Southeast Europe Journal of Soft Computing

Available online: www.scjournal.com.ba

A Study on Business Ethics and Corporate Social Responsibility (CSR): Evidence from Bosnia and Herzegovina

Ramo Palalic

International University of Sarajevo, Faculty of Engineering and Natural Sciences, Hrasnicka Cesta 15, Ilidža
71210 Sarajevo, Bosnia and Herzegovina
rpalalic@ius.edu.ba

Article Info

Article history:

Article received on February 2014

Keywords:

Business ethics, CSR, firms, statistics

Abstract

This paper tries to explore issues in terms of business ethics and CSR in Bosnia and Herzegovina. We examined 54 companies by using convenience sampling method. We explored descriptive statistics and non probability data analysis. With Spearman's correlation test we found possible relationships within some issues within the survey parameters that we examined. Conclusions have been derived from this study. For analysis we used a software for social sciences namely SPSS, version 21.

1. INTRODUCTION

Bosnia and Herzegovina is a multi-ethnic and multi-cultural country with the population around 4 million residents. These differences create variety of issues in the business activities. Apart from the religious side, there are many other cross-cultural varieties which creates a very sensitive business dilemma. This is especially after the Bosnian War from 1992-1995. Besides that part, one may ask what I should know about the culture to run a business and are there any restrictions concerning the Law, and its corporate social responsibilities.

However, in this research we will not be much concerned about that information, rather we are curious about the business ethics and CSR implemented in the business environments. This paper tries to get evidence from the business environment in Bosnia and Herzegovina in relation with business ethics and its corporate social responsibility (CSR).

2. LITERATURE REVIEW

Globalisation of the 21st century has changed the entire world as well as the way business activities are

performed. Ethics and CSR are incorporated part of any business. The modern era for social responsibility begins around 1950s (Carroll, 1999). He also reminded us that greediness of the human will definitely provide existence of immoral managers with us (2000). Cassel (in Gariga, 2004) has argued that the basis for the CSR have been taken the human rights.

Today's business is performed by SMEs almost 90% of all other businesses (Udayasankar, 2008). This fact leads us to examine what is really happening in the SMEs and other firms while they are involved in the business. In many times some organizations tend to not to be a part of the society, which is not possible to exist. Jenkins (in Moore et.al. 2009) suggests that the companies and organizations should establish a "business community interaction", dealing with all welfare and responsibilities in the particular society.

Baumann et al. (2011) have found that firm's size does not matter in developing the CSR in the business. So, any business is subject to have ethics in its surrounding. Hosmer (in Schwab, 1996) has argued that business ethics is a good business investment and that it is prerequisite in order build a trust relationship to every single stakeholder inside or outside of company. Conversely, not ethically well grounded business may

last as destruction and failure. Every gift given in the business is a first step towards unethical business activities and many have argued that gifts, either given or received, are considered as the most problematic issues in supply management and sales (Cooper, Frank, & Kemp, 1997; Fritzsche, 2005; Kitson & Campbell, 1996; Preuss, 2000; Turner, Taylor, & Hartley, 1994 in Fisher, 2007).

3. METHODOLOGY

In this research we examined firms regardless its size, micro, small and medium sized enterprises (MSMEs) as well as large corporations. Our sample size is fifty four (54) companies. Since that firm's size does not matter in developing the CSR in the business (Baumann et al. 2011) we did not put any condition. Examined companies were located in different part of Bosnia and Herzegovina and covered a whole area of the country. In the first part of this data analysis we will use the descriptive statistics to explore meaning of the data collected. In the second part of hypotheses will be tested using *Spearman's Correlation test* for variables relationships.

Sample: Firm Size

We have examined 54 firms, regardless business ownership and size like family business, partnerships or any other forms of ventures. We used *convenience* sampling for this study due to lack of an official database of Bosnian and Herzegovinian firms and their contact details. The convenience sampling follows non-probability analysis which will be explored further in the hypotheses testing.

The Survey

The survey is self-design survey (of 35 questions) which was distributed to firms contacting them on their physical addresses. For the purpose of the research we have designed in the following manner that is divided into a few parts. First part is a *general overview* of the company and the participants' information related to his or her company. The second part consists area of a *personal view* of the participant about the business ethics in general. Thirdly, this area is to see whether an organization has supported the business ethics. Forth part the term of *business ethics incorporated* in an organization. The last three parts of the survey are components of the ethics, *training* involved business ethics for employees and how much an organization along with its staff is *aware* of business ethics.

