

INVESTING IN HUMAN CAPITAL AS A PART OF STRATEGY FOR CORPORATE SOCIAL RESPONSIBILITY: THE COMPANIES OF MONTENEGRO AND CAMPANIA

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Abstract: This paper explains the importance of human capital for the development of modern business. The level of investment in this important resource through corporate social responsibility (CSR) strategies is measured and analyzed. The structure of human capital includes the following elements: education, investments in health and investments in time for searching the right placement (matching abilities and qualifications with the labor market possibilities / demand). The aim of the research is to determine the differences in investing in education through CSR initiatives implemented by companies of Montenegro and the Italian region of Campania. In addition, the greatest benefits from CSR are analyzed, as well as the greatest obstacles for the implementation of social responsibility initiatives. Montenegro and Campania have certain similarities and differences. Montenegro is characterized by a high level of corruption and organized crime, whose leaders are members of informal group "clans", with a hierarchical structure modeled on the mafia and similar groups in Italy. The criminal clans in this country have an impact on the business of important companies, and thus on the definition of CSR strategy. In Campania, there is a great influence of the informal Camorra group on all areas of society, and thus, on the choice of CSR initiatives. Montenegro belongs to a post-transition society, while the foundations of capitalism in Campania were set much earlier and there is a much more developed tradition of CSR. The sample included 35 Montenegrin and 106 companies in Campania. The statistical method was used, while the online questionnaire was chosen as the methodological tool for data collection. Based on the survey results, 37.1% of Montenegrin companies invest in education, which is the largest share of all observed CSR activities. This is connected with the fact that in this country, throughout history, schooling has always been at the very top of national preferences. On the other hand, 12.3% of Campania companies invest in education, which ranks fourth in the share of CSR initiatives in this Italian region. The largest number of Montenegrin companies that invest in education (46.2%), as the greatest benefit from dealing with CSR states improving the reputation. In second place is growing consumer trust in their company (30.8%), while in third place improving communication with public administration and the local community (15.4%). In the case of Campania companies, which investing in education, the situation has been crystallized. All firms that invest in education, cite improving communication with public administration and the local community as the biggest and only benefit of taking CSR initiatives. From this, one can see the importance of a high degree of decentralization in Italy in which regions with provinces and municipalities has great financial autonomy. In general, the largest numbers of Montenegrin companies (45.7%) cite managerial culture as the biggest obstacle to the strong development of CSR, while in second place (22.9%) is the lack of funding. In the case of Campania companies, the largest number (29.2%) cites managerial culture as the biggest obstacle for the development of CSR, while in second place is the lack of short-term financial return with 28.3%. Lack of funding is mentioned as the last in a series of obstacles, because in Italy there are numerous opportunities for CSR financing at the regional and national level as well as through EU funds.

Keywords: human capital, corporate social responsibility, education, Montenegrin companies, Campania companies

1. INTRODUCTION

The structure of human capital is linked to the following main factors: the education, investments in health and investments in time for searching for the right placement (matching abilities and qualifications with the labor market possibilities/demand). As it is widely accepted that human capital plays a very crucial role in economic development and strongly influences the performance of the companies, investing in and strengthening it is becoming one of the inevitable fields of demonstrating CSR. Companies are investing in school activities, school facilities, vocational courses, but also in school and college sports (strengthening the health dimension of the human capital). Via improving its visibility, the companies are achieving better results in head hunting (Wilcox, 2008) and decreasing the factor that indicates the required time for searching for the right placement.

Due to the results of the big research that Philip Kotler and Nancy Lee (2005) have carried in the number of the biggest American companies, there is shift from the traditional approach that understands the CSR activities as fulfilling an obligation to the new approach. The new one is understanding CSR as an activity that is supporting corporate objectives. This is, in fact, giving a new light to the traditional discussions about the methodological aspect of CSR, raised by Milton Friedman. The big guru of the Chicago school, Friedman (1970) stated that CSR is a mission impossible, because, responsible could be the managers, not the juridical entity, as the corporation is. Thus, the managers are responsible to the shareholders, not to the society. The new development in the understanding of CSR and its practices, is, somehow, making a balance between the sharp statements of economist such as Milton Friedman, and of the professors of marketing. Investing into the education institutions and processes is an activity in which the companies are expecting not only to „fulfill the obligations“ or improving the reputation, but also to meet their business goals (increasing sales and market share, bettering product positioning, improving the image, attracting employees and better head hunting). Finally, CSR could be understood as a tool of investing an human capital. Investing in CSR activities in the field of education is a tool for being successful in the non-business environment. Baron (2013) is arguing that the enterprises have to be successful in their business environment, but also have to achieve a competitive position in the non-business environment.

