SOCIALLY RESPONSIBLE BUSINESS IN RELATION TO SUPPLIERS

MRVICA MAĐARAC Sandra¹, NEDOVIĆ Mirjana², GALIĆ Matej³

¹ College of Applied Sciences "Lavoslav Ružička" in Vukovar, Vukovar (CROATIA)

² College of Applied Sciences "Lavoslav Ružička" in Vukovar, Vukovar (CROATIA)

³ University of Applied Sciences Baltazar Zaprrešić, Zaprrešić (CROATIA)

Emails: smrvica@vevu.hr, mnedovic@vevu.hr, matej.galic@bak.hr

ABSTRACT

Socially responsible business is a positive attitude of a company towards the public and also towards its employees and its suppliers. In order for companies to successfully function, they need to operate in line through the contracts with their suppliers and in accordance with the corporate responsibility. For the business success to take place it also requires quality relationships with suppliers in order for the procurement to take place continuously, while managing relationships with suppliers represents an important organizational process.

For the purpose of this paper research was carried out on a sample of commercial businesses with the aim of gaining insight and analysis whether such corporation are doing business and maintain social responsibility towards suppliers, do they comply to their obligations towards suppliers, and do they treat them in line with the ethical norms of corporate social responsibility. The research was conducted by means of the survey questionnaire with closed type of question. For the purposes of the research the sample is suitable because only representatives of trade companies were targeted in the sample and descriptive statistics were used in the analysis of the results. The data collection periods are January and February 2021. The research results indicate on the compliance with the suppliers for the purpose of operating responsibly and in a timely manner.

Keywords: Socially responsible business, suppliers, the research, obligations towards suppliers, corporate responsibility

JEL: L21

DOI: 10.5937/intrev2103059M

UDC: 005.35:658.7

658.7:339.182

COBISS.SR-ID 55092745

INTRODUCTION

Socially responsible business has recently become a very actual topic, and companies that apply the principles of such behaviour are becoming desirable partners in the market. It is noticed that such business practice is applied by an ever-increasing number of companies. Socially responsible behaviour can be applied to several parts or areas of activity, so we can differ activities related to: the environment, fighting corruption, labour rights, human rights, health promotion, business promotion, development of human resources, relations with partners in the value chain, etc. If we observe the situation in a broader manner, socially responsible behaviour improves and it builds the trust of key stakeholders in the company as a whole. The aim of this research is to determine the level of a socially responsible behaviour towards suppliers. Socially responsible business is certainly closely linked to a decision-making. Decisions made by the company can be characterized as moral or immoral, ethical or unethical, so it is crucial that the adopted strategy of the company has already defined components of socially responsible business with the achievement of business goals and profitability of the company, what also applies to their relationship to suppliers.

It is indisputable that a socially responsible company is influenced by the perception of external factors. Furthermore, through well-defined socially responsible behaviour (or the common abbreviation SRB), a company can influence on a high level of market recognition and on a good image. A good image of the company will have a positive impact on the business of the company as well as on its competitiveness.

The concept of social responsibility can be applied to any company. Practice shows that its impact has been mostly researched in large companies because they are more visible in the market and they have greater financial strength. Socially responsible behaviour refers to all levels of management, from the lowest to the top management levels. It has a foundation in the development and creation of good partnerships, mutual trust and determination to invest in a quality relationship between the companies (business world) and the community.

SOCIALLY RESPONSIBLE BEHAVIOUR AND PRACTICE

The concept of social responsibility indicates the existence of a certain awareness and need, so it seems that under public pressure the very concept of socially responsible business must become part of business processes”[1].

Companies that have SRB defined in their business strategy should understand that such processes are built into internal business procedures. By this we primarily referred to defined business behaviours that are related to ethical, social and environmental issues, and also to the relationships with consumers and business partners. “Social responsibility practices are very diverse and largely depend on the context in which they occur, the needs of the company, the management practices and corporate culture of the company, the tradition of each country and many other factors so there is no single method for its introduction. However, several things are common to all successful examples of good practice in the world. The first and the most important fact is that there must be a firm decision to take social responsibility as a way a company behaves in the whole range of its activities. This decision must be made by the top management of the company and communicated so everyone within the company should bind to it. This practice should be integrated into the entire business and to become in a way a “state of a spirit” while shaping the behaviour of the company in relation to the corporate governance, its behaviour on the market, behaviour towards employees, and also to the environment, and to the community. The decision on social responsibility is mostly often expressed in the statement of the mission of a particular company” [2]. Definitions of corporate social responsibility have undergone their evolution, so now such term is used interchangeably with the terms such as “social responsibility”, “sustainable development” and “corporate citizenship”[1]. Together with SRB is tightly connected the ethics and the so-called ethical dilemmas in certain situations, and the ways of deciding on something important for the prosperity of the company and its reputation on the market. It is quite certain that the top management has an extremely important role when defining the mutual relations in the internal and external environment of the company.

