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# Investing in Employees in Serbian Companies – Internal Dimension of CSR

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## Abstract

Implementation of the concept of Corporate Social Responsibility (CSR) has become important for all stakeholders and an important part of company's businesses and reporting. Little research attention is given to the research about CSR from employees' perspective and to the influence of CSR to employees. All aspects of employees' wellbeing should be a part of internal dimension of CSR. If employees perceive their company as socially responsible, they will show positive behavior towards company. This paper presents the comparative analysis of yearly reports' results from 2012 to 2017 about CSR investments in employees' wellbeing of companies which were members of Responsible Business Forum Serbia. The main goal was to determine if there was a trend in these investments. Employees have very significant role in business goals achievement but in CSR implementation also, so management should carefully define their roles in CSR implementation. The company could achieve even more benefits if it communicates effectively with employees about CSR topics. Communication channels used for CSR, such as reports and web sites, were analyzed as means to inform public, but more importantly employees about companies' CSR activities. Establishment of good relation between employees and company requires using a CSR as strategic tool.

**Keywords:** corporate social responsibility, internal dimension, employees' wellbeing

**JEL classification:** M14, M51, M53, M54

## Introduction

Implementation of the concept of Corporate Social Responsibility (CSR) became important for all stakeholders and important part of company's businesses and reporting. While the most research deal with the positive influence of CSR on customers, financial performance and the environment, little attention is given to the research about CSR from employees' perspective and to the influence of CSR to employees (Hejjas et al., 2018, Gharleghi et al., 2018, Yousaf et al., 2016, Iqbal et al., 2012, Bauman & Skitka, 2012). Existence of this gap is surprising because it is well known how much attitudes and behavior of employees influence on overall company's success (Bauman & Skitka, 2012, p. 66). And yet, employees are those, before the board and consultants, who should carry out the most burden in CSR implementation, and its success depends on employee willingness to cooperate (Hejjas et al., 2018). Employees, as representatives of internal stakeholders, are considered the biggest, the most important and the most influential of all stakeholders (Tamm et al., 2010). Employees' perceptions about company's CSR could be made based on external dimension of CSR, but also based on internal dimension. All aspects of employees' wellbeing should be a part of internal dimension of CSR (Dežmar Krainz, 2015). If employees perceive their company as socially responsible, they will show positive behavior towards company and they will be more productive. This paper presents the comparative analysis of investments in employees' wellbeing presented in yearly

reports of companies, members of Responsible Business Forum Serbia, in period from 2012 to 2017. A special attention was given to the analysis of investments in employees' professional development and in improving of working conditions. The importance of these investments was emphasized with the fact that there was a special section in these reports about investments in employees' wellbeing. Communication about CSR activities should inform employees about company's CSR efforts. There are different opportunities for communication, but here emphasize was given to CSR reports and company's websites as communication channels.

## Literature review

### *Internal and external dimension of CSR*

Many scholars in their research make distinction between internal and external CSR (Farooq et al., 2017, Obeidat, 2016, Stojanović-Aleksić et al., 2016, Dežmar Krainz, 2015, Tamm et al., 2010). European Commission (2001) made difference between internal and external dimension of CSR in the Green Paper – Promoting European Framework for CSR. It is considered that external stakeholders are the beneficiaries of external CSR activities, and employees are the beneficiaries of internal CSR activities (Farooq et al., 2017, p. 957).

External CSR refers to socially responsible activities which are directed towards external stakeholders. CSR spreads outside of the company into the local community and involves variety of stakeholders: business partners and suppliers, customers, public authorities and NGOs representing local communities, environment (European Commission, 2001). Companies should be good partners to suppliers and other business partners. Providing products or services in an efficient, ethical and environmentally friendly manner is company's responsibility also. Local communities expect from companies to take philanthropic initiatives. Companies are considered socially responsible if they make infrastructure investments, launch community development activities, encourage their employees to participate in community projects, and provide financial support to social and other non-commercial community projects (Obeidat, 2016, p. 366). CSR targeting the community can include support for humanitarian causes, charitable giving and collaboration with non-governmental organizations (Farooq et al., 2017). CSR activities can include environmentally conscious investments, pollution prevention, ecological initiatives focused on the natural environment, and practices focusing on sustainable growth for future generations (Farooq et al., 2017, p. 957).

Internal CSR refers to socially responsible activities oriented towards internal stakeholders. Within the company, socially responsible practices primarily involve employees and relate to issues such as investing in human capital, health and safety, and managing change (European Commission, 2001, p. 8). Activities like employee training, continuing education programs, safe working environments, diversity policies, daycare programs, and ethical labor practices are parts of internal dimension of CSR (Hur et al., 2019, Farooq et al., 2017). It includes respect for individual differences and problems that employees face, mutual respect and understanding, promoting humanity and care for people that is not limited to work hours but includes an attempt to make balance between work, family and leisure also (Stojanović-Aleksić et al., 2016). Literature analyses internal CSR at the institutional, organizational and individual level (Cavazotte & Chang, 2016). Institutional level of internal CSR refers to communication about labour issues between corporations and organizations like unions and professional representative bodies. Internal CSR at organizational level deals with work context and focuses at improving physical environment. At individual

level internal CSR addresses specific needs of employees and deals with their professional development.

