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## CSR SCREENING OF SERBIAN COMPANIES: INVESTING IN KNOWLEDGE INITIATIVES

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**Abstract:** This paper analyzes the structure, character and purpose of CSR initiative in Serbian companies. The inspiration for the work was obtained from Kotler's papers (2005; 2013) on the importance, nature and purpose of CSR. According to Kotler, the main reason for the CSR initiative is to increase the company's profits. The aim of the paper was to examine to which extent Serbian companies invest primarily in cultural initiatives (donations in money, goods and services intended for schools, universities and other institutions whose final product is knowledge). The sample included 105 companies from major Serbian cities. It covered the following seven business sectors: industry, construction, IT, banking, trade, services and tourism. As an instrument for collecting data, it was used an online questionnaire with closed answers, interval and Likert scales. In the research part of paper, it was used statistical method. Most of the variables were processed by the custom tables technique with comparisons of column proportion in SPSS 25 software.

The amount of funds that companies invested in CSR activities was measured. Besides, it was examined whether companies were conducting cost benefit analysis before undertaking the CSR initiative. Companies also stated to what extent consumers buy products from firms that were socially responsible. In order to test the hypothesis about the essence of companies' investment in CSR initiatives, managers were asked to scale the degree of agreement with a particular attitude. Based on the obtained results, the largest number of companies (41%) claimed to support, fund or directly perform humanitarian activities. Only 5.7% of companies invested in cultural initiatives. Among them, only one company annually supported, financed or directly conducted cultural activities in the amount of EUR 10000+. Four companies annually allocated EUR 1001-5000, while one company invested up to EUR 1000 per year in that type of CSR initiative. Only 14 of 105 companies performed a cost benefit analysis before undertaking a CSR initiative, of which only one company invested in cultural initiatives. Based on the results, 72.4% of companies believed that consumers choose products from socially responsible companies. According to the results, 80% of the companies that invest the largest sum of money in CSR have been much more likely to say that their consumers sometimes buy products from socially responsible companies, comparing to less investing companies. At the five-point evaluation scale, 41.9% of respondents expressed maximum agreement, while 27.6% chose a sub-maximum agreement with the attitude that the essence of corporate investing in CSR initiatives were human reasons, goodwill to help others and growth of happiness and well-being. Only 5.7% of companies expressed a minimal degree of agreement with that attitude, which in the case of Serbian companies, contradicted Kotler's crucial attitude on profit increasing as the main reason for the existence of CSR initiatives.

**Keywords:** CSR initiatives, knowledge investing, Serbian companies

### 1. INTRODUCTION

This paper analyzes the structure, character and purpose of CSR initiative in Serbian companies. The main goal of this paper was to examine to which extent Serbian companies invest primarily in cultural initiatives (donations in money, goods and services intended for schools, universities and other institutions whose final product is knowledge). The following two hypotheses are tested in the paper:

H1: Within the CSR initiative, Serbian companies invest the least in supporting and financing institutions whose final product is knowledge.

H2: Understanding of CSR initiative in Serbian companies contradicts Kotler's crucial attitude on profit increasing as the main reason for the existence of CSR initiatives.

### 2. LITERATURE REVIEW

Friedman's article published in New York Times in 1970 is considered one of the key starting contributions to understanding and further developing of CSR research. Back in 1970 Nobel laureate Friedman took the position that companies should not meet social goals and needs and thus take on the role of other political actors in society. Friedman believes that the established mechanisms of political articulation of the needs of society members are more effective and justified. Therefore, according to Friedman, in Chicago School manners, socially responsible

corporations are the ones that produce profits. Profit tax rates are applied to profits, which contributes to filling the budget and allocating it to different social needs. In the book "According to Kotler" (Kotler, 2005), the marketing guru avoids discussion with Friedman, insisting that the public character of a company (CSR) is a significant moment for customers when choosing a company. It is inevitable to mention Philip Kotler's contribution to understanding and importance of CSR for successful business and marketing development (Kotler, 2005; 2013; 2017). According to Kotler's essential attitude, the main reason for CSR existence is profit increasing.

