

THE INFLUENCE OF THE LEGAL FORM OF A BUSINESS ENTITY ON SOCIAL RESPONSIBILITY PLANNING

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To maximize shared values, businesses are called upon to take a long-term and strategic approach to corporate social responsibility. We investigated the connection between the three-year corporate social responsibility plans and the legal form of business entities in Slovenia. We considered legal forms of business entities a limited partnership, a limited liability company, an unlimited liability company and Joint Stock Company. We conclude that the legal form of the business entity is unrelated to the implementation of corporate social responsibility planning in the future. Businesses that already have or are in the process of developing a three-year plan for the future are represented in all legal forms. It is very important that corporate social responsibility in the business entity is fully supported by management and owners.

Key words: corporate social responsibility, costs, financial aspect, environmental aspect.

ВЛИЯНИЕ ОРГАНИЗАЦИОННО-ПРАВОВОЙ ФОРМЫ ХОЗЯЙСТВУЮЩЕГО СУБЪЕКТА НА ПЛАНИРОВАНИЕ СОЦИАЛЬНОЙ ОТВЕТСТВЕННОСТИ

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Для того чтобы максимизировать общие ценности, предприятия должны применять долгосрочный и стратегический подход к корпоративной социальной ответственности. Нами была исследована связь между трехлетними планами корпоративной социальной ответственности и правовой формой хозяйствующих субъектов в Словении. Рассмотрены организационно-правовые формы хозяйствующих субъектов: товарищество с ограниченной ответственностью, общество с ограниченной ответственностью, общество с ограниченной ответственностью и акционерное общество. Сделан вывод о том, что организационно-правовая форма хозяйствующего субъекта не связана с осуществлением планирования корпоративной социальной ответственности в будущем. Предприятия, которые уже имеют или находятся в процессе разработки трехлетнего плана на будущее, представлены во всех организационно-правовых формах. Очень важно, чтобы корпоративная социальная ответственность в хозяйствующем субъекте полностью поддерживалась руководством и собственниками.

Ключевые слова: корпоративная социальная ответственность, издержки, финансовый аспект, экологический аспект.

One of the simplest definitions of corporate social responsibility is that the company is responsible for its activities that affect people, the community and the natural environment. The concept of corporate social responsibility applies to companies of all sizes and relates to the behavior of the company as a whole (management and employees), that is, inward and outward behavior, in the narrower (local) and wider (regional, national and global) communities (Gavez and Hrast, 2007, page 5).

Energy savings, waste minimization (recycling), and systematic prevention / reduction of harmful emissions into the air and water are measures that have a positive long-term effect on business revenues. These measures reduce their costs and increase profits. It is important for businesses to be responsible to the environment as well as to societal needs and communities.

Leban (2014) sees corporate social responsibility as a concept where companies voluntarily integrate social and environmental issues into their business activities and in their interactions with their stakeholders. The implementation of corporate social responsibility is also important, among other things, in the pursuit of environmental objectives such as a more rational use of natural resources and reduction of pollution levels, in particular as a result of investments in environmental innovation and the voluntary implementation of environmental management and labeling systems. With increasing public and corporate awareness, businesses have begun to take responsibility for solving environmental problems. Businesses have begun incorporating environmental requirements into their business strategies, as evidenced by the increasing adoption of environmental management systems and notes in financial statements. Not only, is it not enough to meet minimum legislative issues and standards, but new approaches are expressed in terms of greater environmental efficiency, which aim to create greater value while reducing environmental impacts. Businesses are influencing others, spreading the awareness that a systematic approach to managing environmental impacts leads to less environmental risks, saving resources and thus lower operating costs, better control of operations, innovation of production processes, improved job quality, greater trust in the authorities , the public, business partners, customers and consumers, and other stakeholders

(https://stajerskagz.si/modul_print.php?page=104).

