



# Environmental impact of corporate social responsibility

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# 1. Introduction

- The concept of corporate social responsibility (CSR) implies activities such as providing support to the community and ethical behaviour in business
- The purpose of establishing a company is to generate profit. However, the environmental factor is increasingly recognised as one of the most important risk factors for the global economy
- This paper investigates the relationship between practicing CSR and business performance as well as the impact of CSR on the environment.

## 2. Socially responsible business

- According to Kotler and Lee, corporate social responsibility or socially responsible business (SRB) is “a commitment to improve community well-being through discretionary business practices and contributions of corporate resources”.
- Corporate social responsibility provides a number of benefits for an organisation that has adopted this business practice
- “However, managers are challenged at each of the fundamental decision points - decisions related to choosing a social issue, selecting an initiative to support this issue, developing and implementing program plans, and evaluating outcomes”.

# Choosing an social issue

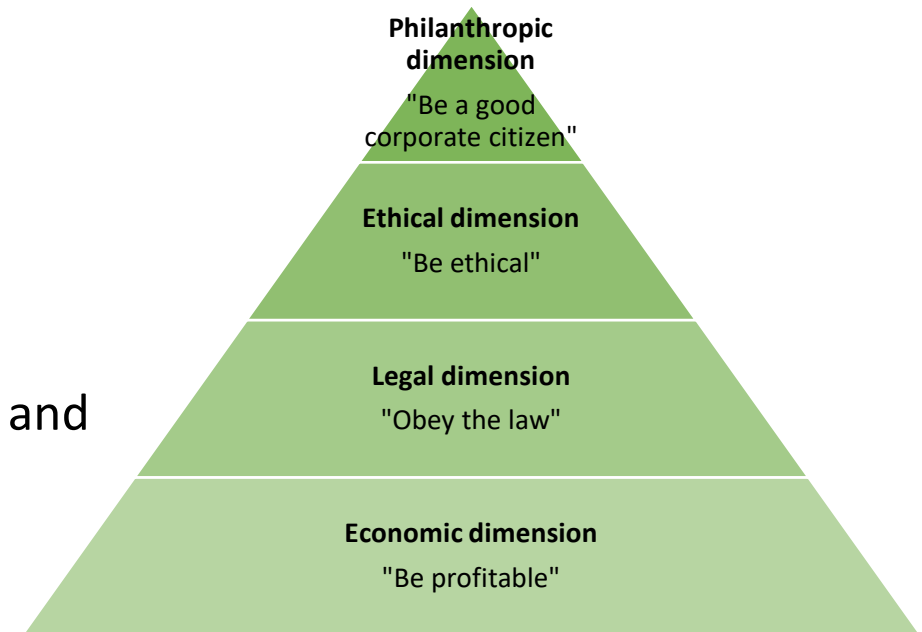
- Perhaps the biggest challenge is deciding which social issue an organisation will choose
- When deciding, managers can base their decision on these questions:
  - How does the decision contribute to the business goals of the organisation?
  - How big of a social issue is this?
  - Is the government or someone else addressing the issue?
  - What will our shareholders think about the decision?
  - Will the decision on the social issue create a scandal?

# Adopting initiatives that support the social issue chosen

- In their work “Corporate social responsibility”, Kotler and Lee mention 6 ways in which a company does good:
  1. Corporate cause promotions - support for growing concern and awareness for social causes;
  2. Corporate social marketing - marketing campaigns aimed at behaviour change in society;
  3. Cause-related marketing – contributions based on product sales;
  4. Corporate philanthropy - contribution towards others in the community;
  5. Community service – employee volunteers
  6. Socially responsible business practices – day-to-day business based on increased social responsibility

# Pyramid of corporate social responsibility

- According to the author, Archie B. Carroll, this pyramid is a fundamental framework for understanding and implementing corporate social responsibility in business
- Economic responsibility - profitability is an imperative for any company
- Legal responsibility - an organisation should abide by the laws and regulations that apply to its business operations and market practices
- Ethical responsibility - the company does what is fair and right (respect human rights and nurture a good relationship with the individual, society and natural environment)
- Philanthropic responsibility - imposes an obligation on the company to contribute through its business to the overall well-being of the people and community in which it operates



Source: Author's work according to A.B. Carroll's „Pyramid Of Corporate Social Responsibility“

# Dimensions of socially responsible business

## Internal

- human resources
- health and safety
- the ability to adapt to change
- the environment