4. DATA ANALYSIS AND RESULTS

In this part we will explore the descriptive statistics for this study as well as hypotheses testing using the Spearman's Correlation test.

Descriptive Statistics

In this part we will explore several questions and their responses from the participants.

As a *general overview* of information of the survey we have that 85.2% were male and 14.8% were female participants. Managers who performed survey were first line managers 22.2%, middle managers 40.7% and top managers were 37%. Those managers have supervision over employees as 1-5 employees 33.3%, 6-15 employees 29.6%, 15-30 employees 16.7%, 31-50 employees 11.1% and over 50 employees 9.3%.

Regarding the turnover of the companies, 66.7% of them were in the range of more than 100,000 BAM¹, and the least one of 5.6% were companies up to 10,000 BAM of their sales volume.

When we go through the results, as *personal view* on business ethics, the interesting thing is that all of participants (all of them were managers) responded to question *Do you support business ethics*, in 100% they have responded the same, *everyone supports business ethics* (See Table 1).

Table 1. RESPONSE TO Q 7: DO YOU SUPPORT BUSINESS ETHICS?

			Valid	Cumulative
	Freq.	Percent	Percent	Percent
Valid Yes	54	100,0	100,0	100,0

However when we look at the question no 16 where they have been asked *how would you describe business ethics*²? More than half did not answer at all (See Table 2).

Table 2. RESPONSE TO Q 16: HOW WOULD YOU DESCRIBE BUSINESS ETHICS?

			Valid	Cumulative
	Freq.	Percent	Percent	Percent
Valid Answered	30	55,6	55,6	55,6
Not answered	24	44,4	44,4	100,0
Total	54	100,0	100,0	

It may be due to the chance that they did not want to answer because they did not have time or there are some other reasons behind that.

Furthermore, perception of the root of the business ethics is not based on the *morale of an individual*, but it can be learned as well, which the participants confirmed with 64.8% (See Table 3).

¹BAM represents the currency of Bosnia and Herzegovina

²(See table 11)

Table 3. RESPONSE TO Q 16: DO YOU THINK THAT BE IS BASED ONLY ON THE MORALE OF THE INDIVIDUAL?

		Freq.	Percent	Valid Percent	Cumulative Percent
Valid	Yes	19	35,2	35,2	35,2
	No	35	64,8	64,8	100,0
	Total	54	100,0	100,0	

When participants were asked to respond to assess the *business ethics* in their business surroundings they have confirmed that is not that ideal. Rather it unsatisfactory with 44.4% of its confirmation (See Table 4).

Table 4. RESPONSE TO Q 13: PLEASE RATE BUSINESS ETHICS AND CSR IN YOUR BUSINESS ENVIRONMENT?

		Freq.	Percent	Valid Percent	Cumulative Percent
Valid	Excellent	3	5,6	5,6	5,6
	Very good	18	33,3	33,3	38,9
	Good	24	44,4	44,4	83,3
	Unsatisfactory	2	3,7	3,7	100,0
	Bad	7	13,0	13,0	96,3
	Total	54	100,0	100,0	

Regarding the *State governance* in the field of business ethics and social responsibility and at what stage is Government support, the participants responded negatively by answering either “no” or “not enough” (See Table 5).

Table 5. RESPONSE TO Q 14: DO YOU THINK THAT GOVERNMENT DOES ENOUGH FOR BUSINESS ETHICS AND CSR?

		Freq.	Percent	Valid Percent	Cumulative Percent
Valid	Not enough	28	51,9	51,9	100,0
	No	26	48,1	48,1	48,1
	Total	54	100,0	100,0	

Looking at *establishment and implementation of code of business ethics* across organizations, participants confirmed that 81.5% the business ethics code is

established. It means most of the companies have sense for ethics and corporate social responsibilities. In terms of the *resources* in those organizations for supporting ethical behavior, 72.2% of participants claimed that there are *enough resources to support business ethics and CSR* within the company they work for.

We also were examining whether there is a *regular review of the business ethics* or not. We have found that 66.7% of the respondents have said yes, there is annual review by the top management of the companies.

Results of the issue of *CEO's commitment to the ethical culture* were not satisfied saying that “sometimes” and “no” are over 59 % and only 40.7% responded as “yes”(See Table 6).

Table 6. RESPONSE ON THE QUESTION 20: DOES AN ETHICAL CODE START WITH A STATEMENT OF THE CEO'S COMMITMENT TO ETHICAL CULTURE?

