

# CORPORATE SOCIAL RESPONSIBILITY IN FOOD MANUFACTURING COMPANIES – ENVIRONMENTAL DIMENSIONS

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## Abstract

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The degree of a company's acceptance and integration of the CSR concept is directly reflected in the fundamental principles of the company. Through the environmental sustainability, a company can make a positive contribution to the society and the natural environment. Competitive and cost pressures are the key drivers of sustainable development in the industry. Today, many international food and drink companies are delivering excellent achievements. The present paper tries to highlight how much are food manufacturing companies committed to caring for the environment as a main component of their CSR strategy. In order to fulfil the defined objectives of the paper, the primary and secondary sources of information were collected and used, as well as there was used the method of interview, using a questionnaire (total number of respondents was 100 food manufacturing companies). In our research the highest percentage of large, SMC and micro companies indicated the reduction of negative operational impacts as the most important commitment of companies in relation to environment. Most large companies invest to installing pollution reducing technology to improve environmental quality (67%) and utilizing more environmentally friendly raw materials (51%). These areas indicated the highest percentage as well as for SMC. In the case of large companies there are more visible movements in environmental practices than in micro and small-medium companies.

Keywords: environmental sustainability, corporate social responsibility, food company

## INTRODUCTION

Many companies are increasingly pressured by numerous stakeholders to engage in social and environmental responsibility (Orlitzky *et al.*, 2011). Thus, managers must be able to determine how their organizations can become more socially responsible, ecologically sustainable, and economically competitive. In short, business executives must become more adept at integrating their organization's market and nonmarket strategies (Baron, 2001). CSR is most often motivated by the desire to improve the company's image. CSR is therefore a mechanism through which companies gain more public visibility and in particular, gain

more attention from stakeholders they may view as most important to their business, such as customers, regulators or financiers. The tendency of companies to see the CSR as a means of improving corporate image can make companies vulnerable to "cosmetic activities" instead of pursuing a sustainable CSR approach (Núñez, 2008).

Europe's first manufacturing sector, the food and drink industry, puts sustainable growth at the heart of its business model. It does so not only because it makes good business sense but also because of the unique relationship that industry has with the environment, on which it relies for a continuous, adequate supply of safe, high quality raw materials from which to make world-renowned

food and drink products. Ensuring green growth, therefore, not only helps safeguard the earth's limited natural resources but also secures the long-term competitiveness and prosperity of Europe's food and drink industry (CIAA, 2007). Considering all specific features of agrifood business and food market, we can think about the possibilities how to implement sustainability features into marketing practice in those areas (Horská and Yespolov, 2013).

A disconnection in the communication between the CSR initiatives and public awareness will impede any potential benefits to a company; so, it is important to intelligently and strategically communicate this to the public and to all stakeholders (Maignan and Ferrell, 2004; Morsing and Schultz, 2006). CSR is defined in many ways, but generally refers to how a company addresses and manages its environmental, social, corporate governance and economic impacts and how such impacts may affect the company's stakeholders. CSR provides companies with an opportunity to strengthen their business (through cost savings, risk mitigation and value enhancement) while contributing to society. CSR should focus on the important areas of interaction between the company and its key stakeholders and address value creation actions as part of the company's strategy (Noked, 2013). At present the principles of responsible business acquire more and more companies. There is a direct proportion in increasing demand for evidence of benefits in this enterprise (Holienčinová, Nagyová and Sedliaková, 2014). Global studies have shown that consumers but also investors and employees tend to favour companies that demonstrate socially responsible behaviour and are environmentally friendly. Therefore, if companies want to maintain their market position they must radically change the approach to marketing (Horská, Nagyová *et al.*, 2013).

In business, there is a general view that activities aimed at protecting the environment demand additional costs and threaten the competitiveness of companies. Recently, have more often been occurred opinions that improvement of environmental performance in company can lead to better trade, economic and financial performance (Ambec and Lanoie, 2008). Pressure which is being developed by government and non-governmental organizations, and consumers themselves, forces companies to deal with issues of environmental protection. Result is that natural environment becomes a necessary component of marketing company environment (Vasílová and Bzdúšek, 2011). For many years, food and drink companies have shown leadership in environmental sustainability. This includes voluntarily cutting energy use, water consumption and waste generation, increasing resource-efficiency and engaging in a range of initiatives with food chain partners (CIAA, 2009).