In its renewed EU Corporate Social Responsibility Strategy 2011-14 (COM, 2011, 681), the European Commission introduced a new definition of corporate social responsibility, namely corporate responsibility for their effects on society. The condition for assuming this responsibility is compliance with the applicable legislation and collective agreements between the social partners. Businesses should have a process in place to integrate social, environmental and ethical issues, as well as human rights and consumer issues into their business, in order to fulfill social responsibility in a consistent manner. The core business strategy should be in close collaboration with stakeholders to:

- optimize the creation of common values for owners / shareholders and stakeholders and
- society in general,
- identify, prevent and mitigate potential negative effects.

The complexity of this process depends on factors such as the legal form of the business and the type of business activity. To maximize shared values, businesses are called upon to take a long-term and strategic approach to corporate social responsibility and to explore opportunities to develop innovative products, services and business models that contribute to social well-being and create better and more productive jobs. In order to identify, prevent and mitigate adverse effects, large companies and firms where the risk of such effects is particularly pronounced are called upon to carry out a risk-based due diligence process, including in their supply chains. Some types of business, such as cooperatives, mutual companies and family businesses, are characterized by ownership and management structures, which are particularly encouraging for corporate responsibility.

Social responsibility is part of sustainable development, within which we have identified the following areas through literature (GRI Standards) and own practice:

- Sustainable development as part of the strategy. In this case, it is the awareness of sustainable development by the top and middle management about the importance of sustainable development and placement in the strategy (that is, within 3-5 years of planning the business operations of the company and key challenges in the economic, environmental and social aspects of sustainable development), sustainable development in the context of the organization's strategy and strategic goals, defining stakeholders, stakeholder involvement, sustainability context in the annual report, regulatory compliance, retrospective timetable, plan ... sustainability content innovation: can you find highlights on content specific to your organization and which are not necessary within the environmental and social aspects.

- Environmental management: Includes activities planned for climate change, industry-related activities, research and development, investments in tangible fixed assets and other investments, development programs, environmental protection, energy, emissions, waste, transport, environmental effects, typical for activity ...

- Social aspect: Includes relations with the local community, customers and suppliers, handling of employees, responsibility for products and services. Relations with the local community include sponsorships and donations (for example, percentage of operations of programs involved in the local community, business that has a potential negative impact on the local community, preventive criteria used to reduce potential or actual impact on the local community...) Customers and suppliers include quality standards products and services, complaints, customer satisfaction, customer privacy, supplier policy ... Employee management includes hiring new employees, employee relations and management, health and safety at work, training and education, diversity and equal opportunities, age and educational structure of employees, employee satisfaction, statutory benefits, absenteeism, training effects ... Product / service responsibility of business entities includes the impact of a product or service on the health and safety of customers, the type of product and service

information and labels, marketing campaigns, customer privacy ... In our opinion, the social aspect is important also in terms of the organization's activities.

- Financial aspect: Includes the impact of sustainable development on revenues, operating costs, economic indicators with regard to sustainable development and non-financial reporting...

Research question and research methodology

In Slovenia, the influence of legal forms of companies on decision-making regarding the planning of future socially responsible behavior has not been formally investigated so far. Therefore, the key question we will try to answer in this paper is: socially responsible behavior with regard to the legal form and what is the planning of these activities in the future.

The aim is to check the planning of corporate social responsibility in the future, so we will investigate the connection between the three-year corporate social responsibility plans and the legal form of business entities.

We set this Hypothesis: Three-year corporate social responsibility plans depend on the legal form of the business entities.

According to data from the Slovenian Business Register at Ajpes, the total population of the survey is represented by 2,371 business entities or companies in 2017, which are based in southeastern Slovenia. Of these, there are 2,180 micro companies, 120 small companies, 40 medium and 31 large companies. The sample was selected on the basis of available electronic addresses, which are published on the web pages of the business directory www.bizi.si.

For the purposes of the research, we used primary sources of data, for this reason we created an online questionnaire, which we sent via e-mail to business entities with a request that the questionnaire be forwarded to the responsible person for social responsibility or management. The questionnaire was filled in by 204 businesses or companies, which is a sample of the survey.