## External

- the local community
- suppliers
- customers and stakeholders in the organisation's operations
  
- *human rights*
- *global care for the environment when organisations operate globally*

Source: Written by the author according to Pavić-Rogošić, L. (2004): Our community is our responsibility: a handbook for successful organization of the local community, Odraz - Sustainable community development, Zagreb

# 3. Research methodology and results

- For the purpose of this paper, a survey was conducted in the period from 13-31 December 2019. Participation was anonymous. 105 individuals completed the survey
- The aim of the research is to investigate how the application of CSR in the organisation affects its performance factors but also its environment and whether the organisation can in addition to achieving its primary objective - profit, also contribute to a better and healthier environment for future generations

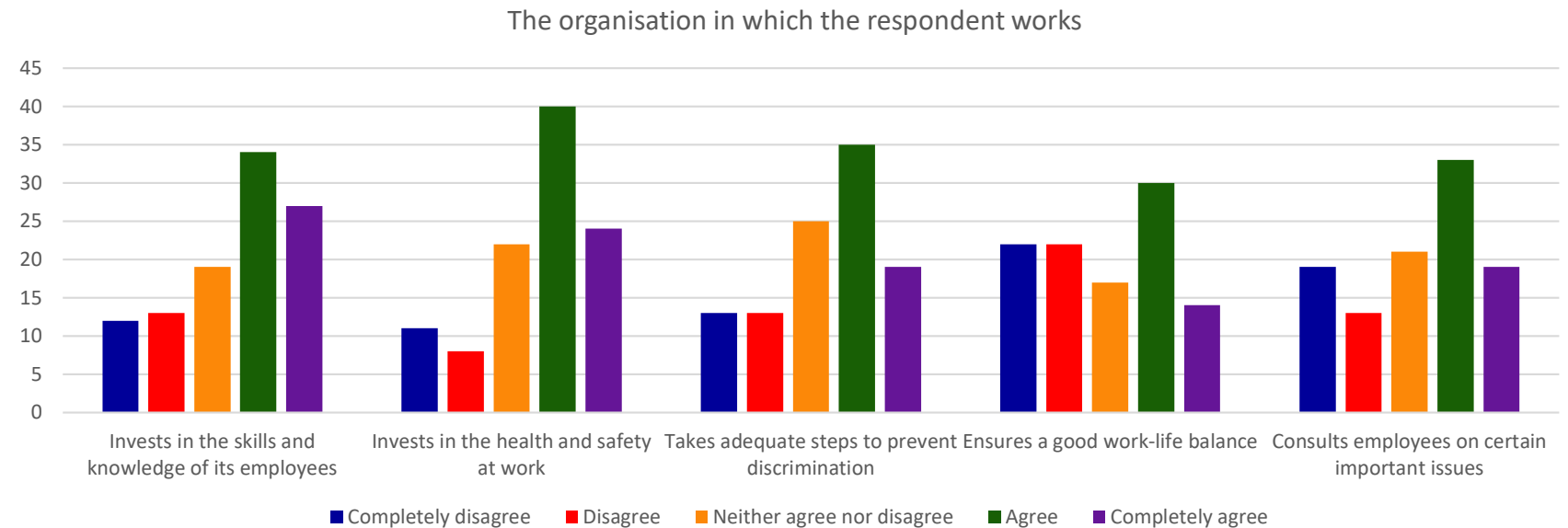


# The respondents' socioeconomic characteristics

- The respondents' socioeconomic characteristics indicate that 73.3% are women and 26.7% are men
- Most respondents (50.5% of them) are in the age group 26-35, followed by the age group up to 25 (22.9%). 18.1% are aged 36-45, while 4.8% are in the 46-55 age group. They are followed by respondents aged 56-65 (2.9%) and those above 65 years of age (1%).
- Most respondents have secondary education (41%), followed by those with completed graduate studies (26.7%), undergraduate studies (24.8%), postgraduate specialist studies (3.8%), and doctoral studies (2.9%). There are 1.9% of respondents whose formal education ended with primary school.
- In terms of the respondents' employment status, 81.9% are employed, 11.4% are students, 3.8% are unemployed, 1.9% have retired, 1% have their own business and two (2%) are on maternity leave.
- Monthly income: the largest number of respondents (41%) indicated that they earned between HRK 3,001-5,000. They are followed by 22.9% with a monthly income ranging from HRK 5,001 to HRK 7,000. A slightly lower percentage of respondents (21%) have an income of more than HRK 7,000 per month. The smallest number of respondents (15.2%) have a monthly income of less than HRK 3,000
  - (1 HRK = 0,13€), 19.10.2020.

