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CORPORATE SOCIAL RESPONSIBILITY OF SMALL AND MEDIUM ENTREPRENEURS IN CROATIA

DRUŠTVENO ODGOVORNO POSLOVANJE MALIH I SREDNJIH PODUZETNIKA U RH

ABSTRACT

Corporate social responsibility represent an innovative management response at demanding needs for changing business market, complex business practice and raising competitiveness at business market. Corporate social responsibility is growing into one of the inevitable movements in modern management and it becomes an integrated part of conducting business for a large number of entrepreneurs. Corporative social responsibility represents a relatively new concept and it is mainly limited at large and financially successful organization while the good practices of small and medium entrepreneurs are still unknown at the public domain.

The goal of the research was to determine the level of knowledge and understanding of the basic principles of corporate social responsibility. The results of the research will shown the insufficient developed practice of corporate social responsibility in small and medium organizations in Croatia and insufficient understanding and knowledge about the main principles of corporate social responsibility.

Key words: *Social responsibility, Small entrepreneurs, medium entrepreneurs, Entrepreneurship, Practices*

SAŽETAK

Društvena odgovornost menadžmenta predstavlja inovacijski odgovor menadžmenta na sve zahtjevnije uvijete poslovanja i konkurentnosti na tržištu te polagano prerasta u jedan od nezaobilaznih pokreta u modernom poslovanju koje će sa sigurnošću iznjedriti temeljne promijene na području suvremenog menadžmenta. Društvena odgovornost postaje integrirani dio poslovanja velikog dijela poduzetnika. Društvena odgovornost poduzetnika predstavlja relativno nov koncept poslovanja koji je uvelike ograničen na velike i financijski uspješne poduzetnike dok su aktivnosti društveno odgovornog ponašanja malih i srednjih poduzetnika izuzetno male te javnosti nepoznate.

Svrha istraživanja je utvrditi razinu društvene odgovornosti malih i srednjih poduzetnika u Republici Hrvatskoj. Za svrhu istraživanja kreiran je anketni upitnik namijenjen menadžerima/donositeljima odluka unutar malog i srednjeg menadžmenta u RH koji je kreiran prema uzoru na Likertovu analitičku metoda. Upitnik je sadržajno strukturiranu dvije cjeline: prvi dio odnosi se na osnovne podatke u anketiranim poduzećima (veličina poduzeća, broj zaposlenika, osnovna djelatnost, godina osnutka) dok je drugi dio sadržavao pitanja zatvorenog tipa koji se odnosio na određene aktivnosti društveno odgovornog poslovanja poduzetnika. Istraživanjem se želi utvrditi koji su razlozi malih i srednjih poduzetnika za uključivanje društvene odgovornosti u svoje poslovanje te na koje aktivnosti se društveno odgovorne aktivnosti odnose. Nadalje, istraživanjem se želi utvrditi koji su razlozi zbog kojih poduzetnici odlučuju za odsustvo društveno dogovornih praksi te se želi utvrditi razina upoznatosti srednjih i malih poduzetnika sa konceptima i mogućnostima društvene odgovornosti. Rezultati istraživanja će pokazati na nedovoljno raširenu praksu društveno odgovornog poduzetništva u malim srednjim poduzećima u RH i nedovoljno raširenu svijest uključenosti u prakse društveno odgovornog poslovanja.

Ključne riječi: Društvena odgovornost, Mali poduzetnici, Srednji poduzetnici, Poduzetništvo, Prakse

1. Introduction

Modern market constantly seeks creativity and innovation in business. Managers are faced with the ever changing and demanding needs of the modern market. Customers in today changing market climate reveal need for organization credibility and its business politics. Innovative managers move toward the concept of corporate business responsibility as the one concept that can meet the complex needs of their customer, community and their stakeholders.

Corporate social responsibility represents a relatively new concept that is mainly limited at large and financially successful organization while the good practices of small and medium entrepreneurs are still unknown at the public domain.

