

## STRATEGIC MANAGERS' SOCIAL RESPONSIBILITY - THE CROATIAN CASE

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**Abstract:** *In times of economic crisis, an organization that knows how to operate in a turbulent environment can increase its chances of survival. Therefore, the role of strategic management is becoming ever more significant, since they have been contributing not only to the very performance and success of their organization, but to the economic and social welfare, as well. The organizations that are willing to help improve the community they work and live in, as well as to show their responsibility towards their stakeholders, environment and the social community are implementing and promoting the concept of the Corporate Social Responsibility, as well as the concept of Business Ethics. It is therefore essential to establish whether, and if, to what extent, large companies in Croatia perceive and implement the concept of Corporate Social Responsibility and Business Ethics into their strategic and business activities, and what is the role of strategic management in the implementation and promoting of the above-mentioned concepts.*

**Key words:** *strategic management, large companies in Croatia, Corporate Social Responsibility, Business Ethics*

### 1. INTRODUCTION

The implementation of the concepts of Corporate Social Responsibility and Business Ethics is one of the prerequisites of running a successful business. Therefore, the role and responsibility of the strategic management of an organization is to develop business strategies that will be in line with its goals, vision and mission, and will benefit the society at the same time.

In his book *Excellence in Public Relations and Communication Management* James E. Grunig stated that besides Communication and Public Relations, as well as some other related disciplines, Management also contributes to Business Excellency [1].

With this in mind, an empirical research has been carried out in 2010 on the sample of 40 large Croatian organizations, the purpose of which was to determine the role of the strategic management of large Croatian enterprises in their implementing of the concept of the Corporate Social Responsibility and Business Ethics. Furthermore, the study aimed at determining which were the fundamental ethical values that the companies were practicing and communicating, and how were those values integrated into business practices, organizational

culture and strategic management processes within the organization.

### 2. DEFINITION OF THE CONCEPT

The contemporary theory of strategic management observes the organizational responsibility from two different aspects: from the aspect of social responsibility and environmental responsibility. However, in practice, the two concepts are usually known and used as: Corporate Social Responsibility (CSR) and social responsibility of managers.

The concept of Corporate Social Responsibility includes the commitment of organizations in their improving of the society. It also includes particular strategies in forms of aid and support to the society, such as: sponsorship, donations, charities, etc. There are many reasons for implementing the social responsibility, which are grounded in the belief that organizations should not limit their activities to the economic self-interest.

### 3. THE PURPOSE OF THE STUDY

The main objective of the empirical research carried out in 2010 on the sample of 40 large Croatian enterprises, was to establish in what way the managers of large Croatian companies perceived and implemented the concept of the Corporate Social Responsibility. The research also addressed practical issues related to the implementation of social responsibility, as well as business activities of organizations related to their social environment.

The research method used in the study was the qualitative research method, such as questionnaire, aimed at obtaining quantitative and thus measurable data. The questionnaire contained questions on the general features of the enterprise, characteristics of the business environment, types of strategies implemented by the enterprise, basic information on the respondents (strategic managers) and social responsibility practices. Being the most important part of the questionnaire, the set of questions concerning social responsibility consisted in specific questions related to the following:

social responsibility, social responsibility strategy, principles of ethical business practices, basic information on the functions of strategic managers within the organization, business philosophy and organizational culture, and the process of strategic management.

The respondents were CEOs and members of managerial boards of selected large Croatian enterprises from different industries, located in the Republic of Croatia.

#### 4. RESEARCH RESULTS

Although all the respondents have recognized the importance of the implementation of the Corporate Social Responsibility concept, it is being interpreted in different manners. Most respondents, as much as 53% of them, interpreted this concept in terms of responsibility towards the employees (which includes the responsibility for the safety at work, timely payment of wages and salaries, recognition and protection of their legal rights, etc). The other large group of respondents (32% of them) interpreted the Corporate Social Responsibility concept as responsibility towards the natural environment in which the enterprise was operating.