From the management is increasingly required to conduct business in a socially responsible manner, i.e., it is expected to act in such a way that it represents not only corporate economic interests, but also the well-being of society as a whole [3].

According to the European Commission's definition of SRB, companies voluntarily communicate to all their stakeholders and they integrate them into social and environmental problems and into corporate governance [4]. Speaking in a more broadly manner, SRB is traditionally conceptualized as a 'management obligation to take action to protect and improve the well-being of society as a whole as well as the interest of organizations [5]. Well-organized company management will play a key role in socially responsible behaviour because it is expected from them to support the well-being within the company and the well-being of the wider community, by their example and the way how they work. Through the presented levels of socially responsible behaviour, the business entity should develop each of the presented levels in order to contribute to the well-being of the wider community and to be responsible to the community, but also perceived by the general public as a socially responsible and desirable market player. This way of thinking and implementing of all types of SRB contributes to the development of the community as a whole. Socially responsible business, whose roots rest in social activism in the 1960s and 1970s of the 20th centuries [6], when in this context it becomes an indispensable business strategy of responsible management [7]. Many companies are therefore included in the life of the local community, providing retraining or additional training, helping to preserve the environment, employing people with special needs, and also to maintain partnerships with the communities, sponsoring of local sports clubs and cultural events, enabling the donations to charitable purposes and the like. In this way grows the social capital, and the connection of the company with the local community. It creates a sense of belonging to both the local community to the enterprise and also the enterprise to the local community.

The question arises as to how widespread this topic is actually implemented in business strategies in practice in the Republic of Croatia. The Republic of Croatia does not have laws that precisely define and regulate the subject of socially responsible behaviour. Larger companies define by means of their internal acts certain procedures that should be followed by all employees towards their partners and the community. Today, companies operate in uncertain conditions where it is difficult to forecast economic trends as well as present unforeseen market events that greatly effect on business results. It can be noticed that larger companies have prescribed procedures, but the question arises as to how many of them do adhere to them. SRB is also related to the level of education, so it can be noticed that the higher the level of education (of employees and management) that is present within a company, the more developed is the awareness of the need to introduce SRB. Managers have a significant, if not the most important role in positioning business strategy with the interests of society as a whole. When synergy is achieved in these two areas then the company becomes recognizable as one that cares about the needs of society as a whole. If this component of awareness of this kind of need is absent, then SRB becomes marginalized and has no effect on a society as a whole.

The SRB Index is another way to measure the involvement of companies in socially responsible practices and allows comparison with other companies in the Republic of Croatia. The company's activities are measured in several areas, namely: the company's focus on economic sustainability, the addition of socially responsible business and sustainable development in the form of business strategy, responsible policies and practices in the work environment, responsible environmental management policies and practices, SRB in market relations and socially responsible relations with the community that is responsible for diversity and human rights policy. By filling in the questionnaire, any of the interested company can have an access to, when with the use of special methodology, the accounts of the SRB Index are calculated, and the best companies are awarded.

Since companies are oriented to the needs and requirements of their consumers, their attitudes directly influence on the decisions of managers [8]. The media are extremely important when creating public opinion about any company, especially the opinion related to the socially responsible behaviour. Suppliers are often people who get a first impression of a company from the media, through various news, publications or articles. At the first meeting they can decide on with a positive or negative bias, regardless of the fact that they have never had the opportunity to talk with the representatives of the company in which they come. It has been found that consumers generally obtain news on the company's social responsibility behaviour through the Internet, newspapers and from the TV programme, what states that the media have a large influence on public opinion and in general, the media are powerful instrument for communication between companies and consumers [9]. Businesses cannot wait and listen to what is happening on the market and leave it to others to form their own image in public. By listening to the environment, companies create their own communication strategies, raise their image in society and create

a positive opinion among customers, consumers and partners. It is essential that the company recognizes the benefits of a socially responsible behaviour in order to adjust about its activities and processes.