## MATERIALS AND METHODS

The aim of the present paper was to highlight how much are food manufacturing companies committed to caring for the environment as a main component of their CSR strategy. The paper refers to incorporation of environment in company guidelines, type of environmental commitment by companies, as well as to areas of environmental investment/expenditure for companies. Furthermore, in our research, results are connected with environmental management systems (EMS) and motivations for environmental responsibility in food production area that within environmental sustainability apply companies in order to make a positive contribution to society and the natural environment. We also indicate how stakeholders can access company's environmental records.

In order to fulfil the defined objective of the paper were collected and used primary and secondary sources of information. Underlying secondary data were obtained from available literature sources, i.e. from professional book publications from domestic and foreign authors and organizations. When processing of individual underlying data and formulating conclusions of the paper were used methods of analysis, synthesis, induction, deduction and the comparative method.

In order to meet the objectives of the paper, marketing research was realized. Marketing research was realized in the year 2015 by the method of interview using a questionnaire. The research was focused directly on food manufacturing companies in Slovakia. The research involved 100 randomly selected food companies (totally 34 micro companies, 33 small-medium companies/SMC, 33 large companies). The aim of the research was to find out the environmental dimensions of CSR activities in food manufacturing companies (environmental guidelines, investment/expenditure, motivations, records, etc.). For a deeper analysis of the obtained results, there was set out an assumption about the correlation between the motivations for application of environmental responsibility and the size of company (micro, small-medium, large). To test the dependence were used Pearson's chi-square test and Cramer's contingency coefficient.

## RESULTS AND DISCUSSION

Primary data for meet the objectives of the present paper were obtained through marketing research, which was attended by 100 randomly selected food manufacturing companies in Slovakia. The aim of the first question was to find out how many companies have questions about environment incorporated in company guidelines (Fig. 1).

Companies that are more committed to caring for the environment as a main component of their CSR strategy are more likely to have such goals embodied in their official guiding documents, such as the company's vision or mission statement, policy statement and strategic plans.

It was found out that 31% of all companies directly or indirectly referred to the environment in their vision or mission statement while 42% of them did so in one of their fundamental company policies and 27% of them did so in their corporate strategic plans.

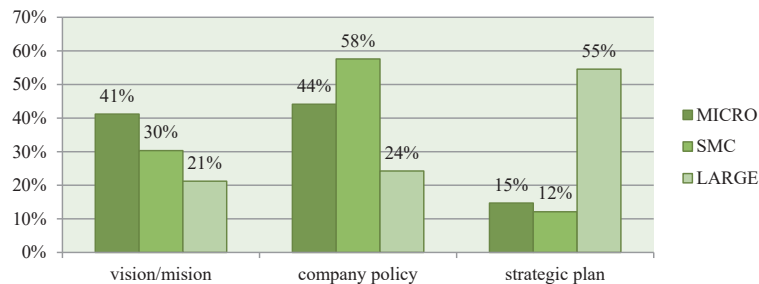
The research found out, that 41% of micro companies referred to the environment in their vision or mission statement, 44% indicated it in their policy documents and only 15% of micro companies have environment incorporated in strategic plans. Compared to large enterprises, strategic plans indicated majority of large enterprises (55%).

The next graph (Fig. 2) deals with the type of environmental commitment by companies. Interestingly, a similar and the highest percentage of large, SMC and micro companies indicated the reduction of negative operational impacts as the most important commitment of companies in

relation to the environment. However, only 6% of SMC committed to any targets (setting targets for environmental improvement/continuous improvement) as well as to reduction and efficient use of raw materials and energy conservation (6%). The smallest percentage share of large company's responses belongs to engaging stakeholders in decision making and planning on their views of the company's environmental issues.

