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Corporate Social Responsibility — Introducing a New Model for Improving the Financial Performance of Large Enterprises: The Case of Kosovo

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Corporate Social Responsibility — Introducing a New Model for Improving the Financial Performance of Large Enterprises: The Case of Kosovo

An Honors Society Project

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Abstract

The purpose of this research project is to show the impact of corporate social responsibility (CSR) on improving long-term corporate financial performance. In line with the literature review, the integration of CSR with Human Resources Management (HRM) and Marketing Strategies were used as the two components of achieving profitability because they were considered as complements of one another. The overall goal is to show how CSR strategies can have positive effects on workforce productivity, employee engagement, brand awareness, and differentiation of the organization in a developing country such as Kosovo. The research method included two primary research tools: (1) semi-structured interviews and (2) survey. A total of 22 company representatives ($n^i = 22$) were interviewed, while the survey was completed by 124 respondents ($n^s = 124$). The results from the interviews indicated that companies who are using CSR have done so because of international partnerships, alleviation of costs, better brand image, and show support for employees and disadvantaged communities. Lack of information is the primary reason why large enterprises in Kosovo do not engage in CSR. Others confuse it with philanthropy, an outdated version of CSR, while some are not interested in changing business as usual practices even in face of market changes. The survey was used to present the point of view of customers and potential employees, in this case the Kosovar Generation Z (Gen Z-ers) cohort, on enterprises that use CSR. The survey highlighted that Kosovar Gen Z-ers have different mindsets and lifegoals compared to their parents. Many are concerned about workforce culture, salaries, and travel opportunities but the majority have a negative perception of Kosovar large businesses. On a positive note, Kosovar Gen Z-ers are interested to work at companies that care for them and their communities, while they are also willing to spend more for their products and services. Finally, the research proposes a new model that might assist large Kosovar enterprises to improve their bottom line if they start their CSR strategy internally linking it with HRM, and then externally through marketing. If giant enterprises want to keep their place in the market, they have to adapt to international standards and mindsets, and be proactive with regards to customer expectations and engage in CSR.

Keywords: CSR, HRM, Marketing, Gen Z, Kosovo, Large businesses

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Thank you to all my friends at AUK without mentioning any names. You made my college experience unforgettable and I will be thankful for that my whole life.

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Dedicated to

Shaun and Jill Byrnes

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List of Abbreviations

G&S — Goods and Services

MNC — Multinational Corporation

CSR — Corporate Social Responsibility

Gen Z-ers — Generation Z

UN — United Nations

EU — European Union

CEO — Chief Executive Officer

COO — Chief Outreach Officer

CFO — Chief Financial Officer

KCC — Kosovo Chamber of Commerce

KCN — Kosovo CSR Network

CMO — Chief Marketing Officer

CSP — Corporate Social Performance

R&D — Research and Development

HRM — Human Resource Management

PR — Public Relations

SROI — Social Return on Investment

ODK — Open Data Kosovo

SAK — Statistical Agency of Kosovo

B2C — Business to Consumer

B2B — Business to Business

IRR — Internal Rate of Return

SME — Small and Medium Enterprises

Introduction

The beginning of the 21st century found businesses from all around the world struggling with daily and long-term operations such as financial instability, inefficient production, resource scarcity, rising costs, and externalities of regulation and deregulation, to name a few (Rosenfeld et al., 2011). However, these problems had already become common to the casual business owner who tries to meet its client expectations using different methods and techniques in its business production cycle without taking into account long term implications of those decisions. For example, cheap labor is used to arrive at the desired quantities of goods and services (G&S) without placing a lot of attention to safe working conditions, salaries, and employee rights (Markides & Berg, 1988). Furthermore, cheap labor often means a less qualified workforce which can damage the quality of products and may not offer innovation and differentiation (Markides & Berg, 1988; Rein, 2012). Natural resources are being depleted at an enormous rate, especially in developing countries since they serve as primary exports and are used by multinational corporations (MNCs) in developed countries to produce more sophisticated G&S (Todaro & Smith, 2015). At the same time, for decades there were few efforts to protect the surroundings where these G&S were disposed (Field, 2016). In other words, such actions are not only causing loss of non-renewable resources, but also polluting the environment (2016). These decisions result in a situation where the average customer is left with a polluted environment and low-quality products due to growing scarcity and increased prices.

To address consumer needs and adapt to challenges posed by macro environmental shifts, of which climate change may be the most critical, businesses have a central role to play. From the 20th century, some MNCs from the developed world (e.g. Coca Cola), have started adopting practices and policies which gave considerable attention to customer well-being, environmental protection, and most importantly sustainable profit-making mechanisms (The Coca Cola Company, 2019). Such actions today are known as Corporate Social Responsibility (CSR), Corporate Citizenship, and many other names. Regardless of the attribution that we give to it, CSR is seen as one of the most effective ways for a business in this century to acquire loyal customers and increase profits (Stoian & Gilman, 2016).

In Kosovo, a small developing country in South-Eastern Europe, the concept of CSR has just taken root among some large businesses (Kosovo CSR Network, 2017). Since EU integration

is one of Kosovo's main goals, its economy has to comply with EU guidelines and policies which include sustainable business practices that benefit companies as well as consumers and the environment. This means implementing CSR. These practices may be one of the key tools in increasing Kosovar production schemes, customer loyalty, employment, and standards of living.

The purpose of this study is to examine the potential that large enterprises in Kosovo have in using CSR policies and through them improving their market position. This analysis focuses on CSR strategies related to human resource management practices and marketing campaigns which have been implemented by giant businesses and the benefits that such strategies have brought. Finally, this paper will provide recommendations on implementing specific CSR strategies for large ventures in Kosovo.

Literature Review: Introducing Corporate Social Responsibility

CSR as a management concept spans a variety of business disciplines. It is primarily designed to improve the financial position and brand value of a company (Srichatsuwan, 2014). Consequently, it brings different stakeholders inside the business environment while taking into account their viewpoints on other issues that the company should be concerned about such as customer satisfaction, sustainability in production, and performance evaluation schemes (2014). The *United Nations Industrial Development Organization* (2019), a special branch of the UN, which tackles poverty and industrial development in developing countries, defines CSR as "being the way through which a company achieves a balance of economic, environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders" (par.1). In other words, CSR is a balance-achieving mechanism that uses stakeholder interaction and shareholder expectations to achieve customer satisfaction, environmental protection measures, and most importantly, improved economic well-being.

The Historical Background of CSR

Most scholars generally agree that businessman Andrew Carnegie is responsible for the first interpretation of CSR in the late 19th century (Association of Corporate Citizenship Professionals, n.d). In his famous *Wealth* (or the Gospel of Wealth), Carnegie talks about the sufferings of the lower and middle classes while he entreated the rich to donate some of their profits to those who were less fortunate at the time, citing profound differences in standards of living (Carnegie, 1889). Carnegie's philosophy inspired entrepreneurs such as John Rockefeller—

CEO of Standard Oil Company—to engage in philanthropic activities (Association of Corporate Citizenship Professionals, n.d). Rockefeller ended up donating up to $500 million for science programs and improvement of education (History.com Editors, 2010). That is, initially CSR was considered as philanthropy which was done by MNCs. However, World Wars I & II, in addition to the Great Depression alongside nationalistic and self-determination movements created an impasse for CSR (Carroll, 2008).

The end of World War II marks the start of a new and a more strategic CSR. The consequences of that daunting era (e.g., the development of nuclear weapons and environmental disasters), convinced consumers that companies, especially giant enterprises, are responsible for much more than their own financial performance and giving customers products; they should give back to society and care about the protection of the environment (Carroll, 2008). In other words, the 70's represent the decade where CSR is not anymore just corporate philanthropy, rather it becomes a business strategy to generate social efficiency (Association of Corporate Citizenship Professionals, n.d). Even though most CEOs acknowledged this change, they were still confused in the implementation part (Holmes, 1976). Studies found that business owners would invest in a social project based on (1) the ability that the enterprise had to give assistance to society; (2) the emergency/severity of the social cause; (3) shareholders interest on the problem; (4) the amount of publicity generated; and (5) public authorities' incentives such as tax relief or deregulations (1976). Even when CSR policies began to be discussed, by being defined differently—based on the primary interest of business owners or other stakeholders—what one business considered as being socially responsible, another would not (Dahlsrud, 2008).

At the end, the customer revived CSR and pressured businesses to start incorporating it in their strategies. Large businesses such as Apple, Enron, Facebook, Uber, Volkswagen, and Valeant Pharmaceuticals are some companies that were found in major financial scandals, data breaches, and violation of human rights (Beauchamp, 2018). Customers demanded change—and still do—from businesses in every industry. Social media enabled customers to communicate directly with enterprises, criticize them, and voice their concerns (Kane, 2015). In such a way, businesses have started to engage more with their customers, and with the establishment of social media management the business-consumer interconnectedness has grown much more. Environmental crises which are becoming more recent with climate change effects are also making a strong case

for the implementation of CSR (2015). Companies must understand that they have legal and ethical duties and obligations towards their clients, and if they want to maintain their place in the market, they have to adapt to customer needs, wants, and demands.

CSR: Defined

Defining CSR is a complex issue; however, most CSR definitions encompass similar elements. CSR has been interpreted differently based on the interests and agendas of many stakeholders (Dahlsrud, 2008). For example, the business owners may define CSR only based on profit targets and increased market share, but the customers or the media may define CSR as the responsibility of the business to give customers accurate details about their production methods and supply chains, while employees can certainly define it as ethical labor standards and acceptable minimum wages (2008). According to Archie Carroll (1991), a professor at Georgia University known for his contribution to CSR research, claims that when it comes to CSR there are 4 elements that every business should incorporate in their daily activities. They are also known as Carroll's CSR levels which consist of:

- Economic attributes
- Legal requirements
- Ethical standards
- Philanthropic activities

These levels are explained below:

(1) **Economic** — this is the most basic level of CSR and which all other elements are based upon. It is defined as "producing products and services that will translate into profit to the organization" (Carroll & Shabana, 2010). The economic base includes maintaining stable profit margins, producing at low cost, and having employee efficiency and productivity (Baah & Tawiah, 2011).

(2) **Legal** — this element focuses on obeying the law and mandating that rules, procedures, and regulations set by the government be obeyed at all times from enterprises for whatever activity, no matter their size (Carroll & Shabana, 2010).

(3) **Ethics** — includes working by the morals, norms, rules, and principles of society (Hlatywayo, 2015). It is defined as "embodying those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights" (Carroll & Shabana, 2010). In other

words, caring about the perception and moral framework of stakeholders. This level is very important for customer trust and business image.

(4) **Philanthropic** — includes volunteering and charity (scholarship, donations, etc.). These are actions done after a business has a solid financial performance, legal and ethical standards (Hlatywayo, 2015). Philanthropy is also investing in education or healthcare, namely donating for the social objectives of the community (Carroll & Shabana, 2010).
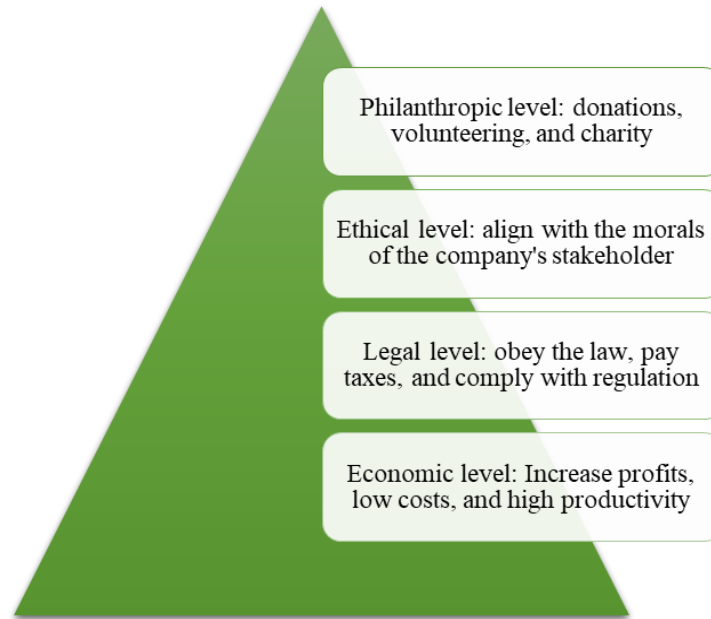
Figure 1-Carroll's CSR Pyramid

Source: Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, *34*(4), 39–48.

The most important point to note is that CSR has changed, and it is not only philanthropy. A contemporary approach to CSR includes Carroll's pyramid, value creation, and strategic philanthropy (Salib et al., 2015). The table below gives the main differences between traditional CSR and the one that many companies try to use effectively:

	Traditional CSR	*Modern CSR*
Focus	Give back to society	Generate profits and long-term stability
Drivers	Branding, the general public, image	New products, changing markets, competition
Actors	The company	The company, employees, customers, supply chain
Bottom-line	Share profits	Create profits
Orientation	Reacting to the market	Being proactive in the market

Table 1-Traditional and Contemporary CSR Elements

Source: Crane, A., Matten, D., & Spence, L. J. (2014). *Corporate social responsibility: readings and cases in a global context*. Routledge.

As such, traditional CSR focused more on simple philanthropy, while contemporary CSR aims to generate sales and profits. While traditional CSR was driven mainly due to branding issues, contemporary CSR is driven because of product innovation and workforce productivity. Traditionally, CSR strategies were developed from company leadership, while today's CSR strategies includes the involvement of customers, employees, and media representatives. Lastly, CSR strategies are not anymore reactive to market forces and changes in the macroeconomic environment, rather they influence those changes.

Stakeholder management is a critical component of any CSR strategy. Table 1 shows that contrary to traditional CSR, modern CSR engages internal and external stakeholders. The main stakeholders in CSR programs are usually customers, employees, shareholders, media outlets, and suppliers. The values of these stakeholders represent the core of every CSR strategy. CSR programs must have specific actions that will fulfill these values so that every stakeholder will be satisfied and engaged in the CSR program.

Table 2 below analyses values and actions that business owners should consider with regards to their stakeholders' values.

Stakeholders	Values	Actions
Employees	• Maintaining safety and health in their working environment. • Developing and improving skills.	• Provide a family friendly work environment. • Invest in employee training and development programs.
Suppliers	• Partnership between ordering company and supplier. • Selection and analysis system of suppliers.	• Engage in fair trading transactions with suppliers.
Customers	• Production quality. • Safety of customer during use of product.	• Provide information that is truthful, honest and useful. • Products and services provided are safe and fit with their intended use.

Community	• Creation of added value to the community. • Environmental safety and production. • Improved standards of living.	• Encourages employee participation in community projects. • Demonstrates a commitment to sustainable development.
Media	• Communication of actions and problems to customers.	• Engage in PR and marketing.

Table 2-CSR and Stakeholder Management

Source: Salib, J., Sun, D., Wu, J., Wen, X., & Huang, Ch. (2015). (rep.) *Corporate Social Responsibility*. Huamin Philanthropy Brochure Series – 13.

Since CSR definitions are often shaped by stakeholder interests, we can assume that Carroll's four categories are central to any CSR regulation or policy adopted by different companies. That is, it is practically impossible to have a universal definition of CSR that will be acceptable in every industry and by every business. CSR decision-making processes are evaluated through the efforts of a specific company to invest in customer relationship management, environmental protection, non-financial disclosure, increased profitability through sustainable efforts, and stakeholder management strategies that focus on specific actions that match stakeholder values.

CSR Specifications in a Developing Country Context

CSR in developing countries encompasses Carroll's elements in more detailed aspects. The most notable academic in the field of CSR in developing countries is Wayne Visser (2009) who has defined developing country CSR strategies as "the formal and informal ways in which business makes a contribution to improving the governance, social, ethical, labor and environmental conditions of the developing countries in which they operate, while remaining sensitive to prevailing religious, historical and cultural contexts" (p.474). In other words, CSR in developing countries besides the general points covered by Carroll's pyramid, also deals with issues such as culture, history, and religious affiliations that are unique to the developing country and tries to incorporate them into the CSR strategy. There are many reasons why implementing CSR in developing countries is needed: (1) CSR obstacles in developing countries are unique from those faced in the western world; (2) economic development, business investments, and globalization have greater impacts in developing countries; (3) social crises and environmental disasters have

profound effects in the developing world; (4) since economic growth in developing countries is the fastest, these regions represent fertile "business" soil (2009).

Thus, Carroll's CSR pyramid changes when we talk about developing countries.

- In the Economic level, the focus of CSR is in the overall development process of a country such as providing jobs, investing in safe and quality products, participating in the improvement of human and physical capital through scholarship donations or infrastructure support, and investing in the transfer of technology in areas where development can be achieved much faster (Todaro & Smith, 2015; Visser, 2009; Nelson, 2003). Nonetheless, developing countries must find innovative solutions and business models to reduce of dependency from western countries because local governments in order to maintain investments from MNCs sacrifice the social, cultural, environmental, and religious values of local communities (Todaro & Smith, 2015; Visser, 2009).

- The Legal level receives less attention on CSR practices in developing countries simply because of the weak legal infrastructure that prevails in those regions (Visser, 2009). There are studies which claim that many businesses who operate in developing countries evade taxes, violate human rights, and pollute the environment (2009).

- The Ethical level also receives less attention in developing countries. Corruption is a serious problem in business practices in these countries (2009). Corruption practices hinder the creation of new businesses, reduce the profits of enterprises, lower the morale of entrepreneurs to invest and innovate, and so forth (World Bank, 2013; Visser, 2009).

- The Philanthropic level is much more advanced in developing countries when it comes to CSR programs. Contrary to developed country where philanthropy is an incentive from the well-established legal systems, in developing countries philanthropy stems from the culture, tradition, and religious affiliations of the business owners, while also hoping to improve the lives of their local community and better serve their immediate target market (Visser, 2009).
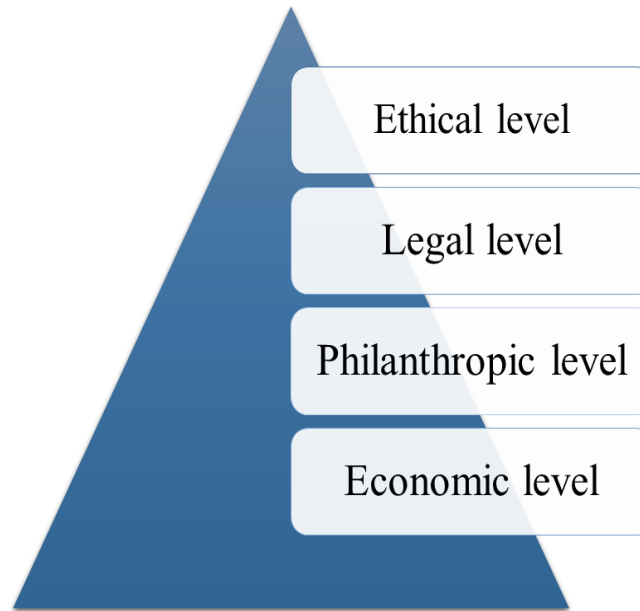
Figure 2-CSR Pyramid in the context of a Developing Country

Source: Visser, W. (2009). Corporate Social Responsibility in Developing Countries. In *CSR 2.0: The Future of Corporate Social Responsibility* (pp. 473–498). Oxford Handbooks.

