IMPORTANCE OF ENVIRONMENTAL AND PUBLIC HEALTH ACTIVITIES FOR CORPORATE REPUTATION

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Abstract. Various studies and scientific papers have been published on the topic of Corporate Reputation focusing on different aspects of it and the importance it represents for organizations as an intangible resource. In this paper we attempt to analyze the importance of Corporate Social Responsibility (CSR) as a key factor of Corporate Reputation and Public Health. We observe a reputation change of organization, where sustained success is less determined by what is said, usually through the mass media, but more by what is done, consistent performance and keeping the brand's promise. Corporate social responsibility describes a process in which corporations integrate social and environmental strategies into their business operations and connections with the stakeholders on a voluntary basis. Social responsibility of a company can be defined as the accountability that a company has towards its consumers, workers, other stakeholders and general corporate citizenship. Universal aim of CSR is the improvement of social standards, while maintaining profitability and performance of the company. Companies that engage in CSR have the ability while creating profit, to also further advance sustainability, environmental protection, social responsibility and consumer interest. Organizations today achieve a sustained competitive advantage in the long-term by implementation of ecological models and green technologies that the public perceives as important for better health and quality of life. Corporate social responsibility is vital not just for the company's reputation, but for environment, society, public health and future of the world.
Keywords: social responsibility, firm reputation, consumer trust, public health.

1. BACKGROUND

Reputation is perceived as a strategic resource that is valuable, rare and a resource that is unique which means that it can almost never be imitated or replaced by a competitor (Roberts, 2002). Reputation has a deep connection to a company's communication and culture, both on the inside and outside of its operations. Reputation focuses on the collective notion based on stakeholder views. The collective assessment that stakeholders provide about how well an organization meets their needs [12].
The holistic impression for a company is built upon the past and current performance of the organization. There is a clear link between good Reputation and financial prosperity. Good Reputation acts as a "shield" during a crisis, thus allowing faster recovery. That is why good Reputation is a strategic economic asset of utmost importance that helps to retain and attract consumers and investors [4].
From the organizational view, Reputation is an outgrowth of a company's identity and a perception of what a company does, how it does it, and how it communicates with the stakeholders (Formbtun, et.al., 2000) [2]. Fombrun and Van Riel (1997) suggest the following definition for Corporate Reputation: "A Corporate Reputation is a collective representation of a firm's past actions and results that describe the firm's ability to deliver valued outcomes to multiple stakeholders" [3].
The aim of this paper is to reveal the importance of Corporate Social Responsibility (CSR) for preservation of the environment and improvement of public health.

2.CORPORATE SOCIAL RESPONSIBILITY (CSR) AS A FACTOR OF CORPORATE REPUTATION

Schwaiger's model of Corporate Reputation identifies four main drivers of Corporate Reputation that are important for the different stakeholder groups:

- *Corporate Social Responsibility* (CSR) - social responsibility; forthright information; fair attitude towards competitors; environmental engagement; is not only concerned about the profit; corporate citizenship etc.
- *Attractiveness* - highly qualified employees; looks like a good company to work for; likeable physical appearance etc.

- *Quality of Products & Services* - high quality of products/services; good services; good value for money; reliable partner; innovations etc.
- *Corporate Performance* - well managed; economically stable; manageable risks; growth potential; clear vision about the future etc.[13].

Schwaiger in his research divides Corporate Reputation in two dimension – a cognitive dimension described as "competence" and an affective dimension called "sympathy". The cognitive side captures the rational assessment of Corporate Reputation in the eyes of the stakeholder, whereas the affective one shows us the emotional appeal towards a company. According to Schwaiger (2004), CSR and attractiveness have a positive impact on the likeability "sympathy" of a company, while the financial performance influences the "competence" – cognitive appeal of a company [13]. All elements characterizing Corporate Reputation are intertwined and have a different reflection and importance for the market and society. CSR being most influential for the environment and health of society.

The definition of Corporate Social Responsibility (CSR) is not clear as it is always defined differently. Ramos-Gonzáles et al. (2017) refer to the definition that CSR is split into two components: *corporate citizenship* referring to responsible, proactive behavior to ensure stakeholders' demands are met and *sustainability* which refers to the coexistence of economic growth and environmental protection [11]. While Pritchard (2017) emphasizes that for many firms "sustainability has focused on environmental activities that serve as part of their overall approach to CSR", Melo and Garrido-Morgado (2011) define CSR as "a recognition that business activities affect societal interests ('for instance economic, cultural, environmental and social systems')" [7, 10].

