5

[ETHICAL BRANDING AND CORPORATE SOCIAL RESPONSIBILITY](#)

CONTENTS

This chapter focuses on the ethics of branding and its pitfalls. We take a closer look at corporate social responsibility, its definitions and the role of society expectations regarding corporate responsibility. Further, we present the features and tools of social responsibility, and what companies should take into account when communicating and reporting their social responsibility.

[5.1 Ethical branding and its misuses](#)

In the last 20 years, many companies have started to acknowledge corporate ethics and moral standards and other actions that contribute to the well-being of the local environment in the communication of their attributes and characteristics. For some companies, this is merely a response to growing pressures and demands from various publics, while for others it is a defence strategy to protect themselves from criticism of their corporate decisions. A third group of companies have built their key competitive advantage on emphasizing their responsibility toward society and/ or nature and have set those values as the core attributes of their corporate brand. Such branding emphasizes the ethical commitments of the company and its morally and socially responsible actions taken in the relationship with stakeholders and the society (Fan 2005; Morsing and Schultz 2006; Basu and Palazzo 2008) and can be manifested either on the product/service level or on the corporate level. The ideal is an integrated version of both – moral or ethical brands with their promise that an organization – and with it, all its employees, products and services – will be able to fulfil the set ethical standards and will consistently implement moral decisions to which they have committed. The field of classic external and internal corporate branding involves concepts of morality, ethics and responsibility and offers a different view on the company's operations that is inseparable from society. This kind of (corporate) branding is, needless to say, probably

one of the most complex and demanding ones, because a company with such a strategy has to make sure that the brand promise is realized on all levels and forms of the company's operations, while at the same time everyone – employees, business partners, managers, owners as well as consumers – have to believe in these commitments and live by them.

Practical examples show that many companies that have decided in their communications to stress ethical or moral attributes and promises are not able to fully and consistently exercise them or have not even tried to do so. Instead, they resort to fabricating, misleading and even lying. This phenomenon is known by various terms which raise a customer's scepticism and public dislike (CorpWatch 2001). One such example is **'greenwashing',** the deceptive perception of the environmental behaviour or advantages of products and services a company provides. A similar term is 'deep greenwashing' – companies operate according to the ethical codes, while at the same time they ignore national and international environmental agreements about environmental management or even disregard various laws and regulations. **'Bluewashing'** is a term that refers to corporations that unjustly wrap themselves in the blue flag of the United Nations in order to associate themselves (unjustly) with themes of human rights, labour rights and environmental protection. The term **'sweatwash'** is used to describe companies that try to divert attention from their own factories' practices, ethically questionable relationships toward employees or subcontractors and even child labour.

Such inadequate and highly disputable company practices can refer to disrespecting various forms of responsibilities that companies are obliged to fulfil. TerraChoice Environmental Marketing Inc. (2007) recognized six **false or misleading environmental claims** of greenwashing which have been around the longest.

1. *Hidden trade-off* is based on emphasizing a single environmental attribute and at the same time neglecting all environmental issues caused by the function or production of a certain product. Such claims are not usually false, but are used to paint a more environmentally friendly picture of the product.

2. *Vagueness* refers to claims that are so poorly defined or vague that their real meaning is likely to be misunderstood. Some examples of vagueness are claims such as a product being 'natural', 'eco', etc.

3. *Fibbing* refers to making false environmental claims. Most of these are misuse or misrepresentation of ecological certification.

4. *No proof* is any environmental claim that cannot be substantiated by easily accessible supporting information, or by a reliable third party or 'independent' agency certification.

5. *The principle of the 'lesser of two evils'* describes products harmful to environment or humans with claims that may be true within the category, but no version of these products can eliminate their harmful effects.

6. *Irrelevance* is making an unimportant environmental claim that distracts the consumer from finding environmentally preferable products.

