

Socially responsible business in function of corporate image improvement

Mirjana Babić, Rijeka, Croatia

Abstract

Increasing market share and thus the profits of enterprises, requires strengthening of its competitiveness in the global competition, and it mostly depends on positioning of its image among the image of its competitors.

In modern society, an increasingly important role in the formation of a corporate image have attitudes and expectations of the public, which has become extremely sensitive to social responsibility. Social responsibility is one of the best ways to attract and retain quality workforce, especially highly educated, professional and creative people, which opens space for innovations, and this represents one of the main prerequisites for long-term survival and competitiveness of enterprises. Therefore, in order to improve corporate image positioning, enterprises should attach great importance given to social responsibility while creating business policy and strategy.

The fundamental purpose of this scientific discussion is to determine the meaning of social responsibility in building the image of the company, identify the core areas of corporate social responsibility, investigate social responsibility and image in service companies in Croatia and propose a model of social responsibility in order to improve the image of service companies.

Keywords: social responsibility, corporate image, competitiveness

1. Introduction

Increasing market share and thus the profits of enterprises, requires strengthening of its competitiveness in the global competition, and it mostly depends on the positioning of its image in the image compared to its competitors. Therefore, company's well designed and distinctive corporate image is its most strategic weapon to win over the competition. Therefore, every company must continuously improve its image.

In modern society, attitudes and expectations of the public have an increasingly important role in formation of corporate image, which has become extremely sensitive to social responsibility. Therefore, in order to improve corporate image positioning, when creating business policies and corporate culture, the company should pay extreme attention to social responsibility. However, companies in the Republic of Croatia still haven't understood this and therefore do not invest the necessary efforts to build social responsibility, especially responsibility to employees. The consequence is that the company's image as an employer is not impressive. In this regard, the task of this paper is to prove that in contemporary society, a high level of social responsibility of companies is very important factor in improving the corporate image and to propose a basic model of corporate social responsibility, whose application would improve the image of Croatian service

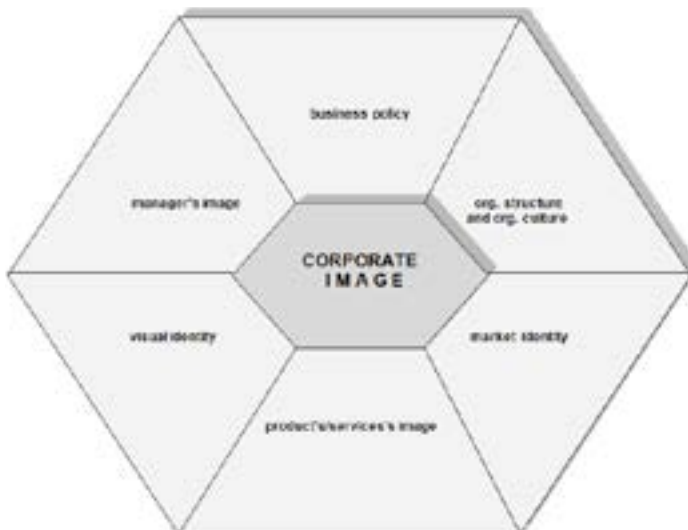
¹ Expert in strategic development, Department of Strategic Development, KD Autotrolej d.o.o. Rijeka, mirjana.babic@autotrolej.hr

companies. To achieve this it was used more scientific methods, including: method of analysis and synthesis, comparative methods and surveys.

2. The concept and importance of corporate image

Corporate image is the reputation of the firm with the various audiences that are important to it. Corporate image is a means for the public to know the company, to see what and how it works, what it aims at, which are its products and services, its economic indices and which its reputation is (Babić, 2004). A company's image is made of six basic elements (scheme 1).

Scheme 1: Structure of corporate image



Source: author

So, company's image is made of the following elements: manager's image, business policy, organizational structure and organizational culture, market identity, product/service image and visual identity (Babić, 2004). Each of the mentioned elements contributes differently to the overall image of the company. In a competitive business climate, many businesses actively work to create and communicate a positive image to their customers, shareholders, the financial community, and the general public. A company that mismanages or ignores its image is likely to encounter a variety of problems. The creation of corporate image is a demanding, long-term and expensive operation which includes numerous activities, but the benefit of the investment is large. Corporate image creates satisfied employees and satisfied customers, resulting all in profit. Some of the warning signs that a business might have an image problem include high employee turnover, the disappearance of major customers, a drop in stock value, and poor relationships with vendors or city officials. Corporate image problems grow like weeds in a garden. Direct and indirect costs escalate geometrically (Young, 1996).