Corporate social responsibility become an integrated part of organizations and becomes a business imperative in modern management. Modern management recognized the valued of corporate social responsibility that at the end results in successful financial and socially satisfied practices. Corporate social responsibility in Croatia still represents relatively new and insufficiently researched management concept and it is mainly present in large corporations while the small and medium entrepreneurship (SME) sector is still insufficiently introduced with the benefits and need of the corporate social responsibility.

1.1. Corporate social responsibility

Corporate social responsibility (further in text: CSR) has its origin in social activism during the 1960's and 1970's years of the last century. The raising awareness about the questions such as the equally opportunities for everyone, racial equality and health and safety at the working place had encourage the public to reexamine more adequately the business customs and than to put them in the proper legal frames. (Tafr-Vlahović, 2009, 165). European commission¹²⁰ defines corporate social responsibility as a „concept by which organizations based on voluntary principles integrates care for social questions and environment protection in their business activities and relations with the stakeholders (owners, employers, consumers, government, media and wide public“. (Ćorić, 2007, 379). There is growing recognition of the significant effect the activities of the private sector have—on employees, customers, communities, the environment, competitors, business partners, investors, shareholders, governments and others. It is also becoming increasingly clear that firms can contribute to their own wealth and to overall societal wealth by considering the effect they have

¹²⁰ EC White Paper on Corporate Social Responsibility, Guidance for politics of corporate social responsibility; cited in Ćorić, 2007, 379.

on the world at large when making decisions. Business opinion polls and corporate behavior both show increased levels of understanding of the link between responsible business and good business. Also, investors and financial markets are beginning to see that CSR activities that integrate broader societal concerns into business strategy and performance are evidence of good management. In addition to building trust with the community and giving firms an edge in attracting good customers and employees, acting responsibly towards workers and others in society can help build value for firms and their shareholders (Hohner, 2007, 1). CSR can be a way of matching corporate operations with societal values at a time when these parameters are changing rapidly. As such, ethical behavior is a prerequisite for strategic CSR. CSR requires accountability by all leaders, individuals, organizations, stakeholders, customers, and community members, and yet accountability is complex. The factors which influence the effectiveness of corporate accountability are multiple and tightly interconnected (D'Amato, et al, 2009, 5-6).

1.2. Small and medium entrepreneurship (SME) sector in Croatia

Small business economy in Croatia includes more than 78.000 trades associations and makes 99,5% registered business subjects in Croatia. SME sector keeps generating the largest and fastest growth concerning the numbers of entrepreneurship and the number of employees, revenues and profits. SME becomes the sector which stimulates and motivates the overall national economy (Kersan-Škabić & Banković; 2008, 60). In Green paper ¹²¹“Entrepreneurship in Europe”, the European Committee emphasizes a social meaning of entrepreneurship (Škrtić, 2006, 200-202). Entrepreneurship helps generating new work places and economic growth: research has shown that entrepreneurship gives a positive contribution for economic growth. In Croatia, small and medium entrepreneurship in period of 12 years (from 1994, till 2006.), enabled 77 000 new working places. Entrepreneurship has crucial importance for competitiveness: new entrepreneurship initiatives have positive effect on competitiveness, on implementation of effective and innovative business solutions which have a positive impact on economy as a whole. But the situation in Croatia is far from ideal. The reason is layering between the economic activities. Over the time, entrepreneurs have concentrated just in few economic activities in which they have recognized the potential of market expansion together with the encounter of the minimum barriers on the path for their final goal achievement. An example is the most expanded sector of retail and wholesale trade which represents 35% of the total entrepreneurship amount while the electric energy supplies represent only the 0.16% (Kersan-Škabić & Banković; 2008, 60). The statistics has shown that the 80.55% of the overall number of entrepreneurs are concentrated in four business activities: already mentioned retail and wholesale trade (35%), real-estate business (22%), processing industry (13, 2%) and architecture (10, 35%) (<http://hgk.biznet.hr/hgk/>). In accordance with the employment rate, above mentioned four business activities still dominate with the slightly change in percentage (trade holds 28.8% and processing industry holds 22,45%) (Kersan-Škabić & Banković; 2008, 60). SME economy in Croatia is characterized also by regional layering with the large dominance of the Town of Zagreb (33% of the overall SME economy by the overall registered companies). The percentages of the registered small and medium companies in other Croatia's counties are: Split-Dalmatia County 10, 9%, Primorje-Grski Kotar County 9,4%, Istra County 9,2%, Osijek-Baranja County 4,3% and Zagreb County 6%. Other 15 Counties hold 27,2%. Dominance of the Town of Zagreb is present in other SME economy indicators – in revenues, profit, lost, import, export, investments and employment rate (Lozić, 2007, 7). In collaboration with the enterprises situated in some of the EU countries, Croatian entrepreneurship can and must use its' individuality, creativity and business spirit. Small and medium enterprises in Croatia have to reduce their business costs, enhance quality, invest in new products and service and explore new markets and new channels of distribution in