Figure 2 shows that developing countries represent a new and different route of CSR policies that is different from the standard Carroll pyramid that has been so influential for CSR research. Tradition, culture, religion, and social standards/norms highlight the importance of the economic and philanthropic aspects of CSR. Since developing countries are plagued by poverty and income inequality, the economic and philanthropic levels represent the basis for tackling of these development problems and for leading to sound economic growth. Then, the legal and ethical levels are crucial in providing rule of law, equal distribution of income, and protection of consumers. These levels, as explained above, seem more challenging to get to but they are far more important.

Corporate Social Performance

CSR is often used interchangeably with the notion of Corporate Social Performance (CSP). CSP is defined as "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and observable outcomes as they relate to the firm's human, stakeholder, and societal relationships" (Wood, 2010). In other words, CSP focuses on the basics of CSR such as the responsibility that a company has to the wellbeing of the community it operates in, but it also pays attention to the ways in which CSR is implemented, and the consequences that derive from a certain CSR policy. CSP essentially deals with the results of CSR. Moreover, CSR

proponents suggest that CSR and CSP should be used without much distinction since an action (CSR) will necessarily lead to a result (CSP) (2010). Throughout this analysis, whenever the term CSR is used, the term CSP is inferred to account for the outcomes of CSR decisions.
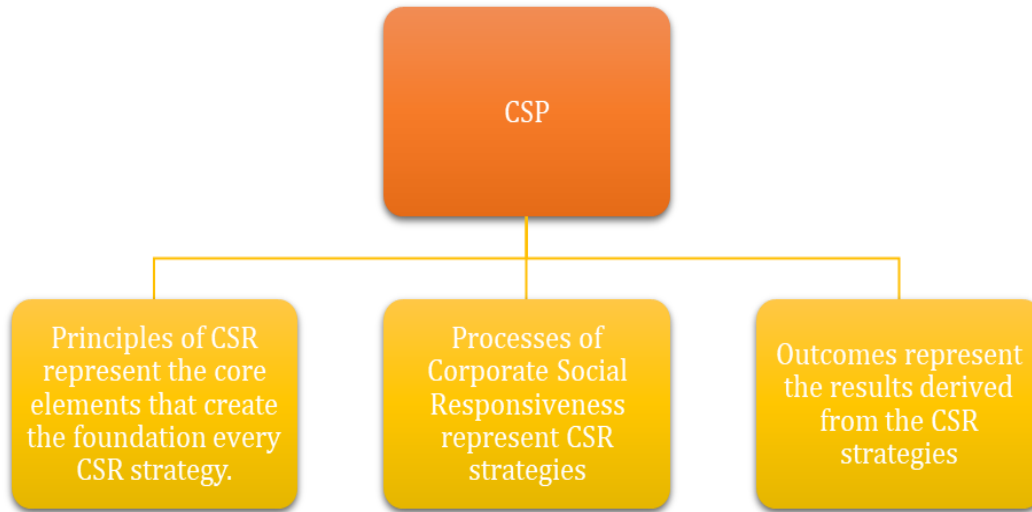
Figure 3-Elements of Corporate Social Performance

Source: Wood, D. (2010). Corporate social performance (CSP). In W. Visser, D. Matten, M. Pohl, & et. al., *The A to Z of corporate social responsibility* (2nd ed.). Hoboken, NJ: Wiley.

Figure 3 represents a graphical representation of the three important blocks of CSP. Principles of CSP include institutions such as local and national government; organizations include businesses; and individuals include employees, most importantly the managers since they will the ones who will implement the specific CSR strategy. CSP processes are based on the macroeconomic assessment; knowing the major forces that are operating in the market such as technological innovation and/or political reforms and trying to either adapt to them or initiate change. Finally, CSP outcomes highlight the results that the CSR strategy has managed to deliver to its stakeholders be those social impacts or programs and policies. It's important to note that many times these social impacts can have effects that spread throughout the world and ecosystems and may cause substantial damage if they are not controlled by businesses and institutions alike (e.g., oil spills).

Figure 4 below gives a detailed picture of CSP and its main elements including the three main principles of CSP, its processes, and consequences of CSR policies and programs.

Principles of Corporate Social Responsibility
Institutional principle: Legitimacy — *"Society grants legitimacy and power to business. In the long run, those who do not use power in a manner which society considers responsible will tend to lose it."*
Organizational principle: Public Responsibility — *"Businesses are responsible for outcomes related to their primary and secondary areas of involvement with society."*
Individual principle: Managerial Discretion — *"Managers are moral actors. Within every domain of corporate social responsibility, they are obliged to exercise such discretion as is available to them, toward socially responsible outcomes."*

Processes of Corporate Social Responsiveness
Environmental assessment: *"knowledge about the social, political, legal, financial and technological environments can be used to devise strategies for adapting to the environment or, conversely, changing it. Presumably, better environmental scanning would pay off in better social and financial performance for companies."*
Stakeholder Management: *"links external stakeholders and company functions in order to maintain a balance between them"*
Issues Management: *"IM involves devising and monitoring internal and external processes for managing a company's responses to social issues with the purpose of minimizing surprises"*

Outcomes
Social Impacts: *"factory disasters, oil spills, toxic wastes, harmful products, illegal payments to politicians, improper testing, provision of jobs, needed and desired goods and services, wealth creation, payment of taxes, technological innovation, and other similar beneficial social impacts of business behavior."*
Programs and Policy: *"a conceptual move can be made to the outcomes of actions the firm undertakes explicitly to manage its social impacts. These actions include the investment of resources in social programs to achieve specified ends and the establishment of social policy to institutionalize socially responsible motives and socially responsive processes."*

Figure 4-The Three Layers of CSP

Source: Wood, D. J. (1991). Corporate Social Performance Revisited. *The Academy of Management Review*, *16*(4), 691–718.

CSR Drivers

There are several drivers which prompt companies to use CSR practices. Enterprises engage in CSR because of different factors such as client expectations, changes in the industry, competitive advantage, and government regulations (Haigh & Jones, 2006). These drivers may be categorized as external or internal ones and their structure may differ quite a lot from developed

to developing countries (Visser, 2009). Internal drivers stem from inside the company and even inside the country, while external drivers are shaped outside the control of a specific company or country (2009).

Figure 5 shows the main CSR drivers that companies face. For example, customer expectations might include environmental protection, respecting the workforce, and treating customer with dignity and not cheating them. Regulations might include government policies such as higher taxes, subsidies, and so on. Reduction in costs are possible through CSR policies as will be explained below. Gaining an upper hand in the market through market growth and differentiating from other competitors in different industries is also a key driver of CSR strategies.

Figure 5-General CSR Drivers in Developed and Developing Countries

Source: Haigh, M., & Jones, M. (2006). The Drivers of Corporate Social Responsibility: A Critical Review. *Business Review*.

Developing countries face additional CSR drivers which can be quite different from those that companies in the developed countries experience. As Table 3 and 4 below explain, internal drivers may be cultural norms and expectations, and even providing public G&S (filling public authorities' gap) which is something very uncommon for developed countries. Externally, firms in developing countries may see CSR as one of the strategies that will integrate them into the global economic market and also receive donor support from development agencies.

Internal Drivers

Driver	Explanation
Gov. regulation	Change of government; tax regulation; membership to international organizations.
Culture/tradition	Religious practices (Islam, Hinduism, Christianity, etc.) condemn unethical business practices; focus on charity; helping others in need; charity; moral and ethical values.
Development challenges	Besides doing business, focus also on alleviation of poverty, assisting in the provision of education, healthcare, infrastructure, and so forth.
Fill public authorities' gap	Provide the public goods that a weak government has failed to provide to the citizens such as housing, medicine, education, electricity, improve working conditions, ensure subsistence wages, and so forth.
Crisis aftermath	Civil wars, natural disasters e.g. tsunami or earthquake, economic crisis (i.e. responsibility of business to alleviate poverty, industrial crisis such as nuclear explosions).
Access in other markets	Enter the developed country markets.

Table 3-Internal Drivers of CSR in Developing Countries

Source: Visser, W. (2009). Corporate Social Responsibility in Developing Countries. In *CSR 2.0: The Future of Corporate Social Responsibility* (pp. 473–498). Oxford Handbooks.

External Drivers

Driver	Explanation
Standardization	The overall pressure of MNC to have consistency throughout its smaller companies operating in developing countries.
Supply Chain	MNC are screening their suppliers in developing countries through CSR policies in order to achieve better results.
Stakeholders	Development agencies; Trade/labor unions; NGOs both domestic and international; and business associations.
Investment	Investment decisions being filtered through CSR criteria.

Table 4-External Drivers of CSR in Developing Countries

Source: Visser, W. (2009). Corporate Social Responsibility in Developing Countries. In *CSR 2.0: The Future of Corporate Social Responsibility* (pp. 473–498). Oxford Handbooks.

The Focus of this Study

The effect of CSR strategies on potential profitability for large enterprises is the most important issue to be analyzed. To accomplish this objective, a detailed analysis of the role of human resource management and marketing practices will be explained as key variables that affect profitability with regards to CSR strategies. Relevant issues related to CSR will be explained and applied in support of the analysis, though may not apply directly to the research methodology.

Profitability

The goal of modern CSR is to improve the financial performance of enterprises. Existing studies suggest that "the cost of having a high level of corporate social responsibility is minimal and that firms may actually benefit from socially responsible actions" (Wu, 2006, p.168). In other words, while the cost of implementing CSR policies in different industries can vary to a certain degree, it still remains low compared to the returns that it brings to companies. For instance, CSR strategies can increase customer loyalty and pull a larger pool of customers which may translate into increased sales; it can reduce costs by improving workforce morale and in this way productivity; and it can mitigate risks, all of which ultimately might lead to a stable financial performance (Księżak, 2016).

Certainly, CSR presents only one strategic element to higher profits, and we have to acknowledge that it does not always bring more financial returns. Marketing, efficiency, innovation, R&D, and business partnerships are other important determinants of larger profit margins. However, the main point is to find certain profitable relationships that derive from CSR policies and their influence over stakeholder decisions (Cochran, 2007). It is important to understand that CSR practices put together with internal elements of the company such as marketing or HR, and external elements outside the control of the specific firm such as the macroeconomic environment of the industry, can bring significant improvements to the profitability aspect of a company. CSR can be profitable if the right combination of internal and external factors that influence the company with the CSR strategy is achieved. For the purposes of this research, focus has been given to CSR actions that are linked to HRM and marketing strategies and their effect on enterprise profitability. These two company activities are considered interrelated because employee relations can affect customer service which falls in the direct responsibility of marketing while proper marketing campaigns can attract potential employees.

Human Resources Management (HRM), the Workforce, and CSR

Labor practices are a core aspect of CSR. The professional and personal treatment that employees receive from employers, their satisfaction with the workload, salary, training/development programs, and working environment can significantly affect the profits of the company. The main benefits that CSR policies can bring to the company in terms of its workforce are the following:

Increased employee morale and productivity

The HR department in large businesses can increase the morale and productivity of employees by engaging them in CSR programs. This produces a win-win alternative for the company as engaged employees are also productive employees. Even though there are countless definitions of employee engagement, this paper defines engagement as having three distinct layers (Alfes et al, 2013):

- Improving performance and critically think about one's job;
- The positive feeling of doing the assigned tasks and duties linked with the job; and
- Being active in discussing job-related factors and topics with fellow coworkers.

Peirce and Madden (2005) found that there is a rise in productivity of up to 70% for employees who are dedicated to company norms and values, including CSR. Furthermore, studies have shown that out of every 10 employees, 8 are more productive and have higher morale if they see that their employers are investing in causes that help their communities (Voegtlin & Greenwood, 2016; Strandberg, 2009). Moreover, the participation and involvement of senior leadership management in events that are connected to the local community of employees, typically increases employee satisfaction and motivation (Strandberg, 2009). In other words, when company leadership make decisions that align internal programs with employee concerns and interests, productivity might be increased. Employee engagement in CSR activities can also encourage them to be more innovative as they strive to find new solutions and ideas for problems which deal with effective CSR implementation (2009).

Satisfied employees bring many benefits to the company. For instance, greater output, quality work, and lower costs are only some of the advantages of a satisfied workforce (Wroblewski, 2019). Employees with high morale excel in customer service (Strandberg, 2009).

Satisfied customers, in turn, are more likely to return and inform their friends, family, and coworkers about their experiences generating a larger customer pool for the company (2009). Research has demonstrated that "8% of customers switching brands are lured away by competition; in contrast, 68% are turned away by an employee's indifferent attitude" (qtd. in Starndberg, 2009). A company has to keep employees motivated so that they can offer excellent customer service; otherwise, dissatisfied customers spread bad-word-of-mouth advertising for the company which damages brand reputation (Kotler & Armstrong, 2016). That is, engaging employees in CSR can increase their productivity and customer service skills, which will generate higher profits.

Attract better prospective applicants

Effective CSR strategies can serve as excellent PR tools to attract future employees. According to the recent 2019 Deloitte and the Network of Executive Women (NEW) Gen Z survey, Gen Z individuals (born between 1997 and 2010) are more likely to work for a company that is known for their internal and external CSR strategies such as decent salaries, employee training, supporting the community, and combating environmental pollution (Gomez et al., 2018). Consistent with this observation, 37% of Gen Z-ers have stopped buying from companies who have shown signs of unethical behaviors, while 32% believe that companies should focus more on improving social livelihood and the environment compared to 28% who believe that enterprises should focus on making profits (2018). This comparability is impressive given the prevailing traditional view of business as profit driven. Up to 30% of students from different MBA programs have expressed that a company's CSR commitment plays an important role if they want to apply for a position (Aspen Institute Center for Business Education, 2007). The findings of Cone Communications (2019) global research show support for these claims as 83% of Gen Z-ers answered that they care more about the purpose of a company rather than the paycheck. On the other hand, 89% of Gen Z-ers want to participate in CSR strategies developed by their employers (2019). In other words, companies must focus on CSR is order to attract a larger workforce pool that is more productive, more motivated, and cares about social wellbeing in general. Since Gen Z-ers will soon surpass millennials in terms of workforce percentage in many countries in the coming decade, companies have to focus more on their CSR programs if they want to hire better employees. The modern workforce is clearly paying attention to the quality of an employer and is seeking opportunities to work at companies where they feel that they can develop personally and make a positive impact in their jobs and communities.

Turnover, training, and recruitment improvements

The commitment of companies to CSR practices is also important to employee loyalty. Research has shown that employees are more motivated to change workplaces if they see that their company is not investing in social causes, is mistreating employees, and does not offer opportunities for advancement (Żychlewicz, 2014). Recent studies claim that employees who work for companies that integrate CSR policies have a greater sense of pride which is associated with higher loyalty and lower turnover (Ng, Yam, & Aguinis, 2018). Companies that implement CSR strategies that improve the working environment, recognize employees for their work, provide bonuses and new experiences, spur innovation, and offer support to the community of their employees are more likely to have lower turnover levels.

Lower turnover is associated with lower recruitment costs. Companies face high costs to replace an employee, including costs of advertising, applicant screening, interviewing, loss of output, loss of sales, loss of training investments, and time to train the new employee (Merhar, 2020). To avoid the loss of both financial (training, sales, output) and non-financial investment (time, productivity) retention programs and policies including CSR, have significant impact.

The Case of Advanced Micro Devices (AMD)

To take a specific example that demonstrates the impacts of well-designed CSR policies on employee efficiency, motivation, and skill-mastering, this paper has focused on Advanced Micro Enterprises (AMD), a global leader in the field of software technology, microprocessors, and graphic applications, which incorporates CSR as one of its core values. AMD starts the recruitment process with "ethical screening" which involves separating CV's of applicants whose moral views, values, and perspectives match with those of AMD, and those who do not. That is, AMD attracts employees who care about CSR. Internally, AMD strives to provide its workforce an environment that prioritizes health, safety, inclusion, diversity, and respecting labor laws. Furthermore, AMD donates and participates in events that help the local community of their employees. In 2019, AMD employees prepared more than 40,000 meals for the homeless, assembled 6,300 educational packages, planted 4,000 trees, and donated more than $125,000 for charitable purposes (AMD, 2019). AMD engages employees all the time in their CSR agenda and in this way employees become aware that they are contributing something to society and the planet (Meister, 2012). 96% of AMD employees have reported increased productivity due to company efforts to invest in CSR (2012).

HRM and CSR — a step by step process

Figure 6 gives some guidelines to HR managers and front-line managers on how to connect CSR policies with the hiring process, effectiveness, productivity, and employee on-the-job performance. It is important to note that HR managers should not force CSR to the overall employee structure. Rather, they should train immediate supervisors to show employees the benefits of engaging in CSR strategies such as productivity, job satisfaction, and better compensation.
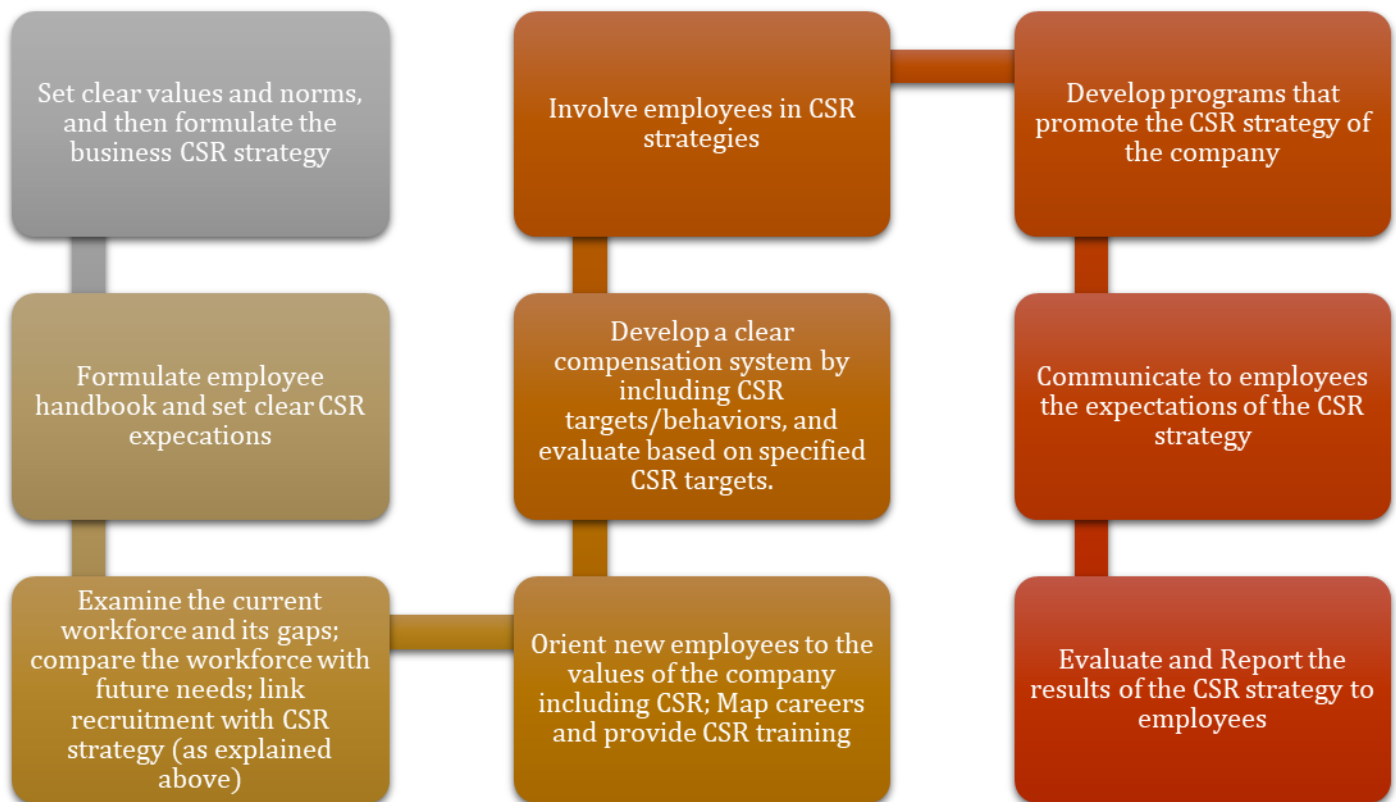
Set clear values and norms, and then formulate the business CSR strategy	Involve employees in CSR strategies	Develop programs that promote the CSR strategy of the company
Formulate employee handbook and set clear CSR expecations	Develop a clear compensation system by including CSR targets/behaviors, and evaluate based on specified CSR targets.	Communicate to employees the expectations of the CSR strategy
Examine the current workforce and its gaps; compare the workforce with future needs; link recruitment with CSR strategy (as explained above)	Orient new employees to the values of the company including CSR; Map careers and provide CSR training	Evaluate and Report the results of the CSR strategy to employees

Figure 6-CSR integration through HRM

Sources: Strandberg, C. (2009). (rep.). *The Role of Human Resource Management in Corporate Social Responsibility*. Strandberg Consulting.

