

ROLE OF CORPORATE SOCIAL RESPONSIBILITY (CSR) IN BUSINESS PLANNING AND PRACTICE OF CROATIAN COMPANIES

DRUŠTVENO ODGOVORNO POSLOVANJE I ODRŽIVI RAZVOJ: STANJE U HRVATSKIM PODUZEĆIMA

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SAŽETAK

Cilj je ovog rada empirijski istražiti društveno odgovorno poslovanje malih, srednjih i velikih poduzeća koja posluju u Republici Hrvatskoj usporedbom razina implementacije društvene i ekološke dimenzije, te vrsta primijenjene društvene odgovornosti. Svrha je rada ocijeniti postojeću razinu primjene društveno odgovornog koncepta poslovanja.

U radu se prezentiraju istraženi prioriteti i karakteristike društvene odgovornosti u anketiranim poduzećima. Na temelju empirijskih rezultata možemo zaključiti kako su anketirana poduzeća pretežno orijentirana na operativni i financijski

ABSTRACT

The main objective of this paper is to examine business, social and ecological dimensions of the entrepreneurial activities of small, medium and large enterprises in Croatia by comparing different levels of acceptance, incorporation and utilization of those dimensions among the surveyed companies. Our purpose is to empirically identify and assess the attitudes with regard to as well as the importance and priorities of CSR aspects in business planning.

This research provides findings on the priorities and characteristics of CSR concepts of the surveyed enterprises. Based on the empirical results

(kratkoročni) aspekt poslovanja, dok istovremeno postoji svijest o nužnosti proširenja perspektive prema strateškoj i normativnoj (dugoročnoj - ekološkoj i društvenoj) perspektivi poslovanja.

of this study, they can be said to be focused on the operational and financial business aspects. Simultaneously, there is a constant awareness of the necessity for a business change and of the importance of broadening the perspectives to a strategic and normative dimension.

1. INTRODUCTION

For a number of decades, profit maximization was considered the sole task of the company in both business theory and practice. Climate change, extinction of biological species and the global economic crisis gave impetus to the strengthening of corporate responsibility by not only aiming at making profit but by paying more attention to the social and environmental consequences of company operations as well. Modern conditions of conducting business require a paradigm shift from the neo-liberal reductionist profit orientation towards a holistic perspective and balance of economic, social and environmental dimensions of corporate responsibility.

The main objective of this paper is to examine business, social and ecological dimensions of the entrepreneurial activities of small, medium and large enterprises in Croatia, by comparing different levels of acceptance, incorporation and utilization of those dimensions among various companies. We hypothesize that Croatian companies are primarily focused on the economic-operational and financial (short-term) aspects of business while giving less importance to the ecological and social (long-term) aspects. Our purpose is to empirically identify and assess the attitudes with regard to as well as the importance and priorities of CSR aspects in business planning. This paper is an attempt at taking stock of the diffusion of social responsibility and sustainability objectives among Croatian companies. It provides the empirical answers to the questions such as those to what degree CSR is recognized in business and to what degree CSR concepts are implemented within companies.

2. ORIGINS OF SOCIAL ENTREPRENEURSHIP

According to Bygrave & Hofer,¹ it is important to properly define what entrepreneurship is and what the terms “entrepreneur” and “entre-

preneurship” mean. In general, there is a variety of definitions of entrepreneurship which have been proposed over the course of years. In the past, those terms had been changed and improved according to economic conditions and the schools of thought. The term entrepreneur comes from the French word “entreprendre”, meaning “getting things done”.²

The modern concept of entrepreneurship was introduced by Schumpeter, as he sees it as “the process of adding something new (creativity) and something different (innovation) for the purpose of creating wealth for the individual and adding value to society”.³ According to Schumpeter,⁴ who set the modern terms of entrepreneurship, entrepreneurs are the “individuals who carry out new combinations.” An entrepreneur is an individual who identifies opportunities, gathers the necessary resources, creates and is responsible for the created organization. By his definition of “entrepreneur”, he separated the entrepreneurial trait of pursuing discontinuous opportunities from general management. According to the modern market economic theory, an entrepreneur is an individual who takes on certain tasks based on the perceived market opportunities and means of how to exploit them. Entrepreneurs do not invent things but rather exploit the opportunities which have already been invented in certain ways. Entrepreneurs have non-fixed, uncertain returns. They receive profit from taking on uncertainty. They are rewarded by markets when they are right and have demonstrated superior judgments, and are conversely punished when they are wrong.

In our work we are going to adhere to Bygrave & Hofer's⁵ definition of entrepreneurship as a process which involves “all the functions, activities and actions associated with perceiving opportunities and the creation of organizations to pursue them”. The main point in this definition follows the key principle of a new organization that is new ventures being formed. A further distinction between entrepreneurship and common business practice concerns the changes from entrepreneurial to common business. According to Gartner,⁶ entrepreneurship ends when the new venture be-

comes self-sustainable. If a venture does not become self-sustainable, it will fail within a certain time period because the more uncertain the venture, the riskier the entrepreneur's position.

Social entrepreneurs are another kind of entrepreneurs. They are people with the qualities and behavior associated with business, but who operate within the community and are more concerned with helping others than with strictly making profit.⁷ They are aware of the social causes and initiatives. The main paradigm of social entrepreneurship is manifested in voluntary social engagement. Very often, entrepreneurs commit themselves to social causes when they recognize an urge to give something back to the society, especially when reaching a certain level of business success or approaching their retirement. A number of social entrepreneurs consider themselves to be more like community leaders, as opposed to social entrepreneurs.⁸ Numerous initiatives reflect local and small, community goals, which are self-explicable, considering the size and the wealth of small and medium firms although, in certain cases, the initial small goals can take root within the community and become widely accepted initiatives. Social entrepreneurs can support health and public sector areas. Initiatives are also present in other areas, such as sports, personal development and training, job creation, advice agencies, volunteer groups, fund raising, "feel good activities", helping the disadvantaged and many other noteworthy activities.⁹ Furthermore, according to Yunus,¹⁰ a new type of company, whose goal is not merely to maximize profit but rather being completely committed to solving social and environmental problems, is needed. Such "social companies" are founded with the aim of fulfilling certain societal needs.

3. CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

We often witness a negative impact of companies on society, even though they may be cre-

ated on the premise of wealth and society benefit. Corporate Social Responsibility (CSR) principles determine the ways in which companies should act in accordance with constant societal changes in norms and rules. The CSR concept is founded on a relationship between the business world and society as well as on the company behavior towards its stakeholders.¹¹ Rapid industrialization and globalization which started in the past century, accompanied by large outsourcing processes, had often led to an alarming lack of awareness and concern for local communities, and especially for the environment. CSR encompasses voluntary activities surpassing the legal minimum of norms which companies are legally bound to adhere to, where CSR activities are their response to public pressure and expectations.¹² Another similar view of CSR is given as "actions that appear to further some social good, beyond the interest of the firm and that which is required by law".¹³ CSR activities can be grouped into four main categories: economic, legal, ethical and philanthropic.¹⁴ CSR can also be seen as "a business strategy which is integrated with core business objectives and core competencies of the firm, and from the outset is designed to create business value and positive social change, and is embedded in day to day business responsibility".¹⁵ A simple definition which this paper will adhere to is put forward by the Business for Social Responsibility organization, which defines CSR as a: "means of attaining business success in a manner which respects ethical principles, people, community and nature."¹⁶

The old "company" concept was entirely based on profit. Nowadays, companies are aware that their success is not only measured in terms of positive financial indicators but, instead, in terms of corporate brand and identity. Managers risk tarnishing the most vital assets of their company by disregarding intangible corporate assets, such as brand strength, corporate social awareness and perception among customers.¹⁷ The full benefits which CSR provides to companies are not merely visible in financial improvements but also in improved corporate image, brand strength¹⁸ and customer loyalty.¹⁹ The

advantages of CSR implementation are numerous and appear in various forms. Some of the observed benefits of CSR can include: increase in sales and market share, strengthening of employee motivation and retention, reduced business expenditures as well as a higher attraction potential to potential investors.²⁰ Profit is considered to be one of the key business success elements of companies but it is not the sole or exclusive business goal. CSR represents a new way of managing business strategies, resulting in a positive impact on society by means of legal, ethical and ecological activities which have sustainable development as their end goal. The term CSR implies a whole range of activities which fall within the definition: from donations to humanitarian organizations, improving working conditions within the company and all the way to environmental protection and carbon emissions reduction.

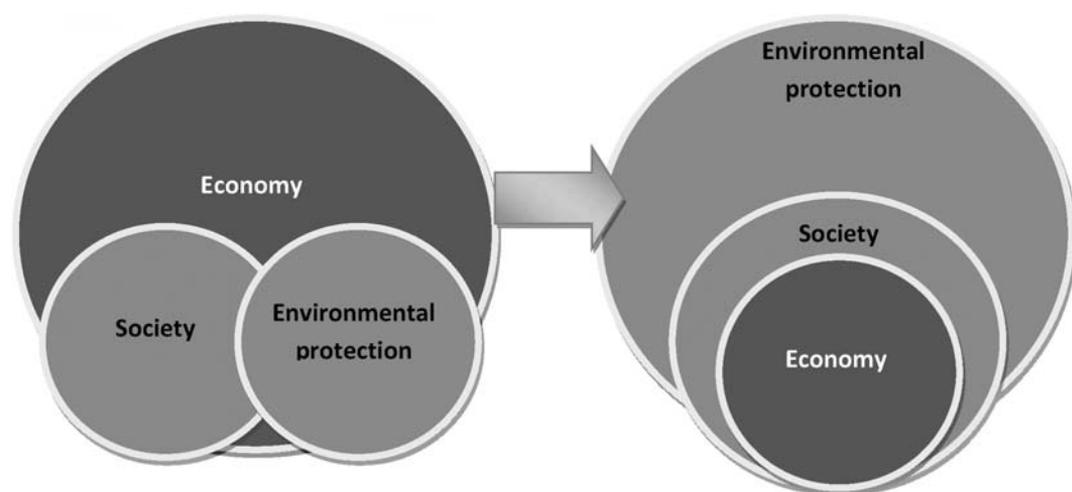
CSR has become a standard for modern enterprises, therefore it is not uncommon to look at the CSR as a realization that they can and should play a more important role in their communities,

across the nation and around the world, while simultaneously making profit. It is time for companies, especially multinational ones (whose revenues in many cases exceed the budgets of a vast number of countries),²¹ to take share of their global responsibility, and start thinking and acting in accordance with sustainable practices.

According to Senge,²² Graph 1 shows the classical model and *modus operandi* of the companies which saw society and environment as the factors subdued to their economic interests. The evolution of business principles puts the primary focus on environmental protection, followed by societal needs. It also considers the use of economic aspects as vital for the functioning of a sustainable society and environment.

Sustainable development is one of the basic concepts of the economy of natural resources and society as a whole. Sustainable development, as our next term, means "fulfilling the needs of the present generation, while at the same time not threatening the possibility of the future generations to satisfy their needs."²³ To use the words of

Graph 1: Evolution of business priorities



Source: Senge, P., Smith, B., Kruschwitz, N., Laur, J., Schley, S.: **The Necessary Revolution - How Individuals and Organizations Are Working Together to Create a Sustainable World**, Nicholas Brealey Publishing, London, 2008, pp. 102.

Solow, every generation deserves an equal share of reaping the benefits of natural resources and, therefore, only the economic growth approach which enables the use of natural resources for an unlimited time can be considered sustainable.²⁴ In order for development to be sustainable, it needs to fulfill three elements: economic, social and ecological.²⁵ Sustainable development is important for the survival and advance of mankind in the long run. In such a division the economic element considers satisfying the basic needs, the social goal means having a positive impact on the community while the term ecological stresses the protection and optimal use of the resources. These three goals have to be interconnected, and only as such can they achieve sustainability. If potential activity is deemed to be economically viable, socially attainable and ecologically sustainable, the activity can be viewed as sustainable. The sustainability concept is widely accepted nowadays; there is awareness of and the need for implementing sustainable principles in everyday organizational and individual practices.

Like the above mentioned CSR concept, sustainable development is also perceived through a prism of economic, social and ecological dimensions. It incorporates the notions of economic prosperity, environmental protection and social justice, where sustainability is seen as a guiding principle²⁶ in all aspects. The main difference between the two concepts is that CSR is primarily focused on entrepreneurship and business aspect while sustainable development is concerned with the possibility of constant prosperity of all life forms on earth. CSR is the focal element of sustainability. Furthermore, CSR is connected with sustainability, stakeholder groups and ethical business.²⁷ One additional approach which can measure and strengthen the CSR orientation is a "Triple Bottom Line principle" (Elkington).²⁸ It harmonizes economic sustainability, ecological acceptance and social responsibility. The Triple Bottom Line model uses performance indicators and business reports in line with the sustainable practices.

One way to inform the public of the company's CSR practices is through sustainability reporting/accountability reporting, i.e. the reports in which companies inform the public of their accomplishments, actions and influence with respect to sustainable business, environment and community relations at regular intervals. These reports convey a positive impact and noteworthy corporate practices. Organizations such as the World Business Council for Sustainable Development (WBCSD) promote improvements, share information of the new sustainable development trends and analyze the CSR practices of their voluntary signatory members.²⁹

The CSR practice in Croatia was introduced through regional branch offices and sister firms of large multinational corporations. A general increase of CSR awareness among Croatian companies coincides with the process of European Union integration and accession, which started in 2001 with the signing of the Stabilization and Association Agreement. The situation regarding CSR in Croatia is such that the Government has passed certain CSR legislative measures, which were adopted by the Croatian parliament. The most important document entitled "Strategy for Sustainable Development of the Republic of Croatia"³⁰ builds onto the legal framework for active CSR implementation in Croatia and sustainability orientation, especially in terms of the environmental protection and reduction of carbon emissions. As the document states, the Government expects the business community to implement the CSR principles in terms of: "creating new jobs through development of new technologies while simultaneously accepting and promoting environmental protection, especially endorsed through CSR". In Croatia, CSR is often understood as mere adherence to legally binding stipulations. Through the implementation of the CSR-oriented rules Croatia is aligning its standards with those of the European Union. Certain objectives mentioned in the CSR strategy framework have always been high on the corporate agendas, in

part due to strict laws on environmental protection which regulate the most important ecological issues - ranging from drainage, sewage and toxic gas management to the pre-CSR era existence of ecological and socially responsible practices.

