

THE IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY FOR COMPANIES: THE DEVELOPING MARKET STUDY

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Abstract

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The purpose of this paper is to determine whether and to what extent companies in Kosovo practice the concept of corporate social responsibility (CSR) in their operations and what are their benefits from the application of this concept. This paper uses primary data obtained through a survey of managers of 40 companies in Kosovo. To prove that the practice of the concept of CSR is of great importance for all aspects of the operation of companies, a cross-tabular analysis of certain questions was performed, where the simple linear regression and the coefficient of correlation were calculated. Based on the obtained results it can be concluded that the largest percentage of the analyzed companies in Kosovo (87.50%) practice the concept of CSR in their operations. Managers in Kosovo introduce the concept of CSR for a variety of reasons. However, they agree with the fact that practicing this method leads to better long-term financial performance, greater market share, competitive advantage, better reputation of the company, increase of the working climate in the company, the productivity and motivation of employees, their loyalty, and contributes to retaining high-quality staff.

Keywords: Corporate Social Responsibility, Importance, Companies, Kosovo

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1. INTRODUCTION

Corporate social responsibility (CSR) is rapidly gaining importance as a business strategy. Companies need to have a clear framework for implementing CSR programs. The concept of CSR is widely interpreted and this has made it difficult for firms and practitioners to obtain a clear understanding of this concept. The concept of CSR has been reviewed by many authors (Lopez-Perez, Perez-Lopez, & Rodriguez-Ariza, 2009; Andrew & Wickham, 2010; Joshi, Sidhu, & Kansal, 2013; Basuony, Elseidi, &

Mohamed, 2014; Ju Ahmad, Rashid, & Gow, 2017; Yeung, 2018; Velte, 2020). Numerous studies have demonstrated the advantages for businesses of being perceived by stakeholders as a high CSR organization. The most important type of research in the literature includes information about shareholders, investors, customers, employees, and suppliers.

CSR is often confused with other concepts, such as business ethics, cause-related marketing, philanthropy, and corporate citizenship. Although CSR has some similarities with these concepts, it still

differs significantly from them and cannot be considered as a synonym for any of them. In contrast to CSR, business ethics offers a much broader perspective on ethics in the field of business and can be regarded as the fundamental theory underlying CSR. As a result, there are several dimensions of CSR that may link with business ethics such as human rights, labor and security, enterprise and economic development, business standards and corporate governance, health promotion, education, and leadership development, human disaster relief, and environmental issues (Fortuna, Ciaburri, Testarmata, & Tiscini, 2020; Lahjie, Natoli, & Zuhair, 2021).

In contrast to CSR activities, cause-related marketing is not based on strategic considerations but is designed to create quick wins for a company's marketing efforts. An organization with progressive CSR programs demonstrates a long-term commitment to creating a win-win situation for the company and society not only in the field of marketing but throughout the value chain. The concept of CSR is going beyond voluntarism and charity and in contrast to philanthropy, it comprises social responsibility for products, services, and operations as well as charitable giving.

In contrast to CSR, the concept of corporate citizenship perceives a company as being an actual member of society itself, i.e., offers the view of a company as yet another citizen. Based on that view, the scope of responsibilities a company has to address is much wider, as compared to CSR. Therefore, corporate citizenship can be regarded as a more radical approach than CSR.

The structure of this paper is as follows. Section 2 reviews the relevant literature. Section 3 analyses the methodology that has been used to conduct empirical research on CSR. Section 4 includes the results of the study based on relevant analyses of research. Section 5 contains a discussion about the study in the future. Section 6 includes conclusions about the findings achieved of the research.

