Dynamic Relationships Management Journal

Articles

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Aims & Scope

The Dynamic Relationships Management Journal is an international, double blind peer-reviewed bi-annual publication of academics' and practitioners' research analyses and perspectives on relationships management and organizational themes and topics. The focus of the journal is on management, organization, corporate governance and neighbouring areas (including, but not limited to, organizational behavior, human resource management, sociology, organizational psychology, industrial economics etc.). Within these fields, the topical focus of the journal is above all on the establishment, development, maintenance and improvement of dynamic relationships, connections, interactions, patterns of behaviour, structures and networks in social entities like firms, non-profit institutions and public administration units within and beyond individual entity boundaries. Thus, the main emphasis is on formal and informal relationships, structures and processes within and across individual, group and organizational levels.

DRMJ articles test, extend, or build theory and contribute to management and organizational practice using a variety of empirical methods (e.g., quantitative, qualitative, field, laboratory, meta-analytic, and combination). Articles format should include, but are not restricted to, traditional academic research articles, case studies, literature reviews, methodological advances, approaches to teaching, learning and management development, and interviews with prominent executives and scholars.

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DRMJ AS A MULTI-DISCIPLINARY, METHODOLOGICALLY-DIVERSE AND INCLUSIVE RESEARCH OUTLET

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Volume 7, Number 1 of the Dynamic Relationships Management Journal (DRMJ) is ahead of you – the first general issue in this volume, with the next one (Vol 7, Number 2) scheduled to be a special issue from the international conference of the Slovenian Academy of Management (SAM), revolving around the central theme of Management and Organization in the Digital Society.

The current issue nicely illustrates one of the directions that we emphasized in our first editorial when we took over as editors of the journal (Please see Volume 5, Number 2) which is a **multi-disciplinary approach** to examining dynamic relationships, and the accompanying richness of perspectives, both theoretical and empirical. As stated in the mission statement of the journal, the DRMJ welcomes contributions not only from the management and business studies, but also related disciplines. Dynamic relationships can be viewed from many different perspectives, by taking supplementary or complementary theoretical angles and approaches, which is why papers stemming from other disciplines (such as psychology, sociology, anthropology or information science) are not to be considered outliers, but are welcome in contributing to a diverse discourse around the topical issues of the journal. Different **empirical methods** are also welcome, be it inductive or deductive, qualitative and/or quantitative, with any specific technique that enables the researchers to answer their research questions.

This principle is followed by the papers in this issue. The first one is a study of Thomas Steger, who embarked on a mission of comparing the supervisory boards in smaller and medium sized enterprises in East and West Germany. Two separate but **comparative exploratory surveys** revealed interesting similarities and differences between them, discussing and interpreting results with respect to cultural, historical and situational factors. Stemming from the academic **field of corporate governance**, the paper contributes to a better understanding of the dynamic developments that the German corporate landscape has experienced during the transformation process since the fall of the Berlin Wall, with implications stemming far beyond this context.

The second article included in this issue is **a multiple-case-study paper** by Mohammad Nasir Uddin and Mohammed Shahedul Quader, which deals with a fascinating research question of whether it is ethically and morally appropriate for corporations which operate in socially unacceptable industries or have socially unacceptable business practices to also partake in corporate philanthropy and claim to be socially responsible. It addresses a currently under-researched topic in **the corporate social responsibility literature**, reminding us that the reality is socially constructed and never purely black or white.

The third article included in the present issue stems primarily from **the marketing field**, and is a study by Patricia Fux and Barbara Čater, looking into examining interactions on social media to understand how people engage with the content published by non-profit organizations. Contrasting the previous paper, their study is set in the context of cruelty-free ethical consumerism, with **netnographic data** for the analysis collected from the international non-profit organization People for the Ethical Treatment of Animals (PETA) official Facebook page. The paper provides novel insights into relationship dynamics between non-profit organizations and consumers in the context of ethical consumerism and social media, contributing to a better understanding of behavioural and communication patterns related to ethical discourse.

Finally, the fourth article of this issue takes a perspective of looking into **secondary data** to answer an intriguing research question of the relationship between education and happiness in the European Union countries. It is authored by Anej Pifar, Kristjan Vuk and Tanja Istenič, showing a positive correlation between the two studied phenomena. Their study contributes to resolving ambiguity related to the extant literature on happiness and education by delving deeper into this relationship and focusing on three components of education indicators: the share of people with tertiary education, individuals considered as not employed nor in education or training, and student-to-teacher ratio. Their study has important implications for policy makers, especially in **the (tertiary) education literature**.

To conclude, we continue our effort in increasing the visibility and international nature of the DRMJ, but most importantly increasing the quality of articles published in the journal. Diverse viewpoints and research results from authors stemming from different disciplines and contexts are invaluable in ensuring the validity of our discussions around the dynamic relationships management, and can stimulate further ideas and endeavors worth exploring.

Matej Černe and Tomislav Hernaus

"ÜBERHOLEN OHNE EINZUHOLEN"? –
SIMILARITIES AND DIFFERENCES BETWEEN SME SUPERVISORY BOARDS IN EAST AND WEST GERMANY

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--- *Abstract* ---

This paper explores the similarities and differences between SME supervisory board structures and processes in East and West Germany. On the basis of two separate exploratory surveys it is shown that the East German companies are not lagging behind their West German counterparts but have rather modernized their corporate governance structures towards a more liberal shareholder-oriented approach in recent years. The empirical findings are further discussed and interpreted with respect to cultural, historical or situational factors. By this, the paper contributes to a better understanding of the dynamic developments that the East German corporate landscape has experienced during the transformation process since 1989.

Keywords: Corporate governance, supervisory boards, small and medium-sized enterprises, West Germany, East Germany

1. INTRODUCTION

Although lagging somewhat behind compared to what has been done in the US and the UK, research about supervisory boards in Germany has well developed in recent years (e.g. Bresser & Valle Thiele, 2008; Grundei & Talaulicar, 2002; Helm, 2004; Werner & Zimmermann, 2005). However, existing research widely ignores the particular developments in East Germany since 1989. So, more than twenty years after the fall of the Berlin wall, relatively little is still known about the similarities and differences between East and West German companies' corporate governance.

This constitutes a veritable deficit since East Germany must still be considered a fairly special case according to its most recent history as a transforming country and emerging economy as well as with respect to the corporate governance developed in this context (Steger, 2005; Barton & Wong, 2006). For many years, East Germany has been mainly addressed in terms of deficits, compared to West Germany, and with a clear focus on measures to improve the situation and to catching up with

what was perceived to be the (Western) role model (e.g. Randlesome, 1992; Frese, Kring, Soose, & Zempel, 1996; Meyer & Møller, 1998). Against this background, the question arises whether and how far the East German companies have managed to design and to modernize their corporate governance structures throughout the past two decades in order to compete with their West German counterparts.

This paper aims to (partly) close this knowledge gap by exploring the similarities and differences between small and medium-sized enterprises (SMEs) supervisory board structures and processes in East and West Germany. Further, the empirical findings will be critically discussed and interpreted with respect to cultural, historical or situational factors. By this, the paper contributes to a better understanding of the dynamic developments that the East German corporate landscape has experienced during the transformation process since 1989. Moreover, the paper's findings will shed new light on the question how formerly socialist countries have performed their running-up process in recent years. Thus, the underlying logic that has dominated most

discussions in this respect in the past will be critically questioned and ways for alternative considerations will be described.

The paper starts by examining the existing literature on German supervisory boards. Then the methods of the survey will be presented in detail. The following chapter comprises the main findings of the paper's research. It closes by broadly discussing and interpreting the research findings. Moreover, some consequences and perspectives, both for companies and future (comparative) research work in the field are presented.

2. LITERATURE REVIEW

2.1 The general German framework

The German system of corporate governance has been widely discussed in the past. It can be characterized by four main aspects: First, the *two-tier board organization* comprises a management board (Vorstand) with the chief task of directing the company, and a supervisory board (Aufsichtsrat) assigned to appoint and control it. While the members of the management board are normally hired full-time managers, the supervisory board members often have different functions (e.g., top manager of another company, lawyer). Cross-memberships between the two bodies are excluded by law; however the chairperson of the supervisory board is often a former CEO of the same company (Schilling, 2001).

Second, the mandatory *co-determination* reserves half of the seats of the supervisory board of large corporations for employee representatives. To avoid impasses, the chairperson of the supervisory board, who is elected by the shareholders, is granted a casting vote. Moreover, co-determination is widely dispersed in smaller corporations and subsidiaries because of largely developed information, consultation, and co-determination rights of works councils (Müller-Jentsch, 2003).

Third, the large German banks are usually *universal banks* engaged in both investment banking as well as commercial banking. They hold a key position in the German system, which is based on their blocks of shares, the proxy votes they command, and their traditional role as lenders. Furthermore,

the numerous seats top bankers hold on supervisory boards of large German corporations is a source and manifestation of their power (Hackethal, Schmidt, & Tyrell, 2005).

Fourth, among a lot of the largest German corporations, some veritable shares of stocks are held by other corporations. Additionally, those are often strongly connected with each other through interlinking directories. This traditional network is commonly referred to as the "*Deutschland AG*" (Germany Inc.). It also worked as a highly effective defense against unfriendly takeovers in the past. Although slowly decreasing, the "Deutschland AG" still enjoys a high level of economic and political power (Heinze, 2004).

In sum, the German corporate governance system must be perceived as highly co-operative, having a clear stakeholder orientation and target to ensure stability and growth rather than maximizing shareholder value. It was, thus, criticized for being cumbersome, cliquey, and less investor-friendly (Macharzina & Wolf, 2005).

2.2 The particular East German framework

The *transformation process* in East Germany of the past two decades must be considered a major background of the development of corporate governance in this region (MacLean, Howard, & Hollinshead, 2003; Steger, 2005). The economic situation of East Germany, therefore, still is highly problematic (e.g. unemployment rate 14%, productivity level 70% of West German level – Kailitz, 2008), sharply differing from West Germany.

The process of restructuring of the companies since 1990 resulted in two main characteristics of the East German company landscape: On the one hand, the privatization policy executed by the Treuhandanstalt, the state-owned privatization agency led to a *high dependency situation* of the East German economy, i.e. a high number of companies owned by West German or foreign investors (Geppert & Kachel, 1995; Windolf & Schief, 1999; MacLean, Howard, & Hollinshead, 2003; Sachsen Bank, 2009). This fact is accompanied by a considerable dominance of West German actors in the political and administrative institutions of East

Germany (Steger & Lang, 2003) and an ongoing financial support from West to East Germany (Busch & Schneider, 2000; Kailitz, 2008) making an independent development of corporate governance structures difficult.

On the other hand, the company restructuring processes in the 1990s were accompanied by some massive downsizing processes resulting in a very limited number of large (listed) companies (FAZ, 2005) and thus, in a company landscape strongly dominated by SMEs (Steger, 2005). Given the traditional economic, legal and organizational characteristics of *German SMEs,* a limited sensitivity for corporate governance aspects (Steger, 2006) as well as a high level of trust and consensual orientation between management and employees (Behr, Engel, Hinz, & Schmidt, 2005) can be expected among those companies.

2.3. Supervisory boards in German SMEs

Studies about supervisory boards in Germany have hardly focused on East-West differences up to now. One can assume that most samples also include some East German companies however the picture remains distinctively West German.

Several authors found that supervisory boards of SMEs differ in several aspects from those in larger companies: Regarding board structure, the supervisory boards usually consist of three persons only (Helm, 2004; Hausch, 2005). The percentage of women and foreigners remains quite low (Grundei & Talaulicar, 2002); for the most part they are owner representatives, venture capitalists (in the case of start-ups) and experts of distinctive topics (e.g. lawyers) (Hausch, 2005). Close friendship ties between the persons of the management board and the supervisory board are common (Grundei & Talaulicar, 2002). A considerable number of SMEs report to have no special board committees (Ergo Kommunikation, 2003; Werder. Talaulicar, & Kolat, 2005). Board remuneration is usually based on fix salaries or on salaries per meeting (Helm, 2004) although performance related forms of remuneration were also found (Ergo Kommunikation, 2003; Werder. Talaulicar, & Kolat, 2005).

2.4 Research questions

Based on the above literature review three research questions can be formulated to guide the further analysis.

1. How far do structures and processes of supervisory boards in East and West German SMEs differ from each other (RQ 1)?

2. How can those findings be explained with respect to cultural, historical or situational factors (RQ 2)?

3. Which future developments regarding corporate governance structures in German SMEs can be expected? (RQ 3)?

3.   METHODOLOGY

In order to explore those questions and to more deeply understand the processes outlined above, I conducted two subsequent surveys. Consequently, they were intended to be definitively explorative in nature. The first one was launched in summer 2005. It included all joint-stock companies located in East Germany. Of 271 questionnaires 59 were returned (response rate: 21.8%). 54 questionnaires were found to belong to SMEs (= companies with 500 employees or less). The responding persons were usually members of the top management team (TMT) (81%).

The second survey started in winter 2006. It was focused on all joint-stock companies in Baden-Wurttemberg. This region can be considered one of the most prosperous regions of West Germany and is characterized by a traditionally strong SME sector. Of 809 questionnaires 71 were returned (response rate: 8.8%). 56 questionnaires could be attributed to SMEs. The responding persons were most often members of the TMT (83%).

All collected data were analyzed with the help of the SPSS 19 software. The two samples were compared using a t-test (where data can be assumed to be normally distributed) or a Mann-Whitney U-test (where normal distribution is in doubt) respectively (Lumley, Diehr, Emerson, & Chen, 2002).

4. RESULTS

4.1 General characteristics

Table 1 concludes the main characteristics of both samples. Interestingly, relatively small differences can be found between the two samples.

It is notable that the East German companies have their shares more often listed at the stock exchange and, consequently, significantly more often possess an investor relations department. Moreover, the role of venture capitalists sharply differs, owning 9% of the East German vs. 1% of the West German companies. In contrast to the above described dependency situation, the responding East German SMEs that belong to a larger corporation are more often the mother company compared to their West German counterparts.

4.2 Supervisory board structures and processes

The number of considerable differences regarding supervisory board structure is relatively limited as well (*Table 2*).

It is to note that managers from other companies form the largest group in both samples. East German supervisory boards do significantly more often conclude some full-time board members while white collar employees are stronger represented on West German boards. Although moves of the CEO to the chairperson position were found to be relatively rare, they significantly more often occur in West German than in East German SMEs. Interestingly, remuneration of supervisory board members is significantly more common in East German than in West German companies. In the former even remuneration with shares or stock options could be found.

Table 1: General sample characteristics

	East German sample		West German sample		Mean differences
Age:	24 years		29 years		ns
Branches:	Other services	24%	Other services	50%	
	Other industries	24%	Other industries	18%	
	Chemical/Pharmaceut.	17%	Banking/Insurance	15%	
	IT/Software	15%			
Employees:	105		86		ns
Annual turnover:	14.8 Mio. €		11.5 Mio. €		ns
Stock exchange listing:	17%		9%		ns
IR department	23%		7%		**
Ownership pattern:	TMT and their families	41%	TMT and their families	48%	ns
	Domestic enterprises and private persons	19%	Domestic enterprises and private persons	17%	ns
	Supervisory board members	13%	Supervisory board members	16%	ns
	Domestic venture capitalists	9%	Domestic venture capitalists	1%	***
Part of a larger corporation: if yes, mother	32%		35%		ns
company	65%		38%		ns

*ns = non significant / *p < 0.1 / **p < 0.05 / ***p < 0.01*

Table 2: Main characteristics of supervisory board structure

	East German sample	West German sample	Mean differences
Size:	3.9 members	4.5 members	ns
- employee representatives	0.20 (9% of comp.)	0.37 (13%)	ns
- women	0.33 (28%)	0.25 (20%)	ns
- foreigners	0.22 (13%)	0.07 (7%)	ns
Member characteristics:			
- external manager	40% (81%)	30% (68%)	ns
- internal manager	10% (20%)	6% (20%)	ns
- lawyer	9% (33%)	5% (23%)	ns
- full-time board member	6% (15%)	2% (5%)	*
- academic	9% (28%)	12% (29%)	ns
- white-collar employees	4% (13%)	11% (20%)	*
Chairperson:			
- former CEO	4%	13%	*
- tenure	4.2 years	4.7 years	ns
Remuneration:	83%	66%	**
if yes,			
- fix salaries	80%	83%	ns
- salaries per meeting	34%	34%	ns
- shares/stock options	7%	0%	*
Committees:			
- no committee at all	85%	82%	ns
- audit committee	7%	11%	ns
- nomination committee	7%	5%	ns
- remuneration committee	6%	11%	ns
Self evaluation	34%	26%	ns

*ns = non significant / *p < 0.1 / **p < 0.05 / ***p < 0.01*

5. DISCUSSION AND CONCLUSION

Although East and West German SME supervisory boards were found to differ in fewer aspects as one might have expected, several significant differences and interesting details must be noted: Regarding board structures *(RQ 1)*, a stronger position of white collar employees and more former CEOs as chairpersons on West German boards could be found. Meanwhile, East German SME boards comprise more full time board members and they show a more diversified financial management and more widespread remuneration for board members.

Based on these findings and with reference to the wider context *(RQ 2)*, two main propositions can be made: *First*, the distinctive characteristics of the West German SMEs show that they follow a much more traditional corporate governance approach than the East German ones. Be it the better representation of white collar employees on the supervisory board, a financial management approach widely ignoring venture capitalists, stock markets and shares/share options as alternative remuneration instruments, a limited number of IR departments, the more usual move from CEO to chairperson, or a usual lack of remuneration for supervisory board members – those are all indicators of what is considered the traditional German SME corporate governance (Steger, 2006; Steger & Stiglbauer, 2016). Obviously, the modernization process of East German SMEs in the last 15 years has enabled them to overtake their Western counterparts (*"Überholen ohne einzuholen!"* – Passing without catching up!), as far as publicly propagated corporate governance best

practices are concerned. Although the economic figures still show considerable deficits, the de-regulation and privatization process after 1989, mainly promoted by the Treuhandanstalt, the state-owned agency to privatize the companies inherited from the GDR times, also resulted in a distinctively different corporate governance design (Maclean, Howard, & Hollinshead, 2003). Geppert and Martens (2008) even speak about a "neo-liberal revolution" in East Germany.

Second, most other aspects of the East German framework (cf. 2.2) fail to explain the results of this study. The 'dependency argument' runs counter to these empirical results since only a minority of the SMEs observed are dominated by West German or international owners. Martens and Michailow (2003) also identified company ownership significantly more often among native East German managers than among West German managers leading East German firms. Moreover, the native East German CEOs (and not those transferred from West Germany) are incorporating and promoting shareholder orientated values (Martens & Michailow, 2003; Lang, 2008). Although the precarious economic situation of East Germany in general cannot be denied, the 'precarity argument' must be rejected too. The economic figures of the SMEs observed do not show any significant differences between East and West Germany. Also Martens and Michailow (2003) found no significant differences between their East and West German samples neither with respect to profitability nor with respect to equity capital quota. Even the often discussed cultural factors (e.g. the "heritages" of the socialist era) are of limited explanatory power. History definitively matters, however it was rather the post-socialist transformation process since 1990 that has impacted on the corporate governance structures and the supervisory boards of East German SMEs.

Regarding the convergence-divergence debate *(RQ 3)*, the data show a picture of a convergence process that has proceeded quite far. Given the overall (economic) trends of globalization and internationalization and the high dynamism of the German SME sector the SMEs of both East and West Germany can be expected to adapt to the growing external demand for modern corporate governance structures.

Moreover, these findings obviously bear some *theoretical contributions* that go beyond a mere description of differences between East and West German SMEs. Indeed, they challenge the traditional assumptions, mainly promoted by modernization theory, of a gradual running-up process of the formerly socialist countries of Central and Eastern Europe as a copy of the process Western countries have experienced some decades ago. In line with earlier criticism (e.g. Michailova, 2000; Depkat & Steger, 2015) this paper's findings may contribute to a more differentiated discussion of the transformation processes and their (potential) outcomes in different societies around the globe. Obviously some different development paths can be taken that lead to results that might not be necessarily inferior compared to the achievements made in Western industrialized countries. Taking into account the multitude and variety of emerging economies, this paper's findings also point to the wide opportunities these countries may have to become real competitors in the global economy in the future.

