

CORPORATE SOCIAL RESPONSIBILITY AS A CHALLENGE FOR CZECH COMPANIES

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Abstract

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The term „Corporate social responsibility“ is an umbrella term embracing theories and practises relating to how business manages its relationship with society. In the last decades the development of companies responsible behaviour has been influenced by several facts. One of them is the existence of multinational enterprises. They have an elaborated firm strategy, a value system and bring the CSR concept in partial divisions. CSR enterprises also take the advantage of differentiation from the competitors and want to be successful on unified markets. Generally there is an effort to improve unfavourable situation in the environment and the society (global warming, corruption, insufficient community support, bad working conditions). The corporate responsibility has been supported by many foundation projects in the Czech Republic, e.g. two month's employment support campaign „JSOU ZDRAVÍ?“ for disabled people (NFOZP) created by the foundation Nadační fond. Czech firms have a possibility to use several portals like educating portal Boussole CSR, its aim is to approximate the responsible business mostly to small and medium sized enterprises. Currently there exist many publications regarding this topic and the companies have a big chance to get into customers' awareness as a corporate responsible firm, like the attendance at national/international competitions. However, the firms are using other possibilities too. They participate on project creation (e.g. „Stáže manažerů bez bariér“), they establish a fair-trade stand directly in their companies or try to add an value to their business (cleaning company with a respect to the environment).

Corporate social responsibility, social firms, Czech business environment

In 2005, „The Economist“ published a series of articles castigating corporate responsibility and the folly of managers who thought it would benefit their companies. Accusations were made that corporate responsibility and a bad governance went hand in hand. In an accompanying survey, the Economist Intelligence Unit found only 35 per cent of managers felt corporate responsibility was a priority. In 2008, 96 per cent of managers believe corporate responsibility offers value for money, and 56 per cent of managers surveyed by the Economist Intelligence Unit say it is a high priority. Three years after its original dismissal, The Economist now professes that few big companies can ignore corporate responsibility (Blowfield, Murray, 2011).

The term „corporate social responsibility“ (CSR) has become a very popular and a lot of companies found out that being responsible (to

their stakeholders and the whole society) can be a competitive advantage.

The aim of this paper is to introduce the opportunities of the CSR to the Czech companies and make them understand the increasing importance of this concept.

MATERIAL AND METHODS

The paper finds the main opportunities for the Czech firms resulting from the 3 selected areas: research field, legal environment and awarding. It introduces the possibilities the companies can use when deciding about their attitude to CSR. It shows some criticism too so an objective point of view can be reached.

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RESULTS

Social responsibility is the obligation a business assumes to maximize its positive effect and minimize its negative effect on society. The idea of social responsibility became prominent during the 1960s in response to changing social values. Many businesses have tried to determine what relationships, obligations, and duties are appropriate between the business organization and society (Farrell, 1991). "Corporate social responsibility includes the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time" (Carol, Buchholtz, 2009 in Business Ethics; Crane, Matten, 2010).

The companies willing to behave in the terms of corporate social responsibility can use advantages and opportunities resulting from three selected areas: research field, legal environment and awarding.

Research field

Several researches prove the importance of the corporate social responsibility also in the Czech business environment.

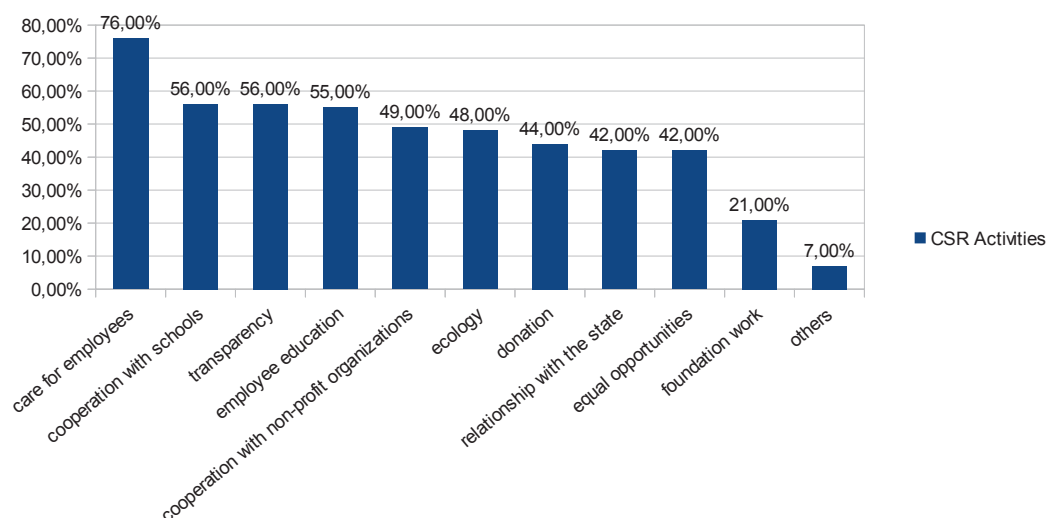
According to the CSR research 2010 (realized by the analytic team Ipsos Tambor with the cooperation of other four important firm – Česká spořitelna, KMPG Česká republika, Skupina ČEZ and Vodafone) the shopping behaviour of the 2/3 of the population is influenced by the corporate social responsibility of the firm.