2. LITERATURE REVIEW

2.1. Corporate social responsibility

CSR is seen as a key tool for advancing competitive advantages, creativity, and innovation as well as enhancing a company's reputation in the community with its customers, employees, partners, government agencies, and nongovernmental groups. As globalization progresses, commercial value increasingly flows from the brand and goodwill side rather than the quantity side. There are only a few studies that show organizational value to be a value that extends beyond the finish line in both external and internal dimensions. There are numerous definitions and interpretations of the concept of CSR in the literature (Hopkins, 2004; Growther & Aras, 2008; Moir, 2010; Katamba, Zipfel, Haag, & Tushabomwe-Kazooba, 2012; Grigoris, 2016; Martín-de Castro & González-Masip, 2020; Enderle, 2021; Das, Taneja, & Arora, 2021). Consequently, there is no universally accepted definition of this concept. Because the concept of CSR is widely interpreted, it makes it difficult for companies and practitioners to gain a clear understanding of what this concept

means and what it encompasses. An expanding body of research on CSR and social welfare has revealed that some businesses have responded to these worries by allocating more resources to CSR. CSR is regarded as an active source of competitive advantage and may be used as a proactive business strategy and efficient marketing tool to establish and maintain a competitive edge. Businesses realized they needed to move beyond "doing good" to "doing better" and possibly "doing best" by creating new societal values if they wanted to remain and compete in the fiercely competitive global market. Management has, however, resisted in certain businesses, claiming that increased CSR spending is incompatible with initiatives to increase profitability (Lin, Yang, & Liou, 2009).

The rapid pace of technical advancements, services, and new goods that constantly adapt to consumer requirements and aspirations, as well as company demands to go above and beyond expectations, all of these elements help a society that is focused on goods transition to one that is focused on people. The reasons that contribute to the concentration of CSR on the business side include the absence or lack of realization and understanding of the cause, the weak role played by society in taking and giving relationships to the CSR company, and the legislative framework present to support the rise in community commitment (Doda, 2015).

CSR refers to actions that are becoming more strategically significant to many businesses. A company's commitment to avoiding or eliminating any negative consequences on society while enhancing its long-term positive influence is known as CSR. Four top league executives were interviewed to gain insight into the necessity of social responsibility in professional sports in North America (Babiak, 2010).

According to Ackerman and Bauer (1976), corporate social responsiveness is the management task of doing what one has decided to do to become socially responsible. The Commission of the European Communities (2001) states that CSR is "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (p. 6). According to this definition, CSR covers social and environmental issues, CSR is a voluntary concept and CSR is how enterprises interact with their internal and external stakeholders (employees, customers, neighbors, nongovernmental organizations, public authorities, etc.).

According to the World Business Council for Sustainable Development (as cited in Dahlsrud, 2006), "Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".

Carroll (1979) gives a very extensive and explanatory definition of this concept. His definition of CSR encompasses ethical, legal, philanthropic, and economic considerations.

Carroll (1979) argues that according to this concept, firms have four responsibilities, namely:

1) Economic responsibility (e.g., generate profits, provide jobs, create products that consumers want);

2) Legal responsibility (e.g., complying with local, state, federal, and relevant international laws);

3) Ethical responsibility (e.g., meeting other social expectations, not written as law, such as avoiding harm or social injury, respecting people's moral rights, and doing what is right and just); and

4) Discretionary responsibility (e.g., meeting additional behaviors and activities that society finds desirable such as contributing resources to various kinds of social or cultural enterprises; providing employee benefits such as training and industry-leading salaries).

According to Carroll (1979), firms that demonstrate proactive CSR would not contribute to the creation of societal welfare, but also improve their own performance.

However, regardless of the varying interpretations of this concept, its meaning remains essentially the same. CSR, therefore, means the ethical behavior of a business towards its constituencies or stakeholders. It should not be separate from the business strategy and operations of companies. CSR is essential for companies to integrate social and environmental concerns into their business strategy and operations. Social, economic, or environmental issues must appear in the definitions, conceptualizations, and interpretations of this concept. CSR is a very broad concept that encompasses: human rights (respect for employees, women's rights, child labor, and social justice), workers' rights (health and safety, education and training, compensation and benefits), environment (protection inside and outside the physical facility, and legacies), community involvement (compliance with local laws, community assistance programs, and employee voluntarism), supplier relations, monitoring (management systems, accountability, reports, bonus on employment generation, and maintenance), and stakeholder rights (consumer rights).

