

Social Responsibility as a Driver of Breweries' Corporate Reputation

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Abstract: One of the most efficient instruments in the hands of management is a corporate social responsibility program carried out by companies. By exercising different social responsibility activities, the company is demonstrating to society that it is not just 'a money making machine' and that the company is fully aware of its responsibility for production, and its consequences on society on the whole as well as the environment. Therefore, it is crucial to find out the following: what is the evaluation of a beer brewer's corporate reputation, the effect of financial results on the corporate reputation and why corporate reputation management should receive as much attention as other business risks. The goal of the research is to determine the corporate social responsibility experience of the biggest Latvian beer producing companies and the methods they use. The research uses quality research methods, case studies, it analyzes economic activity of companies and measures third parties' corporate reputation and sustainability evaluations. The principal contribution of this paper is that it provides important insights into the development of efficient strategies to enhance corporate reputation through CSR.

Keywords: Corporate Social Responsibility, Corporate Reputation, Breweries

1. Introduction

The alcohol, tobacco, firearms and gambling industries have occasionally been labeled by activist groups as "sin industries" [1], presumably due to the potentially negative effects on society when their products and services are used in abusive ways. In today's environment, risk management for companies includes more than the traditional financial and material risks such as credit risk, liquidity risk, currency risk, operational risk, etc. More frequently and more extensively companies have begun focusing on maintaining and promoting such significant intangible assets as good corporate reputation.

In recent years, practitioners and academics have become increasingly interested in reputation and how it relates to other concepts such as responsibility [2, 3, 4]. In part, this is because elements of responsibility have been viewed as key drivers of reputation [5]. Antecedents of a good reputation have been suggested to include embracing CSR standards [6], philanthropic giving [7] and the development of trusting relationships with stakeholders [8, 9, 10].

Companies producing high social risk products such as

alcohol, beer and tobacco products face the highest risks of endangered reputation. These kinds of products attract a number of adversaries in the public whose negative attitude constantly creates endangering pressure on reputation. Therefore, companies producing risk products should particularly focus on their good name and strategically implement compensation strategies for the purpose of maintaining high reputation. A good reputation can be compared to insurance. As it grows, it creates a resource of good name reputation for protection in crisis situations.

International Center for Alcohol Policies (a not-for-profit organization, supported by major producers of beverage alcohol) specify that alcohol beverages provide considerable personal pleasure and social benefits, but they can also cause serious personal and social harm if consumed irresponsibly [11]. All individuals and organizations have social responsibilities. Individuals are responsible to themselves and others for their behavior, but they benefit from information and guidance to help them define the appropriate extent of that responsibility. The beverage alcohol industry can pursue both legitimate profits and promote the public good through the exercise of corporate social responsibility—encouraging consumers to drink sensibly is

both ethical and in the long-term economic interest of the companies. Industry efforts directed at promoting more responsible drinking patterns go a long way to demonstrating to other stakeholders, most notably those concerned about public health, that businesses comprising the beverage alcohol industry are serious about contributing to the effort to reduce alcohol misuse and harm.

2. Theoretical Background

The sin industries are treated differently from a public policy standpoint based on the fact that their products and services are routinely used in ways presumably unintended by the manufacturers and suppliers [1]. From a strategic management perspective, the built in bias against the sin industries creates a threatening environment in which to operate. When individuals abuse the products and services marketed by the sin industries, the effects are sometimes felt beyond the individual. Society is threatened by a wide range of potential negative externalities created by the misuse, such as increased costs for health care, or a breakdown of the core family unit, which can ultimately lead to multiple issues for the person or groups affected by the breakdown, as well as expanded costs to society.

While it is widely understood that the misuse or abuse of the products and services produced by the sin industries' is a societal problem with serious cascading implications, what is less clear is whether the industries themselves bear the responsibility for that misuse. For example, historically the major companies within the alcohol industry have mass marketed their products to all consumers. Every advertising medium was regularly filled with messages from the various companies in the industry. It was not until recent years that policymakers, in conjunction with industry trade organizations and activist groups, developed a policy alternative that began limiting the types of mediums and advertising messages that the producers could use to promote the consumption of their products. The voluntary guidelines adopted by the industry have generally been viewed as an example of effective implementation of the traditional public policy process.