# “To what extent are the statements written below true for the company you work for?”

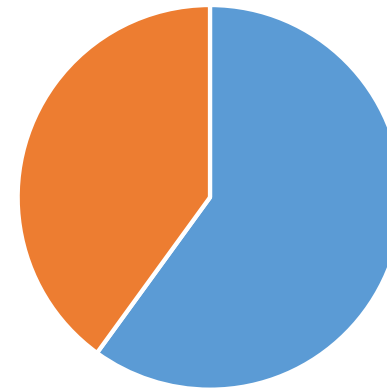
- A large number of organisations practice CSR (invest in skills and knowledge of their employees, workplace health and safety, and so on). However, a healthy work-life balance is not so frequently achieved and managers are less likely to consult with employees about specific issues, so companies need to focus more on these practices and improve them



Source: Author's work

Would you agree to a lower salary if the company provided the above conditions or would you choose a higher salary over the described benefits?

- The results of the survey indicate that the respondents, from the perspective of employees, prefer working in an organisation that practices social responsibility and would accept lower pay if opportunities for promotion, adequate health care and so on were provided

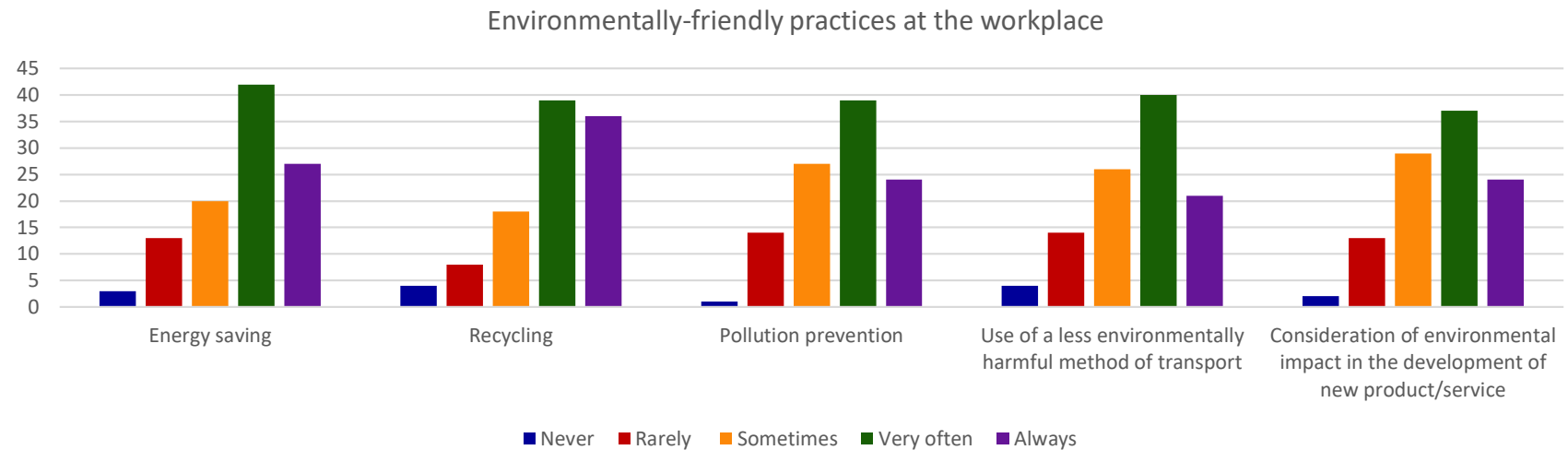


■ Lower salary + benefits ■ Higher salary - benefits

Source: Author's work

# To what extent do you contribute to the protection of the environment in your workplace?

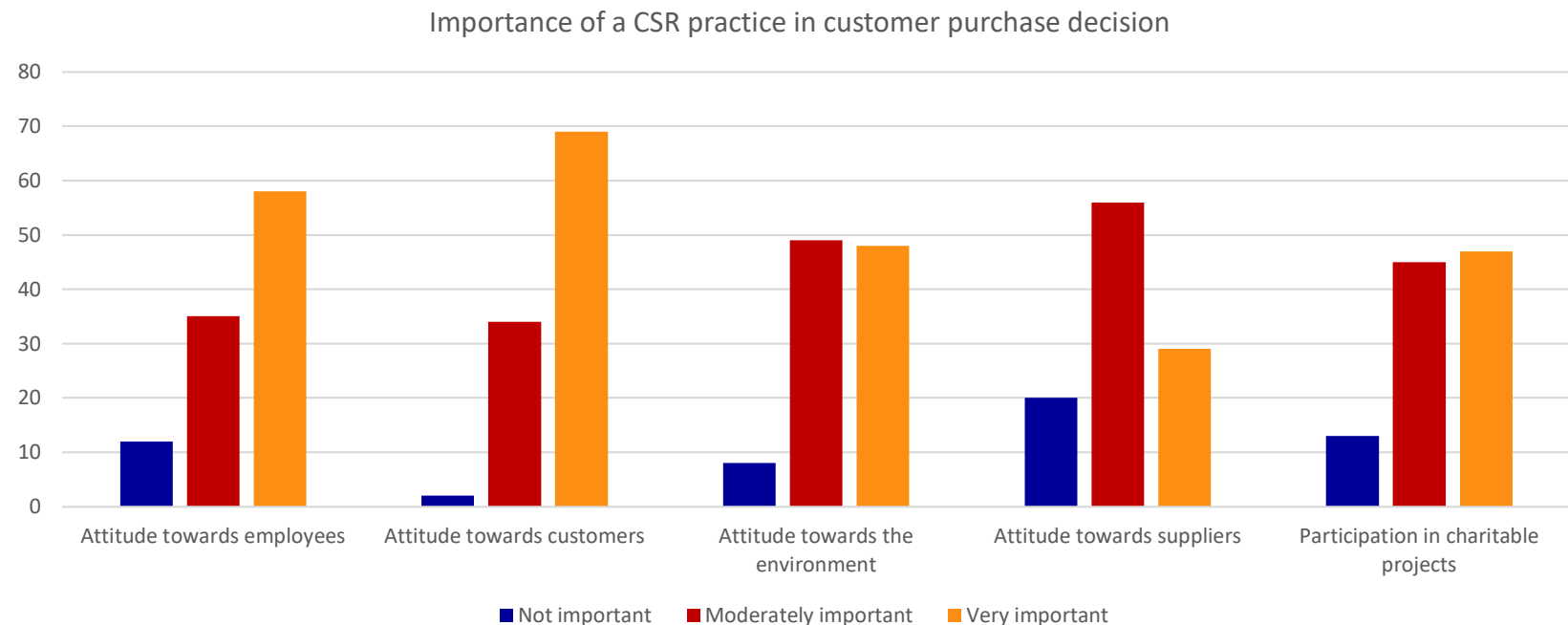
- Regarding the use of environmentally-friendly practices at the workplace, it can be concluded that the situation is satisfactory as the respondents indicated that they had “often” or “very often” practiced socially responsible behaviour such as recycling, energy saving, etc.



Source: Author's work

Rate the importance of a particular corporate social responsibility practice in their decision to buy a company's products on a scale of 1-3