Furthermore, this paper's findings also have some *practical implications*. They can be perceived as a reminder for cross-national and cross-cultural sensitivity. Management practitioners, in particular expatriates and headquarter representatives of multinational companies, are well advised to carefully observe and consider the concrete structures and behaviors in foreign countries, be it with business partners, public institutions or subsidiaries. As one can see in the analysis above, feelings of superiority or arrogance are not only counterproductive but often not even justified.

Last but not least, some *limitations* of this study also need to be mentioned here: Notwithstanding the challenging message pointed out above, this study is still little more than a particular case or a remarkable anecdote. Of course, the samples explored in this paper are of limited size and East Germany cannot be perceived as being representative for the transforming countries in Central and Eastern Europe or beyond. Further research is definitively needed to deepen our understanding about transformation paths and processes in different national, cultural and economic contexts. This may include some comparative studies, both qualitative and quantitative, in and across different industries, regions and countries. Obviously, there is still a long way to go in order to successfully question and shake the dominant modernization-theory-based logic in this respect.

EXTENDED SUMMARY / IZVLEČEK

Članek raziskuje podobnosti in razlike med strukturami in procesi nadzornih svetov malih in srednje velikih podjetij v vzhodni in zahodni Nemčiji. Na podlagi dveh ločenih raziskav je razvidno, da vzhodno-nemška podjetja ne zaostajajo za zahodno-nemškimi podjetji, temveč so v zadnjih letih nekoliko bolj posodobila svoje strukture upravljanja podjetij na bolj liberalen pristop, usmerjen k delničarjem. Empirične ugotovitve so nadalje razložene na podlagi kulturnih, zgodovinskih in situacijskih dejavnikov. S tem članek prispeva k boljšemu razumevanju dinamičnega razvoja, ki ga je v procesu preoblikovanja od leta 1989 doživelo vzhodno-nemško korporacijsko okolje.

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CORPORATE PHILANTHROPY BY THE SOCIALLY UNACCEPTABLE FIRMS: EVIDENCE FROM MULTIPLE CASE STUDIES

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Abstract

A remarkable growth regarding corporate philanthropic activities by socially unacceptable firms has been observed in the last few decades. The main aim of the paper is to examine whether it is ethically and morally appropriate for corporations which operate in socially unacceptable industries or have socially unacceptable business practices to also partake in philanthropy and claim to be socially responsible. After thoroughly examining the subject area of corporate social responsibility (CSR) and corporate philanthropy, it was concluded that the answer to the above question varies according to and is dependent upon a number of factors, namely: the industry a company operates in, the stigma or negativity surrounding a company, how socially unacceptable the industry is, how socially unacceptable the company is, how socially unacceptable the company's business practices are, what types of philanthropy or CSR program a company follows at whom or what the philanthropy is directed, the motivations a company has for being socially responsible and the individual's moral scale.

Keywords: Philanthropy, Social Responsibility, Socially Unacceptable Firms

1. INTRODUCTION

The terms corporate social responsibility, corporate philanthropy, and social responsiveness have recently become synonymous and can be defined as *'actions that appear to further some social good, beyond the interests of the firm and that which is required by law'* (McWilliams *et al*, 2006, p.1). The reason for the mainstreaming of this term can perhaps be attributed to the widespread adoption of such philanthropic acts amongst a substantial number of firms. This worldwide proliferation of CSR lends itself to the realization by organizations that they can no longer afford to ignore their responsibilities within society. Subsequently, CSR has become a core business function amongst numerous organizations regardless of; their size, the industry in which

they operate or ownership structure (Pryce, 2002). This sentiment is increasingly being expressed by world leaders, UK Chancellor Gordon Brown stated that CSR has moved from the margins to the mainstream and therefore that social responsibility is not an optional extra but a necessity (Brown, 2003). This proliferation of CSR can be narrowed down to five distinct driving forces, as documented by Pryce (2002): (i) Due to customer pressure, there has been a rapid increase in the number of socially aware consumers as regards the corporate agenda, thereby driving organizations into being more open and responsible, (ii) responsible business purchasing is another strong driver, reflecting the firm's desire to meet the demands of ethical investors as well as the firm's own desire to extend social awareness to the entire length of their supply chain, (iii) governmental

pressure for improved visibility and reporting, coupled with legislative pressure have also pushed CSR towards the top of the agenda, (iv) the increased popularity of socially responsible funds has added an incentive for firms to meet the criteria of such funds, resulting in more socially responsible firms, and (v) increasing employee pressure on companies to become more socially responsible. Moreover, being socially responsive has become a pre-requisite if firms are to secure superior recruits. A sixth driver can be added to Pryce's (2002) list, is that of information. Although not distinct, information compounds the effects of each of the above five drivers and has substantially contributed towards the widespread adoption of CSR. Firms use a number of models and methods in order to facilitate the philanthropic process, namely: chequebook giving, institutional giving and some others. These manifest themselves in a variety of CSR initiatives. As per Guardian Newspaper (2008) companies are contributing to varies areas which include education 100%, cultural activities 33%, environment 80%, sports 33%, youth 93%, health 70% and enterprise and job creation 33%. Among these, the most documented and publicized form of corporate philanthropy is corporate giving. In fact, corporate giving has become an increasingly visible and integral component of business social performance (Brammer and Millington, 2006). Although corporate giving may not always be the most effective means of being socially responsible, it is probably the most newsworthy philanthropic act that firms can undertake. Perhaps the reason for this is that corporate giving is the most tangible sign of corporate social responsibility (Harrow *et al.,* 2006).

This paper attempts to examine the debate that surrounds socially irresponsible or unethical companies and the conflicting 'image' they portray; that of being socially responsive protagonists and philanthropists. This study focuses firstly to examine the subject area of corporate philanthropy and corporate social responsibility; its advocates and critics, models, motivations, theories, modes and beneficiaries. This will be done in order to provide a solid base in the literature context. Then, the types of entities which partake in philanthropy are outlined along with the rationale for the debate. After which, three multinational organizations who are reputed for their philanthropic endeavors but who also operate in socially unacceptable industries, or have questionable business practices are examined. Secondly, this research will then explore a number of factors and determinants that play key roles in the debate, namely: what type of philanthropy or CSR program a company follows, at whom or what the philanthropy is directed, the motivations a company has for being socially responsible, what is considered to be socially unacceptable, the type of industry a company operates in, the stigma or negativity surrounding a company and how socially unacceptable the company, its industry and the company's business practices are. The practical implications of this study are such that the way the debate, issues and scenarios similar to the ones drawn out in this paper are perceived affects the corporations, the charities, and third party affiliates. The way this debate is perceived by the public can manifest itself threefold, as an added benefit for all parties involved, as a scenario which is present but has no tangible effect or as a negative issue with a number of consequences for all or some of the parties involved.

2. LITERATURE REVIEW

2.1 Concept of Corporate Philanthropy

Corporate philanthropy is an initiative or act of corporations, willingly sacrificing a portion of their profits or economic resources to other organizations for public benefit and social change (Porter and Kramer, 2002; Sulek, 2010). There have been extensions and additions to this definition, on the one hand, amendments regarding whether corporate philanthropy is motivated by an effort to increase profits or enhance public image (Collins, 1995) and bring added value to corporations (Sania, 2001) i.e. the furthering of corporate goals and; on the other, corporate philanthropy is driven by non-material and benevolent motivations (Niehesiel, 1994). Clarity regarding this matter is yet to be attained, and for now, the generally accepted dogma is that in a variety of situations one or the other will apply, or even a combination of both. The level of corporate giving has steadily increased all over the world especially in the western regions. For example, the corporate giving level of the UK's FTSE 100 companies averages out to approximately 0.8% of pre-tax

profits (Guardian Newspaper, 2008), excluding other non-monetarily quantified socially responsive programs. In the US corporate giving has steadily increased, in fact in 2015 companies gave $18.46 billion in charitable contributions, 3.9% more than from 2014 (National Philanthropic Trust, 2017). One must also consider that the state of corporate philanthropy as we know it today is not only due to the six driving forces outlined above but also due to the retraction of the state in its welfare capacity, leaving a void to be filled by the private sector. This seismic shift in the role of the corporation has led to a debate regarding corporation's suitability for such a task and whether or not the private sector has successfully filled this void. The argument surrounding the private sectors' suitability is increasingly being echoed by academics and industry professionals alike. Koch (1981) not only argues the validity of a socially responsible private sector but goes on to argues its suitability. He argues that charitable giving is one way corporations to address socially responsible tasks. It is a pragmatic and strategic approach followed by business organizations to support the clients in particular and society in general because they have dynamic capabilities, economic resources, and real world experience. This kind of approach can be followed at any level: community, regional, national or international (Koch, 1981).

2.2 Critics of CSR

Researchers oppose the idea of corporate social responsibility or corporate philanthropy and advocate that, regardless of the firm's suitability, social responsibility is a distraction from the firm's goals and should be avoided. Milton Friedman has perhaps become the most quoted theorist on the subject of 'Anti-CSR', he argues that *'there is one and only social responsibility of business — to use its resources and engage in activities designed to increase its profits'* and he even goes on to argue that *'the existence of CSR is a signal of an agency problem within the firm'* (Friedman, 1970, p.17). Another researcher states that, CSR-oriented business leaders, businesses, and business organizations show little acquaintance with, or regard for, easily accessible facts, arguments and ideas. Their conduct in this respect is unprofessional. Multinational enterprises,

in general, would show a greater sense of social responsibility by doing more to raise the standard of public debate on issues relating to businesses (Henderson, 2001).

2.3 Models and Motivations of Corporate Philanthropy

2.3.1 Altruistic Model

Although arguments surrounding the subjects of validity and suitability can invoke feelings of obligation or altruistic motive, one must acknowledge the fact that, just because evidence suggests that corporations are suitable it does not oblige them to be charitable, nor is it an indication that corporate are altruistic in their philanthropic endeavors (Shaw and Post, 1993). However, this does not exclude corporations from being charitable because it is the right thing to do. This kind of motivation is often referred to as the Altruistic model, whereby there is a fulfilling moral and ethical justification for giving (Shaw and Post, 1993). Perhaps, this is an indication of businesses' belief that they have a responsibility to society that stretches beyond the production of goods, services and making a profit (Edmondson and Carroll, 1999). This model can best be underpinned using two theories of Management namely, stewardship and stakeholder theory. Stewardship theory embodies the notion that managers want to do a good job and be good stewards of the company (Donaldson and Davis, 1991). It also hinges on the idea that there is a 'moral imperative' for the stewards (i.e. managers) to do the right thing regardless of the effect on financial performance (McWilliams *et al,* 2006). Stewardship theory stems from stakeholder theory, which states that the firm must satisfy a number of parties, all of which can have some form of influence on the firm (Freeman, 1984). Donaldson and Preston (1995, p. 67-68) go further to postulate that 'each *group of stakeholders merits consideration'* regardless of *'its ability to further the interests of shareowners',* however, they also go on to state that there might be a business case for socially responsible activities. Both of these theories lend themselves and are applicable to the altruistic model of corporate philanthropy. However, the stakeholder theory can also be applied to the next model of motivation.

2.3.2 The Stakeholder Model

The Second model is known as the stakeholder model. In this model, firms interact with many constituent groups and give in relation to the influence of each group, as determined by stakeholder analysis (Harrow *et al.,* 2006), Given the fact that organizations direct their philanthropic acts towards stakeholders who influence the company the most, indicates some form of self-interest within the model. This self-interest or 'business case' lends itself to the link between this model and the stakeholder theory mentioned above. Here firms might endeavor to donate large sums or sponsor an event that is organized by a union which employees of the organization are part of (Dawkins and Lewis, 2003).

2.3.3 Political Model

Another model developed by Young and Burlingame (1996) is known as the political model. Here firms practice philanthropy in an effort to gain and hold power and legitimacy (Neiheisel, 1994) within a political and organizational framework. Put more simply, firms engage in a form of strategic philanthropy, not to maximize economic return but rather to maximise political return on investment (Sanchez, 2000). A good example of this is when firms tie themselves to well-known high profile community events through sponsorships, resulting in the public, regulators, and politicians becoming beholden with the firms due to their philanthropic endeavors. Political strategic philanthropy can find its theoretical grounding in the McWilliams *et al.* (2002) study. In this study, one particular scenario of the use of political strategies is drawn out i.e. firms use a political strategy to raise rivals costs and gain a competitive advantage or remove a competitive disadvantage. McWilliams *et al.* (2002) suggest three methods for raising rivals costs, namely: monopolizing a resource, use differentiation to secure a unique reputation and public recognition as a high-status firm and influence legislation to the firm's advantage. It is important to note that raising rivals costs is not the only form of political strategies but these methods for raising rivals costs given by McWilliams *et al.* (2002) are well suited to the philanthropic scenario. For instance, firms who partake in public relations activities which include involve-

ment in their local communities, or organizations who undertake well publicized philanthropic endeavors can enhance their corporate image, thereby attaining a competitive advantage over rivals. The firms who use a more costly environmentally friendly process of manufacturing a good, as compared to their rivals, can put pressure on legislators to enforce such a process. In this case, the firm could remove a competitive disadvantage because all firms would have to use the most costly process or if it held the patent it could find itself in a competitive advantage given the un-substitutability of the technology of the more environmentally friendly process. Justification by legislators for the above scenario (of regulating the manufacturing process) is made extremely easy given the nature of the regulation desired (McWilliams *et al*, 2002).

2.3.4 Corporate Productivity

The final model outlined by Young and Burlingame (1996) is that of corporate philanthropy as a contributor to corporate productivity. This model highlights the self-interest methodology of giving. At this point one might be compelled to argue that the concept of philanthropy shouldn't be soiled by such selfish intent, rather one must succumb to the fact that true altruism is being replaced by a more contemporary performance based model termed 'pragmatic altruism'. However, in order to understand where this model has stemmed from one must understand the dilemma that corporations and their leaders are facing. *'Executives increasingly see themselves in a no-win situation, caught between critics demanding ever higher levels of corporate social responsibility and investors applying relentless pressure to maximize short-term profits. Giving more does not satisfy the critics - the more companies donate, the more is expected of them. And executives find it hard, if not impossible, to Justify charitable expenditure in terms of bottom line benefit'* (Porter and Kramer, 2002, p.56). Such statements have been the cornerstone upon which the rationales for enlightened self-interest or win-win corporate giving have been built. When there is such form of motivation corporate philanthropy generally takes the form of corporate giving in cash or resources, high-profile sponsorships and cause-

related marketing all in an effort to attain a beneficial outcome for the firm. The literature surrounding this subject suggests that this model can be further sectioned out into two parts. The first part can be considered to be, corporate philanthropy *purely for economic benefit* and; the second, corporate charity in the form of *strategic philanthropy.*

2.3.5 Philanthropy for Economic Benefit

This stipulates that corporate contributions are influenced by the goal of profit maximization and an effort to improve the bottom line. Navarro (1988) provides empirical evidence to indicate that profit maximization is an important motive driving contribution and in light of such findings, postulates a reform that will allow firms to treat contributions as ordinary business expense. Although Navarro (1988), provides quantitative evidence in favor of his hypothesis, there are advocates of 'self-interest' philanthropy who argue that if corporations are motivated to give to nonprofit organizations or charitable causes solely on the basis of self-interest, corporate philanthropic activities may be limited (Mullen, 1997). In reality, the body of work surrounding this theory is not enough to give evidence in support of a relationship between profitability and investment in CSR. In fact, a variety of studies has shown positive, negative and even a neutral impact on financial performance (McWilliams *et. al.,* 2002).

2.3.6 Strategic Philanthropy

Strategic corporate philanthropy goes beyond a simple reference to improving the bottom line, instead strategic giving addresses important social and economic goals simultaneously targeting areas of competitive context where the company and society both benefit because the firm brings the unique assets and expertise (Porter and Kramer, 2002)*.* Mullen (1997) expresses a similar sentiment and clarifies strategic giving as an activity that ascertains some form of added value for the firm. However, recent studies on philanthropic activities performed by corporations incorrectly deemed to be 'strategic' have blurred its meaning. It is this haziness surrounding the subject of what really is meant by the term 'strategic' that has led some academics

to clarify the difference from other forms of enlightened self-interest giving.

Some have resorted to portraying a so-called spectrum of transition that corporate can pass through in order to reach true strategic philanthropy. They state that in order to move from enlightened self-interest to strategic corporate philanthropy, corporate giving must be designed to produce a specific benefit in an identifiable time period (Mescon and Tilson, 1987; Ricks and Williams, 2005). Porter and Kramer (2002) seek to explain what the term 'strategic' actually means - they state that the previously mentioned dilemma that executives face has led them to practice a 'false' form of strategic philanthropy. Porter and Kramer (2002) 'attack' the relatively unfruitful use of cause-related marketing, contributions of cash and resources, high-profile sponsorships and public relations related philanthropic activities that are used by such executives. They argue that such methods are unfocused - there is too much emphasis on publicity rather than social impact resulting in enhanced goodwill and an increase in employee morale and not an improvement in a company's ability to compete.

Instead, they put forward an argument whereby 'true' strategic philanthropy can only be attained if corporations use their philanthropic activities to improve their *'competitive context'* i.e. the quality of the business environment in which they operate. They further argue that improving aspects of context that are specific to a particular geographic region known as a cluster in which the organization operates, can bring about an improvement of the *'cluster's competitiveness'.* They also argue that through the analysis of the competitive context and identification of overlapping social and economic areas, the firm can enhance its competitiveness. The use of strategic corporate philanthropy can bring about other benefits for the firm as well as society besides those stated by Porter and Kramer (2002).

Strategic corporate philanthropy can increase name recognition amongst consumers, reduce research and development costs, lessen government regulatory obstacles and create overall increased public awareness of the business (Smith, 1996). Other benefits identified by Raiborn *et. al.* (2003) are - positive organizational image to suppliers, em-

ployees, and potential employees, and community at large; improvement in local community because of organizational volunteerism; community goodwill and in the event of organizational downturn or crisis; and income tax benefits from monetary and product donations to tax deductible organizations. Ricks *et al.* (2005) argue in favor of corporate philanthropy saying that since philanthropy benefits all parties, it will subsequently be less likely to be one of the first things to cut in the event of a downturn. Ricks and Williams (2005) advocates in support of strategic based corporate philanthropy like other scholars, such as Porter and Kramer (2002), Navarro (1988), Mescon and Tilson (1987).

However, whether the public and other stakeholders will approach this model with cynicism or embrace it wholeheartedly is questionable. The theory of the firm perspective outlined by McWilliams and Siegel (2001) details a number of strategic implications of CSR. The first strategic implication is that of using CSR as a means of achieving horizontal or vertical product differentiation. Investment into product differentiation can result in the creation of new demand for the product and/or the ability to charge a price premium for the product.

The level of asymmetric information and advertising also has some strategic implications, in that, for product differentiation to be successful potential consumers must be aware of CSR characteristics. Information regarding the production process or the product itself can influence the demand for the products, as can the advertising of such products (McWilliams *et al,* 2006). *'Advertising that provides information about CSR attributes can be used to build or sustain a reputation for quality, reliability or honesty'* (McWilliams et *al,* 2002, p.120), and in turn influence demand for the product as well as demand for other products from that particular firm. Although McWilliams *et al* (2002) state that in the end there is no relationship between firm performance and application of CSR, i.e. equilibrium is reached and no competitive advantage attained, one must state that, as the authors themselves note, there is a lack of empirical evidence to support this theory. Nevertheless, it is important to support the model of corporate productivity with substantial theoretical grounding, as provided by McWilliams *et al* (2002).