Since Friedman and Kotler crucial works, there has been a substantial increasing in CSR research that focuses on various fields. According to Moliner, Tirado and Estrada-Gullen (2019), branch managers' perceptions of CSR have a marked influence on customers' perceptions of CSR. On the other hand, customers' perceptions of CSR positively influence their satisfaction, trust, engagement and loyalty to the company. Jintae Kim, Kangho Cho and Cheong Park (2019), using a sample of 5040 large American companies, found that there was a significant influence of CSR assurance service on the relationship between CSR performance and companies' financial performances. In 4.0 Industrial revolution era, new technologies are imposing new challenges on managers. Regarding this, CSR initiatives need to adapt to the new digital environment. Companies' management needs to implement initiatives for restructuring the education system and professional training by constantly improving and motivating their staff and their talents (Keremidchiev, 2019).

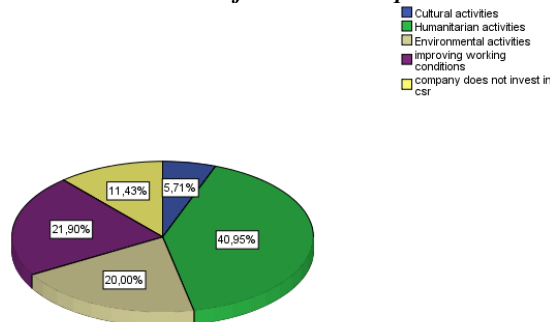
### 3. RESEARCH METHODOLOGY AND RESULTS

The sample included companies from major Serbian cities: Belgrade, Novi Sad, Niš, Kragujevac, Kraljevo, Užice, Subotica, Zrenjanin, Vranje, Leskovac, Jagodina, Čuprija, Priboj and Šabac. It covered the following seven business sectors: industry, construction, IT, banking, trade, services and tourism. When planning a sample, we have paid attention to the fact that the ratio of Serbian business sectors in GDP must be credibly reflected in the sample (CIA Fact Book, 2018). It was also taken into account that the Serbian sample represents the real ratio between the number of micro, small, medium and large companies in Serbia. Selection of companies in the sample was made from the list of Business directory of Serbia (Stojanovic, 2018) using the simple random sample method without repetition. As an instrument for collecting data, it was used an online questionnaire with closed answers, interval and Likert scales. The interview was conducted in September 2019. The questionnaire was distributed in two waves at intervals of 15 days. In the second wave, questionnaires were sent again to companies that did not provide answers after the first attempt. In total, 400 questionnaires were sent and we got answers from 105 companies.

This chapter will show some of the results of the survey on the representation and character of CSR activities in Serbian companies. Data related to the following variables were processed: type of CSR activity, amount of funds that companies invest in CSR activities, performing a cost-benefit analysis before undertaking a CSR initiative. We also collected data pertained to the company's perception of whether consumers in Serbia choose products from socially responsible companies. In addition, on a five-step measuring scale, companies' managers evaluated the attitude regarding the nature and purpose of investing in CSR activities. Variables were treated with *custom tables with column proportion of significance* in SPSS 25 authorized software.

To the question "which of the activities offered does your company support, fund or perform directly", the majority of respondents (41%) claimed to support, fund or perform directly humanitarian activities. In the second place are activities related to improving working conditions. When it comes to cultural donations, primarily related to investing in educational institutions (schools, colleges, universities, etc.) that have a knowledge resource as a final product, it should be noted that companies invest the least in this type of CSR activity. Only 5.7% of the companies covered by the sample invest in these activities (Figure 1).

Figure 1. CSR Activities of Serbian Companies n=105



Source: Authors' calculation

Table 1 crosses the type of CSR activity with the variable "how much does your company invest annually in CSR initiatives". When it comes to investing in cultural activities that are the focus of our research, four companies annually allocate EUR 1001-5000, while only one company invests up to EUR 1000 in this type of CSR initiative.

**Table 1. CSR Activities vs. Annually Company's investments**

			How much does your company invest annually					
			Total	company doesn't invest anything	up to 1000 EUR	1001-5000 EUR	5001-10000EUR	10000+EUR
			(A)	(B)	(C)	(D)	(E)	
CSR activities	Total	Count	105	12	23	47	8	15
	Cultural activities	Column N %	5,7%	0,0%	4,3%	8,5%	0,0%	6,7%
	Humanitarian activities	Column N %	41,0%	0,0%	65,2% (D)	44,7%	25,0%	33,3%
	Environmental activities	Column N %	20,0%	0,0%	4,3%	23,4% (B)	25,0%	46,7% (B)
	Improving working conditions	Column N %	21,9%	0,0%	26,1%	23,4%	50,0%	13,3%
	Company does not invest in CSR	Column N %	11,4%	100,0%	0,0%	0,0%	0,0%	0,0%

Results are based on two-sided tests. For each significant pair, the key of the category with the smaller column proportion appears in the category with the larger column proportion.