Image is the consequence of the felt not of the real quality of the company. This psychological construct determines directly the business or market attitude towards services and company, and the construct can be either positive or negative. The positive construct is the result of the work on perfection adequate presentation and promotion. The negative construct is created by poor work and is the consequence of events caused by fear and insecurity, such as bankruptcy, fraud, irresponsible business behavior, disregarding of rights and similar. The wrong or bad perception that is once acquired is changed with difficulty. The perception created does not always need to reflect the real profile of the company. This means that the desired image can be perceived erroneously if not directed and managed efficiently. Therefore business owners and managers have to take the following steps toward improving their companies' image: focus on the firm's long-term reputation; base actions on substantive policies; insist on candor in all business dealings; and uphold the stakeholders' right to know (Young, 1996).

The image creating process is a long and extremely difficult one. However, it brings along significant direct and indirect effects. Direct (communications) effects include: respectability, public favoring attitude, loyalty of members, employees and management, authority and satisfaction of employees, owners and management. Indirect effects include: selling rate growth, efficiency rate growth, profit increased. Good corporate image can take years to build and only moments to destroy.

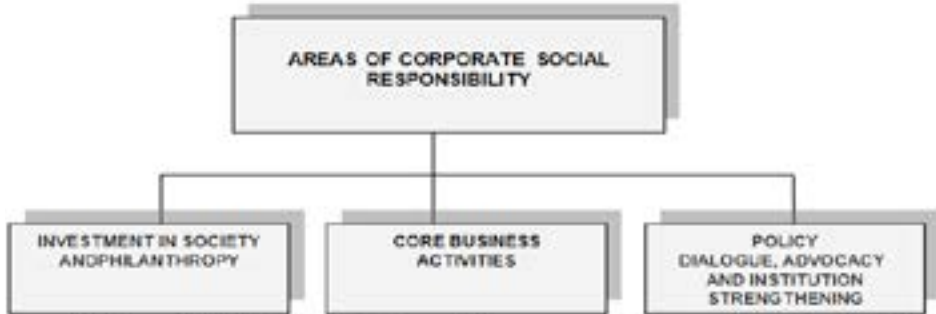
In our time, competition for reputation operates as never before because good corporate image creates wealth. By developing strong and consistent images, well-regarded companies generate hidden assets or reputational capital that give them a distinct advantage (Fombrun, 1996):

- their products and stock offerings entice more customers and investors and command higher prices;
- their jobs lure more applicants and generate more loyalty and productivity from their employees;
- their clout with suppliers is greater and they pay lower prices for purchases and have more stable revenues and
- their risks of crisis are fewer and when crises do occur they survive with less financial loss).

3. The role of social responsibility in corporate image positioning

In its broadest sense, corporate social responsibility (CSR) refers to the impact of businesses on society and the role of economy in sustainable development. Corporate social responsibility generally refers to a company that takes responsibility for its actions beyond the sphere of purely commercial interests. Some consider it a way of gaining competitive advantage, others an important response to the growing needs of major stakeholders such as employees, investors, consumers and activists and experts on environmental issues (Bačić, Škrabalo, Narančić, 2004). Organization of World Business Council for Sustainable Development defines corporate social responsibility as the commitment of the economy that contributes to sustainable economic development, working with employees, their families, local community and society to improve the quality of life. Corporate social responsibility has three main areas of activity (scheme 2).

Scheme 2: Main areas of corporate social responsibility, Source: Nelson, J. (1998). *Building Competitiveness and Communities*. London: PWIBLF, World Bank, UNDP



So, the fundamental areas of corporate social responsibility are (Nelson, 1998.):

- investment in society and philanthropy (support in money, time, products and services, transfer of management knowledge to organization of civil society and nongovernmental organizations),
- core business activities (job creation, responsibility towards the workers and human resource development, ensuring quality products and services, ethics in marketing, technology and knowledge transfer; dissemination of international business standards and business practices, particularly in the area of health and safety of the environment, human law, ethics and quality, joint ventures and partnerships at the local level, setting up physical infrastructure and construction of institutional infrastructure, i.e. legal and financial systems, business standards, etc.), and
- policy dialogue, advocacy and institution strengthening (impact on public policy in order to promote good governance, participation in activities of public administration and civil society and creating an environment that promotes responsible business practices, which positively affects the development of civil society, business and investment and reduce corruption).