2.4 Who Are Responsible for the Implementation of Philanthropy?

The broad spectrum of philanthropists engrosses numerous entities, such as individuals, foundations, charities, governmental institutions and nationalized organizations, not for-profit institutions as well as for-profit companies. Within each of these categories, one can identify a number of distinct divisions that can help to determine exactly the source of the funds that are going to philanthropic causes. Individuals can be divided up by demographics such as wealth, ethnicity, nationality etc. Charities, foundations and non-profit organizations can be divided up by features such as size, resources available, geographic reach and area of focus: governmental institutions, nationalized organizations and companies can also be segmented by size, industry, geographic reach, resources available, turnover, profits and managerial style (Smith, 1996). For the purpose of this paper, the analysis will focus strictly on for profit-generating companies. If we look at studies conducted by BITC, CAF, the Guardian newspaper, the institute of philanthropy we can determine not only which companies and sectors are leading the way with their philanthropic activities but also, that a large number companies, from a wide variety of industries, contribute to charitable causes. If the Guardian Living List (2006) is taken as an example one can determine that in just the top ten companies there are: retailers, media companies, holding companies, pharmaceutical companies, and insurance companies. The notion of numerous companies, from a multitude of industries, donating to charity and involving themselves in numerous philanthropic activities can invoke in individuals, even with the weakest of moral fiber, a feeling of correctness and just cause. The greater part of the world would not argue against the concept of corporate charity and it would be difficult to find some argument against such generous corporate giving, especially when such charitable activities are going to help just and good causes (McWilliams and Siegel, 2001; Saiia *et al*, 2003).

2.5 The Source of the Debate

A closer look at the mechanics, channels, motivations and specifics of giving by individual companies can instigate a debate. Companies like Cadbury, Sainsbury and Schweppes have a culture

astute in philanthropy, so there is no surprise that such companies are revered for their charitable work. It also does not come as a surprise when multinationals such as Microsoft and eBay are actively involved in charitable causes given the fact that their corporate heads are so active in the philanthropy arena. Also, the public is often silently pleased when companies like Tesco, BBC, Royal Bank of Scotland, Barclays Bank and Lloyds TSB shower their millions onto worthy charitable causes. However, it is when companies such as GlaxoSmithKline, Imperial Tobacco, British petroleum, the Shell group, Occidental and BAE systems start to portray themselves as philanthropic protagonists, that skeptics and the public alike start ask questions. The reason that these companies mentioned here draw speculation regarding their philanthropic activities can be attributed to a number of features namely they operate in socially unacceptable industries; they have ethically and morally questionable business practices and/or are affiliated to certain negative incidents/scandals.

2.6 Causes and Rationale for Skepticism

All of the above-mentioned organizations can certainly be considered to be operating in ethically questionable industries. For example Shell group, Occidental, and BP all operate in the energy industry and one of their operational activities involves extracting fossil fuels. The negative connotation with the extraction industry gives the industry and the companies a socially unacceptable image. The same can be said for Imperial tobacco and BAT whose business activity and industry in which they operate are deemed to be socially unacceptable, given the negative outcomes and externalities of the industry (Fooks *et al*, 2013). BAE systems which among other things produce firearms also draw skepticism when they partake in socially aware activities, given the fact that they too operate in an unethical and immoral industry (Guardian Newspaper, 2008). Although other companies do not operate in a socially unacceptable or immoral industry, they too can find themselves approached with skepticism when they partake in philanthropy. The reason for this can be attributed to their method of operations or scandals with which companies are associated, that

have/had negative outcomes. For instance, companies such as GlaxoSmithKline and Pfizer which operate in the pharmaceutical industry have been attacked for grossly overcharging for medication for diseases such as AIDS and HIV. Companies such as Coca-Cola, who operate in a relatively docile industry, are also looked badly upon when they give to charity, given their dubious operations in India relating to the depletion of water and toxic dumping, or even Coca-Cola's connection the assassinations of opposing Columbian leaders in Columbia.

This kind of socially unacceptable 'issues' contradict the nature of philanthropy, and it is this contradiction that is the kindling to the debate. More specifically, the social unacceptability of such 'issues' can be narrowed down to three factors: (i) all of the above companies portray capitalism, they are large faceless' conglomerates who appear to want to make profits at any cost, (ii) these companies perform a 'necessary evil', for example, the extraction industry, and (iii) the outcomes and externalities of the company's operations can be considered to be extremely negative, such as damage to the environment and human health (Fooks *et al*, 2013). These factors conflict with the individual's morality, ethics, and principles resulting in a dislike or aversion of such companies. The same can be said for 'issues' mentioned above, regarding organizations that have questionable operations or scandals. Therefore, when such companies appear to also be active philanthropists an inconsistency occurs within the individual because they do not associate such socially unacceptable companies with the act of philanthropy. This results in individuals approaching such philanthropic gestures undertaken by these companies with cynicism and skepticism.

3. METHODOLOGY

To achieve the well defined research objectives and to understand the dynamics of philanthropic activities by the socially unacceptable firms, a qualitative research approach has been considered for this research by incorporating three case studies from three different industries. The case study method is *'an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context*

are not clearly evident; and in which multiple sources of evidence are used' (Yin, 1984, p. 23), in some specific situation the case study is an 'extremely flexible' method (Burton, 2000), a good qualitative research tool for better understanding of the dynamics of the company (Gummesson, 1991). Moreover, this method allow the researchers to study multidimensional aspects of critical issues, examine them in relation to each other and view the process within the total dynamic environment (Quader and Mozumder, 2011). From practical point of view, case study is a phenomenological methodology and also a well structured suitable strategy for business research in a situation where there is relatively thin literature base or issues are critical and complex by nature and when the context of the object of the study cannot be separated from the focal object easily due to sensitive management behavior within an organizational setting (Bonoma, 1985).

In terms of the epistemological consideration (i.e. what is to be considered as valid knowledge in order to carry out the study) an interpretive phenomenological approach has been taken into account (Bryman and Bell, 2003), in fact this philosophy is based on individual managers' experiences how they perceived and act and react in an organizational context (Bryman and Bell, 2003). Again from ontology point of view, constructivist position has been adopted. The logic is that *'it implies the social context and categories are not only produced through social interaction but they are in constant state of revision'* (Bryman and Bell, 2003, p.20) and cross-case analysis would enable the researcher to have solid understanding about the social phenomena being studied. Furthermore, cross-case study research provides a solid in-depth understanding of complex issues and extended experience to what is already known through previous research. Case study emphasizes well structured contextual analysis of a limited number of events or conditions and their cause and effect relationships within a real life context (Yin, 2002). Considering the contemporary situation it is important to find out 'how' and 'why' philanthropic activities are performed by socially unacceptable firms. To get such kind of answers the case study method is appropriate as suggested by Gray (2006). In this connection

Yin (1994) and Flick (1998) suggested that after adopting a particular theoretical framework, the research should proceed through a systematic series of case studies to make cross-case comparisons and draw constructive conclusion (see Figure 1) in order to establish valid and reliable evidence and generate knowledge (Gray, 2006). Comparison of cases creates a platform of a theoretical conjecture and provides real time management information in the ever changing world of business situation (Gray, 2006).

Figure 1: The Process of Cross-case Comparison (Adapted from Flick, 1998)
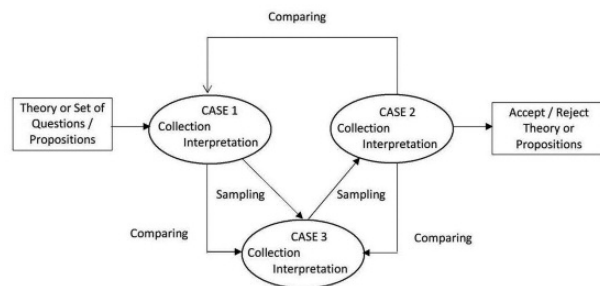
It should be noted here that multiple case studies are not the subset of a population but are considered as strategic research tool for examining the overall scope of the inquiry but not for their representativeness. From research method point of view 2 to 3 cases are usually applied for literal replication whereas 4 to 6 cases can be considered for theoretical replications (Herriot and Firestone, 1983). This research has examined three case studies such as British American Tobacco, BAE System, and British Petroleum for systematic analysis because replication logic should be applied in drawing cross case interpretation and more likely to achieve authentic results (Herriot and Firestone, 1983) and to draw constructive conclusion (Quader and Mazumder, 2011). It is evident that a number of researchers such as, Quader and Uddin (2011), Uddin and Quader (2011), Quader and Mozumder (2011) have considered multiple case studies in their studies based on multinational organizations to find out the critical issue related to 'how' and 'why' and found very significant and interesting findings. Secondary research has been considered to organize these three cases for interpretation of relevant and spe-

cific research issues. Data has been collected from multiple authentic secondary sources for critical interpretation and comprehensive analysis of issues related to corporate philanthropic activities by the socially unacceptable firms. The secondary materials have been generated from international referred journals, seminar papers, text books, annual reports of three different companies and online sources.

Case Studies
In order to better illustrate the debate, three companies which operate in socially unacceptable industries, have questionable business practices and are also actively involved in philanthropy, are examined. The three companies studied are the tobacco products producer **'British American Tobacco'**, the global defense and aerospace company **'BAE Systems'** and the energy and extractions company '**British Petroleum'**. Examining these companies will not only help to clarify any ambiguities regarding the debate formulated but such case studies will be used to facilitate the debate.

Case 1: British American Tobacco (BAT)
The British American Tobacco founded in 1902. It is the world's second largest quoted tobacco group that employs more than 55,000 people in over 44 countries. BAT has over 300 well-known tobacco brands in its portfolio and has a major presence all over the globe with operations and activities that span over 180 markets, BAT not only produces some of the world's most famous cigarette brands such as Lucky Strike, Kent and Pall Mall, but also produces cigars, pipe tobacco, 'roll-your-own' and also smokeless' chewable tobacco. Working with some 250,000 tobacco farmers harvesting approximately 456,000 tons of tobacco leaves in 22 countries through leaf growing programs, BAT is one of the few tobacco groups that are heavily involved in tobacco leaf growing. BAT had approximately 680 billion cigarette sales and registered over £2 billion in profits in 2006. With these sorts of figures, it is no wonder that BAT is listed on the London stock exchange as one of the top FTSE 100 companies (BAT, 2017).

BAT: Social Responsibility
BAT is a company that portrays itself to be a leader in social responsibility, consistently voicing their efforts

towards becoming more socially responsible throughout their website and in an official annual sustainability report. In fact BAT's CEO Paul Adams voices the company's commitment to social responsibility by setting their vision of achieving global leadership in the industry - leadership that they defined from the outset not only in terms of building sustainable shareholder value but in terms of responsibility for a modern tobacco business in the 21st century (BAT, 2017). This kind of social commitment was epitomized when they were recognized by BITC (Business In The Community) which is a unique independent business led charity whose purpose is to inspire, engage, support and challenge companies, to continually improve the impact they have on society. BAT scored 94% in business in the community responsible index and 98.8% in the Business in the environment index, for both indexes, it was recognized as the most responsible in its sector (BITC, 2013). Moreover, BAT was the first tobacco group to be a member of the Dow Jones sustainability index and has been a member for the past 5 years. It was listed in both the Dow Jones sustainability world index and the Dow Jones STOXX sustainability index. Being listed in these kinds of indexes portrays BAT's commitments to sustainability in areas such as economic, environmental and social performance (BAT, 2017). BAT is also ranked 29th in Guardian ETSE 100 giving a list and has reported social expenditure and cash contributions amounting to over £20 million or 0.85% BAT's pre-tax profits, as reported by the LBG (Guardian Newspaper, 2008). BAT's CSR programs support local community-based and international charitable projects and causes in areas that include research into reducing the harm caused by smoking, environment, employment and education, arts and cultural activities, disaster relief, and primary healthcare (BAT, 2017). BAT also encourages affiliate companies to place great emphasis on three social programs namely sustainable agriculture, civic life and empowerment.

Case 2: British Aerospace Engineering (BAE)
The British Aerospace Engineering (BAE) is the largest defense company in the Europe and holding 4th position in the globe , providing advanced defense and aerospace systems in the air, on land and at sea. They are involved in the development, production and delivery of a wide variety of products and services such as military air solutions, electron-

ics and integrated solutions, land and armaments, regional aircraft, submarine solutions and surface fleet solutions, among many others. BAE's vast portfolio of products and services can be attributed to its commitment to innovation spending approximately £1.2 billion on research and development, churning out over 100 new inventions annually. Besides its position as a vanguard in innovation BAE's strong position in the world market can be attributed to its sheer size, employing over 88,000 people worldwide and having operations and customers in over 100 countries. It is also good to note that BAE is primarily listed on the London stock exchange in the FTSE 100 index (BAE, 2017).

BAE: Social Responsibility

BAE defines corporate responsibility as a responsibility to the people it employs, its customers and suppliers, its shareholders, the wider community and to the environment (BAE, 2017), and goes on to state that in doing so it considers itself to be a responsible and ethical company (BAE, 2017). Its commitment to corporate responsibility is exemplified by its annual corporate responsibility report, its membership in BITC, the Dow Jones Sustainability world index and European Dow Jones STOXX sustainability index. BAE's corporate responsibility operations focus on six main areas. The first is workplace environment for which, BAE strives to ensure ethnic, age and gender diversity as well as equality, training, and development whilst maintaining positive employee relations. Health and safety are second key issue for BAE to give the effort to reduce the numbers of accidents and injuries to employees during working period. The third consideration is that of education and for this BAE has taken the positive initiative to support the education of youngsters in schools, through funding, giving careers advice and helping in scholastic engineering projects (BAE, 2017). BAE has also committed itself to helping the community, supporting charities and volunteering employees, in fact within 2010, BAE invested over £8 million in the communities it operates in. BAE also considers its supply chain to be of utmost importance and makes sure that all suppliers act ethically and responsibly to employees, community, and the environment. Finally, the environment is also given priority and BAE develops pragmatic and systematic procedure to reduce wastage, carbon emissions, and management

of water and energy usage (BAE, 2017). It is good to note that the 2010 edition of the Guardian Giving list placed BAE systems as 69th with 0.17% of pre-tax profits donated to philanthropic causes, amounting to £1.2 million cash donations. However, BAE systems estimated total cash and in-kind giving to be approximately £13 million for programs for the armed forces, current partnerships with the MacMillan Cancer support (UK) as well as the Cancer Council Australia and the Alzheirner's Association (US), sponsorships, heritage giving and support for education. Moreover, the employees fund raising programs have risen over £32 million and 27,000 volunteer days for local and national charities (BAE, 2017).

Case 3: British Petroleum (BP)

The British Petroleum is among the world's largest energy companies founded in the year 1908 (Saiia *et al*, 2003). It is involved in the exploration and finding, production and harnessing as well as the marketing of natural energy resources. BP employs over a 100,000 people and has operations in over a 100 countries. The BP network of brands consists of Aral, ARCO, Castrol, Wild bean café and BP itself. BP has three main operational areas: firstly exploration and production, this business activity is concerned with the exploration and production of oil and natural gas, the facilitation of such fuels through the building of pipelines and the processing and exporting of such fuels. BP has approximately 3% of the global market share of oil and gas production, with production in 22 countries producing nearly 2.5 million barrels of oil daily and 8.4 billion cubic feet of natural gas. The second business activity is that of refining and marketing the fuels, which is concerned with refining, selling and trading of the crude oil and petroleum products as well as selling 'gas power' and renewable. The marketing aspect has to do with actual retailing of their brands and products through their 24,600 outlets worldwide. The third business activity is that of gas, power, and renewable, whereby BP harnesses gas resources for, gas-fired one of the alternative energies BP utilizes, the others being the wind, solar and hydrogen. BP has a turnover of over $266 billion and a net profit of approximately $22.5 billion. It has a market capitalization in excess of $206 billion with over 1.2 million shareholders and is primarily listed on the London Stock Exchange and New York Stock Exchange (BP, 2017).

BP: Social Responsibility

BP is a strong advocate of corporate responsibility, winning numerous awards and accolades for the social responsibility including 'The CSR award' for BP in Vietnam, the 'Corporate equality award' presented by the human right campaign and an 'Award for Curbing pollution' that was given to BP shipping by California's Long beach board of Harbor commissioners. BP's responsibility program is split up into three areas of focus. The first is called 'Responsible operations', whereby BP seeks to not only act within the law but be a 'progressive operator' by setting higher standards. A responsible operation incorporates issues that relate to health and safety, ethics, equality and diversity. The second, BP took positive initiative to reduce its own carbon emissions and also to make investments into renewable and alternative energies, for example in 2010 BP invested $500 million in a new biosciences institute. Finally, BP has a strong commitment to creating economic and social value via the generation of government revenues, the creation of jobs and development of skills, as well as local and international social projects, programs and relief efforts to help the living conditions of societies in which they are operational. For example, BP has supported the 'Katrina relief effort', 'save the children' and 'red cross' as well as local relief efforts in Yogyakarta after the earthquake in Indonesia. In fact, their total humanitarian aid amounted to over $9.5 million. In addition to this regime, one can find an annual sustainability report - considerable cash aid in kind donations towards community investment amounting to approximately $106 million as of 31st December 2009. In 2010, BP have donated over £50 million, i.e. 0.30% of pre-tax profit and ranked 59th on the guardian giving list (BP, 2017).

Discussion

The Comparative Analysis of the Cases

The debate formulated in this paper is based, primarily, on the conflicting nature of the company and its philanthropic activities. A snapshot of the companies' philanthropic endeavors has been examined in the previous sections. In order to complete the debate the next section will examine different issues regarding the conflicting nature of philanthropic activities.

Negatives of BAT

It is true that BAT has partaken in numerous social initiatives and donated over £20 million to social causes, but one must consider the fact that BAT operates in the tobacco industry. An industry, where approximately 5 million people die annually because of smoking, a figure that is expected to rise to 10 million by 2025 (Fooks *et al*, 2013), not to mention the health risk of developing any of the 25 diseases associated with smoking. Moreover, smoking endangers the health of millions of others because of second-hand smoke. As discussed above, BAT is heavily involved in the tobacco leaf growing process. Tobacco leaf growing has to be done under certain conditions such as a certain degree of humidity, which need to be matched by ample farmable land. Unfortunately, the majority of areas in the world that satisfy these conditions are impoverished and developing nations such as Nicaragua and Honduras. Companies like BAT employ tobacco growers to harvest tobacco leaves for production, often lending farmer's money to buy the tools necessary and thus trapping them in a cycle of debt. In addition, BAT and other tobacco companies often collude with each other in order to determine the price at which they will purchase the tobacco, often below cost price, making it impossible for the tobacco farmers to sell the tobacco for a profit (Fooks *et al*, 2013). Also, one must consider the fact that if farmers are using the land to grow tobacco, then that land is not being used to grow food products, which, in some cases, would have served better given the debt farmers are in, the loss-making situation and their impoverished status. Not to mention the environmental damage caused by tobacco growing such as deforestation. In some cases BAT itself owns and works the land, thereby taking away even more land from poor farmers, potential incomes, and livelihoods of entire villages. The report of Mahon (2002) reveals that the truth about the tobacco industry is that it is widely unaccepted by western societies, this is exemplified by smoking bans, bans of advertising and the anti-smoking and anti-tobacco movements.

BAT: The Debate

One can compare this small excerpt of negative information on BAT and the tobacco industry with their corporate responsibility and give programs.

From the comparisons one notices inconsistencies which lead to the formulation of questions such as: how ethical is it for a company like BAT to give to philanthropic causes given the fact that it is endangering people's health, abusing impoverished nations and causing damage to the environment? Although the donations are going to worthy causes, wouldn't it be a better to make an investment to reduce the harm of tobacco and smoking? Moreover, if the accusations are true regarding the treatment of tobacco farmers in developing countries, could the money they are spending on corporate responsibility be used to pay farmers fairly? As BAT claims that they are the most ethical and socially responsible company in the tobacco industry, what is to be thought of the other tobacco companies and tobacco industry in general?

Negatives of BAE

An argument similar to that of BAT can be constructed for BAE systems. As outlined above BAE systems has given well over £13 million to social and environmental causes. However, BAE systems are considered to be an arms dealer and operates in the arms industry, with almost 75% of all of its revenues coming from the sale of military equipment (CAAT, 2007), which potentially could cause death and destruction. BAE systems are alleged, affiliated with the sale of military equipment to oppressive tyrannical regimes. For example, BAE has been affiliated with the sale of military equipment in the Al-Yarnamah deals with Saudi Arabia, condemned by Amnesty international for supporting an oppressive regime with a long list of human rights abuses. Another scandal that BAE was supposedly affiliated with occurred in the mid 90's when BAE sent a shipment of military aircraft to the dictatorship of east Indonesia for the repression East Timor (Corporate Watch, 2009). It is also pointed out by BITC (2013) that not every sale of military equipment is used by oppressive regimes or for warfare; some of it is actually used for national security, civilian protection, and other legal activities. However even if a percentage of military equipment is sold for illegal and unethical purposes and used by oppressive tyrannical regimes and warfare a resultant of which is misery and destruction, then subsequently one can state that BAE systems profits off the destruction and misery of others.

