

## The Use of Corporate Social Responsibility on the Albanian Banking Industry

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### Abstract:

*Marketing is a social and managerial process by which individuals and organizations obtain what they need and what they want through creating and exchanging values with others. In this paper we will not only consider marketing as a business function, but also as an organizational function that aims to create and maintain good relationships with consumers and stakeholders in order to be profitable for both the consumers and the organizations.*

*The international market, but recently also the Albanian one, has changed and with it have changed the expectations and the behavior of consumers. As a result of the economic and technological challenges, companies are increasingly focusing on identifying and meeting the needs of consumers. Integrated marketing communication is being used by organizations as a valid technique for audience engagement and achievement of objectives, but in order to this technique achieve satisfactory results it will be necessary to be integrated with social responsibility marketing.*

*The purpose of this paper is to analyze whether Albanian companies, in particular the banking sector, implement socially responsible marketing, the objectives that these companies aim to achieve through the use of social responsibility and to what extent this marketing technique affects the image and reputation of the Albanian banking sector. The hypothesis that we want to verify is that "Using CSR in the banking sector affects the creation of good image and competitive advantage".*

*The methodology used for the implementation of the paper will be the analysis of primary and secondary data through qualitative research. The empirical studies analyzing social responsibility information have focused on the annual report, because it is considered as the most important tool used by companies to communicate with their public and stakeholders.*

**Key words:** Corporate social responsibility, banking sector, reputation.

## **THE FUNCTION OF CORPORATE SOCIAL RESPONSIBILITY**

Marketing functions is a management philosophy according to which a firm's goals can be best achieved through identification and satisfaction of the customers stated and unstated needs and wants. Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers, and managing customer relationships in order to get the public and the organization itself (Copley P. 2014). In the actual context, markets change rapidly and at the same time with the needs and expectations of buyers. Often companies do not understand how these changes occur and use the same communication and marketing campaigns as in the past, leading to ineffectiveness. Changing public expectations to business also change the marketing techniques used by companies and organizations.

This study investigates how companies use the corporate social responsibility (CSR) in their marketing communication activities and how companies communicate about their corporate social responsibility.

Corporate social responsibility (CSR) in the form of corporate philanthropy, or donating to charities, has been practiced since as early as the late 1800s at least in the USA (Sethi, 1977). The research has also shown that social responsibility marketing is an important factor in the success of

a business in form of competitive advantage and improving its image and reputation.

There are four research questions that guided this study:

- (1) How is it structured in the banking sector of Albania the corporate social responsibility?
- (2) What are the practices used by these companies?
- (3) To what extent does the marketplace with social responsibility affect the image and reputation of the banking sector?
- (4) In what ways can the corporate's social responsibility become a competitive advantage?

In this paper, social responsibility will mean acting responsibly and with care for the community. Social corporate responsibility is considered as *"the obligation of the organization to undertake initiatives that protect and improve the welfare of the government in general and not just their economic interests"* (Carroll, A.B. & Buchholtz, 2008). CSR was thus differentiated from business activities to fulfill their core profit-making responsibility and from the social responsibilities of government (Friedman, 1970).

Another definition of Bowen in 1953 suggests that: *"the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society"*.

The concept of corporate social responsibility has spread rapidly at around 70s. Studies confirm that social responsibility marketing is considered an important element for building a brand, maintaining reputation and generating competitive advantage.

When marketing scholars started expressing concern for corporate social responsibilities in the 1960s and 1970s, they focused on the social duties attached to the marketing function

and not on the overall social role of the firm (e.g., Maignan, Fen-ell / CSR 5 Kotler and Levy 1969; Lazer 1969).

The growing interest of businesses for social responsibility has been fueled by several factors: the need to respond to scandals; increased pressure from non-governmental organizations and international agreements; the growing need to gain public confidence.

Corporate communication aims at identifying the company's positive characteristics, gaining support from primary and secondary interest groups, to establish and maintain good relations with the territory in which the company operates, with institutions, media, opinion leaders, all associations that can influence or be involved in the company. According to Van Marrewijk, the corporate goal is to increase profitability and CSR can be a practice that contributes to profit growth. According to the Commission of the European Communities *"CSR is a concept where companies integrate social and environmental issues in their business operations and their interaction with interest groups on a voluntary basis."*

In order for integrated marketing communication be successful, it requires the company's internal marketing with social responsibility marketing. Corporate Social Responsibility is spreading as a new approach to corporate governance and aims to strike a balance between economic benefit as a business objective and social welfare of the community. Being responsive to the community means not only meeting the objectives and legal standards, but also investing in human capital, on the environment and the stakeholder relationship. It is therefore necessary to implement social strategies, because these strategies enable the creation of strong links with the environment and the community, creating stable and reliable relationships with current and potential customers. Corporations are now aware of the transformation of their role from profit-oriented economic actors into socially responsible entities that have a bearing on the environment they operate.