Companies start using transformations and falsifications that are related to ethical branding when they believe that benefits will be greater than the potential costs if such acting is revealed, or when they are not able or simply not willing to fulfil their promises. In most cases, they deny the problems or challenges they are confronted with (Ogorelec Wagner 2007). In such cases, the first phase is usually that, officially, the problem does not exist. The company denies there is a problem by ignoring or even intentionally concealing it. In the second phase, the management faces the problem and tries to find potential solutions. It can either seek alternatives to improve or solve the problem or it just makes apparent corrections to protect or improve its public image. In the third phase, the company realizes that the necessary improvements or even solutions are too expensive. Therefore, it starts seeking to pursue cheaper variations that do not solve the problem completely. The basic problem remains, but not

necessarily in its original extent or even field. In the last phase, the alternatives to a full solution of the problem or challenge are possible and feasible – the company offers an alternative product or service, adapts the production process, improves its relationship with the group of stakeholders, alters its business decisions, etc., to resolve the adverse problem and prevents its repetition.

If a company wants to build its brand on ethical attributes, it is clear that this can only be efficient and successful if a very clear response is made to challenges, and the principles of corporate social responsibility are actually implemented. The only warning related to **ethical branding** and based on responsible acting of the company that can be given at this point is that lies can quickly be discovered and that, in the business world, the price to pay for lying is simply too big to even consider it.

5.2 Understanding corporate social responsibility

In the 1950s, discussions on concepts of corporate social responsibility in the framework of management became more intensive (Carroll 1999), and by the 1960s corporate social responsibility was discussed in the context of marketing (Choudhury 1974). Today corporate social responsibility has become an important topic in the business world of first world countries and is increasingly becoming a

'licence' for a company's activities. The notion of corporate social responsibility 'is grounded in the social nature of business and the corporation' (Klonoski 1991, 13), at the same time authors emphasize the role of social expectations toward companies (Zenisek 1979; Mahon and McGowan 1991; Hopkins 2003).The main idea of social responsibility is that 'company and society are closely interwoven and not completely separate entities; the society has certain expectations about suitable companies' behavior and its results' (Wood 1991, 695), and companies have to meet these expectations to ensure undisturbed functioning.

The understanding of social responsibility to some extent depends on the characteristics of individual socio-economic and political systems, based on various cultural orientations. What is considered as social responsibility unavoidably differs from one country to another. In particular, the emphases that stakeholders in various countries give to socially responsible practices are different. Today, the following prevailing **models of understanding corporate social responsibility** can be recognized (Golob 2006).

- *The Anglo-Saxon model* discusses social responsibility in a narrow sense, from the aspect of the company's own interest. The key question arising from this model is whether corporate social responsibility contributes to the company's profitability and competi-

tiveness. Social responsibility is something that needs to be measured in order to ensure the company's transparency in public, reduce negative external impacts on the company and maintain its reputation intact. The Anglo-Saxon model characterizes the system that has long been implemented in the USA and less so in the UK, where the role of the government and the wider community in forming socially responsible policies is becoming more obvious. The USA has also been increasingly following this trend. In addition to the Anglo-Saxon model, there are at least four more equally important models present in the European area that co-shape the 'European' concept of corporate social responsibility: German, Latin, Nordic Dutch and the post-socialist model (Golob 2006).

- A typical characteristic of the *German model* is the formation of legal frameworks for the operation of companies that are a response to public expectations. These legal frameworks are formed in dialogue among social partners with society representatives (employees) and the public playing an important role. The German tradition is based on the system that gives a vote to every actor/participant in the company and forms a so-called collective discipline that clearly states its responsibilities. Company policies in the German model are acceptable and have a meaning only if a broader consensus is built around them.

- *The Latin model* is partially similar to the German one. It gives priority to formally written structures and rules, but with an idea of a 'higher ideal' of serving public interest behind them, so a company as a cell of the society has to be adequately regulated and controlled. The legal system in the Latin model reflects general public interest, so the most important factor for the company is to respect legal provisions. France is the first state that demanded social responsibility reports by law. Social responsibility in the Latin model is especially expressed in the relationship between the company and employees. The legislation plays a key role in this model.

- *The Nordic Dutch model* supports the confrontation of opinions, building a consensus and mutual adaptation. This demands the formation of appropriate stakeholder networks, needed for the company's functioning. The company's functioning is not primarily directed toward meeting owners' or shareholders' interests. In Scandinavian countries and the Netherlands, there is a high level of environmental and consumer activism, while at the same time, the spheres of environment and consumer protection are legally regulated.