With respect to the CSR reporting in Croatia, as in the majority of EU countries it is done on a voluntary basis, where the content of the reports is defined by the companies themselves or follows certain NGO reporting principles. The goals of reporting have proved useful for both public and corporate practices, and also for analyzing and improving the existing business performance of individual companies. Reporting provides information to stakeholders about the company's consciousness, awareness of its role in society as well as responsibility. It is a path towards understanding the impact on the society that it operates in, an acknowledgment of its role and building of mutual trust and beneficial relationship with the public.³¹

4. EMPIRICAL SURVEY AND RESULTS

The empirical research in Croatian companies was conducted in order to investigate their orientation towards business profits and sustainable development. This research is part of a wider field of study on entrepreneurial companies in Croatia entitled "Controlling between profitability and sustainability".³² It was hypothesized that the companies follow financial short-terms goals although, currently, there is a growing awareness of the importance of long-term social and environmental objectives. This research is descriptive while also being exploratory with a goal of exploring and documenting the importance of CSR and its elements which are present in Croatian companies. With the stated goal in mind, the research explored the significance of specific categories in business

planning, where CSR activities were ranked and compared to operational tasks. Furthermore, the Triple bottom line awareness and its implementation by Croatian companies was tested. Also, the answers to which extent stakeholders mostly influence and endorse the CSR implementation were provided, followed by that to the question of the importance of CSR tasks in relation to other operational and strategic tasks. The research explores what CSR means for companies, and how they perceive and ensure CSR implementation. The survey sought to provide an answer to what benefits companies reap through the promotion of CSR practices, and to explore their stance with regard to CSR and sustainable development.

In the explorative analysis, the aim was to come across the differences between groups of companies and establish whether the levels of CSR perception among the companies of different sizes, ownership structures and export orientation play a significant role in the level of CSR awareness and implementation. This research, therefore, intends to broaden the perspectives, raise awareness and contribute to a better understanding of the CSR practice in Croatia.

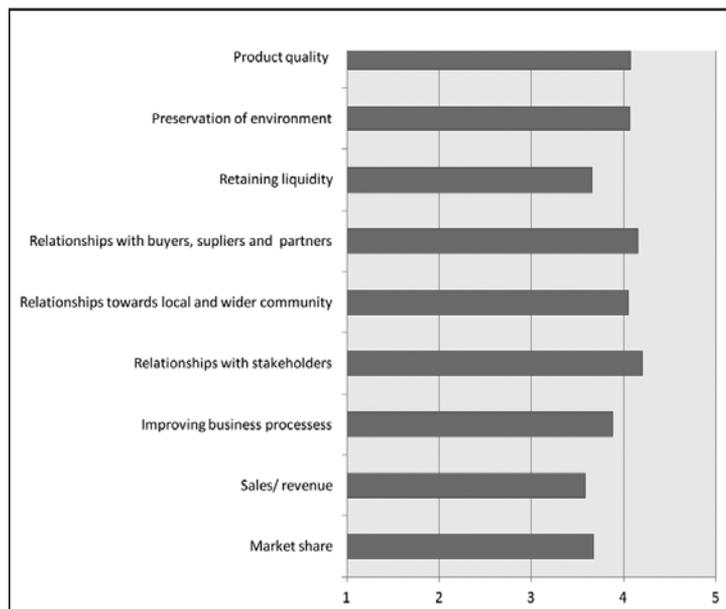
4.1. Data collection

The sample consisted of 900 companies, which are members of the Croatian Employers' Association. The survey was conducted between November 2009 and April 2010. During this period, with a few iterations, we received 79 duly completed questionnaires (8.78% rate of return). A questionnaire comprising 43 closed-type questions distributed by electronic mail was used. The results obtained were processed with the help of the SPSS statistical software. The empirical research is based on the responses of 79 respondent companies from Croatia. The sample is structured according to the following characteristics, displayed in Table 1.

Table 1: Sample characteristics

Attribute	Values	Percentage %	Mean value	Standard deviation
Size	1=Small	13%		
	2=Medium	29%	2.52	0.79
	3=Large	58%		
Ownership structure	1=State owned	20%		
	2=Private domestic ownership	45%	2.14	0.84
	3=Private foreign ownership	35%		
Primary activity	1=Manufacturing industry	30%		
	2=Construction	14%		
	3=Information technologies	0%		
	4=Retail and wholesale	18%		
	5=Financial business	9%	-	-
	6=Transportation	0%		
	7=Telecommunications	18%		
	8=Other	11%		
Export capacity	1=Domestic sales only	30%		
	2=Export up to 25% of sales	45%	2.47	0.93
	3=Export up to 50% of sales	25%		
	4. Export over 50% of sales	0%		

Source: Authors' research

Figure 1: Rating of business performance determinants (1=unsuccessful, 2=sufficient, 3=average, 4=successful, 5=excellent)

Source: Authors' research

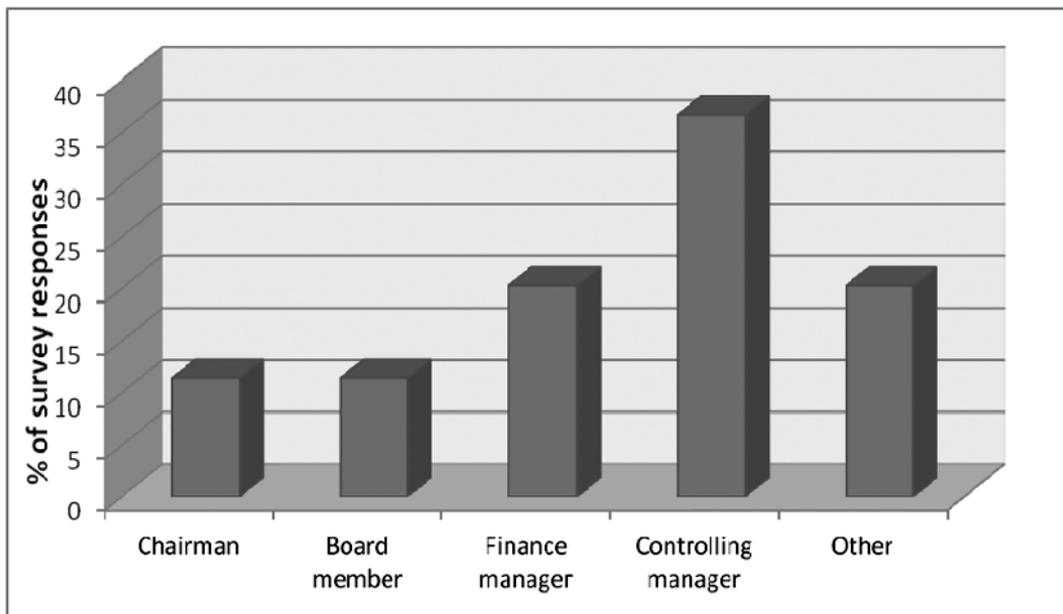
It is observable from Figure 1 that CSR initiatives, such as "Relationship with buyers, suppliers and partners" and "Relationships with stakeholders", are ranked as very successful (above 4.0 average) by the surveyed companies. Furthermore, the business performance indicated in the self-evaluation shows the prevalence of very successful companies in the sample, especially as far as the attitudes towards employees, customers, suppliers and partners but also with regard to product quality, environment and a positive attitude towards the community are concerned. Based on these results, we conclude that the surveyed companies behave responsibly towards society and the environment and that, in addition to the economic criteria of success, they bestow importance on social and environmental aspects as well.

respondents or 35%), who were the most appropriate experts for this study, as shown in Figure 2. Chief Financial Officers are also represented in a relatively high proportion, and we have received responses from Board members as well. We can conclude that the most qualified professionals in the company (63 out of 79 or 80%) as far as the nature of questions took part in the survey, increasing the overall credibility and professionalism of research results.