Peirce, M., & Madden, K. (2005). (rep.). *Driving Success: Human resources and sustainable development*. World Business Council for Sustainable Development.

Marketing, Branding, and Customers

Marketing is the second component that this analysis focuses on. Marketing is defined as "[t]he process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return" (Kotler & Armstrong, 2016, p.29).

That is, broadly, marketing focuses on creating products, services, and experiences that meet or exceed the needs, wants, and expectations of customers, effectively creating value and delight for them, and in turn capturing value from customers in forms of sales and customer retention. Companies who incorporate CSR in their campaigns have higher probabilities of achieving "word-of-mouth" marketing, aligning itself with the perception and values of customers, attract prospective employees, and successfully differentiate themselves from competitors.

Customer Perceptions

Customers together with their experiences and perceptions are crucial aspects of a company's profitability chain. For a company to have stable financial performance, it needs to have loyal customers. Customers are defined as loyal when they frequently buy a company's G&S and they are willing to spend more on them rather than on their competitors even if the G&S of that firm are more expensive (Kotler & Armstrong, 2016). Customers whose level of loyalty is high and frequently buy a company's G&S, are known as true friends (2016). The goal of every company is to attract and maintain these sorts of customers. However, in order to attract these customers, the company must offer its customer an excellent experience which exceeds their expectations (i.e., delighting the customer) (2016). This delight comes from a variety of sources such as employee attitude and behavior, the quality, style and design of the product, how much that product actually satisfies the need that the buyer has, and the extent to which the company and it G&S actually link with the values and perceptions of customers. As mentioned above (*see HRM, Workforce, and CSR*), integrating CSR into business procedures has positive impacts on customer service and word-of-mouth advertising.

Companies that integrate CSR practices into their strategic marketing campaigns such as their commitment to protect the environment, disclosure of non-financial data including the manufacturing process, ethical treatment of employees, excellent customer service, and projects to improve the lives of impoverished communities can increase brand-awareness and bring customers to their doors (Księżak, 2016). However, marketing efforts also have to delight the customer afterwards through product/service augmentation. Therefore, companies who have achieved brand-awareness through CSR and satisfy the needs of customers, can charge higher prices and still sell their G&S.

Middle class families around the world are familiar with the furniture company IKEA. The Swedish-based company has built its reputation by putting value on CRS and giving delight to its customer through their quality but yet affordable products (Dudovskiy, 2019). In order to achieve its current status as a sustainable company IKEA invested in much more than its products. IKEA places a lot of attention on its employees, especially front-line sales employees which are always in contact with customers (2019). Furthermore, IKEA has founded charities, invests in renewable energies, protection of forests, uses sustainable and recycled materials for its manufacturing processes, and so forth (2019). These CSR actions coupled with high-quality service and products at affordable prices, make IKEAs marketing a success, bringing customers to its stores and delighting them.

Public Relations

The role of PR and media relations are seen as absolutely crucial in the survival of companies in the current market environment. Companies that are found committing practices that are not considered as socially acceptable such as polluting the environment, child labor, lying to customers, inflating prices unreasonably, and implementing unethical labor practices, are the "prey" of media channels especially social media. Websites such as Facebook, Twitter, and Instagram alongside common broadcast news channels are the "prosecutors" of companies worldwide while the customers serve as their "judge". Media channels can severely damage the reputation of companies if they are behaving in an unethical way towards society or the environment. Customers who are bombarded everyday with such negative information will develop resentment feelings towards the specific brand; sales will drop, costs for the company will increase, and in the worst case scenario, an angry mob will be seen outside the offices of the firm demanding answers and change. On the other hand, companies that are known for their CSR practices "are much more likely to be believed, and reporting on their activities will generally be significantly more positive" (Cochran, 2007). Media outlets can be a powerful marketing tool for companies who engage in CSR, contribute to the welfare of the community at large and invest in projects that have a high social return rate. Customers are more willing to visit and buy the products of companies who have better media reviews (2007).

Brand-Awareness and Differentiation

CSR actions serve as excellent elements to promote brand-awareness and differentiation. As explained, starting from core company values and norms, employee treatment and engagement,

customer service and perception, marketing strategy and PR, community investments and sustainability, large ventures from all over the world (e.g., IKEA and AMD) have differentiated themselves in the market. Using CSR in their overall business plan, they have managed to increase both their brand value and awareness in the marketplace (Kotler & Armstrong, 2016). Companies must position their brand based on customer values, and one of these values is CSR. Communicating these values through marketing tools and procedures to the end customer is crucial. However, customers must be able to experience these strategies and not just view them in commercials and marketing campaigns. Today, leaders in the CSR arena are Unilever and Patagonia who dominate their respective industries while incorporating CSR policies in their business strategies (GlobeScan, 2019).

Other important dimensions

There are several other variables that are linked to CSR programs. For example, CSR is used in cost reduction mechanisms, scenario planning and risk management, and even in public policy.

Cost Reduction

Companies that employ CSR policies into their manufacturing practices can significantly increase the efficiency of their production and distribution schemes. One source of increased efficiency and cost reduction can be employee motivation and their willingness to participate in the overall CSR strategy of the company. However, existing research has proven that CSR practices increase a firm's efficiency during the manufacturing process (Juneja, n.d). Companies that use renewable technology systems, move away from non-renewable products to synthetic ones which are easily recyclable, allocate resources in order to reduce their negative impact on the environment, use waste management systems, and other innovative ideas, have a high potential for reducing their costs (Rangan et al., 2012). Improving the supply chain through "reducing energy use waste and pollution in business operations will cause operating and material costs to decline" (2012). That is, using CSR in business decisions will lower production costs which may increase operating profit since existing evidence will suggest that customers (66% globally) are willing to pay higher prices for G&S from companies that use CSR policies (The Nielsen Company, 2015).

At the end of the 90s, Nike was dealing with customer retention and protests for their unethical labor practices in developing countries and environmental pollution, both part of Nike's

supply chain (Rangan et al., 2012). In order to regain customers and sales, Nike started to increase wages and improve the working environment of its factories in developing countries (2012). Moreover, Nike started investing in upgrading its supply chain starting with "reducing production waste, materials, and energy use" (2012, p.8). Recent technological innovations have given Nike a golden opportunity to focus more on sustainable production schemes which can lower costs and "is committed to purchasing sustainable raw materials…with minimized environmental impact" (Pratap, 2019, par 2-3). All these actions ultimately resulted in Nike being one of the leading clothing and footwear manufacturers while being listed at number 15 on "The Top Companies with the best CSR reputation" (Gonçalves, 2019).

Scenario Planning and Risk Management

More importantly, CSR can be a useful method for scenario planning analysis. Scenario planning is defined as "challenging descriptions of alternative future states (also referred to as "futures") that are relevant to a strategic decision and are representative of plausible developments in the external world" (Shwarz, 2019). Scenario planning deals with pinpointing one or more drivers specific to the industry, assume that these drivers are going to change in the near or far future, and based on the expected consequences or "futures" that these drivers can cause, to establish effective defense mechanisms to protect business operations, stability, and profitability (2019). As such, breach of "business as usual" practices is central to the notion of business scenario analysis (Wack, 1985). Scenario planning allows large enterprises to prepare for inconsistency in the business environment.

CSR was originally developed from unusual changes in the business space such as customer lobbying groups, environmental protection, business philanthropy etc. Using CSR drivers may represent cracks or what we call critical nodes in the system, namely when these elements are in danger of failing, then the entire system — in this case — the business will fail. For example, assuming that electricity prices will remain the same in the future simply because they were generally stable for the past decade, or assuming that production costs will remain the same, or that a loyal customer base will not shrink due to consistency in manufacturing and marketing, is very risky. However, effective business leaders will ask "What if the future is not the same?; What if something changes?" (Wack, 1985). Pointing out different drivers, such as scarcity of resources or consumer dissatisfaction or government regulation, businesses can analyze

the cascading impacts that these drivers will have in the system. Then through CSR policies, potential responses can be found to these problems.

Public Policy and CSR

CSR practices are also linked with politics and policy making in different ways. Customers care that their needs and wants are satisfied, and they also are interested if a company makes donations for charitable causes; however, another very important way to acquire "true friends" is "to speak up" on issues that matter to society at large such as substance abuse, immigration, ethnic tensions, energy consumption and production, and so forth (Danziger, 2018). Businesses, especially large one, should refrain from remaining neutral in social activism since they will lose market share to those companies that are active about different social problems (2018). Companies that use their resources to lobby for policies which are in favor of its customers and community at large, will gain brand-awareness and customer loyalty which will usually, everything else constant, increase sales and profits (2018). Companies that implement CSR policies will enjoy more advantages than those who do not so. These businesses can be subject to less regulation measures, take protective measures against damaging policies, and certainly anticipate and escape industry regulations (Księżak, 2016).
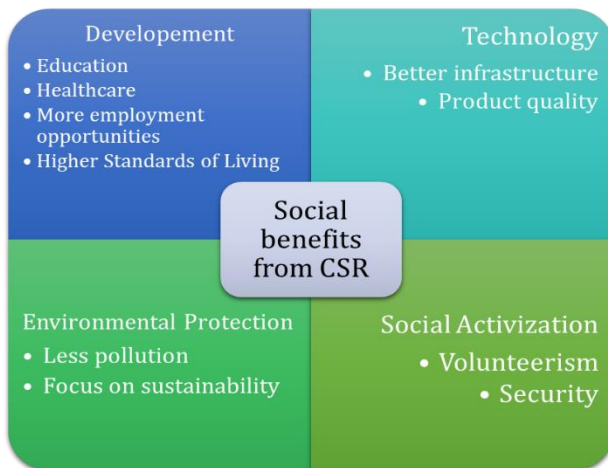
However, companies have to understand that "speaking-up" about policymaking, will also have externalities. Besides gaining customers, a company will also lose some customers who are not supportive of the causes that the company is lobbying for. Moreover, companies may get affiliated with certain political parties (Danziger, 2018). A company must use its media platforms to talk about certain social problems close to their area of expertise in an authentic way far away from the stances that political parties employ for certain problems. That is, a company should be active and voice its concerns regarding the problems in the communities where they operate (2018).

Nike represents a recent case-study regarding CSR and policy making. When Nike hired Colin Kaepernick for its newest marketing campaign in 2018, it was a strategic decision to communicate that Nike is concerned about "police brutality towards African-American communities" (Abad-Santos, 2018). Nike created and participated in a global debate around this issue, while losing some customers and attracting criticism from political forces in the US including President Trump (2018). Nike clearly expressed its support for the needs and concerns

of the African American community and police-brutality in the US gaining more brand value. The ones who mocked the company for its actions and decided to burn their products, provided Nike free advertising in every type of media (2018). In the end, "Nike sales increased 31% after Kaepernick ad" (Martinez, 2018). This example highlights Nike's strategy to align its brand identity with the faster-growing demographics/psychographics of young, liberal, and minority segments, while discarding the conservative segments. For a company such as Nike a 31% increase in sales represents an enormous success. Furthermore, we can assume that Nike looked closely at different scenarios that this campaign may produce, and fortunately for them, it brought the biggest success in recent years for the company. In such a way, when a company supports its community it can gain loyal customers and improved financial performance despite political backlash from certain parties in the government.

Society, Environment, and Development

Besides the main gains that enterprises enjoy from developing and implementing CSR strategies, there are CSR externalities that society and the environment benefit from. For example, CSR policies that aid the productivity of employees or improve production methods increase the quality of products which is to the benefit of society (Księżak, 2016). Companies who participate and donate to community projects and actively seek solutions for their problems give the general public a sense of safety (2016). Also, companies who invest in CSR and achieve a better financial position might offer employment opportunities that can decrease poverty and income inequality (2016). These businesses can implement technology-transfer policies, know-how mechanisms, and employ vulnerable citizens, all of which are mechanisms that assist the development process (Kotler & Armstrong, 2016; Księżak, 2016; Żychlewicz, 2014). Other benefits include raising awareness about health, education, training programs, and environmental protection (Księżak, 2016). Figure 7 summarizes the main benefits that society receives from effective CSR strategies that large businesses implement.

Figure 7-CSR and its Impacts on Society

Source: Księżak, P. (2016). The Benefits from CSR for a Company and Society. *Journal of Corporate Responsibility and Leadership*, *3*(4), 53–65.

Criticism of CSR

Even though CSR brings benefits to an enterprise and to the community where it operates, there may be certain criticisms towards CSR. Companies may use PR and marketing campaigns claiming that they are applying CSR in their business practices to get more customers and sales when in reality they may do the exact opposite (Księżak, 2016). Opponents of CSR consider that businesses while focusing on CSR lose sight of their economic objectives (i.e., higher profits) since CSR strategies require abandoning financial investments for R&D which could leave the company worse-off in the market (2016). Furthermore, many claim that CSR deals too much with the long-term situation of the company while ignoring immediate problems (Visser & Tolhurst, 2010). Measurement specifications and problems — which are discussed in the next section — are also present and not easily avoided.

CSR Benefits

Employee Productivity, Motivation, and Engagement

Cost Reduction and Efficiency

Successful PR and Marketing

Improved Customer Service and Customer Loyalty

Brand-Awarness and Market Differentiation

Policy and Government Relations

Environmental Protection

Long-term Financial stability

CSR Disadvantages

False PR campaigns

Focus too much on the long-term business environment and ignoring immediate concerns

Loosing sight of business objectives

Face financial difficulties

Measurement problems

Figure 8-CSR Benefits vs Costs

Source: Visser, W., Tolhurst, N. (2010). "The World Guide to CSR: A Country-by-Country Analysis of Corporate Sustainability and Responsibility", in *CSR 2.0: The Future of Corporate Social Responsibility*. Greenleaf Publishing.

Measuring CSR — Social Return on Investment (SROI)

The tool which is mostly used for calculating CSR is known as social return on investment. The Association for Project Management (2016) defines SROI as "a way to value difficult-to-quantify outcomes. It can be used to identify opportunities for improvement of live services or for

preparing the business case to invest, continue an investment, make a change or stop an investment" (p.6). In other words, SROI is similar to benefit-cost analyses and accounting tools such as internal rate of return (IRR) or net present value (NPV). SROI is is used to quantify investments and results of CSR strategies and other hard-to-quantify activities. In general, there are 6 steps for calculating SROI: (1) Define the scope and stakeholders; (2) Define stakeholder outcomes; (3) Gather evidence and assign values to outcomes; (4) Impact calculation and analysis; (5) SROI calculation; (6) and communicate the findings (Lombardo et al., 2019). It's important to note that this study will not provide any calculation of SROI, rather it will examine the theoretical structure of the concept. The 6 steps of SROI are highlighted below:

(1) *Define the scope and stakeholders* — it defines the CSR activity and identifies the stakeholders that have an interest or that will be impacted from the CSR activity.

(2) *Define stakeholder outcomes* — identify resources that will be used to accomplish the outcomes of the CSR activity that stakeholders want to see.

(3) *Gather evidence and assign values to outcomes* — includes gathering data from stakeholders using surveys, interviews and focus groups in order to assign monetary values to stakeholder's outcome that correspond with the importance level of every outcome.

(4) *Impact calculation* — the net present value of each outcome is calculated.

(5) *SROI calculation* — net present values of outcomes are weighted against the net present value of investment (i.e., $\text{SROI} = \frac{\text{NPV of Outcomes}}{\text{NPV of Investments}}$)

(6) *Communicate the findings* — the results are communicated to all stakeholders.

Interpreting SROI is rather simple. For example, if the calculated SROI ratio is 10:1, it means that for every unit invested (for every dollar), 10 units of social value were created (whatever those units are).

Besides social value creation, if the purpose is simply to see the impact of CSR programs in profitability, the process is rather complex because, as the literature points out, CSR plays an important part in employee engagement and customer perceptions, both of which are difficult elements to quantify. The point to remember is that SROI is an approximation of the value that is generated from CSR. This value can be then translated to stakeholders (e.g., for employees it can

be their productivity, for customers it can be their satisfaction with products & services, while for shareholders it can be financial stability).

SROI has some downsides, however, which make it difficult to use. Challenges of SROI can be three-fold: (a) choosing a discount rate; (b) proper allocation of overhead costs; and (c) determining what would happen if the project would not be implemented (Pathak & Dattani, 2014). Discount rates are chosen based on whether the stakeholders want to receive the benefits of the program early or later in the future. Lower discount rates favor long-term projects, whereas high discount rates favor short-term projects. Since the benefits of many CSR strategies will accrue later in the future these projects may be severely underfunded if a high discount rate is desired (2014). Furthermore, many CSR projects have overhead or indirect costs which are sometimes not accounted into the calculation of SROI and therefore the results are overestimated (2014). Lastly, determining the difference between the consequences of undertaking the project and between not undertaking the project (known as the deadweight) can be very problematic because sometimes this difference is not available while only estimates may be available (2014). So, anchoring biases can arise due to data unavailability which can skew the results (2014).