Companies see the benefits of socially responsible business primarily in strengthening the brand, corporate image and expanding influence on the market. From the research [10] it is clear that the dominant focus is set on the economic aspect of the business activities, although companies also take into account protection of nature and participation in social activities. Corporate social responsibility helps in implementation of changes and adjustments while respecting and listening to their environment. The principles redefine the business of each entity in today's market circumstances, and the interaction and inseparability of all stakeholders emphasize the communication that aims to create added value throughout the value chain [11]. In the Republic of Croatia, it seems to exist corporate social responsibility for business operations that has been conducted by the European Union with a program of rewarding entities that actively accept socially responsible behaviours. On the other hand, the United Kingdom has a different case: there socially responsible businesses have been encouraged by its own government. Both cases have similarities when corporate social business responsibility operations are not triggered by the market [12]. There are tangible contributions to local health services in the form of donations to hospitals and health centres. Also, more than three quarters of the companies significantly support education and many of them give examples of their contributions in the form of scholarships, awards and other grants. As expected, about 60% of the companies help by means of humanitarian aid to the poor and vulnerable [13]. The influence of all institutions and markets cannot be sufficient if the company has not invested internally in efforts to foster a socially responsible organizational culture. Companies with functional organizational culture among employees create positive thinking, feelings and actions, but they are also observed from their environment – from their clients, stakeholders and the communities in which they operate. On this way, the company's image is qualitatively developing. In addition, the culture of a functional organization contributes to the motivation and involvement of employees when solving challenges and challenging problems. The level of flexibility in the division of tasks and responsibilities is common and the employees of such an organization can effectively fulfil the tasks for which they are talented and voluntarily invest their time to achieve maximum success [14]. The ethical behaviour of economic entities will always be one of the key factors of socially responsible business, but for the abovesaid it is extremely difficult to present this to the general public.

Respect and trust build the company's reputation, and the reputation attracts investors, buyers attracts goods and services, and new and talented employees. Directing companies and its management towards continuous improvement of corporate image becomes an important dimension of business success [15]. Corporate social responsibility is considered correct only if it implies a focus on a moral growth because it is clear that only ethical business can be socially responsible. Acting responsibly towards society means acting responsibly towards each one of individuals [16].

THE ATTITUDE OF TRADING COMPANIES TOWARDS SUPPLIERS

It's necessary to keep constant concern about relations with the suppliers and to improve them to the previously set goals. Also, it's necessary to keep specific policy concerning the total number of suppliers, development suppliers, the acquisition of quotas from them, the mutual information's of the needs and possibilities of meeting the requirements, spatial distribution (procurement from local and global sources), and exploring of shortcomings and possibilities of their elimination [17]. The purchase must ensure harmonious running of business processes in conjunction with other business functions and organizational units, in line with the interests of the company, employees and the community. The conceptual model of managing relationships with the key suppliers distinguishes three key phases, and they are as follows [18]:

1. Planning relationships with suppliers.
2. Implementation of the supplier's relationship program which includes: configuration of the supplier database, supplier development and integration with suppliers.
3. Control and monitoring of relationships with suppliers.

Guided by this idea, Ervelles and Stevenson pointed out that it is of strategic importance for companies to segment not only the customer market but also the supplier market. With regard to this, they suggest that suppliers should be classified according to their strategic importance to the company, as there exist strategic

(important) and transactional (less important) suppliers. Wilson argues that the process of building value for customers requires collaboration and long-term relationships with suppliers. Such an approach to supplier segmentation forms segments that are significantly different with regard to the intensity of activities by which are managed and regulated the relationships with these two categories of suppliers (strategic and transactional)[18]. The purpose of procurement is to connect and harmonize the needs of its own organization for resources, services and energy, which organisation does not produce together with the interests of suppliers of these supply facilities [17]. Supplier relationship management is primarily a process of conducting activities to establish, stabilize and terminate supplier relationships as well as monitoring possible (potential) suppliers in order to create, maintain and upgrade the value within the relationship with the supplier. While customer relationship management aims to maximize the number of potentially valuable customers, supplier relationship management strives to optimize the existing supplier portfolio. When respecting and valorising of theoretical and empirical knowledge about supplier relationship management enables the positioning of this concept in modern business marketing. It is a process that allows the creation of value for the next member in the supply chain through the supply process. Relationships with suppliers largely determine the company's capabilities on the customer market, but only if the company makes a distinction between strategic and transactional relationships with suppliers[18].