The aim of the research was a detailed analysis of several areas of CSR, the perception of CSR activities and their influence on the firm's reputation. The research showed also that for more than 80% of employed people is the social responsibility of their employer important. According to the behaviour and personal attitude to several topics of the 53% of the population it is possible to confirm their commitment in social responsibility (Tisková zpráva Ipsos Tambor, 2010).

This research proved the importance of the corporate social responsibility by the customers and employees. Another research analyzed the current situation in 111 Czech companies. According to this results 76% of the interviewed firms declared they care about their employees (in terms of pension insurance, contributions for meal, questionnaire about employee satisfaction etc.). The 55% of the firms offer education and training programmes for their employees. The firms try to focus on their transparency with the help of open public websites, ethical codes, internal control mechanisms, possibility to see the accountancy of the firm. Positive steps in ecology are seen mostly by companies their effect on the environment is direct. The low number of ecologically active companies (44%) is in contrast with the number of firms who think the care of environment is important. The 21% of companies directly carry on their own donation activity, most of them are big companies.

Other research (Společenská odpovědnost firem působících v českém prostředí, 2008) proves a significant influence of the company's size on the awareness of employees of CSR (the bigger the company is the higher awareness of CSR). Lower influence was observed by the presence of foreign element in the company (however, employees in

CSR Activities



1: CSR Activities

Source: Trnková, 2004

these type of companies have met the CSR more probably or more often than the employees working for a pure domestic company, but the difference is going to be decreasing during the next 3–5 years) (Gelová, 2008).

Legal environment

There are some standards in the legal environment which may be important for the companies dealing with the corporate social responsibility. Of course, these standards should be applied and taken for granted in all companies. Also some CSR initiatives can be helpful, each of them offering different possibilities. Since this topic has been developed and spread to other spheres of business and to more countries the environment can be changing and it is necessary to malt the situation in the legislation very carefully.

Standards

CSR INITIATIVES

There are some concrete initiatives in the European Union with the aim to support the extension of corporate social responsibility as a business standard on a national and global level: 1. Standard Responsible Firm, 2. Global Compact (OSN), 3. GRI Global Reporting Initiative, 4. OECD, 5. European Commission Initiative, 6. ILO – International Labor Organization.

Other international CSR initiatives are: 1. World Business Council on Sustainable Development (WBCSD), 2. International Business Leaders Forum, 3. Vision Enterprise 2020.

European policy on corporate social responsibility

In October 2011 the European Commission published a new policy on corporate social

responsibility. It states that to fully meet their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders”.

The aim is both to enhance positive impacts – for example through the innovation of new products and services that are beneficial to society and enterprises themselves – and to minimize and prevent negative impacts.

The new policy puts forward an action agenda for the period 2011–2014 covering 8 areas:

1. Enhancing the visibility of CSR and disseminating good practices.
2. Improving and tracking levels of trust in business.
3. Improving self- and co-regulation processes.
4. Enhancing market reward for CSR.
5. Improving company disclosure of social and environmental information.
6. Further integrating CSR into education, training and research.
7. Emphasizing the importance of national and sub-national CSR policies.
8. Better aligning European and global approaches to CSR (European Commission: Enterprise and Industry).

Awarding

Except of the initiatives that can help the firms to start a social responsible business or change the current situation in the companies there are also other motivating factors speaking for the choice of corporate social responsibility.

Generally it is taken for granted that people are likely to do what they are rewarded for. Adherence of ethical principles and standards stands less chance of being repeated and spread throughout a company when it goes unnoticed and unrewarded

I: Standards

Standard	Description
ISO 26000 – Corporate social responsibility	Issued by the International organization for standardization. It includes the principles of social responsibility, it recommends measuring and considers 7 basic topics: 1. Organization and management, 2. Human rights, 3. Working conditions, 4. Environment, 5. Correct business, 6. Consumer treatment, 7. Local communities development
SA 8000 – Social responsibility	Issued by the organization Social Accountability International (SAI). It is a reference standard to improve working conditions.
AA 1000 AccountAbility	Issued in Great Britain in 1999 with the aim to create a structure for the social responsibility policy, dialog between the stakeholders, audit, social, ethical and environmental accountancy, reporting and professional training.
ISO 14001 – System of environmental management	The organizations are committed to the continuous improvement of their environment.
EMAS – System of environmental management and audit	It is designated for companies in the EU. It was first published in 1993. It is a voluntary system for companies decided to improve their environmental profile.
OHSAS 18001 – System of safety management and management of health protection in work	It was created in the Great Britain in 1999. It helps to minimize or eliminate risks for employees and other people in the company's activities.

