

INTERNAL CSR – THE PERCEPTIONS AND ATTITUDES OF CROATIAN EMPLOYEES

ABSTRACT

The main objective of this research was to investigate the perceptions and attitudes of Croatian employees towards CSR, since this is a rarely investigated relationship in Croatia.

Preliminary research results show that Croatian employees perceive CSR as moral and ethical business practices and obedience of law and regulations. They consider themselves to be well informed and acquainted about company internal CSR and in comparison to unemployed respondents, they show higher level of trust in company proclaimed CSR policies. They also show significantly higher level of doubt about consumer capabilities to influence CSR policies.

KEY WORDS

Corporate social responsibility, employees, Croatia

1. INTRODUCTION

The contemporary concept of CSR emphasizes company's responsibilities to multiple stakeholders: in addition to economic stakeholders, there are also employees and the community at large. However, the majority of recent research on CSR had been concentrated on consumers and their behavior in relation to CSR (Vandermerwe and Oliff, 1990; Romin, 1994; Pedora and Shang 2010), and relationship between CSR and company financial performance (Johnson and Greening, 1994; Koll et al.2005; Murphy et al. 2006).

However, a significant part of the CSR impact is also on employees. For example, corporate image created by CSR activities is not only a significant factor for consumers and their buying behavior as suggested and researched by Mohr and Web (2005), Ellen et al (2006), Oppenwal et al. (2006) and number of others, but also for attracting and retaining a higher quality of human resources, which today is assumed to be one of the major competitive advantages.

The aim of this paper is to investigate the Croatian employees' perceptions and attitudes on CSR and the CSR features most important to them.

2. THEORETICAL BACKGROUD

Taking into account stakeholder and organizational theories we may consider employees as a specific group different from company management and consumers, who perceive, evaluate and react to actions undertaken by their companies with respect to CSR.

Barnett (2007) argues that the ability of CSR to create company value lies in its ability to generate positive relations with all company stakeholders, including employees. However, the majority of existing research is concerned on consumers as stakeholders that evaluate company's CSR activities.

Different company policies and practices can produce positive or negative perceptions and reactions of all stakeholders, including employees. Environmental policy, activities regarding different political issues, social policies, etc., influence perceptions of company value system, working conditions and its overall attractiveness to existing or prospective employees.

Backhouse et al. (2002) have researched jobseekers as the stakeholder group and found that they consider CSR dimensions of environment, community relations, diversity, product issues and employee relations to be the most important.

The human resources department in companies seems to have a crucial role in creating a culture of CSR for existing employees. Many large companies have created global CSR policy by which they try to develop community relations, training and development and measurements and communication of CSR according to accepted standards. (Lokhandwalla, 2010). This is very important since nowadays many employer brands are being seriously eroded with „pay for performance” and insecurity instead of lifelong jobs, stable pensions and defined benefits.

The evidence on France, United Kingdom and United States by Gond et al. (2010) suggests that employees are perceived as central to the development of strategic CSR in these and many other developed countries. However, this contrasts with the role dedicated to this stakeholder in the majority of CSR policies and business practices.

Employees paradoxically appear as relatively neglected stakeholder also in research of business practice. These authors have summarized the research of the past ten years on the influence of CSR on employees.

These findings show that the positive correlation between existing employees and corporate reputation and its attractiveness as employers (Turban and Greening 1997), employees commitment (Maignan et al. 1999, Maignan and Ferrell, 2001), job performance (Aguilera et al. (2006) and preference for jobseekers (Greening and Turban, 2000, Albinger and Freeman 2000, Ng and Burke, 2005).

Gond et al. (2010) have also proposed a model with complex explanation CSR behavioral model for employees. They suggest that CSR of the company and its moderators (personal attitude toward CSR, moral, emotions, sensitiveness, organizational culture, ethical climate, and fit between company and personal values) positively affect the employee perception of company CSR and influence their attitude and social behaviors. Companies in which employees can identify organizational justice, support and trust show higher level of commitment and more satisfaction at work. All these positively influence employees' performance, work quality, organizational efficiency, cooperation and service quality. The final result is better corporate financial performance.

3. CSR IN CROATIA

CSR is relatively new concept in Croatia, although some of its features can be traced back to the socialist system times prior to 1990ies. Two different aspects have to be considered when analyzing CSR in Croatia: the context of transition process with the market liberalization and EU accession process, and the context of ex-Yugoslavian inheritance of self-management system.

Transition from socialist to market economy in Croatia has started in 1990 in very unfavorable circumstances of political instability, breakup of Yugoslavia and war. Only in 1998 has Croatia gained the full independence of its whole territory. The war circumstances today are considered to be the main reason for prolonged transition period. The „first wave” of privatization in such circumstances today is recognized as „legalized crime mediated by fictive or political transactions“ (Baletić, 2003). In such political and economic context the CSR concept was introduced only at the beginning of 2000, forced by the EU accession process beginning.

On the other hand, the self-management system has been known by wide involvement of employees in all management processes and procedures. Despite all the negative aspects of that system, teamwork, stakeholder consultation and care for the environment were accepted values in pre-transition times (Stubbs et al. 2007). Also, social security and employees well-being was very high on the value system scale.