4.2. Results

This part of the study examined the prevailing orientation of respondent companies with regard to business planning and reporting. The aim was

Figure 2: Organizational function of survey respondents



Source: Authors' research

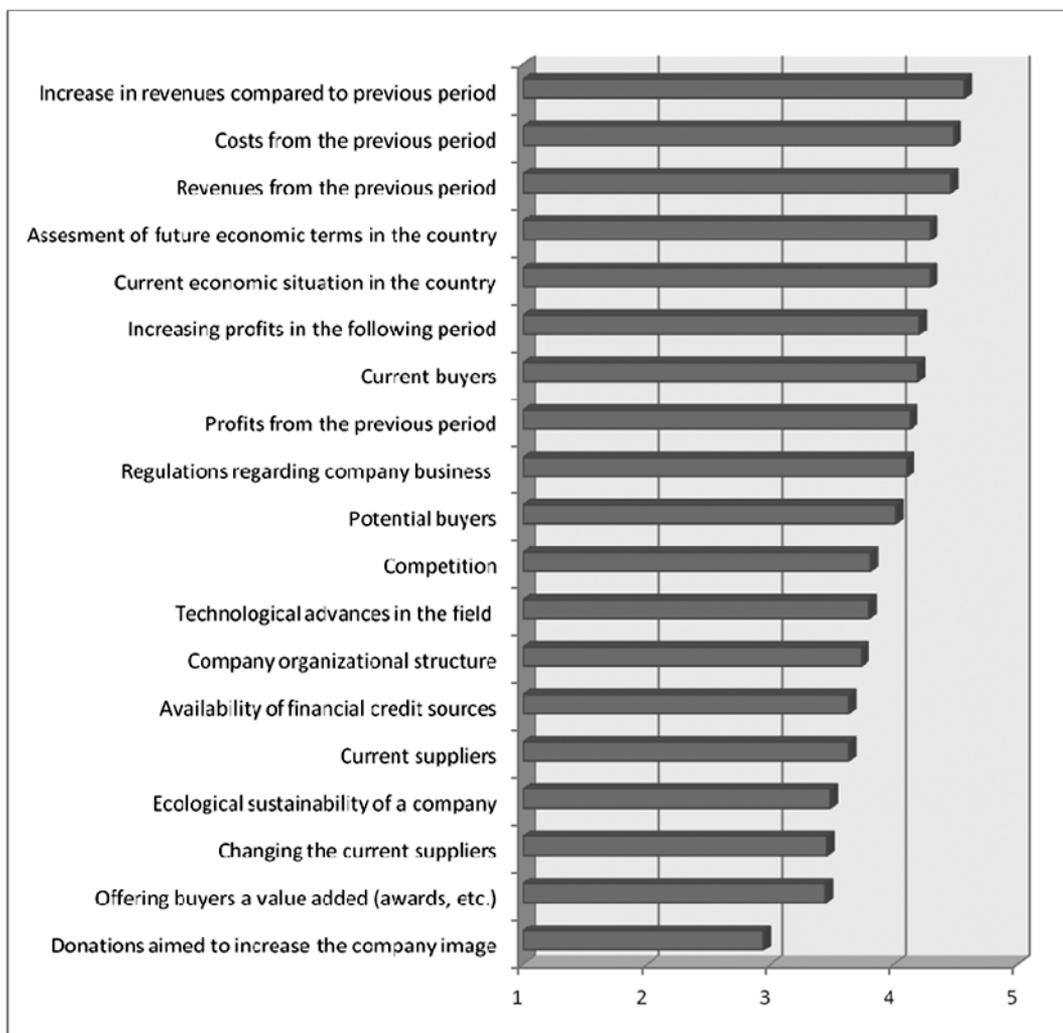
The function of the respondent in surveys is given a high importance in general, especially with regard to their position in the respective organization. In our survey, the respondents were mainly Controlling function managers (28

to analyze their business priorities and determine whether the companies focus more on short-term and monetary objectives, or whether equal importance is given to long-term and non-monetary objectives, that is the extent to which they

incline towards corporate social responsibility and sustainable development. A business plan defines the future goals and tasks of the enterprise and reflects its business priorities. Descriptive statistical results are very indicative; the three most important categories that are used when creating a business plan are: primarily, an increase in revenues compared to the previous period, expenses as the second most important category and, thirdly, income from the previous financial period. External business conditions (current and future estimates

of economic conditions, buyers) are seen as less important even though this category should play a greater role in developing business plans, since external conditions essentially determine the business opportunities. The third group, as ranked by the importance, consists of technological advances in the industry, competition, company organization and its suppliers, the availability of financial resources and environmental sustainability which, according to the researchers, does not represent a significant category of business planning.

Figure 3: Assessment of categories in business planning (1=not at all significant, 2= insignificant, 3= neither significant nor insignificant, 4= significant, 5= very significant)



Source: Authors' research

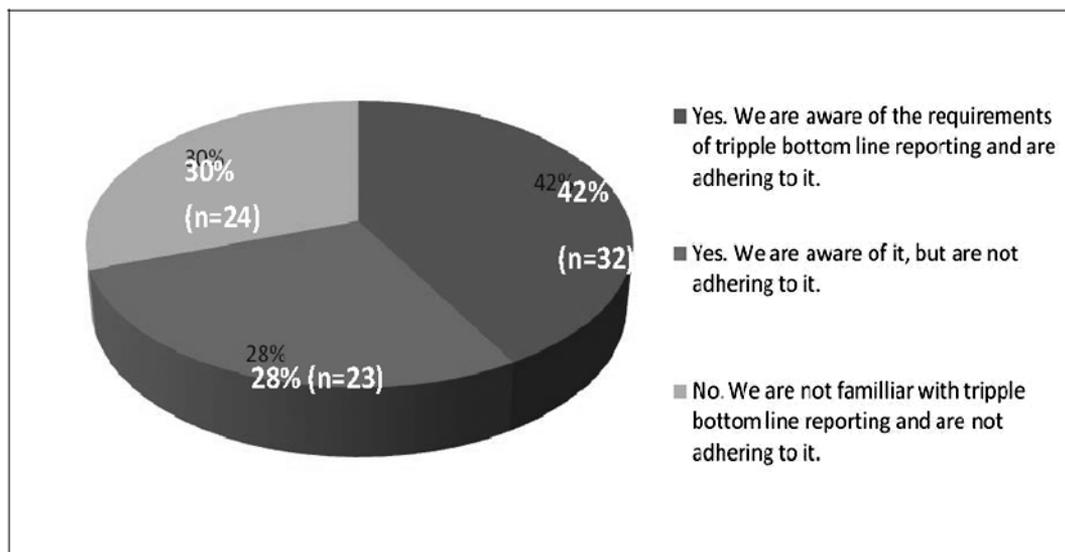
From the obtained results in Figure 3, we can infer that revenues and costs are of primary importance to the surveyed companies. Such information is based on data from the past, where highly significant categories are monetary and financial elements (revenues and costs) as well as market categories (customers, competition and technological advances) while environmental sustainability is not considered a priority. The dominant use of internal sources of information and financial categories reflects a short-term orientation on financial targets.