Even though SROI has its limitations, it should be used by large businesses for two important reasons:

(1) It measures performance especially of CSR related programs.
(2) It can serve as a method of funding since companies with high SROI ratios may receive larger funds and even subsidies to continue with their projects.

Why should companies care about CSR?

There is always the possibility that even if large enterprises are informed about the benefits of CSR, they might find it easier to continue with "business as usual" actions. However, the literature until this point, clearly shows that business as usual strategies do not work in the 21st century for companies who want to operate in the long term. The points below highlight some important issues that most companies should be concerned about:

- Employees are sending their employer to courts for discrimination, violation of human rights, and underpayment, while companies are being forced to pay millions of dollars to their employees to settle court cases (Kulik, 2004).

- Gen Z-ers will comprise the majority of both the workforce and customer bases in the near future and whether a company engages in CSR or not will many times decide whether they will work for and/or buy from a company (Gomez et al., 2018). Companies have to take into account that entire generations after Gen Z-ers will place great value on CSR.

- Environmental and energy challenges such as higher costs associated with the use of fossil fuels, climate change, external diseconomies of using open access resources, are already causing companies to have problems in their production methods and supply chains (Paul et al., 2017). Carbon taxes are already a possibility that will increase costs to large businesses (2017). Therefore, it is imperative that giant ventures start using sustainable energy systems and focus on decreasing their environmental footprint (2017).

- The market is incorporating new companies every day that are innovating and finding new solutions to the problems of customers in order to increase their market share and role in the market (Pohl & Tolhurst, 2010). CSR provides a golden strategy for large enterprises to maintain their place in the market, develop, and increase their profitability and loyal customer base (2010).

Since the focus of this analysis is on Kosovo, now this paper will start by looking at CSR strategies in Kosovo.

Kosovo, Doing Business, and CSR

Kosovo is a young developing country with fewer than 2 million inhabitants located in the Balkan Peninsula with a cultural mix from both the East during the time it was under the rule of the Ottoman Empire and Yugoslavia, and from the West since the end of the Kosovo War in the summer of 1999 until today. The business environment in Kosovo is not diverse to a large extent. Most of the enterprises are microbusinesses (98%), meaning they have 1-9 employees and/or have low turnover (ODK, n.d; SAK, 2019). Large businesses on the other hand represent less than 1% of registered business in Kosovo. More specifically, from 165,268 active enterprises in Kosovo, only 82 have been classified as large enterprises because they have more than 250 employees and turnover more than EUR 50 million (SAK, 2019). Although only a small number of these businesses exist in Kosovo, they are important to the country as they are market leaders in almost every industry in Kosovo (Open Data Kosovo, n.d.). Current data on market share infers that these companies have established oligopolies in the telecommunication sector, retail, manufacturing,

banking, construction, and flight agencies, amongst others (n.d.). In other words, their impact on citizens and the country is extraordinary starting from direct and indirect employment opportunities, provision of quality goods and services, environmental footprint, and community donation and charities. Moreover, the operation of many micro and smaller enterprises directly depends on the demand of large businesses for their products. Also, they have considerable lobbying power so they can influence public policy.

Figure 9 shows the classification of Kosovar enterprises where 80% of them are sole proprietorships, 6% are limited liability companies (LLCs), 2% are partnerships, while only 0.3% identify as a shareholding company. This composition shows that most Kosovar enterprises are solely owned and operated.
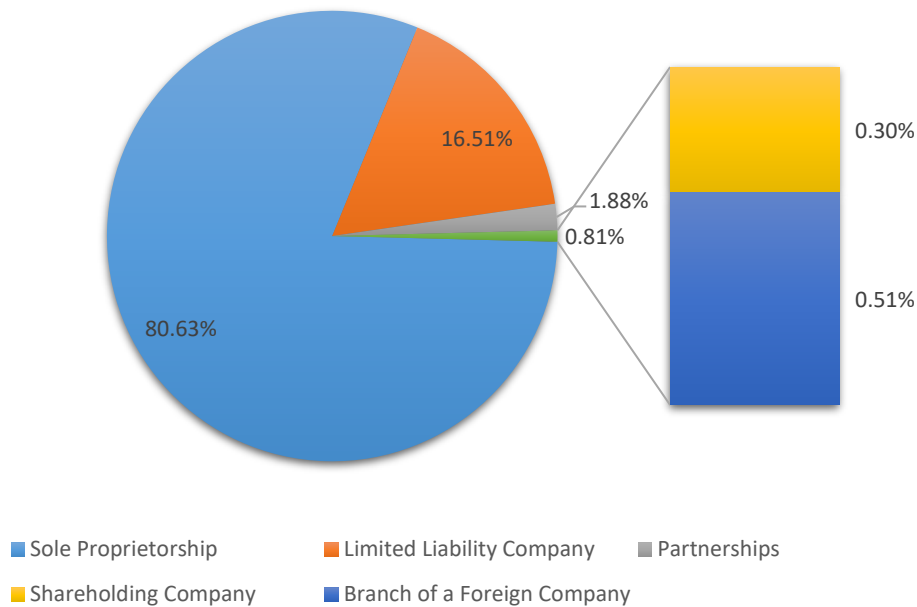

Figure 9-Classification of Kosovar Enterprises

Figure 10 shows that based on employee numbers the majority of Kosovar businesses are microenterprises (98%), 1.70% are small enterprises, while large businesses represent only 0.05%.

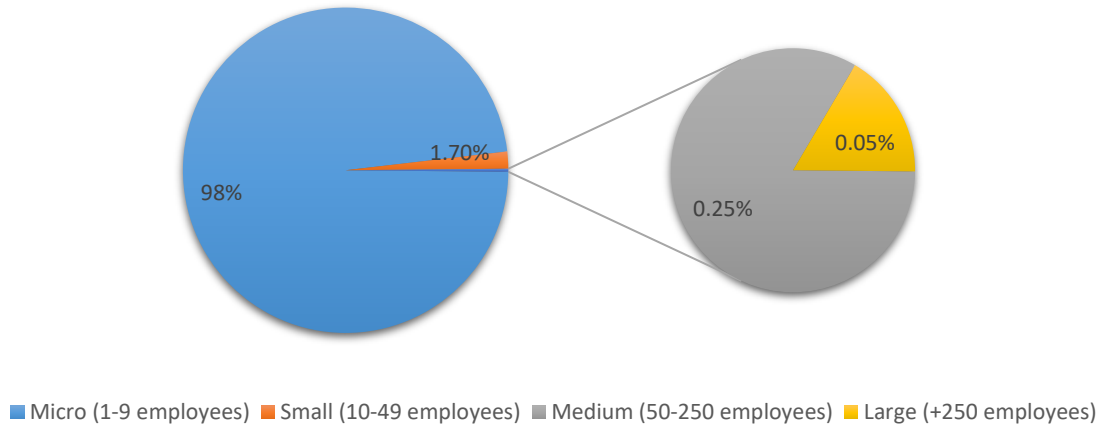## Kosovar enterprises according to employee number

■ Micro (1-9 employees) ■ Small (10-49 employees) ■ Medium (50-250 employees) ■ Large (+250 employees)

Figure 10-Classification of Kosovar enterprises based on the number of employees

According to the World Bank's (2019) Doing Business 2020-Global Report, Kosovo is ranked at #57 which is a favorable position compared to other developing countries. The report states that starting a business, getting credit, and registering property in Kosovo are handled very easily whereas obtaining electricity, construction permits, enforcing contracts, and protecting minority investors are still problematic issues in the Kosovar business environment (World Bank, 2019). Figure 11 below represents a summary of the Doing Business Report for Kosovo. Kosovo is on average a more attractive destination for doing business than other countries in South-Eastern Europe and Central Asia. Furthermore, when compared to other Balkan countries the differences are more visible. For example, Kosovo in this report is better positioned than Bulgaria, Albania, Greece, and Bosnia.

Figure 11-Doing Business Report 2020: Kosovo Ranking

Rankings on Doing Business topics - Kosovo

Figure 12-Deatiled ranking of Kosovo in Doing Business Report

Despite these continual improvements in ranking, there are many barriers for businesses in Kosovo to operate efficiently. Kosovo's Chamber of Commerce (KCC) (2019) has determined that there are many internal and external obstacles that hinder Kosovar enterprises in their daily activities. Internal barriers derive from inside the company whereas external ones are created from the macroeconomic environment (2019). Internally, Kosovar businesses have reported low profitability; inadequate business plans and strategies which result in banks denying loans; low-quality products due to old technology and low productive workers; underdeveloped financial reporting; lack of employee training and development programs; and absence of efficient sales channels (2019). The top external barriers according to KCC (2019) stem from the business environment, administrative and regulative measures, and infrastructure support. Figure 13 summaries the top external barriers faced by Kosovar businesses on a daily basis.
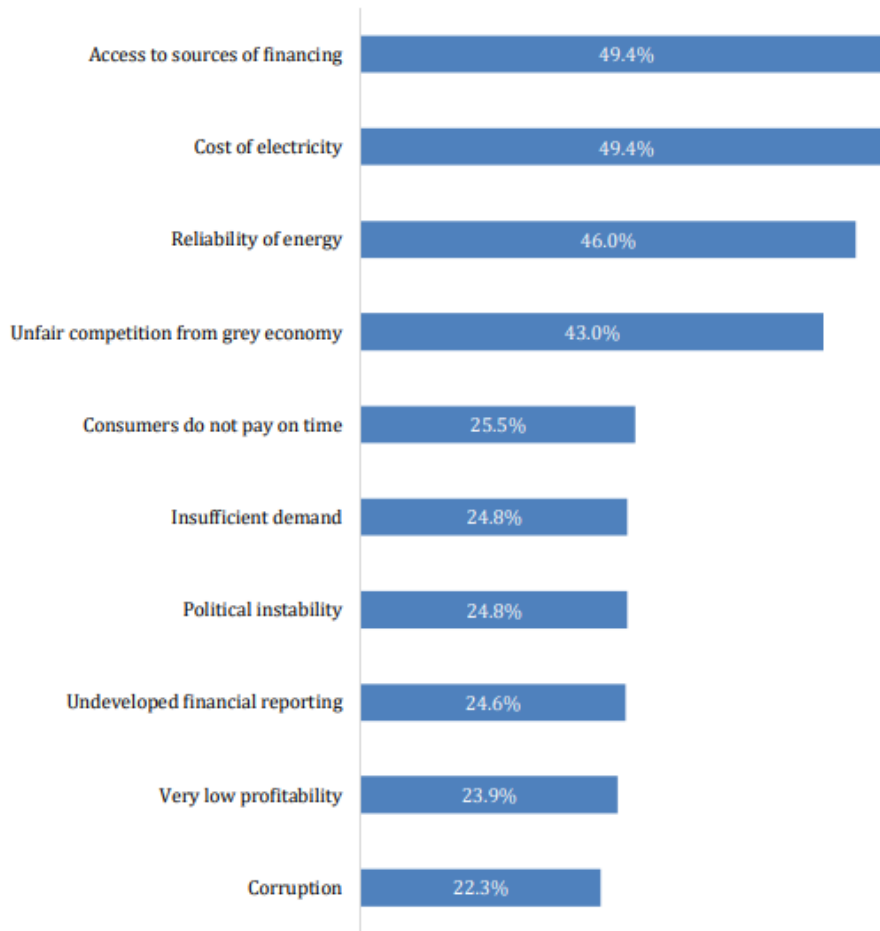
Figure 13-Main external barriers faced by Kosovar enterprises

Source: Kosovo Chamber of Commerce (KCC). (2019). *Paving the Way for a better Business in Kosovo*.

CSR as a concept is an under-researched topic in Kosovo. Kosovo's CSR Network (KCN) is the only organization that tries to inform businesses and civil society about CSR and its benefits (KCN, 2017). Even though KNC has only 20 members, most of them are businesses who have more than 250 employees and their turnover exceeds 50 million EUR. In other words, KCN members have substantial effects on employment opportunities, training programs, sustainable environmental practices, and their philanthropic activities are very important for the functioning of Kosovar NGOs. Even though KCN is trying to increase the number of its members and spreading information about CSR, there has not been much success. One of the objectives of this project is to offer one of the first academic studies regarding CSR benefits and strategies in order to overcome the aforementioned obstacles so that other enterprises, especially large businesses operating in Kosovo, can be persuaded to invest in CSR.

Research Hypotheses

This study presents three hypotheses:

Research Hypothesis 1: *Large Kosovar enterprises in Kosovo who engage and implement CSR strategies and programs have better (or may improve their) financial performance.*

Research Hypothesis 2: *Large Kosovar businesses are more likely to have motivated and engaged employees if they implement CSR programs.*

Research Hypothesis 3: *Large Kosovar enterprises are more likely to have positive brand-recognition and therefore a stable and growing loyal customer base if they engage in CSR.*

Methodology

The aim of this study is to analyze the potential of CSR strategies—tailored towards HR practices and marketing campaigns—to improve profitability levels of large enterprises in Kosovo. In order to obtain the necessary information, which should be up-to-date, reliable and valid, this analysis has used two primary research tools: (a) semi-structured interviews, and (b) a survey. There were 22 semi-structured interviews conducted with Kosovar large business representatives. From 22 large businesses, 17 were already engaging in CSR and are trying to incorporate it in their annual business plans. The other 5 companies were not found to report any CSR related activity. These companies were from different industries such as the banking sector, manufacturing, retail, IT, telecommunication, etc. A total of 12 open-ended questions and 4 quantitative questions were presented to the interviewees. Detailed information about the type of companies, the job positions of interviewees, and the interview questions are presented in Appendices 2 & 3. All interviews were conducted in person on the premises of the companies. These companies were identified based on CSR reports and CSR-related activities that the companies released for the public. Semi-structured interviews were utilized to collect the core information for this study. The interviews provided qualitative data on many issues that were discussed in the literature review of this study. That is, the interviews gave some understandings and explanations on the way large enterprises in Kosovo define CSR, how they engage employees to participate in CSR programs, the main drivers that convinced them to invest in CSR, obstacles and benefits that they have experienced from their CSR strategies especially in terms of employee engagement and brand recognition, and offer recommendations for successful engagement in CSR practices.

The questionnaire had a total of 15 questions which were distributed online. A total of 124 responses from mostly Gen Z-ers were registered. Appendix 4 contains the survey questions. The survey was utilized to assess the customers' and/or prospective applicants' views on companies that use CSR policies. More specifically, it aimed to look at buying behavior and brand loyalty towards a brand which utilizes CSR, and the desire to potentially work for such a company. Because the literature review suggested that Gen Z-ers are one of the most active age cohort in this regard, the study was targeted primarily at them.

Limitations

The main limitations of this study are linked to sample size and sampling methods. With regards to semi-structured interviews, the interviewees were contacted through intermediaries and not through simple random sampling. This was due to the unresponsive nature of the companies. The survey, on the other hand, was distributed to a much smaller target audience, therefore this sample may represent only a small percentage of the total population.

Nonetheless, the total number of companies which were interviewed amounts to 22 which can be assumed to be a representative sample because Kosovo has only 82 large businesses. Moreover, most survey respondents accounted for customers or future employees who were informed about CSR practices in general terms, therefore the results have high validity.

Results and Analysis

Semi-Structured Interviews

Through the semi-structured interviews from companies that utilize CSR and those who do not, several patterns were identified that will be explained in more detail in the discussion section.

The way that companies who claim to use CSR in their business plans define CSR is quite different. Some of these companies define CSR as a management practice which is centered on some key topics such as sustainability management, engaged citizen/employee, and being a fair enterprise that aims to satisfy both staff and client. In sustainability management, interviewees focused on long term business strategies and goals in order to have stable financial performance and to lower their environmental footprint. An important aspect of sustainability management, according to interviewees, is stakeholder engagement.

Engaged citizenry was defined as being actively involved in social projects that benefit the communities of staff members. For example, participation in major initiatives included: cultural events, education, sports, social projects, cleaning the environment, and funding of science and research projects. Furthermore, some large financial enterprises claimed that they frequently send their staff members in disadvantaged communities to help them learn about financial literacy. The main purpose of such active participation is to engage employees so that they can see the positive impacts they are doing and to convince them that their employer cares about the well-being of their communities.

The perception of a fair employer was associated with the employer-employee relationship. In other words, the focus was on strategic human resources management practices. The interviewees highlighted that strategic training programs (development of managerial and leadership skills of regular employees) and talent management is necessary so that employees develop the needed soft skills to succeed in their working environments. Effective performance evaluation methods were frequently mentioned as an important HR strategy in the field of internal CSR policies. Some of the most important aspects of effective performance management were: remove rating systems and develop feedback systems, be goal and development-oriented, minimizing control and maximizing trust and cooperation. That is, these companies are aiming to train their employees and have cooperation with them. A great deal of attention is being given to health and safety management. Some of these companies are trying to establish a direct line of communication between employees and management boards through informal ways such as weekly meetings between directors of departments and front-line employees. Being able to talk freely to supervisors, share a meal, and talk about life in general was seen as crucial to establish trust and communication between the different layers of management. The benefits to the entire organizational culture were also considered through the incorporation of CSR programs in effective human resources management strategies (e.g., employees are more relaxed when talking to their supervisor, bringing up problems and difficulties, and solving tasks more swiftly). In order to achieve employee involvement some companies claimed that they want to offer them a work-life balance, meaning flexible working hours and decent salaries. From a marketing perspective, interviewees considered that satisfied and engaged employees create word-of-mouth advertising for the company effectively boosting its reputation in the market and convincing other people to buy their product/services or even considering to apply for a job.

On the other hand, some companies defined CSR with other terms. For example, CSR is considered as a sort of philosophy of business undertaking where companies try to balance their impact in the environment and society. Nonetheless, their economic goals are important but more focus should be given to society. Strategic philanthropy is a key concept taken from these viewpoints. These large enterprises considered that businesses should make financial donations to organizations and communities that benefit the company itself. For instance, they could give scholarships for students and then these individuals would have to return to work for them. In such a way, they are investing in the productivity of their workforce and establishing an effective hiring process well ahead of time. There were companies who claimed that they have a moral obligation to give support to communities, especially individuals who lack financial support, cannot attend school, or have health problems.

Drivers that convinced these companies to engage in CSR were of multiple sources primarily including maintaining and increasing profit margins, increasing workforce productivity, and assisting in the well-being of communities. In a global sense, interviewees cited that they saw global trends in CSR that other companies are doing and the benefits that it brought to them. More specifically, they understood that one of the requirements of entering into partnerships with international companies was to invest in CSR and similar strategies that benefit the employees, customers, and the organization as a whole. However, PR, branding, and differentiation of the brand were also cited as being key drivers.

There were several CSR events and activities that these large enterprises implemented. The CSR activities of these companies ranged from donations to investing in research centers and community education. Main activities include:

- Investing in youth by creating an environment that can absorb in youth and invest in people (e.g., training programs).
- Investing in community centers and innovation incubators.
- Working, investing, and donating to marginalized communities. For instance, donating school materials to children in primary schools, blood donations, and giving food packages (especially during the holiday season) to families who are living in extreme poverty.
- Providing free services such as accounting and auditing to small businesses who employ women and/or ethnic minorities.

