FACTORS INFLUENCING THE IMPLEMENTATION OF THE CSR CONCEPT IN THE CZECH REPUBLIC

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Abstract


There is an increase of the companies' engagement in the concept of social responsibility in the Czech Republic. However, the engagement is still at a lower level when compared to other countries of Western Europe. The use and knowledge of the CSR concept in the companies in the Czech Republic was the subject of the research realized at the end of 2013 and in the first half of 2014. This paper deals with the question which factors influence the engagement of enterprises in the CSR in the Czech Republic. The statistical testing proved that the company size and the form of ownership have a significant influence on the company's engagement in the CSR activities. P-value is always < 0.001, Pearson coefficient is in the interval of 0.35 – 0.37 and Cramer coefficient is in the interval of 0.37–0.39. The dependence between the category of economic activity and the region of the headquarters was not proved as significant; p-value only < 0.05.

Keywords: corporate responsibility, company size, foreign capital, category of economic activity, region

INTRODUCTION

Today's globalized and very well informed world forces managers to think about corporate social responsibility (CSR). On one hand, business has been increasingly viewed as a major cause of social, environmental, and economic problems during the recent years, and companies are widely perceived to be prospering at the expense of the broader community (Porter, Kramer, 2011). On the other hand, managers are aware of the fact that the implementation of CSR activities into corporate activities can constitute a significant competitive advantage for the company. Therefore, corporate social responsibility has been a widely discussed topic in recent years.

Also, there is a growing interest in the field of CSR in the Czech Republic. In 2005, only 35% of Czech managers considered CSR to be an important part of the enterprise. Research shows that this number has grown to 96% in 2008. Nowadays, this concept is an integral part of good practices in the management of enterprises (Gurská, 2012). Czech managers understand the importance of CSR. The implementation of the CSR in the Czech Republic is still at a lower level when compared with other Western European countries. More than 50% of the organizations in the Czech Republic have not been confronted with the CSR concept (Skýpalová, Kučerová, 2014). According to Skýpalová, Kučerová (2014), the knowledge of the CSR concepts and methods has a significant impact on the engagement of enterprises in particular CSR pillars.

Importance of the CSR for the companies nowadays is backed by many empirical studies. However, a large number of companies still do not behave in line with the CSR principles. The level of engagement in the CSR activities differs significantly among the companies. The aim of this paper is to determine, which factors influence the use of the CSR concept in the business practice in the Czech Republic. In the frame of the analysis we tested the impact of the size of the organization,
types of ownership, territorial scope, sector in the national economy, category of economic activity and the region where company performs its activities.

**Theoretical Framework**

Several definitional approaches of corporate social responsibility can be found, as follows. A manager/company acts responsibly, when he/it is responding for the consequences of his/its actions, towards authorities – economically for being profitable to shareholders, socially for getting along well with all stakeholders, and ecologically for acting sensibly and respectfully towards nature or being (Schüüz, 2012).

The European Union defined the CSR in 2001 as the voluntary integration of social and environmental aspects into everyday business operations and interactions with business stakeholders. The corporate social responsibility is based on three basic pillars that a socially responsible company or organization should fully respect (Kunz, 2012). These three pillars are consistent with the system triple-bottom-line, which was defined by Elkington (1997). Kuldová (2012) complements this finding with the view that the company should strive even beyond its obligations under the legislation and voluntarily apply some of the principles within the three pillars – economic, social and environmental.

As regards the implementation of the CSR activities, there are two areas of differences in the implementation of CSR activities that are the subject of many studies. First important area of differences in the application of CSR activities is associated with the company size. The research results among enterprises in Taiwan prove that increasing size of the company measured by annual revenue positively affects the willingness of SMEs to engage in the CSR (Hsu, Cheng, 2012). Georgescu (2012) examined the ethical values in Romanian companies and concluded that the implementation of ethical values is connected also to the size of the company. Pedrini and Ferri (2011) conducted the research in Italian companies. The implementation of CSR is clearly easier in large enterprises, because the responsibility for the implementation of CSR activities in small and middle-sized enterprises is taken mostly by the company owners, whereas the growing role of managers specializing in the CSR implementation relates to large enterprises. Nagyváll (2014) studied corporate social responsibility of Hungarian SMEs. He finds that even SMEs with good CSR practices know and apply relatively few CSR tools. One of the most important reasons for this is that these tools are usually developed for large companies.