- *The post-socialist model* is only in its development phase and its characteristic is an emphasizing interest for problems of corporate social responsibility. The model gives priority to a building of a social state, supporting the role of the civil society in socio-economic questions, encouraging competitiveness and concluding the period of transition. It seems that countries included in this model are seeking the balance between the prevailing Anglo-Saxon model and its tendency toward bigger competitiveness and profitability and establishing social dialogue with various stakeholders, drawing from the 'tradition' when the essence of a company was not its profitability, but its employment possibilities.

The key difference between different understandings of corporate social responsibility lies within their implicit and explicit approach.

Implicit corporate social responsibility is based on formal and informal state institutions that are a tool for attaching the responsibility to companies. Implicit social responsibility is based on values, norms and rules that are expressed through demands toward companies to deal with social questions. These demands are often formalized as policies, regulations or laws.

Explicit social responsibility includes policies led by companies to take over responsibility toward certain social demands. It includes policies that are based on volunteering as well as programmes and strategies led by the company's interests in addressing problems in society that need to be included in the process of corporate

social responsibility according to the company and/or its stakeholders. The explicit model does not highlight the power of the institutional framework; it depends only on pressures of the informal public and stakeholders and tries to alter them according to its own interests.

5.3 Societal expectations as the foundation of corporate social responsibility

Corporate social responsibility can be understood as society expectations of corporate behaviour that is socially expected or morally required and is therefore justifiably demanded of a business (Whetten *et al*, 2001). Their expectations, which are the reason and at the same time the foundation of corporate social responsibility, arise from the 'stake' various stakeholders have in a company and who are affected by the company's socially responsible behaviour. The most widely quoted definition of social responsibility states that social responsibility encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time (Carroll 1979, 500). These expectations refer to various aspects and obligations of the company to the public. Therefore, companies should make a profit and deliver repayment of shareholders' investments, guarantee fair payment of wages and contributions and also provide good products and services at appropriate prices for consumers. They have to respect the laws and rules of the business game, and act in respect of what is right, just and fair. Most of all, they must not cause harm to stakeholders. Additionally, they should contribute to the community and improve quality of life. Interestingly, the researches stress that in European cultural society, the components concerning non-economic responsibilities (e.g. legal, ethical and philanthropic) are especially important, while economic responsibilities are, in some cases, even negatively linked with non-economic ones (Aupperle *et al.* 1985; Maignan 2001; Golob 2006).

Society expectations represent the minimal level of social responsibility or are respectively defining it (Monsen 1972, 126–127). Each company's action that does not live up to society expectations quickly leads to conflict and makes the company's operation more difficult (Vallentin 2004).

Pressures on corporate social responsibility of companies can be divided into internal and external pressures. Internal pressures are mostly created by employees (Aguilera *et al*. 2007). The other kind of pressure is external pressure, which is more common (Smith 1990; Klein 2001). Companies and big corporations can be placed under such pressure by individuals in various roles, most commonly as active citizens, members of different non-governmental organizations and pressure groups, or as aware

consumers. Functioning of individuals is explicitly obvious at the consumer level. Although the majority of consumers are inactive, Dyhr (2003) noted that many at least declaratively favour ethically and socially responsible consumption, even though they do not exert this power in practice. The consumers are aware of the latent power that is a good enough motivator for the companies to respond with more socially responsible practices or products. A well-founded fear of consumers' latent power manifestation by media pressure could persuade some consumer segments to boycott a company. Dyhr (2003) also feels that legislation and the state in general can be powerful motivators of socially responsible consumption. Among other things, this can be product labelling which also encourages ethical consump- tion.The **socially conscious consumer** is a consumer who takes into account the public consequences of his or her private consumption or who attempts to use his or her purchasing power to bring about social change (Mohr *et al.* 2001, 47).

It would be wrong to assume that the only motive companies have to act socially responsible is in their effort to gain a 'licence to operate' from the public or to handle the risks that all companies are faced with due to increasingly critical and active audiences. Further important motives are gaining a desired position in the eyes of the target public and company differentiation from the competition. For a significant part

of the public, linking the company with social responsibility is such an important attribute of the company's offer that consumers are willing to pay more for it, be loyal to it and recommend it to others. The same applies for its employees who reward their company's social responsibility with identification and commitment to the company, but also with higher productivity and functioning in accordance with the promises of the corporate brand (Paine 2003).