Generally speaking, any action plans developed by an organization should be designed to insure profitability and maintain compliance with the letter of the law. An important goal of the strategic planning process is to be proactive. In an ideal world, being proactive about ethical issues in the business environment requires a heightened sense of the social responsibilities of the organization. That can be problematic in the sin industries where they are frequently placed in a position to have to defend themselves due to their highly charged ethical environment. An example would be the tobacco industry's challenge in dealing with the numerous lawsuits alleging they are responsible for the health care costs associated with the use of their products. The level of ethical controversy over the industry's knowledge of the addictive nature of nicotine, and their subsequent manipulation of the levels in tobacco products to

encourage overuse has made it difficult to appear proactive when considering their social responsibilities.

While our cultural value paradigms strongly support the concept of the free market and individual liberties, we also live by values consistent with other ethical theories that manifest themselves in our human interaction such as honesty, fairness, charity and respect for the rights of others. The more recent expansion of the view of social responsibilities of business includes others as the foundation for stakeholder theory. The stakeholder model espouses the belief that every group with a stake in an organization or industry has claimed that rival the stockholders of a company. Employees, suppliers, business partners, consumers, the local community and society in general have a vested interest in the business enterprise and their activities. Any assessment of the external environment of an organization would include consideration of how their activities affect stakeholders both inside and outside that organization and the industry.

Understanding the role of the numerous stakeholders in an industry is an important consideration when conceptualizing the unique policy environment in the sin industries. Because of the highly regulated and ethically charged policy environment in the sin industries, there exists an abundance of stakeholders with vested interests in shaping the outcome of ethical debates. Stakeholders such as regulatory agencies and activist groups can have the effect of raising the profile of a conflict and making the social responsibilities of the respective sin industry a foremost consideration in the discourse that ensues. When public policy issues arise in the sin industries, the conflict between the core ethical values espoused by the numerous stakeholders in the debate frequently plays out in the form of strategically crafted arguments that are based on those values. In the struggle for meaning capture, our democratic form of government places a premium on each side persuading the other to agree with their point of view.

When a particular policy debate in the sin industries unfolds, there is a high likelihood that the strategically crafted arguments used by the stakeholders will have ethical underpinnings. That same policy debate may also include economic arguments because of the value society places on our free market system, which would be used by certain stakeholders in an attempt to win the struggle for meaning capture. In the struggle for meaning capture in a debate, individual stakeholders within a sin industry will develop their strategically crafted arguments based on their own priorities in terms of ethical and economic considerations. Once the strategically crafted arguments are clearly defined, a communications strategy for deploying them will depend on the level of awareness required to win the debate. The specific tactics for deploying the strategically crafted arguments range from a high profile campaign to persuade public opinion, to a lower profile, legislative lobbying effort to persuade policymakers. Corporate reputation is a strategic success factor and thus deserves attention in a complex business environment [12]. Good reputation enhances the

long term competitiveness of the company. Reputation is crucial because it has a high value and at the same time it is extremely vulnerable. Financial and economic crisis throughout the world and in Latvia has been a big challenge to a number of businesses, including beverage producers. Some companies survived the crisis better than others and suffered less loss. This was largely due to good corporate reputation management. This management focus is gaining increasing significance as the risk to corporate reputation is viewed as one of the most important corporate risks.

Determining a precise connection between reputation and financial results is linked with problems of a methodological character. Although a number of different researches, methodologies and criteria were used, a precise and unequivocal formula of the changing relationships was not found. However, conformity among company's corporate reputation, its position in the market and its financial outcome is clear:

Reputation influences the operational activity of the company, which has a direct effect on its financial results. Good reputation facilitates efficiency in the company by stimulating workers' productivity. It attracts the best and most eager employees, who are motivated to perform well, resolve problems, look for innovative solutions and provide quality service to clients. Pride in development of the work place together with the level of efficiency and innovation facilitates corporate development. The more positive attitude of the other target audiences – cooperation partners, media, opinion leaders, regulatory institutions – makes it possible to ensure lower initial costs and higher profit. Reputation is a company resource difficult to obtain and imitate. In the long term, companies with better reputation are capable of ensuring better financial results and improving them.

Reputation influences the dominant market opinion of the future of the company in the market, which consequently increases demand for the company's stock on the stock exchange, as well as for its goods and services. Better financial results that arise from good reputation ensure a positive attitude of the target audiences and media. Reputation ratings are influenced by the size of the company, advertising, financial results, market value and publicity. This forms a closed circle that can be called the reputation value cycle – a positive attitude of target audiences enhances market value and allows the company to direct increasingly greater funds to advertising, sponsoring, and social responsibility activities, which consequently has a positive effect on publicity, attracts new clients and investors, and increases market value.