According to Frankental (2001), CSR includes procedures of corporate governance, the market's view of organizations' ethical stances, the lack of clear definition, acceptance, or denial, the lack of formal mechanisms for taking responsibility, and the priority that most organizations give to social responsibility. The broadest way of defining social responsibility is to say that the continued existence of companies is based on an implied agreement between business and society. In effect, companies are licensed by society to provide the goods and services that society wants and needs. The freedom of operation of companies is, therefore, dependent on their delivering whatever balance of economic and social benefits society currently expects of them (Cadbury, 2006).

2.2. The importance of corporate social responsibility

The decision to put CSR activities into practice is often motivated by business considerations. Generally, the activities are the result of a combination of various motifs: increase in corporate value, gain competitive advantage, meeting stakeholder expectations, identification and reduction of risks, acquisition of customers and/or investors, employee recruitment and retention, compliance with regulatory requirements, identification of cost savings, etc. Practicing

the concept of CSR has huge benefits for the companies themselves, their employees, long-term financial results, the environment, consumers, suppliers as well as all other actors related to the companies. Getting involved in CSR brings positive outcomes focusing on economic, social, and environmental goals with longer-term perspectives. However, the scale and nature of CSR benefits for organizations may vary, depending upon the nature of the enterprise, its activity, and its size (Crane, Matten, & Spence, 2008).

CSR activities have been used to address consumers' social concerns, create a favorable corporate image, and develop a positive relationship with consumers and other stakeholders. In the age of Enron and corporate scandals, CSR is becoming increasingly important in the corporate world (Yoon, Gürhan-Canli, & Schwarz, 2006).

Silberhorn and Warren (2007) in their study based on a qualitative content analysis of the CSR websites of 40 British and German companies and a series of interviews with senior managers. The main findings are that CSR is now presented as a comprehensive business strategy, arising mainly from performance considerations and stakeholder pressure. Companies focus on how they interact with stakeholders and how business activities impact society. Most CSR policies address community, employee, and customer issues. CSR policies varied with turnover, industry sector, and nationality. The study concludes that business and CSR strategies appear to be on a convergent path, making business and CSR integration across the company the norm in the future.

The benefits of practicing CSR for companies can be grouped as follows (Growther & Seifi, 2021):

- Financial benefits: Socially responsible companies make profits and also contribute to some aspects of social development. These companies will make their products and services more attractive to consumers as a whole, therefore, making the company more profitable. There will be increased costs to implement CSR, but the benefits will outweigh the costs.

- Human resources: It can be very helpful in the process of recruiting and retaining employees in a company. Practicing this concept improves the working climate in the company, increases the productivity and motivation of employees and their loyalty to the company, increases the reputation of the company and thus contributes to retaining high-quality staff.

- Risk management: Undertaking social responsibility activities by the company can reduce and neutralize the risk in the company in connection with various scandals related to corruption and causing accidents in the environment.

- Brand differentiation: By adopting the concept of CSR, the company embraces ethical and moral values in its operations. This, in turn, contributes to increasing its market reputation and market share as consumers increasingly select and purchase the products and services of ethically responsible companies. In this way, this concept contributes to increasing the company's sales, creating loyal customers, creating a company brand, and separating the company from its competitors in the minds of customers.

• License to operate: By taking various voluntary steps, companies can convince governments and the wider public that they take seriously issues such as health, safety, diversity, or the environment. By using CSR strategies, companies can also reduce legal conflicts to comply with various existing regulatory requirements in the country.

2.3. Corporate social responsibility of companies in Kosovo

CSR as a concept is an under-researched topic in Kosovo. Kosovo CSR Network is the only organization that tries to inform businesses and civil society about CSR and its benefits. Kosovo CSR Network was established in April 2011. Its purpose is to increase public awareness of CSR and incorporate CSR practices into local companies. Even though Kosovo CSR Network has only 25 members, most of them are businesses that have more than 250 employees and their turnover exceeds 50 million euros. In other words, Kosovo CSR Network's members have substantial effects on employment opportunities, training programs, sustainable environmental practices, and philanthropic activities. Even though Kosovo CSR Network is trying to increase the number of its members and spread information about CSR, there has not been much success.