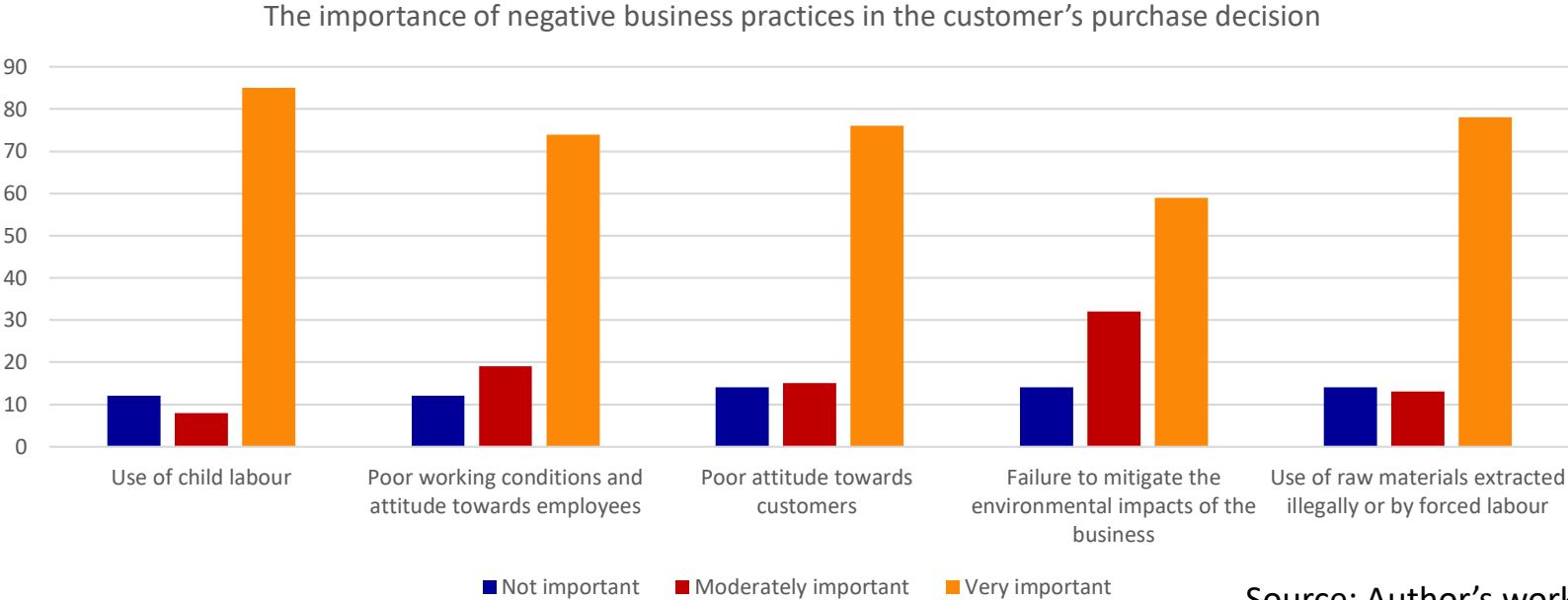
- Research shows that, company's attitude towards its employees and customers has strong impact on buyers decision on making a purchase, while attitude towards the environment, suppliers and charitable projects have moderate importance



Source: Author's work

# Rate the importance of a particular organisational practice in their purchase decision on a scale of 1-3

- Given the examples of negative business practices, majority of respondents agreed that listed practices are very important in the customer’s purchase decision



Source: Author’s work

# 4. Discussion

- The obtained data suggest that people will gladly contribute to the protection of the environment if given the opportunity to do so and that they react positively to the companies that practice CSR. As the world's population is booming, our natural resources are becoming scarce. This is why non-economic factors are playing an increasingly important role in the buying process today - a trend which is likely to continue in the future.
- The respondents stated that they would not only be willing to pay more for a product/service provided by socially responsible organisations but would also appreciate them more. Specifically, 81.9% of the respondents stated that they would pay more for a product associated with a social cause.
- Furthermore, 80% of the respondents would switch to a brand that offers locally-sourced products at slightly higher prices. Among those, 48.6% would be willing to spend HRK 5-10 more for such a product.

The results obtained by this research show that:

- 71.4% of the respondents would prefer to participate in a program where a donation is made to an environmental organisation with every purchase;
- 76.2% of the respondents base their impression of the organisation on its social responsibility;
- 84.8% of the respondents react negatively to a company that they believe is not socially responsible;
- 74.3% of the respondents would no longer buy products from an organisation that they believe has a poor attitude towards their people and the environment (does not implement CSR) even if the product is of high quality and affordable.



- There are a number of benefits for an organisation that practices socially responsible behaviour, including increased sales and market share, increased brand awareness and recognition, improved corporate image and influence in the market, and attractiveness for both investors and new employees, thereby enhancing its ability to motivate and retain current employees
- Based on the obtained data, it can be concluded that the participation of companies in social initiatives can affect the most important performance factors

# Limitations

- The main limitation of this study is the size of the sample. Given that it comprised 105 respondents from the northern part of Croatia, it is considered too small to provide meaningful results and not representative of the entire population of Croatia

# 5. Conclusion

- The research shows that, among other things, responsible behaviour towards society has an impact on the performance of an organisation, and the success must be shared with the community. An organisation is part of the community and as such it maintains mutually beneficial relationship with it.
- Environmental neglect and failure to acknowledge that natural resources are limited and act accordingly puts at risk both the organisation and the environment. Organisations that implement socially responsible practices in their business are also more attractive to investors and other stakeholders.
- By contributing to social causes, the organisation also helps its own business. Thus, the implementation of socially responsible behaviour should be viewed as an investment rather than expense.



**Thank you!**

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