BAE: The Debate

Considering the real world situation, if a company like BAE systems wants to truly be a socially responsible organization then why sell to oppressive regimes? In addition to giving £13 million in charitable donations, why not invest in other business areas so that profits would not need to be made off the death and destruction of others? Again, how can a company that deals in weapons that damage the harmony of the society claim to be socially responsible, especially since the thought of death and destruction clearly contradicts acting responsibly?

Negatives of BP

BP has donated well over $106 million to numerous social and environmental causes. However, BP obtains a considerable proportion of its revenues from its oil extraction, production and delivery systems. Therefore, BP can also be considered to be an oil company and part of what is known as 'Big oil'. Oil companies have been known to have particularly cut-throat techniques, be it putting pressure on western governments of countries in which they operate or exerting influence in developing and impoverished countries where there is potential for extraction in order to ensure favorable operating conditions. It is the fact that a lot of questionable and dubious activities take place along pipelines, refineries, and plants, in certain areas of the world some of which BP have a significant stake in. BP owns a 2.2% stake in Petrochina, china's largest oil company. Petrochina has built a pipeline through Tibet in order to benefit from Tibet's oil and gas resources. Moreover, Petrochina has been accused of human rights atrocities including killing, bombarding and ejecting people from their living place in order to facilitate the production of an oil pipeline through Sudan and Turkistan (Corporate Watch, 2009).The extraction of oil and gas and the burning of fossil fuels as well as the construction of pipelines, refineries, and plants, have considerable effects on the environment. Perhaps chief among these on the global social agenda is the issue of climate change which is, in part, attributable to the consumption of fossil fuels (CAF, 2006). However, BP claims to be pro-environment, advertising itself under the concept 'Beyond Petroleum'. It even spent hundreds of millions of dollars on research for alternative energies, as well as the donations to other environmental funds and numerous accolades for

their environmental corporate responsibility. BP's actions speak otherwise - BP was a member of global climate compact, which lobbied government and advertised to the public to not take action against climate change. Also, BP is set to be among the first to drill for oil in the arctic national wildlife refuge ANWR in Alaska, considered by many as the 'Serengeti of America' (Corporate Watch, 2009).

BP: The Debate

These are only a few of the negative issues that surround oil companies like BP. The contradictions of what is claimed to be socially responsible by BP and what should be actually done, draws out a number of debatable questions. Given this long list of negative issues, how can BP say that it is a socially and environmentally responsible company? For example, why not put pressure on oppressive regimes by not working with them, instead of donating huge sums of cash to numerous funds for humanitarian issues? How can a company that claims to act responsibly towards society openly work with repressive regimes? The answer could be boiled down to the fact that such an ethical code would invariably decrease profits. How can a corporation claim to be an advocate and supporter of the environment but yet join an organization like the Global Climate Coalition or dig in the ANWR? One must also ask whether a company with the resources and abilities to do so much good does not do more, when it has benefited so much. These arguments and questions formulated in this section regarding these companies can be viewed from two different angles, with cynicism and abhorrence for such contradictions or acceptance that acting responsibly and philanthropy are completely unaffiliated with these organization's business activities (Corporate Watch, 2009). Depending on how one approaches this debate, a fundamental question may follow; whether such philanthropic endeavors are enough to offset the negatives of each of the companies and the industries in which they operate? Whether what they are giving back in the form of donations and social responsibility is enough to make up for the damage' that they are doing? It is not a question of whether the organization's themselves are trying to offset their own actions by undertaking these philanthropic activities, but on an individual level, is what they are doing enough? For someone it is yes, others no, for a number of people it will be never and for others, their charitable activities are completely unaffiliated to the each of these company's business practices (Waidman, 2010). For those who approach the debate formulated here with the attitude that charitable activities are unrelated to a company's business activities, their view is one that: these companies are simply fulfilling a need and are servicing the public just like any other company. However, even those with the weakest of moral fiber will find such statement difficult to swallow without the slightest of twinges. For the rest, it will depend on a number of factors, many of which have already been mentioned, such as individual moral code, complete and true information on the business activities, philanthropic activities and social responsibility regime as well as information on the industry in which they operate (Saiia et al, 2003). It will also depend on knowledge of motivations behind such philanthropic activities and on where the company and industry place on the scale of what is socially unacceptable.

Theoretical Contributions
Spectrum of the Socially Unacceptable

At this juncture, it is good to point out that so far the scenarios portrayed and the companies used as examples are at the top of the corporate spectrum of what is socially unacceptable. This is not to say that the rest of the spectrum of organizations is not entirely approached without cynicism when they are involved in philanthropic activities. Companies such as Microsoft or eBay which are very socially acceptable and are at the opposite end of the spectrum i.e. are not faced with criticism or debate when they give to philanthropy. However, companies who operate in the energy distribution industry, automobile manufacturing industry, aerospace and aviation industry and many other similar industries who fall somewhere between the two opposite ends of the spectrum and they also face criticism. There are a number of criticisms and debates surrounding their charitable activities that increase according to how close the company is to the socially unacceptable end of the spectrum. This spectrum postulated above seeks to explain that only the innately socially acceptable organization is free from the debate when giving to charity, all others are bound to be approached with some form of speculation into their actions.

Another interesting observation that can be made using the spectrum of the socially unacceptable is that a number of companies have become synonymous with particular industries, and they have also become the organization that has borne the responsibility for the negative externalities and outcomes of both the industry and the organization. It has almost become as if certain companies have become the 'evil poster-child' of capitalism, deemed to be immoral and unethical, with only one purpose that of making money regardless of the outcomes. It is as if everyone has forgotten about all the other organizations affiliated with these companies, no one ever condemns, for example, the sub-contractors who make the cartons for the cigarettes, the manufacturer of the rolling paper for cigarettes, the construction companies who build the oil platforms and construct the pipelines or the companies who produce gunpowder. Perhaps the reason that such entities don't receive the attention that other companies in their respective affiliate industries receive is because the public may feel that certain companies: are more responsible for the negative outcomes, more tangibly connected to the negative outcomes, have more influence and power and therefore should bear the brunt of the attention or even because certain companies are benefiting the most. It could be a number of reasons that lead to such segregation of certain companies. However, one must ask whether it is fair that other companies that are actively involved and benefit from the industry do not bear any of the brunts of the negative attention?

Link to Motivation

The motivations of the organizations mentioned above and those in a similar situation are extremely important to help build a substantiated argument. However, it is a rarity that honest and factual information on a company's motivation is known and it is extremely hard to infer a motivation. Therefore, it is necessary to explore the motivations and their effect on the debate at hand. The first motivation for giving, that could influence the debate can be tied to the aforementioned altruistic model. In this situation, the company is giving to charity without consideration for itself and how it can benefit. Although there might be some who still condemn even the philanthropic act because of the contrasting socially unacceptable business activities, the majority of people will en-

deavor to accept such a good act because of its genuine nature and its detachment with the company. Moreover, in this situation, the majority of people will be extremely surprised by the authenticity of the gesture and could even praise and encourage such an activity. However whether they will also admire the company is questionable. In this model scenario, the weight of the debate moves away from cynics and moves towards the idealists. A firm's motivations for giving to charitable causes can also be classified under the aforementioned stakeholder model. In this situation, companies give according to who influences the organization the most. As explained above the form of the model may be connected in some way to self-interest but, the actual self-interest to be gained is undetermined (Saiia *et al*, 2003). In such a case one might even consider these companies to be taking part in solutions for problems which they caused, for example, BAE giving Christmas boxes to troops in wartime. In such a situation people will approach this as an indication that they are aware of the problems causing by them, and are willing to contribute towards these problems. However, such a model might also reflect companies' desire to aid their partners' and affiliates' social programs, just because of the connection they have, rather than donate to actual worthy causes. In such a case the number of cynics would only grow and criticisms amplified (Saiia *et al*, 2003).

If corporations used philanthropy to attain some form of power and legitimacy in order for others to become beholden to the company or to be able to exert influence or gain an advantage, then there is some form of ulterior motive. In this scenario, the scale begins to tip away from the idealists and towards the cynics and skeptics. The fact that charitable activities are unrelated to the company or its business activities will reduce the accusations of self-interest. However, the nature of this model fuels cynics and skeptics because ultimately the goal is to gain an advantage or at the very least not to suffer a disadvantage, be it by attaining power or exerting influence. The strategic philanthropy has some advantages, competitiveness to improve the bottom line through a company's philanthropic activities. This scenario can be considered to be the opposite of the altruistic model in the sense that the companies have ulterior motives, the charitable activities are affiliated with

the business and industry and scales are especially in favor of the cynics and skeptics. In fact, the charitable activities draw a lot of negative attention, especially if they are meant to improve the bottom line. Such kind of scenario adds to the stigma of these companies and compounds the debate drawn out in this paper. Moreover, this model makes it more or less impossible for the idealists to defend, because of the accusations that the companies are socially selfish and social opportunists instead of socially responsible and social philanthropists.

Corporate philanthropy is a part and parcel of corporate social responsibility. A synergetic combination of responsibility, business and philanthropy is required to be implemented by the firms to ensure competitive gain. It focuses to infer a company's responsiveness to meet the obligations toward a particular society in order to fulfill the burning needs and expectations of various stakeholders (Crampton and Patten, 2008), by performing charitable activities and humanitarian projects such as community education, health and safety, social welfare, and social justice (Van Cranenburgh and Arenas, 2014). Company managers should have solid understanding about the link between philanthropy and competitive edge. It helps companies identify a number of critical strategic issues suggested by Porter and Kramer (2002): (a) where they should concentrate their corporate contribution to the society?, (b) what are the alternative ways the philanthropic activities can enhance value?, and (c) how they can boost up the socioeconomic impact through their philanthropic contribution? Corporate philanthropy has a strategic importance because it creates opportunities. By implementing philanthropic activities, socially unacceptable firms gain the widespread support of the general public or the government and thereby can foster the socioeconomic development worldwide.

Conclusion

The question that this paper attempts to answer is whether it is ethically and morally correct for companies to partake in philanthropy or portray themselves as socially responsible philanthropists when they operate in socially unacceptable industries or have socially unacceptable business practices. After a thorough evaluation of the subject matter critically, it can be said that one conclusive answer to

the question postulated in this paper is impossible. However, what is conclusive is that a continuum of opinions can be drawn out according to the combination of the factors outlined in this paper and the classification, reasoning, and weight given to each of the factors. At one end of this continuum the approach is that of indifference or lack of interest for the debate deeming it to be irrelevant, and at the other end of the continuum is the approach that debate and subject matter are of utmost importance. In such a case the philanthropic acts undertaken, the companies themselves and the industry in which they operate are condemned as being immoral and unethical in their actions.

In fact is probably correct to state that for the above-mentioned extremes the modification of the variables and factors outlined in this study will not alter their outlook. However, where the rest of the answers for the question posed in this debate place on the continuum is dependent on the key factors outlined in this paper. From this study, it can be ascertained that the first sets of determinants are: which company is under discussion, the type of company under discussion and the industry it operates in. After those features of the company are classified the next factors are whether the industry in which the company operates in is considered to be socially unacceptable, whether the company itself has a negative stigma, if they have questionable business practices and if they are connected with any scandals. The next important factor is the classification of how socially unacceptable the company is or how strong the negative correlation is to that company. Once these negative issues are weighted and classified they can then be compared and contrasted with the company s philanthropic and socially responsible stance. This process of comparing the two is where the groundwork of the debate is placed, and the stance is taken at this juncture often heavily influences where one's view is positioned on the continuum of this debate. Notwithstanding this, knowing an organization's motivation for undertaking philanthropic activities and CSR regimes, can completely alter one's view and turn a cynic into an idealist or vice versa.

The socially unacceptable firm should take more pragmatic and strategic initiative for refining a well regulated and structured philanthropic system to ensure the best possible results. It is evident that many of the socially unacceptable firms around the world

have been developed paramount business infrastructure with huge resources and management capabilities that give them the ability for tailoring their wide range of philanthropic services to meet the requirement of the society and demography. Nowadays, the socially unacceptable multinational firms have been achieving prolific results by enhancing philanthropic activities. To some extent they have been making corporate philanthropy simple and straight forward in order to satisfy their clients and stakeholders.

Limitations of the Study
While existing academic work provides a good source of readily available information, they are gathered towards a specific purpose, which may differ from this investigation and thus offer an incomplete picture of this study. The nature of the subject under investigation is such that confirmatory or causal conclusions are difficult to be drawn. The theoretical orientation based on an individual paper is neither mutually exclusive nor universally generalizable. Although extensive research has been carried out based on the available literature on this subject area and analysis of only three case studies with respect to the findings from the literature, this is by no means an exhaustive study. The difficulty of evaluating the corporate philanthropic performance of socially unacceptable firms resulting in the lack of primary data with quantitative analysis is a further limitation of this research. Moreover, the findings of this paper have been revealed purely on the basis of secondary available sources. This was a direct re-

sult of limited time and resources available to setup interviews and incorporates survey responses. Considering the above limitations it is really challenging to draw generalized conclusions by evaluating results from only selected three case studies.

Future Research Direction
From research point of view this is true that the nature of this study is narrowly focused but thoroughly defined, there is a scope for further research to be conducted based on corporate philanthropic services of the socially unacceptable firms by applying survey and structured interview methods to test a number of predetermined hypotheses. This paper would have generated more valid results by incorporating the applications of various frameworks or statistical tools with respect to the primary data. Further research on this type of paper can be done into whether socially unacceptable firms are using their philanthropic activities to offset their negative connotations, through directing their activities strategically towards activities which can countermeasure their negative issues. Further study can also be done to look into the weighting given to each of the factors mentioned in this paper, in order to ascertain what influences this debate the most. This could be done through examining a number of case studies pertaining particularly to the subject matter of this debate. A supplementary study could be done to pinpoint the repercussions of this debate, as regards consequences for the companies, charities, and third party affiliates.

EXTENDED SUMMARY / IZVLEČEK

V zadnjih nekaj desetletjih je bilo moč opaziti izjemno rast korporacijskih človekoljubnih dejavnosti družbeno neodgovornih podjetij. Glavni cilj prispevka je preučiti ali je etično in moralno sprejemljivo, da se družbe, ki delujejo v družbeno neodgovornih industrijah ali imajo družbeno neodgovorne poslovne prakse, vključijo v filantropijo in trdijo, da so družbeno odgovorne. Po temeljitem preučevanju področja družbene odgovornosti podjetij in korporativne filantropije je bilo ugotovljeno, da je odgovor na zgornje vprašanje odvisen od številnih dejavnikov, in sicer: industrija, v kateri deluje podjetje, stigma ali negativnosti v podjetju, kako družbeno neodgovorna je industrija, kako družbeno neodgovorno je podjetje, kako družbeno neodgovorne so poslovne prakse podjetja, s katerimi vrstami filantropije in CSR programi se podjetje ukvarja, kje ali kaj usmerja filantropijo, kateri motivi vodijo podjetje pri tem, da je družbeno odgovorna, navsezadnje pa tudi moralna načela vsakega posameznika.

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ANALYSIS OF INTERACTIONS ON NON-PROFIT ORGANIZATION'S SOCIAL MEDIA CHANNEL IN THE CONTEXT OF CRUELTY-FREE ETHICAL CONSUMERISM

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——————————— *Abstract* ———————————

Social media offer non-profit organizations a new, convenient, cheap, and wide reach medium to spread their messages, increase awareness and connect with supporters. The main objective of this study is to examine interactions on social media to understand how people engage with the content published by non-profit organizations. This study is set in the context of cruelty-free ethical consumerism and data for analysis were collected from the international non-profit organization People for the Ethical Treatment of Animals (PETA) official Facebook page. Study points out that lack of awareness and knowledge is one of the main reasons why people do not behave ethically and therefore do not follow the studied organization's main goal. However, once awareness and information are gained, individual may reach epiphany and willingness to change behaviour. At that point individuals also showed support to organization's main goal. The research shows that content with informational component received the most engagement on average and supporting comments were prevailing. Informational content is perceived as especially valuable when there is a lack of knowledge about the topic and therefore such content is recommended to non-profit organizations to raise awareness, create new and strengthen relationships with existing supporters.

Keywords: social media; interaction; non-profit organizations; cruelty-free ethical consumerism; netnography

1. INTRODUCTION

Non-profit organizations (hereafter NPOs), charities and organizations alike are important to our society since they work on specific social or environmental issues; they advocate, provide information, take action, and contribute to the better society. NPOs are not homogenous; they substantially vary in size, deal with different issues and perform distinct activities with significantly different budgets (UK Parliament, 2017). Nevertheless, all NPOs follow the same goals; they aim to raise awareness about the social cause they advocate, provide information to public, create and maintain

relationships with supporters and secure monetary support (Persuad, Madill, & Rubaj, 2009). However, NPOs face constant funding challenges (Bandyopadhyay & Dayton, 2013; Persuad et al., 2009), weak engagement and in the past, such organizations faced also significant communication barriers (Bandyopadhyay & Dayton, 2013), since wide reach traditional communication channels were too expensive for most NPOs (Persuad et al., 2009).

Around year 2004, Web 2.0 introduced social media, interactive websites that encourage user participation (Berthon, Pitt, Plangger & Shapiro, 2012). The Internet and social media supplement

traditional communication venues (Kietzmann, Hermkens, McCarthy & Silvestre, 2011; Mano, 2014) and enable NPOs to reach very specific audiences around the globe (Berthon et al., 2012), quickly disseminate information at minimal cost (Mano, 2014), influence public opinion, cultivate new supporters (Driscoll, 2009; Persuad et al., 2009), create two-way dialogues with their supporters (Kietzmann et al., 2011) and maintain meaningful relationships with stakeholders, which is of crucial importance for NPOs survival (Bandyopadhyay & Dayton, 2013). Consequently, social media channels were quickly adopted by NPOs, charities and organizations alike (Campbell, Lambright & Wells, 2014; Goldkind, 2015; Mano 2014; Nah & Saxton, 2012; Waters & Feneley, 2013).

Although several researchers studied how NPOs use social media to achieve specific goals such as raising awareness, building organizational identity or engaging with stakeholders (Cho, Schweickart, & Haase, 2014; Davis, Rountree, & Davis, 2016; Lovejoy & Saxton, 2012; Waters, Burnett, Lamm, & Lucas, 2009; Waters & Jones, 2011), less is known about the use of social media in the area of ethical consumerism. Ethical consumerism is voicing ethical concerns about products and practices through choosing to purchase only products that meet individual's ethical criteria (Cho & Krasser, 2011). Ethical consumerism is gaining momentum due to social media, as they are a convenient tool for quick dissemination of information that contributes to higher awareness, exposure of malpractices, exchange of opinions and concerns, and therefore social media also facilitate ethical behaviour offline (Wyrwoll, 2014). Despite the significant increase in popularity of both social media and ethical consumerism, the literature linking the two topics is scarce. Nevertheless, a few parallels can be drawn from studies analysing Fair-trade consumption attitudes, intentions and patterns since cruelty-free and Fair-trade ethical consumption preferences are largely driven by altruistic motives. The need therefore exists to examine relationships between consumers and NPOs in the context of ethical consumerism in social media.

The main objective of this study is to examine interactions on social media to understand how and why people engage with the content published by NPOs in the context of cruelty-free consumerism. Thereupon, the paper aims to provide insights about what kind of content type and category perform best in terms of engagement in such context and investigate characteristics of user reactions to content in form of comments in order to understand people's motives for engagement with the content. This article addresses two main research questions: (1) which content type and which content category receive the most engagement, in terms of likes, shares and comments; and (2) what kind of reactions, in form of comments, content generates and how these reactions differ across different areas within cruelty-free context?

As a result, the study aims to contribute to academic literature by providing insights into relationship dynamics between NPOs and consumers in the context of ethical consumerism and social media. Despite the qualitative nature of this study, the discussion contributes to a better understanding of behavioural and communication patterns related to ethical discourse, which does not receive much attention in traditional media. Moreover, the findings and implications can be relevant to a wide array of NPOs in order to create meaningful content, which sparks conversation, engagement and contributes to cultivating and maintaining long-term relationships with supporters.

