The Relationship between Cross-sectoral Partnership and Business Performance: Case of Bosnia and Herzegovina

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Abstract
The relationship between the civil and business sectors has intensified in the last few years, including cross-sectoral partnerships as part of corporate social responsibility. The authors examine the impact of these partnerships on the performance of 100 of the largest businesses in Bosnia and Herzegovina. Large companies were chosen because they are most likely to be involved with corporate social responsibility activities and cooperation with civil society organizations. Methodologically, the authors analyzed the effect of these partnerships on business performance using four Balanced Scorecard components - three non-financial and one financial performance. The research results show specific influences on non-financial business performance but not financial performance.

Keywords: corporate social responsibility, stakeholder management, cross-sectoral partnership, non-governmental organizations

1. Introduction
The end of the 20th century brought increasing interactions between civil society organizations (CSOs) and private businesses on child labor, human rights, sustainable development, oil pollution, the protection of tropical forests, and other wicked problems of this century, ranging from poverty to environmental degradation (Murthy et al., 2021; Arenas et al., 2009). During this period, there was a development of the business's proactive actions regarding corporate social responsibility (CSR). Managers developed decision-making processes focused on environmental reactions and respect for social values (Mosley et al., 1996). According to Freeman's (2010) theory of interest groups, CSOs become critical stakeholders in certain CSR activities. This convergence created an imperative for managers in both sectors (business and civil) to understand the opportunities and threats of joint action (Green & Dalton, 2016) and expanded expectations about the social role of business and more active and innovative policy towards CSR (Joniškienė et al., 2020; Stekelorum et al., 2020; Ruggie, 2004). These practices are still being adopted in Bosnia and Herzegovina, where CSR is at its early development stages. This implies an exceptional need to affirm the CSR concept (Delić, 2013), which should be the focus of academia, businesses, government/regulators, and the public. Over the last few years, some studies have shown that companies in Bosnia and Herzegovina understand CSR as philanthropy, donations, well-defined employment strategy, and doing business within the legal norms (Čatić-Kajtazović, 2011). Businesses did not perceive cooperation with civil or public organizations via cross-sectoral partnerships (CSPs) as part of CSR. The authors seek to analyze the relationship between CSPs (CSOs and companies) and business performance using the Balanced Scorecard (BSC) model, presuming a positive relationship between CSPs and business performance - financial performance, market performance, improvement of learning and growth and improvement of internal business processes. The following chapters will present the theoretical framework, methodology, and research results. In the end, the authors discuss the results and present conclusions.