Most respondents (81% of them) claimed that their enterprises had not developed a specific Corporate Social Responsibility strategy. A small number of respondents (12% of them) believed that such a strategy should not be

developed at all, justifying their claims by integration of social responsibility elements into the mission and business philosophy of the organization.

Most respondents (57% of them) believed that the implementation of the Corporate Social Responsibility concept consists of the responsibility towards the employees (including training, education, motivation and improvement of the quality of work and life). Approximately 30% of respondents believed that the Corporate Social Responsibility was implemented in terms of responsible behavior towards customers and other business partners, such as: shareholders, creditors, suppliers, unions, etc).

The results regarding the involvement in specific activities of special interest for the society show that 17% of all the respondents take part in such activities, usually in the form of sponsorship and donations.

#### 5. TOWARDS THE NEW CONCEPT

The objective of the presented research was to determine the perception and implementation of the concept of Corporate Social Responsibility and its fundamental determinants. Its final conclusion shows that the concept of the Corporate Social Responsibility is still not clear or recognized in most of the enterprises participating in the research, and therefore its implementation is still problematic.

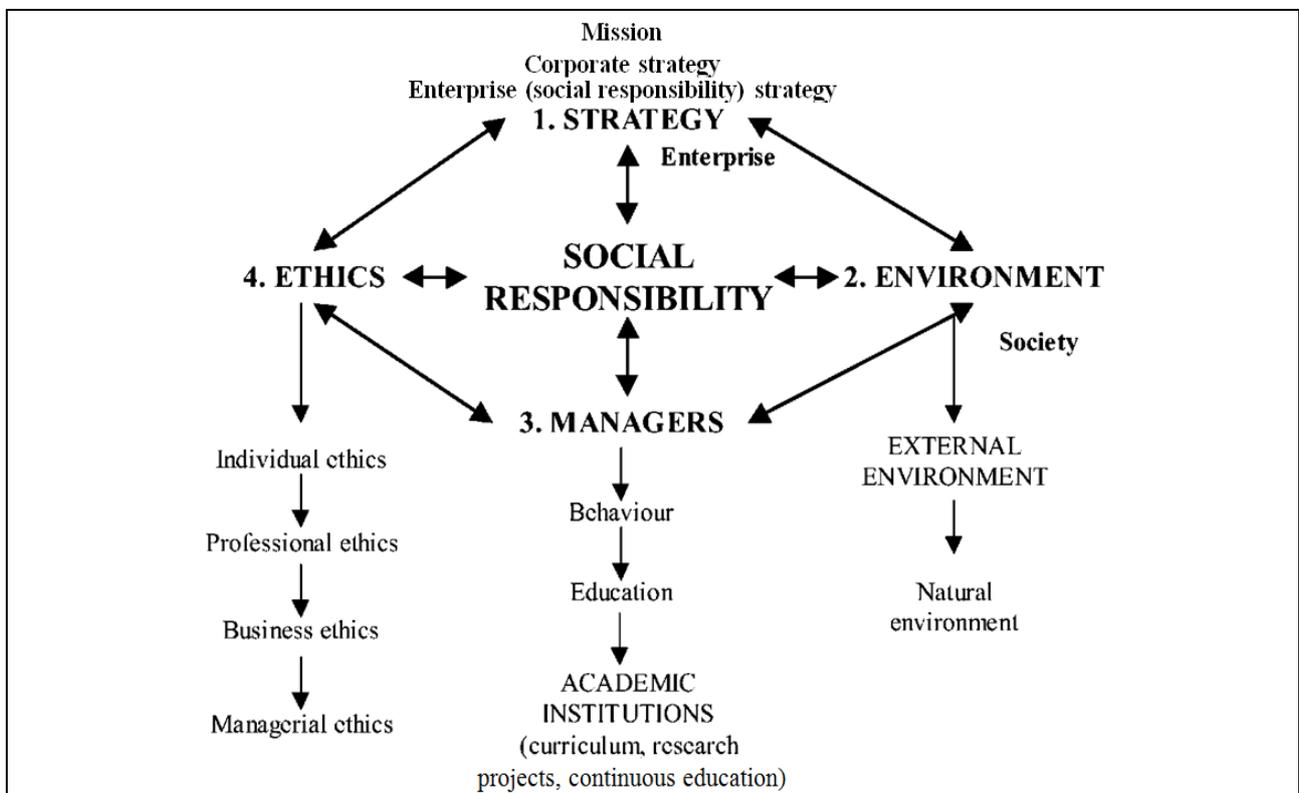


Fig. 1. The diamond of social responsibility

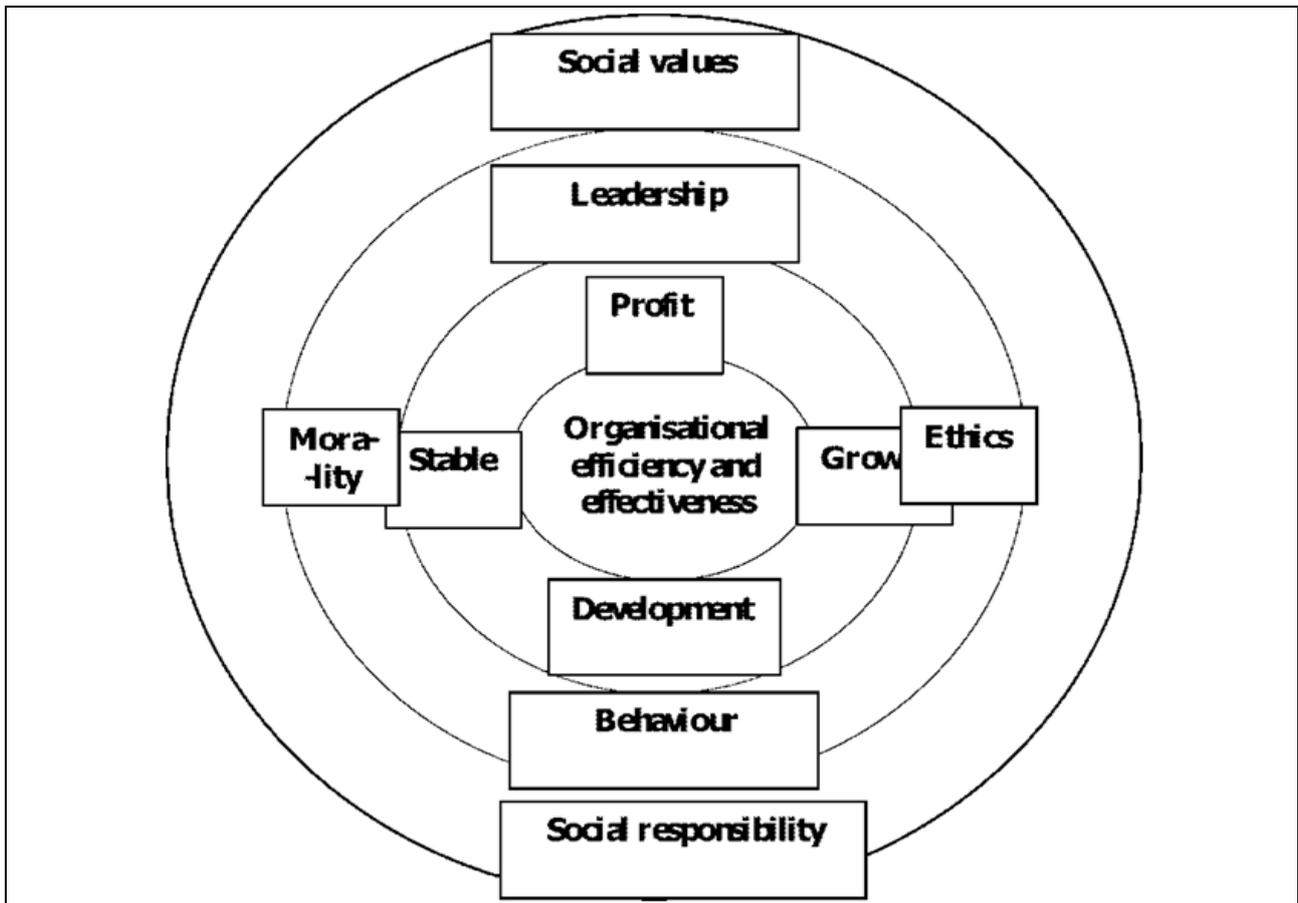


Fig. 2. Fundamental objectives of strategic managers

Strategic Management is rarely properly trained and motivated for the implementation of the concept. In order to solve this issue and to promote the implementation of the concept of Corporate Social Responsibility within organizations, the "diamond of social responsibility" has been designed, named thus for the shape of interrelations between the elements. It is represented in the Figure 1 of this paper.