On the other hand, Ramos-Gonzáles et al. (2017) examine whether an explicit orientation toward ethical behavior and good governance enhances the positive effect on reputation. They mention that in order to survive and receive returns in long-term firms should choose the sustainable entrepreneurship approach [11]. Pritchard (2017) analyses the relationship between product responses, while introducing a green new product, and whether green new products actually do influence Corporation's Reputation [10]. Melo and Garrido-Morgado (2011) address CSR as a key driver of Corporate Reputation and present *five-dimensional constructs* with the following dimensions: employee relations, diversity issues, product issues, community relations, and environmental issues interacting those with industrial effects [7].

According to Ramos-Gonzáles et al. (2017) sustainable entrepreneurship requires "organizations to change from a traditional approach to an approach that recognizes the key role of the business in social issues such as job creation" [11]. The authors developed a theoretical framework referring to *four types of drivers* related to responsibility and sustainability identified by Hart and Milstein (2003): *internal, external, today, and tomorrow*. Internal drivers are defined as "negative effects that strictly commercial entrepreneurship can have on the environment", such as air pollution or water whereas external drivers are "the birth of a global approach that involves stakeholders in the development of the firm's products or services". That improves the firm's Corporate Reputation. Drivers relating to today include technologies that enable the development of new competencies to rejuvenate declining industries while drivers relating to tomorrow provide a social vision focused on justice, equality and growth. The authors set up three hypotheses:

- Sustainable entrepreneurship has a significant positive effect on Corporate Reputation;
- Sustainable entrepreneurship has a significant positive relationship with a management system based on ethics and good governance;
- The adoption of a management system based on ethics and good governance has a significant positive influence on Corporate Reputation [5].

M. Pritchard (2017) underlines that sustainability has become a core business issue and a challenge to corporate strategy. While the market demands for "green products" and environmentally friendly practices corporations respond by introducing green products which offer ecofriendly sustainable features. In the paper conducted study found out that the consumers view on Reputation of a firm could be enabled through the firm's green new products. M. Pritchard (2017) figures out that an addition of green new product to a company's portfolio would be beneficial to Corporate Reputation. Furthermore, he emphasizes that sustainability and Reputation offer "significant value creation potential over the next 5 years" referring to a McKinsey study from 2015. Another finding in this paper regarding Reputation is that green products not only influence brand attitude but, in this case, also Corporate Reputation which leads to the inference that adding green new products to a company's product portfolio can contribute to long-term economic growth by building Corporate Reputation [10].

Melo and Garrido-Morgado (2011) also deal with CSR as a driver and positive influence on Corporate Reputation as well. The main aim of their research is to develop a framework on Corporate Reputation especially by highlighting the value of CSR on Reputation building based on the following five dimensions: employee relations, diversity issues, product issues, community relations and environmental issues [7].

3. DISCUSSION

In the paper by J. Sickler (2018) we can find that good CSR strategies of companies can be beneficial to brand loyalty, attractiveness and improve consumer trust, which aligns accordingly with findings from Oleszko-Kurzyna (2014) and Sandesh Adhikari (2017) [1,8,14]. The positives of corporate social responsibility do not only benefit the market place, but also public environment, the area of employment and potential investor relationships . As CSR can be a crucial factor in influencing employee satisfaction, improving the environmental footprint of a company and protecting societal health. “Socially responsible companies and business leaders care about more than the financial bottom line. They adjust their business strategies to positively impact society and the environment” (J. Sickler, 2018) [14].

The most common examples of corporate social responsibility are: Reducing carbon footprint in correspondence with climate change concerns, improved labor policies, charity, social and environmentally conscious investments, identifying potential environmental threats and designing environment friendly products [8, 14].

Companies that give importance to good CSR and incorporate it in their culture and politics as well are easily spotted by the public. There are many examples of big companies that strive to achieve a better CSR and environmental friendliness, like Dell, BMW, LEGO, Coca-Cola etc. Examples spread wide and diverse, some companies want to minimize their carbon footprint, whereas others engage in helping socially challenger groups or developing third-world countries like Microsoft and the Bill & Melinda Gates Foundation. Companies that do the opposite are also very identifiable for consumers, like oil companies or the VW diesel scandal. Making the right decision environmentally and socially, shows strong values to the public and the consumers, further developing a sense of trust for the consumers [14].

In a practical view CSR activity stretch over a very extensive variety, therefore not all CSR activities can have the same importance for the public and the stakeholder. According to J. Peloza and J. Shang (2011) and the results from their research different CSR activities have a different impact on Corporate Reputation. In their paper the authors categorize CSR initiatives into three categories: philanthropy, business practices or product related. With philanthropy being the most prominent category. Both philanthropy and business practices can increase other key values for stakeholders. For example, individuals that support firms, which have a small carbon footprint and engage actively in recycling campaigns have the sense that they are also practicing good environmental politics and are socially responsible. The third category – “product related” represents companies whose products include environmentally friendly features, such as biodegradable and organic. Capturing a wide variety of CSR initiatives gives us the opportunity to identify different sources that provide consumer value and ensures a more holistic view of CSR activities [9].