¹²¹ Green Paper is the most recent of a series of Reports from the European Commission designed to encourage entrepreneurship. In the United Kingdom, the latest of a series of similar papers was that produced by HM Treasury and the Department of Trade and Industry's (DTI) Small Business Service (SBS) in November 2002.

order to come close to the business practices and business results as those in enterprises in EU countries (Škrtić & Mikić, 2006, 202).

2. Research of the CSR among managers in small and medium organizations

The goal of the research was to determine the level of knowledge and understanding of the basic principles of corporate social responsibility and to determine the main decisions why to choose or not the corporate social responsibility as the business strategy. Questionnaire together with a letter of intent (entitled to managers/directors/decisions makers) was sent to 250 small and medium enterprise based on database of the Croatian Chamber of Economy and the Croatian Company Directory. Total of 59 fully answered questionnaires was returned. Questionnaire was structured in two parts: first part covered basic information of the organization (profile of the researched organizations) and second part was concerned with the practices and understanding of CSR among managers. The questions were closed-type with the given answers (Likert scale, ranging from 1 – do not agree till 4 - agree) and questions with the answers Yes/No.

2.1. Profile of the Researched Organizations

The pattern, according to basic branch of the activity is given in the Table 1.

Table 1 Basic Branch of Activity

Branch of activity	Number of organizations	Structure in %
Agriculture, hunting, livestock farming;	1	1,70
Electricity supply, air conditioning	2	3,39
Architecture	3	5,08
Commerce	25	42,37
Transportation and storage	7	11,86
Accommodation and catering industry	4	6,78
Financial services and insurance	10	16,96
Real-estate	7	11,86
TOTAL	59	100,0

Source: research results

The pattern concerning the number of employees in organizations is presented in Table 1.

Table 2 Number of Employees

Number of employees	Number of organizations	Structure in %
0-9	25	42,37
10-49	34	57,63
TOTAL	59	100,0

Source: research results

In the pattern, (Table 3) the largest numbers of the organizations were trade (35%), followed by Ltd. and joint-stock (12%).

Table 3 Legal Type of the Organizations

Legal type	Number of organizations	Structure in %
Joint-stock	12	20,34
Ltd.	12	20,34
Trade	35	59,32
TOTAL	59	100,0

Source: research results

2.2. CSR among researched organizations

Managers were asked to define whether the organizations have means for internal communication between the management and employees or even with the outside stakeholders (business partners, other organization in local community) that proves that the organizations understands and communicates the questions of special inverters. Further, the managers were asked to define whether they have defined and signed ethical codex and whether the organization have participated in and project of CPS (donations in time, money...). The results are presented in Table 4.

Table 4 Yes /No Statements

Statement	Yes	No
Organizations has means for internal communication	34 %	66%
Organization has signed Ethical codex	12 %	88%
Organization has been included in some CSR actions and projects	57 %	43%

Source: research results

Further, the managers were asked to define the reason for not being social responsible. The large number of managers answered that the financial aspect is the main reason (42 %), further, 20 % do not believe in presented project of social responsibility so far, 19 % answered that they haven't been invited to participate in any action and 19 % answered they are not interested in the concept of CSR.