The second area of significant differences in the implementation of CSR activities we can observe among countries. Differences are evident between ‘Western’ and ‘Eastern’ countries. Chih, H.-L., Chih, H.-H. and Chen (2010) in their research of financial firms from 34 countries conclude that firms in countries with more cooperating employer-employee relations, higher quality management schools and better macroeconomic environment are more CSR minded. Čeha (2013) studied companies coming from countries in transition. He concluded when it comes to the implementation of CSR, the situation is still particularly unfavourable. Ethical principles in business are still developing. Very few companies apply the concept of CSR. Companies usually choose corporate responsibility only declaratively, while their business is solely based on personal interests. The public interest is only a declarative category. Bardy, Drew and Kennedy (2012) investigated if the foreign investment and international business improve social conditions in less-developed countries, and how these improvements are linked to strategies of corporate social responsibility and ethical business practice. They concluded that MNEs increasingly adopt cross-boundary team-working, appoint international top teams, and CEOs from emerging nations. There is increasing realization of the importance of intercultural differences and this has impacts on perceptions, decision-making, ethical orientations, and the success of CSR in companies. Hackert *et al.* (2014) conclude that there are country differences for some of the aspects of CSR. Some of the differences may relate to differences in incentives, regulation or cultural differences.

**METHODOLOGY AND DATA**

This paper represents a continuation of the research presented in Skýpalová, Kučerová (2014) and brings new aspects of evaluation of factors that determine the knowledge and use of the CSR concept in the Czech Republic. The objective of this paper is to analyze which factors (mentioned below) impact the following aspects: knowledge of the CSR concepts and the level of engagement of an organization in the particular CSR pillars (social, economic and environmental pillar).

Based on the research presented in the previous chapter on Theoretical framework and in line with the objective of this paper, we propose the following factors whose impact is to be assessed:

- region where the organization has its headquarter,
- sector of the national economy,
- category of economic activity,
- type of the ownership (Czech owners, foreign owners, combination of the two),
- territorial scope, area where the organization performs its activities (domestic or international markets),
- size of the organization.

Above mentioned factors were analyzed from the point of view of their impact on the knowledge of the CSR concepts and on the extent of activities implemented within the three CSR pillars (social, economic and environmental).
Factors Influencing the Implementation of the CSR Concept in the Czech Republic

For statistical processing of the obtained data we used Analysis of Dependence, $\chi^2$ test, Pearson coefficient, and Cramer coefficient.

Analysis of dependence compares the relation between the verbal signs and measures their interdependence. The combinatorial classification is a combination with verbal characters resulting in a contingency table supposing that at least one of the characters is a plural (Minařík, 2006).

For each contingency table field there is a pair of frequency – the observed frequency $n_{ij}$ and the calculated frequency $n'_{ij}$, that can have different numeric values (Hindls, 2003; Minařík, 2006).

An indicator, which measures diversity of both frequencies in each field for the table as a whole, is called squared contingency. This indicator is denoted as $\chi^2$(chi-square) and is identified as:

$$\chi^2 = \sum_{i=1}^{r} \sum_{j=1}^{s} \frac{(n_{ij} - n'_{ij})^2}{n'_{ij}}.$$  

The results of the independence test are formulated based on the transformation of the testing statistics into the probability scale, so-called p-value. P-value determines the lowest possible level of significance for rejection of the hypothesis: if $p < 0.001$ the result is statistically highly significant, if $p < 0.01$ the result is statistically significant, if $p < 0.05$ the result is not statistically significant (Budíková et al., 2010; Blašková, 2012).

As regards the defi nitional framework of the CSR, for the needs of the research work there are three important aspects: three pillars of social responsibility, voluntary aspect and activities that go beyond that legal obligation.

Data for the analysis are based on the results from the research realized in the Czech Republic in the period of 2013/2014.

The primary research was conducted in companies throughout the Czech Republic. Respondents of the research were large, medium, small and micro enterprises from the whole Czech Republic. Classification of enterprises was conducted according to Commission Recommendation 2003/361/EC (European Commission, 2006).

- Large enterprise – over 250 employees.
- Medium enterprise – 50 to 249 employees.
- Small enterprise – 10–49 employees.
- Micro enterprise – 0–9 employees.