		Freq.	Percent	Valid Percent	Cumulative Percent
Valid	Yes	22	40,7	40,7	40,7
	Sometimes	26	48,1	48,1	100,0
	No	6	11,1	11,1	51,9
	Total	54	100,0	100,0	

Hiring process is satisfied confirming it with 74% of hiring process to be in an ethical manner(See Table 7).

Table 7. RESPONSE ON THE QUESTION 22: IS ETHICS IN THE FOCUS DURING THE HIRING PROCESS?

		Freq.	Percent	Valid Percent	Cumulative Percent
Valid	Yes	40	74,1	74,1	74,1
	Sometimes	13	24,1	24,1	100,0
	No	1	1,9	1,9	75,9
	Total	54	100,0	100,0	

The highly ethical process is during the employees' training as well as evaluation of employees corresponding to 94.4%(See Table 8).

Table 8. RESPONSE ON THE QUESTION 23: IS ETHICS IN THE FOCUS DURING THE TRAINING OF NEW EMPLOYEES?

		Freq.	Percent	Valid Percent	Cumulative Percent
Valid	Yes	51	94,4	94,4	94,4
	No	3	5,6	5,6	100,0
	Total	54	100,0	100,0	

And finally, a question, do the companies have the *code of ethics in writing* the response is not that high which is 42.6% and no 46.3%, while 11.1% of companies do have the code of ethics but not practicing (See Table 9).

Table 9. RESPONSE ON THE QUESTION 29: DOES THE COMPANY HAVE A CODE OF ETHICS IN WRITING?

		Freq.	Percent	Valid Percent	Cumulative Percent
Valid	Yes	23	42,6	42,6	42,6
	Yes, but not practicing	6	11,1	11,1	100,0
	No	25	46,3	46,3	88,9
	Total	54	100,0	100,0	

Reliability of the Scale

Before any further analysis it is important to give *internal construct validity* for the research. In this study we will use the Cronbach's alpha for the reliability of the scale. In general, depending of the factors and respondents in the survey, the Cronbach's alpha may vary and give pleasant or not desirable results. However, the lowest value for the scale is proposed by Hair et al. (1998) where Cronbach's alpha is accepted as low as of 0.60 to 0.70. In this study the construct validity is 0.634 which seems to be acceptable. In other words, the survey construct is 63.4% valid and the 37.6% of the survey contains errors (see table 10).

Table 10. RELIABILITY OF THE SCALE

Cronbach's Alpha	N of Items
.634	35

Hypotheses

For the hypotheses testing, we used *Spearman's correlation coefficient* due to convenience sampling that follows non-probability analysis. A value for interpretation of the Spearman's Correlation coefficient goes as from -1 to +1. These two extremes indicate perfect correlations or relationships. In addition, if correlation is resulted in the range between 0.1-0.3, it is considered as *weak* correlation; and if correlation is between 0.4-0.7 we say that is *moderate* one, while a correlation range between 0.8-1.0 it implies a *strong* correlation or relationship.

Data set for the following test consists of the following categories for the testing relationships between given variables. Those categories are gender, managerial position and department in which a manager belongs to.

The following hypotheses were constructed.

H1: There is a positive relationship between gender and response to the question 30 (Does the code of ethics cover the key elements, such as conflict of interest, Financial Irregularities and compliance with Laws?).

Table 11. Correlations between GENDER AND Q30

		GENDER	Q30
Spearman's rho	Correlation Coefficient	1.000	.317*
	Sig. (2-tailed)		.020
	N	54	54
	Correlation Coefficient	.317*	1.000
Q30	Sig. (2-tailed)	.020	
	N	54	54

*. Correlation is significant at the 0.05 level (2-tailed).

Results show a positive and weak correlation between gender and the response to Q30, as 0.317 but with a high p-value of 0.020. It may indicate that a different response may depend whether a male or female is answering. We do not reject H1.

H2: There is a positive correlation between managerial position and answer of the question 34 (Has served the importance of ethics for all employees on a regular basis, through firm's news, articles and posters?).

Table 12. Correlations between MANAGERIAL POSITION AND Q34

		MAN. POSIT.	Q34
Spearman's rho	Correlation Coefficient	1.000	.324*
	Sig. (2-tailed)		.017
	N	54	54
	Correlation Coefficient	.324*	1.000
Q34	Sig. (2-tailed)	.017	
	N	54	54

*. Correlation is significant at the 0.05 level (2-tailed).

A result shows a positive but weak correlation (0.324) with a high significance of p-value as 0.017,

between managerial position and the response to the question 34. We may argue that an answer to this question may depend whether it is answered by first, middle or top manager in a firm. Accordingly, we do not reject H2.