2. LITERATURE REVIEW

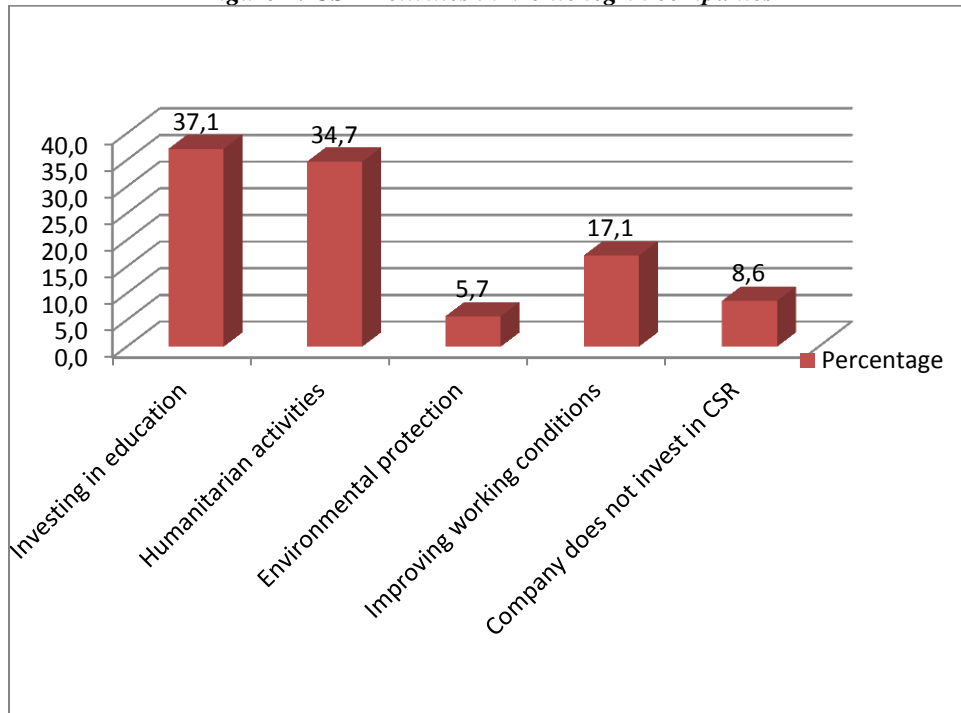
The propensity to invest in a particular CSR initiative depends on many factors such as the system of national values, socio-psychological factors, the historiographical sequence, the preferences of the Board of Directors, profit aspirations of the stakeholders and consumer expectations. When it comes to preferences for investing in CSR in Italy, Lerro et al. (2018) have identified five groups of consumers with different preferences: ‘environmentalists’, ‘pro-socials’, ‘collectivists’, ‘animal friends’ and ‘selfish health centered’. The study offers results to business managers on how to promote socially responsible business, developing communication and information strategies focusing on specific needs and personal relevance within a consumer group (*ibid.*). Melovic et al. (2019) analyzed the way CSR is applied as well as employees' attitudes and perceptions of social responsibility in five Western Balkan countries: Montenegro, Serbia, Bosnia, Albania and North Macedonia. Based on the results, most of the respondents believe that CSR is an instrument for creating new values and success of the company, as well as well-being for the whole society. For example, more specifically, according to the authors the highest priority regarding CSR for Montenegrin companies is the responsibility towards employees, fair business behavior, and respecting human rights. Besides, we highlight the case of the American Chamber of Commerce in Montenegro. This institution has established a CSR committee to invest in the field of education, protection of marginal groups and environmental protection (The American Chamber of Commerce in Montenegro, 2021). Pamela Pastou (2019) concentrated on CSR in the education industry. In the case of the University of Birmingham, she showed how Goal 12 of the UN's Sustainable Development is implemented. According to Gangi et al. (2019: 110), the CSR strategy offers additional opportunities for addressing the challenges associated with sharing tacit knowledge within and outside of organizations. As it is stated in the recent literature research of Adhikariparajuli, Hassan and Siboni (2021: 525), there are still a number of “uncovered points” related to the CSR and higher education. Our research starts from the following basic hypothesis: *H: There are differences in the levels of investment in education through CSR initiatives in Montenegro and Campania.*