Company operations enable the creation of the 'reputation capital' which is the value of company's products and services brand and corporate brand and reflects the positive attitude of all the company's target audiences. Favorable attitude attracts people who are willing to work and invest in the company, thus facilitating an increase in profit. Reputation creating activities form an identity for recognizability of the company and its good name. Advertising and public relations activities support sales and

facilitate clients' loyalty. Therefore, the value of reputation as an intangible asset should not be overlooked. Reputation creating activities should be understood as a valuable investment.

Some theorists suggest that rather than being an antecedent of reputation, issues relating to the responsibilities of a business are key attributes in terms of which an organization's reputation is judged [5, 13]. Schnietz and Epstein [13], for example, identify social responsibility as a key dimension of reputation; Tucker and Melewar [14] see social responsibility as a critical element of reputation relevant to crisis management and Lindgreen and Swaen [15] argue that issues relating to responsibility are embedded within the functional relationships that underpin business activities. They suggest, therefore, that there will be a significant overlap between the reputation for these activities and the reputation for issues relating to responsibility. Professor Neda Vitezić of the University of Rijeka, Croatia states that there is a positive correlation between socially responsible business activities and reputation [12].

Corporate social responsibility is a significant business management tool because:

- The Company's reputation in the area of social and environmental protection influences buyers and clients.
- The Employment market is competitive and skilled newly hired staff is willing to continue employment in companies that care for their employees.
- Social performance has a greater or lesser effect on investors' decisions because the ethical standards of investment markets have been steadily increasing.
- Corporate social responsibility allows strategic management of internal and external risks in social and environmental areas.
- Existing socially responsible activities are easier to determine and they are better coordinated.
- Social and environmental responsibility may reduce the company's operating costs.

It is important to make the company's good works known to and the subject of conversation for the staff, clients, consumers, suppliers, partners, neighbors, investors, press, media, unions, state institutions, public organizations and institutions. This kind of information forms positive opinions and improves the company's reputation. In order to follow the above scenario, CSR has to be a planned and purposefully directed set of activities aimed to provide greater benefit both to companies and society as a whole.

As implementation of CSR can improve company's competitiveness, it certainly lies within the company's business interests. CSR 'makes' the company review its operational and business processes and can generate new ideas for increasing competitiveness, more efficient use of resources and even cutting costs (for example, using recycling or reducing power consumption). Realization of CSR creates a more motivated work environment, reduces absence from work and number of sick days. Support to the community and the environment on the whole creates a favorable working environment for the company. CSR

increases recognizability of the company and encourages setting long term goals. Ans Kolk [16] indicates that business associations seem to be most involved in the discussions at the international level, as reflected in the 'post-2015 business engagement architecture', leading to an issue area priorities framework published by the Global Compact, the World Business Council for Sustainable Development (WBCSD) and the Global Reporting Initiative (GRI).

Consequently, currently CSR is in a business processes integrated company responsibility that consists of three levels:

- Corporate charity – average 1% of the profit before tax, where now shareholders are more appreciative of this kind of investment in favor of society and the company, and employees are also seeking more active involvement in the performance of the good works,
- Risk management that ensures visible long term operation of the company,
- Capitalizing on the opportunities to create value.

At the end of 2007 the extensive research Global Business Barometer by *The Economist* [17] on the entrepreneurship environment included CSR development issues and stated that rapid CSR development was largely influenced by the willingness of entrepreneurs to protect their brand and increase their reputation as well as their responsibility for the environment where the company operates, as well as pressure from non-governmental and public organizations who have been carefully following the operations of international companies in different processes within the responsibility of these organizations. Different measurements are taken regarding risk management, reputation and brand management which creates additional responsibilities for explaining corporate activities both through the financial prism and the CSR prism. Development of social media to envisages more accurate decision making, because every society-unfriendly decision immediately gets the attention of social media and this creates negative perceptions about the operation of the company.