The strategy as a determinant of the Corporate Social Responsibility concept is analyzed at the business (enterprise) and corporate strategy levels. The strategy preceding the formulation of the corporate (global) strategy is usually referred to as the strategy of Corporate Social Responsibility, because it defines the fundamental ways of integration between the enterprise and its environment.

The mission is also an important element of the strategic management process, i.e. of its stage associated with the formulation of corporate strategy. The mission can be defined as a purpose of existence of an enterprise, which usually, by means of mission statement, reveals ethical values of the companies to the employees, business partners and the entire society.

Another important determinant of social responsibility is the environment, which can be defined as the medium in which a certain entity is located. Each

enterprise is permanently influenced by the environment, which proves to be dynamic, complex, heterogeneous and inconstant. Thus, the enterprises are forced to constantly monitor the changes in the environment, anticipating the emerging trends and promptly reacting to them in the right way. An enterprise can choose from two generic responses: the strategic response (implying the selection of a new strategy), or the organizational response (implying the change of the organizational structure) [2].

The knowing and understanding of external environment is of vital importance for the survival of an enterprise on the market and its further growth and development.

The third significant component of the Corporate Social Responsibility concept is the management of an organization. Namely, strategic managers are responsible not only for business performance, but also for developing and implementing of the Corporate Social Responsibility concept. Their fundamental objectives are represented in the Fig. 2 of this paper.

Starting from the general system of values, they should reach social responsibility objectives by respecting the social standards and the rules of ethical and business behavior. Thus, K. Blanchard and N. V. Peale, in their book *The Power of ethical*

businesses emphasize personal mission, pride (self-esteem), tolerance, persistence and perspective.[3]