From the point of view to the type of ownership, the companies can be divided into three groups. Group A includes exclusively Czech organizations (without foreign investments). Group B includes organizations that are fully owned by a foreign investor or eventually it is a branch of a transnational company. Group C includes organizations with a combined ownership of Czech and foreign owners.

As regards the territorial scope of action, there are two groups – organizations working exclusively on the Czech territory and organizations working in the Czech Republic and abroad.

Sectors of the national economy are divided as follows: primary, secondary, tertiary and the quaternary sector.

As regards categories of economic activities, there are 11 groups:

- agriculture, forestry, fishing, mining and minerals;
- buildings and constructions;
- food industry, industry of fermentation processes, tabacco industry;
- engineering, automotive industry;
- manufacturing;
- trade (retail, wholesale);
- transport, warehouses, production and distribution of electricity and gas;
- veterinary services, tourism and leisure activities, hotels and restaurants;
- services, administrative activities, tax consultancy and insurance, Internet services, IT technologies, software, marketing and promotion, real estate and rent;
- health care, education, personal services;
- production and Development;
- health care, education and personal services;
- production, research and development.

The data collection was carried out in the period from September 2013 to February 2014. At that time, 1013 companies were involved in the research. The research emphasis was put on the fact that companies were represented in each region of the Czech Republic, at least in the extent that corresponds to 3% of active companies in the region. Moreover, the distribution of respondents among large, medium, small and micro companies was

The values of the coefficient are within the interval $0 \leq C \leq 1$. The more the coefficient nears to the value of 1, the tighter is the dependence. If $C = 0$ the values are completely independent. In the case $C = 1$ the variables are completely dependent (Budíková et al., 2010).

Cramer Coefficient of contingency:

$$C = \sqrt{\frac{\chi^2}{n \cdot \min(r-1,s-1)}}.$$  

The values of the coefficient are within the interval $0 \leq C \leq 1$. The closer the coefficient nears to 1 the tighter is the dependence between the two variables, and vice versa, the more the value nears to zero the looser is the dependence (Minařík, 2006; Budíková et al., 2010).
chosen in order to correspond to the representation of these enterprises in the Czech Republic.

For the purpose of spreading the information about the research, the website www.csr-konkurenceschopnost.cz was created. The questionnaire was distributed in the electronic form, enabling direct filling. The respondents were addressed with the help and cooperation of chambers of commerce of each region as well as with the Association of Corporate Social Responsibility and Business Leaders Forum.

RESULTS AND DISCUSSION

As regards the knowledge of the CSR concept, organizations that are more familiar with the CSR concept perform more activities in this field (Skýpalová, Kučerová, 2014). In this respect, we tested the statistical dependency between the knowledge of the CSR concepts and the number of activities realized in the field of CSR. As a result we obtained the following values: Chi-square: = 107.2, P-value = 0.001, Pearson contingency coefficient: P = 0.337, Cramer contingency coefficient: C = 0.326. The obtained level of statistical significance p = 0.001 is lower than 0.01 hence, it implies a highly significant difference, i.e. a stronger dependence between the variables. As regards the results of Pearson contingency coefficient P = 0.337 and Cramer contingency coefficient C = 0.326; the dependency between the knowledge of CSR concepts and the number of activities realized in the field of CSR can be characterized as of a medium strengths. Hence, we can concluded, that the number of performed socially responsible activities is moderately influenced be the level of knowledge in the field of CSR.

Tab. I displays the results of statistical testing of the relation between particular factors and the knowledge of CSR concept.

Results of the statistical analysis (Tab. I) show that the three factors – size of the company, type of the ownership and the territorial scope represent a medium strength of impact on the knowledge of CSR issues. Companies with branches abroad or companies that are co-owned by foreign owners have higher knowledge of the CSR concept.

Achieved level of statistical significance p < 0.001 of the dependence between the category of economic activity and the knowledge of CSR concept is lower than 0.01. Hence we can assume the existence of a highly significant difference, i.e. higher dependence between variables. The result of Pearson contingency coefficient 0.22 shows only weak dependence. The result of the Cramer test shows the dependence of a medium strength (0.32).

Dependence between the region, where the company performs its activities and the knowledge of the CSR issues can be evaluated as minor (P = 0.1; C = 0.12), p-value indicates a statistically insignificant difference.

Relation between the sector of the national economy and the knowledge of CSR is characterized by a stronger dependence (p-value < 0.01). On the other hand, results of Pearson and Cramer contingency test show a weak dependence (P = 0.21; C = 0.20).