Source: Společenská odpovědnost firem

or still worse, when it is actually punished. One in eight employees actually experiences some form of retaliation for reporting ethical misconduct and more than 40% who observe misconduct do not report it. There is considerable evidence to suggest that employee's ethical decision making is indeed influenced by the systems of reward they see in the operating in the workplace (Crane, Matten, 2010).

The better this system of rewarding is implicated in the company the better results will be achieved. One of the motivators for employees and the possibility how to make the company more visible and well known for its good image in public is the chance to be awarded by professionals. Some possible awarding in the Czech environment are following:

TOP ODPOVĚDNÁ FIRMA (Top responsible firm) is national, independent, credible prize for sustainable and responsible business, awarded by the platform Byznys pro společnost (Business for society).

CENA ZDRAVÍ A BEZPEČNÉHO ŽIVOTNÍHO PROSTŘEDÍ (Prize for health and safe environment). The participants have a chance to be exclusively nominated to the European environmental prize for entrepreneurs.

CENA VIA BONA (VIA bona prize). It is intended for firms and individuals which help their environment not just with the financial gifts.

THE COMPETITION "The Social Business Idea 2010" AND THE INFORMATION CAMPAIGN "Social Business Tour".

FIRM OF THE YEAR: EQUAL OPPORTUNITIES. It is a prestige awarding for the companies which introduce the idea of equal opportunities for women and men in the praxis and that currently indicate the trend in human resources management.

NÁRODNÍ CENA ČR ZA CSR (Czech national prize for CSR) The aim of the program is to contribute to enforcement and visibility of CSR in the Czech Republic and in public award those

organizations which fulfill certain conditions and so fulfill the principle of CSR.

CSR AWARD. The main idea of this competition is to support the CSR development and motivate the firms to understand the corporate social responsibility and realize it as both casual activities and integral part of all business aspects at large, small and medium companies in all Czech regions.

TOP FIREMNÍ FILANTROP (Top firm's philanthropist). This competition deals with the firm's donation and providing finances on publicly beneficial projects. **EVROPSKÁ CENA ZA VIDEO O PODNIKÁNÍ** (European prize for a business movie).

To show some examples of companies successful in CSR, there are the winners of CSR AWARD 2010:

- in the category small and medium sized companies: 1. place Sodexo Pass Česká republika a. s., 2. place LMC s. r. o., 3. place Bayer s. r. o.
- in the category large company: 1. place Vodafone Czech Republic a. s., 2. place Plzeňský prazdroj, a. s., 3. place Československá obchodní banka, a. s. (Společenská odpovědnost firem)

DISCUSSION

The CSR behavior brings a lot of advantages and profits to the firm, mainly nonfinancial but very important for the good and long-term sustainable operations of the firm. Some profits from the social responsible behavior are written in the following table:

The opportunities for the companies are obvious but still a lot of criticism of CSR appears. It is possible to divide them into four types:

1. Corporate responsibility stifles the primary purpose of business and, ultimately, hampers the functioning of free markets.
2. Corporate responsibility favours the interests of business over the legitimate concerns, demands, and expectations of wider society.

II: Profits and advantages of CRM

Profits	Advantages
innovation opportunity	higher attractiveness for investors
long-term sustainability of the firm	better transparency
higher loyalty and productivity of the employees	possibility to attract and keep qualitative employees
lower risk management costs	building the reputation and strong position on the market
building of a political capital (improving position for current and future actions)	differentiation from the competition (competitive advantage)
direct financial savings connected with the ecological praxis	higher potential of brand differentiation by the consumer
	creation of the background for a non-problematic and successful commercial existence
	dialog and good relations making based on trust with the environment and mutual understanding
	decreased risk of boycott and strikes
	stronger credibility

3. Corporate responsibility is too narrow in its focus and does nothing to address they key aspects of the business-society relationship.
4. Corporate responsibility is failing to achieve its objectives and needs to adopt new approaches if it is to succeed (Blowfield, Murray, 2011).