Socially responsible companies have recognized that through the influence of their behaviour in procurement and with the supply chain management, they can obtain significant effects on their reputation and performance[19]. Companies with the social responsibility base their relationship with suppliers and subcontractors on mutual respect and foster long-term stability of relationships with suppliers, in exchange for value, quality of delivered products and reliability in delivery; they share information's with suppliers to include them in the planning process, pay suppliers on time and in accordance with the agreed business conditions, seek, encourage and are loyal to the suppliers and subcontractors, who promote socially responsible business[20].

RESEARCH METHODOLOGY

Data in the survey were collected by means of a closed - ended questionnaire (with offered answers "Yes" and "No"), and the survey was conducted through January and February of 2021, with the aim of gaining of an insight and analysis if such companies are doing business on a corporate social responsibility manner to their suppliers, do they comply with their obligations to suppliers and do they handle it in accordance with the ethical standards of corporate social responsibility. The study was attended by representatives of middle and senior management of 25 medium and large trade companies from the Republic of Croatia. The survey questionnaire as a research instrument contained 12 questions. Prior to the start of the research, the respondents were acquainted with the research and the subject of the research. The sample is suitable because only representatives of trade companies were targeted in the sample, and descriptive statistics were used in the analysis of the results.

In accordance with the set theoretical-methodological approach and the title of the issue, the main hypothesis is set:

H₁ - Trade companies act socially responsibly towards suppliers.

THE RESULTS OF RESEARCH ON CORPORATE SOCIAL RESPONSIBILITY IN RELATION TO SUPPLIERS

The results of the research on corporate social responsibility in relation to suppliers indicate that 84% of companies are familiar with the concept of corporate social responsibility; 20% of companies do not have documents that include corporate social responsibility, and also 28% of them report on present corporate social responsibility activities.

In all observed companies there is an obligation to pay suppliers on time. 84% of companies educate their employees who do business with suppliers for the achievement of quality and business communication, and in 76% of companies' employees are familiar with the ethical attitude towards suppliers. 32% of surveyed companies do not have documents that prescribe relations with suppliers. 44% of the surveyed companies had complaints from suppliers in the course of their business, while 60% of

them had experienced attempts of unethical treatment by the suppliers. 92% of surveyed companies are satisfied with the cooperation of their company with suppliers. 96% of respondents consider that their company acts in accordance with the ethical norms of corporate social responsibility.

CONCLUSION

Successful business and a developed awareness of socially responsible behaviour promotes the company to a higher level of competitiveness, which affects its long-term sustainability. For the successful business operations of any of trading companies, except for the good customer relations, relationships with the suppliers are also very important. Every successful procurement department results from the procurement of products at a reasonable price, of a good quality product, timely and in the required quantity. To achieve this, it is necessary to foster and maintain a high level of relationships with its suppliers, respect contractual obligations, promulgate the business communications and also to adhere to the ethical principles. Limitations met in the course of the research are related to immeasurability, i.e., the lack of quantitative indicators in the course of the implementation of corporate social responsibility. The results of a research on corporate social responsibility of trade companies in relation to suppliers indicate how the observed companies operate socially and corporately responsibly towards their suppliers, by which the main hypothesis has been confirmed (*H₁ - Trade companies operate socially responsibly towards suppliers*). All surveyed companies respect payment deadlines, and the vast majority of companies educate their employees for they have become familiar to the purpose of dealing with relationships with their suppliers, and also their employees are familiar with the ethical attitudes towards suppliers. For the purpose of a more responsible and ethical treatment of suppliers, it is necessary for trade companies to prepare documents in which this is prescribed in order to reduce attempts for unethical actions done by the suppliers. Implications for future research could be the use of socially responsible business in manufacturing companies and in other sectors of the economy, e.g., in tourism.

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Article history:

Received 20 September 2021

Accepted 25 November 2021