2. LITERATURE REVIEW

2.1 Social media

Compared to traditional media, social media can reach wider population at lower costs, which contributes to higher awareness and increased exposure of social issues. That is essential for NPOs, which usually operate with small budgets for public relations activities and are therefore oftentimes unable to reach wider population via more expensive traditional media. In contrast to traditional media, social media enable a two-way communication and therefore a conversation with its supporters can be established. Conversation is an important driver for engagement and consequently of vital importance for NPOs; higher engagement increases likelihood of donations or participation in other desired actions (Bandyopadhyay & Dayton, 2013).

Social media have become a medium for the fastest dissemination of information, efficient in spreading awareness, creating buzz and building relationships (Phethean Tiropanis & Harris, 2015). Hence, social networks serve as an informational and entertainment tool in order to maintain relationships, meet like-minded people, obtain useful information and find social support (Huang, 2013). Especially Facebook is perceived as very engaging as it also features groups of people with shared lifestyle or attitudes via which individuals track action, beliefs and interests of the group to which they belong (Joinson, 2008).

Most importantly, social media amplify information flow between supporters and NPOs, which leads to increase in exposure to social issues (Mano, 2014) and therefore social media provide NPOs the much-needed platform for relationship development and maintenance with its stakeholders. As a result, social media enhance voluntary engagement, increase willingness to support social issues (Molm, 2010; Molm, Collett & Schaefer, 2007) and proved to be an important channel for NPOs to increase monetary contributions (Mano, 2014), and mobilize public to take action (Lovejoy & Saxton, 2012). Notably, social networking strengthens loyalty to online communities, which facilitate knowledge transfer (Wyrwoll, 2014) and results in individual's pro-social behaviour online as well as offline (Mano, 2014).

Facebook pages or communities provide relevant informational, social and entertainment content and are perceived as interesting and worth visiting, as they help individuals with better purchase or other decisions (Lin & Lu, 2011). Such pages also encourage customer-to-customer interactions (Ruiz-Mafe, Martí-Parreño & Sanz-Blas, 2014). The most common factors for participation derive from need for information and can be specified as: venting negative feelings, showing concern for others by expressing opinion, seeking advice, helping the organization, obtaining social benefits or embracing self-enhancement (Brodie et al., 2013). Consequently, it can be argued that such pages are used for sharing, learning, socializing, advocating and co-developing where in turn participants gain personal satisfaction, empowerment, and connection to the community and strengthen commitment.

Many researchers have analyzed content type on Facebook pages of many different companies, including Fortune 500 companies and top global brands. All reviewed studies employed quantitative analyses and measured engagement with *Like*, *Comment* and *Share*. Majority of the reviewed literature came to conclusion that photo or video generated more likes than other types of content, such as links and text-only. Several researchers (Cvijikj & Michahelles, 2011, 2013; Kim, Spiller, & Hettche, 2015; Luarn, Lin, & Chiu, 2015; Sabate, Berbegal-Mirabent, Cañabate, & Lebherz, 2014; Valerio, Herrera-Murillo, Villanueva-Puente, Herrera-Murilloand, & Rodríguez, 2015) found that photos are the best performers in generating likes. It is suggested that followers opt not to watch videos since it takes too much time whereas images are easier to digest (Sabate et al., 2014; Kim et al., 2015), which directly relates to theory of vividness and interactivity of content used on Facebook.

Comment function is more time consuming than *Like* and *Share*, as it invites individuals to showcase their own opinion and is therefore also more engaging since it stimulates creation of conversations and debates. In previous research photos were found to generate the most comments (Sabate et al., 2014; Phethean, Tiropanis, & Harris, 2015) and links were found to generate the least comments as the content consumer is redirected to an external webpage and therefore lowering the probability that the viewer will return and comment (de Vries, Gensler & Leeflang, 2012; Sabate et al., 2014). Moreover, followers tend to generate comments when content is perceived as very meaningful as it stimulates them to publicly express their feelings and opinions (de Vries et al., 2012; Sabate et al., 2014). The studies on shareability of the content show that videos and pictures are more sharable than other content types although, the decision to share is more dependent on content category, rather than on post type (Cvijikj & Michahelles, 2013).

Studies analysing social media divided the content in different categories, depending on the organization or group of organizations that were subject of the analysis. However, majority of different classifications found in literature can be well summarised with *Information-Community-Action*

classification scheme developed by Lovejoy and Saxton (2012) especially for studying organizations' main purposes for the use of social media. Content with *Information* function is a traditional one-way message and its purpose is only to pass on information to receiver. *Community-building* function is used to send out messages to the public to encourage dialogue and interaction, with the purpose to create an online community of supporters (Lovejoy & Saxton, 2012). Lastly, *Action* is the most demanding (Auger, 2013); messages in this category demand action such as participation, donation, attendance etc. from the follower. It is also recognized as the most tangible since it presents the outcome, the organization's goal (Lovejoy & Saxton, 2012). Consequently, the Information-Community-Action categories can be recognized to be in hierarchical order where *Information* represents a vital activity to raise awareness and allure followers, *Community-building* serves as a binding agent to retain and engage the followers into meaningful conversations, and at the top of the hierarchy sits *Action*, with the motive to convince the community to mobilize and perform the organization's main goal (Lovejoy & Saxton, 2012).

2.2 Online ethical communities

Online public group discussions are especially relevant when topic does not receive much attention in other media types and therefore users use such groups to gain more information. Ethical consumerism and ethical issues can be recognized as one of such topics, since online ethical communities are perceived as a valuable source of information (Gummerus, Liljander, & Sihlman, 2017). Consequently, social media present a valuable source of information that helps consumers to adapt their behavior in accordance with their ethical beliefs (Wyrwoll, 2014). Moreover, particularly Facebook has been found to increase possibilities to communicate and engage with different social causes (Mano, 2014).

Facebook communities serve as a tool to socialize, expand individual's social network, meet like-minded people, find companionship, and social support (Huang, 2013; Joinson, 2008). Hence, Online Ethical Communities (hereafter OEC) serve as a support to like-minded people where they can express their consumption choices, concerns, search for advices and exchange opinions. Such interactions among participants foster knowledge and are perceived as trustworthy and educational source of information, thus helping consumers to cope with cognitive dissonance (Gummerus et al., 2017). Although, those who experience guilt and anxiety may not enjoy in participation yet, they use OEC to reduce negative feelings and find reassurance (Gummerus et al., 2017). Primary benefit for participants is obtaining informational benefits, as ethical communities are cognition driven and therefore provided information is bound to be beneficial (Dholakia, Blazevic, Wiertz & Algesheimer, 2009; Gummerus et al., 2017). Participants also gain social benefits as they share concern, look for social support and fulfill the need for communication and recognition. Interestingly, it has been discovered that informational benefits reinforce ethical behavior and social benefits increase loyalty and commitment to the community (Gummerus et al., 2017).

In terms of content, OEC provide primarily informational content, as lack of information is reported to be the main issue preventing consumers to behave ethically. Accordingly, OEC provide up-to-date information and timely answers, as their main goal is to increase awareness (Uusitalo & Oksanen, 2004). However, such content is predominantly one-way communication and therefore neither contributes to community-building, which is according to Lovejoy and Saxton (2012) necessary to strengthen loyalty, nor does it contribute to persuading followers to take action. Nevertheless, according to Rodan and Mummery (2016) the primary goal of OEC is to increase awareness on ethical issues and therefore the prevalence of informational content type may be justified.

2.3 Animal ethics – views on use of animals

The three main ethical concerns are the environment, human rights and working conditions, and animal welfare (Tallontire, Rentsendorj & Blowfield, 2001). Animal welfare and animal rights are advocating the wellbeing of the animals yet, animal rights is more progressive than animal welfare. The

lifestyle that is advocated by animal rights movement is often defined as veganism, yet people frequently associate veganism only with food consumption habits and not with a broader lifestyle. Such lifestyle is defined also as cruelty-free or compassionate lifestyle (Herzog, 1993).

This study is set in the context of cruelty-free ethical consumerism, where people's views on use of animals and similar topics are predicted to be the center of discussion in online ethical communities focusing on cruelty-free consumerism. To illustrate, international NPOs advocating animal rights People for Ethical Treatment of Animals or shortly PETA, advocates that "Animals are not ours to eat, wear, experiment on, use for entertainment or abuse in any other way" (PETA, 2016). Therefore food, clothing, testing and entertainment are defined as the four main areas of cruelty-free aspect of ethical consumerism, since they are also considered to be the industries where the highest number of animals suffers for lengthy periods (Bowmar & Gow, 2009).

Animal rights movement, which advocates cruelty-free lifestyle, encourages critical thinking about how animals are used in modern society and it has been discovered that people hold different views towards different uses of animals. People may show more favorable views towards using animals for food, which is perceived as a necessity, and simultaneously hold rather negative attitudes toward using animals for entertainment purposes (Knight & Barnett, 2008). Furthermore, people tend to hold less positive attitudes toward practices, which are lethal for the animals or where animals live in confinement in contrast to non-lethal, observational practices such as zoos and circuses (Furnham, McManus & Scott, 2003; Knight, Vrij, Cherryman & Nunkoosing, 2004). Conversely, Atkins-Sayre (2010) identified that practices, such as big game hunt or cockfighting, which do not serve a higher social purpose, are less desirable than animal testing in the name of science. Such findings are in line with Knight and Barnett (2008) who argued that attitudes towards animal use are not uni-dimensional; use of animals for food and medical research, which is perceived as beneficial or necessary, received more support than practices that use animals for fashion and entertainment.

Attitudes towards the use of animals do not vary only among different, above-mentioned areas but also within them. Entertainment was identified as one of the areas that received fairly negative attitudes; especially circuses, rodeos, animal racing and bullfighting are perceived as morally unacceptable (Furnham et al., 2003; Knight & Barnett, 2008; Knight et al., 2004). Nevertheless, safaris, aquariums and zoos are perceived as acceptable by majority of the population, since they have an educational and conservational component and do not include activities potentially killing or injuring the animals (Shani, 2012).

Different attitudes within the same area were also reported in animal testing and animals used for fashion (Shani, 2012). For instance, people are inclined to support animal use for medical research regardless if the result has a lethal effect on the animal, yet are opposed to animal use for cosmetic testing purposes (Balls, 1992; Knight & Barnett, 2008; Shani, 2012). It can be argued that people hold stronger negative views towards the use of animals for decoration purposes such as cosmetics and wearing fur, than towards using animals in the name of scientific research (Knight & Barnett, 2008). However, animals have been used for clothing purposes, in the form of leather, wool and fur, since prehistoric times and have always been highly appreciated for functional and aesthetic purposes (Stone, 2008).

Although, the attitudes are somehow changing in last decades, especially regarding fur products, since people hold strong negative attitudes towards fur, as its purchase is perceived as bad, immoral, foolish and disappointing. Albeit, people still hold somehow neutral attitudes towards leather that is a byproduct of the meat industry and predominantly positive attitudes towards wool (Lundblad & Davies, 2015: Olson & Goodnight, 1994). The findings are also to a certain extent consistent with Johnson (1990) who argued that animal use for food or clothing is somehow moral, but strongly opposed to the use of animals for luxury needs, such as fur. Contrarily, Rodan and Mummery (2016) stated that meat industry is one of the major sources of animal cruelty.

The prime issue animal rights advocates face in relationship to animal consumption is that people are not familiar with meat production process, since the products in grocery stores hardly resemble actual animal flesh and are well-presented in attractive packaging. The reason for such presentation is that people find it unpleasing to eat meat, which closely resembles a living being (Hamilton, 2006; Plous, 1993). The main cause for lack of awareness in the production chain is remoteness; slaughterhouses, meat-packaging plants and farming houses are hidden away from the public eye (Singer, 2006). To illustrate, Plous (1993) reports that only 54% of participants in a survey, which was made on a representative sample, were able to make a connection between calf and veal, the flesh of 6-7 months old calf. Such dislocation from the process, as consumption practices are not associated with cruelty, often results in shock and cognitive dissonance when a consumer is presented with information and their awareness about the production increases (Plous, 1993).

Knight and Barnett (2008), Lundblad and Davies (2015), Rodan and Mummery (2016) and many others report that lack of awareness and knowledge is one of the main factors influencing why people do not behave ethically. Moreover, if consumers obtain more information and therefore increase awareness, their attitudes are likely to change (Knight & Barnett, 2008). When a consumer is presented with information and their knowledge and awareness increase, the consumer dilemma or cognitive dissonance is likely to arise, stemming from the realization that individuals' practices have dreadful consequences for the animal (Knight & Barnett, 2008). People are motivated to restore balance and to decrease dissonance; individuals employ coping mechanisms such as rejection, objectification or searching only for benefits to rationalize unethical behavior. Besides, consumers might even avoid information that causes distress, as they are aware that it will inevitably decrease or eliminate their enjoyment in unethical consumption (Knight & Barnett, 2008; Rodan & Mummery, 2016).

In order to increase awareness, stress the importance of ethical issues, organizations often use shocking component in their communications, showcasing terror and horror of production in meat or fur industry (Auger, 2013). Such content tries to minimize the effect of remoteness as the content links together human pleasure in enjoying the product and animal suffering (Atkins-Sayre, 2010). One could argue that such communications try to invert associations from luxury, ordinary, and natural to vulgar, tasteless, savage, and uneducated (Olson & Goodnight, 1994). Shocking and controversial content may be seen as risky and provocative yet, it stimulates debate. Such content is found to be rather effective as it is reported to lead to epiphany, and thus to conversion from meat consumer to vegetarian or vegan (Rodan & Mummery, 2016).

3. METHODOLOGY

Due to the novelty of the topic and exploratory orientation of this study the authors decided to use qualitative methodology, more specifically netnography. Netnography is a technique developed for studying human interactions online (Kozinets, 2002) and is often used to analyse interactions on social media in form of text, photo, audio, video etc. (Kozinets, 2015). Hence, the method uses information from public forums and alike "to identify and understand the needs and decision influences of relevant online consumer groups" (Kozinets, 2002: 3). "Netnography is a technique of small data search and analysis" (Kozinets, 2015: 175). Thus, this allows the researcher to analyse data in detail and provide meaningful insights (Kozinets, 2015), which may be useful to the broader industry (Kozinets, 2002).

Of social media sites Facebook was selected due to its community size and growth; the number of Facebook users increased from 100 million to 2,129 million between 2008 and the end of 2017 (Facebook users worldwide, 2017). The literature indicated that PETA is a renowned and the largest NPO advocating cruelty-free lifestyle, so PETA's official Facebook page, named PETA - People for the Ethical Treatment of Animals (Facebook.com, 2016b) (hereafter PETA's Facebook) was chosen for data collection for this study.

The page has content updated several times per day and over four million followers. Consequently, it was expected to yield large amount of interactions and rich insights and therefore a sufficient amount of data. Also, the requirement that interactions must be relevant is fulfilled, since the content relates to all four main uses of animals.

For this research only content published between 15/04/2016 and 15/05/2016 was selected and collected, which includes 110 posts. Table 1 presents the *Coding manual 1*, which shows how posts were coded by content category, area and which engagement numbers were collected. During data sample inspection, it was noted that if the cursor is positioned on Like without clicking it, Facebook displays additional new forms of one-click engagement namely, Love, Haha, Wow, Sad, Angry. At the time of data collection it was decided not to include details of such different one-click interactions in order to make findings more comparable to existing literature. All one-click interactions were collected as a sum and presented as one-click interaction (hereafter OCI). Furthermore, it was discovered that some content possesses *Information and Action* category characteristics simultaneously, which contradicts Lovejoy and Saxton (2012). Consequently, a classification "*Information + Action*" was included in *Category* section of *Coding manual 1*.

Table 1: Coding manual 1 – Coding posts

CATEGORY	Information
	Community-building
	Action
	Information + Action
AREA	Entertainment
	Food
	Fashion
	Testing
	Other
ENGAGEMENT	Number of OCI
	Number of Shares
	Number of Comments

Since the main objective of this research is to examine the interactions in order to understand how and why people engage with the content, comments were analysed. Following Kozinets (2015) guidelines to analyse small portion of high-quality data, only first top 40 comments from the top two posts in number of comments from each specific area in chosen period were collected. Therefore, 320 comments, 80 from each area, were collected, examined and coded. Importantly, top comments are the most relevant comments, automatically defined by Facebook algorithm (Facebook.com, 2016a).

Throughout the analysis Braunsberger and Buckler (2011) approach was adopted, grouping comments into categories based on repeating topics and issues in order to deliver organized and useful findings. Attention was paid to repeating issues, words, meanings, etc. to develop coding categories for grouping comments and deliver structured and synthesized findings. Table 2 presents *the Coding manual* for coding comments.

4. RESULTS

In terms of content category, Figure 1 illustrates that *Information+Action* generated the most engagement on average in terms of *OCI*, *Comment* and *Share* followed by *Information*, *Community-building* and *Action* category. *Information+Action* category was far superior compared to others as it generated more engagement than *Community-building* and *Action* category combined. Interestingly, *Information+Action* also generated more than twice as many *Shares* and *Comments* on average than *Information* category. The reason for such result lays in the fact that majority of all *Information+Action* contnet was video type (Figure 2), which proved to outperform other types in generating *Comments* and *Shares* (Figure 1). Moreover, one could suggest that viewers might be more stimulated to engage and take action immediately after they are educated and informed about a certain ethical issue.

It can be concluded that *Information+Action* outperforms other categories since OEC are primarily utilized for search for information and therefore,

Table 2: Coding manual 2 – Coding Comments

	Coding Category	Explanation	Example
1	Supporting the content	**Venting negative feelings** – Content often showcases mistreatment of animals, passionate statements, using exclamation marks and showcasing strong negative emotions such as anger, sadness, disgust, disappointment in human race etc. are classified as supportive.	*This is so inhumane and wrong!! No living being deserves to be treated like that!!*
		Other - Comments expressing opinions / concerns / examples supporting the content.	*I'm vegan since 2010. Thanks PETA for sharing such content and raising awareness. Maybe one day people will understand.*
2	Contradicting the content	Contributor does not agree with the content and may not be fully aware of the production process and therefore rejects, objectifies or searches for benefits to rationalize unethical behaviour.	*Animals are here for us to use. I will continue eating chicken for dinner and buying quality leather goods.*
3	Seeking advice, asking questions	Contributor is gaining awareness and collecting information.	*Are L'Oreal cosmetics tested on animals?*
4	Epiphany	Comments showing that the contributor was unfamiliar with cruelty practices. Contributor reports feelings of guilt and wishes to make a change in behaviour.	*Oh my god this is so sick!! I will never eat pork again and I wish I never had!!!*
5	Demanding a change	The contributor showcases strong negative attitudes towards animal cruelty and demands a change and/or wishes to take action personally (signing petitions, asking government to take action...)	*This must stop!! Government should ban circuses!*
6	Showcasing alternatives	Comments including various cruelty-free alternatives suggestion.	*Cirque du Soleil is a great alternative to circuses and alike. High quality shows with only human acrobats!*

Note: All exemplary comments are fictional, constructed based on the analysed comments and therefore not quoted. Data were collected from publicly available website however, the real comments are not disclosed in order to preserve complete contributor's anonymity, which is in line with Kozinets (2015) guidelines.

content with informational component is bound to be interesting and worth engaging with. Moreover, such content seems to generate especially high amount of engagement if presented in video type, since video performed well in generating OCI, *Comments* and *Shares*.

Figure 1 depicts that OCI is dominating across all types, since this is the simplest type of engagement (Jayasingh & Venkatesh, 2015). On average, *Photo* received slightly higher OCI than *Video*; that is consistent with Sabate et al. (2014) who posited that videos are more time consuming and images

are easier to digest. Interestingly, despite the significantly lower performance in OCI, links occupy almost 40% of the examined content. The rationale may be in fact that majority of links lead to PETA's official webpage to access more in-depth information, since 80.5% of all links fall into categories with informational component (Figure 2).