We can conclude with Steiner's (1977) findings that at any time and in any society there is a set of generally acceptable relations, obligations and commitments between institutions and people. These relations are based on 'social contracts'. And social responsibility is linked to these social contracts, as it is a set of generally acceptable relations, obligations and commitments affecting companies' influence and power over social well-being and general welfare that rewards everyone in this exchange.

5.4 Implementation of corporate social responsibility

An answer to how companies should implement their social responsibility is offered by Lantos (2001, 601), who says that social responsibility has to be reflected in the balance of a company's activities. The company must balance its economic, ethical and direct social performance, while at the same time balancing the interests

of multiple stakeholders. It is a fact that economic as well as non-economic criteria are benchmarks for socially responsible actions, but companies can have multiple objectives (Lantos 2001, 601). Social responsibility is the balance of all dimensions of responsibility and an activity that is balanced by stakeholders' and society's expectations, values and norms (Golob 2006).

Companies have to pay attention to internal as well as external dimensions of their activities. The **internal dimension of socially responsible practices** primarily involves employees and relates to issues such as investing in human capital, health and safety, and managing change, while environmentally responsible practices relate mainly to the management of natural resources used in production and to the production itself(European Commission 2001). Employees participate in the formation of socially responsible policies on two levels. We talk about direct participation where employees participate themselves, or indirect participation where their role is taken over by representatives in the company. In practice, employees most commonly participate in socially responsible practices by cooperating in different internal surveys (e.g. satisfaction surveys) or by co-creating the ethical principles of company functioning (e.g. focus groups). This enhances corporate cultural identity and contributes to the company's development toward

social responsibility. Employees can also have a more specific role in the implementation of social responsibility; usually their role affects the internal dimension of social responsibility, for example, work quality, work environment, health and safety at work, but also environmental impact of their working activities. A very important component is also internal communication about employee satisfaction. Employees' roles in the framework of corporate social responsibility can be further defined by participation in these fields:

- setting up ethical principles and standard of operation (employee focus groups);

- corporate governance (employees' representatives participating in supervisory boards);

- socially responsible investment;

- marketing with the support of charities (employees volunteering for nonprofit and charitable organizations);

- partnership in the local community (voluntary assistance to local organizations);

- measuring the effects of social responsibility and reporting (independent evaluatio of corporate social responsibility by employees).

The **external dimension of social responsibility** refers to mutual relations with stakeholders and

the company's integration in its local environment. These are relations and effects on local communities, business partners, suppliers and consumers, as well as policies of consistently respecting basic human rights and environment protection but also active involvement in achieving global environmental and social improvements (European Commission 2001). The study of Bhattacharya and Sen (2004) also distinguishes between internal and external social responsibility and divides various socially responsible activities into six groups according to monetary or non-monetary aid, knowledge and time.

1. *Community support* includes the support of the arts, health and educational programmes in the community.

2. *Diversity* includes assistance in establishing gender and race equality.

3. *Employee support* refers to concern for work safety, job security, profit-sharing and employee involvement.

4. *Environment* includes recycling, environmental protection and environmentally friendly products

5. *Non-US operations* include operations in countries with major human rights violations and high poverty rates.

6. *Product* refers to product safety, ecological products and their R&D–innovation, etc.

Kotler and Lee (2005) explore six initiatives that are undertaken by companies to fulfil their social responsibility or to contribute to community well-being.

1. *Cause promotion* are initiatives for which a corporation provides funds, in-kind contributions, or other corporate resources to increase awareness and concern about a social cause or to support fundraising, participation, or volunteer recruitment for a cause.

2. In *cause-related* marketing, a corporation commits to making a contribution or donating a percentage of revenues to a specific cause based on product sales. So, the corporation can attract new consumers, raise funds for the specific cause and strengthen its brand, but also bridge market gaps, increase sales of a particular product, generate close relations and build a strong brand identity.