Corporate social responsibility is currently one of the most modern phrase used in business. Given that consumer awareness and conscience have socially sharpened, these phenomena on the global market will determine the nature of business as a factor in social partnership for global goals and sustainable development. According to the European survey of consumer attitudes on corporate social responsibility, 70% of consumers believe that it is extremely important and it increases company's reputation, and 44% were willing to pay more for products/services of socially responsible companies (Tafra-Vlahović, 2001). Furthermore, according to data compiled by the Puls agency within the project Public opinion of citizens in Southeast Europe (Babić, 2004), regarding the positive or negative impression towards individual companies, to the largest number of Croatian citizens (58.7%) the main factor is the "relationship of the company towards its employees", the second is the "social responsibility" (49.9%), and "company's contribution to the economy through investment and tax payment" (49.5%). All this belongs to the corporate social responsibility in a broader sense.

Corporate social responsibility is one of the most powerful tools in building brands, which are the most valuable asset of every company in today's economy. Connecting brands with socially responsible behavior and with benefit for society positively affects the public perception of the company, sales, customer loyalty, market position of the company, access to capital and employ-

ee satisfaction, therefore the corporate social responsibility is one of the best ways of attracting and retaining a quality workforce, especially highly educated, professional and creative people.

Corporate social responsibility has a greater impact on the company's image than creating shareholder value, and the world is rapidly growing in the number of those companies that aim to bring the name of socially responsible company (Babić, 2007). In this regard, any company that wants to improve its image and increase competitiveness, must incorporate the model of corporate social responsibility in its business practices.

4. Proposal of social responsibility model in order to improve the corporate image of Croatian service companies

According to a survey of the elements of services companies image, conducted in four Croatian counties on a sample of 726 respondents, social responsibility plays an important role in positioning the image of the service companies (figure 1).

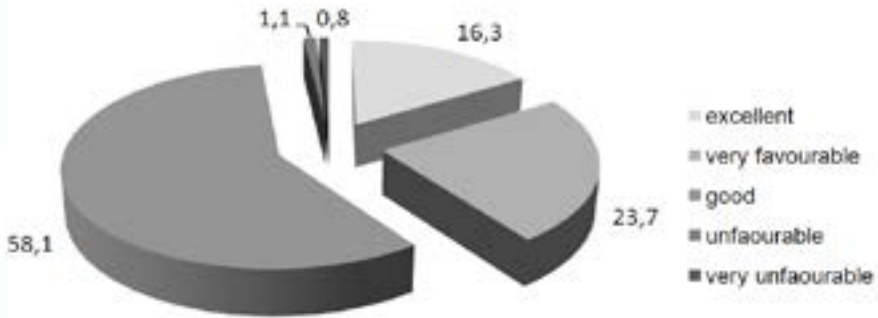
Figure 1: Factors that influence the perception of service companies, Source: research results



Thus, social responsibility is the third most important factor for the image of service companies. When assessing a service company respondents primarily consider the quality of service, its reputation and its social responsibility.

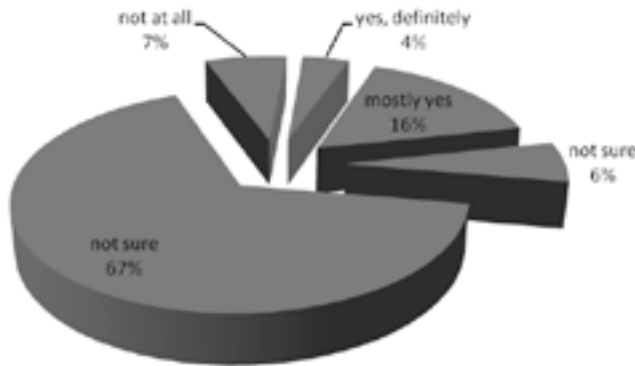
How respondents perceive Croatian service companies can be seen in the following graph.