Significance level for upper case letters (A, B, C): ,05

Source: Authors' calculation

According to the research, only one company supports, finances or directly carry out cultural activities in the amount of EUR 10000+. When it comes to the largest amounts (EUR 10000+), in the whole sample there are 15 companies investing this amount of money. Among them, the largest number (46.7% or 7 companies) support, fund or directly implement environmental activities.

The entire sample level being considered, only 14 of the 105 companies conduct cost-benefit analysis prior to undertaking CSR activities. Among the companies conducting this type of analysis, 71.4% invest EUR 1001-5000 while 28.6% invest EUR 10000+ per year in CSR activities (Table 2).

**Table 2. Annually company's investments vs. Does your company do a cost-benefit analysis before undertaking a CSR initiative**

			Does your company do a cost-benefit analysis before undertaking a CSR initiative			
			Total	I don't know	no	yes
			(A)	(B)	(C)	
How much does your company invest annually	Total	Count	105	15	76	14
	Company doesn't invest anything	Column N %	11,4%	26,7%	10,5%	0,0%
	up to 1000 EUR	Column N %	21,9%	0,0%	30,3%	0,0%

	1001-5000 EUR	Column N %	44,8%	40,0%	40,8%	71,4% (B)
	5001- 10000EUR	Column N %	7,6%	20,0%	6,6%	0,0%
	10000+EUR	Column N %	14,3%	13,3%	11,8%	28,6%

Results are based on two-sided tests. For each significant pair, the key of the category with the smaller column proportion appears in the category with the larger column proportion.

Significance level for upper case letters (A, B, C): ,05

Source: Authors' calculation

Based on the results, among companies conducting cost-benefit analysis, only one invests money in cultural activities, while the largest number invests in the environment (Table 3).

**Table 3. Does your company do a cost-benefit analysis before undertaking a CSR initiative vs. CSR activities**

		Does your company do a cost-benefit analysis before undertaking a CSR initiative					
		Don't know		no		yes	
		Column N %	Compan y number	Column N %	Compan y number	Column N %	Compan y number
CSR activitie s	Total		15		76		14
	Cultural activities	6,7%	1	5,3%	4	7,1%	1
	Humanitarian activities	33,3%	5	46,1%	35	21,4%	3
	Environmental activities	13,3%	2	13,2%	10	64,3% (A, B)	9
	Improving working conditions	20,0%	3	25,0%	19	7,1%	1
	Company does not invest in CSR	26,7%	4	10,5%	8	0,0%	0

Results are based on two-sided tests. For each significant pair, the key of the category with the smaller column proportion appears in the category with the larger column proportion.

Significance level for upper case letters (A, B, C): ,05

Source: Authors' calculation

Based on the results, 72.4% of companies claim that consumers in Serbia choose, to a greater or lesser extent, products of socially responsible companies. 80% of the companies that invest most in CSR (EUR 10000+) are much more likely to say that their consumers sometimes buy products from socially responsible companies, compared to companies that invest less in this type of initiative (Table 4). According to the answers of companies that invest annually in CSR amounts from 5001 to 10000 EUR, in 25% of cases their consumers buy products from socially responsible companies.