Moreover, Figure 1 illustrates that on average, all content types received significantly fewer comments than other types of engagement, since *Comment* is the most time-consuming (Sabate et al., 2014). However, *Video* outperformed other content

types in generating *Comments* and *Shares*. Such finding is to a certain extent consistent with Cvijikj & Michahelles (2013) and Laurn et al. (2015) where *Video* and *Link* are defined as interactive and discovered to receive more engagement. Figure 2 depicts a high percentage of content with informational component in form of links and Figure 1 shows that such content performs very well in generating comments. Additionally, people utilize OEC to search for information, so it can be assumed that they are more willing to engage in discussions (Gummerus et al., 2017).

Figure 1: Average numbers of engagement per content category and type
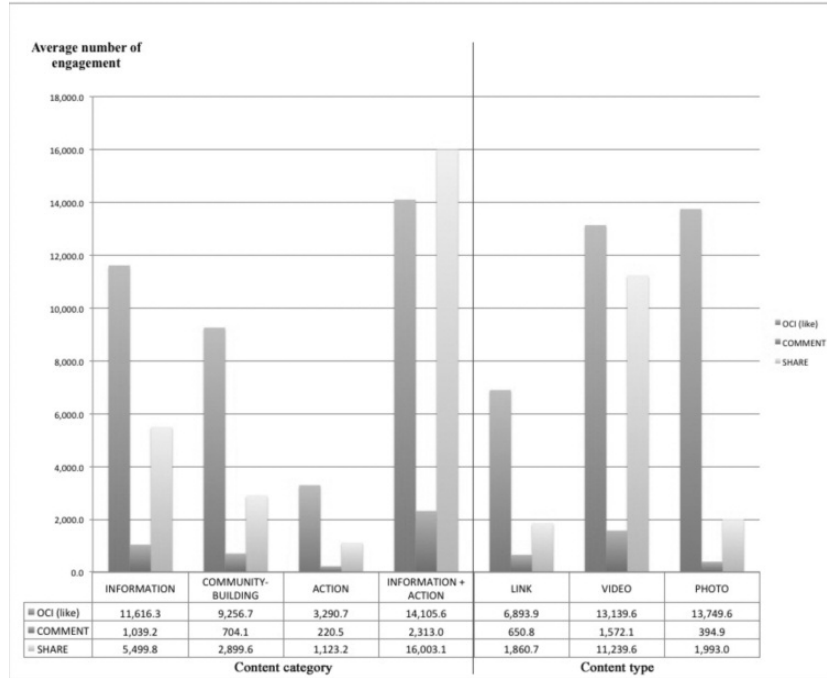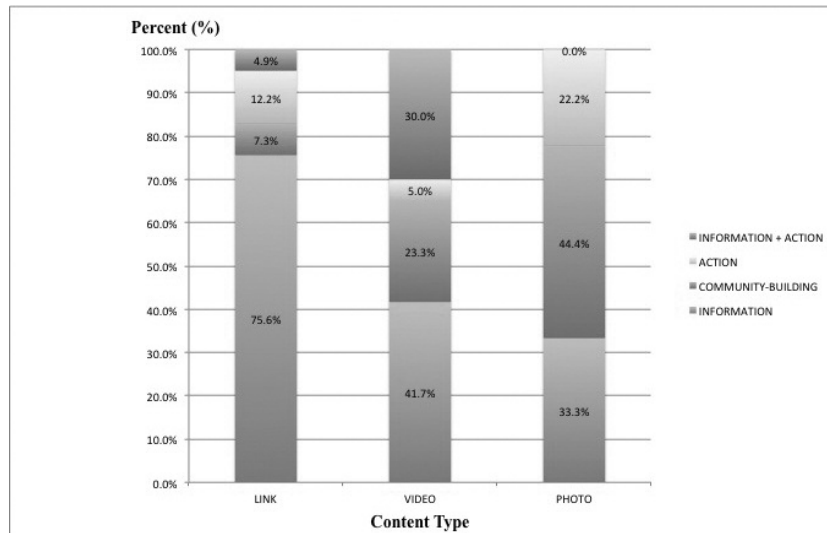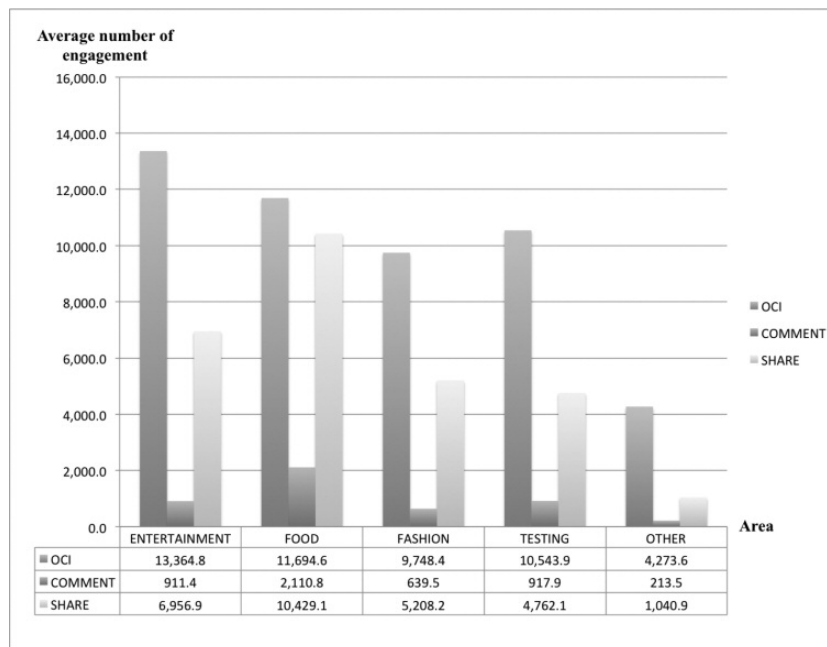

Figure 2: Percentages of content category per content type

Review of the posts by area shows that in the examined period, the highest percentage of posts (34.5%), were from *Entertainment* area. Such finding was unexpected, since the literature points out that *Entertainment* is not among the most important areas to animal rights advocates (Shani, 2012). However, at that time one of the ongoing PETA's campaigns was against Seaworld, an amusement park with orcas (PETA, 2016). Consequently, almost one third of the *Entertainment* content was related to Seaworld, which offers an explanation for the prevalence of *Entertainment* area posts. Furthermore, 29.1% of the content was related to *Food* area, only 10.0% to Fashion, and 11.8% to *Testing* area. A small percentage of content in Fashion area may be explained with seasonality, since data was collected in spring yet, wool and fur are trending in autumn and winter. Infrequency of *Testing* area content may be due to restricted access to laboratories, so visual materials and other information are hard to obtain. Lastly, 14.5% of the content did not fall into any of the specified four areas and was therefore assigned to category *Other*. Such posts, which were dominated by content related to dogs and cats for example, showcased a story of lost cat reunited with the owner, deadly consequences of eating litter for whales etc.

Each area received more OCI than shares or comments (Figure 3). *Entertainment* area received the highest number of OCI on average, potentially due to a number of positively orientated posts such as reporting how orca living in captivity was returned back to its natural environment. It can be argued that people find such content more pleasing and are therefore more inclined to click *Like* or similar. Figure 3 also illustrates that *Food* area received second highest number of OCI on average, followed by *Testing, Fashion* and *Other* area. In generating comments and shares, *Food* area also outperformed other areas. Such outstanding performance of *Food* area can be attributed to people's dislocation from the meat production process since consumption habits are not associated with cruelty (Plous, 1993). Consequently, people may find content, which vividly showcases production of steaks and products alike interesting, educational and shocking, and thus worth engaging with and sharing it with their network of friends. Area *Other* received far less engagement on average compared to the four areas. Accordingly, the finding of this study supports Bowmar and Gow (2009) that the four areas are the four most important areas in studied context.

Figure 3: Average numbers of engagement per area

	ENTERTAINMENT	FOOD	FASHION	TESTING	OTHER
OCI	13,364.8	11,694.6	9,748.4	10,543.9	4,273.6
COMMENT	911.4	2,110.8	639.5	917.9	213.5
SHARE	6,956.9	10,429.1	5,208.2	4,762.1	1,040.9

To analyse in-depth how people engage with the content, it is essential to examine comments since comments are reported to be the most captivating form of engagement. Table 3 presents the characteristics of the eight posts, which comments were analysed. All top performing posts in number of comments fall into categories with informational component.

The content on the chosen page is often shocking and unpleasant to watch. It showcases how animals are mistreated for entertainment, food, fashion or science purposes, since its main goal is to raise awareness on how animals are used and persuade viewers to abandon use of animals and opt for cruelty-free lifestyle. However, the first post in *Entertainment* area (Table 3) presents a very positive story about orca from Blackfish movie, which was transported to Iceland and released back to its natural environment. Consequently, such post was expected to generate more positive comments.

In the analysis of comments, category *Supporting* the content is prevailing at 54.7%, followed by category *Demanding a change* (15.0%), *Contradicting the content* (11.6%), *Epiphany* (9.7%), *Suggesting alternatives* (5.0%) and *Asking questions* (4.1%). The prevailing category is also reflected in Figure 4 (generated with Wordle), since words that are frequently used in supportive comments appear in larger font. The prevalence of *Supporting* category was expected, since the most common factors why people contribute on Facebook are venting negative feelings, showing concern and obtaining social benefits (Brodie et al., 2013).

Supporting category also dominated across all four areas, with the lowest amount of comments in *Food* area (Figure 5). According to Knight and Barnett (2008), people hold more favorable views towards using animals for food, which is perceived as a necessity, and simultaneously hold rather negative attitudes toward using animals for entertainment and fashion purposes. This study shows consistent findings, since the two areas showcase a higher percentage of *Supporting* comments compared to *Food* area.

Table 3: Eight posts for analysis of Comments

	Area	Number of comments	Type	Category	Post's story
1	Entertainment	6,956	Video	Informational	Orca from Blackfish movie was introduced back to its natural environment.
2	Entertainment	3,400	Video	Informational + Action	Showcasing abuse of animals in circuses and urge to boycott circuses
3	Food	27,350	Video	Informational + Action	Chicken in reverse – presenting the Chicken wings production process in reverse - back to the living chicken.
4	Food	5,329	Video	Informational	Graphically presenting the process that pigs undergo in slaughterhouse.
5	Fashion	2,141	Video	Informational	Leather goods containing intestines, flesh and other organs were positioned in a shop to shock customers and raise awareness.
6	Fashion	1,077	Link	Informational	Rabbits slaughtered for real-fur pillows sold by retailer Simson.
7	Testing	3,695	Video	Informational + Action	Showcasing cruel test on monkeys in Tobacco industry.
8	Testing	2,899	Link	Informational	Presenting mistreatment of Lab monkeys and cruel physical and psychological consequences that these monkeys endured.

Figure 4: Most common words in collected 320 comments

One could suggest that such page only generates engagement from social media users who support the organisation's objectives. This may hold to a certain extent; however, what sort of content Facebook users see in their *News Feed* depends on a complex Facebook algorithm, which is highly classified information. Nevertheless, Facebook tends to include into one's *News Feed* content that is shared multiple times, was produced by a friend that the user interacts with frequently, content that has a high statistical probability that a particular individual will like, content that was published recently and most importantly content that one's friends interacted with (Constine, 2016). Hence, content from PETA Facebook page is displayed also to follower's friends who may not follow PETA or agree with their views. Consequently, it is expected that content published on PETA Facebook page is expected to generate supportive as well as fairly negative comments.

Figure 5 displays that *Supporting* the content is lower and *Contradicting* the content is higher in *Food* and *Fashion* than in *Entertainment* and *Testing* area.

Such finding points to cognitive dissonance, since consumers may find it difficult to absorb new information and adapt their habits accordingly. The rationale may lay in the fact that habits in *Fashion* and *Food* area may be more deeply enrooted in consumers' traditions, culture and upbringing. To illustrate, people appreciate wool, leather and fur for aesthetic purposes and these materials have been used since prehistoric times and therefore are deeply rooted in culture and tradition (Stone, 2008). Consequently, many participants showcase rejection, objectification and search for benefits, in form of *Contradicting* comments, in order to justify their unethical behavior. Furthermore, *Food* area generated the highest amount of *Contradicting* comments (26.3%) and the smallest difference in number of *Supporting* and *Contradicting* comments, at 12.5 percentage points (Figure 5). According to de Vries et al., (2012) a high percentage of positive or negative comments compared to neutral comments tends to contribute to more comments. Their finding is supported; the post, which generated the most

comments in *Food* area, generated almost four times as many comments as the post with the second highest number of comments (Table 3). Such finding is not reflected in only one post but also in general, since Figure 3 presents that *Food* area received by far the highest amount of comments on average.

Figure 5 illustrates that comments showcasing *Epiphany* and *Asking questions* were more common in *Food* and *Fashion* area compared to other areas, which points to dislocation from the process. Such findings are in line with Plous (1993), who argues that people are not familiar with meat production process since the end product hardly resembles a living being. However, when information is presented to an individual that often results in shock and cognitive dissonance. Moreover, it appears that people do not suffer from dislocation process only in *Food* area, as Plous (1993) argues, but also to a certain extent in *Fashion* area.
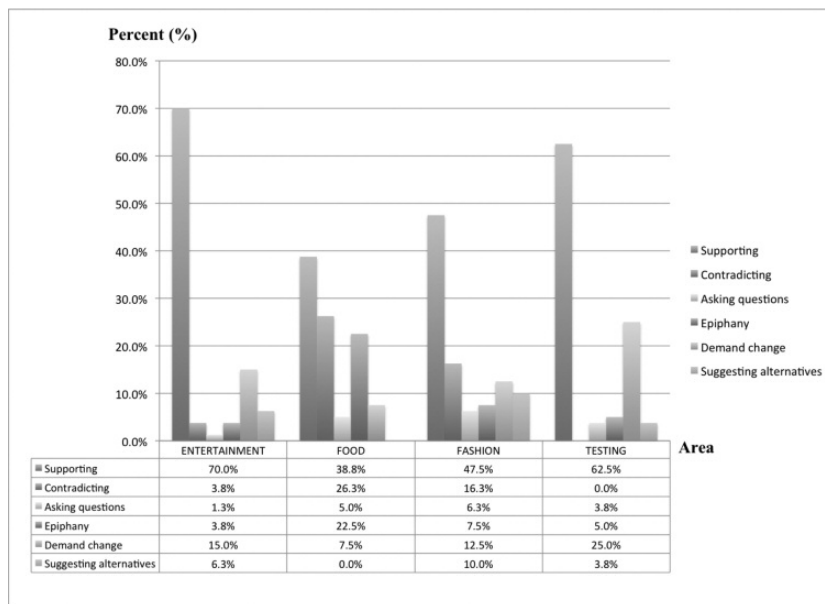
Furthermore, the findings demonstrate that *Entertainment* area has the second highest percentage of comments *Demanding a change* and by far the highest percentage of comments *Supporting* content, which presents that participants almost unanimously agree that using animals for entertainment purposes is unethical, cruel, and should be aban-

doned. The finding therefore contradicts Furnham et al. (2003) who argue that people tend to hold less positive attitudes toward practices, which are lethal for the animal in contrast to non-lethal, observational practices such as zoos and circuses.

When analyzing comments, which fall into *Testing* area, it is apparent that participants strongly oppose animal testing, even for scientific purposes, since *Venting negative feelings* and *Demanding a change* are the most present in *Testing* area. Besides, not even one comment out of 80 in *Testing* area showed favorable attitudes towards animal testing. Consequently, this contradicts Atkins-Sayre (2010) who identified that people tend to support more the use of animals, which has a higher purpose such as animal testing in order to discover a new cure.

The prevailing category *Supporting* the content, can be divided further into *Venting negative feelings* and *Other*, which includes Individual's examples, opinions, concerns etc. In all four main areas subcategory *Venting negative feelings* is dominating over subcategory *Other*. Interestingly, in *Testing* and *Food* area comments coded as *Venting negative feelings* are prevailing at 92.0% and 90.3%, respectively. In contrast, the dominance of subcategory *Venting negative feelings* is much smaller in *Fashion* area, at 26.3

Figure 5: Types of interactions and four main areas

	ENTERTAINMENT	FOOD	FASHION	TESTING
Supporting	70.0%	38.8%	47.5%	62.5%
Contradicting	3.8%	26.3%	16.3%	0.0%
Asking questions	1.3%	5.0%	6.3%	3.8%
Epiphany	3.8%	22.5%	7.5%	5.0%
Demand change	15.0%	7.5%	12.5%	25.0%
Suggesting alternatives	6.3%	0.0%	10.0%	3.8%

percentage points and the lowest in *Entertainment* area at only 14.3 percentage point difference. Comments, which are venting negative feelings, are enhanced by content that is shocking and vividly presents cruel processes. Such conclusion derives from the fact that one of the analyzed *Entertainment* posts was significantly positive, whereas analyzed posts from *Food* and *Testing* area vividly showcased meat production and animal testing processes.

It can be summarized that comments *Supporting* the content are the most frequent in all four areas. However, a higher percentage of such comments is noted in *Entertainment* and *Testing* area, which also showcased a high percentage of *Demanding a change* comments. Conversely, *Food* and *Fashion* area received less *Supporting* comments and more comments coded as *Contradicting*, *Epiphany* and *Asking question*, compared to *Entertainment* and *Testing*. Consequently, these results show that people are less inclined towards using animals for entertainment and testing purposes and less informed and knowledgeable about use of animals for food and fashion purposes. Additionally, *Food* and *Fashion* area generated more diverse comments, since the differences between coding categories are smaller, which appears to stimulate more comments, since *Food* area generated far more comments compared to others.

5. DISCUSSION

Even though these research findings derive from a qualitative research technique, they may also be very insightful to NPOs working on a variety of different social causes. This study points out that lack of awareness and knowledge is one of the main factors influencing why people do not behave ethically and therefore do not follow the studied organization's main goal. However, once awareness and information are gained, individual may reach epiphany and in such cases a willingness to change behaviour was observed. When epiphany, cognitive dissonance or a willingness to change behaviour were observed, the individual showed support to organization's main goal. Consequently, the research shows that providing valuable information is of crucial importance to spark engagement and create new supporters. Based on the insights of this study some important theoretical as well as practical implications arise that are discussed next.

Lovejoy and Saxton (2012) developed an Information – Community Building – Action scheme where *Information* content provides traditional one-way messages, *Community building* content sparks debate and content categorized as *Action* invites the follower to take action. However, in our study we have observed that when informational content contains action features as well, such content proved to be the best in generating engagement. Moreover, such content seems to generate especially high amount of engagement if presented in video type that was discovered to be the type, which received the most engagement. Majority of videos in our sample were graphically presenting mistreatment of animals. Such content is often shocking as its purpose is primarily to inform, educate, shock and persuade the viewer to change deeply enrooted habits, such as eating meat or wearing fur (Olson & Goodnight, 1994). Hence, it can be concluded that viewers find such content interesting and therefore worth sharing it with their network of friends and acquaintances. Consequently, we propose that NPOs and organizations alike should primarily focus on video content, which educates followers on critical issues in order to receive their attention. After a viewer is educated on the issue, the content should also present a way to take action in order to convert the viewer into an active supporter of the advocated cause.

The finding that content with informational component performed well in generating all types of engagement is consistent with Cvijikj and Michahelles (2011, 2013) as they report *Information* category to outperform others in *Like*, *Comment* and *Share* engagement, and Saxton and Waters (2014) who report such content to perform well in generating *Comments* and *Shares*. Moreover, Cvijikj and Michahelles (2013) and Laurn *et al.* (2015) also report video type to perform exceptionally well in generating engagement. Such findings are aligned with OECs' main goal, which is to share information and raise awareness on critical ethical issues (Uusitalo & Oksanen, 2004; Rodan & Mummery, 2016). Consequently, also in the area of ethical consumerism content with informational component is perceived as meaningful and worth engaging with.

Conversely, *Action* category performed the worst in all three types of engagement. This finding is inconsistent with findings of Cvijikj and Michahelles (2013), Saxton and Waters (2014) and Luarn et al. (2015), since they report good performance of the category in generating likes. However, *Action* content is mainly inviting followers to attend boycotts and sign petitions. Hence, it can be assumed that such posts are perceived as relevant only to the most loyal followers, which in turn explains the poor performance in terms of engagement in contrast to other categories.