We can conclude that there is a difference in the importance among individual statements and the elements to which the greatest attention is given in individual company reports. Such differences are understandable to a certain extent, considering their possible impact on the individual elements of operations and given the importance of individual elements for daily/weekly, monthly, quarterly and annual operations. In conclusion, the highest importance in reporting is given to the financial objectives (ROI, EVA, profit and costs).

The modern triple reporting system requirement includes not only economic but also social and environmental dimensions of the business process. In Figure 4, although the majority of respondents (32 or 42%) are familiar with the requirements of reporting and meet them, a significant portion of respondents (24 or 30%) were not aware of any such reports while a slightly smaller portion (23 or 28%) heard about the system but are not implementing it. We can conclude that in their annual reports 47 or 58% of all respondents focus on the economic aspects of their business and do not report on social and environmental dimensions. Therefore, this area holds significant opportunities for improvement of the reporting system, which would lead to better communication with stakeholders and the wider community.

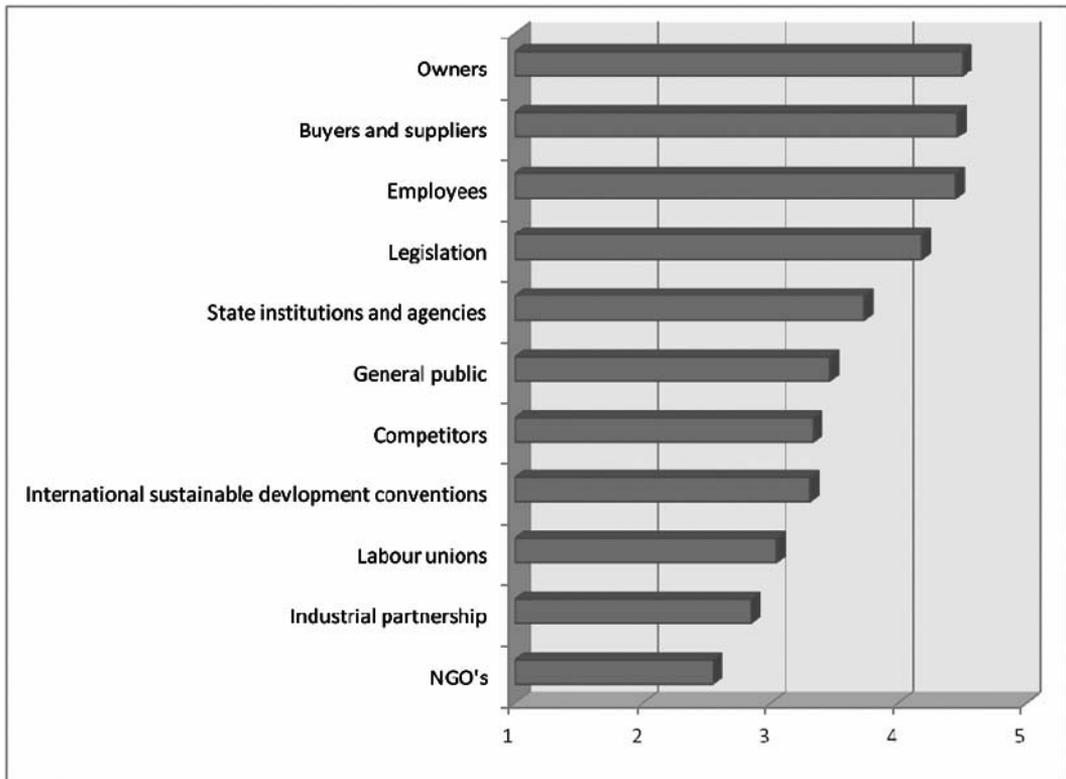
The most important influence on the business activities related to socially responsible behavior and sustainable business practices is that by the owners themselves, followed by customers, suppliers and employees, as presented in Figure 5. These groups are closely related to the eco-

Figure 4: Is your company aware of a Triple bottom line reporting (which includes human resources and ecological aspects) and is it an integral part of your annual reports?



Source: Authors' research

Figure 5: Rate the importance of stakeholder groups in conducting CSR activities and sustainable business practices (1= completely unimportant, 2= unimportant, 3= neither important nor unimportant, 4= important, 5= very important)



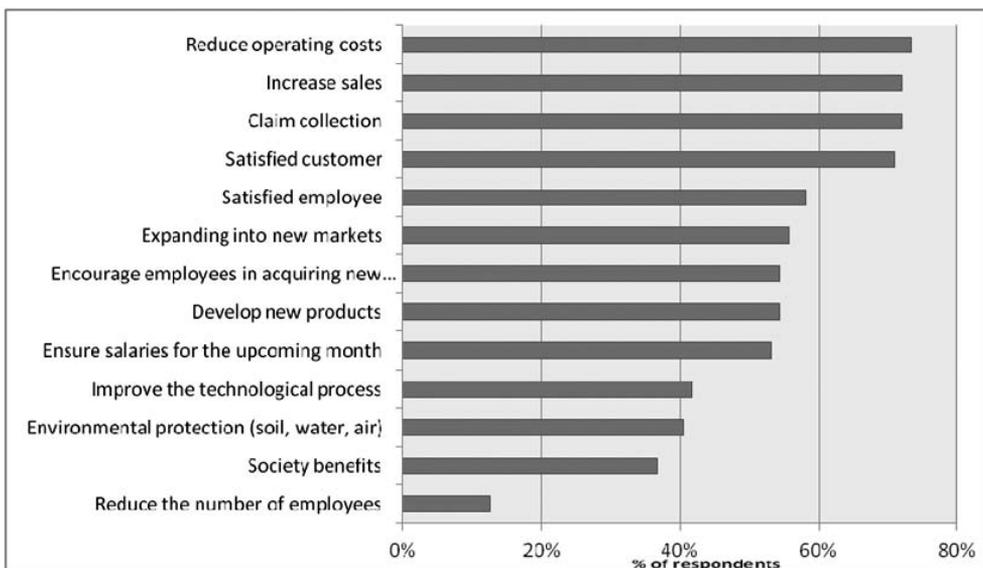
Source: Authors' research

conomic and social aspects of business activities, suggesting that the orientation toward sustainable business practices is primarily initiated from within the company. The second most influential interest group consists of state institutions and agencies as well as legislation, which provides and creates the legal framework to govern the responsibility of the enterprise for its environment and its accountability to the public. Such an approach requires an increase in the level of responsible behavior towards the natural and the social environment. The third group, as ranked by the importance in the survey, is comprised of people and processes within the respondents' competitive environment, such as the industry partnerships and industrial competition, in which the orientation of the business can help achieve a sustainable competitive advantage or have a

synergistic effect resulting from the partnership. Non-governmental organizations, associations, unions and the obligations arising out of international treaties form the fourth-ranking interest group, which is perceived as important, but without a dominant influence on the orientation and sustainability model of the surveyed companies.