**Table 4. Annually investments in CSR vs. In your opinion, do consumers in Serbia choose products from companies that are socially responsible**

			How much does your company invest annually					
			Total	company doesn't invest anything	up to 1000 EUR	1001-5000 EUR	5001-10000EUR	10000+EUR
			Index of comparison of statistical significance by groups	(A)	(B)	(C)	(D)	(E)
In your opinion, do consumers in Serbia choose products from companies that are socially responsible?	Total	Count	105	12	23	47	8	15
	Not at all	Column N %	27,6%	66,7% (C D E)	34,8% ('E)	23,4%	12,5%	6,7%
	Sometimes	Column N %	66,7%	33,3%	65,2%	72,2% (A)	62,5%	80% (A)
	Yes	Column N %	5,7%	0,0%	0,0%	4,3%	25% (C)	13,3%

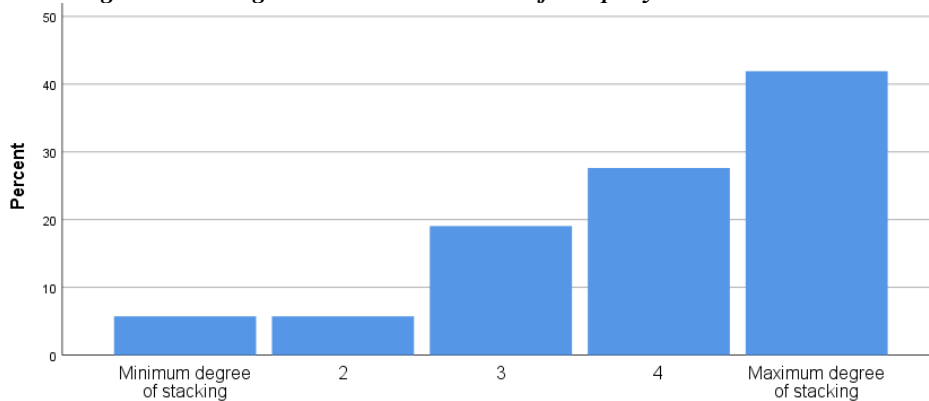
Results are based on two-sided tests. For each significant pair, the key of the category with the smaller column proportion appears in the category with the larger column proportion.

Significance level for upper case letters (A, B, C): ,05

Source: Authors' calculation

On scale of 1 to 5 the respondents were asked to select the degree of agreement with a following attitude: In essence, a company's investment in CSR activities is a humane cause, a good will to help others, the growth of happiness and well-being in the community (Figure 2):

**Figure 2. Testing the attitude on essence of company investment in CSR**



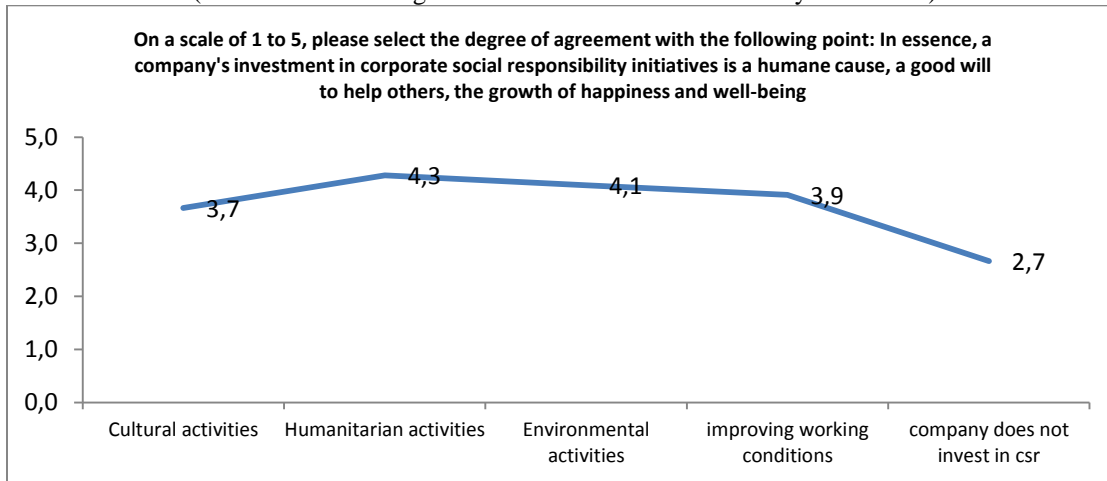
On a scale of 1 to 5, please select the degree of agreement with the following point: In essence, a company's investment in corporate social responsibility initiatives is a humane cause, a good will to help others, the growth of happiness and well-being