3. In *corporate social marketing*, a corporation supports the development and–or implementation of a behaviour change campaign intended to improve a specific social problem (e.g. an anti-smoking campaign or a campaign for encouraging healthy lifestyles). This can raise certain questions, such as does the problem coincide with the company's goals, or can appropriate professiona support be guaranteed?

4. *Corporate philanthropy* is when a corporation makes a direct contribution to a charity or

cause, most often in the form of cash grants, donations, products or services. It is important that the corporation chooses a specific cause that is linked with the company's operations and in accordance with its strategic orientation which enables its employees to identify with it. Another important factor is to choose a cause that can benefit from the contributions and that allows the company to communicate about the campaign's success in a modest way.

5. *Community volunteering* is a socially responsible initiative in which a corporation encourages employees, business partners and franchise members to volunteer their time to support local community causes. In this form of social engagement, the authors suggest that a corporation may use it when other forms of socially responsible practices need to be additionally supported by volunteering, when employees or partners express the willingness to help or when technology enables employees to have a simple engagement in social problems.

6. In *socially responsible business practices*, a corporation adopts and conducts discretionary business practices and investments that support social causes (such as, for example, suspension of all marketing activities aimed at schoolchildren). The majority of these practices include internal processes within a company, such as marketing safe or ecological products.

Therefore Kotler and Lee (2005) suggest that a company needs to address such initiatives by developing a programme that includes identification of needs and true problems that are indirectly even beneficial for the company, an integrated approach to implementation, appropriate communication with employees, education, and a definition of goals that will be fulfilled by such an operation.

5.5 Communicating corporate social responsibility

CRS communication is a process of anticipating stakeholders' expectations, articulation of CSR policy and managing of different organization communication tools designed to provide true and transparent information about a company's or a brand's integration of its business operations, social and environmental concerns and interactions with stakeholders (Podnar 2008). We have to distinguish between persuasive and informative communication of corporate social responsibility (McWilliams *et al.* 2006).

While **persuasive communication** attempts to positively influence consumer attitudes toward products or the company itself, **informative communication** merely gives information about the CSR practices of the firm and is not trying to

persuade consumers to buy the company's products or services.

When it comes to communicating corporate social responsibility, the saying 'one action speaks louder than a thousand words' is definitely true. Various authors believe that different socially responsible initiatives or programmes communicate enough and any additional tools for communicating CSR are not necessary. Stakeholders' extremely negative reactions (and consequently the high cost of eliminating them) toward companies spending more funds for communicating corporate social responsibility than actually investing in CSR programmes are a sufficient warning to everyone thinking of using communicating CRS to improve their public image. Such actions are visible examples of social irresponsibility that bring more doubts about the true intentions of socially responsible activities and cause stakeholders to respond to such activities with caution. Some authors point out that companies that are already perceived as socially responsible have little to gain from planned communication of this fact (Stuart 2004). While on the contrary, others write that communicating corporate social responsibility brings positive effects, especially in gaining stakeholders' trust and approval, consequently influencing the company's reputation (Morsing and Schultz 2006). However, authors agree that the most effective method of communicating CSR is references and

reports prepared by independent stakeholders, be it consumers, non-governmental institutions, other independent organizations, media, internet communities or others. Sponsorship is an important controlled communication tool, while the company's website, public relations and advertising departments are less effective (Stuart 2004).

Golob (2006) writes that the best tool for communicating and evaluating corporate social responsibility is a two-way communication model. Haas (2003) discusses the meaning of establishing actual and simulated dialogues between the company and its environment. With the actual dialogue between a company and its stakeholders, the latter are given the possibility to articulate their expectations and criticism that could change the company's way of operation. Companies should not avoid public discourse or influence it, but rather actively participate and, if necessary, encourage it. However, we cannot forget that the core of communication and its efficiency is not the message itself, but is hidden in the company's motive for such action as seen by stakeholders. The consumers positively react to the company's socially responsible operating and detect it as a well-intentioned, honest, long-term and consistent investment that is related to the company's identity and values, while on the other hand short-term activities are seen as one of the attempts to implement the company's egoistic motives and

a trick to enhance sales. In order to effectively communicate corporate social responsibility and achieve maximum impact, it is important that a company communicates a project that is congruent with its identity, activities and with the problem the company is addressing. Personal involvement of employees and the company's consumers in the programme creates good conditions for successful communication.