According to a study conducted by the OSCE in 2013 *"companies that invest in environmental protection, in building partnerships, they are more likely to develop in the medium and long term."*

## **THE EMERGENCE OF CORPORATE SOCIAL RESPONSIBILITY IN THE ALBANIAN BANKING SECTOR**

Public perception of a brand or corporation is not only based on the quality of the product or service, but also on the interest and care that the company shows about the community and society. Donating community project funds and devoting to acting for the benefit of the public interest, or special causes, are some of the most socially responsible forms of marketing in the banking sector operate in the Albanian context.

The Albanian banking system, playing the role of mediator between demand and supply, has a significant impact on society, the economy and the country's development. The activity of banking institutions has a direct and indirect impact on society and the community.

A CSR study conducted in the Western Balkans context revealed that CSR was a relatively new concept in the region, which is mainly promoted by multinational corporations and agencies for international development. The level of understanding among stakeholders and engagement of companies was at an early stage, focusing on philanthropy and environmental issues. Many international companies have integrated standards in their activities in the fields of energy, construction, telecommunications and the banking sector. However, it is clear that Albania has made the first steps towards the initial CSR practices. As such, the notion of CSR in Albania is largely philanthropic, unlike some other countries where CSR is closely related to basic business operation.

To understand the way CSR is structured in the Albanian banking sector, we can refer to the social

responsibility pyramid developed by Carroll. Carroll (1979; 1991) systematized these responsibilities distinguishing economic, legal, ethical and philanthropic responsibilities.

According to Carroll, corporation can be classified into one of the four levels of the pyramid. The first important level for companies is the economic level, the company must achieve economic benefits to ensure its continuity in time.



**Fig 1. The Pyramid of Social Responsibility (Carroll, 1991)**

The second level is the legal one: the company must respect the laws, the third level is the ethical one: attitude and behavior must be ethical and the ultimate philanthropic level implying contributions to the community.

Subsequently, concerns with corporate social performance, stakeholder relations, corporate citizenship, links with financial performance and developments in the field of ethics have extended CSR theories and practices (Schwartz & Carroll, 2003) some of which reflect impacts of more European thinking (Garriga et al., 2004).

It is not sufficient for managers to focus exclusively on the needs of stockholders, or the owners the corporation. Stakeholder theory implies that it can be beneficial for the firm to engage in certain CSR activities that non-financial stakeholders perceive to be important, because, absent this, these groups might withdraw their support for the firm.

In the Albanian banking sector the philanthropy functions have taken a significant place. In which way the philanthropic components are present in the Albanian banking?

- The manager and employees participate in voluntary and charitable activities within their local community.
- They provide assistance to private and public educational institution.
- They assist the performing art and spectacle
- They assist voluntary those projects that enhance a community's "quality of life".

### **THE FUNCTION OF CSR IN CREATING REPUTATION AND COMPETITIVE ADVANTAGE**

Antecedents of a good reputation have been suggested to include embracing CSR standards (Fombrun, 2005), philanthropic giving (Brammer and Millington, 2005) and the development of trusting relationships with stakeholders (MacMillan et al., 2004; Waddock, 2002; Jones, 1995).

Implementation of CSR standards serves as a tool to create competitive advantages but also to enhance reputation in the domestic and European markets. The most obvious link of CSR to overall corporate performance is through the reputation aspect. Reputations reflect firms' relative success in fulfilling the expectations of multiple stakeholders (Freeman, 1984; Fombrun, 1996). In their research on reputation building and corporate strategy, Fombrun and Shanley (1990) argue that favorable reputation may enable firms to charge premium prices, enhance their access to capital markets and attract better applicants and investors. Empirical evidence in their study suggests that the greater a firm's contribution to social welfare, the better its reputation.