Strategic CSR management during an economic downturn requires a well thought out approach and observance of the following criteria:

- CSR has to be relevant to business goals,
- CSR activities that fail to produce short term results have to be viewed as an investment in long-term stability and predictability in the current operating environment, which is important to the company. CSR is a discipline that strengthens and increases the primary assets of the company – goods or services, staff and brand in the long term.
- CSR should be utilized beyond management and individual company staff members. It is crucial to create a connection between major business structural units, because CSR is a widely integrated function by nature. Also those staff members whose daily responsibilities are in production of product or providing of services should be included in making different CSR decisions.

- Employees should take pride in the company's performance. This would help the staff use pride as an advantage in the fight for the client in the future.

3. International View

The international beverage alcohol industry acknowledges that, although their products can offer considerable personal pleasure and social benefit, they can also cause serious personal and social harm if consumed irresponsibly [18]. They also acknowledge that preventing misuse of their products is in their long-term strategic interest and is therefore consistent with their economic objectives, while turning a blind eye on misuse is ultimately bad for business. Often alcohol producers recognize that long-term growth is best built on an ethical and responsible foundation [19, 20]. They recognize that long-term growth is best built on an ethical and responsible foundation. Their social concern is also founded on the realization that the misuse of alcohol can affect their business adversely. Appropriately, the industry has initiated many programs to target alcohol misuse and related harm, to encourage responsible drinking, and to educate consumers. Many of these initiatives have been developed by the industry in partnership with others.

International Alliance for Responsible Drinking (a not-for-profit organization dedicated to addressing the global public health issue of harmful drinking) believes that promoting broad industry participation in CSR will advance responsible patterns of drinking, further understanding about the role of alcohol in society, and enhance long-term economic value through collective action [21].

Anheuser-Busch InBev is a publicly traded company (Euronext: ABI) based in Leuven, Belgium, with American Depositary Receipts on the New York Stock Exchange (NYSE: BUD). It is the leading global brewer and one of the world's top five consumer products companies. Anheuser-Busch InBev's portfolio of well over 200 beer brands includes global brands Budweiser, Corona and Stella Artois; international brands Beck's, Leffe, and Hoegaarden; and many local brands like Bud Light, Skol, Brahma etc. Anheuser-Busch InBev's dedication to heritage and quality originates from the Den Hoorn brewery in Leuven, Belgium dating back to 1366 and the pioneering spirit of the Anheuser & Co brewery, with origins in St. Louis, the USA since 1852. Geographically diversified with a balanced exposure to developed and developing markets, Anheuser-Busch InBev leverages the collective strengths of its approximately 155 000 employees based in 25 countries worldwide. The company strives to be the Best Beer Company Bringing People Together For a Better World.

Through commitment to be the Best Beer Company in a Better World, Anheuser-Busch InBev is the beer industry leader in social responsibility initiatives, ranking as the No. 1 brewer in social responsibility in Fortune Magazine's "World's Most Admired" beverage companies' list [22]. Better World efforts focus on three pillars: promoting responsible drinking; protecting the environment; and giving

back to the communities in which we live and work. Around the world, Anheuser-Busch InBev develops and implements social responsibility programs and campaigns in partnership with parents, government officials, community organizations, retailers and others. From promoting responsible drinking messages on some of the world's most watched television programming, to turning coconut husks into renewable energy to fuel breweries, to volunteering in the community, Anheuser-Busch InBev and its employees are committed to making a difference.

In the Anheuser-Busch InBev's 2015 Global Citizenship Report [23], focused on the theme of "Growing Together For a Better World," company describes the main lines of action:

- Getting Smart About Drinking - company's aim to empower consumers to make smart drinking choices and reduce the harmful use of alcohol by end 2025.
- Reducing Carbon Emissions.
- Growing a Sustainable Future - SmartBarley program to include not only benchmarking, but also a portfolio of grower-centric programs focused on research, technology, innovation and general education on best practices.
- Cultivating Water Stewardship - focus on minimizing water use throughout company's value chain from helping needs and leading multistakeholder partnerships that help protect watersheds and ecosystems in waterstressed regions.
- Commitment to Road Safety - joining with other industry leaders as part of Together for Safer Roads, to advance global road safety.
- Volunteering to Build a Better World - partners completed 926 projects to clean up watersheds and beaches on World Environment Day 2015 and more than 22,000 colleagues, family members and friends participated in first global Walk for Water to drive awareness of water issues, and to support the work of important local non-profit partners.