The presence of the implicit model that demands that companies are extremely socially responsible, but does not allow them to loudly communicate and build their competitive advantage and reputation represents a big challenge for the managers who have to justify their investments in social responsibility. Morsing and Schultz (2006) write that the path should be carved from inside-out. The 'inside- out' approach simply means that employees are the first and most important stakeholders in socially responsible activities. The communication process has to act in the framework of proactive involvement and participation of employees. This is a so-called proactive endorsement, in which employees as important stakeholders express their agreement and support of the company's socially responsible initiatives. Often communication involves activities that affect other groups of stakeholders, such as the local community. The management has to ensure that employees as well are committed to socially responsible policies and practices. The

corporate communication or PR department can promote various socially responsible policies, but without employees' active involvement or 'adoption' of the same view, these policies will not be supported in the organization. The policies will not be implemented in practice and trustworthy communication will not evolve. If employees do not perceive their company as a socially responsible one, the company's external communicating social responsibility does not build trust and credibility.
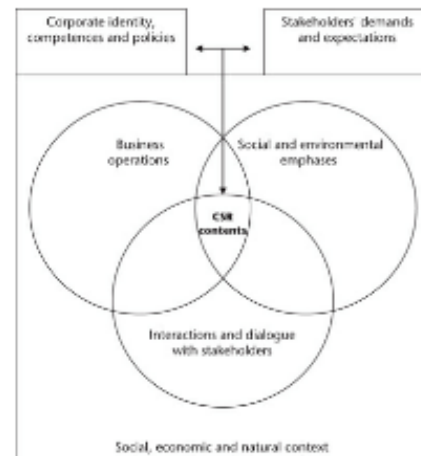

FIGURE 5.1 The framework of communicating corporate social responsibility

Therefore, the small steps that a company makes in its own environment are of key importance. These may include better work conditions and a stimulating work environment, employees' involvement in decision-making processes, family- friendly policies, etc. If the interest exists, the company can actively engage its employees to act in the community and

beyond, but this is not possible unless employees are satisfied with the internal dimension of socially responsible policies. Further, it is important that employees are fully involved in creating socially responsible practices in the company and in the wider environment. This enhances their commitment and support for the socially responsible policy that the company pursues in relation to other stakeholders and society. According to a British survey on human resources, every 'involved' and motivated employee generates about £2,500 of additional annual profit. In terms of social responsibility communication, it is not enough to merely include the employees in the socially responsible practices of the company; it is wise to include them in the process of communication as well. Besides the media, employees are the most important group of stakeholders to engage in direct dialogue with external stakeholders.

In practice (see Figure 5.1), this means that employees and management representatives are actively involved in the interaction with various interest groups and help create the external dimension of socially responsible practices of the company. While this engagement strengthens their commitment to the company and its CSR practices, it also communicates the commitment of employees to their company, which raises trust in the company among the general public and enhances the company's reputation. In this way, the company can avoid the unfavourable 'bragging' about its CSR practices which can bring negative effects and adverse public responses.

5.6 Reporting corporate social responsibility

An important component of corporate social responsibility communication is also transparency. This is one of the reasons for the emergence of reports on socially responsible activities, and some stakeholders now even explicitly demand such reports, which can be defined as a medium by which information about a company's socially responsible activities and programmes affecting the company's image among stakeholders is voluntarily communicated (Adams and Zutshi 2005). Information on the company's operations is commonly communicated either in a section within its annual reports or as a stand-alone report presenting only the socially responsible practices. Most commonly, these reports are provided in hard copy format as well as being available on the internet (Adams and Zutshi 2005).

Golob (2006) established that **reporting social responsibility** can be divided into three categories which include mandatory, solicited and voluntary disclosure (Woodward *et al.* 1996; van der Laan 2004).

- *Voluntary disclosure* refers to tsextually mediated discourses about a company's

organizational activities, outputs and goals which are not readily observable to stakeholders. The content of such disclosures is unregulated, because they are a result of a voluntary decision of what to report on, usually in the form of standard reports or brochures.