3. EMPIRICAL RESEARCH AND FINDINGS

The research analyzes the investment in education through CSR strategies implemented by Montenegrin and Campania companies. The sample included 35 Montenegrin and 106 companies in Campania. The Montenegrin sample included companies from 8 cities, while the Campania sample included companies from 5 cities, important economic centers. Selection for Montenegro was performed from the business directory (Infosistem, 2019), and for Campania from the Local business directory (Businessfield, 2020) by using the simple random sample method without competition. The statistical method was used, while the online questionnaire was chosen as the methodological tool for data collection. Data collection was completed in December 2020. Investment in education was measured through activities such as donations in money, products and services to kindergartens, schools, colleges, universities, cultural and artistic institutions and religious institutions. In addition, the benefits of dealing with CSR as well as the main obstacles to implementing this strategy were analyzed.

Based on the results, investing in education has the largest share (37.1%) in the overall strategy implemented by companies in Montenegro. In second place are humanitarian activities (34.7%). The following are initiatives for improving working conditions in the companies (Figure 1):

Figure 1: CSR Activities in Montenegrin companies

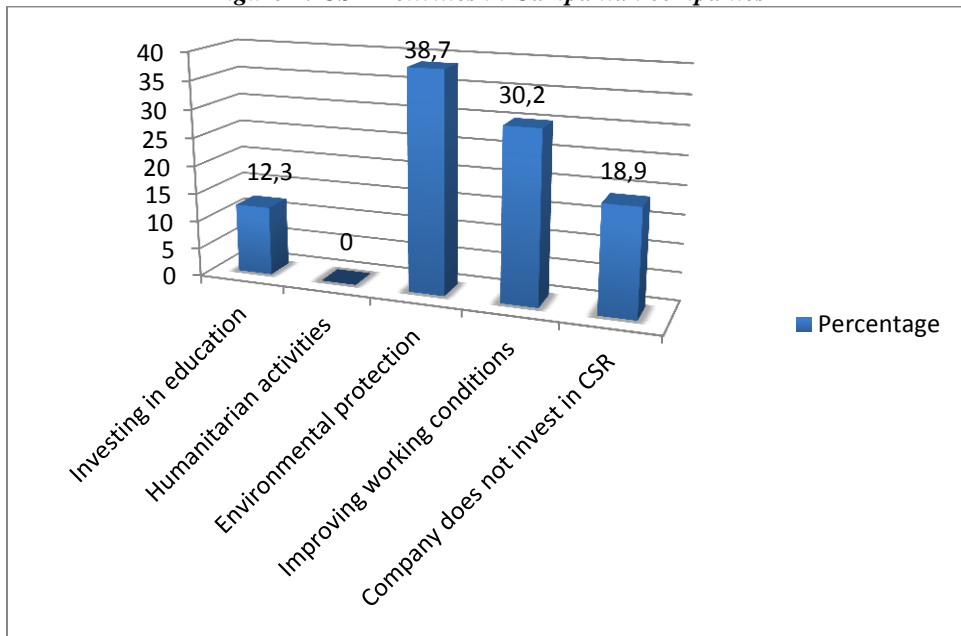


Source: Authors' calculation

Such a high share of investments in the field of education can be explained by the influence of complex socio-psychological reasons with emotional attitudes that go beyond profit inclinations (Vidanović, 2006). In Montenegro, throughout history, education and the resource of knowledge have always been at the very top of national preferences.

Speaking about Campanian companies, the share of investment in the field of education within the overall CSR strategy is 12.3%. Observed in the total share, investment in education takes the fourth place (Figure 2):

Figure 2: CSR Activities in Campanian companies



Source: Authors' calculation

As can be seen, environmental initiatives have the largest share in the overall CSR strategy. This can be explained by the direct impact of the informal Camorra group on the waste management and recycling sector in the Campania region. The observed share of activities to improve working conditions within the company, as well as the complete absence of humanitarian activities in the overall CSR strategy, are an indicator of motivation to invest in an initiative that will increase productivity and lead to a relatively rapid increase in profits.