The question of priorities reflects the fundamental orientation. According to the research, Figure 6 shows a predominant focus on: reducing operating costs (58 respondents or 73%), boosting sales (57 respondents or 72%), debt collection (57 or 72% of the respondents indicated this as a priority) and satisfying their customer needs (another 57 or 72% of the respondents). This order of priorities certainly reflects the adverse economic situation in Croatia in general, with a

Figure 6: What does your company consider to be its top priority?

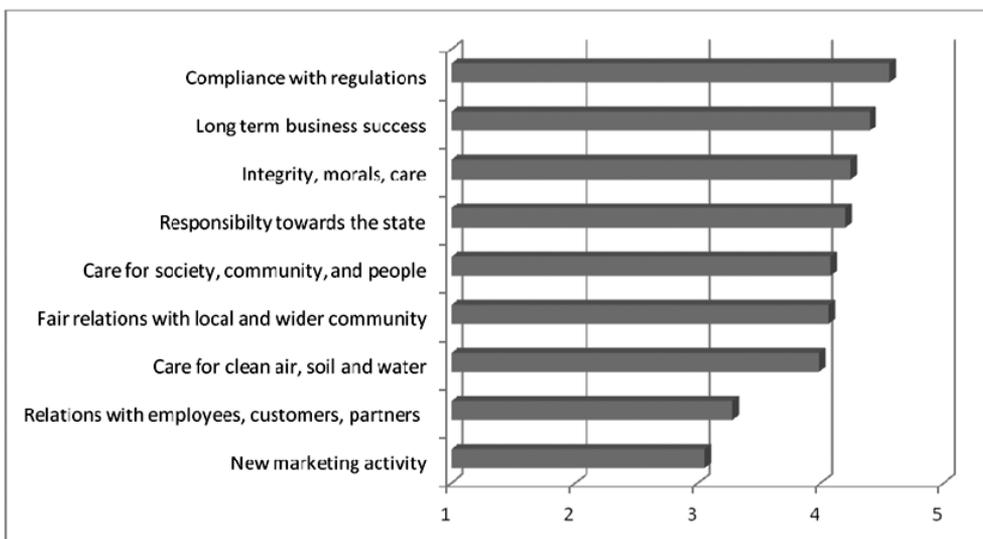


Source: Authors' research

liquidity squeeze and strong competitive pressure on the market. Further priority groups for Croatian companies are as follows: employees (their satisfaction and encouragement in the acquisition of new skills), new markets and new

product development. The improvement of technological processes, environmental protection and community well-being are not considered to be of primary importance to companies, according to the results of this study.

Figure 7: CSR in your company is ensured through: (1= I fully disagree, 2= I disagree, 3= neither agree nor disagree, 4= I agree, 5= I fully agree)



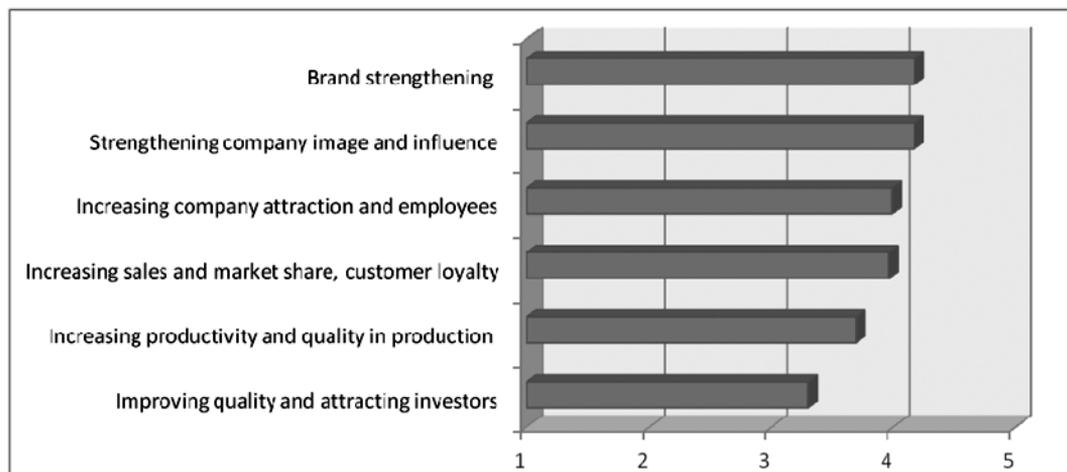
Source: Authors' research

Respondents' answers concerning the practice of socially responsible business principles, as presented in Figure 7, can be divided into three groups: the first is the principle of adherence to the rule of law (73 or 92% of the respondents agree or fully agree), good/successful business operations in the long run (68 respondents or 86%), honest, moral and considerate relations (61 respondents or 77%) and responsibility to the state (66 respondents or 83%). Commenting on the results, we would like to emphasize that voluntary corporate social responsibility goes beyond legal requirements. A high importance of the long-term aspects of business is observable among Croatian enterprises, where the identified long-term perspective is a prerequisite for the application of CSR principles. In the second group of methods for achieving socially responsible business operations, companies recognize the importance of caring about society, community and people, developing a correct relationship with the owners and employees in the local and wider community and, ultimately, care about clean air, water and soil. These aspects of corporate social responsibility form the core principles, and help incorporate social and environmental aspects into business. Respondents indicate the importance

of distinguishing the economic aspects (the first group of responses) from social and environmental ones (second group of responses) but, according to the principles of corporate social responsibility, all three aspects are of equal importance. In other words, this study has shown that the awareness of the importance of social and environmental perspectives of business is not sufficiently developed. However, in the third group of answers, it is worth pointing out that CSR as a marketing activity was given the lowest rating. This attitude deserves full attention since it suggests that corporate social responsibility is not perceived as a marketing tool by Croatian companies (unlike a number of U.S. companies in particular), but they are aware that adhering to these principles can reap PR benefits.