Different social issues are led by different motives and therefore ways in which information is presented should differ significantly. This study points out that cruelty-free ethical consumerism is, similarly to Fair-trade topic, predominantly led by altruistic motives, since content primarily appeals to empathy and emotions, which, according to Murphy and Jenner-Leuthart (2011), increases awareness and tend to convince followers to develop stronger attitudes toward the issue. Consequently, NPOs and organizations alike focusing on altruistic motives should provide "true-story" informational content, which educates and appeals to emotions. Contrarily, according to Michaelidou and Hassan (2008) NPOs targeting primarily individual's egoistic motives should provide factual informational content focusing on egoistic motives such as health benefits, for instance.

Additionally, the study also reveals that people do not hold unidimensional views towards the use of animals; they hold different views toward different studied areas. Such differences can be explained with lack of knowledge about certain topic. Our study points out that *Fashion* and *Food* area showcased a high amount of comments showing epiphany and disagreement with the content, which implies that contributors are not familiar with the processes how animals are used or faces cognitive dissonance - a misalignment of beliefs and behaviour. Consequently, the research shows that social media provide a valuable source of information regarding the topic that does not receive much attention in other media types and that such communities serve as a platform to discuss social issues and are contributing to raising awareness. Moreover, if sufficient information is provided, consumers tend to become less price-sensitive, more ethically conscious and more willing to

translate their attitudes and intentions into behavior (Murphy & Jenner-Leuthart, 2011).

Every study, every research design has its advantages and limitations. Next we present the most important limitations of this study and suggestions for future research, which could contribute to a more detailed and multi-aspect understanding of the main research question. The first set of limitations pertains to sample size. This study collected only one month of content and it was observed that there were very few posts related to the use of animals in Fashion area, which is potentially due to seasonality since the chosen time frame was in spring and content related to fur and wool might be more trending during the winter. Accordingly, future research should choose a wider time frame to avoid the seasonality effect. Another limitation of this study is, besides examining only one social media channel, the focus on only one organization in a certain context. Consequently, to get results more applicable to a variety of different NPOs, charities and organizations alike, future studies should examine social media channels of more NPOs working on different social issues.

De Vries et al. (2012) report that a higher percentage of positive and negative comments compared to neutral comments tend to stimulate more comments, which is supported in this study. However, this study analysed only first-stage comments, which are directly related to the content and did not take into account the comments, which are made on comments, the second-stage comments. Therefore, future studies could look also at second stage comments to study what kinds of comments evoke debate between followers. Such studies would reveal how important is the social aspect of such communities compared to only receiving the information published by the page's admin.

Lastly, this study is based on the qualitative method netnography and therefore the findings are not generalizable. According to Kozinets (2002), the findings can become generalizable, if the method is triangulated with other methods such as surveys, interviews etc. Thus, future studies should use netnography together with other methods to make findings generalizable. Such research would be able to study the development of online relationships

between NPO and its supporters from different angles and thus provide more detailed and precise findings. Furthermore, such study could also contribute to a better understanding whether and to what extent the social media content influences individual's attitudes, intentions and whether the intentions actually transform into behaviour.

Despite the limitations this study still contributes to a better understanding of behavioural and communication patterns related to ethical discourse, which does not receive much attention in traditional media. The findings and implications can be relevant to a wide array of NPOs in order to create meaningful content, which sparks conversation, engagement and contributes to cultivating and maintaining long-term relationships with supporters. Our findings support the thesis that social media provide NPOs the much-needed platform for development and maintenance of relationship with their stakeholders (Mano, 2014).

EXTENDED SUMMARY / IZVLEČEK

Družbena omrežja so za neprofitne organizacije nov, priročen in cenovno ugoden medij, preko katerega lahko širijo svoja sporočila, povečajo zavedanje posameznikov, se povežejo s podporniki in dosežejo široko javnost. Glavni cilj te študije je bil preučiti interakcije na izbranem družbenem omrežju, z namenom, da bi bolje razumeli, kako se posamezniki odzivajo na vsebine, ki jih objavljajo neprofitne organizacije. Študija je postavljena v kontekst etične potrošnje brez krutosti, pri čemer so bili podatki za analizo pridobljeni z uradne Facebook strani mednarodne neprofitne organizacije PETA. Rezultati študije kažejo, da sta prav pomanjkanje zavedanja in poznavanja dva najpomembnejša vzroka, da se ljudje (še) ne vedejo etično in posledično ne sledijo glavnemu cilju organizacije. Ko pa posameznik pridobi potrebne informacije za odločanje, lahko pride do uvida, spoznanja, da njegovo vedenje do sedaj ni bilo etično in pokaže željo po spremembi vedenja. V teh primerih je bila istočasno zaznana tudi večja podpora glavnemu cilju organizacije. Izsledki študije so pokazali, da so največ interakcij prejele prav objave z vsebino informacijske narave in prav pri njih so bili prevladujoči komentarji z izrazi podpore objavljenim vsebinam. Vsebine informativne narave veljajo za zelo pomembne in koristne, posebno kadar posameznik nima veliko znanja o konkretni temi. Glede na ugotovitve so informativne vsebine še posebno priporočene neprofitnim organizacijam za učinkovito povečanje zavedanja javnosti, pridobivanje novih podpornikov in ohranjanje dolgoročnih odnosov z obstoječimi podporniki.

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STUDY HARD TO ACHIEVE HAPPINESS

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Abstract

This article examines the relationship between education and happiness in the EU countries. The results show that tertiary education and an individual's happiness are positively correlated. Furthermore, young individuals who are not employed, in education, or in training (NEET) tend to show lower levels of happiness. This means that, on average, countries with a lower rate of NEET individuals show higher perceived happiness. Additionally, the link between student-to-teacher ratio and happiness is shown to be negative, but statistically not significant.

Keywords: education, happiness, tertiary-level education, student-to-teacher ratio, youth unemployment

1. INTRODUCTION

In today's World, the growth of information technology and the rise of the fourth industrial revolution demands that societies amass knowledgeable workers. For a society to thrive, it needs to raise the level of education. In the last 15 years, we have witnessed a significant increase in the share of people with tertiary education attainment across the EU member states. The percentage of the population aged 25–64 with tertiary education increased from 20.8% in 2002 to 31.4% in 2017. However, does this constant evolvement of the society result in a higher level of happiness? Are better-educated workers indeed happier workers?

Happiness has long been studied in economics, but it gained some momentum after the publication of Easterlin's (1980) paper. He came to the surprising conclusion that the level of self-reported happiness was the same among rich and poor countries and that economic growth does not necessarily lead to an increase in well-being, which is known as the Easterlin Paradox. Furthermore, to study happiness, several indices have been developed. One of the world's most famous measurements of happiness is the Happiness Index, which is used in the World Happiness Report. This is an annual report conducted by the Sustainable Development Solutions Network at the United Nations (UN) that ranks countries by their Happiness Index.

Variables used in the index include GDP per capita and freedom to make life choices. The highest places in the ranking are usually taken by the most developed countries. This year's top three countries in the Happiness Index are Finland, Norway, and Denmark (WHR, 2018).

In spite of the importance of education, the Happiness Index does not include the educational level of a specific country in its calculation. However, we claim that a connection exists between the average educational level in a certain country and the average happines level of its inhabitants. The importance of education has also been recognized by other indexes measuring the level of satisfaction and development in different countries, such as the Better Life Index and the Human Development Index (HDI). The Human Development Index is based on the idea that the main cause of differences in development among countries is people's capabilities rather than economic growth alone. HDI tries to explain the differences in development with education, specifically with the knowledge dimension. The knowledge dimension is measured using two indicators: mean years of schooling and expected years of schooling. In addition to knowledge, dimensions that are included in the index are long and healthy life and decent standard of living (HDI, 2018). On the other hand, the main goal of the Better Life Index, practiced by the OECD, is to provide an internationally comparable measure of well-being. Well-being is measured with 11 different factors, including education, which is measured with students' skills, years in education, and educational attainment (OECD, 2018).

Helliwell (2003) explained that education positively affects happiness, not so much directly, but rather indirectly through human and social capital. On the other hand, Clark and Oswald (1996) showed that more-educated individuals can be less happy due to the "overeducation effect." Although a wide array of literature has been written on the topic relating happiness and education, the results are quite ambiguous. This is one of the reasons that governed our decision to study this relationship and possibly contribute to clarification of this specific problem.

2. LITERATURE REVIEW

2.1 Tertiary education and happiness

Happiness can be defined as a sense of life satisfaction, and it relies upon fulfilling intrinsic needs, which cannot be much altered by one's surroundings and current life situation (Veenhoven, 1991). This opposes the ancient idea that happiness is relative. Research in favor of this theory was carried out by Easterlin (1974), who discussed happiness in relation to income. His analysis showed that there is a positive correlation between an individual's income and happiness within countries; however, there was no correlation among countries, which means that higher income does not necesarilly lead to higher levels of happiness. This is known as the Easterlin Paradox. Castriota (2006) stated that one of the possible explanations for the paradox is that with higher levels of education, GDP becomes less relevant for life satisfaction. More-educated individuals are assumed to have higher job satisfaction and a more-stimulating cultural life, which means that they tend to put less weight on obtaining material goods. Schneider (1975) came to a similar conclusion when comparing richer and poorer cities in the United States. Even though the happiest countries according to the World Happiness Report are the most developed countries, we can make some parallels with the Easterlin Paradox, arguing that the reason for a specific level of happiness might not be the level of economic development.

If we further develop Castriota's (2006) argument on the relationship between education and happiness, we see that happiness itself can be treated in two different ways. First, we can talk about hedonism (Kahmneman et al., 1999), which advocates for the "pleasure of today" and "living in a moment"; second, there is idea of eudaimonism (Wateran, 1993), which promotes the idea of self-realization, fulfilling one's full potential.

According to those two approaches for defining happiness, we can certainly include education in the idea of eudaimonism. The importance of tertiary education for jobseekers lies in differentiation. Becker (1980) argued that there are no overeducated workers, just workers with a lack of skills. Thurow's (1975) idea was that education serves as

a ranking tool for employers in the process of hiring new workers. The higher the rank, the greater is the possibility for a candidate to get a job. However, the literature (e.g., Stevens & Weale, 2004; Pinheiro & Pillay, 2016) shows that people with higher educational attainment might be given higher wages on average. Although, on average, more-educated people earn more and consequently tend to be happier, some caution might be needed. Even if people do receive a higher income for a higher level of education, this might not translate into their higher level of happiness. A higher level of happiness might not be reached with higher income if people put more value on non-pecuniary benefits that are brought with education itself, as argued by Chen (2011).

Cunado and Perez de Gracia (2012) found a positive effect of education on happiness. They analyzed 2,563 Spanish individuals in 2008. First, they controlled for several socio-economic variables and found a positive link between education and happiness. Their second model included professional activity (employment status), and education still had a positive effect. Finally, they included income in the model. Education did not have a significant effect anymore. Their study therefore found both direct and indirect effects of education on happiness. Their third model proved the indirect effect, which can be explained as follows: individuals with higher educational attainment tend to have higher income and a lower probability of being unemployed, which brings them higher happiness. Furthermore, their research showed that education has a diminishing marginal utility. This means that an increase of educational attainment from the primary to the secondary level would bring greater additional happiness than an increase from the secondary to the tertiary educational level.

In contrast, Oswald and Clark (1996) conducted a study of approximately 5,500 UK workers and found a negative and significant relationship between level of education and life satisfaction. The higher the level of education, the higher was the chance of an individual being unhappy. The possible explanations for this pattern might be that people with a higher level of education might have higher expectations about a job, which are more demanding to fulfill. It could also be that some workers are over-qualified for the job, and this consequently leads to a lower level of life satisfaction.

Even though the past literature connecting happiness and education does not provide a unique conclusion about the direction of education affecting happiness, we believe that the relationship between both variables is positive. Based on that, we propose the following hypothesis:

H1: There is a positive correlation between tertiary education attainment and happiness.

2.2 NEET and happiness

Unemployment among youth seems to be one of the biggest problems in society nowadays. With the rate of young people not in employment, education, or training (NEET), Eurostat captures the percentage of a population of a specific age and sex that is neither employed nor in further process of education or training. In 2017 the average value of NEET for persons in the age group 15–34 in the EU-28 countries was 14.7%, which is quite close to pre-recession levels (for example, 14.4% in 2007). However, differences among European countries are quite significant. The value of NEET ranged from 6.9% in Sweden to 25.5% in Italy.

The main problem with youth unemployment is that young people possess a lower amount of human capital and they have lower skills in general. Younger workers can therefore easily fall into the experience trap, which describes the situation in which employers are seeking workers with experience. As a consequence, it takes longer for market entrants to be hired and thus they cannot get the required experience (Bell & Blanchflower, 2015). Additionally, because they have fewer work skills and lack seniority that protects adult workers in the state of economic swings, young workers are more likely to be laid off. Such a situation significantly influences young workers' levels of happiness. In Greece, for example, where youth unemployment was one of the most perennial problem when the recession hit, the general decrease in happiness across all age groups (based on a Eurobarometer Survey) was 0.32 points (from 2.66 to 2.34). This decrease was the largest among European Union

states comparing pre-recession (2000–2007) and post-recession (2008–2012) times (Bell & Blanchflower, 2015).

It is also not uncommon that especially young individuals might go through times of anxiety because of concerns about the future, as shown by Blivina & Vial'shina (2017). In their research they found that 48.4% of young jobseekers reported that they have gone through a high degree of anxiety. Additionally, the level of anxiety (also showing unhappiness) might be higher among more-educated individuals. This can be explained by distinguishing between economic and non-economic costs of education. Economic costs are associated with tuition fees, expenditures, and opportunity costs of studying (in the form of foregone earnings that could have been earned if working), whereas non-economic costs can be represented by the amount of effort put into studies. Because educated individuals tend to have higher costs of education, it is intuitive that more-educated individuals tend to report lower levels of subjective well-being (SWB) during economic downturns. In economic downturns unemployment is higher, which brings more disutility to more-educated individuals because of their greater investment in human capital (see Clark & Oswald 1996; Striessing, 2015).

In this respect, youth unemployment can become a "constant scar, rather than a temporary blemish" (Ellwood, 1982). This permanent scar can be also reflected in lower income later on. Mroz & Savage (2006) investigated the effects of youth unemployment on labor market outcomes in the U.S. Using National Longitudinal Survey of Youth (NSLY) data from 1979, they showed that a 26-week unemployment spell experienced in the last year can lead to a wage penalty of around 4.7%[1]. According to dual labor market theorists, wage reduction can be seen as a cost of foregone human capital. Mroz & Savage (2006) provided an alternative explanation, which can be connected with the increase in costs tied to on-the-job training for those who recently experienced unemployment. They found that the effect is not permanent and it diminishes over a time span of around four years. In addition, Ellwood (1982) argued that the pattern from the early labor market persists in the future, which means that a young individual who experienced poor labor records will have consequently lower labor records later on. Gregg (2001) found that an individual who experienced three months of unemployment before the age of 23 will probably experience an additional two months of unemployment between the ages of 28 and 33.

When talking about the effect of unemployment on happiness, we should consider the problem from two different points of view: the individual (personal) level and the macro-level. The latter can be further divided. An increasing level of unemployment in the economy implies an increasing number of unhappy individuals. As a consequence, the increase of unemployment on a macro-level implies higher uncertainty and higher fear of losing a job for employed people. This fear of losing a job leads to a further decrease in the level of happiness (Ohtake, 2012).

Although many studies have concluded that unemployment makes people unhappy, this is not always the case. For example, a Finnish cross-sectional study comparing unemployment and SWB in 1990, 1996, and 2000 showed that although the unemployment rate in the 1990s considerably increased (from 3% to 17%), this increase was not followed by a decrease in the mean level of SWB. Some patterns can be recognized. Unemployment had a smaller effect on those who perceived themselves as happier before, whereas the decline of happiness in people who perceived themselves as moderately happy was more significant. These results might be specific to Finland because high unemployment persisted as a result of a great depression in early 1990s. In cases of high and persistent unemployment on a national level, unemployment (of longer duration) could become less stigmatized (Böckerman & Ilmakunnas, 2005). Clark (2006) found evidence that when there is a higher level of unemployment in some area, its impact on SWB is smaller.

H2: There is a negative correlation between NEET rate and happiness.

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[1] When transformed to numbers, this results in a wage reduction of more than $1,500 in 2002 U.S. dollars, assuming 2,000 hours worked at an average wage rate of $16.42 (2002 dollars) in 1993.

2.3 Effect of student-to-teacher ratio on happiness in higher education

There is a general assumption that class size has an important influence on students' performance. The majority of studies have focused on lower levels of education, such as kindergarten and the elementary level. One of the most famous studies was the Tennessee STAR (Student-Teacher Achievement Ratio) test that ran from 1986 to 1989 (Monks & Schmidt, 2010). This study observed pupils from kindergarten to third grade. The tests were conducted by first dividing the students into classes of 13–17 pupils and classes of 22–25 pupils. Then every year the students took tests, and the results from the smaller classes were compared with the results obtained in larger classes. The study encompassed around 6,500 pupils in about 300 classes at approximately 80 schools. The research tested the achievement of pupils in the fields of reading, mathematics, and basic study skills (Mosteller, 1995). The results showed that those pupils who were in smaller classes performed better on standardized tests in mathematics and reading than did those who were in larger classes. Krueger (1999) came to similar conclusions. His research was based on results achieved by pupils on the Stanford Achievement Test. Pupils were observed through four years of schooling, and it was shown that pupils who were in smaller clases outperformed their peers in larger classes in mathematics and reading by 0.2 and 0.3 standard deviations, respectively. The STAR test was also subjected to criticism. One of the main arguments was that some of the pupils were reassigned to other classes, either because of behavior problems or at the request of parents (Monks & Schmidt, 2010).

Achilles et al. (1995) performed research in North Carolina in 1991. They observed pupils through the first three years of schooling. Their research also showed that pupils in smaller classes outperformed their peers in larger classes by 0.45 and 0.56 standard deviations on reading and mathematics tests, respectively. More-recent studies also came to similar conclusions. Nandrup (2016) investigated the effect of class size on performance throughout attendance at compulsory school in Denmark. The main focus was on lower (grades 1–3) and upper (grades 4–6) primary levels and the lower secondary school level (grades 7–9), with a sample size of roughly 900,000[2] pupils in 2nd, 3rd, 6th, and 8th grades. The data encompassed all pupils in the Danish school system and their results on standardized tests in reading and math (physics/chemistry); the data were collected by The Danish Ministry of Children and Education. The impact of class size was estimated through enrollment rates. The research concluded that there was negative effect of class size, although a modest one. A statistically significant influence was recognized only at the primary level; at the secondary level, class size had no significant effects on performance. Based on these results, pupils in 2nd and 6th grades might particularly benefit from class-size reductions, whereas a class-size increase in 8th grade should not have a negative effect on pupils' performance.

From this research, one could conclude that this pattern holds also for higher levels of education. Because students are not incentivized to take standardized tests, measures taken in research are usually based on student grades and students' satisfaction with an instructor or course. One such example is the study by Bedard and Kuhn (2008), which examined student evaluations of economic courses at the University of California, Santa Barbara from fall 1997 to spring 2004. They found a highly significant negative correlation between class size and assessments of instructor effectiveness. Furthermore, Bandeira et al. (2009) studyied the relationship between class size and student performance. They found robust evidence that class size has a negative effect on students' performance (academic achievement). They also stressed that a wide range of class sizes exists for which a reduction in class size would have a very limited effect. However, they found that reducing the largest classes (more than 100 students) would significantly improve students' performance. This conclusion is quite important because better student performance can lead to higher overall life satisfaction, as

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[2] Out of 965,136 observations in either 2nd, 3rd, 6th, or 8th grade, 71,701 observations were excluded due to missing results from standardized tests

shown by Rode et al. (2005). They collected data from 673 students at Midwestern University and found that students who were more satisfied with their lives tended to perform better than their less-satisfied peers. Life satisfaction might be a better predictor of student performance than is university satisfaction, because there is an effect of lower leisure satisfaction due to studying, and time spent socializing is time not spent studying. When controlling for leisure satsifaction, academic performance (measured by GPA) was found to have a significant effect on overall life satisfaction.