Many European countries have successfully implemented self-regulatory practices for specific industries. A good example here is the experience of the United Kingdom where the system of self-regulation in the advertising industry has been successfully operating for over 40 years. Polish beer brewers as well have developed their own code of advertising [24].

Beer breweries in Latvia have taken a step even further – apart from regulations for advertising requirements, the Code of the Latvian Association of Beer Producers includes requirements for production, packaging and quality, sponsorship, patronage and treatment of consumers. The basic principles of the Code are respect for the consumer and fair competition. The keynote of the Code is – support of responsible, moderate and traditional beer consumption [25].

Representatives of the Association conclude: "Responsible beer consumption is based on the informed consumer and the producer following professional standards. A self-regulatory Code for the industry in this respect is an efficient tool ensuring that all beer producers operate in conformity with

the concept of responsible beer consumption. We believe that the practice of self-regulation that has been successfully operating in the world for over 40 years, is the most efficient way to resolve not only irresponsible and excessive alcohol consumption and related problems, but it is also a means to improve communication with all involved parties, including governments, regulatory state institutions, advertising creators, media, etc."

4. Latvian Largest Brewery Companies' Cases

Join Stock Company *Aldaris* is a brewery rich in tradition, with a long history since 1865. Currently the company is part of the *Carlsberg Group*, which is one of the largest beer producers in the world with 75 breweries in 25 countries. *Aldaris* is the biggest brewery in Latvia and one of the largest in the Baltics.

Join Stock Company *Cesu Alus* dates back to 1590 when beer brewing was started in the city of Cesis. *Cesu Alus* belongs to the *Olvi Group*, which operates in four countries. The new *Cesu Alus* brewery is the biggest investment project in the Vidzeme region and one of the most modern breweries in the Baltics. Currently the company produces 50 different kinds of products – beer, alcoholic and non-alcoholic beverages, as well as juices.

4.1. Assessment of CSR Initiatives in Brewery Companies

In order to identify the scope of information about CSR activities that was available to community/customers, information obtained during the interviews with the companies' managers was compared with the information available on the companies' websites and annual reports.

Analysis of sales results leads to a conclusion that marketing is the biggest weakness of *Aldaris*, because in the presence of intense competition the company's market share is deteriorating. Currently a large portion of the brewery's sales consists of low price products that contribute a smaller margin. This is largely due to the weak economy in the country, which makes the cheapest price the primary criterion for choosing a product. *Aldaris* is one of the largest advertisers in Latvia, and therefore advertising campaigns of a particular product are regularly broadcast on the leading TV channels. The company is very successful in sponsorship. It supports the Latvian Ice Hockey Federation and the Latvian Football Federation.

Public Relations

The company has performed well in the area of public relations. Its brand has been among the most recognized brands in Latvia and it is leading in the beer brewing industry. In 2016 the company *Aldaris* was ranked 43rd on the reputation scale as evaluated by consumers and entrepreneurs.

Corporate Social Responsibility Activities

Aldaris has clearly defined its entrepreneurship and corporate social responsibility principles. The brewery is part

of the Carlsberg Group, an international concern which has had an increased focus on corporate social responsibility since 2008. This has resulted in the implementation of an increasing number of projects and activities in Latvia targeted at improvement of corporate responsibility and the public good. The company has been seriously considering the social, ethical and environmental protection principles of its commercial activities related to the beverage industry. The priorities of *Aldaris*' corporate social policy are environmental protection, activities to deter alcohol abuse, promotion of labor safety, health protection, responsible consumption of alcohol, sports activities, art and culture projects, as well as support of youth education and development programs. The company devotes substantial attention to the issues of professional development of its staff. It organizes training seminars and includes the staff in different social activities of the company. Increasing attention has been paid to the relationship with clients and providing a high level of service to clients.

Main Areas of Aldaris CSR:

- Public engagement
- Health protection and labor safety policy
- Marketing communication policy
- Labor rights and human rights policy
- Commercial activities ethics policy
- Environmental protection policy

Whereas, the strong side of *Cesu Alus* is marketing. Over the past year the company has been gaining an increasing market share in beer sales volume. However, the most significant increase in the market share is due to the successful sales of pre-packaged alcoholic cocktails and cider. However, the company has successfully achieved impressive sales volumes, which has brought significant profit.

