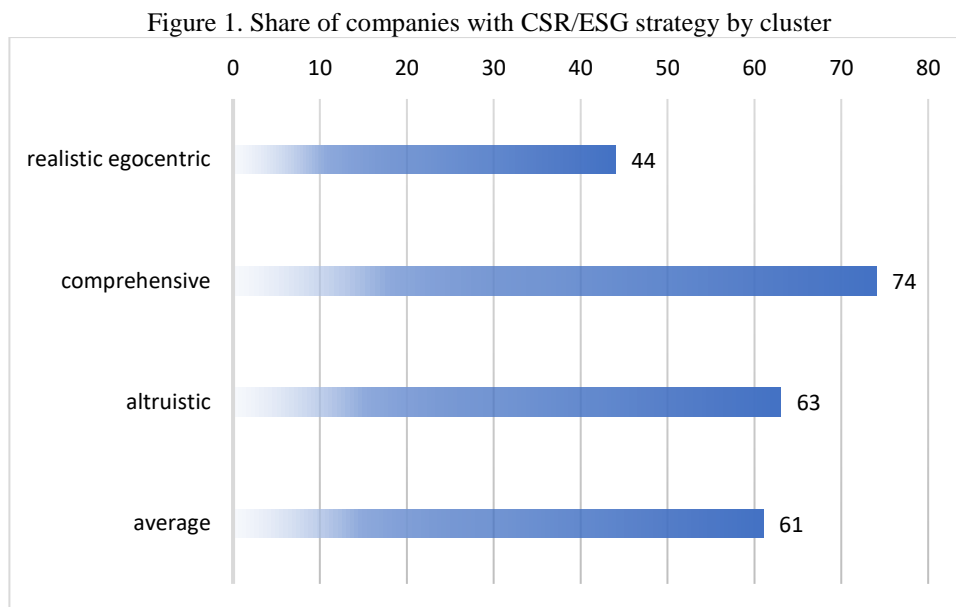
Table 2. Clusters

Cluster	Manage its environment footprint	Develop its employee’s capacity	Perform activities beneficial to the society	Invest money towards significant public problems	Do not tolerate bribery and corruption	Protect human rights	Be compliant and law abiding	Supply quality products	Employ disadvantaged people and people at risk
Realistic egocentric	0,58	0,61	0,31	0,19	0,50	0,19	0,61	0,53	0,06
N	36	36	36	36	36	36	36	36	36
St. Dev	0,500	0,494	0,467	0,401	0,507	0,401	0,494	0,506	0,232
Comprehensive	1,00	1,00	0,95	0,95	1,00	0,98	0,95	0,95	0,91
N	43	43	43	43	43	43	43	43	43
St. Dev	0,000	0,000	0,213	0,213	0,000	0,152	0,213	0,213	0,294
Altruistic	0,89	0,41	0,85	0,89	0,33	0,70	0,11	0,11	0,67
N	27	27	27	27	27	27	27	27	27
St. Dev	0,320	0,501	0,362	0,320	0,480	0,465	0,320	0,320	0,480

Source: Authors.

The comprehensive companies have significantly more often (74%) CSR/ESG strategies than altruistic (63%) and they in turn more often than realistic egocentrics (44%). 61% of the companies have CSR/ESG strategy and 20% more plan to implement soon. It remains a challenge for businesses to understand how CSR is structured and properly reflect it in developing corresponding strategies (Nave and Ferreira, 2019), that is why the ones who grasp the concept better are following formal policies.

The differences with ANOVA test are significant with $p=0.023$, which might not be too strong. If we look at individual responses we can find the driving factors which explain the existence of an CSR/ESG strategy. While every aspect of responsibility and sustainability is associated with more companies having CSR/ESG strategy, only four are statistically significant.



Source: Authors.

A notable finding is the association between certain CSR dimensions and the likelihood of having an CSR/ESG strategy. Believing that protection of human rights makes a company responsible and sustainable increases the odds to have CSR/ESG strategy more than twice. The responsibility of businesses towards human rights is confirmed by international guidelines and standards and should be high on the company's agenda (Camara and Morais, 2020). The next strong factor is the focus on employee's capacity, which increases the odds of have CSR/ESG strategy by 75% and finally both associations with public good – directly engaging with activities benefiting the society at large or investing money towards significant problems increase the odds for having a strategy by 50%. Reflecting employee's empowerment in CSR

is logical as often it is seen as motivating them to perform better, strengthen their attachment to the company and have a positive outlook for the company (Sulaiman and Muhamad, 2020).