Of course it is possible to discuss these negatives but it is the decision of the company how to behave. Being socially responsible or not? Some theorists and critics can persuade the businessmen about the nonexistence of business ethics, some even say it is an oxymoron, or about the anti-business attitude of CSR, but our decision is influenced mostly by our stakeholders (Weiss, 1998). What is it that our customers, suppliers, shareholders, employees etc. expect? And in this question there is a clear answer which is evident from the researches.

Some good examples can be seen as a prove of this statements. It is possible to mention a few of them: ABB, s. r. o. – Supplier of technologies for energetic and automation, BAYER s. r. o. – Chemistry and pharmaceutical industry, Česká spořitelna, a. s. – a bank, Plzeňský Prazdroj – brewery and many others. From the famous foreign companies here belong: Toshiba, Panasonic, NISSAN, Alpine, Coca-Cola Enterprises, McDonald's Corporation etc.

Also in this filed it is necessary to be one step ahead. Some companies are very creative and try to invent new possibilities how to increase their attractiveness. For example the firm Starbucks created a virtual box with the aim to involve their customers in their business. People comment their ideas each other and evaluate them with points. The best ideas are realized by Starbucks and the public will be informed about it. In the CSR category there are 5 203 ideas by now.

On the other hand the firm Green Clean created for its customers ten basic points that are relatively easily feasible and that bring some general savings. If the customer is engaged to fulfill it he/her can get a one per cent discount for each point. To sum up, is it possible to save 10% of financial costs with a good feeling that this act has a positive effect on the ecological trace of the firm.

Other firms decided for the support of the fair trade or ethno-catering. They have their own information stand or booth in the company where

the employees can buy the products as Christmas-, Birthday- gifts etc. Another example of creative thinking and realizing the ideas is Clerox. In 2008 Clerox became the first mainstream consumer products company to launch a line of nonsynthetic cleaning products. (Why sustainability is now the key driver on innovation) Some other firms participate on several projects. One of them is the project "Jsou zdraví?" for disabled people (NFOZP) created by the foundation Nadační fond or "Stáže manažerů bez bariér". A more developed approach to CSR is ESR (environmental social responsibility). It is possible to change the strategic goals of the firm with the idea of ESR (Siegel, 2009).

If the companies lack enough information, it is possible to find them on the website. Boussole CSR platform is a tool helping companies and entrepreneurs to get oriented within the Corporate Social Responsibility in different ways. The first one is the presentation of best practices in SMEs, which are based on the three fundamental pillars of sustainable development – economic, social and environmental. Then individual way: people could choose their desired level of information: operational, strategic, documentary; guided way – participation in groups of interests – find the solution arising from the problem, orientate in the problematics of the Corporate Social Responsibility; creation of a network which enables the exchange of experience with other enterprises (Bousolle CSR).

CONCLUSION

Nowadays the firms face the challenge of corporate social responsibility concept. There are many opportunities that prove the existence and importance of this concept and that the interested companies can use. Some of them come from the legal environment, non-profit sector and some of them are the result of the creativity of the firm. All of these possibilities are covered with the results of several researches. There are some criticisms that should be taken into account before the entrepreneur chooses his/her way. The decision is than influenced by the expectations of the companies stakeholders and on some situational factors.

SUMMARY

In 2008, 96 per cent of managers believe corporate responsibility offers value for money, and 56 per cent of managers surveyed by the Economist Intelligence Unit say it is a high priority. Three years after its original dismissal, The Economist now professes that few big companies can ignore corporate responsibility. Several researches prove the importance of the corporate social responsibility also in the Czech business environment. The paper finds the main opportunities for the Czech firms resulting from the 3 selected areas: research field, legal environment and awarding. According to the CSR research 2010 the shopping behaviour of the 2/3 of the population is influenced by the corporate social responsibility of the firm. The research showed also that for more than 80% of employed people is the social responsibility of their employer important. According to this results

76% of the interviewed firms declared they care about their employees. There are some standards in the legal environment which may be important for the companies dealing with the corporate social responsibility (ISO 2600, SA 8000 etc.). Also some CSR initiatives can be helpful, each of them offering different possibilities (OECD, European commission initiative etc.). One of the motivators for employees and the possibility how to make the company more visible and well known for its good image in public is the chance to be awarded by professionals (Top odpovědná firma, CSR Award etc.). Some profits from the social responsible behavior are innovation opportunity, higher attractiveness for investors, better transparency, stronger credibility, possibility to attract and keep qualitative employees etc. Probably the most important fact is that the CSR can keep the long-term sustainability of the firm. The opportunities can be taken from outside (as mentioned – legal environment, awarding etc.) or as a result of the company's own creativity (Starbucks, Green Clean and others). There are some criticisms that should be taken into account before the entrepreneur chooses his/her way.

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