H3: There is a positive correlation between managerial position and answer of the question 8 (*Do you think that business ethics is based only on the morale of the individual?*).

As a result shows there is a negative but weak relationship between managerial position and the answer on question 8. So we do not accept H3 (see table 13)

Table 13. Correlations between MANAGERIAL POSITION AND Q8

		MANAG. POSITION	Q8
MANAG. POSITION	Correlation Coefficient	1.000	-.368**
	Sig. (2-tailed)	.	.006
	N	54	54
	Spearman's rho		
Q8	Correlation Coefficient	-.368**	1.000
	Sig. (2-tailed)	.006	.
	N	54	54
	Spearman's rho		

** . Correlation is significant at the 0.01 level (2-tailed).

H4: there is a positive correlation between department a participant belongs to and the answers on question 14 and 21(*Q14: Please rate the business ethics in your business environment; Q21: Is Ethics in focus during the regular meetings of top management?*)

Table 14. Correlations between DEPARTMENT AND Q14 AND Q21

		DEPART.	Q14	Q21
DEPARTMENT	Correlation Coefficient	1.000	.344*	-.268*
	Sig. (2-tailed)	.	.011	.050
	N	54	54	54
	Spearman's rho			
Q14	Correlation Coefficient	.344*	1.000	-.064
	Sig. (2-tailed)	.011	.	.644
	N	54	54	54
	Spearman's rho			
Q21	Correlation Coefficient	-.268*	-.064	1.000
	Sig. (2-tailed)	.050	.644	.
	N	54	54	54
	Spearman's rho			

* . Correlation is significant at the 0.05 level (2-tailed).

According to results, there is a positive correlation but weak with significantly higher p-value of 0.011 considering this relation a positively weak and significant. On the contrary, a negative but weak relationship between a department, a participant belongs to, and question 21, with p-value of 0.50 indicating it as a significant relationship.

So we partially do not reject and partially do not accept H4.

5. CONCLUSIONS

Exploratory data (descriptive statistics) has shown a quite moderate level of existence of business ethics and

CSR in Bosnian and Herzegovinian business environment that is examined on 54 firms regardless of their size. The survey used for this research covered a general overview of business ethics and CSR, a brief overview of participants towards this issue and managerial and top management affiliation to the business ethics and CSR.

However, when we examined possible correlations between several categories that have been responded to certain questions, the outcomes of constructed hypotheses were as assumed. Accordingly, we believe that there is a correlation between gender, managerial position and department to which a participant belong and certain responses (like for questions 8,14,21,30 and 34).

REFERENCES

Baumann P. D, Wickert C. , Spence L.J. Scherer, A.G. (2011), Organizing Corporate Social Responsibility in Small and Large Firms: Size Matters, University of Zurich, Chair of Foundations of Business Administration and Theories of the Firm, Working Paper No. 204.

Carroll A.B, (1999), Corporate Social Responsibility Evolution of a Definitional Construct, BUSINESS & SOCIETY, Vol. 38 No. 3, 268-295.

Carroll A.B, (2000), Ethical Challenges for Business in the new Millennium: Corporate Social Responsibility and Models of Management Morality, Business Ethics Quarterly, Volume 10, Issue 1. ISSN 1052-150X. pp. 33-42.

Cassel, D,(2001), 'Human Rights Business Responsibilities in the Global Marketplace', Business Ethics Quarterly, 11(2), 261-274.

Garriga E, Mele D., (2004), 'Corporate Social Responsibility Theories: Mapping the Territory, Journal of Business Ethics 53: 51-71, Kluwer Academic Publishers, Netherlands.

Hair, J. , Anderson, R. E, Tatham, R. L. and Black, W. C, (1998). Multivariate Data Analysis. 5th Edition. New Jersey: Prentice-Hall.

Jenkins, H, (2004), "A critique of conventional CSR theory: an SME perspective", Journal of General Management 29(4), 37-57.

Udayasankar K, (2008), Corporate Social Responsibility and Firm Size, Journal of Business Ethics (2008) 83:167-175.

Moore, G. and Slack, R. and Gibbon, J. (2009) 'Criteria for responsible business practice in SMEs: an

exploratory case of U.K. Fair Trade organisations.',
Journal of business ethics., 89 (2). pp. 173-188.

Reynolds M. Yuthas K., (2008), Moral Discourse and
Corporate Social Responsibility Reporting, Journal of
Business Ethics, Springer, 78:47-64, DOI
10.1007/s10551-006-9316-x.