Table 3. Probability of CSR/ESG strategy

	Probability of CSR/ESG strategy		Sig. level
	No	Yes	
What makes a company responsible and sustainable	No	Yes	
Manage its environment footprint	50%	64%	0,283
Develop its employee's capacity	40%	70%	0,004**
Perform activities beneficial to the society	45%	68%	0,028*
Invest money towards significant public problems	47%	68%	0,039*
Do not tolerate bribery and corruption	58%	63%	0,654
Protect human rights	37%	75%	0,000**
Be compliant and law abiding	58%	64%	0,534
Supply quality products	53%	67%	0,175
Employ disadvantaged people and people at risk	51%	69%	0,054

Source: Authors.

In general, partnership with universities increases probability of CSR/ESG strategy. 63% of companies with CSR/ESG strategy partner with universities on activities lined with CSR; half of the altruistic companies and 36% of the realistic egocentrics do partner with universities. This is not surprising as prior research suggest that companies which are serious about responsibility and sustainability do partner with universities (Del Baldo, 2013; Gawel, 2014).

Nonetheless 29% of companies who do not have CSR/ESG strategy still partner with universities in the same domain.

Clusters differ in terms of size of companies. Although big companies dominated in the sample (45% have more than 250 employees), in the cluster of realistic egocentric companies we see most often micro companies (31% of the companies in the cluster). If we pick a random micro company with a chance of 50% it will be realistic

egocentric. A small random company will be altruistic with a chance of 42%. A random medium-sized company will be realistic egocentric with a chance of 47% and finally, a big company will be comprehensive with a chance of 52%.

Table 4. Distribution of companies by size in different clusters

	Micro (up to 9)	Small (10 to 49)	Medium (50 to 249)	Big (>250)
Realistic egocentric	31,25%	21,88%	21,88%	25,00%
Comprehensive	16,67%	11,11%	11,11%	61,11%
Altruistic	15,38%	30,77%	7,69%	46,15%

Source: Authors.

Table 5. Most probable type of company (with the probability) by size of company

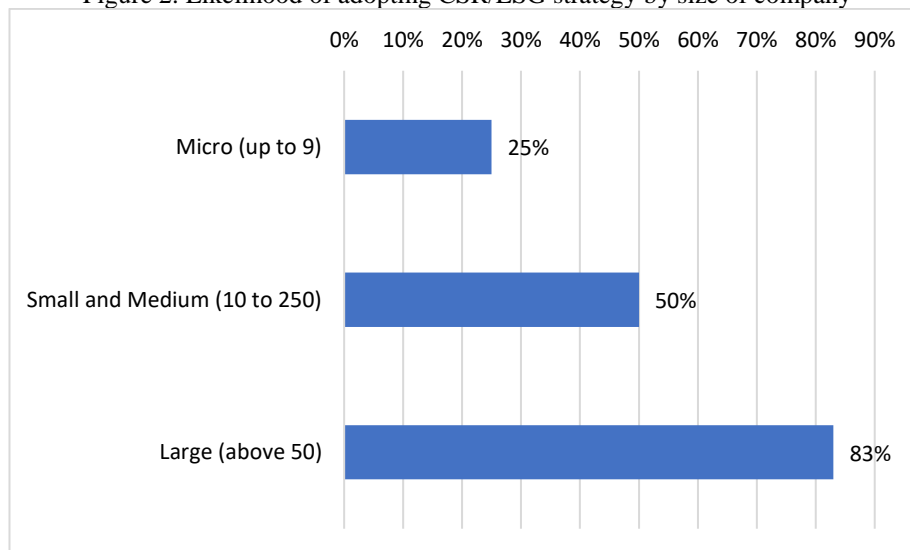
Micro (up to 9)	50%	Realistic egocentric
Small (10 to 49)	42%	Altruistic
Medium (50 to 249)	47%	Realistic egocentric
Big (>250)	52%	Comprehensive

Source: Authors.

Moreover, the analysis reveals that company size significantly influences CSR/ESG strategy adoption. Larger firms are more likely to have such strategies, likely due to regulatory requirements (and greater public scrutiny).