Krkač in his book *Uvod u poslovnu etiku i korporacijsku društvenu odgovornost* (Introduction into the business ethics and corporate social responsibility – translated by the author) defines ethics as: „a rational and systematic attempt to detect the difference between the good and the bad“[4]. The principles of morality and ethics, as well as our social values and a sense of social responsibility influence our business behavior, thus affecting organizational efficiency and effectiveness.

As for the importance of the implementation of the Corporate Social Responsibility concept in promoting social and corporate goals and initiatives, much has been written by P.Kotler in his book *Corporate Social Responsibility*, in which he enumerates various examples of corporate social responsibility with the aim of building a corporate image and influence in the society, retaining the old and attracting the new shareholders, as well as promoting various social causes for the benefit of the society in general [5].

## 6. CONCLUSION

The empirical research, with the objective to establish how the strategic managers of large Croatian enterprises perceive and implement the Corporate Social Responsibility concept, has shown that this concept is being implemented to a certain degree. Namely, in most of the organizations participating in the research, the concept of Corporate Social Responsibility is considered as an important component of the business strategy.

Based on the research results, a model for the effective implementation of the Corporate Social Responsibility concept within the strategic management has been created. This model –the so called "Corporate Social Responsibility diamond" created by the author - consists of four different components, such as: strategy, environment, managers and ethics. All the components are interrelated and influence one another in various ways, thus forming a structure in the form of a diamond. The Corporate Social Responsibility strategy is based on ethical principles, which grants organizations a long-term development and success in the community.

## 7. REFERENCES

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