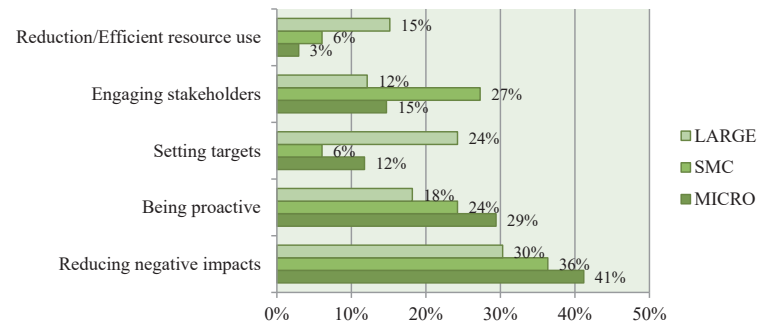
Good measures of a company's commitment that the environmental aspects of CSR are the amount actually invested by the company on environmental improvement programs and the company's priority areas for expenditures on environment improvements (Fig. 3).

The further aim of our interest was to determine in which areas, companies invested the most respectively had the largest expenses if they want to maintain the status of company responsible



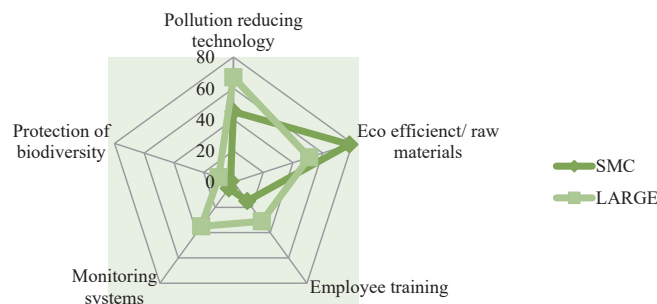
1: Incorporation of environment in company guidelines

Source: Results of the research



2: Type of environmental commitment by companies

Source: Results of the research



3: Areas of environmental investment/expenditure for companies

Source: Results of the research

for the environment. Five areas were selected and for the display of the result was used a radar chart. There are two common areas in which large and SMC companies invest mostly. Most of large companies invested to installing pollution reducing technology to improve environmental quality (67%) and utilizing more environmentally friendly raw materials (51%). These areas indicated the highest percentage as well as for SMC.

Approximately 35% of large companies invested in monitoring systems, while only 5% of SMC invested into this area what is the biggest difference between SMC and large companies.

Only 12% of all companies invested in the protection of biodiversity and natural resources. Based on comments of survey respondents, it is clear that protection of biodiversity is the single area that companies perceive they are least connected to, and which least impacts their operations.

An environmental management system (EMS) is a systematic approach for companies to bring environmental considerations into decision making and day-to-day operations. It establishes a framework for monitoring, tracking, evaluating, communicating and continuously improving environmental performance. It is a continual cycle of planning, implementing, reviewing and improving the processes and actions that an organization undertakes to meet its business and environmental goals.

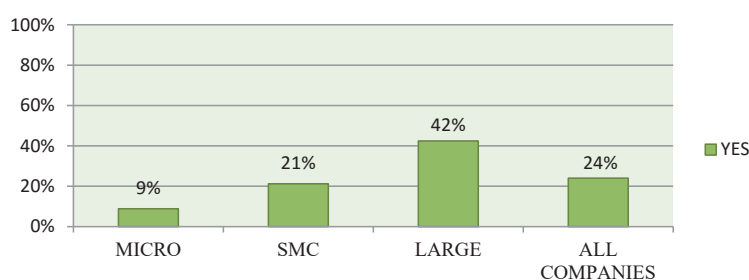
Only 24% of the companies have implemented some form of environmental management system (Fig. 4). This included 42% of large companies, 21% SMC and only 9% of micro companies. When asked reasons for not implementing EMS, the most popular answers included the high costs of

implementation, a disregard for the environment as a priority area, a lack of expertise to assist with implementing a system, no need for the system to abide by local regulations, and simply the system's irrelevance to their operations.

From 24% of companies which implemented, or are currently in the process of implementing an EMS, one-third reported that their EMS adheres to international guidelines, and 10% of them reported that their EMS takes corporate guidelines into consideration and adheres to other certification guidelines (such as ISO14001).