The above mentioned factors were further analyzed from the point of view of impact of the particular factors on the extent of implementation of particular activities within the CSR pillars. The test of the dependence displayed in the contingency table was enacted in the frame of each CSR pillar (Tabs. II, III, IV).

I:  
Dependence between the particular factors and the knowledge of the CSR issues

<table>
<thead>
<tr>
<th>Chi-square</th>
<th>Pearson</th>
<th>Cramer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region of the headquarters</td>
<td>27.98*</td>
<td>0.11</td>
</tr>
<tr>
<td>Sector of the national economy</td>
<td>11.82**</td>
<td>0.21</td>
</tr>
<tr>
<td>Category of economic activity</td>
<td>41.39***</td>
<td>0.22</td>
</tr>
<tr>
<td>Territorial scope</td>
<td>42.31***</td>
<td>0.34</td>
</tr>
<tr>
<td>Form of ownership</td>
<td>43.09***</td>
<td>0.36</td>
</tr>
<tr>
<td>Size of the company</td>
<td>68.32***</td>
<td>0.39</td>
</tr>
</tbody>
</table>

Note: *** p-value < 0.001; ** p-value < 0.01; * p-value < 0.05

II:  
Dependence between the particular factors and CSR activities within the social pillar

<table>
<thead>
<tr>
<th>Chi-square</th>
<th>Pearson</th>
<th>Cramer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region of the headquarters</td>
<td>49.81*</td>
<td>0.09</td>
</tr>
<tr>
<td>Sector of the national economy</td>
<td>32.12*</td>
<td>0.19</td>
</tr>
<tr>
<td>Category of economic activity</td>
<td>61.40**</td>
<td>0.17</td>
</tr>
<tr>
<td>Territorial scope</td>
<td>52.36***</td>
<td>0.32</td>
</tr>
<tr>
<td>Type of the ownership</td>
<td>71.09***</td>
<td>0.37</td>
</tr>
<tr>
<td>Size of the company</td>
<td>131.07***</td>
<td>0.35</td>
</tr>
</tbody>
</table>

Note: *** p-value < 0.001; ** p-value < 0.01; * p-value < 0.05
III: Dependence between the particular factors and CSR activities within the economic pillar

<table>
<thead>
<tr>
<th>Factor</th>
<th>Chi-square</th>
<th>Pearson</th>
<th>Cramer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region of the headquarter</td>
<td>47.61*</td>
<td>0.10</td>
<td>0.08</td>
</tr>
<tr>
<td>Sector of national economy</td>
<td>35.15*</td>
<td>0.17</td>
<td>0.20</td>
</tr>
<tr>
<td>Category of economic activity</td>
<td>194.01**</td>
<td>0.18</td>
<td>0.22</td>
</tr>
<tr>
<td>Territorial scope</td>
<td>52.89***</td>
<td>0.35</td>
<td>0.32</td>
</tr>
<tr>
<td>Type of the ownership</td>
<td>78.09***</td>
<td>0.37</td>
<td>0.40</td>
</tr>
<tr>
<td>Size of the company</td>
<td>105.22***</td>
<td>0.39</td>
<td>0.44</td>
</tr>
</tbody>
</table>

Note: *** p-value < 0.001; ** p-value < 0.01; * p-value < 0.05

IV: Dependence between the factors and CSR activities within the environmental pillar

<table>
<thead>
<tr>
<th>Factor</th>
<th>Chi-square</th>
<th>Pearson</th>
<th>Cramer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region of the headquarter</td>
<td>26.07*</td>
<td>0.11</td>
<td>0.12</td>
</tr>
<tr>
<td>Sector of national economy</td>
<td>22.91*</td>
<td>0.21</td>
<td>0.20</td>
</tr>
<tr>
<td>Category of economic activity</td>
<td>146.8**</td>
<td>0.22</td>
<td>0.24</td>
</tr>
<tr>
<td>Territorial scope</td>
<td>50.31**</td>
<td>0.17</td>
<td>0.16</td>
</tr>
<tr>
<td>Type of the ownership</td>
<td>62.71**</td>
<td>0.16</td>
<td>0.21</td>
</tr>
<tr>
<td>Size of the company</td>
<td>123.39***</td>
<td>0.32</td>
<td>0.33</td>
</tr>
</tbody>
</table>

Note: *** p-value < 0.001; ** p-value < 0.01; * p-value < 0.05

Tests of the statistical dependence in the frame of the social pillar are displayed in the Tab. II.