If employees perceive their company as socially responsible, even with those outside the company, they will show positive behaviour toward company and they will be more productive (Hansen et al., 2011).

### *Company's benefits from external and internal dimension of CSR*

The goal of CSR implementation is creation a better life quality for all stakeholders, without compromising company's profitability. Implementation of CSR can bring benefits to all stakeholders, if CSR activities are sincere and persuasive. Socially responsible companies have better reputation and status in public, which allows company to differentiate itself at market and to find additional way to attract more customers. CSR perceptions influence on customers' loyalty (Stanisavljević, 2017). Companies have better relations with local government, which then do not have to be worried about potential management misuses. CSR activities form positive company's image in public, because market prefers companies which are less exposed to social, ethical and ecological critique. CSR implementation leads to better financial performance, easier approach to capital, increase of sales, lower operating costs and increase of productivity (Taha et al., 2013, p. 2). Investors make their investments in socially responsible companies, because they consider social responsibility good indicator of transparency and honesty, which results in lower investment risk (Carroll & Brown, 2018, p. 41).

CSR should be a path through which employees could find a meaning in their job because they are contributing to higher good. Research showed that there is a positive relation between CSR activities and job satisfaction (Gharleghi et al., 2018, Yousaf et al., 2016, Dežmar Krainz, 2015, Tamm et al., 2010). Companies can increase employees' commitment through their involvement in socially responsible activities, as volunteering or local community development (Gharleghi et al., 2018, Rupp et al., 2018, Obeidat, 2016, Dežmar Krainz, 2015). Previous studies have shown that internal and external CSR involve different underlying mechanisms via which each CSR activity strengthens employees' organizational identification (Hur et al., 2019, Farooq et al., 2017). Research has found positive correlations between CSR and employee engagement (Hejjas et al., 2018, Yousaf et al., 2016). CSR can influence on company's ability to attract and retain talented workforce (Rupp et al., 2018, Obeidat, 2016, Iqbal et al., 2012, Bauman & Skitka, 2012). CSR practice sends positive signals to potential candidates about working conditions in the company. Knowledge that their company is socially responsible can affect at employees' intentions to leave the company (Gharleghi et al., 2018, Hansen et al., 2011). Providing equal opportunities for development and training for all employees is one of main aspects of CSR (Gharleghi et al., 2018). Career development and constant education of employees are company's responsibilities, especially because skills improvement is a common goal for company and employees (Öberseder et al., 2013). An important aspect of CSR, which concerns employees is providing healthier and safer working conditions (Gharleghi et al., 2018). Companies have to invest into intellectual capital, provide healthy and safe working conditions for its employees in order to improve their wellbeing.

If CSR can influence on attracting talented work force, increase commitment, engagement and job satisfaction, encourage socially responsible behaviour, decrease turnover, then companies which engage in CSR should have better performances than those that do not (Bauman & Skitka, 2012).

## Communication about CSR

CSR emphasizes the important role of corporate communication in establishing and maintaining transparent and open dialogues with diverse stakeholders to foster ethical and socially responsible courses of action for various issues (Lin & Greenwood, 2017, p. 768). Company will benefit even more if it has effective communication with its employees about CSR issues (Iqbal et al., 2012, p. 80). That is why management should carefully define employees' roles in CSR implementation. Internal communication channels (internal newspaper, mails, notifications, company's events, web site) should be oriented towards creation of image of socially responsible company with sincere motives. Communication about CSR could be a part of meetings with employees or meetings on organizational units' level (Ong et al., 2018, p. 44). External communication channels should help shaping of employees' perceptions about CSR also. CSR reports enable company to inform stakeholders about real condition of the company (Damjanović, 2018). CSR reports are predominately intended for external stakeholders but it can also be used for informing employees about CSR activities in the past. It is necessary to use CSR as a strategic tool for creating healthy relationship between employees and company.

## Methodology

The subject of this paper was analysis of yearly reports' results from 2012 to 2017 about CSR investments in employees' wellbeing of companies which are members of Responsible Business Forum Serbia. A special attention was given to the analysis of investments in employees' professional development and improving of working conditions. The importance of these investments was emphasized with the fact that there was a special section in these reports about investments in employees' wellbeing. The main goal was to determine if there was a trend of investments in employees' wellbeing. Additional goals were to show if there was a trend of the value of investments in training and development and of investments in improvement of health and accidents prevention; to show how companies communicated to stakeholders about CSR, to determine if companies published CSR reports and if they had a page on company's web site dedicated to CSR. Communication about CSR activities should inform employees about company's CSR efforts. There are different opportunities for communication, but here emphasize was given to CSR reports and company's web sites as communication channels. Data for analysis was collected from secondary sources. Six reports "Better business for better society" for period 2012-2017 published by Responsible Business Forum Serbia were used for comparative analysis. Companies' web sites were visited in order to gain some additional information also. Special attention in these reports and web sites was given to the part about improving employees' wellbeing.