On the other hand, it can be argued that some other factors have a more important effect on students' performance and satisfaction with a course (program) than does class size. Gilbert (1995) found that an instructor's speaking ability, energy level, organization, and concern for students are more important factors that contribute to the quality of education. From this it can be concluded that small classes do not necessarily lead to higher quality of education. What really matters is what happens in the class and what approach an instructor uses for imparting the subject to students. Based on the literature, we thus propose the following hypothesis:

H3: There is a negative correlation between student-to-teacher ratio and happiness.

3. METHODOLOGY

This paper investigates the correlation between average happiness of individuals and other variables of interest in the EU-28 countries. The correlations are first presented descriptively in scatter plots and then by calculating Pearson correlation coefficient. The happiness score was taken from the latest World Happiness Report (2018). This report based the overall ranking of several countries around the world on Gallup World Poll Surveys from 2015 to 2017. The happiness score was estimated using six different variables that help to achieve higher well-being of individuals: income, healthy life expectancy, social support, freedom, trust, and generosity. However, we claim that the educational level of individuals influences their happiness as well. Therefore, we first correlated happiness score

with the percentage of population aged 25–64 having a tertiary education. The data from 2017 were retrieved from Eurostat for all 28 EU countries. Furthermore, because it is not only the level of education that matters for people but also their activity using their knowledge, we additionally correlated happiness score with the percentage of young people aged 25–34 neither in employment nor in education and training (i.e., NEET rates). The NEET rates from 2016 were taken from Eurostat. Next, we assumed that the quality of the educational system influences individuals' desire to attain a higher educational level. Higher quality of the educational system increases individuals' capacity and their feelings of fulfillment. As a result, individual level of happiness increases. In order to study the correlation between happiness and quality of the educational system, we correlated the happiness score with the Eurostat data on student-to-teacher ratio and academic staff in tertiary educational level. To include as many countries as possible in the analysis, the data on student-to-teacher ratio were taken from 2015. We ended up with 25 EU countries, because there were no data for Ireland and Greece and we excluded Croatia, which had incomparably high values of the ratio.

4. RESULTS

4.1 Level of Happiness in EU countries

Based on the World Happiness Report, we ranked the EU-28 countries with respect to the score each country achieved. The scores that countries achieved in the report were then ranked into seven classes, each covering 0.50 points. This study included the United Kingdom because, formally, it is still part of the EU.

According to the results of the World Happiness Report, the "happiest" country is Finland, which achieved an average of 7.63 points. The second and the third happiest countries are Denmark and the Netherlands, with 7.56 and 7.44 points, respectively; Sweden was ranked fourth. Figure 1 shows that the Nordic countries are considered to be the happiest countries in the EU. The dominance of the Nordic countries remains even when all 156 countries selected in the Happiness Report are included.

Figure 1: Ranking of 28 EU countries by happiness score
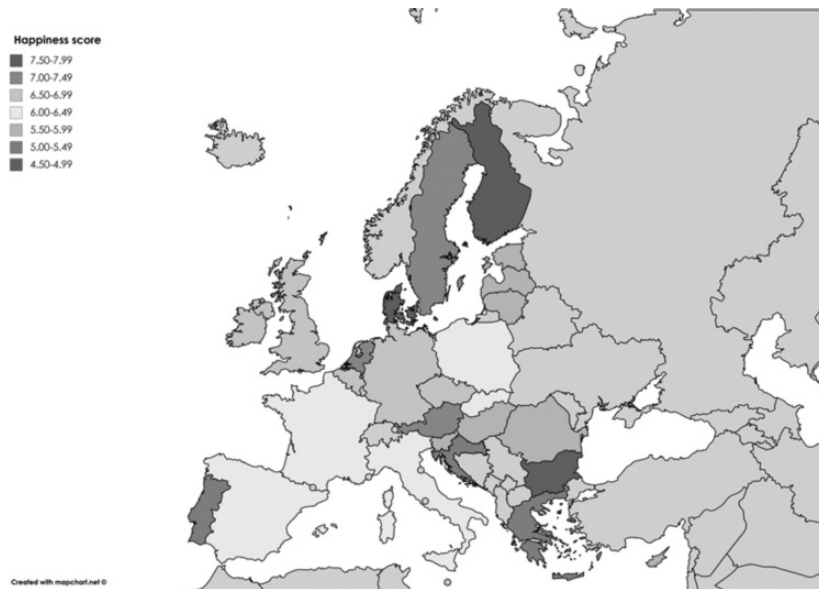
Source: World Happiness Report, 2018.

On the other hand, at the bottom of the ranking is Bulgaria, which is considered to be the least happy country in the EU, with 4.93 points. Bulgaria is also considered to be one of the least developed countries in the EU, with GDP per capita 51% below the EU-28 average level (Eurostat, 2017). The gap between Bulgaria and Croatia, the next least happy country, is rather large (0.39 points). Bulgaria and Croatia are then followed by Greece, with 5.36 points. The rating for Slovenia (5.95 points) is shared by two other countries (Lithuania and Romania), which puts Slovenia in 18th place on the Happiness Index among all the European Union countries. Figure 1 shows that the least happy countries are mainly in the east, whereas the happiest countries are concentrated in the northern part of the European Union.

4.2 Happiness and tertiary education

The percentage of tertiary-educated individuals aged 25–64 varies significantly among EU countries, from 17.5% in Romania to 44.0% in Ireland. In addition to Ireland, at the top of the ranking is another liberal country, the UK, but also the Nordic countries, such as Finland and Sweden. With 32.3% of individuals having tertiary education, Slovenia belongs to the lower half of the ranking list.

Figure 2 shows that the Nordic countries have high levels of both happiness and percentage of tertiary-educated population. In contrast, Baltic countries (such as Lithuania and Estonia) and Cyprus have high levels of tertiary-educated individuals but relatively low happiness scores. Regarding the percentage of tertiary-educated population, the position of Slovenia is similar to that of Austria and Germany; however, Slovenia has a much lower happiness score compared to the other two countries. The average educational level is the lowest in some Mediterranean countries (such as Italy and Portugal) and also in some post-Communist countries (such as Slovakia, Hungary, the Czech Republic, and Croatia); however, Portugal and Croatia have relatively low levels of happiness, whereas the Czech Republic has a relatively high level of happiness.

A positive correlation exists between happiness score and percentage of tertiary-educated individuals in the EU-28 countries. Based on Pearson correlation coefficient (r = 0.475), there is a statistically significant low positive correlation between happiness and level of education (p-value for a two-tailed test equals 0.011).

Figure 2: Happiness score and percentage of tertiary-educated population aged 25–64, EU-28 countries
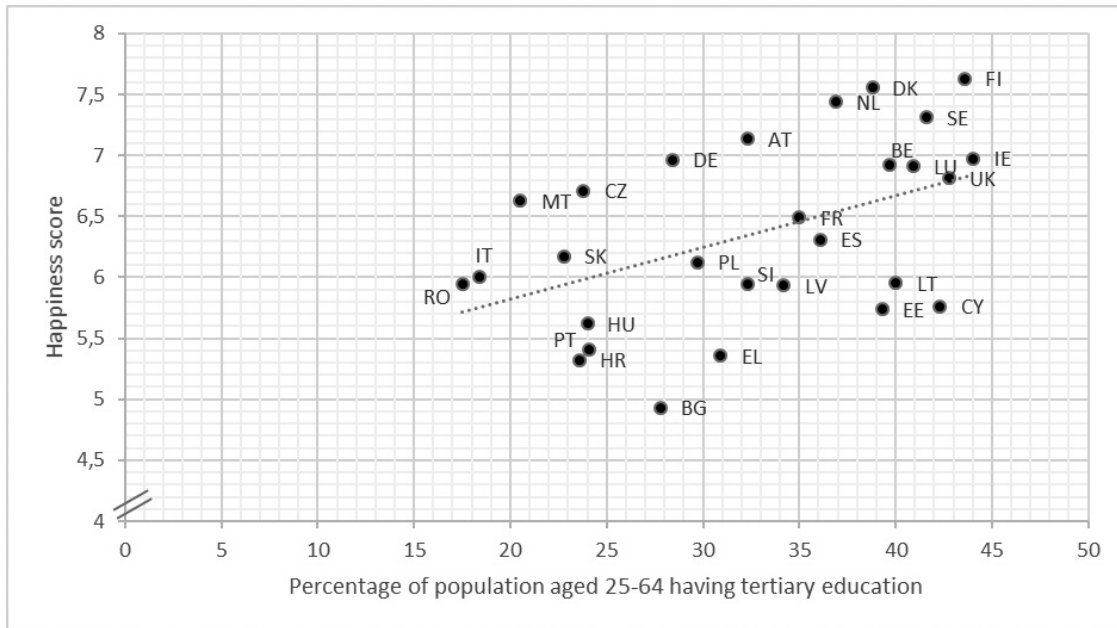
Sources: World Happiness Report, 2018; Eurostat, 2018a.

4.3 Happiness and young individuals' involvement in activities

This subsection measures the correlation between happiness score and young individuals' involvement in activities by percentage of individuals aged 25–34 that are neither employed nor enrolled in education. The NEET rates are the highest in Greece and Italy, representing 33.4% and 31.4% of the young, respectively. On the other hand, the NEET rates range from only 7.8% to 10.9% in Sweden, Luxembourg, and Denmark. Similarly, in Slovenia the NEET rate is relatively low, accounting for 14.1% of young individuals.

Figure 3 shows a negative relationship between happiness and NEET rates. This means that countries with lower shares of young individuals not involved in employment or education have higher general levels of happiness. The Nordic countries have the highest levels of happiness but the lowest NEET rates. Germany and Austria have

a similar situation. In contrast, Mediterranean countries and some post-Communist countries (such as Bulgaria and Croatia) have relatively high NEET rates and low happiness scores. One exception is Portugal, which has a relatively low NEET rate but a low happiness score. In this case, the Pearson correlation coefficient reveals a statistically significant moderate negative correlation between happiness score and NEET rates ($r = -0.671$, $p = 0.000$ for a two-tailed test).

4.3 Happiness and ratio of students to teachers and academic staff

The last correlation observed quantifies the relationship between quality of educational system and happiness. The quality of the educational system was measured by the number of students per teacher, and ranges from 8.2 students per teacher in Luxembourg to 23.3 students per teacher in the Czech Republic[3] (Figure 4). The student-to-teacher ratio is also low in some Nordic countries (e.g., Sweden and Denmark),

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[3] The number of students per teacher in Croatia, 74.5, was excluded from the analysis due to transparency reasons.

Figure 3: Happiness score and percentage of young people not in employment, education, or training (NEET rate), EU-28 countries
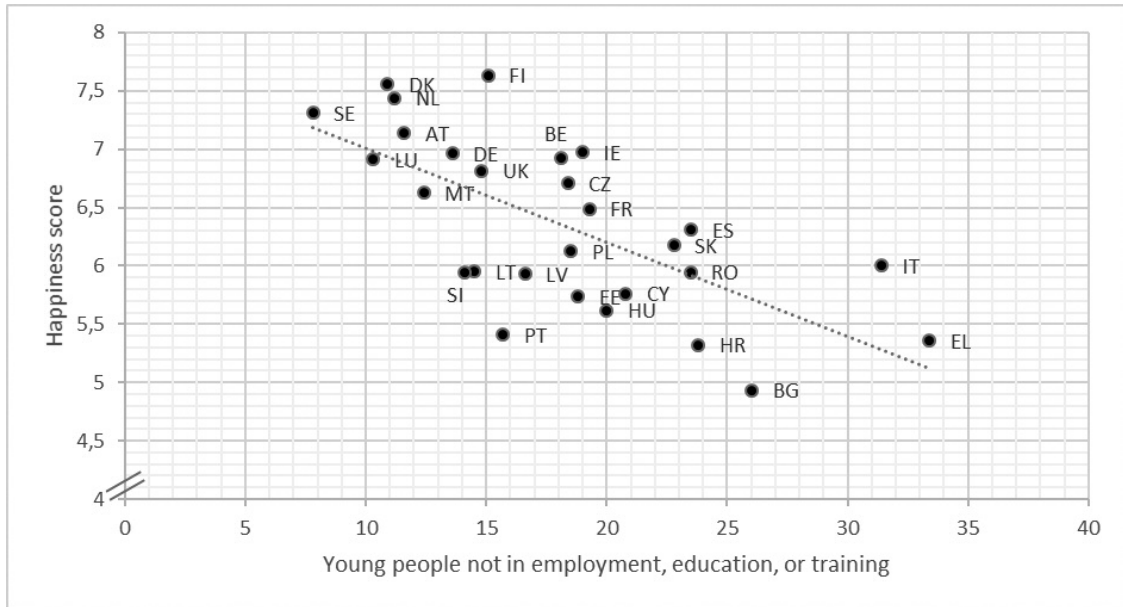
in Malta, and in Germany, but high in Belgium, Italy, and France. In Slovenia, the student-to-teacher ratio is relatively high, 17.2 students per teacher. The relationship between happiness score and student-to-teacher ratio is negative (Pearson correlation coefficient = 0.158), but negligible and statistically not significant.

Figure 4: Happiness score and ratio of students to teachers and academic staff, EU-28 countries
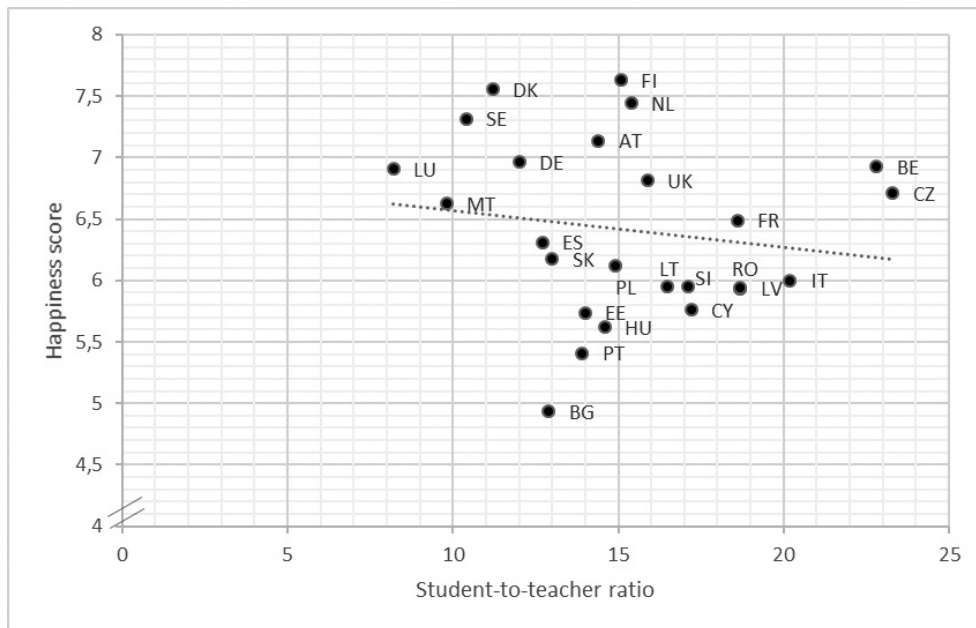
5. DISCUSSION AND CONCLUSION

This study focused on happiness and its relationship with three components. First we examined the relationship of the share of people with a tertiary education to happiness. Then we focused on the relationships of people considered as NEET and of student-to-teacher ratio to happiness. Our study showed a positive correlation between happiness and the percentage of individuals with a tertiary education. In this case, the correlation coefficient (r = 0.475) was statistically significant, which confirms the first hypothesis, that there is a positive relationship between happiness and tertiary education attainment. These findings are in line with research by Cunado and Perez de Gracia (2012), who found a positive relationship between education and happiness, although after controlling for income this effect was not significant. Therefore, it can be concluded that education has an indirect effect on happiness. In addition, Stevens & Weale (2004) argued that people with more education have a greater possibility to earn higher incomes, which consequentially translates into higher levels of happiness. A stronger effect of education on happiness was shown by Chen (2011), who studied the relationship in Asian countries. It was also found that the non-pecuniary benefits dominate the pecuniary benefits of higher education.

Next, we considered the correlation between people regarded as NEET and happiness. Our study showed a statistically significant negative relationship (r = −0,671) between both variables, which means that, on average, in countries with lower rates of NEET people tend to have higher levels of happiness. Therefore, the second hypothesis, which assumed a negative relationship between NEET rate and happiness, is confirmed. This is again in line with vast majority of the literature (e.g., Böockermann & Illmakunas, 2005; Ohtake, 2012). Unemployment can always be seen as a stressful situation that can have health consequences. As noted by Blivinova & Vial'shina (2017), young jobseekers especially tend to go through periods of anxiety due to concerns about their futures, which further leads to lower levels of happiness. The theory also suggests that among the unemployed, more-educated people tend to be less happy due to the economic and non-economic costs spent attaining their levels of education (Striessing, 2014).

Additionally, we focused on the importance of student-to-teacher ratio on happiness. Our study showed a negative relationship (r = −0.158) between these two variables. The result was statistically insignificant, which means that the third hypothesis, which assumed a negative relationship between student-to-teacher ratio and happiness, cannot be confirmed. Much has been written on that topic, showing a negative relationship between class size and performance. One of the most famous studies was conducted in Tenneessee (U.S.), which studied the impact of class size in elementary school on performance using STAR testing (Mosteller, 1995). It can be argued that smaller classes lead to better performance of students, because the instructor (professor) can devote more attention to students and thus motivate them to put more effort into studying. Thus when students felt that the professor was interested in their progress, this led to better perceptions of professors and also to higher levels of happiness among the students, which is a consequence of improving students' personal growth and self-development (Gilbert, 1995). However, Gilbert (1995) noted that one must be careful when analyzing the impact of class size on student performance, because other factors such as the energy level, speaking ability, and accessibility of an instructor can play an even larger role than class size.

5.1 Implications

We consider happiness to be an important field to study. Studying the link between happiness and education can significantly contribute to redesigning study programs and methods of teaching at lower levels of education. It is important to focus more on achieving happiness, especially among students, because this would result in better performance of students in the area of education as well as in better satisfaction with life. Because the results did not show a significant impact of class size on the happiness of students, we believe that it is perhaps better to take a different approach toward teaching, or as Gilbert (1995) nicely captured the idea, what matters is what is going on in the class.

In line with the results that we obtained, we thus encourage policymakers to further encourage educational attainment, especially at the tertiary level, because this can further lead to people being happier in general.

5.2 Limitations and future research

We are aware that there are some limitations to this study which should be considered in future research. The data used were not from exactly the same year. The World Happiness Report 2018 calculated the happiness score based on nationally representative rankings for 2015–2017, whereas data retrieved from Eurostat about the share of people with tertiary education, NEET, and student-to-teacher ratio were from 2017, 2016 and 2015, respectively. We do not consider this to be a serious drawback, because these variables do not change dramatically over time. Furthermore, we compared the happiness scores of EU member states for a single year. It would be interesting to take time-series data for a longer period and examine if there are patterns in the evolution of happiness.

Furthermore, because countries differ substantially in the level of happiness score, it would be interesting to further study the possible explanations for these differences. Another important aspect should also be studied in the future. It would be interesting to know which kind of happiness is more appreciated: hedonic (more emphasis on material goods) or eudaimonic (more focused on psychological factors such as self-actualization). Chen (2011) concluded that non-pecuniary factors affecting happiness might be more important for individuals in Asia. We believe that researching this topic in other countries as well has great future research potential.

EXTENDED SUMMARY / IZVLEČEK

Članek analizira razmerje med izobrazbo in stopnjo zadovoljstva. Po rezultatih sodeč sta tercialna izobrazba in posameznikovo zadovoljstvo pozitivno povezana. Študija je pokazala, da v večini primerov mladi, ki niso zaposleni, se ne izobražujejo ali niso na usposabljanju, kažejo nižjo raven zadovoljstva. To pomeni, da v povprečju države z nižjo stopnjo NEET (angl. not in education, employment or training) kazalnika, kažejo višjo stopnjo zaznanega zadovoljstva. Študija je pokazala negativno povezavo med kazalnikom razmerja med študenti in profesorji ter zadovoljstvom posameznika, vendar le-ta ni statistično značilna.

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