

# RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND BUSINESS SUCCESS: CASE OF THE GLOBAL TOBACCO INDUSTRY

Marcela Mišura\*

Ljerka Cerović\*\*

Vesna Buterin\*\*\*

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## Abstract

*This study evaluates the relationship between corporate social responsibility (CSR) and the financial performance of companies operating within the global tobacco industry. According to the Forbes Global 2000 list, the research covers almost the entire industry, more accurately nine companies whose value is about 99% of the total market capitalization of the industry. Analysis of this research problem covered a five-year period, from 2011 to 2015. To evaluate CSR of the companies involved in research, the CSRHub rating list was used. An aforementioned list gives ratings for the four criteria of CSR: community, employees, environment, and governance. To assess*

*the financial performance of the companies and to obtain representative results, two indicators were used: ROA, as a measure based on the accounting records of the company and Tobin's Q ratio, as a measure of the market success of the company. The research results indicate that there is no statistically significant correlation between the CSR and the financial performance at the tobacco industry level, but statistically significant correlation can be confirmed only selectively at the level of individual companies and individual indicators.*

**Keywords:** *corporate social responsibility, the tobacco industry, financial performance*

## 1. INTRODUCTION

It is expected that modern companies contribute to social well-being with their business activities. Particular emphasis is placed on multinational corporations which, as "global citizens", have a strong impact on society. It is clear that the growth model of

a company which in its strategy does not include the socially responsible activities is not sustainable long-term.

In current studies, the relationship between CSR and the company's financial success is strongly considered. The results of such studies vary from the positive

\* Marcela Mišura, PhD Candidate at Faculty of Economics, University of Rijeka, Croatia, Phone: +385 95 5708 497, e-mail: mmisura55@gmail.com

\*\* Ljerka Cerović, PhD, professor, Faculty of Economics, University of Rijeka, Croatia, Ivana Filipovića 4, Rijeka, Phone: +385 51 355 147, e-mail: ljerka.cerovic@efri.hr

\*\*\* Vesna Buterin, PhD, assistant professor, Faculty of Economics, University of Rijeka, Croatia, Ivana Filipovića 4, Rijeka, Phone: +385 51 355 122, e-mail: vesna.buterin@efri.hr