## Results

Very important components of internal CSR dimension are investments in employees' training and professional development and investments in improvement of health and accidents prevention. When CSR investments were analyzed, the amount of CSR investments was decreasing from 2013. But, when the share of CSR investments devoted to improvement of working conditions in considered, after a big decline in 2013, the share of these investment was rising. This trend is presented in table 1.

Table 1

Investments in CSR and Improvement of Working Conditions

Year	Investments in CSR in RSD	Share of CSR investments devoted to improvement of working conditions
2012	1.194.504.169,55	55,30%
2013	1.445.567.133,58	29,40%
2014	1.241.004.139,81	32%
2015	1.210.978.907,41	32,60%
2016	1.257.898.487,79	39,90%
2017	1.058.882.618,46	46,70%

Source: Authors' work

Table 2

Investments in Employee Training and Development and Improvement of Health and Accidents Prevention Beyond Legal Requirements

Year	Number of employees included in programs of training and development	Investments in employee training and development in RSD	Investments in improvement of health and accidents prevention beyond legal requirements in RSD
2012	/*	411.357.934,00	249.657.266,00
2013	28.417	344.105.810,35	80.830.717,53
2014	23.508	313.856.411,51	83.800.811,00
2015	36.804	348.420.347,34	46.683.660,00
2016	36.346	358.656.853,07	142.935.845,00
2017	36.132	380.613.105,84	113.764.130,00

Note: \*no data

Source: Authors' work

The value of investments in employees' training and development declined from 2012 till 2014, and then it grew steadily. The number of employees participated in various programs of training and development grew since 2013. Investments in improvement of health and accidents prevention beyond legal requirements were significantly reduced after 2012, but after 2015 these investments grew, but they did not reach the level from 2012. The trends are presented in Table 2.

CSR dedication can be identified through companies' publication of CSR reports and special page on companies' web site about CSR. It is important to inform public, external stakeholders but also internal stakeholders about companies' efforts in order to receive support for conducting CSR activities. Although members of Responsible Business Forum Serbia, some companies did not participated in the research. In the observed period, 29% to 47% of companies published CSR reports, but 70% to 82% of companies had a page on companies' web site about CSR. Among those companies that had a web site about CSR, 57% to 75% of them had a special part dedicated to employees wellbeing. Table 3 presents this overview. The number of companies which published CSR reports over time was almost constant, which was also the case with the number of companies that had a page on companies' web sites about CSR, and a part about dedication to employees' wellbeing.

Table 3  
Communication About CSR

Year	Number of member companies	Number of companies participated in the research	Number of companies which published CSR report	Number of companies with web site page about CSR	Number of companies with web site page about CSR and dedication to employees' wellbeing
2012	20	17	6	14	8
2013	22	17	5	12	8
2014	26	15	6	12	9
2015	30	18	7	14	9
2016	30	17	8	14	9
2017	28	17	7	13	9

Source: Authors' work

## Discussion

People are the most important resource and one of the most influential stakeholders of each company, so investments in improving employees' wellbeing could influence overall companies' success. Through training and development employees improve skills and competencies which enables them to be more productive. Through improvement of working conditions employees become more satisfied with their jobs and committed to the company. Companies can improve their own core of competencies through improvement of employees' skills and competencies. That way companies will gain competitive advantage at the market. So investments in improving employees' skills and improving of working conditions are not a cost, but multiple gain investment. Programs of training and development were available to more employees each year. The investments in training and development were growing since 2014.

Communication about CSR was done mostly through web sites, although all companies did not have a special page about dedication to employees' wellbeing. Reporting about CSR was still undeveloped and it needs further promotion and explanation of its benefits.

## Conclusion

Employees, as representatives of internal stakeholders, are considered to be the most numerous, the most important and the most influential of all stakeholders. Employees are becoming more and more conscious of company's responsibility towards society and they consider CSR an important topic for company to think about and to apply. Many research showed that employees' attitudes and behavior are influenced by their perceptions about company's social responsibility. Implementation of CSR, on the other side, directly depends on employees' participation and support, so it is necessary for management to define employees' roles in this process. Company will achieve even more benefits if it effectively communicates about CSR with employees. Establishment of good relation between employees and company needs using a CSR as strategic tool. More investments in improving employees' wellbeing and communication about companies' CSR dedication are needed.

Main limitation of this research was reliability of data source as the data were collected from secondary source without direct contact with companies and employees. In addition, more companies and employees should be included in

research. Future research should explore employees' perceptions about CSR and influence of CSR perceptions on employees' satisfaction and commitment.

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