Company size, expectedly, have significant impact ($p=0,000$) on the likelihood of having CSR/ESG strategy which is widely supported by previous research (Chang and Le, 2022; Morais et al., 2020; Nega and Diala-Nettles, 2018). Small and middle-sized companies have double the odds of having CSR/ESG strategy against the micro-enterprises and the large companies have more than triple the odds.

Figure 2. Likelihood of adopting CSR/ESG strategy by size of company



Source: Authors.

The study confirms the two hypotheses that companies who tend to address different aspects of sustainability and are with more comprehensive understanding of CSR/ESG are more likely to adopt such strategy and that this decision is impacted by the company's size as well.

Although we find relatively high readiness to work towards creating CSR/ESG strategy of the companies, which are still lacking such (50%), the explanation of why there is no strategy so far is quite conclusive – managers and owners are not convinced that having CSR/ESG strategy is beneficial for the business. However, lack of a strategy does not mean that companies do not engage in any CSR/ESG activities, but it is rarely done.

Table 6. Reasons for not having a CSR/ESG strategy

Reasoning	Share
We don't believe that the goals will be achieved	5,7%
Owners are not interested	13,3%
It will require investment, which will not pay back	6,7%
It will require human capacity, which will not pay off	10,5%
There will be no effect on the firm performance	3,8%
There will be no positive impact on the revenue of the company	7,6%

Source: Authors.

In order to test our last hypothesis, we look at how companies assess their brand and whether they have adopted CSR/ESG strategies.

Table 7. Probability of having CSR/ESG strategy and employment branding

Employment branding	Share of companies with CSR/ESG strategies
Don't know what it is	16.67%
It is irrelevant to us	22.22%
Average market level	58.33%
Top 25%	66.67%
Top 10%	66.67%
Top 5%	87.50%

Source: Authors.

*Sig level 0.01

From the results (Table 7) it is evident that enterprises with better brand recognition are more likely to have a strategy and respectively take a more responsible approach towards CSR and ESG. This is supported by the fact brands associated with

responsibility and sustainability are more attractive to the customers (Camara and Morais, 2020). Consequently, ESG factors positively affects brand loyalty (Rehman et al., 2020) and contribute to company's reputation (Maaloul et al., 2023). ESG strategy in particular is seen as a tool to improve brand perception (Puriwat and Tripopsakul, 2023) and our findings confirm this connection in the context of the study.

CONCLUSION

The article contributes to analyzing companies' understanding of responsible and sustainable behavior and how this affects their strategy formation.

Based on different CSR/ESG dimensions three types of enterprises were grouped in clusters: realistic egocentrics, comprehensive and altruistic. The first ones - realistic egocentrics - concentrate on internal benefits - investing in their employees' development and ensuring the enterprise is compliant with regulations but are not putting efforts in dealing with environmental or social problems outside the organization, therefore limiting positive impact on the community. The second cluster – comprehensive - exhibits interest in most of the analyzed aspects of sustainability and apply activities in all ESG domains, showing balanced approach and attention towards both internal and external CSR. Finally, altruistic companies put an emphasis mainly on philanthropic perspective, which could be due to lack of in-dept knowledge of the concept and its manifestations and bettering company's image.

Given the characteristics of the different companies' groups we found that the businesses who tend to address more dimensions of sustainability and have a comprehensive attitude are most likely to adopt such strategy. Consequently, if companies have better awareness of CSR/ESG, they will be more engaged with it.

The study reveals different elements which impact the process of forming a sustainability strategy in a transition economy.

Expectedly businesses size in terms of number of employees also influence formal policy implementation. On the one hand larger companies have more resources, both financial and human, to dedicate for strategic planning and practicing CSR and on the other, society requires them to behave in a responsible and sustainable way. These might be formal regulation for non-financial reporting by the governments, or preferences which consumers impose on the market through buying products and services related to ESG. However, the pressure towards small and medium enterprises to apply formal CSR/ESG policy is growing as well. Crucial point towards this goal and for effectively practicing sustainability is

awareness of the concept and all its dimensions and better understanding how companies could benefit from it.

We found that protection of human rights, developing employee's capacity and performing initiatives for public good as well as investing towards social problems are significantly important. All of these aspects are intertwined within fundamental UN principles and Social Development Goals.

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