It is important to make a sound business case for companies to invest in corporate environmental responsibility as part of their CSR program. However, there exists a significant lack of information and understanding to the linkages between environmental and business success. This hinders the companies' abilities to identify why and where they should focus on environmental CSR, and hence, it results in poor performance and/or less emphasis in this aspect of their CSR programs.

In response to the evaluation of the question regarding to motivations for environmental responsibility in food manufacturing entities, was subsequently verified the interdependence, respectively the independence between the chosen answer and the size of the company, which has been evaluated with the use of Pearson's chi-square test (Tab. I) and Cramer's contingency coefficient (the result of Cramer's contingency coefficient was equal to 0.08, what can be interpreted as a weak relationship between tested variables). Based on the results of both mentioned tests, it can be stated, that the  $H_0$  hypothesis must be on the level of significance 5% rejected and adopted must be the



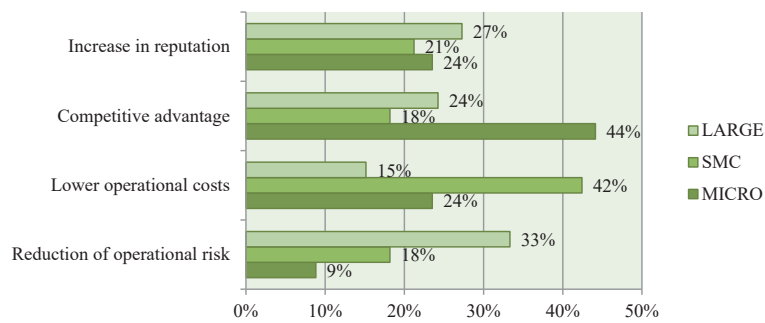
4: EMS implementation in companies by size

Source: Results of the research

I: The relationship between the motivations for environmental responsibility and the size of company

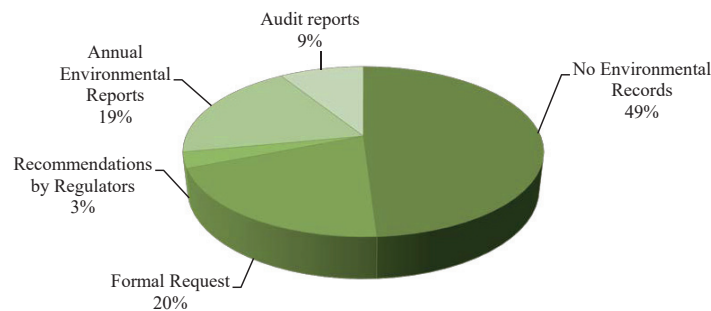
Areas of motivation	The size of company			Together
	Micro	SMC	Large	
Reduction of operational risk	3	6	11	20
Lower operational costs	8	14	5	27
Competitive advantage	15	6	8	29
Increase in reputation	8	7	9	24
TC = 14.413 > CV = 12.592				

Source: Results of the research



5: Motivations for environmental CSR in companies by size

Source: Results of the research



6: Access to company environmental records

Source: Results of the research

H<sub>1</sub> hypothesis talking about the interdependence between tested variables. The relationship between tested variables is also reflected in the Fig. 5.

The most important motivation that large companies engaged in environmental CSR (Fig. 5) was to reduce operational risks (33%), followed by increasing in reputation (27%) and competitive advantages (24%). It must also be noted that there are significant differences in motivations between large companies and micro companies. For example, while 33% of large companies cite reducing operational risks as a motivator, only 9% of micro companies cite it too. Similarly, about twice as many micro companies cited competitive advantages as motivator compared to large companies.

The CSR reports provides to a company an opportunity to communicate its environmental CSR efforts to the company's stakeholders and to discuss certain company successes and challenges on a wide array of CSR issues. The CSR report is also a medium for transparency (which often improves

a company's reputation with certain stakeholders, particularly shareholders, employees, suppliers and communities within which the company operates) and may be used as an effective outreach tool as part of an ongoing shareholder relations. In addition, the CSR report provides existing and potential investors with CSR information to assist in analyzing investment decisions.