- Holding free workshops on financial literacy for customers.

- Promoting gender equality in the workplace (e.g., during the hiring process at the end of their job descriptions or vacancies they indicate that they welcome applications from female applicants).

- Investing in sport and cultural events.

- Coaching and mentoring young people in developing their skills.

- Providing scholarships for freshmen students for their university studies.

- SME counseling.

- Environmental protection and promoting recycling.

- Implementing safety and health procedures for companies.

- Introducing new performance evaluation methods that actually incentivize employees to be actively engaged in CSR activities.

Interviewees mentioned several benefits associated with the implementation of CSR programs. One of the most prominent was staff morale and engagement, especially when projects targeted the communities that were associated with employees. This had a positive effect on the productivity of the staff. Flexible working hours were also a benefit, especially for employees who are parents since it made it possible for them to spend more time with their children and spouses. Other representatives pointed out the improvement in the reputation of the company and, as such, higher probabilities of attracting new customers and more sales. Marketing and PR campaigns that would point out CSR activities and encourage clients to purchase more products were amongst the primary benefits. Having long-term sustainability in terms of profits and employee productivity was the overall goal of these companies who invested in CSR programs. A minority of companies indicated that their support for certain policies is also an indicator for the seriousness of being an enterprise that cares about society in general. For example, not supporting the new power plant Kosova e Re (in line with reports indicating potential problems with the project), would show how much these companies actually care about the wellbeing of communities. Such policy activism was not shared during the interviews as interviewee D claimed:

> "*We cannot share the political view of our company as it is not consistent with our core values and we cannot be associated with politics of any form*"

The companies were faced, and are still facing difficulties and obstacles in implementing CSR activities. The most important obstacle was the engagement of stakeholders due to the lack of proper information CSR. Companies who have branches in other cities in Kosovo mentioned that even if headquarters is trying to implement CSR, it is very difficult to convince these smaller offices to invest in CSR. In other words, there is rarely coherence and consistency even inside the company. However, what is known to be coherent is the mindset of stakeholders who think that CSR is mainly philanthropy. As such, a change of mindset is necessary for CSR to move forward.

CSR measurement is in its infancy in these companies. Many of them simply write a general report stating the activities that were held and those that are being planned. However, resources are not being devoted to actually measure the impact of CSR on the financial performance or employee productivity of companies. Some of these large ventures look at their environmental footprint, workforce diversity, improvements in second-line management and governance, ethics, corruption, transparency, marketing and labelling, and human rights violation. However, none of them actually tries to quantify that impact despite having the resources to do so.

CSR activities are linked with satisfied customers according to the interviewees. The company earns a reputation of not being associated with corruption and performs in a sustainable way, if promoted in a strategic way so that the customers can become aware of it.

Engaging employees to participate in these events must be developed further. Even though some large enterprises have stated that their employees are volunteering for CSR activities, many others have claimed that they face difficulties in incentivizing their workforce to actively participate in such programs. To better accomplish these objectives, many large businesses are considering changing their mission and vision values in order to connect them more with CSR and then trying to incorporate the staff in designing CSR strategies through HRM. Several interviewees mentioned that there should be specific CSR training sessions in order to properly inform staff about CSR and its benefits. Moreover, CSR activities should be incorporated in business plans so that these activities should be done on a consistent and not ad hoc basis.

It was pointed out that if CSR activities are implemented in a strategic and consistent way, they can be very beneficial in terms of brand reputation. Even though consumers may have very little information regarding CSR, the way a company presents its CSR activities (e.g., informing customers that a significant portion of the payment for a certain product will go towards a social

cause) can persuade customers, especially Gen Z-ers, to become loyal. Also, the interviewees pointed out that B2B (business to business) customers are more aware of the benefits of CSR and therefore present a better target audience.

Asked on why other large enterprises do not invest in CSR, these companies expressed very similar answers. Most of them cited that companies either do not have information or they do not see it as a way to boost their economic performance. Some indicated that large businesses have information on CSR, but they do not have the proper information. Interviewee A claimed:

"Some of our colleagues claim that they are helping communities by building houses and in that way they are engaging in CSR. However, building a house is not CSR in my view. CSR is investing in something that is sustainable and not just philanthropy"

Some companies do not see CSR as a core value of their brand. Operating in an isolating economy is seen as a damaging factor because it does not allow Kosovar large businesses to engage with their global counterparts and learn about CSR from their perspective. However, lack of financial resources is a debated issue among the companies. While some claimed that stagnating performance levels are hindering companies' engagement in CSR, others claimed that such lines of thinking are misguided since most of them have profits that exceed (at minimum) 50 million EUR annually and CSR would take a minimal portion of this profit.

The quantitative questions that the interviewees were asked to respond gave the following results:

CSR Correlation with Corporate Profitability

Not at all

Closely associated with costs

Neutral; benefits equal costs

Benefits outweigh costs

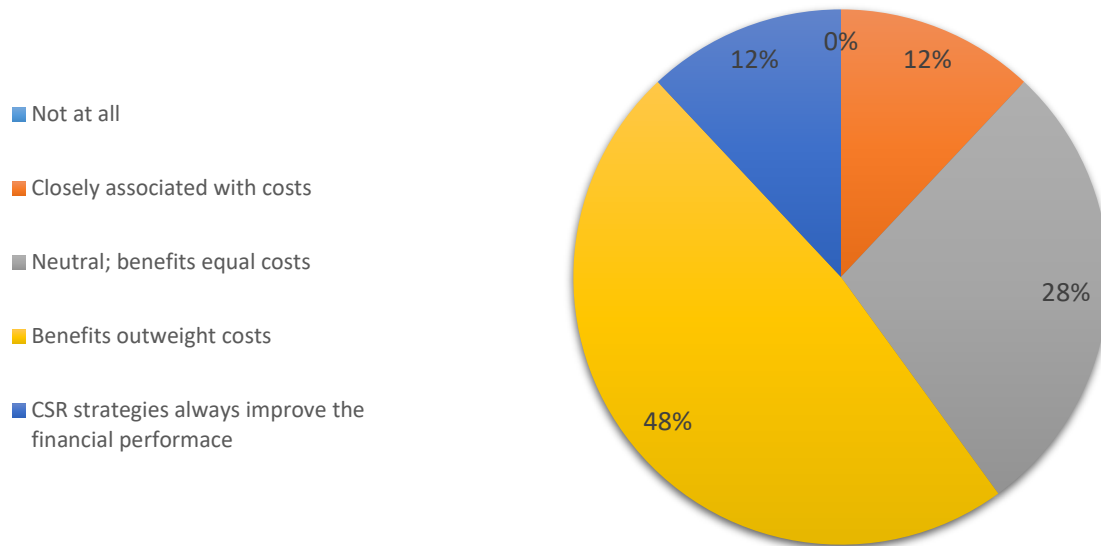CSR strategies always improve the financial performace

Figure 14-CSR and Profitability

Based on figure 14, most interviewees (48%) claimed that the benefits of CSR outweigh its costs (in terms of financial resources devoted to it, opportunity time of employees etc.). However, 28% of interviewees had a neutral position on this correlation meaning that they considered that benefits and costs would cancel each other out. The assumption may be that more CSR activities will cost the firm not only monetary resources but also more opportunity cost such as staff time, but these will be canceled out through more sales and marketing. Moreover, 12% claimed that costs are larger than benefits, however, they still engage in CSR. The assumption here is that these companies know that they may incur larger costs upfront, but they will see more benefits in the long-term. Lastly, 12% claimed that CSR activities always bring more sales and profits. Companies who heavily invest in CSR especially in marketing campaigns might see such correlation. It is worth noting that such correlation should not be confused with causation.

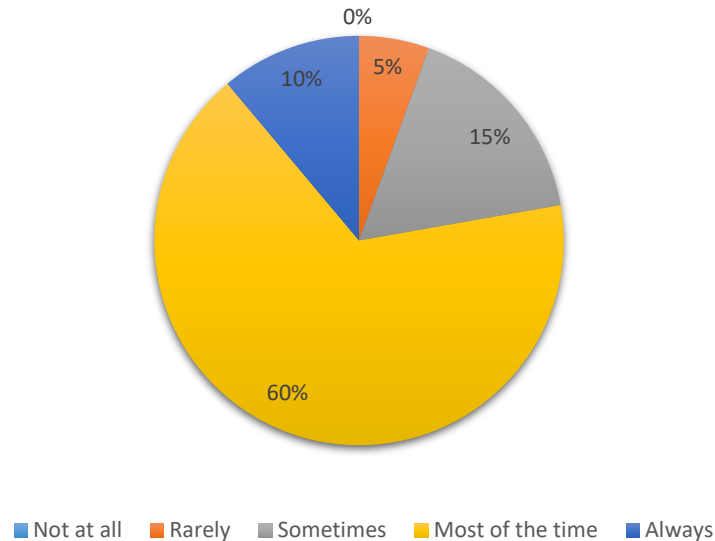## CSR and Employee Engagement

Figure 15-Employee Engagement and CSR

The impact of CSR on employee engagement was another point where the interviewees were focused on. From the total responses, 60% of interviewees claimed that most of the time CSR programs might be a reason for employees to be more engaged in their daily jobs at their working environment. This may hold due to employees being more aware that they are not working only for themselves, but also for the wellbeing of the entire company which may reward them (in a monetary and non-monetary way) in the near future and the communities that they live. Moreover, some employees may feel even more engaged after experiencing that due to their actions, families who live in absolute and extreme poverty and receiving help either through more job opportunities or donations. Of course, the level of engagement will depend in how much the employee cares about such activities. It is the job of the employer to facilitate such a connection with the employee to the overall mission and vision of the company. Another perspective to take into account is that employees feel and experience that their employer is investing more for their wellbeing (e.g., security, flexibility, fair performance reviews, and attractive bonuses which are consistent with their job responsibilities).
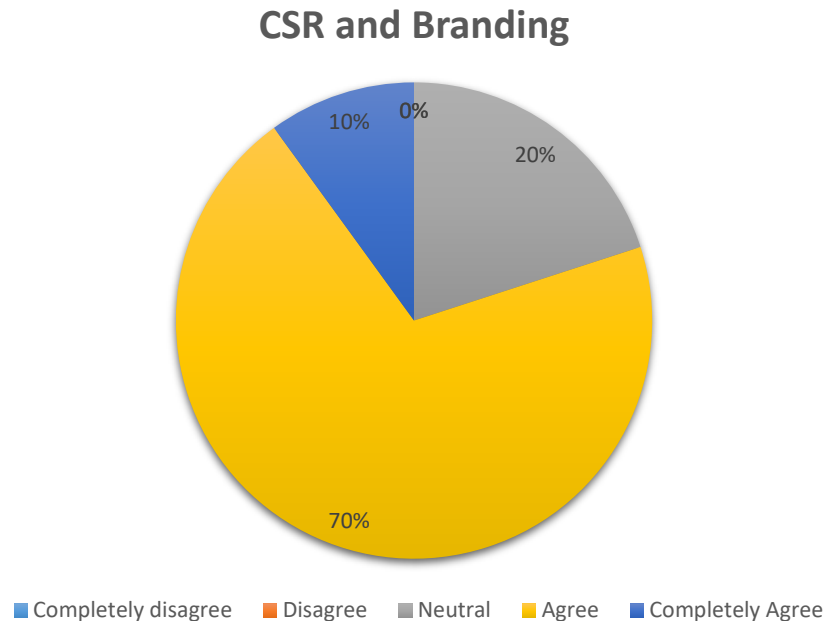
CSR and Branding

Figure 16-Marketing, Branding, and CSR

Based on figure 16, a crucial field where CSR can be used efficiently is marketing since 70% of interviewees claimed that CSR strategies can positively affect marketing campaigns. Incorporating CSR in marketing and highlighting its importance and effects for employees, communities, and the overall company can bring more customers (both B2C and B2B). This can improve the reputation that a company has in the market. Such reputation may benefit companies especially if they are operating in an oligopolistic market. In a market where the products and services of enterprises do not have large differences in quality or price (e.g., fuel industry), CSR can serve as the element that convinces a customer to choose one brand over the other. In such a way, CSR is a competitive advantage element.

Results from Companies who do not engage in CSR

The semi-structured interviews with representatives from large ventures who do not engage in CSR activities gave important insights as well on current business practices related to CSR in Kosovo. Lack of information is again the key obstacle to the successful implementation of CSR in the business plans of Kosovar large enterprises. CSR is viewed as simple philanthropy while it was claimed that businesses do not have responsibility towards citizens because the "market" does not work like that. Interviewee R claimed that:

"Unfortunately, the market does not let us engage in what you call CSR. If our company spends money on building houses or giving scholarships to students, we will lose crucial financial resources and our competitors will 'eat us up'".

Moreover, employee engagement was not considered as an important factor in the overall workforce culture. The prevailing wisdom in these companies is that employees should complete their jobs as instructed, are paid to do so, and no further obligations are necessary. With regards to marketing campaigns they are centered on the product and service, their quality, and their "favorable" prices. Topics such as environment sustainability, employee wellbeing, and ethical hiring practices are left out of the equation.

However, other companies seemed to have actually performed CSR practices even though they were not aware of it. For instance, interviewees claimed that the safety and health of employees is a crucial factor of the overall organizational culture. Some did actually voice action for disadvantaged communities or made promotions such as "20% of sales from this product will go to families in need", and so on. Even though these are basic CSR activities, they represent a sense of corporate citizenship driven through overall national culture of charity and helping others.

Survey

The purpose of the online survey was to obtain information from customers and prospective employees on companies who engage in CSR. The survey primarily targeted Gen Z-ers since the literature review highlighted that this generation is mostly concerned with corporate citizenship. Implied consent was used for this survey, meaning that respondents were informed in the beginning about the nature of the study and its purposes and by continuing to answer the questions it was assumed that they agreed to participate in it. Nonetheless, even though no questions asked about name, phone number or email, the nature of the survey tool (Rocksurvey.com), does not allow the researcher to access personal information. In effect, the anonymity of the respondents was maintained.

Demographic Questions

From the total number of respondents, 82% were female while 18% were male. No respondent refused to answer this question or gave another non-binary response. 58% of respondents were aged from 20 to 22 years old, 31% were aged from 18-20 years old, 9% belonged to the age category 22-25 years old, while 2% chose the "other" option since their age did not fit

within the ranges provided (i.e. 27 years old). Regarding employment status, 38% of the respondents were unemployed, 22% were completing internships, while 20% did have a regular job position. With respect to education status, 71% of the respondents claimed that they are currently completing a bachelor's degree, while 27% already had a bachelor's. The following charts shows detailed information about respondents' demographics.
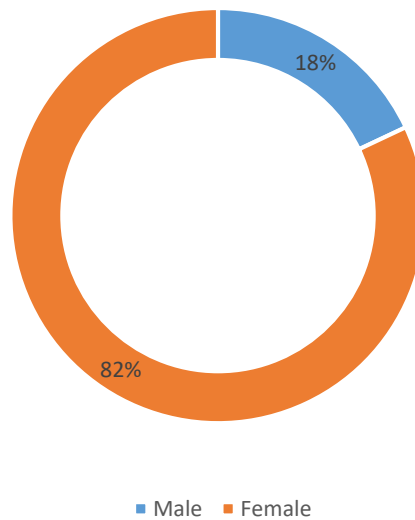
Respondents Gender

■ Male ■ Female

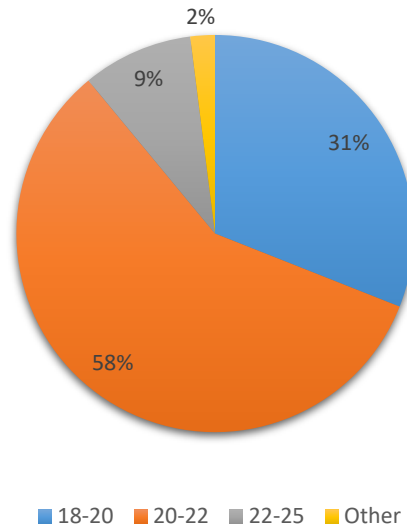*Figure 17-Survey Data on the Gender of the Respondents*

Respondents Age

Figure 18-Survey Data on Age of the Respondents
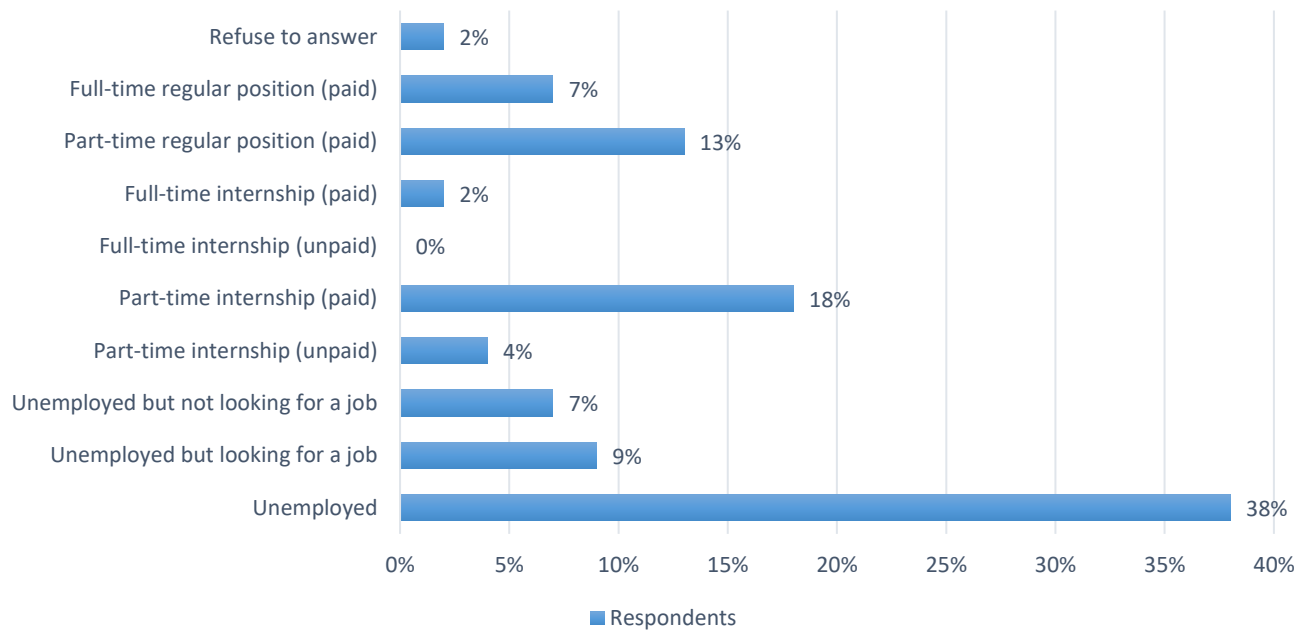
Respondents Employment Status