To the question "In your opinion, what is the biggest benefit of investing in corporate social responsibility initiatives", the managers of the Montenegrin company answered as follows (Table 1):

**Table 1 Montenegro: CSR benefit by CSR activities
Comparison of column proportion^b**

			Investing in education	Humanitarian activities	Environmental protection	improving working conditions	company does not invest in csr
			(A)	(B)	(C)	(D)	(E)
In your opinion, what is the biggest benefit of investing in corporate social responsibility initiatives?	Improving the reputation	Column N %	46.2%	27.3%	0.0%	33.3%	66.7%
	Improving company visibility	Column N %	0.0%	9.1%	50.0%	0.0%	0.0%
	Increase in sales	Column N %	0.0%	0.0%	0.0%	0.0%	0.0%
	Improving organizational climate and work productivity in the company	Column N %	7.7%	18.2%	0.0%	66.7% (A)	0.0%
	Improving communication with public administration and the local community	Column N %	15.4%	9.1%	0.0%	0.0%	0.0%
	Growing consumer trust in your company	Column N %	30.8%	36.4%	0.0%	0.0%	0.0%
	Tax reliefs	Column N %	0.0%	0.0%	50.0%	0.0%	33.3%
	Total	Column N %	100.0%	100.0%	100.0%	100.0%	100.0%

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^b

Tests are adjusted for all pairwise comparisons within a row of each innermost subtable using the Bonferroni correction.

Source: Authors' calculation

The largest number of Montenegrin companies that invest in education (46.2%), as the biggest benefit from dealing with CSR states improving the reputation, in second place is growing consumer trust in their company (30.8%), while in third place is improving communication with public administration and the local community (15.4%). Table 2 shows the answers to the same question of Campania companies:

**Table 2 Campania: CSR benefit by CSR activities
Comparisons of Column Proportions^b**

			Investing in Education	Humanitarian activities	Environmental protection	improving working conditions	company does not invest in csr
			(A)	(B)	(C)	(D)	(E)
In your opinion, what is the biggest benefit of investing in corporate social responsibility initiatives?	Improving the reputation	Column N %	0.0%	0.0%	26.8%	0.0%	80.0% (C)
	Improving company visibility	Column N %	0.0%	0.0%	0.0%	0.0%	0.0%
	Increase in sales	Column N %	0.0%	0.0%	36.6% (E)	0.0%	5.0%
	Improving organizational climate and work productivity in the company	Column N %	0.0%	0.0%	0.0%	100.0%	5.0%
	Improving communication with public administration and the local community	Column N %	100.0%	0.0%	0.0%	0.0%	5.0%
	Growing consumer trust in your company	Column N %	0.0%	0.0%	36.6% (E)	0.0%	5.0%
	Tax reliefs	Column N %	0.0%	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^b

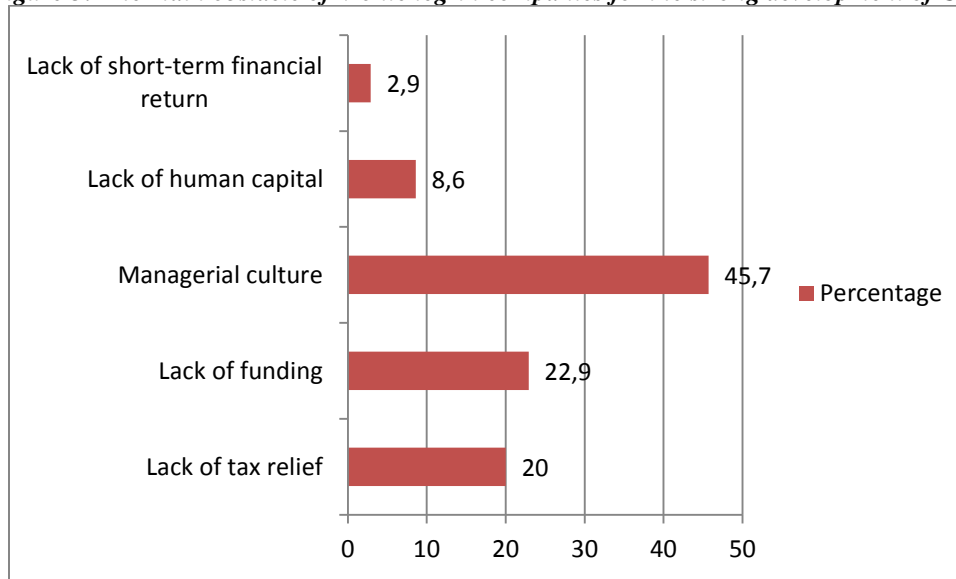
Tests are adjusted for all pairwise comparisons within a row of each innermost subtable using the Bonferroni correction.