A week dependence can be observed between the engagement of the company within the social pillar and the region where the company performs its activities. A similar conclusion can be made also in the case of sectors of national economy and the categories of economic activity.

On the other hand, a strong dependence can be assumed between the type of ownership and the amount of activities realized within the social pillar. Similar conclusion holds for the impact of territorial scope on the number of activities implemented within the social pillar. It applies also for the dependence between the company size and the number of CSR activities realized within the social pillar (p-value is always < 0.001, P is in the interval 0.32–0.37 and C is in the interval 0.33–0.39).

As regards the economic pillar (Tab. III), the situation is similar to the results from the statistical testing for the case of the social pillar. We can assume a weak dependence between the number of activities within this pillar and the region where the company performs its activities. We obtained similar results also when analyzing dependence in relation to the national economy sector and the category of economic activity.

On the other hand, a strong dependence was observed between the number of activities within the economic pillar and the type of ownership, territorial scope and the size of the company (p-value < 0.001, P is in the interval 0.35–0.39, C is in the interval 0.32–0.44).

In the case of the environmental pillar (Tab. IV) only a weak dependence was observed between

the engagement of the company in this pillar and all the evaluated factors. The only exceptions represent the size of the company, where the statistical results are as follows: p-value < 0.001, P = 0.32, C = 0.33, what indicates a highly significant difference, i.e. stronger dependence between the variables.

The obtained results correspond with the results of other research works enacted in the field of CSR and confirm the validity of the hereby presented results for the conditions of Czech Republic. According to the researches mentioned in the Theoretical framework: there are two essential areas of differences in the extent of implementation of the CSR concept: 1) differences associated with the company size and 2) differences that appear among countries. Equally, this research confirms the same nature of differences.

Large companies have larger annual revenue in comparison to smaller and also tend to have more resources to accept CSR initiatives (Hsu, Cheng, 2012). With larger size of a company the involvement in the CSR activities increases (Chih, H.-L., Chih, H.-H., Chen, 2010). The leverage has significant impact toward the disclosure of CSR, as well as company size (Maskun, 2013). CSR is not the same at SME and large firms regardless of country (Hackert et al., 2014).

In the Central and Eastern Europe, multinational enterprises played an important role in spreading the CSR ideas and practices (Nagypál, 2014). The owners of companies with foreign capital participation introduce new organizational and management skills to domestic markets with an emphasis on corporate culture and responsibility (Jurajda, Stancik, 2013).
CONCLUSION

The results show that primarily the size of the company, type of the ownership and territorial scope have impact on the level of knowledge of the CSR concept as regards the companies in the Czech Republic. The obtained results confirm statistical dependence between the CSR concept and these three factors in the Czech companies.

Also the results of the statistical testing of the dependence between the knowledge of the CSR concept and the number of implemented CSR activities indicate a high level of interdependence. This is also confirmed by the research Skýpalová, Kučerová (2014).

Organizations that were not familiar with the CSR concept were implementing a smaller extent of activities, and these activities were less sophisticated, in some cases, even in the frame that is required by the legislation.

Based on the two above mentioned findings we can formulate the following conclusions:
1) The extent the organization engages within the CSR activities grows with its size.
2) As regards the structure of the organization, the higher is the share of the foreign ownership, the more companies implement the CSR activities.
3) Companies that have branches in foreign countries are more involved in CSR activities.

The above mentioned conclusions were verified by subsequent testing. All monitored factors were evaluated in relation to the extent of activities these organizations performed in the three respective CSR pillars. The results confirm the highly significant difference, on one hand between the company's size, type of ownership and the territorial scope and on the other hand with the extent of activities the organization performs in the frame of social and economic pillars. In the case of the environmental pillar a statistically significant dependence was observed only in relation to the size of the organization.

As regards other studied factors as the sector of national economy, territorial scope, region of the headquarter, only statistically insignificant difference was found in relation to the both variables: knowledge of the CSR context and the extent of implementation of CSR activities in the respective CSR pillars.

As regards the category of economic activity, a higher dependence was observed in relation to the knowledge of the CSR concepts. Although the results of the chi-square test differed from the results of the Pearson's and Cramer's tests. As regards the extent of the implementation of activities within the CSR pillars, only insignificant difference was observed.

REFERENCES


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