Figure 19-Survey Data on Employment Status
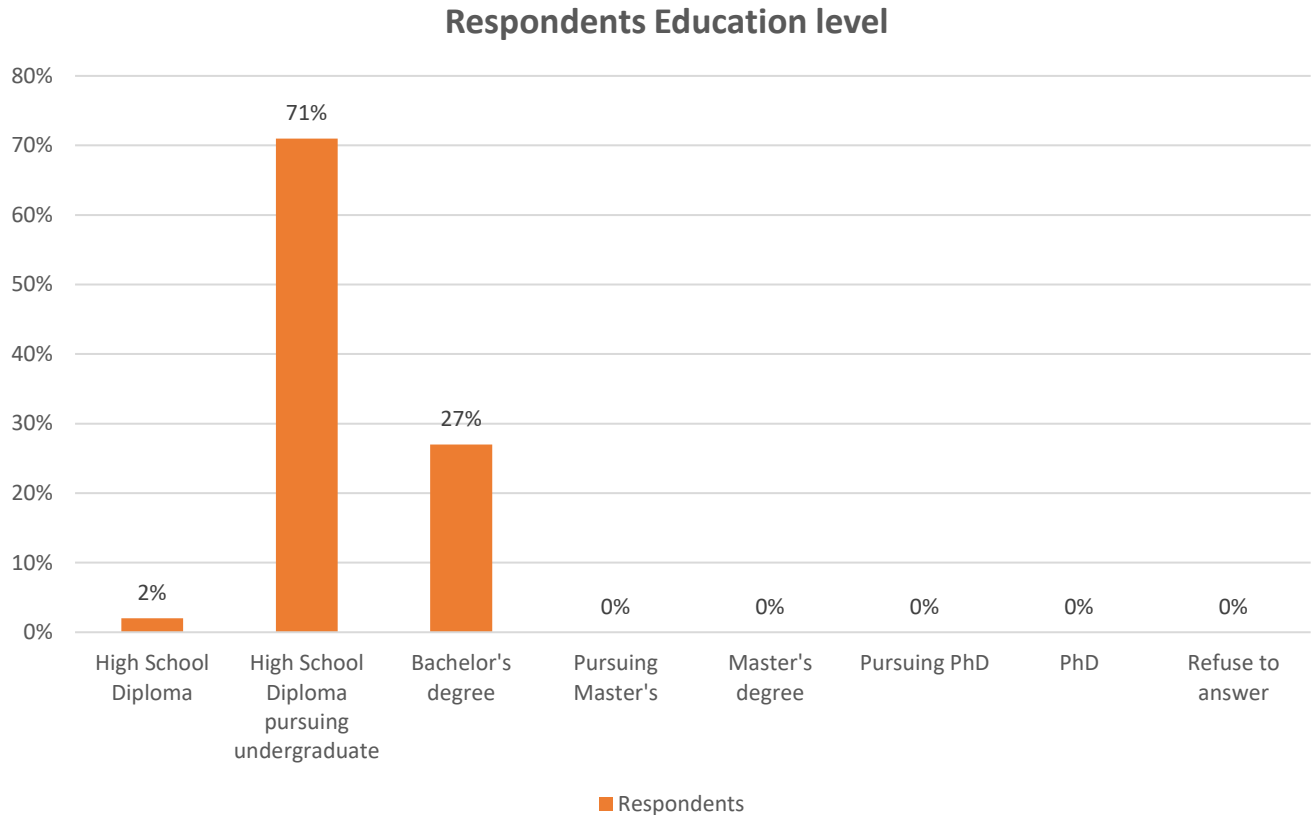
Respondents Education level

Figure 20-Survey Data on Education Level

Study Questions

The study questions (Questions 1 to 11) tried to look at specific patterns of views of Gen Z-ers regarding Kosovar large ventures in general and their attitude towards CSR activities. Moreover, the survey was used to compare the findings from the Deloitte and NEW Gen Z survey (see *CSR and HRM*) since Kosovo was not listed as a participant country. The following charts give additional explanations for each of the questions.

Figure 21 shows the ambitions and priorities of Kosovar Gen Z-ers for the future. Financial stability seems to be the primary goal for the future since 28% claimed that they are mostly interested in being wealthy. This may be due to the stagnating economy that has been present in Kosovo since the end of the war in 1999. The desire to be wealthy might also be associated with the willingness to migrate to Western countries since they see the life quality of their relatives who live in these countries and want that comfort. However, 23% claimed that they want to contribute to their community. This may be done either through engaging in different NGOs to assist in poverty alleviation, active citizenship such as being more proactive in government policies,

engaging with disadvantaged communities such as children with Down Syndrome, and so on. Furthermore, 22% claimed that they want to see and travel the world. This desire might stem from not having visa liberalization and the absence of travel opportunities in Europe. Kosovo is currently the only country in Europe where citizens need to have a visa to travel to other countries (except neighboring countries). On another note, 14% claimed they want to have children and start a family of their own. This is in contrast to older generations of Kosovars who mostly got married at a young age.
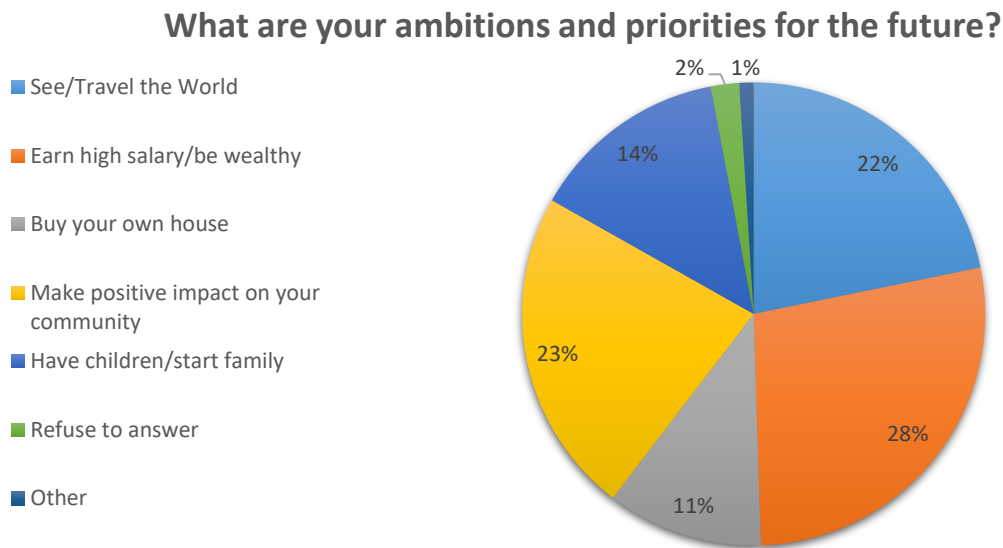
What are your ambitions and priorities for the future?

- See/Travel the World
- Earn high salary/be wealthy
- Buy your own house
- Make positive impact on your community
- Have children/start family
- Refuse to answer
- Other

Figure 21-Survey Data Question 1

The knowledge of Gen Z-ers regarding CSR was also assessed from the second question where 53% of participants claimed that they do not have knowledge of CSR compared to 36% who claimed to have knowledge regarding CSR.
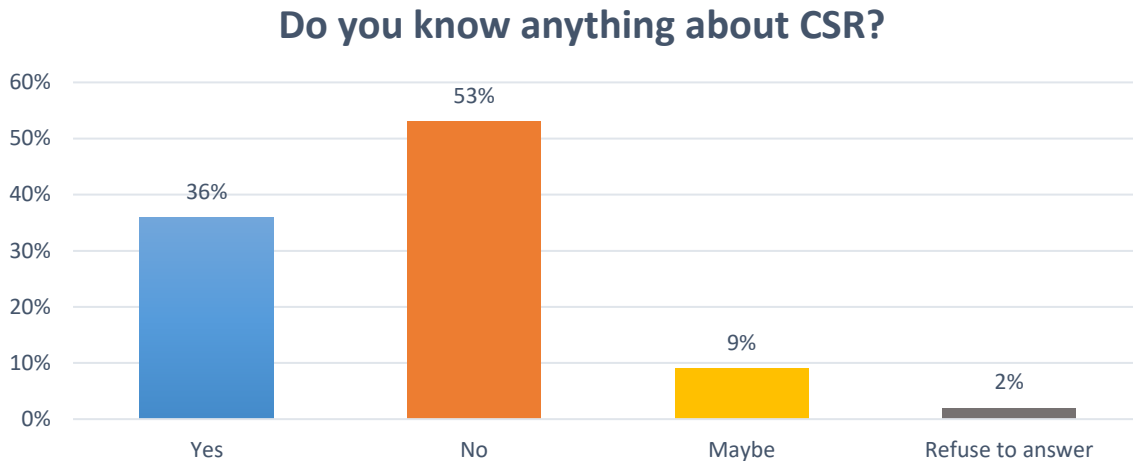
Do you know anything about CSR?

Figure 22-Survey Data Question 2

Question 3, on the other hand, tried to test the participants who responded "Yes" to question 2. Those who responded otherwise, were directed to question 4. Question 3 had different definitions of CSR, however, only one of them was the most correct one (used also in this analysis- see the UN definition at *Introducing CSR* section). As such, 77% of respondents chose this answer:

"*CSR is a business concept through which a company achieves a balance of economic, environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders*"

23% chose the next best answer:

"*CSR is a business concept that is integrated in the strategies of many enterprises and its purpose is achieving better financial performance through employee engagement and differentiation*"

Other answers indicated that CSR is mainly philanthropy, or that it mandates businesses to treat their employees well (0% of respondents chose these options). The results show that even though some respondents claimed that they have knowledge about CSR, almost ¼ did not get the definition of CSR correctly which shows that there might be some misinformation.

Question 4 tries to analyze if the CSR strategies that large businesses implement have an effect of causing Gen Z-ers to consider these companies as their future employer, namely a place where they would like to work. From the options provided, 24% answered that **opportunities to advance** were the most important component when looking for a job. 21% chose salaries and bonuses, 17% chose work-life balance, 16% chose company commitment towards staff wellbeing,

11% chose company reputation, and 6% chose investment towards the community. In other words, Kosovar Gen Z-ers are mostly concerned with attaining a job where they can advance up the career ladder and get paid. However, many also care about employee-employer relationships.

Which of the following factors are the most important ones when you apply for a job?
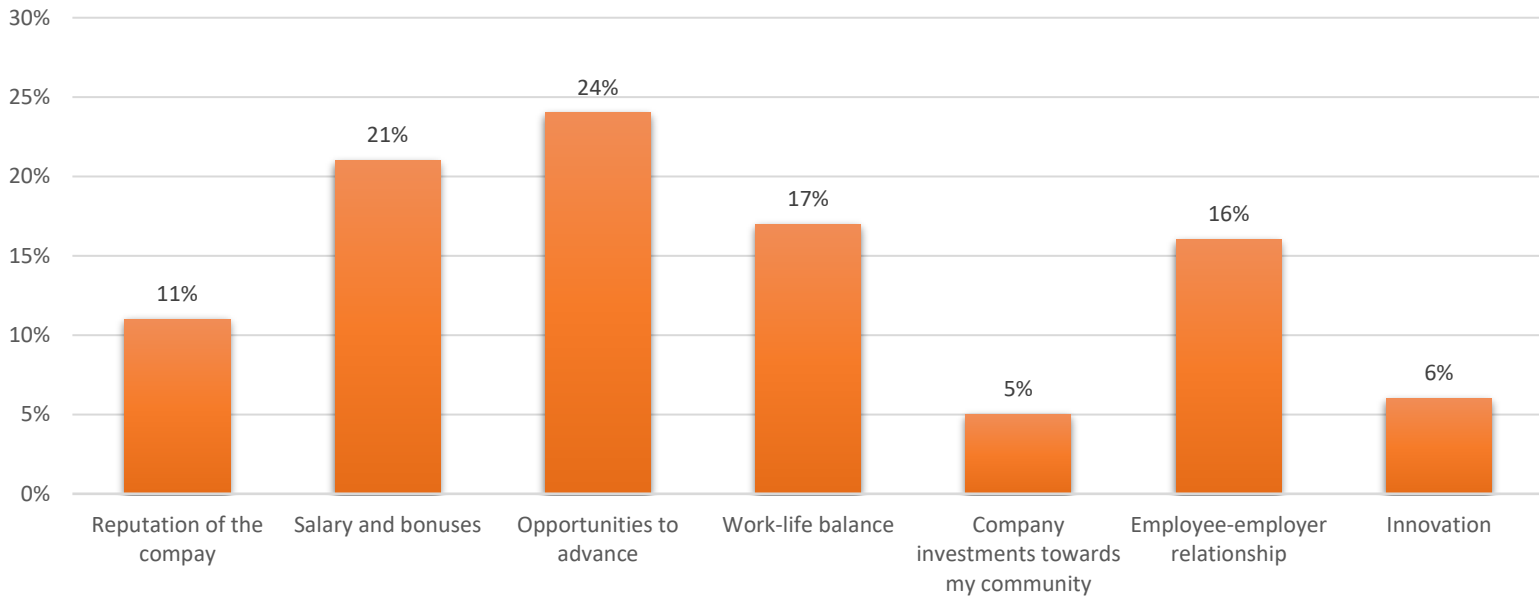

Figure 23-Survey Data Question 4

Would you be willing to work extra hours (even without pay) for a company that is known to invest in your community and its employees volunteer for projects that benefit society at large?
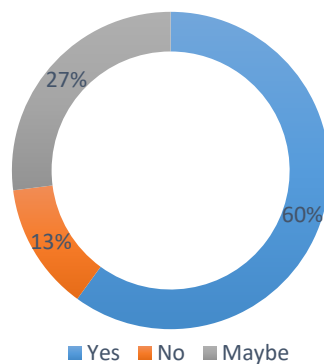

Figure 24-Survey Data Question 5

With regards to working, 60% of respondents claimed that they would be willing to work extra hours (even without pay) for companies who invest in social project that benefit communities and

society at large. It is worth nothing that this question may suffer from strategic bias (i.e., respondents give answers in order to influence the net outcome) since in this case most of them probably did not want to appear that they are not willing to work extra hours for social causes.

In terms of employer-employee relationships (e.g., fair wages, treating staff with respect, health insurance, implementing the labor law etc.), Kosovar Gen Z-ers seem to be dissatisfied with large enterprises since 71% of respondents claimed that big Kosovar ventures do not participate in any of these activities while 29% in total were unsure about this question which raises assumptions that Gen Z-ers are not properly informed about company cultures and administrative processes.
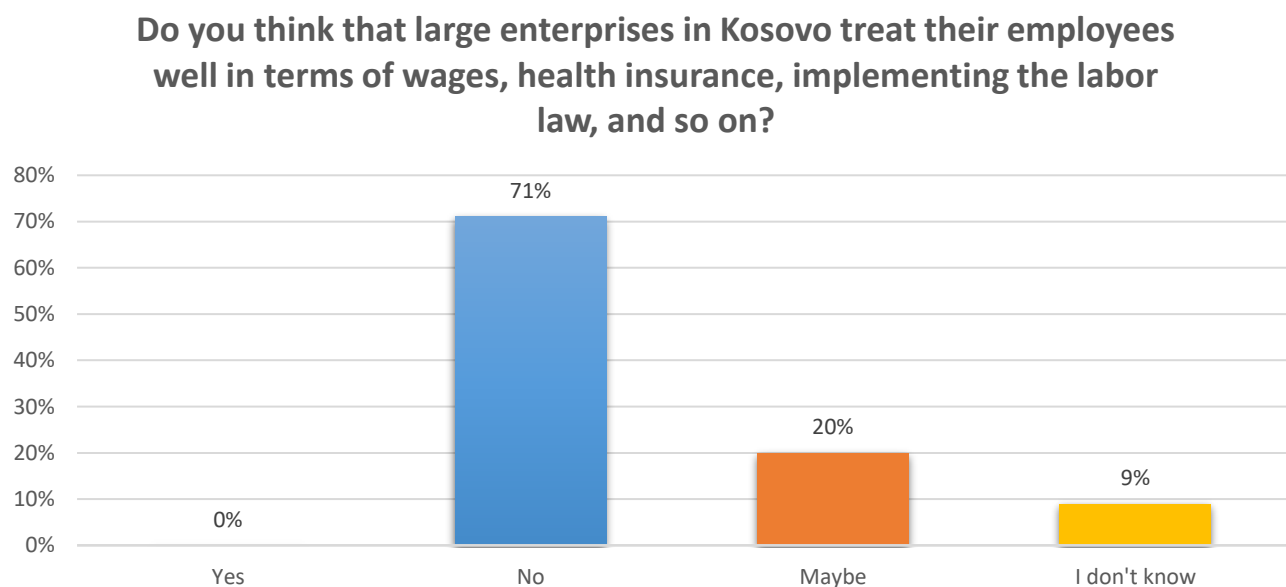
Do you think that large enterprises in Kosovo treat their employees well in terms of wages, health insurance, implementing the labor law, and so on?

Figure 25-Survey Data Question 6

Kosovar Gen Z-ers have mixed perceptions as to whether large enterprises do reinvest their profits for social causes (e.g., the development process of the country, staff training and career development, etc.). That is, 40% of respondents claimed that large businesses do not reinvest their profits for social causes compared to 18% who responded "Yes". On the other hand, 36% do not have proper information but they leaned toward a positive response (i.e., the "Maybe" option).

Do you think that large enterprises in Kosovo do reinvest their profits for social causes?
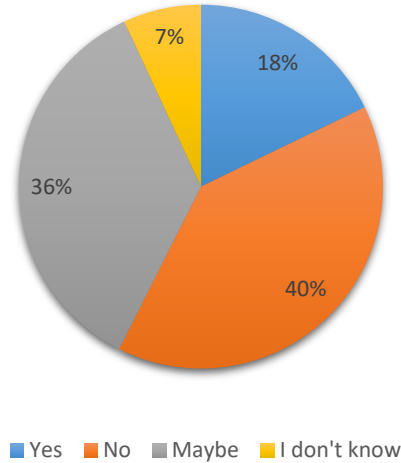

Figure 26-Survey Data Question 7

However, the majority of Kosovar Gen Z-ers think that large ventures in Kosovo do have the capacity to engage in CSR (72% of respondents per figure 27).