Kosovo CSR Network has developed a "Strategic Plan for Corporate Social Responsibility in Kosovo 2021-2025", which has been prepared in line with the organization's integrity, impartiality, and responsibility, and it may serve as an effective and comprehensive complement to the potential National Strategy for Corporate Social Responsibility (Kosovo CSR Network, 2021). This CSR strategy aims to promote socially responsible practices, as a crucial component within a company's principles, and simultaneously fill in the gaps regarding the strategic management of CSR — a relatively new concept in Kosovo. To ensure a positive impact on sustainable economic and social development, Kosovo CSR Network will focus its resources to increase the visibility of activities that promote the positive impact of CSR on companies' reputation, customer awareness, and labor productivity.

3. RESEARCH METHODOLOGY

To measure the importance of CSR for our sample companies a survey is used based on the aim of the study. This paper uses primary data obtained through a survey of managers of 40 companies in Kosovo. The survey questionnaire consisted of

7 closed-ended questions. From the answers given to each question, the managers had to note the answer that best suits the operation of their company.

After collecting data, descriptive statistics are the first step in taking raw data and making something more meaningful. Descriptive statistics are used to describe the basic features of the data in a study and help to describe and understand the features of the data set by giving short summaries about the sample and measures of the data. Regression analysis is also used. Regression analysis is a set of statistical methods used for the estimation of relationships between a dependent variable and one or more independent variables. It can be utilized to assess the strength of the relationship between variables and for modeling the future relationship between them. Regression analysis is performed to measure the effect of the independent variable on the dependent variable.

To prove that the practice of the concept of CSR is of great importance for all aspects of the operation of companies, a cross-tabular analysis of certain questions was performed, where the simple linear regression and the coefficient of correlation were calculated. Based on that, certain conclusions are derived.

4. RESULTS

The largest percentage of analyzed companies in Kosovo (87.50%) practice the concept of CSR in their operations, and only 12.50% do not practice this concept (Table 1).

Table 1. The introduction of the concept of CSR in the operation of the company (survey results: Question 1)

Response	Frequency	Percent	Valid percent	Cumulative percent
Yes	35	87.50	87.50	87.50
No	5	12.50	12.50	100
Total	40	100	100	

The managers of the analyzed companies in Kosovo have a different understanding of the concept of CSR. Most of them understand this concept as different activities in environmental, philanthropic, ethical, or social areas (30%), followed by compliance with laws and regulations (20%), increased market reputation and competitive advantage (20%), application of recognized standards in different areas (12.50%), frequency and quality of communications with stakeholders (10%) and other (7.50%) (Table 2).

Table 2. Understanding CSR (survey results: Question 2)

Concept understanding	Frequency	Percent	Valid percent	Cumulative percent
Compliance with laws and regulations	8	20.00	20.00	20.00
Application of recognized standards in different areas	5	12.50	12.50	32.50
Different activities in environmental, philanthropic, ethical, or social areas	12	30.00	30.00	62.50
Increased market reputation and competitive advantage	8	20.00	20.00	82.50
Frequency and quality of communications with stakeholders	4	10.00	10.00	92.50
Other	3	7.50	7.50	100
Total	40	100	100	

Surveyed companies in Kosovo are introducing the concept of CSR for a variety of reasons. Most of them introduce socially responsible working practices due to the proven fact that they lead to a competitive advantage for the company in

the market (50%). The second most common reason for this is consumers (17.50%), followed by pressure by shareholders (10%), pressure from governments or regulators (10%), pressure by media (5%), and others (2.50%) (Table 3).