In the last sections of questions, managers were given questions with the defined answerers (1 – not agree, 2 – somewhat agree, 3 – mainly agree, 4- agree). The purpose of this question section was to define the level of knowledge and understanding the main concepts of corporate social responsibility. The results are given in Table 5.

Table 5 Managers' beliefs about social responsibility based on the research

Questions	Not agreed	Somewhat agreed	Mainly agreed	Agreed	Mean
1. CSR and strategy	0,00	52,54	16,95	16,95	3,51
2. . CSR and profitability	0,00	2,13	17,08	80,85	3,64
3. CSR as business expense	32,10	44,44	32,10	6,17	3,02
4. CSR and large organizations	2,13	19,15	36,17	42,55	3,02
5. CSR and positive effects at the organizational culture	16,95	50,85	8,47	23,73	2,49
6. CSR and ethics	13,56	16,95	54,24	15,25	2,71

Source: research results

Managers were asked to define whether they believe that the CRS should be incorporated as a part of business strategy (Question 1). None of the researched manger answered that they don not agree with this statement, 16. 95 % of them agreed, 16, 95 % of them mainly agreed and 52, 54 % of researched managers' somewhat agreed with this statement. This question shows that the managers have good understanding and knowledge about the CSR and business strategy (mean = 3, 51).

Further, managers were asked to define whether they believe that the CSR has a positive affect at the overall organizations profitability (Question 2). None of the researched manger answered that they don not agree with this statement, 2,13 % believe that CSR has a positive affect at the profitability, 17, 08% are mainly agreed with this statement and 80,85 % agreed that CSR has a positive affect at the overall organizations profitability. Mean is 3,64 that shows that the managers have good understanding and knowledge about the CSR and profitability. Further, managers were asked to define whether they believe that CSR is actual an additional business expense (Question 3). 6,17 % of managers agreed, 32,10 % mainly agreed, 32,10 % do not agree and 44,44 % of managers somewhat agree with this statement. Mean is 3,02 which shows that managers somewhat good understanding and knowledge about the CSR in relation to business expense. Managers were asked to define (Question 4) whether they believe or not with the statement that the CSR is easier deductible and practicable in large organizations. 2,13 % of managers do not agree with this statement, 19,15 % are somewhat agreed, 36, 17% are mainly agreed and 42, 55 % are agreed with this statement. Mean is 3,02 that shows that managers have somewhat good understanding and knowledge about the linkage between CSR and the size of the organization. Question 5 is concerned with the CSR and positive effects being social responsible have at the overall organization culture. 8, 84 % of managers mainly agreed that the CSR has a positive effects at the organization culture, 16.95 % do not agree with this statement, 23.73% agree and 50.85 % of managers somewhat agree. Mean is 2, 49 that shows that the surveyed managers have low understanding and knowledge about the CSR and its connection with the organization culture. Last question, (Question 6) was concerned with the understanding that the CSR is linked with the business ethics and ethical conduct. 13, 56 % managers don't agree with this fact, 15,25 % agree, 16,95 somewhat agree and 52.24 % mainly agree. Mean is 2,71 that shows that managers do not have good understanding and knowledge about the CSRA and business ethics.

4. Conclusion

The research had showed that the managers of SME sector have good understanding and knowledge about the CSR and the need for its implementation in their business strategy. Moreover, the research had showed that the managers of SME sector have good understanding and knowledge about the CSR and its' positive effect at the overall business profitability. The research also shown that managers still perceives CSR as a additional business expense and that managers don't believe that the CSR an influence positively at the organization culture. Research had shown that 57 % of researched managers had been included in some actions or projects of social corporate responsibility, whether in donation of money, time or labor. Negative is the fact that only 12% of researched managers have defined and signed the Ethical codex since it clearly shows that manager do not believe that corporate social responsibility is linked with the ethical conduct.

The results of the research had shown the insufficient developed practice of CSR in small and medium organizations in Croatia and insufficient understanding and knowledge about the main principles of corporate social responsibility. Managers of the small and medium enterprises have to implement the CSP into their business strategy and understand that CSP must become the integral part of their business.

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Official web site: <http://hgk.biznet.hr/hgk/>
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