Source: Authors' calculation

According to results, 41.9% of respondents expressed maximum agreement, while 27.6% chose a sub-maximum agreement with the attitude. Only 5.7% of companies expressed a minimal degree of agreement with that attitude, which in the case of Serbian companies, contradicted Kotler's crucial attitude (2005; 2013) on profit increasing as the main reason for the existence of CSR initiatives. Analyzing the practices of the largest US companies, Kotler concluded that the path from understanding CSR as one of the obligations of large corporations passed to CSR

becoming strategic commitment. The traditional approach to CSR shows the companies' need to develop and implement specific initiatives seen as the companies' obligations. In line with such an approach, Kotler points out the fact that the traditional approach has very little focus on exploring the quantified outcomes of these initiatives. The new approach focuses on understanding CSR as a support for the achievement of the corporation's business goals. (Kotler and Lee, 2005). Figure 3 shows the distribution of attitude evaluation by type of CSR activity.

**Figure 3. CSR activities vs. Testing of altruistic attitude**  
(The variable 'Testing of altruistic attitude' was scaled by Means 1-5)

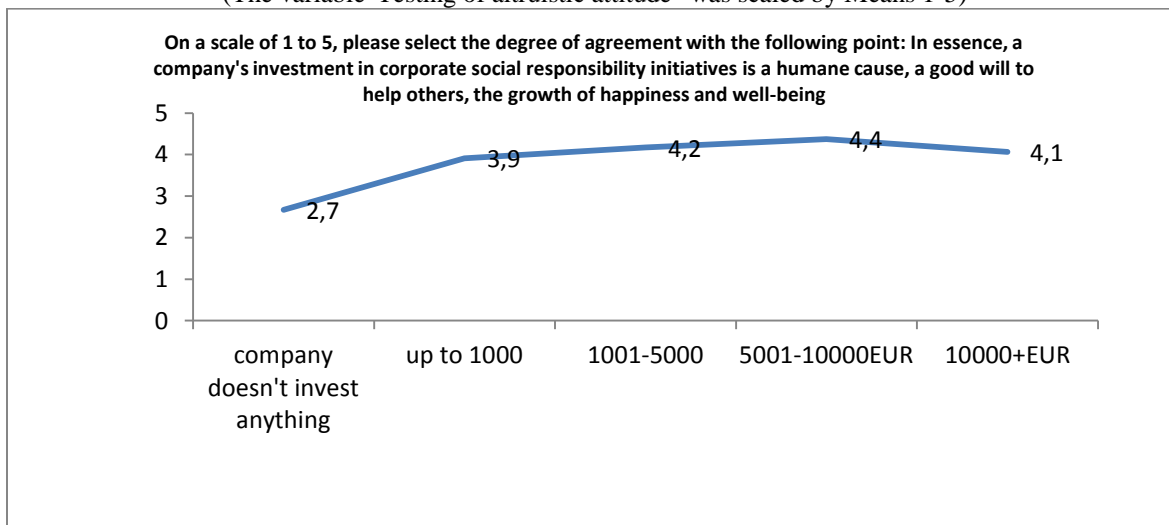


Source: Authors' calculation

As it can be seen, companies that invest in humanitarian and environmental activities have the maximum agreement with the altruistic attitude. Companies that invest in initiatives whose final product is knowledge, value an altruistic attitude with an average score of 3.7.

When comparing the results of evaluating the altruistic attitude with the amount of CSR investment, it can be noticed that the companies that invest more in this type of initiatives have the maximum agreement with the attitude (Figure 4).

**Figure 4. Annually investments in CSR vs. Testing of altruistic attitude**  
(The variable 'Testing of altruistic attitude' was scaled by Means 1-5)



Source: Authors' calculation

#### 4. CONCLUSION

Based on the results of the research, when implementing the CSR initiative, the minor number of companies invests in institutions that have the knowledge resource as the final product. In addition, companies investing in this type of CSR initiative invest the least compared to other types of socially responsible activities. We conclude that hypothesis H1 is confirmed. It is useful to emphasize the importance of investing in knowledge resource. Based on the results of a survey conducted in eight European countries, human capital has a positive impact on GDP/capita growth (Zaric and Babic 2016). Regarding H2 hypothesis, the research proved that in most cases Serbian companies show remarkable agreement with the altruistic view of the nature of the CSR initiative, which is an exception to Kotler's view of the CSR nature. According to Kotler, the main nature and reason for the existence of CSR initiatives is profit increasing. It can be concluded that H2 is confirmed.

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