Table 3. The reason for introducing the concept of CSR in the company (survey results: Question 3)

<i>Reason</i>	<i>Frequency</i>	<i>Percent</i>	<i>Valid percent</i>	<i>Cumulative percent</i>
Greater focus by shareholders on issues of corporate responsibility	4	10.00	10.00	10.00
Some corporate scandals	2	5.00	5.00	15.00
Greater pressure from governments or regulators	4	10.00	10.00	25.00
Greater focus by the media on issues of corporate responsibility	2	5.00	5.00	30.00
Evidence that it offers a competitive advantage	20	50.00	50.00	80.00
Increasing customer power allied to consumers' concerns in this area	7	17.50	17.50	97.50
Other	1	2.50	2.50	100
Total	40	100	100	

Managers of surveyed companies in Kosovo have a different understanding of the importance of socially responsible practices for their operations. Most managers (45%) think that these practices are very important for most of their business decisions. About 25% of the surveyed managers stated that

these practices are crucial in all their business decisions, and 17.50% stated that their company practices them only in certain cases. Only 12.50% answered that these practices are not taken into account at all when making business decisions for the company (Table 4).

Table 4. The importance of CSR at the company (survey results: Question 4)

<i>Understanding of the importance of CSR</i>	<i>Frequency</i>	<i>Percent</i>	<i>Valid percent</i>	<i>Cumulative percent</i>
It is a central consideration, in every corporate decision	10	25.00	25.00	25.00
It is a very important consideration in most corporate decision	18	45.00	45.00	70.00
It is a consideration on some occasions	7	17.50	17.50	87.50
It is not a consideration	5	12.50	12.50	100
Total	40	100	100	

Different practices (aspects) of CSR are practiced in the operation of surveyed companies in Kosovo, depending on what managers consider to be of particular importance to their company. The aspects that refer to the employees and their rights are practiced the most (37.50%), followed by the ethical

behavior of all staff members (22.50%), the practice of high standards of corporate governance (17.50%), practices related to environmental protection (12.50%), philanthropy and charitable giving (7.50%) and others (2.50%) (Table 5).

Table 5. The most important aspect of CSR for the company (survey results: Question 5)

<i>Aspect</i>	<i>Frequency</i>	<i>Percent</i>	<i>Valid percent</i>	<i>Cumulative percent</i>
Ethical behavior of all staff members	9	22.50	22.50	22.50
Labor practices and employee rights	15	37.50	37.50	60.00
High standards of corporate governance	7	17.50	17.50	77.50
Environmental practices	5	12.50	12.50	90.00
Philanthropy and charitable giving	3	7.50	7.50	97.50
Other	1	2.50	2.50	100
Total	40	100	100	

The introduction of CSR practices in the operation has huge benefits for companies. Most of the managers of the analyzed companies in Kosovo (87.50%) agree with the fact that companies that use CSR practices have better long-term financial performance, greater market share, competitive advantage, and a better reputation than companies that do not (Table 6).

Table 6. CSR practices encourage better long-term financial performance, greater market share, competitive advantage, and a better reputation (survey results: Question 6)

<i>Response</i>	<i>Frequency</i>	<i>Percent</i>	<i>Valid percent</i>	<i>Cumulative percent</i>
Yes	35	87.50	87.50	87.50
No	2	5.00	5.00	92.50
I don't know	3	7.50	7.50	100
Total	40	100	100	

Also, most of the managers of the analyzed companies in Kosovo agree with the fact that practicing CSR increases the working climate in the company, the productivity and motivation of employees, and their loyalty and contributes to retaining high-quality staff (90%) (Table 7).

Table 7. CSR practices increase the working climate in the company, the productivity and motivation of employees, and their loyalty and contribute to retaining high-quality staff (survey results: Question 7)

<i>Response</i>	<i>Frequency</i>	<i>Percent</i>	<i>Valid percent</i>	<i>Cumulative percent</i>
Yes	36	90.00	90.00	90.00
No	1	2.50	2.50	92.50
I don't know	3	7.50	7.50	100
Total	40	100	100	

To prove that the practice of the concept of CSR is of particular importance for the performance of companies, the answers to questions 1 and 6, as well as 1 and 7 were cross-checked, calculating the linear regression coefficient and the coefficient of correlation.

The following results were obtained by cross-checking questions 1 and 6 (Table 8).