Public Relations

The performance of *Cesu alus*' public relations department has been evaluated as neutral. This is due to the fact that in the public space the company has been reproached for the effect of its light alcoholic cocktails on young people, pointing out that this kind of beverage develops a dependency on alcohol among minors, which leads to harmful effects on their health and development. Also the scandal about strong *kvass* (a fermented beverage made from black or regular rye bread) that contains high percentage of alcohol added to the negative publicity of the company. While the company had not violated any rules under current regulations, due to active involvement by the public and the Ministry of Health *Cesu Alus* labeled the product to discourage young people and children from purchasing the above mentioned beverages. If we compare *Cesu Alus*' public relations performance to that of *Aldaris*, we have to conclude that *Aldaris* is much more successful in communication with mass media and the public.

Corporate Social Responsibility Activities

In developing its operation, *Cesu Alus* constantly pursues a socially responsible attitude toward all concerned parties – employees, owners, clients and cooperation partners, society,

the economic system of the country and the environment. Responsible entrepreneurship and environmentally friendly business development are the key factors of *Cesu Alus*' corporate social responsibility and sustainability policy.

The company has been focusing on several CSR areas:

- Economic responsibility

No - to participation in the shadow economy. *Cesu Alus* supports a transparent and responsible remuneration system. The brewery pursues transparency in the company and respects the same in its business partners. *Cesu Alus* refuses to do business with representatives of the shadow economy. Therefore, the company's business strategies have developed and apply strict criteria for reviewing solvency, the choice of clients and clients' agreements, especially in the trade and HoReCa segment.

Cesu Alus' website lists all taxes the company has paid to demonstrate transparency and its disapproval of the shadow economy and support of the fair competition. *Cesu Alus* is part of several national and industry organizations for economic development and promotion of entrepreneurial interests.

- Social responsibility

The company has developed policies for product safety, quality, company ethics, sponsorship and support policies, as well as a responsible marketing communications.

- Responsibility to the staff

With the help of EU funding *Cesu Alus* provides training for its employees as a means of demonstrating its care for the staff. The company also provides training to qualify employees for career advancement.

- Responsibility to the environment

The company conducts a variety of activities to reduce power consumption, sort waste, and purify waste water to reduce pollution and protect the environment.

- Responsible beer consumption

Cesu Alus has defined the principles of responsible beer consumption on its website where young people and drivers can obtain information on the harmful effects of alcohol abuse and the threat to people's safety resulting from drunk driving.

Implementation of CSR principles in the context of human resources

The comparison of the information that was available on the companies' websites and in annual reports with the materials that were obtained during the interviews made clear that only a small part of the companies' activities in the field of human resource management is publicly declared. This can be explained by the fact that the majority of the identified measures are specified in the collective agreement that sets employee-employer relations; however collective agreements are not available publicly. Having no information community members do not know about the employer's concern regarding employees, that contributions that are made, and social security measures that exceed those established by the labor laws. Public disclosure of socially responsible practices towards employees can create positive public opinion and improve company's image.

Implementation of CSR principles in communication with community

The study has demonstrated that companies are active in implementing educational projects at schools, have cooperation agreements with universities/colleges. Users learn about companies' activities, the quality of products, implemented projects, etc. via television, radio broadcasts, and press. In order to meet needs of community, customer surveys and complain analysis are carried out. It can be concluded that the companies appoint time and resources for collaboration with local community and inform about this in a variety of ways.

Both the analyzed companies carry out environmental activities, run environmental management systems, comply with the normative acts, ensure rational use of natural resources, and reduce pollution. The comparison of information that is available on companies' websites and their annual reports shows that all socially responsible activities are accessible to the public.

The investigation into CSR initiatives in companies revealed that activities concerning market, human resources, contacts with community and environmental were socially responsible, with the particular emphasis on consumer satisfaction and meeting public expectations, although some initiatives required quite a lot of time and resources.

The survey results confirmed that despite the fact that brewery companies are not certified according to SA 8000 standard and not members of the Global Compact and do not progress in Social Responsibility Reports, these companies engaged in socially responsible activities and apply the principles of CSR policies.

Another important reason is limited awareness of management (as their decisions what actions must be taken, what business models will be employed, how important CSR is, etc.) and the fact that Social Accountability standard requires to cooperate only with socially responsible companies and other business partners.