According to UNDP research in Croatia (2005) there are about 200 companies that have accepted CSR as a part of their value and strategic orientation. Most of them are large companies and partly or wholly foreign owned. The foreign owned companies have brought in the contemporary concept of CSR. However, their emphasis was put on those aspect of CSR that help promote companies in external environment, as it is shown in research results of Leko Šimić and Čarapić (2009). Internal CSR – the company attitude and behavior with respect to employees - was considered as less important and, to our opinion, less profitable. The same attitude was gradually adopted by Croatian companies, especially because of the existing legal framework that has enabled company owners to engage all the available assets and efforts in market profitability. The latest report from National Statistics Bureau shows that today there are about 70 000 people working but getting no salary. (DZS, 2011).

Very similar to research in other countries, the research on CSR concept and employees in Croatia is very limited. The only recent research by Dabić (2009) has analyzed the employee's attitudes towards CSR with respect to Carroll's pyramid. Their research results have shown that Croatian employees are mostly sensitive to law related issues of CSR.

4. RESEARCH

Our research was created as a follow-up of the previous research on CSR from companies' and consumers' point of view. The questionnaire was created in away that the results can be compared with the results of the consumers' research. It was distributed by researchers' social network throughout Croatia and the total sample consists of 152 respondents.

At first our respondents have evaluated the most important aspects of company CSR policies they work for, or would like to work for. As expected, they mostly value the relationship toward employees, where they emphasize regular salary, working hours, additional education and training, etc. The average value for this item was high 4.84 on five point Likert scale. The next most valuable aspect is company's obedience of law and regulations (4.53) and profitable business (4.51). Good image of their company had a value of 4.18 while clear and visible statement of company CSR had a value of 3.88. The least important aspect for employees is company's philanthropic activities (3.56).

The analysis of Croatian employees' perception of CSR is in line with above mentioned research of Dabić (2009) where they perceive CSR as primarily moral and ethical business practices (3.33), and as obedience of law and regulations (3.22). Significantly lower importance is placed onto profitable market performance (2.72) and company's philanthropic activities in the community (2.43). These results are in line with our previous research on consumers (Leko Šimić, Štimac, 2010) and show that there are no significant differences on perception of CSR between employees and unemployed respondents.

Both micro and macro social values and organizational justice as factors that create attitudes have been analyzed and compared with research on consumers. All of them show somewhat higher average values in employee's respondents group than in (unemployed) consumer group. The most significant difference is in perception of organizational justice and trust ($r=4.64$; $p=.055$). Employees also show a higher level of knowledge about CSR, about companies implementing CSR concept, and CSR in companies they buy products from.

Employees show also a higher level of agreement with the necessity for more strict laws and regulations in employees and consumer rights' protection and more positive attitude towards buying products of companies which implement CSR policies and prohibition of sweatshop products. Interestingly, the only lower level of agreement with unemployed/consumers' views are the consumers' capacities to influence company CSR policies. The most significant difference is in the appreciation of companies' proclaimed CSR policies – employees have more trust to its honesty and sincerity than unemployed respondents ($r= 3.03$; $p= .19$).

The analysis of employees' socio-demographic characteristics has shown a significant difference with respect to CSR in different age groups: CSR as an important factor of company business policy is most important to age group of 50-65 (4.48), then to 26-50 (4.28), 18-25 (4.19), and over 65 groups (3.73).

5. CONCLUSIONS

Company's' socially responsible or irresponsible activities might, according the conducted research, as well as the existing literature review, influence employees' perceptions of justice, satisfaction and trust. All these motivate employees to engage in organizational behaviors that in the end influence or even determine company overall performance.

Croatian employees perceive CSR to be primarily the moral and ethical business practices and obedience of laws and regulations. They show significantly stronger feeling of organizational justice and trust and

perceive company's declared CSR policies to be more sincere and truthful in comparison to unemployed respondents. They consider themselves knowledgeable about CSR policies of companies they work for and buy products from. They seem to be most sensitive to employee CSR policies including regular salaries, working hours, additional training and education provided by the company. They seem to be least interested in company philanthropic activities in the community.

If put into consumers' position they show significantly higher doubts about consumer capability to make change in company CSR with their actions.

Age groups mostly concerned with importance and role of CSR policies in Croatia are employees aged 50 to 65. Those are employees who have worked in previous, pre-transition period and they feel very concerned and insecure about turbulent changes in CSR policies toward employees in companies they work for. They trust more in laws and regulations than companies themselves to provide what they consider their rights, ethics and moral in business practices.

Last but not least, this research has raised a number of additional questions regarding CSR policies in Croatia:

- should CSR be more strictly regulated by law, and what are the consequences for those companies that do not follow them,
- should companies be obliged to implement CSR policies and for which stakeholders,
- how to measure effects of CSR policies in companies.

The conducted research also motivated the continuation of the research based upon case studies of individual companies where views and opinions of management, employees and consumers as primary stakeholders can be confronted.

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