Table 8. Regression ANOVA: Cross-checking questions 1 and 6

	DF	Sum of square	Mean square	F-statistic	P-value
Regression	1	11.2	11.2	354.6667 (1.38)	0
Residual	38	1.2	0.03158		
Total	39	12.4	0.3179		
Coefficient of determination: $R^2 = 0.9032$ Coefficient of correlation: $r = 0.9504$ Overall regression: right-tailed, $F(1,38) = 354.6667$ Covariance = 0.1795 p-value = 0 p-value < 0.00001					

Note: The result is significant at $p < \alpha (0.05)$.

The coefficient of determination R^2 is 0.9032. It means that 90.32% of the variability of Y (long-term financial performance, market share, competitive advantage, and reputation of companies) is explained by X (practicing the concept of CSR by companies). The coefficient of correlation is 0.9504. It means that there is a very strong direct relationship between X and Y .

The following results were obtained by cross-checking questions 1 and 7 (Table 9)

Table 9. Regression ANOVA: Cross-checking questions 1 and 7

	DF	Sum of square	Mean square	F-statistic	P-value
Regression	1	8.575	8.575	101.8281 (1.38)	2.653e ⁻¹²
Residual	38	3.2	0.08421		
Total	39	11.775	0.3019		
Coefficient of determination: $R^2 = 0.7282$ Coefficient of correlation: $r = 0.8534$ Overall regression: right-tailed, $F(1,38) = 101.8281$ Covariance = 0.1571 p-value = 2.653e ⁻¹² p-value < 0.00001					

Note: The result is significant at $p < \alpha (0.05)$.

The coefficient of determination R^2 is 0.7282. It means that 72.82% of the variability of Y (working climate in the company, productivity and motivation of employees, their loyalty, and retaining high-quality staff in companies) is explained by X (practicing the concept of CSR by companies).

The coefficient of correlation is 0.8534. It means that there is a very strong direct relationship between X (practicing the concept of CSR by companies) and Y (working climate in the company, productivity, and motivation of employees, their loyalty, and retaining high-quality staff in companies).

5. DISCUSSION

As a result of the conducted research can be concluded the following. Most of the surveyed companies in Kosovo have incorporated the concept

of CSR in their operations. The managers of the analyzed companies in Kosovo have a different understanding of the concept of CSR. Analyzed companies in Kosovo have introduced the concept of CSR for various reasons. Managers of analyzed companies in Kosovo have a different understanding of the importance of CSR practices for their operations. Different practices (aspects) of CSR are practiced in the operation of companies in Kosovo, depending on what managers consider to be of particular importance to their company. Most of the managers of the analyzed companies in Kosovo (87.50%) agree with the fact that companies that apply CSR practices have better long-term financial performance, greater market share, competitive advantage, and a better reputation than companies that do not practice this concept. Also, most of the managers of the analyzed companies in Kosovo agree with the fact that practicing CSR increases the working climate in the company, the productivity and motivation of employees, and their loyalty and contributes to retaining high-quality staff (90%).

6. CONCLUSION

The introduction of CSR practices in the operation has huge benefits for companies. Getting involved in CSR brings positive outcomes focusing on economic, social and environmental goals with longer-term perspectives. Based on that, the concept of CSR is rapidly being introduced in companies in Kosovo. The managers of surveyed companies in Kosovo have a different understanding of the concept of CSR. Most of them understand this concept as different activities in environmental, philanthropic, ethical, or social areas; compliance with laws and regulations, increased market reputation and competitive advantage, application of recognized standards in different areas, frequency and quality of communications with stakeholders, etc.

The surveyed companies in Kosovo are introducing this concept for a variety of reasons. Most of them introduce these practices due to the proven fact that they lead to a competitive advantage for the company in the market. The second most common reason for this is consumers, pressure by shareholders, pressure from governments or regulators, pressure by media, etc. The most practiced aspects are those that refer to the employees and their rights, followed by the ethical behavior of all staff members, the practice of high standards of corporate governance, practices related to environmental protection, philanthropy, charity, etc.

The results of this study constitute an important picture for future research on the importance of CSR for companies. These form a basis from which future research can begin and study results can then be compared. In this paper, as a sample of analysis 40 companies are taken and it is a small number. Therefore, in the future, the next works can include a larger number of companies, an expanded questionnaire, and more harmonized questions as per the defined purpose of the paper.

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