Source: Authors' calculation

In the case of Campania companies investing in education, the situation has crystallized. All firms cite improving communication with public administration and the local community as the biggest and only benefit of taking CSR initiatives. This shows the importance of a high degree of decentralization in Italy, in which the regions with provinces and communes have great financial autonomy and the need to achieve better cooperation with the administration.

Figures 3 and 4 show the main obstacles to the strong development of CSR. In general, the largest number of Montenegrin companies (45.7%) cites managerial culture as the biggest obstacle to the strong development of CSR, while in second place (22.9%) is the lack of funding (Figure 3):

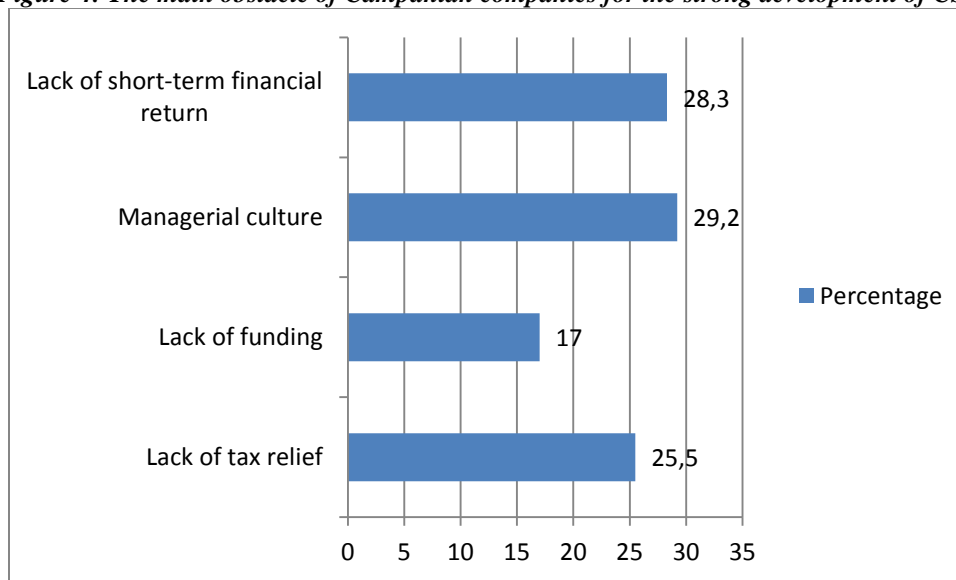
Figure 3: The main obstacle of Montenegrin companies for the strong development of CSR



Source: Authors' calculation

In the case of Campania companies, the largest number (29.2%) cites managerial culture as the biggest obstacle to the development of CSR, while in second place is the lack of short-term financial return with 28.3% (Figure 4). Lack of funding is mentioned as the last in a series of obstacles, because in Italy there are numerous opportunities for financing CSR at the regional and national level as well as through EU funds.

Figure 4: The main obstacle of Campanian companies for the strong development of CSR



Source: Authors' calculation

4. CONCLUSION

CSR activities in the field of education represent an evitable possibility in formulating the strategy. Turban and Greening (1997) pointed on these activities as a way of attracting the prospective employees. The research proved differences in the levels of investment in education through CSR initiatives in Montenegro and Campania. In this way, hypothesis *H* was confirmed. Within the CSR strategy, Montenegrin companies invest the most in the field of education. This result can be explained by socio-psychological rather than business reasons. Throughout Montenegrin history, the resource of knowledge has been at the very top of national preferences. In Campania,

compared to the field of education, there is a higher level of investments in environmental activities and activities to improve working conditions. There is a clear articulation of the CSR strategy in which the management invests more in initiatives that, according to the cost-benefit assessment, lead faster to the return of funds and the realization of profits. Investing in education is profitable in a long run, and is not at the top of CSR strategy preferences.

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