Public information about CSR in brewery companies

Public awareness concerning the activities of sin-industry companies is of particular importance as it influences customer satisfaction and trust, and forces companies to be transparent in their actions. In order to identify publicly disclosed information about companies' activities in the context of CSR all public information was arranged into four parts: products, human resources, social activities, and environment: and two information sources were analyzed: annual reports, explanatory notes, and website information. According to scientific literature, the annual report is one of the most commonly used documents when examining CSR. Explanatory notes are mandatory for all companies, as a detailed explanation of all data present in other financial statements is given there.

Public image studies of the company show that *Aldaris* is in the lead by the total number of appearances in the traditional media as well as by the amount of positive and neutral coverage. This is due to the successful and active work of its public relations department. The successful

performance of the brewery, as well as investments into the company and in the professional development of employees, has also contributed to the positive public image of *Aldaris*. The company is successful in the social media environment where it has accounts with Twitter, Facebook and Draugiem.

Cesu Alus follows *Aldaris* closely by public image analysis in the traditional media. The brewery has quite a high number of appearances in the mass media related to the spread of its pre-packaged alcoholic cocktails among minors. This kind of publicity has had a negative effect on the public image of the company on the Internet and in the traditional media. However, positive publicity of *Cesu Alus* is created by the successful entrepreneurial activity, CSR activity and implementation of innovations. Just like *Aldaris*, *Cesu Alus* acts successfully in social portals.

The analysis revealed that the annual reports mainly contain information about the environmental and social activities and products, their quality. The obtained results show that companies tend to disclose more social information in order to become more attractive to their customers, but the presentation of CSR content and scope lacks systematic approach.

The comparison of the results has shown that on the website of *Aldaris* and in its annual report one can find more aspects of socially responsible business. Extremely large distance in comparison with another company was seen in environmental activities. This can be explained by the fact that *Aldaris* in their annual report and on corporate website give quantitative indicators when *Cesu alus* not only presents numbers and facts, but also highlights the benefits to customers, nature, and environment.

The disclosure of information concerning human resources was very limited on the website of *Aldaris*, also in the company's annual report. The same can be said about the website of *Cesu alus*, but in the company's annual report the amount of this kind of information was greater.

Whatever accounts for vigorous interest in the connection between CSR and corporate financial performance, the justification of CSR rests on a range of considerations beyond corporate financial performance. The contribution any corporate practice makes to economic welfare cannot alone justify that practice. Principles of justice indicate that advancing economic welfare cannot justify the suspension or violation of other rights and duties, which have as strong a moral claim upon corporate conduct as does the pursuit of its financial objectives. Ultimately, the merits of CSR, even merits that transcend the link to financial performance, must be weighed.

Ranked by the volume of beer sales there are three large players in the brewing industry in Latvia: *Cesu Alus/Olvi* – 47%, *Aldaris/Carlsberg Baltic* – 28%. The remaining 26% of the market share are claimed by small breweries. At the same time *Cesu Alus* is more successful at production and sales of pre-packaged alcoholic cocktails.

Competition in the area of beer production continues to increase both among the large producers as well as with small breweries that have been acquiring an increasingly

larger market share. The data used for economic comparisons cover the time period of 2011 – 2015 in Latvia brewery industry.

4.2. Profitability Ratios

Profitability ratios analyze the effectiveness of administration effectiveness in achievement of financial tasks.

4.2.1. Gross Profit Margin

Gross profit margin (return on sales) shows the company's operational effectiveness, how appropriate price for product or service is to market conditions, as well as whether production costs are at appropriate level for the industry. Gross profit margin figures make it possible to calculate extent to which net turnover changes affect gross profit amount. Gross profit ratio shows the sales volume and cost of court, how much profit each euro obtained by output of the exercise brings after covering turnover costs.

Table 1. Gross Profit Margin ($\text{Gross Profit Margin} = \text{Gross Profit} / \text{Turnover} * 100\%$).

	2011	2012	2013	2014	2015
Cesu alus	20.98	21.10	22.45	22.63	0.00
Aldaris	42.93	37.75	41.15	47.48	50.61
Industry average	26.10	21.36	-23.33	-12.08	5.53
Industry median	28.73	21.10	18.87	18.58	20.97

4.2.2. Return on Capital

Return on capital (capital return) shows how efficiently capital invested by company's owners is used. This is one of the most important figures from investor's point of view, because it shows how much a potential investor will earn from each euro invested. This figure is often compared to bank deposit profitability.

Table 2. Capital return ($\text{ROE} = \text{Profit or loss for the financial year after taxes} / \text{Equity capital} * 100\%$).