Results and discussion

The results of the research are the conclusions that we came to on the basis of content analysis and statistical testing of the hypothesis. They are supported by summary results of the individual analyzes. The results of the analysis are presented in tables and interpreted. The sample represents 204 business entities with headquarters in southeastern Slovenia, which completed the questionnaire as a whole.

Table 1– Business entity activity

Activity	Number	Percentage
Manufacturing	90	44%
Services	66	32%
Commerce	29	14%

Electricity, construction and transportation	12	6%
Primary activity (agriculture, forestry, mining)	7	3%
Total	204	100%

Source: Own research

Table2– Legal form of business entity

Legal form	Number	Percentage
A limited partnership	1	0%
A limited liability company	182	89%
An unlimited liability company	7	3%
Joint Stock Company	14	7%
Total	204	100%

Source: Own research

The sample includes (Table 2) 182 limited liability companies, 14 joint stock companies, 7 limited liability companies and 1 limited partnership.

For the purpose of statistical verification, we test a hypothesis, which states: Hypothesis: Three-year corporate social responsibility plans depend on the legal form of the businesses.

To test this hypothesis, we set the null hypothesis:

H0: Three-year corporate social responsibility plans do not depend on the legal form of the business entities.

We use the contingent table and Pearson's chi-square correlation coefficient. With the chi-square analysis we check the correlation between the nominally dependent variable "" three-year business plans "and the ordinarily independent variable" legal form of business entities ". We test the hypothesis at the level of 5% statistical risk ($p \leq 0.05$).

Table 3–Contingent table of correlation between the three-year corporate social responsibility plans and the legal form of the business entity

	<i>Legal form</i>				Total
	A limited partnership	A limited liability company	An unlimited liability company	A limited liability company	
We carry out socially responsible activities and do not plan any changes.	0 0,00%	9 13,85%	1 1,54%	55 84,62%	65 100,00%
We have not yet	0 0,00%	6 6,04%	0 0,67%	35 36,91%	43,62%
	1	0	1	35	37

implemented,	2,70%	0,00%	2,70%	94,59%	100,00%
although we plan to,	100,00%	0,00%	33,33%	26,72%	24,83%
that we will start					
with socially	0,67%	0,00%	0,67%	23,49%	24,83%
responsible					
activities.					
We carry out	0	5	0	24	29
socially responsible	0,00%	17,24%	0,00%	82,76%	100,00%
activities and plan to	0,00%	35,71%	0,00%	18,32%	19,46%
increase our					
activities.	0,00%	3,36%	0,00%	16,11%	19,46%
	0	0	1	17	18
We do not know.	0,00%	0,00%	5,56%	94,44%	100,00%
	0,00%	0,00%	33,33%	12,98%	12,08%
	0,00%	0,00%	0,67%	11,41%	12,08%
Total	1	14	3	131	149
	0,67%	9,40%	2,01%	87,92%	100,00%
	100,00%	100,00%	100,00%	100,00%	100,00%
	0,67%	9,40%	2,01%	87,92%	100,00%

Source: Own research

Table 4–Hi-squaretest

Statistics	Value	Degrees of freedom	Asymp. Sig. (2-tailed)
Hi-square test	12,67	12	0,32
Number of units	149		

Source: Own research

There is no statistically significant correlation between the variables. The chi-square value is 12.67, $p = 0.32$. Significance is greater than 5%. The null hypothesis is that the three-year CSR plans do not depend on the legal form of the business entities. Statistical analysis has shown that the legal form of a business entity is not significant for the three-year planning of CSR. The entities, regardless of their legal form, plan socially responsible behavior for the next three years.

Summary

We conclude that the legal form of the business entity is unrelated to the implementation of CSR planning in the future. Businesses that already have or are in

the process of developing a three-year plan for the future are represented in all legal forms.

Businesses that already have or are in the process of developing a three-year plan for the future are represented in all legal forms. It is very important that corporate social responsibility in the business entity is fully supported by management and owners. We recommend investigating the impact of the legal form in other regions of the countries and making comparisons between different countries and regions.

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