Figure 2: General image of service companies, Source: research results



Most respondents (58.1%) consider that the service companies in Croatia have a mediocre image. A large number of respondents (37%) believes that service companies in Croatia are not socially responsible enough, and even more of them do not consider their company a good place to work (Figure 3).

Figure 3: Would you recommend the company you work for to the person you appreciate as a good work place? Source: Survey results



So, even 66.7% of respondents wouldn't recommend their company as a good place to work. The following table shows the elements of responsibility to employees that respondents rated the worst.

Table 1: The lowest rated elements of responsibility to employees

Elements of corporate social responsibility	mark
information and communication system	2,31
reward system and progression	2,62
work satisfaction and company loyalty	2,71
training system	2,72
management style	2,91
employment criteria	2,93

Source: Survey results

On a scale of 1-5 respondents evaluated worst system of information and communication, reward systems and career development, work satisfaction and company loyalty (even 72% of respondents expressed a desire to change the company), the system of training, management style (autocratic) and employment criteria.

The results suggest that service companies in Croatia have to pay more attention to social responsibility, especially responsibility to employees. In this regard, the basic policy model of social responsibility towards employees is proposed that, which is presented below.

Scheme 3: Basic model of socially responsible business of services companies in Croatia



Source: author

In policy shaping of social responsibility to employees, service companies in Croatia need to take account especially of three key elements:

- human resources management (recruitment by the criteria of professionalism, intellectual and social competence, continuously monitor and evaluate the work performance of employees and testing needs, motives, desires, and the index of job satisfaction, motivate employees to work, learning and innovation as well as training of employees in accordance with the work needs and environment requirements, especially in the field of information technology and social responsibility);
- management (re-orientation from autocratic leadership style to “soft” management, employee care, application of modern management strategies such as Management by Objectives, Empowerment, Open Book Management, Quality of Working Life, etc.);

- forming the organizational structure and culture (flexible organizational structure with wider span of control, encouraging organizational culture and climate, and information system in all directions).

5. Conclusion

Corporate image is the reputation of the firm with the various audiences that are important to it. In our time, competition for reputation operates as never before because the rise of a mass market for information has made possible ever greater levels of prestige and wealth for the exceptional company. Respect and trust build reputation, a favorable reputation attracting investors to a company's securities, customer to its services, and employees to its job. Directing companies towards a constant creation of corporate image as well as of its management becomes an important dimension of business success.

A grate impact on the company's image has corporate social responsibility. In this regard, any company that wants to improve its image and increase competitiveness, must incorporate the model of corporate social responsibility in its business practices.

According to research in Croatia, social responsibility is the third most important factor in the image of the service companies. The image of Croatian service companies is mediocre, and 37% of respondents believe that service companies in Croatia are not social responsible enough, especially to employees. In connection with those research results basic policy model of social responsibility is proposed. Its application would improve the image of service companies in Croatia.

Društveno odgovorno poslovanje u funkciji unapređenja imidža poduzeća

Sažetak

Povećanje tržišnog udjela, a time i profita poduzeća, zahtijeva jačanje njegove konkurentnosti u globalnoj tržišnoj utakmici, a ona najviše ovisi o pozicioniranosti njegova imidža u odnosu na imidž konkurenata.

U suvremenom društvu sve važniju ulogu u formiranju korporativnog imidža imaju stavovi i očekivanja javnosti koja je postala izrazito osjetljiva na društvenu odgovornost. Društvena odgovornost jedan je od najboljih načina privlačenja i zadržavanja kvalitetne radne snage, osobito visoko obrazovanih, stručnih i kreativnih osoba, što otvara prostor inovacijama koje predstavljaju jedan od glavnih preduvjeta konkurentnosti i dugoročnog opstanka poduzeća. Stoga u cilju što bolje pozicioniranosti korporativnog imidža, prilikom kreiranja poslovne politike i strategije, poduzeća trebaju izrazitu pozornost posvetiti društvenoj odgovornosti.

Temeljna svrha ove znanstvene rasprave jest utvrditi značenje društvene odgovornosti u izgradnji imidža poduzeća, utvrditi temeljna područja društvene odgovornosti poduzeća, istražiti društvenu odgovornost i imidž uslužnih poduzeća u Hrvatskoj te dati prijedlog modela društvene odgovornosti u funkciji unapređenja imidža uslužnih poduzeća.

Ključne riječi: društvena odgovornost, imidž poduzeća, konkurencija

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