Dawkins (2004) emphasized that companies should not underestimate the power and reach of employees as CSR communicators. Dawkins' research (2004) on employee

advocacy showed that about a third of employees have advised someone to use their company because it had acted responsibly. Corporate reputation Conceptualized as ‘a collective representation of a firm’s past actions and results that describes the firm’s ability to deliver valued outcomes to multiple stakeholders’ (Gardberg and Fombrun 2002), corporate reputation encompasses different dimensions, such as product quality, innovation, investment value, people management and CSR. Reputation will moderate the effectiveness of CSR communication because it often serves as a pre-existing schema upon which stakeholders rely to interpret ambiguous information about the company (Fombrun and Shanley 1990), including its CSR activities. (Shuili Du, C.B. Bhattacharya<sup>1</sup> and Sankar Sen)

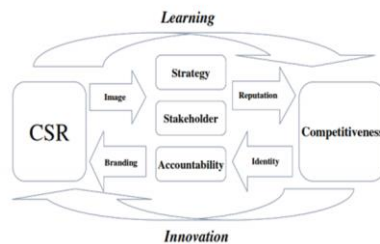
The marketing process takes place in a marketing environment and the most important element in this environment are the competitors, so how the competitors will behave will affect the behavior that the company will have. But one element that should lead the communication campaigns is the consumer's point of view and his desires. While Albanian companies and multinational companies operating in Albania compete in globalized markets, the level of engagement to integrate CSR into all aspects of strategic vision and company practices can be considered an important factor to create competitive advantage. CSR, seen from a broader perspective, aims to increase business profitability not only in financial terms but also in image and level of competitiveness in the market. According to the definition of Angelidis and Ibrahim (1993), corporate social responsibility is ‘corporate social actions whose purpose is to satisfy social needs’. The CSR literature identify two factors that influence the effectiveness of CRS (1) corporate reputation and (2) CSR positioning.

Porter and Kramer (2002) argue that investing in philanthropic activities may be the only way to improve the



context of competitive advantage of a firm and usually creates greater social value than individual donors or government can.

By monitoring the activity of CSRs from all second tier banks operating in Albania, there is an increase in awareness of the importance of CSR engagement in relation to risk management, reputation creation and protection, enhancement of transparency, and improvement of corporate governance. Companies investing in environmental protection, recruiting, training and maintaining a skilled workforce as well as building significant community partnerships are more likely to survive and develop in the medium and long term.



**Fig 2. The impact of CSR on Competitively**

Some of the dimensions that emerge in CSR in the banking sector in Albania are:

- Investing in community wellbeing and support for projects that help the community and improve their livelihoods.
- Provide sponsorship for the reconstruction of hospitals, schools, kindergartens, sports clubs.
- Organizing activities as festivities for the New Year for children.
- Financial support for families in need or emergencies such as natural disasters.
- Sponsorship of community projects.
- Funding for charity research and voluntary staff donations.
- Organization of activities for staff and family members.
- Financing of environmental projects.

Nr	Subject	Year of foundation	Dimensions of CSR
1	Banka Raiffeisen	1999	Art, culture, social, education, environment, health
2	Banka e Bashkuar e Shqipërisë	1999	Projects of a social character
3	Veneto Banka	2005	There is no published
4	Banka Kombëtare Tregtare	1993	Education, Culture, Environment
5	Banka Tirana	1996	Social, Culture, Education, Environment
6	Banka NBG Albania	1996	Health, Culture, Social, Sport
7	Banka Ndërkombëtare Tregtare	1997	Social
8	Banka Alpha Albania	1998	Health, Education, Social
9	Banka Intesa Sanpaolo Albania	2008	Policy for employees, customers suppliers, shareholders, the environment
10	Banka Procredit	1999	environment
11	Banka Amerikane e Investimeve	2007	Sports, environment, education, culture, art
12	Banka e Kreditit e Shqipërisë	2002	There is no published
13	Banka Credins	2003	Social, Health, Education, Gender Equality
14	Banka Société Générale Albania	2007	Social
15	Banka Union	2006	There is no published
16	Banka e Parë e Investimeve	2007	Sports, Health, culture

**Tab1. List of banks operating in Albania**

Referring to the categorization made by Kotler and Lee (2005) in the Albanian banking sector, we encountered

- (1) the marketing associated with a particular cause (the case of all banks' support for the Down Syndrome Albania)
- (2) Corporate philanthropy (contributions that banks have provided for social issues)
- (3) Community volunteering, where employees contribute to certain causes (Tirana Bank, NBG, International Commercial Bank, Intesa Sanpaolo, Abi Bank),
- (4) The practice of social business responsibility, which means investments made by banks to support the social cause and the community.

Although the majority of studies on the topic have found a significant positive relationship between corporate social responsibility (CSR) and financial performance the payoff from socially responsible programs is not guaranteed.