In Figure 8, we can observe that companies recognize the multiple benefits of applying the principles of corporate social responsibility, such as strengthening the position of their brand (62 or 79% of the respondents consider it important to very important) and the companies themselves as a whole through the attraction and retention of employees, growth of sales, market share and customer loyalty, greater productivity and qual-

Figure 8: Which benefits does your company obtain through the promotion of CSR practices? (1=completely unimportant, 2=unimportant, 3=neither important nor unimportant, 4=important, 5=very important)



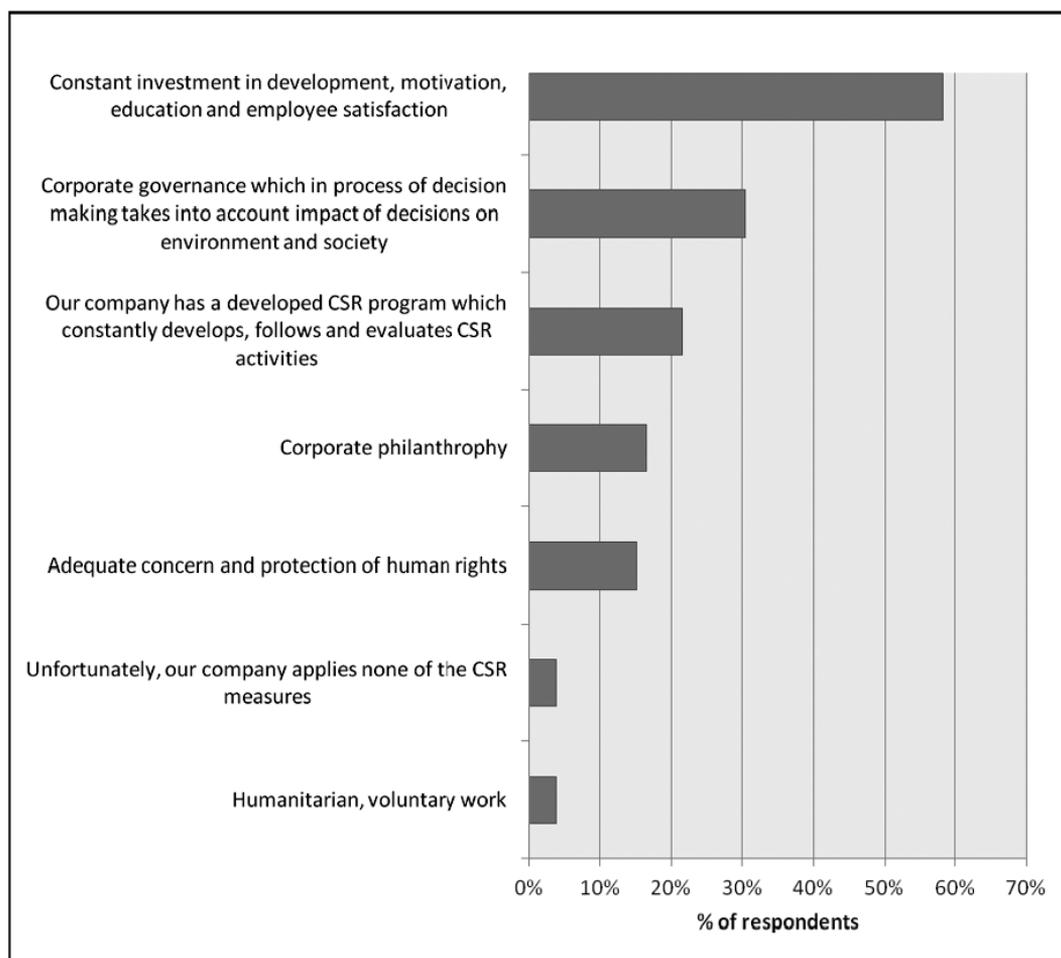
Source: Authors' research

ity of the production and management process. The evaluation of the importance of individual elements indicates a greater focus on sales than on the labor market. It is obvious that investors and financial analysts do not pay special attention to whether companies adhere to or apply the principles of corporate social responsibility and, conversely, the companies themselves often do not perceive the benefits of CSR that could be reaped in relation to those stakeholders. In contrast, "sustainable investment" is gaining increasing importance in developed market economies while in Croatia it does not appear to be of particular interest in socially responsi-

ble business enterprises, or else the enterprises themselves do not perceive its benefits yet.

Corporate social responsibility can be achieved in various ways. According to the respondents' answers provided in Figure 9, it is usually manifested in a continuous investment in development, motivation, education and employee satisfaction (47 respondents or 59%). Furthermore, 24 or 30% of the surveyed companies assess the impact of their business decisions on the environment and society while the existence of completely developed corporate social responsibility program was indicated by 17 or 21% of

Figure 9: Which of the listed CSR measures does your company apply?

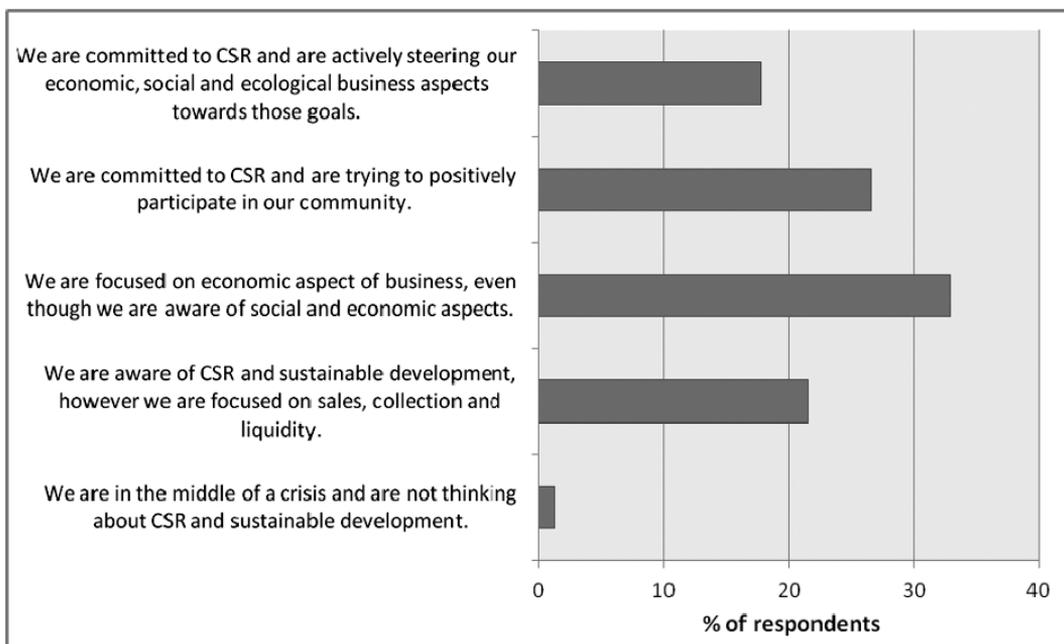


Source: Authors' research

the respondents. Corporate philanthropy and concern for the protection of human rights is still present to a lesser extent while 3 of 4% of the surveyed companies do not apply any kind of socially responsible business practices. Such results are indicative because stimulating the relationship with employees is of utmost importance; however, the problem lies in the fact that 55 or 70% of the companies do not estimate the social and environmental consequences of their business decisions (or consider them to be immeasurable). Therefore, the room for improving the accountability of business enterprises in relation to the community and environment is considerable.

even though they are thinking about the social and environmental dimensions as well. The second most response (21 or 27% of surveyed companies) shows the commitment to corporate social responsibility and efforts to do good in the immediate and wider community, followed by the awareness of the importance of corporate social responsibility but a greater focus on sales, payment and liquidity of the business (17 or 21% of the surveyed companies). Only 14 or 18% of the respondents opted for sustainable development as actively directing and implementing economic, social and environmental dimensions of business. Despite the global and national economic downturn, only one respondent, rep-

Figure 10: What is your company's stance towards CSR and sustainable development?