- *Solicited disclosure* refers to disclosing information requested by stakeholders (van der Laan 2004). Most typically it takes the form of a dialogue with the company or interviews, standardized questionnaires, independent reviews, etc. The main idea of solicited disclosure is the diminished control over the extent and nature of the disclosed information, which also diminishes the company's power.

- *Mandatory disclosure* refers to legally prescribed regulations and also other forms of regulation of demanded information that a regulator requests from the company.

In the majority of European Union members, there is an obligation to report on socially responsible practices (Nielsen and Thomsen 2007). In some countries, according to their national legislation, large companies have to disclose information about their environmental policies and work environment. This approach is based on the fact that companies' interests about what and how to report do not necessarily correspond with interests of society and the state and that stakeholders have poor access to information in comparison with companies, therefore legal steps are necessary to ensure that relevant and transparent information is provided to all (Doane 2002).

Adams and Zutshi (2005, 212–213) write that regardless of the communication tool used in communication, reports on corporate social responsibility should be transparent and the company should demonstrate its intent of being responsible toward all stakeholders. A report should include negative and positive effects on the environment and society, demonstrate corporate acceptance of its social, ethical and environmental responsibilities, incorporate details of impact on communities and the environment, and it should be complete. These are also the principles that lead to a successful corporate brand and corporate communication based on corporate social responsibility.

CASE: KRKA

The pharmaceutical laboratory Krka was founded in 1954 under the leadership of Boris Andrijanic and had nine employees. Today, the Krka corporation from Novo Mesto in Slovenia with its subsidiaries and representative offices abroad employs almost 8,000 people. Operating in more than 70 markets worldwide, Krka produces around €1 billion of annual net sales revenue.

The basic activity of the corporation is the production and sale of medicinal products for human and veterinary use, self-medication and cosmetic products, but the group also offers services in tourism and health resorts. Krka's basic aim is to enable people to lead a healthy, good-quality life.

The company's values are 'speed and flexibility' in discovering new needs in the markets, but also in sales, swift acquisition of registration documentation, distribution and in overcoming obstacles. The company communicates its 'creativity and efficiency', whereas 'partnership and trust' in the relationship with all stakeholders of the company are its core values.

Since its beginnings, the company has been closely connected with the local and national environment. The management continually reaffirms its commitment to social responsibility. Krka has among other things committed to preserve economic, social and environmental responsibility of the local environment. Krka demonstrates its social responsibility and related activities by maintaining a caring relationship with its employees, environment protection activities, giving financial support in the form of sponsorships and donations to science, research, culture, sports projects, and by

actively supporting some socially beneficial initiatives.

Employee care is demonstrated by the level of benefits and bonuses, which are higher than those set out in the collective agreement for the sector, including remuneration for overtime and standby duty at work or at home, allowances for transport, annual leave bonus, long-service awards, and paying the highest premiums for supplementary pension insurance. Krka also helps its employees resolve housing issues by means of housing loans and the possibility of renting Krka-owned flats. The company systematically employs people with disabilities and adapts their workplaces. It organizes various sport and cultural projects for its employees and rents holiday accommodation, which is also available to retired Krka staff. It organizes 7–10-day preventative health activities and supports the Krka Trim Club.

The company actively supports the Krka Culture and Arts Society, which offers an art gallery, a choir, a drama club and creative workshops, as well as organizing visits to various cultural events. Krka organizes many employee gatherings during the year, including a social and sports event for all employees, the Krka Awards Day, New Year's events held by the various organizational units, and meetings for retired Krka employees, etc.

Environmental protection has been part of Krka's development since the very beginning and is part of all levels of the company's activities. A vital part of this support is the environmental management system, which is in compliance with the requirements of the ISO 14001 standard. The regulations about waste water, waste management, air and noise are also met. The company's Environment Protection Service is responsible for the implementation of environment protection programmes and for informing, consulting and educating employees. Krka is also working with educational establishments and gives students and researchers the chance to work with mentors who are responsible for environment protection.