2. Literature Review
The current social, environmental, and economic challenges for businesses are increasingly complex and, therefore, require holistic solutions and greater involvement of all social actors (Valbuena-Hernandez & Ortiz-de-Mandojana, 2022). There are different ways that CSOs impact CSR activities. These can be divided into
collaborative and confrontational (Bakker, 2012). In collaboration, CSOs appear as partners of socially responsible businesses, while in confrontation, they resist businesses' socially responsible efforts, such as sporadic resistance to social entrepreneurship (Letica, 2020) or in other cases when there are frictions between the commercial interests of companies and a societal issue (Brand et al., 2019). Businesses and CSOs can also create innovative business models to reach their end users, and CSOs are increasingly interested in revenue strategies to achieve their economic sustainability (Greeen & Dalton, 2016). Partnerships between businesses and CSOs represent one of the most exciting and dynamic areas of research and practice in business and social relations, especially in management (van Tulder et al., 2015). CSPs between the public, business, and civil sectors flourish worldwide (Reid et al., 2014; van Tulder et al., 2015; Snibbe, 2006; Googins & Rochlin, 2002) and are praised as capitalism's key governance instrument to address development challenges (Vestergaard et al., 2019). The phenomenon of these partnerships was established as a strategy that enables public, civil, and business organizations to create more value and provide needed capacities by using the resources and competencies of individual organizations of the given partnership (Babiak & Thibault, 2009; Ordonez-Ponce & Clarke, 2020). CSPs can act as herding spaces – arenas where actors from different organizations get together to address a common purpose and connect with the institutional context (Dzhengiz & Patala, 2023), but also as a new transnational governance mechanism for reaching international development goals (Vestergaard et al., 2021). CSPs are expected to create sustained impact, yet they often remain temporary or episodic (Murthy et al., 2021). The business's performance is most often defined from the point of view of the degree of achievement of the business's goals. By defining goals, as part of the business's management process, the desired state of the business is practically determined, which is more difficult to achieve in a certain period (shorter or longer). The set of goals expresses specific aspirations and expectations of the business in the future based on the analysis of the development of its opportunities and environmental conditions (Pešalj, 2016). One of the modern approaches to measuring business performance is the BSC, developed in the early nineties of the last century by Kaplan and Norton (1992). Later, different authors supplemented the content of the basic model. Regarding the measured indicators of the BSC, it is essential to state that one dimension of the indicators is financial, while the other three are non-financial. The dimensions are (Lukić, 2020) Learning and growth, Business processes, Customers, and Finance. These dimensions of the BSC will be used to analyze the impact of CSPs on business performance. Research shows that CSPs improve business performance differently (Steijn et al., 2011; Muñoz-Erickson et al., 2010; DiVito et al., 2020). According to Porter and Kramer (2002), such activities are viewed as a function of achieving the business's competitive advantage (Clarke & MacDonald, 2016). Namely, businesses enter these partnerships and act socially responsibly to achieve a competitive advantage, i.e., improve their business performance. In modern business, one of the ways to achieve a business's strategic competitive advantage is through socially responsible business (Porter & Kramer, 2002), which, according to Freeman and Dmytriiev (2017), means that business considers the interests of the most crucial interest groups. Regarding CSR, one of the most important secondary interest groups is represented by CSOs (Arenas et al., 2009). There are numerous studies regarding the impact of CSR and stakeholder approach on business performance (Waddock & Graves, 1997; Saeidi et al., 2015). Porter and Kramer (2002) conclude that through corporate philanthropy, in some cases, competitive advantages are best achieved using existing public infrastructure and the power/influence of civil society organizations. Businesses that initiate these activities in a particular area are likely to receive positively disproportionate benefits due to the superior reputation and relationships they build (Porter & Kramer, 2002). Reviewing 127 studies, Margolis and Walsh (2003) concluded that there is a positive relationship between financial performance and CSR. Similarly, Van Beurden and Gössling (2008) state that CSR positively impacts financial performance. Some authors also mention indecision about the relationship, positive or negative (Kong et al., 2020; Yinyoung & Singal, 2020; Becchetti et al., 2005). Sometimes, the need for a clear relationship is explained by the business's absence of significant socially responsible activities (Woo Sung & Sekyung, 2019). When it comes to CSOs, they become an indispensable partner in CSR activities, as recognized by numerous authors (Spitzeck & Hansen, 2011; Dahan et al., 2010). At the same time, they positively impact business performance (Hansen & Spitzeck, 2011). Also, through the CSPs, a positive and social impact is achieved, as well as an impact on business performance. Some research also shows a positive impact on financial performance (Hansen & Spitzeck, 2011). CSOs in Bosnia and Herzegovina were mainly developed after 1995 as a part of global relief efforts (Martin & Miller, 2003) and are relatively well developed within civil society, which was particularly well manifested during the large protests of 2014 (Garić-Humphrey, 2020). Many CSOs are still dependent on government funds, which makes them political, and this can be a challenge for businesses when choosing partners, as documented in other countries such as China (Chen et al., 2022). Private business and CSR are marked by the consequences of privatization, which brought a series of social conflicts that are still current today (Pepić, 2023). The main business problems stem from the transition: difficulties in the collection of
receivables from debtors, complicated legal procedures that regulate the work and business operations of enterprises, high rates of taxes and contributions on wages, and expensive and complicated procedures for obtaining loans from commercial banks (Petković et al., 2016). All these results in lots of informal economy and its deviants as envelope wages that are a widespread phenomenon (Kurta et al., 2022). CSR is mostly focused on philanthropy, as in other developing countries (Ćatić-Kajtazović & Šumar, 2020). Managers in Bosnia and Herzegovina see ethics and social responsibility as important in achieving business success, but if they must sacrifice something for ethics and social responsibility, then these categories become subordinates (Ćatić-Kajtazović et al., 2022). Businesses do not have a strategic approach to CSR, indicating an insufficient understanding of the modern approach to CSR from the side of the management (Čutura & Jerković, 2021). The main goal for CSR of domestic businesses is to achieve a company reputation (Husaković et al., 2024).