	2011	2012	2013	2014	2015
Cesu alus	2.10	10.72	16.29	12.00	15.84
Aldaris	-9.53	-48.60	-491.94	-61.98	-32.23
Industry average	-2.13	-60.14	-88.85	-34.98	-71.56
Industry median	0	0	0	0	-13.89

4.2.3. Return on Assets

Return on assets is one of the most important indicators that show the company's competitiveness. This figure varies considerably depending on the industry, so it is important to compare it with average ratios. If the ratio is higher than the industry average, it may be evidence for strong competitiveness of the company.

Table 3. Return on assets ($\text{ROA} = \text{Profit or loss for the financial year after taxes} / \text{Balance} * 100\%$).

	2011	2012	2013	2014	2015
Cesu alus	1.75	3.26	5.83	5.06	7.75
Aldaris	-5.72	-18.99	-68.29	19.74	-16.99
Industry average	15.41	-2.06	21.07	20.22	-23.19
Industry median	0	1.11	0	0	-3.98

4.2.4. Return on Fixed Assets

Long-term investment return shows return depending on company's investment in long-term assets. If a company invests little in the development, it can lead to loss of competitiveness in the future. It is important to pay attention to dynamics and compare it with averages to determine the optimum parameters

Table 4. Return on fixed assets ($\text{Return on fixed assets} = \text{Profit or loss for the financial year after taxes} / \text{Fixed assets} * 100\%$).

	2011	2012	2013	2014	2015
Cesu alus	2.55	5.13	9.01	7.32	11.79
Aldaris	-10.48	-35.13	-165.44	-39.54	-29.95
Industry average	-51.03	-429.60	-54.05	-210.92	-77.94
Industry median	2.47	3.15	0	0.68	-7.08

Generally, the financial situation for breweries following the financial crisis is improving, and this has a positive effect on the total corporate reputation of the industry. This enables a conclusion that outstanding financial performance of a company has a positive impact on its corporate reputation. In order for companies in the beer industry to achieve an excellent corporate reputation, they have to invest substantial efforts to overcome the factors that hinder good reputation. Breweries have to work with their target audiences because a positive attitude of target audiences would raise the level of corporate reputation. Consequently, this would contribute to improvement of financial performance.

5. Conclusion

Although the intangible assets of a company such as brands and reputation are difficult to quantify or measure, at the same time they are sustainable and more resilient to various threats. Impeccable or good reputation facilitates growth of the company by increasing sales volume and enhancing entry into new markets, segments and categories. By reducing risks, it guarantees increased interest and support from investors, favor and tolerance by society in the case of failure and minimizes risk in crisis situations. Flawless reputation ensures more stable sales volumes because loyal clients are likely to spread information that will influence their friends' and acquaintances' choice of the product. A good reputation may contribute to profit – companies with the good reputation have higher value stocks.

Further research is needed for quantitative measurement of the influence of driving factors. The qualitative analysis of this study is a subjective one, it cannot measure the "amount of influence" the driving factors had. Further research to measure degrees of influence that factors could have is necessary, especially the willingness of consumers to buy sustainable products. Furthermore, if the effects of the implementation of CSR should be measured, quantitative research is needed.

More and more companies are using CSR to transform their corporate identity to include a great amount of responsibility [26]. This also holds true for the alcohol industry. In doing so these companies claim to be responsible

for informing their customers about the 'responsible use' of alcohol. The alcohol industry in some instances will even go so far as to reach out to minors, a target audience which they are not allowed to reach, in many cases due to alcohol marketing regulations. Even so, CSR practically has the same effects as advertisements, because it sheds a positive light on a brand or product.

Analysis of brewery companies' websites show that the largest part of information is about product safety, quality and environmental protection. Content analysis revealed that brewery companies implement the principles of social responsibility as all activities, especially environmental, were discussed in annual reports and presented on websites.

Interviews revealed that brewery companies primarily seek to be socially responsible to their key stakeholders – employees, but a very high priority is also given to customers and environmental activities. The summary of interviews and information publicly available on brewery companies' websites and in their annual reports revealed that socially responsible activities market, social and environmental issues are available to the audience, however socially responsible practices in human resource management are limited publicly declared. The study confirmed that brewery companies carry out socially responsible activities and use CSR policies, despite the fact that they are not certified according to SA 8000 standard and are not members of the Global Compact.

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