## **CONCLUSIONS**

In this paper we present some empirical observation that serve to demonstrate the CSR communication and practice challenge for company operating in the Albanian banking sector. The analysis conducted shows that the Albanian banking sector has integrated CSR into their activity, thus showing a high level of awareness about the importance of the reputation and image of the company in public.

In the Albanian context it is noted that CSR is applied not only by telecommunications companies but also by the banking sector. This conclusion has come as a result of the CSR activity survey of all banks present in the Albanian market by making a comparison between them. What is noteworthy in this analysis is that out of 16 banks, 13 of them have published on their CSR official website and 10 of them have similar practices of CSR implementation. To complete the study, the CSR activities of all banks are closely monitored, their press releases and official web pages.

From the cases analyzed, it is evidenced that banks are showing concern for interest groups and public institutions that may need support. Social sector, garden setting, school nursery, green spaces, education and health are at the center of CSR for 10 banks out of 16 in the market.

The banks operate in Albania use of CSR to create a positive image, competitive advantage, and the ability to achieve long-term success. Using content analysis, corporate social responsibility was classified in terms of environment, human resource, product and community involvement.

To apply CSR techniques successfully, banks will need to maintain frequent contact with all interest groups, thus creating mutually beneficial relationships. The CSR applied by banks in Albania represents an approach of organizations towards ethical behaviors and contributes to increasing the quality of life of the bank's employees as well as the society.

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Banks/ CSR	Environment	Social	Volunteer	Art / Culture	Health
<b>Raiffeisen</b>	Cleaning of the coast areas of Velipoja, Lalzi Bay, Spille and Zvërnec.  Organize an ecological fashion parade	Support for the Down Syndrome Foundation. - Educational and cultural projects for secondary schools in Lezha, Shkodra, Tirana, Korca, Vlora, Saranda. - International Day of Orphans	-Distribution of toys for year-end holidays	Restoration of the Castle of Gjirokastra	Reconstruction of the environment, -Shipping equipment. -The rise of the psychometricity hall
<b>Banka e Bashkuar e Shqipërisë</b>	—	Support for families affected by floods. -Sponsor for integrating orphaned children -Support for the Down Syndrome Foundation	—	—	—
<b>Banka KombëtareTregtare</b>	Improvement of the environment	scholarship	—	The creation of the University of Tirana library	—
<b>Banka Tirana</b>	Support for cleaning Shijak (city) public spaces	Support for flooded areas. "Adoption" of three children from SOS village - food packages for 105 families in need	Voluntary blood donation by all employees. - Volunteer Mentoring for Breast Cancer Awareness -Donation of staff for children with health problems	Support for concerts, festivals, exhibitions Technology for Secondary Schools	—
<b>Banka NBG Albania</b>	—	Summer camps for 100 children of police officers killed on duty. Donation to the Down Syndrome Albania Foundation	Staff donated blood for thalassemia children	- Sponsorship for Berat Orthodox Cathedral Sponsorization of the Song Song Festival in Korça- Sponsor of "Boulevard Fest" celebrations with the community	Donation to the public hospital in Gjirokastra
<b>Banka NdërkombëtareTregtare</b>	—	Marathon on the International Day of Autism	Blood donation -Buying T-shirts on the International Day of Autism	—	—
<b>Banka Alpha Albania</b>	—	Support for areas affected by floods	The staff participated in the marathon run for Autism. The staff donated blood for thalassemic children	Renewal of the IT laboratory. Nursery Reconstruction	Purchase of ecographic equipment for QSUT Një ekografi "MbretëreshaGeraldinë"

Banks/ CSR	Environment	Social	Volunteer	Art / Culture	Health
<b>Banka Intesa Sanpaolo Albania</b>	Support for environmental protection	Sports activities	The creation of a volleyball team for women Sports Camp for Young People	—	—
<b>Banka Procredit</b>	-Financing Pro Environment Projects. Ecovolis -Reducing the consequences of climate change	—	—	—	—
<b>Banka Amerikane e Investimeve</b>	Promoting volunteering and protecting nature	—	Cleaning of contaminated areas	Support for students. Sponsor of comedy and children's show	—
<b>Banka Credins</b>	—	Clothing and toys for children in need	—	Nursery Reconstruction	Furniture of Berat Hospital, restoration of hospitals and health centers.
<b>Banka SociétéGénérale Albania</b>	—	Support for families affected by floods	Support for People with Disabilities	—	—
<b>Banka e Parë e Investimeve</b>	—	—	—	-The general sponsor of the Bulgarian Olympic Committee - Supports the development of music and theater, as well as the preservation of cultural heritage.	Supports healthcare by donating medical equipment, appliances, or funds to purchase them

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