"Kosovar large businesses have the capacity and potenial to contribute to Kosovo's development process (i.e., investing in infrastructure, schools, healthcare programs etc)"
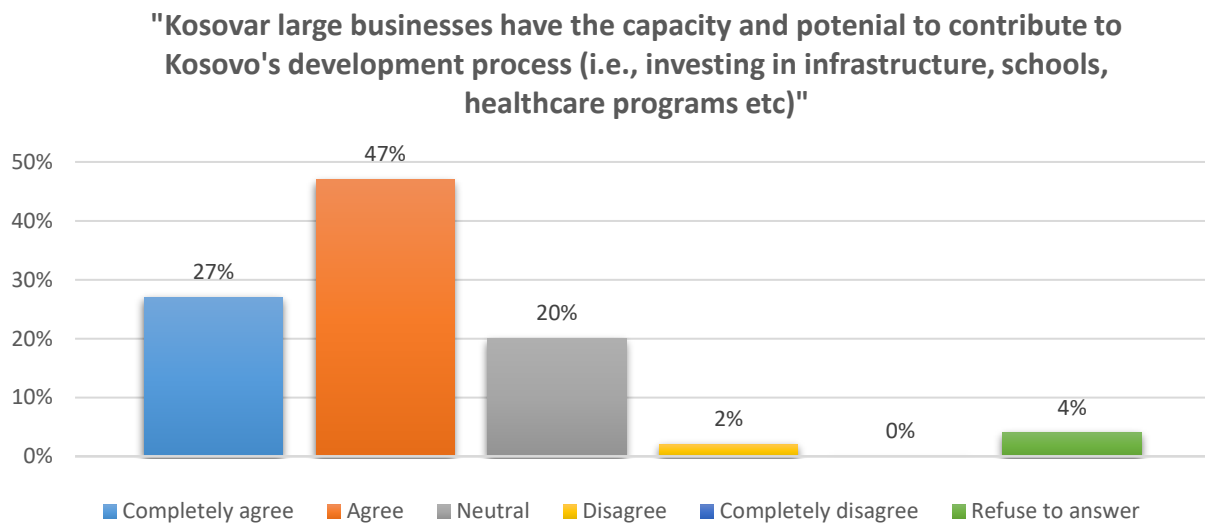

Figure 27-Survey Data Question 8

Moreover, not only do Kosovar Gen Z-ers think that these companies have potential to improve the wellbeing of citizens, but they also consider that they have an obligation to do so. However, in this question the respondents claim about moral obligations of large businesses toward society, and not only their employees.

Do you think that Kosovar large businesss have an obligation to return some of their profits to society in form of better products, protect the environment, and assist in the development process?
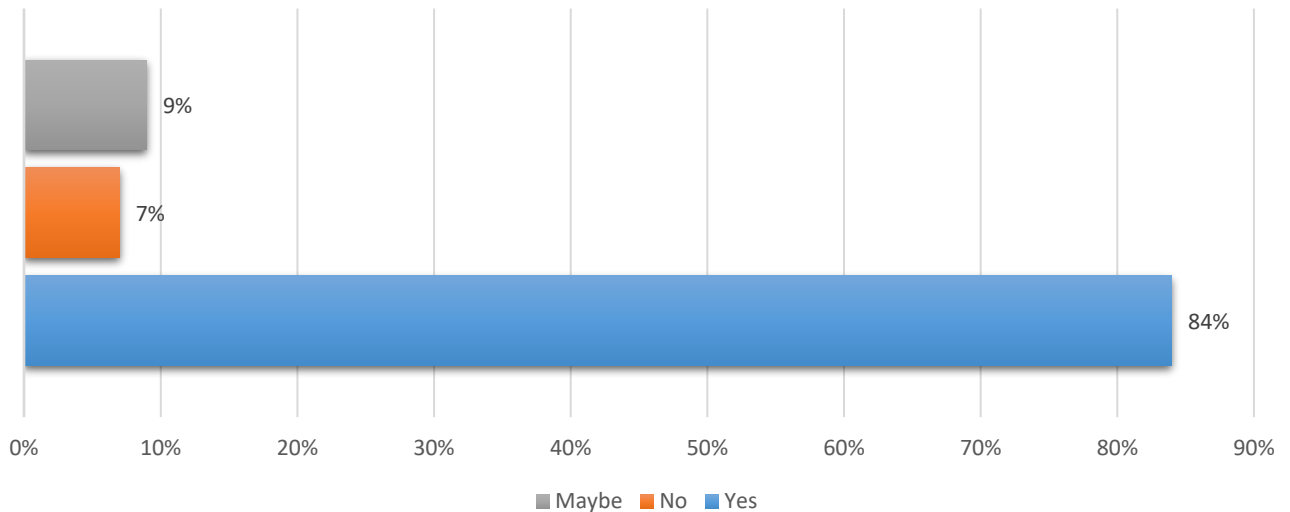

Figure 28-Survey Data Question 9

Gen Z-ers are more prone to consume and buy products from companies that engage in CSR (than from those who do not) even if prices are higher. As such, 71% of respondents claimed that they would buy higher priced products/services from companies who engage in CSR compared to 9% who said that they would not. This shows the potential for customer loyalty and increased sales for companies who engage in CSR. Those who responded "Yes" were directed to question 11, others were directed to the demographic questions explained above.

Question 11 used contingent valuation to assess the willingness to pay of respondents for products/services from companies who practice CSR. Based on this method, 49% claimed that they would pay 0-3% more for products/services from companies who invest in CSR strategies rather than their competitors, 36% claimed a willingness to pay a mark-up from 3-6%, while 15% chose to pay an additional 6-10%. Even though on a per-unit basis 0-3% is not a lot, for companies this would mean substantial profits and more market share when aggregated across total sales. As it can be seen, there is potential for companies to attract more customers since 51% of the respondents claimed that they would be willing to spend above 3% and up to 10% more for CSR related products and services.

Would you be willing to pay more for the products/services of companies that engage in CSR rather than their competitors?
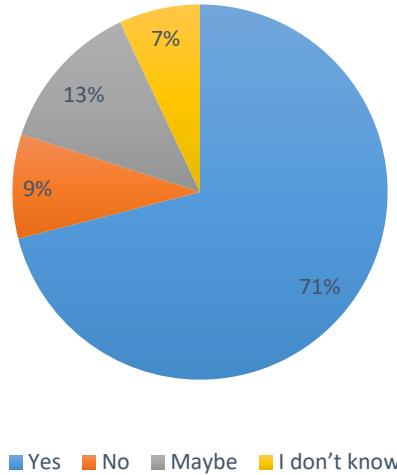

■ Yes ■ No ■ Maybe ■ I don't know

Figure 29-Survey Data Question 10

How much more would you pay for CSR products?

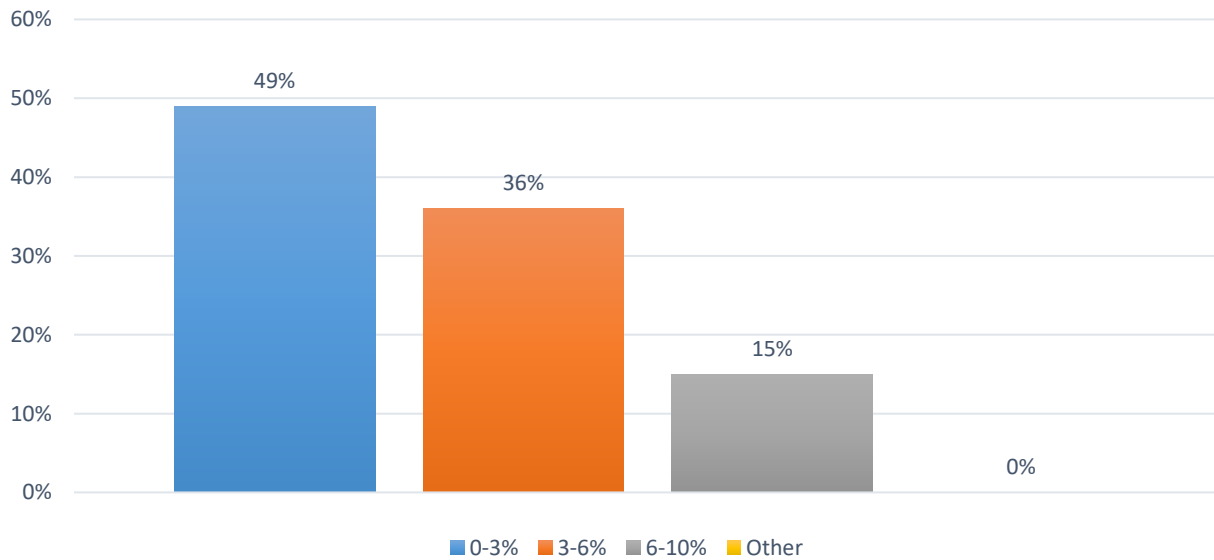■ 0-3% ■ 3-6% ■ 6-10% ■ Other

Figure 30-Survey Data Question 11

Discussion

The purpose of this research was to explain and analyze the potential of Kosovar large enterprises to incorporate CSR in their human resources and marketing strategies and through them improve their financial performance. With regards to human resources management, the literature review provided theoretical and empirical evidence that CSR can boost employee satisfaction and teamwork which may lead to employee engagement. This can increase productivity and overall performance which might improve efficiency and effectiveness in the entire company. Marketing coupled with CSR can be used to meet customer expectations, produce quality goods and services, and differentiate that company from competitors. An important objective is to build a loyal customer base that is willing to buy products even at higher prices from companies that implement CSR. In terms of workforce, marketing can promote CSR to prospective employees so that they would be more inclined to choose the company who uses CSR as a future employer compared to companies who do not use CSR in their business models. So, incorporating CSR into marketing campaigns can play an important role for talent management. Both HRM and Marketing strategies were chosen as central elements of this study because of their capacity to use CSR to improve the company from within (e.g. organizational culture, workforce engagement and cohesion, and better products/services) and improve its stance in the market (e.g. receiver a better reputation as an employer, differentiate, loyal customer, and so on). In such a way, integrating CSR and HRM affects employee productivity and output, while marketing and CSR aim in expanding the customer base.

This analysis did not focus specifically on any of the many definitions of CSR in order to avoid omitting any important aspects of CSR that could indirectly benefit the study. Due to this ambiguity, this research attempted to define CSR through the viewpoints of interviewees and survey participants in a developing country such as Kosovo. Moreover, the study aimed to see if the concept of CSR from Kosovar large ventures is associated with that of Visser (2009) who defines CSR for developing countries. Nonetheless, regardless of how it is defined by a multitude of stakeholders, the concept has changed overall. The traditional view of CSR as being corporate philanthropy does not apply anymore. This paper considers that CSR is a strategy to improve the financial performance of an enterprise in the long run while avoiding "business as usual assumptions" which this analysis tackles (e.g., the interviewees from the companies who do not engage in CSR). The means by which large businesses integrate CSR into business plans to achieve

this long-run economic profit can come from different sources. The paper looked at how HR practices and marketing strategies can serve as the tools for the successful implementation of CSR and improve corporate long-run financial stability with regards of an effective workforce and customer loyalty.

The literature review provided evidence from both developed and developing countries that the main pillars of CSR include economic performance, legal aspects, ethical issues, and philanthropy. There may be distinctions on how Carroll's CSR pyramid is portrayed across different countries depending on the culture and social norms of citizens. The results from this analysis show that Visser's (2019) "adjusted" CSR pyramid holds. Specifically, the basis for every CSR strategy that was implemented in the selected companies was to improve their financial performance. Even though company representatives defined their CSR programs in different ways, there was a specific pattern that emerged from every answer, namely improving the company either through the acquisition of market share, increase workforce productivity, differentiating themselves from competitors based on this new organizational "mindset", and so on. Directly or indirectly, the overall purpose of these variables is to arrive to more profits but at the same time meeting the expectations of stakeholders and fulfilling their needs. Based on the "giving" culture that persists in Kosovo, philanthropy is the second basis of CSR in Kosovar large businesses. Corporate philanthropy was sometimes used from interviewees as an erroneous indicator of CSR. Companies who are using CSR highlighted that corporate philanthropy should be understood as strategic philanthropy (in line with the literature review), meaning that companies should donate for causes that will ultimate benefit them either in the short or long-run. Other companies considered that the market conditions in Kosovo (e.g., increased competition) did not allow them to "build houses for the poor" and deteriorate their financial resources. In other words, some large ventures in Kosovo do not have much information about CSR and confuse it with donation. The ethical and legal aspects, as expected, were not given much consideration due to the poor legal infrastructure in Kosovo. However, due to their size and profit margins, most of these companies receive more supervision from central authorities (e.g., making sure they are implementing the labor law, inspection of product/service quality etc.).

It is important to note that the drivers that prompted a number of Kosovar large businesses to use CSR were of different natures and they were a crossmatch of the drivers that persist in both

developed and developing countries. Drivers consistent with those in developed countries included product quality, workforce efficiency, and differentiation in the market. Developing country drivers were standardization and access to foreign markets or access to partnerships with foreign companies that place significant value in CSR. However, traditional drivers such as improving the quality of life of local communities were also present.

The CSR activities that Kosovar large enterprises engaged in most were employee volunteering and investing in disadvantaged communities. Offering their services for free to these communities was thought of increasing the community members overall productivity and chances to find better jobs. This kind of strategic investment was done in hopes of increasing customer loyalty and potentially expanding into new customer segments. However, interviewees highlighted that many donations were done purely of kind-hearted reasons such as giving kids free backpacks or distributing food packages during the winter season which can be considered as simple philanthropy with no strategic reason behind it. Yet, improving the livelihood of communities is beneficial for enterprises since the probability of social unrest (e.g., theft and poverty)—which disturbs the macro environment (e.g., more social security spending and higher corporate taxes to cover for the increased government spending)—is minimized. With regards to employee-employer relationships, Kosovar large ventures are focused on giving volunteer opportunities and improving the work-life balance of their employees. The interviewees gave clear indications that employees, especially younger ones, are more determined to volunteer if they know that those actions will help certain communities and improve their job conditions as well.

Not enough information or misguided information about CSR seem to be the primary obstacles for large businesses to engage in CSR. Even the large enterprises that claim to engage in CSR do not actually make meaningful CSR, rather they do philanthropy and they do not connect it to any business concept. Others are not ready to move away from business as usual practices such as management style and production methods. More importantly, the interviewees considered that financial resources are not obstacles for CSR implementation. Indeed, looking at the financial statements of major large ventures of Kosovo, most of them have stable net profits. However, the market system itself possess a challenge for Kosovar large enterprises. Some interviewees cited the isolated economy as another problem. For instance, enterprises who do not or cannot establish

contacts with foreign enterprises that are already engaging in CSR will not be able to know about CSR benefits in a practical manner.

The benefits of CSR to Kosovar companies have different scales and magnitudes. Since this study has focused on HRM and marketing, the following paragraphs will explain how these two areas coupled with CSR strategies can significantly affect workforce culture and word of mouth marketing. Together, they might improve the financial position of large ventures.

HRM using CSR strategies can be divided for current employees and for prospective ones.

CSR strategies, starting even from the most basic ones such as offering safety and health insurance to employees can have positive impact on employees. As such, employees receive a positive perception that their employer really cares for them. Offering flexibility to employees is another point of interest. Achieving a balance between work and family is sometimes tiresome for employees with higher responsibilities. Such levels of stress and discomfort can negatively affect employees both in a physical and psychological way and as a result their productivity levels will drop. However, CSR practices, besides offering flexibility, can also improve employee satisfaction which may also lead to employee engagement. Incorporating CSR into HR systems can have positive effects on incentivizing employees to take part in CSR activities. The overall goal should be to make such participation routine. For instance, companies could offer bonuses to employees who volunteer for CSR projects based on the hours that the employee has volunteered or for the quality of services the employee has provided to the project. Monetary incentives are the ones that trigger the most action. However, other incentives could include time off, receiving more training and development programs, and other benefits which sometimes would carry equal weight to monetary incentives. Employees who participate in these projects will see firsthand the positive effect that such programs have on customer satisfaction, communities, environmental protection, and overall company performance. In such a way, employees will be part of these improvements and over time it will become a part of their job and they will want to engage in these projects even without other incentives.

However, companies that use business as usual strategies may not see such results. These companies may see high levels of employee turnover due to unfavorable conditions such as working environment, salaries, and relationships with immediate supervisors.

An important aspect however of employee participation in CSR projects is their relationship with their immediate supervisor. Employees have to see that their supervisor is also interested in these activities and they are ready to participate alongside their team. Whenever the interests of employees and their managers are far from one another there will be disparities and potential conflicts. In order for CSR and HRM to link effectively and create all the aforementioned benefits (e.g., productivity, satisfaction, and efficiency), CSR has to be accepted and implemented in a top-down way.

That is, the **second research hypothesis** has been proven right by the results and has been reinforced by the literature review and this section.

Prospective employees, especially Gen Z-ers, are more likely to work for a company that incorporates CSR in their culture. The results from the survey indicated that new employees want to work for a company that besides giving fair salaries, cares about their wellbeing and that of their communities. A contemporary company must show to the future labor force that it invests in their development, in the causes that they believe and care for, and gives them opportunities to develop. The end result will be for companies to receive top applicants that will greatly benefit them. Currently, Kosovar Gen Z-ers have negative opinions for large enterprises in general that operate in Kosovo. More specifically, Gen Z-ers believe that these ventures are not living to their expectations especially considering that Kosovar Gen Z-ers consider that these enterprises have an obligation to reinvest a portion of their profits in the wellbeing of society. Such mindsets make new graduates to apply for a job out of need and not out of desire to work for any of these companies. Unfortunately, these individuals are then even more prone to leave the country and migrate to Western countries in order to find the life that they are searching for. After creating a healthy organizational culture, a primary concern for Kosovar large ventures is to improve their image in the face of the customers and prospective employees. The next paragraphs highlight the importance of CSR in marketing campaigns.

Even though a company may engage in CSR, besides word of mouth advertising, it needs to have proper marketing strategies to convey the CSR practices that the company has undertaken. Effective marketing strategies first and foremost identify customer needs and demands and based on them, proper product development is undertaken. According on the survey result, it is clear that

Kosovar Gen Z-ers are excited about CSR and the benefits that it brings, and they care about such topics due to their global popularity. Companies need to react to such expectations. They need to:

- Change the way they produce products (e.g., using fewer natural resources).
- Create less waste (or at least compensate those who are damaged by corporate waste products).
- Design products that makes recycling more feasible and rewards customers who recycle.
- Compose and implement efficient internal labor policies that protect employees.
- Offer employees opportunities to advance and take leadership initiatives.
- Have a clear reward and compensation system.
- Provide excellent customer service that delights the customers and offers them satisfaction for the price they are being charged.
- Invest in disadvantages communities.
- Invest for scholarship opportunities in a strategic way (e.g., give scholarship for students that might be required to work for the company in the future).

Marketing can serve as an excellent tool to achieve these targets and convey them to the customer through different mediums, preferably social media channels and PR campaigns. Marketing can increase customer awareness about the changes that a company is doing to its overall structure and show to them that they care about customer wellbeing and are trying to meet their expectations. Such actions differentiate a brand in Kosovar oligopolies where the majority of brands offer the same products. Convincing customers that the company is working for something more than their own profits can best be done through marketing. Moreover, the findings of the survey show that customers are willing to spend more for products and services for companies that incorporate CSR. More specifically, 49% were willing to spend 0-3% more, 36% claimed that they would spend from 3-6% more, while 15% would spend from 6-10% more on products/services from companies that use CSR. Such percentages may increase profit margins significantly when taking into account the volume of sales. Thus, the **third research hypothesis**, is supported by the results and this analysis.

From the interviewees, it was understood that CSR positively affects the financial performance of a company. Effective HRM and marketing strategies that incorporating CSR were seen as something beneficial for a large Kosovar business. The former improves workforce

productivity and organizational culture, while the latter improves brand awareness and differentiation in the market. Overall, these two concepts together might lead to better production/services, lower costs, more sales, loyal customer, and so forth. So, they are complements of one another.

In such a way, the **first research hypothesis** was supported by the interviews. However, it needs to be acknowledged that since measurement of the three hypotheses could not be done, all three hypothesis have been supported only by qualitative measures and not decisive quantitative aspects.