The company supports various local, national and international projects by giving financial or organizational aid and through employee participation. Krka allocates funds to health institutions for modernization and equipment upgrades by donating medical equipment, it participates in health preventive events and it supports publishing of professional literature. For several years now, Krka has been the major donor to the charity Sozitje Novo Mesto, for people with learning disabilities, and a primary school for children with special needs, OS Dragotin Kette in Novo Mesto. Krka also gives donations to the Red Cross and supports the nurs-ing home in Novo Mesto and contributes to its development.

Since the early 1970s, Krka has been giving Krka Awards to encourage young researchers, their mentors, but also institutions, high school students and students. The company is actively supporting graduate studies and is cooperating with universities. In the field of culture, Krka supports the Marjan Kozina music school and the Dolenjsko regional museum, the Krka wind orchestra and the Anton Podbevsek theatre. Krka has also supported the Slovenian Alpine Museum in Dovje and the Lubljana Festival, as well as numerous exhibitions and events in Cankarjev dom. Since 1971, the Krka Culture and Arts Society has been active in the company. The company also helps to mark hiking trails, supports more than 20 sports societies, numerous sport events, teams and the Slovenian Olympic team. All these activities enable Krka to achieve its mission of 'Living a healthy life'.

Key terms

Moral or ethical branding. Emphasizes the ethical commitments of the company and its morally and socially responsible actions taken in the relationship with stakeholders and the society, and can be manifested either on the product/service level or on the corporate level. The ideal

is an integrated version of both – moral or ethical brands with their promise that an organization, and with it, all its employees, products and services, will be able to fulfil the set ethical standards and will consistently implement moral decisions to which they have committed.

Corporate social responsibility (CSR). A form of corporate self-regulation and can be understood as society expectations of corporate behaviour that is socially expected or morally required and is therefore justifiably demanded of a business. Social responsibility encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time.

Implicit corporate social responsibility. This is based on formal and informal state institutions that are a tool for attaching the responsibility to companies. Implicit social responsibility is based on values, norms and rules that are expressed through demands toward companies to deal with social questions. These demands are often formalized as policies, regulations or laws.

Explicit social responsibility. This includes policies led by companies to take over responsibility toward certain social demands. It includes policies that are based on volunteering as well as programmes and strategies led by the company's interests in addressing problems in society that need to be included in the process

of corporate social responsibility according to the company and/or its stakeholders. It depends only on pressures of the informal public and stakeholders and tries to alter them according to its own interests.

The internal dimension of socially responsible practices. Primarily involves employees and relates to issues such as investing in human capital, health and safety, and managing change, while environmentally responsible practices relate mainly to the management of natural resources used in production and to the production itself.

The external dimension of social responsibility. Refers to mutual relations with stakeholders and the company's integration in its local environment. These are relations and effects on local communities, business partners, suppliers and consumers, as well as policies of consistently respecting basic human rights and environment protection but also active involvement in achieving global environmental and social improvements.

CRS communication. A process of anticipating stakeholders' expectations, articulation of CSR policy and managing of different organization communication tools designed to provide true and transparent information about a company's or a brand's integration of its business operations, social and environmental concerns and interactions with stakeholders.

CSR report. A medium by which information about a company's socially responsible activities and programmes affecting the company's image among stakeholders is voluntarily communicated. Reporting social responsibility can be divided into three categories which include mandatory, solicited and voluntary disclosure.

REVIEW QUESTIONS

- What is the basic idea of ethical branding? In this context critically examine the inadequate company practices and find examples of such practices.

- Explain different understandings and models of corporate social responsibility.

- What is the role of customers and other stakeholders in the corporate social responsibilities and what is the role of 'social contract' when determining the role that companies have in a contemporary society?

- How and why do companies implement, communicate and report their corporate social responsibility?

Visit the Krka website and explore what aspects of its socially responsible behaviour it communicates. How does its corporate social responsibility relate to its company mission, vision and values? Name the most socially responsible companies you know, and explain why you think they are the most socially responsible companies. Put yourself in the place of a customer and think whether CSR behaviour and communication of a particular company would affect your buying decision. Would you be willing to pay more for an offer from a socially responsible company compared to a similar offer from a non-responsible company? Discuss whether CSR is a competitive advantage or is it merely a licence to operate in modern society.

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