From the above mentioned, for companies it flows that the importance of informing stakeholders about their responsible business and also to choose right or any access to company environmental records.

Of the total sample of companies (Fig. 6), almost one half (49%) reported that they did not keep any environmental records. Twenty percent of companies reported that stakeholders could obtain environmental information through a formal request. Annual environmental reports were only cited by 9% of companies, the majority of which were large companies.

## CONCLUSION

For many years, food industry belongs to sectors that have shown leadership in environmental sustainability. First, it is the natural environment where the sector's raw materials are grown. It forms the basis for the long-term health and prosperity of the sector. Not at least, the industry is fully aware of its social responsibility and is committed to making a positive contribution to society and the natural environment. The present paper also referred to how many companies in food industry sector are striving to improve their overall environmental performance.

The survey conducted by the authors has found out that 31% of all companies directly or indirectly referred to the environment in their vision or mission statement, while 42% did so in one of their fundamental company policies and 27% did so in their corporate strategic plans. It can be assumed



that the incorporation of environment in company strategic plans was not a priority for most companies, especially micro companies and SMCs.

Subsequently, the research has focused on the type of environmental commitment by companies. The highest percentage of large, SMC and micro companies indicated the reduction of negative operational impacts as the most important commitment of companies in relation to the environment. Only a few percent of SMCs committed to setting targets for environmental improvement or continuous improvement as well as to reduction and efficient use of raw materials and energy conservation.

The research confirmed that there were two common areas in which large and SMC companies invest mostly. Most large companies invested to installing pollution reducing technology to improve the environmental quality and to utilizing more environmentally friendly raw materials. These areas were indicated by the highest percentage of SMCs, too. Because of high percent of surveyed companies, which were interested in improving their energy efficiency, this interest in such improvements may be due to the immediate results seen in the monthly electricity bills which are highly tangible and therefore justifiable to companies. Approximately, one-eighth of all surveyed companies invested in the protection of biodiversity and natural resources. Based on comments of survey respondents it is clear that protection of biodiversity is the single area that companies perceive they are least connected to, and which at least impacts their operations.

Less than one-fourth of companies implemented or were in the process of implementing an environmental management system (EMS). The salient point here is that more than 70% of companies therefore do not have systematic or structured approaches to environmental CSR.

There are two times fewer SMCs and four times fewer micro companies with EMS than larger companies. Without an EMS providing a framework for the company's environmental CSR program, it becomes difficult to record, justify and quantify expenditures and measure improvements. It also reduces the company's transparency since it cannot back up its claims of improvement. Reasons identified by companies for not implementing EMS included high costs, lack of expertise, no relevance to their type of operations, and no regulatory requirement for EMS.

The research confirmed also that companies are more motivated to implement environmental CSR because of the reduced operational risk, lower operational costs and competitive advantage. The type of motivation was different according to the size of company. Again it is observed that companies are most motivated by the factors that bring about the most tangible bottom-line benefits. Other indirect benefits, or benefits accrued over a longer term, are not as motivating. Such factors as increasing reputation may not be fully appreciated by companies especially SMCs.

Almost one half of the surveyed companies reported that they did not keep any environmental record and 20% said that stakeholders could obtain environmental information only through a formal request. Annual environmental reports were only cited by 9% of companies, the majority of which were large companies. Companies tended to be a little more guarded about providing environmental performance information in light of possible penalties and a bad image they may acquire. This trend is likely to change for companies that are interested in moving towards a sustainability report, where all aspects of CSR, including environment, are highlighted in one comprehensive document.

Final remarks:

- Build CSR awareness and knowledge of the issues among all companies and particularly micro companies and SMCs. Companies must be encouraged to commit to stated and documented policies, targets and goals. Especially regarding to the environment, companies must be encouraged to make specific commitments rather than general statements that cannot be implemented.
- Environmental practices, in the context of CSR, must be linked to costs and benefits to justify the investments. More systematic approaches to environmental CSR must be encouraged, such as EMS, because of the more technical and regulatory heavy nature of environmental issues. Companies also need more awareness for the wider environmental issues that can affect their operations given that many environmental issues are not apparently visible.

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