Based on the literature review and primary research results, this paper suggests a model that large enterprises, specifically those in Kosovo, need to adhere to in order to reap all the benefits that CSR may give them. This model suggests that large ventures who engage in CSR and those who plan in the future to engage in it, need to start this process internally with their respective HR departments. These departments, which in large business may be of various sizes, need to start by implementing CSR practices in employee hiring, payroll, evaluation, and promotion strategies. This will cause for employees to be better aligned with organizational goals and strategies which will ultimately benefit the organization. In the case of Kosovar large ventures, these hiring strategies need not be different than those employed in other countries and their respective large enterprises. The key however, will be to convince employees that CSR actions will not only benefit them (be it financially or in terms of promotion), but also benefit their communities such as with more investment and other positive activities. Proper HR practices will lead to employee engagement and a boost in productivity which will translate to happier customers who are satisfied with the products/services that they are receiving from more engaged employees. Therefore, there is potential for increasing the customer loyalty base based on happier and motivated employees, however, this depends also on educating the customer about CSR. As such, HRM encompasses only half of what this model suggests.

The next part of this model deals with educating the customer about CSR practices and properly marketing the organization's CSR strategy. Marketing should be heavily involved in communicating with the primary target audience in the beginning. So, the most loyal customers of the company should be the first targets of new marketing campaigns and the point of these campaigns should be to inform these customers on what the organization has been doing with

regards to CSR. The hope, of course, is that these customers then utilize word of mouth advertising in order to inform other people about the CSR initiatives of the company. Furthermore, the company should then base their marketing and PR campaigns on CSR and try to persuade secondary and tertiary audiences to buy the products/services of the company and also consider it as a prospective employer.

These two parts of the model have to work in a coherent and complementary way. So, the model starts internally and then it moves externally, but with the goal of always brining more sales and hire more productive employees. As such, this can become an ever-increasing cycle (p. 70 &71 shows the new CSR model that this paper suggests).

Lastly, before moving on to the recommendation section, this paper explains the economics of CSR. Based on the literature review and the qualitative research analysis, this analysis has come to the conclusion that there is a market failure when it comes to using CSR practices. The interviews, survey, and literature review showed that the "quantity" of CSR provided in the market is essentially too low (e.g. only a handful of large ventures engage in CSR), while society is supportive of CSR initiatives and wants that more enterprises to start implementing it. The provision of this small quantity comes from two reasons: (1) not enough information about CSR and (2) incorrectly assuming that the cost of CSR is too high. However, the survey results indicated that society, and especially young customers and prospective employees want companies to engage more in CSR activities. Since social and private interest are not equal (i.e. society wants more CSR initiatives, however, only a handful of companies implement them), it means that we have a market failure. In case of market failures, there needs to be government intervention in order to make the market efficient. However, in this case, even the private sector can come up with efficient solutions.

Human Resources
and CSR

Productive Employees   Engaged Employees   Motivated Employees

Better customer service;
quality products; positive
organizational culture

Marketing and CSR

Word of Mouth Advertising   Educate the customer   Promote the CSR strategy and its
                                 about CSR   results to the wider public
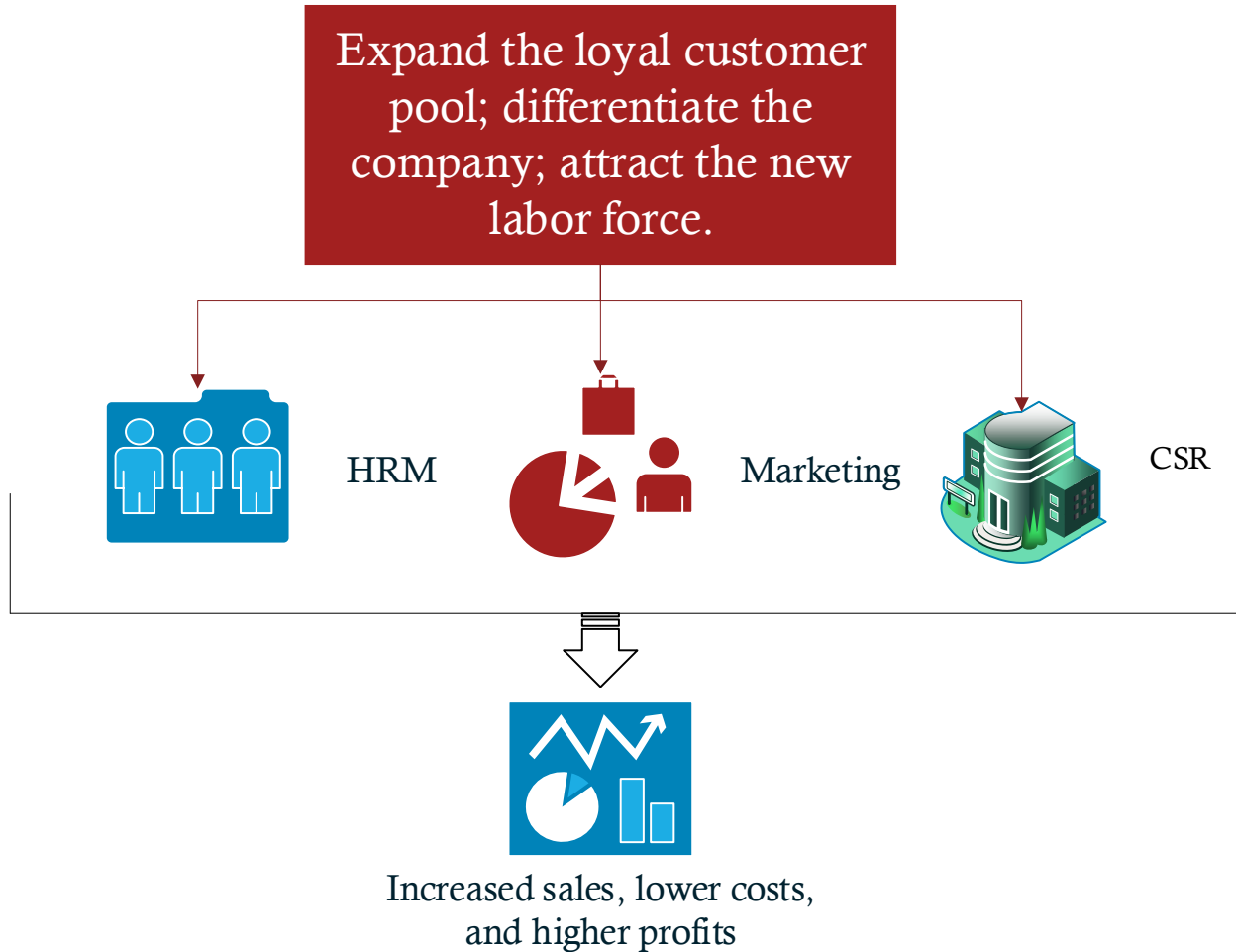
Figure 31-The HR and Marketing CSR Cycle

Recommendations

Some recommendations that might prompt companies to focus on CSR in their business models include:

- *The Kosovo CSR Network* can play an important role in educating business leaders in different industries regarding the benefits of CSR both to their ventures but also to society.

- *Industry leaders* who are already implementing CSR can incorporate PR campaigns that inform the larger audience, including other businesses, about the benefits that they have received since they have started using CSR in their daily activities.

- *Government incentives*: offering tax breaks (or subsidies) to companies who prove their engagement in CSR. For instance, the government of Malaysia has already implemented a 7% ceiling tax rebate for every CSR related project and strategy (Lu & Castka, 2009). This

means that charities and philanthropy should not be confused with CSR. Instead sustainable investments need to be demonstrated that focus on the wellbeing of staff and community and meet stakeholder expectations as set forth by the Malaysian government.

- *Government regulations*: the government can introduce new regulations and policies that mandate large businesses to implement CSR. Those companies who fail to adhere to these policies can then be punished, preferably in monetary ways. However, a great deal of caution is needed in this case. These regulations should be done only to incentivize companies to start engaging in CSR (e.g., employee safety and health, fair performance appraisals, customer treatment, and product quality) and not offer additional burden to them. For example, the new Law on Sponsorship in the field of Culture, Youth and Sports (No. 05/L-090) mandates companies to sponsor a variety of activities, and if they do not do so, they will be fined up to EUR 10,000. Interviewees highlighted that this law is essentially forcing companies not to engage in CSR since they see it only as extra costs without benefits. Moreover, this will induce the opening of "formal" sport and cultural centers which will want only to receive donations from companies while not contributing to sport and culture. In other words, regulations should be set forth that help and guide companies to implement CSR and not damage them.

- *Information campaigns*: government agencies in partnership with companies who are using CSR can make information campaigns that inform both customers and other large ventures about CSR and its usages. Lack of information (or even misinformation) about CSR and its benefits is the biggest obstacle for companies to actually implement it.

Conclusion

CSR is business concept that developed over the last century. It first started as a concept of corporate philanthropy, later changing to corporate responsibility in order to meet employee and customer expectations and being proactive in understanding and tackling their concerns regarding product quality, manufacturing methods, workplace conditions, and recruiting methods. However, modern CSR focuses primarily on the wellbeing of the organization while simultaneously confronting staff and social concerns. This analysis offers the first insights of CSR in Kosovar large businesses from HRM and Marketing viewpoints. The research showed that CSR is still in its infancy in Kosovar large ventures, but it has the capacity to be accepted by customers

and companies alike. The most important point to remember from this study is that traditional business as usual assumptions and strategies are coming to an end even in developing countries such as Kosovo. Kosovar large enterprises have to move with the global trend of investing in society and the environment. Finally, the change of customer mindsets, needs, wants, demands, and expectations will make CSR a priority for the majority of companies since satisfying customers is the basic assumption on which enterprises operate. It is the conclusion of this study that those companies who fail to make, adapt, and be proactive to these changes in the near term will be "punished" by both customer and staff, and defeated by market competitors both in the short and long-term.

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Appendix 1 — Consent Form
Informed Consent Form for Social Science Research

Title of the Project

Corporate Social Responsibility—Introducing a New Model for Improving the Financial Performance of Large Enterprises: The Case of Kosovo

Researcher Information

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Purpose of the Study

The purpose of this study is to examine the potential that large businesses in Kosovo have in using CSR policies and through them improving their profit margins, efficiency, and brand recognition. This analysis will look closely at current efforts in implementing CSR in daily business activities of Kosovar large enterprises and the results that such actions have yielded for companies who are already using such practices. Furthermore, this study will explain advantages and potential drawbacks that CSR brings. Finally, this paper will provide recommendations on implementing specific CSR strategies for Kosovar large businesses.

Procedures

You will be asked a total number of 12 qualitative and 4 quantitative questions throughout the interview.

Duration

This interview will last from 20 to 30 minutes.

Confidentiality

Your participation in this research is confidential. The data will be used only for the analysis of the subject matter of this RIT Honors Project which will be consequently published online.

Voluntary Participation

Your decision to participate in this research is voluntary. You can stop at any time. You do not have to answer any questions you do not want to answer, or you do not feel comfortable answering them.

You must be 18 years of age or older to take part in this research study. If you agree to take part in this research study and the information outlined above, please sign your name and indicate the date below.

You will be given a copy of this form for your records.

_____   *Date*: _____/_____/_____

Participant's Signature

_____   *Date*: _____/_____/_____

Researcher Signature

Appendix 2 — Interview Questions

Qualitative Questions for Companies who have been found engaging in CSR

1. How does your company define CSR?

2. What were the main drivers that convinced your company to engage in CSR?

3. What are the CSR strategies and programs that your company has implemented so far?

4. What sort of benefits, if any, have you experienced while implementing CSR strategies?

5. What kind of obstacles and/or disadvantages, if any, have you encountered while implementing CSR strategies?

6. Have your CSR programs improved in any sort your financial performance, e.g. more sales, customers, less costs?

7. Have your CSR programs improved customer service and satisfaction? If yes, in what ways?

8. Have you tried to engage your employees in implementing your companies CSR strategies? If yes, in what ways and what results have you obtained from engaging them? If no, why?

9. How do you measure, track, and report the impact of your CSR program?

10. How does your CSR strategy help you differentiate your brand or boost your company's reputation in the market?

11. Why do you think that only a small number of large businesses in Kosovo implement and engage in CSR strategies?

12. What kind of policies and/or incentives are needed for large enterprises to start using CSR in their business plans?

Quantitative Questions

- In a range from 0 to 4, how much would you say that CSR programs (from your experience) benefit the financial performance of a large enterprise?

0-Not at all

1-Positive influences closely associated with its costs

2-Neutral, meaning benefits and costs are equal

3-Most of the time benefits outweigh the costs

4-CSR programs are always positively correlated with financial performance

- In a range of 0 to 4, how much would you say that CSR programs (from your experience), improve the efficiency of large businesses (i.e. lower production/service costs, employee motivation and productivity, customer service and experience etc.).

0-Not at all

1-Rarely

2-Sometimes

3-Most of the time

4-Always

- In a range of 0 to 4, how much do you agree that CSR programs improve the brand recognition and differentiation of a large venture?

0-Completely disagree

1-Disagree

2-Neutral

3-Agree

4-Completely agree

Which of the following do you think are the main obstacles that large enterprises in Kosovo face when it comes to engagement of CSR strategies?

- Financial constraints
- Not enough information
- No incentives from the government
- Lack of adequate business plans and strategies
- Lack of strategic vision
- "Business as usual" thinking
- Lack of stakeholder engagement

Questions for Companies who are not engaging in CSR

1. Are you familiar with the concept of Corporate Social Responsibility? If yes, could you please inform me about your organizational views on it?
2. Does your company invest in staff wellbeing and productivity? If so, in what ways?
3. Does your company make investment towards the community? If so, in what ways? In no, why?
4. What are the main employee benefits that your company offers?
5. What kind of international partnerships has your company tried to achieve in the last years?
6. What kind of reputation do you think your company has in the market?

Appendix 3 — List of Interviewees

Interviewee A: CMO of a company which offers financial services

Interviewee B: CEO of a company which offers financial services

Interviewee C: PR Expert of a company which offers consulting services

Interviewee D: HR manager of a company which offers insurance services

Interviewee E: CFO of a company which offers financial consulting services

Interviewee F: CMO of a manufacturing company

Interviewee G: CEO of a manufacturing company

Interviewee H: HR manager of a retail company

Interviewee I: HR manager of a company which offers financial services

Interviewee J: Social media manager of a manufacturing company

Interviewee K: CFO of a company which offers financial services and consulting

Interviewee L: PR Expert of a marketing company

Interviewee M: Sales Expert of a marketing company

Interviewee N: Production Manager of a manufacturing company

Interviewee O: COO of a company which offers consulting services

Interviewee P: CMO of a retail company

Interviewee Q: Project Manager of a marketing company

Interviewee R: Production Manager of a construction company

Interviewee S: CMO of a fuel distributing company

Interviewee T: Sales Agent of a construction company

Interviewee U: HR manager of a production company

Interviewee V: CMO of a retail company

Appendix 4 – Survey Questions

This capstone project will aim to analyze the potential of large businesses in Kosovo to implement corporate social responsibility (CSR) strategies. More specifically, it will explain patterns and benefits of CSR with regards to human resources practices and marketing strategies such as employee engagement, branding and differentiation with the ultimate goal of better financial performances.

For this analysis, large ventures are defined as companies with more than 250 employees and who have turnover of more than EUR 50 million.

This survey has a total of 15 questions.

You must be at least 18 years old to participate in this survey.

All responses are anonymous and will be utilized only for the purposes of this capstone project.

Your inputs are very much appreciated!

1. What are your ambitions and priorities for the future? (Choose up to 3)
- See/Travel the world
- Earn high wages/be wealthy
- Buy your own home
- Make positive impacts on your community/society
- Have children/start families
- Refuse to answer
- Other:

2. Do you know anything about Corporate Social Responsibility or Corporate Citizenship? If yes, continue to question 3, otherwise proceed to question 4.
- Yes
- No
- Maybe
- Refuse to answer

3. Which of the following do you think represents most accurately Corporate Social Responsibility (CSR)?
- CSR is a business concept whose primary objective is for enterprises to give charities.
- CSR is a business concept that mandates that every enterprise should treat its employees and client well.
- CSR is a business concept through which a company achieves a balance of economic, environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders.
- CSR is a business concept that is integrated in the strategies of many enterprises and its purpose is achieving better financial performance through employee engagement and differentiation.

4. Which of the following factors are the most important when you apply for a job/switch jobs? (Choose up to 3)
- Reputation of the company
- Salary and bonuses
- Opportunities to advance

- Work-life balance
- Company investments towards my community
- How much does the company care about staff well-being and treating them with respect and dignity
- Innovation
- Refuse to answer
- Other:

5. Would you be more willing to work extra hours (even without pay) for a company that is generally known to invest in your community through social projects and its employees volunteer for different projects that benefit society at large?
- Yes
- No
- Maybe
- Refuse to answer

6. Do you think that large businesses in Kosovo treat their employees well in terms of wages, health insurance, implementing the labor law, and so on?
- Yes
- No
- Maybe
- I don't know
- Refuse to answer

7. Do you think that large enterprises in Kosovo do reinvest their profits for social causes, e.g. make donations, charities, fund scholarships, and invest in human capital (schools and hospitals)?
- Yes
- No
- Maybe
- I don't know
- Refuse to answer

8. How much do you agree with the following statement: "Large enterprises in Kosovo have the capacity and potential to contribute to Kosovo's development process, (i.e. investing in infrastructure, schools, and healthcare programs)"?
- Completely Agree
- Agree
- Neutral
- Disagree
- Completely disagree
- Refuse to answer

9. Since most Kosovar large ventures have very beneficial financial performances, do you think that they have an obligation to return some of that profit to society in different forms such as better products, protect the environment, invest in the development process etc.?
- Yes
- No
- Maybe
- I don't know
- Refuse to answer

10. Would you be willing to pay more for products from a company that returns some of their profits for social causes, e.g. helping the financially disadvantaged ones, reducing pollution, treating employees with respect and dignity rather from a competitor? If yes, continue to question 11. Otherwise, proceed to question 12.
- Yes
- No
- Maybe
- I don't know
- Refuse to answer

11. How much would you pay more for the products of companies that invests in CSR?
- 0-3%
- 3-6%
- 6-10%
- Other:

12. What is your gender?
- Male
- Female
- Refuse to answer
- Other:

13. Which of the following age categories do you belong to?
- 18-20
- 20-22
- 22-25
- Refuse to answer
- Other

14. What is your current employment status?
- Unemployed
- Unemployed but looking for a job
- Unemployed and not looking for a job
- Part-time internship (unpaid)
- Part-time internship (paid)
- Full-time internship (unpaid)

- Full time internship (paid)
- Part-time regular position (paid)
- Full-time regular position (paid)
- Refuse to answer

15. What is your current education level?
- High school diploma
- High school diploma pursuing undergrads
- Bachelor's degree
- Pursuing Master's
- Master's degree
- Pursuing PhD
- PhD
- Refuse to answer