Source: Authors' research

The last question and responses to it, as presented in Figure 10, reflect various attitudes regard to corporate social responsibility and sustainable development. The most common response (33 respondents or 42%) indicated that companies focus on the economic aspect of their business,

representing 1.3% of the sample, said that the company does not even think about corporate social responsibility and sustainable development in the current crisis. It should be noted that 35 or 44.3% of the companies care about balanced economic, social and environmental dimensions

of their business activities, and are actively committed to corporate social responsibility and sustainable development. We can conclude that 43 or 54% of the surveyed companies (more than every other company in the sample) focus on the economic aspect of business, although they are aware of the importance of corporate social responsibility and sustainable development. It seems that the crisis, which has cast a pall over the Croatian economy, has pushed the social and environmental aspects of business to the margins but companies remain aware of these nevertheless. Hopefully, the process of economic recovery will continue to convey the importance of general corporate social responsibility and sustainable business practices in Croatia.

In the explorative ANOVA analysis, the purpose was to uncover the differences between the groups of companies and whether different levels of CSR perception among them play a more important role in foreign vs. locally owned private firms vs. state-owned enterprises. It also aimed at determining whether the companies with higher exporting capacities have better CSR practices in place, and whether company size, that is the differences between large vs. medium-sized vs. small enterprises, is a significant factor in the CSR implementation. The distinctive characteristics regarding the use of CSR were measured. An analysis of the variance method (ANOVA) by sub-groups provided the following results:

- o With regard to the sales orientation and CSR development level, statistically significant differences at the level of 5% were revealed in the CSR and sustainability development based on the orientation of the company on the domestic or foreign market, with higher values of CSR and sustainability development indicated in the responses of the firms which sell their products on foreign markets, as opposed to those which only sell their products locally ($F(3.75)=2.746, p<0.05$). Such results can be taken to indicate that the companies which conduct their business abroad are more socially responsible since, in order to award con-

tracts in foreign markets, especially in Western Europe, many foreign wholesalers require a certain level of CSR awareness from their suppliers. Therefore, export-oriented companies are more motivated to improve their sustainability practices, as opposed to those which do not have such requirements and only sell their products in domestic markets.

- o Even though it could be assumed that CSR and sustainability development levels would be higher in larger companies, with a 5% significance level, no statistically significant difference of the company size (as measured by the number of employees) with regard to the CSR and sustainability development was found ($F(2.76)=0.668, p>0.05$).
- o Furthermore, no statistically significant difference at the 5% significance level was found to exist between CSR and sustainability development and the ownership structure, meaning that the companies with foreign private owners do not display higher rates of CSR and sustainability development compared to domestic privately or state-owned enterprises ($F(2.76)=0.918, p>0.05$).

The results of the ANOVA analysis indicate, therefore, that the CSR and sustainability development are affected only by the export orientation while company size and ownership structure do not constitute a statistically significant factor in the level of CSR implementation by the surveyed companies.

As for the limitations of the research, it is worth noting that the results reflect the industry specifics regarding CSR and sustainability implementation, as opposed to all sectors in Croatia since a large number of surveyed companies come primarily from four branches of the industry: manufacturing, retail and wholesale, telecommunications and construction industry (which, together, account for 80% of survey responses). Also, amid the current global crisis it is likely that CSR activities have either shrunk or fallen out focus recently due to limited resources. Furthermore, the social acceptability bias is another limitation which is present in the Likert type scales.

5. CONCLUSION

5.1. Research summary and discussion

CSR has become a modern standard so it is not unusual to look at it as an "awareness that firms can and should have a more important role in societies, countries and world, while at the same time ensuring profit, which is certainly a step forward from the old view where the sole goal of a firm was shareholders' profit maximization".³³

We can conclude from the conducted research that the companies represented in the sample are mainly large, private, successful ones. Their orientation is predominantly on the internal sources of information, financial categories and reporting, which reflects the short-term orientation on financial targets and figures (cost reduction, revenue/sales increase), which are currently the most important business priorities. The ANOVA exploratory analysis showed that the CSR and sustainability development is affected by the export orientation of the company while its size and ownership structure do not play a statistically significant determining role.

Socially responsible and sustainable business implementation by companies, according to the results of this study, are the result of the action by key stakeholders: owners, customers, suppliers and employees. The most important key drivers of sustainable business policies within the companies which implement them are the top management, along with marketing and sales departments. By far the most important application of socially responsible business practice by Croatian companies can be seen in their continued investment in development, motivation, education and employee satisfaction. Their socially responsible and sustainable activities are manifested through compliance with the law and regulations, good/successful business practices in the long run, company's honesty and moral behavior towards stakeholders, and pru-

dence and accountability to the state. The companies see the benefits of CSR primarily in brand strengthening, corporate image and expanding their influence in the market. It is evident from the results provided that the dominant focus is on the economic (operational) aspects of business, although companies also take account of the social action and environmental protection.

On the basis of all specific conclusions, it can be inferred from the results of this study that companies are, on average, mainly focused on the operational and financial business aspects with an awareness of the need and importance of broadening the perspective towards strategic and normative dimension. The expansion prospects refer not only to the long-term economic but also to social and environmental business responsibilities. In this process, successful companies have a prominent role in pioneering the changes in the quality of business and life.

Companies need to approach the CSR from a strategic perspective, and see it as an important component of a successful business strategy. In order to do so, it is recommended that they combine CSR with marketing, brand strengthening, research and development, innovation, human resource talent hunting and everyday business practice.

Croatian companies are still for the most part slow in improving their CSR practices. This is evident from their financial Key Performance Indicators (KPI's) and law abiding orientation. One of the possible explanations why Croatian firms are not implementing CSR is that, in the times of the economic crisis and business struggle, they face more demanding challenges. Environmental and social responsibility fall out of their focus, and this in turn implies that the majority of companies have not reached an adequate CSR implementation level.³⁴

Once the CSR concept has been fully embraced and perceived as a core business value and the Croatian public recognizes such behavior, long-term growth as well as the benefits for the society will follow. Therefore, even though CSR is still

making its way to Croatian customers, investing in CSR - and being a leader in CSR practices in particular - allows enterprises to position themselves ahead of their competitors. Hence, CSR can stimulate key competitive advantages, and be a positive source of creating new values for companies, customers and society.

5.2. Possible future research

Future research in this field is of considerable interest to companies and researchers alike. As one of the potential future papers, it would be useful to repeat the same or conduct a similar survey in order to analyze the qualitative and quantitative improvements which have occurred with respect to the CSR implementation and its business importance. Further research in the field of CSR in Croatia in the future could advance in several directions, ranging from a more thorough and in-depth assessment of the reputation of socially responsible firms, to a perception analysis

and CSR visibility, as seen by Croatian customers. Such studies should include company employees and the general public among respondents as well, and aim at assessing the societal impact and visibility of CSR initiatives.

Another possible approach to future research is to analyze the financial reports of similar enterprises in one or several industries, and compare their performance with regard to the implementation of CSR principles in their business activities. Such research might assess to what extent CSR has contributed to the business improvement and development of those enterprises.

Furthermore, in the future research, all branches of the industry should be more equitably represented. Another possible direction could be to conduct research among the countries in the region in order to analyze the position of Croatian companies compared to their respective regional competitors. To sum up, this field still places many challenges and interesting research possibilities for the future.

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