In recent years, public environmental concerns have increased. In this connection, new economic, political and cultural patterns emerge. Furthermore, with the strict state regulations to pollution and environmental problems, the gentler approach for corporations is becoming a megatrend. Nonetheless, consumers requirements on the responsibility of companies for environmental products are steadily growing. Each firm has a permanent influence on the environment, whether it produces goods, has a commercial activity or only offers services. Management of the environment is based on careful monitoring of company activities, correcting bad practices and constantly looking for ways to improve overall environmental impact.

The EU has created an environmental legislation that contributes to the environmental protection. An attempt has been made to reduce noise levels, waste treatment, emissions of harmful gases, and so on. An important part of the EU's eco-politics is the promotion of financial investments in environmental productions and new tax instruments for businesses. Policies to protect the environment and public health.

- Reducing environmental risk;
- Legal changes aimed at promoting eco-production;
- Optimal use of natural resources;
- Reduction of waste generated;
- Reduce the cost of green products.

Business benefits: Enhanced Competitiveness, Enhanced Credit Rating, Employee Motivation and Better Company Reputation [15].

In the study from Yuan Ma, Guisheng Hou and Boaogui Xin (2017) which empirically observes the connection between green process innovation and firm benefit, we can clearly see some of the potential advantages of using environmentally conscious processes. The researchers have divided the perceived benefits into short- and long-term as to enhance their explanatory model power. The findings in the paper showcase that most of green process innovation is connected to long-term improvement and very little to the short-term benefits, moreover corporate reputation can play a key role of a mediator and companies that encourage environmentally protective processes can further enhance their image in the long run in the eyes of the stakeholder [6]. But going "green" can be very costly for a company as the process requires a substantial investment in equipment and developing of new strategies for the implementation. Nonetheless the long-term benefits can outweigh the costs as green processes can help companies to improve efficiency in energy and material consumption, furthermore reduce the risk of future regulatory penalties as countries slowly move their focus onto green energy and production. Refining the environmental footprint of a company and investing in green processes can be a powerful tool not only in enhancing the corporate image of a firm, but also improving and incentivizing long term sustainability. According to the authors a positive correlation between green processes, environmental performance and corporate reputation has been observed. However, this cannot be stated for the relationship between green processes and economic performance [6].

M. Tang et. al. (2017) also confirms the findings of Yuan Ma et al. (2017) by giving further attention to the positive effects on green innovation and performance. The findings show that promoting green innovation in companies can be a key factor in achieving improved performance overall [6,16].

Despite the European Union's policies and regulations on the topic, which brought immense improvements in the environmental health and economic stability in different regions, there is still great regional inequality. In the official European Environmental Agency statement, it is emphasized, that the successful managing of such environmental, social and economic problems requires further improvement in the regulations and actions on a regional level. N. Todea, I. Cioca (2018), also back this statement in their work, as their findings show corresponding results. The authors express the same position, that the green investments are not given the necessary attention. Furthermore, there is a need for a new integrative approach, which can incorporate different aspects of economic, social and environmental fields, as to enable improvement in synergy between these areas and create a more homogenous interaction [17].

4. CONCLUSION

The importance of environmental care has been increasing immensely in recent years. An increased state pressure for the preservation of the environment can be observed globally. At the same times companies themselves identify this trend in consumer behavior, as consumers become more and more environmentally conscious. Thus, enticing corporations to engage in such activities as to better position themselves in the eyes of customers. These amongst other factors put a rising pressure on companies to incorporate strategies that focus on environmental and sustainability problems.

Protecting the environment is very important for public health and wellbeing. For disease prevention, environmental factors are just as important as those related to lifestyle and risky behavior. Pollution of air, water, and the impact of hazardous chemicals have a negative impact on public health and the burden of disease. Targeted action is needed to better protect people from environmental risks such as bad air, noise pollution, extreme temperatures, especially in the eastern and southern regions of Europe. Despite the success of some European environmental and public health policies, strategies for cleaner production must be rapidly reflected in company policies.

Corporate social responsibility offers business organizations a great opportunity to help address global health problems, while improving their own reputation from stakeholder perspective and maintaining profitability. This can have clear benefits for both sides of the equation, however there is still need of further research between the two aspects to represent an accurate correlation and to discover potential actions that can achieve such an intricate goal .

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