3. Methodology

Within the scope of the research, three characteristics of CSPs were identified: corporate philanthropy, stakeholder approach, and partnership as part of the business's strategy. Within those, 11 indicators were identified. The dependent variable, regarding performance, referred to four types of BSC performance, i.e., 16 related indicators. The sample included the largest businesses in Bosnia and Herzegovina, according to the realized revenues from the last known data. The reason for choosing this sample is empirical research showing that large businesses mostly carry out CSR activities. Thus, the EU Commission only requires special reporting on social issues from large businesses (Knudsen, 2018). In addition, certain critics of interest group theory emphasize that it does not apply to small and medium businesses (Perrini et al., 2007), which implies that CSOs are mostly stakeholders (Cullen, 2004) of large businesses. Authors focused on the meso effects of these partnerships (Kolk et al., 2011), i.e., the effects on the individual partner (businesses, i.e., business performance). The Dun & Bradstreet database, which was previously subscribed to, was used to collect sample information. This database offers current and reliable data about registered businesses in Bosnia and Herzegovina. This database identified 122 businesses with the highest registered revenues in Bosnia and Herzegovina. The sample included 100 out of 122 large businesses in Bosnia and Herzegovina. The authors used the CAWI and MAWI methods for data gathering. Respondents' attitudes were measured using a five-point Likert scale (from 1 "completely disagree" to 5 "completely agree"). The survey questionnaire was sent several times to business representatives (management, marketing, PR, and CSR departments) of all 122 businesses from the target population. Answers were received from 100 of them. This represents a return rate of 81.96%. This rate indicates that the sample can be considered representative. As part of the research, a central research hypothesis was set regarding a relationship between partnership and business performance, as well as four working hypotheses: The CSP leads to the improvement of financial performance. The CSP leads to the improvement of market performance. The CSP leads to the improvement of learning and growth. The CSP leads to the improvement of internal business processes.

4. Results and Analysis

The most significant number of businesses within their mission recognize the importance of strategic partnerships with CSOs. In contrast, only 49% of businesses state that they have formal arrangements with CSOs, 47% of them do regular consultations with CSOs regarding CSR activities. Only 33% of respondents state that someone within the organization oversees working with CSOs. This is a minor percentage, considering that these are large businesses. 50% of respondents agree that CSPs contribute to the organizational development of individual partners. This expresses the essence and importance of these partnerships because they should encourage the transformation of both partners, who should learn from each other. Consequently, by strengthening individual organizations and their identities, the partnership also enhances their image (brand) in the public. This is confirmed by 56% of respondents who agree that CSPs function to strengthen the business brand. A significant number of respondents, 46%, gave a neutral answer regarding perceiving CSPs as a way of value creation. This shows how this partnership contributes to the value itself - inside and outside the organization - and is still being determined. Only 33% of respondents agree, while 21% disagree that CSP brings new value. Regarding inferential statistical analysis, all Cronbach Alpha reliability coefficients for the independent variable within the research are above 0.7, which implies acceptable reliability. The intercorrelation matrix shows that there is a positive relationship between the independent variables within the research. Correlation analysis was used to test the hypothesis that there is a connection between the CSP and business performance. The study results did not show a strong relationship between CSP and the businesses's financial performance. However, the other three working hypotheses (regarding non-financial performance) were confirmed. The strongest correlations were identified with customer retention rate (r=0.405** p=0.000) and share of employees with a university degree (r=0.402** p=0.000). These are moderate positive correlations, both statistically significant at the 0.01 level.
Also, there was a negative correlation regarding error rate (in production) \( (r=-0.323^{**} \ p=0.001) \). This weak negative correlation is statistically significant at the 0.01 level. Also, using a t-test, the differences in market share were evident.

5. Discussion and Conclusion

CSPs represent one way of conducting CSR activities to affect business performance positively. Understanding that measuring these effects is complex, the authors used BSC, which integrates non-financial with financial performance. Based on the results of empirical research, CSPs do not contribute to the financial performance of businesses in Bosnia and Herzegovina. However, there is a positive correlation with non-financial performance. Especially on the customer retention rate, the proportion of employees with a university degree, and the rate of defective products (negative relationship). Also, there are differences in market share depending on different relationships with CSOs. According to the BSC, this can include market performance, learning and growth, and internal business processes. This could be explained by the fact that there is no strategic connection between the partners, but also that financial performance through CSR is achieved only in the long term, not in the short term. Business representatives need to perceive the benefits of CSPs. Based on this, the organizational prerequisites for developing strategic partnerships between businesses and CSOs have yet to be developed. There is developed awareness among businesses, but concrete action is needed. Businesses understand that there is a need for CSPs, especially in the context of the negative impact of their business activities. However, additional research is needed to develop a model that satisfies all partners and ensures long-term cooperation and action. This model should include businesses of other sizes, not just large ones. Also, comparative research should be done in different countries because the results presented may be highly influenced by the socioeconomic characteristics and specific context of Bosnia and Herzegovina. This can be a limitation of this research because it restricts the findings’ applicability to other locations and business sizes.

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Authors contributions

Both authors were responsible for the study design and revising. Čavalić was responsible for data collection, and Husaković revised the manuscript according to the publication's needs. All authors read and approved the final manuscript, and both authors contributed equally to the study.

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