

CORPORATE SOCIAL RESPONSIBILITY – GLOBAL BUSINESS STRATEGY

Zuzana Džbánková

Abstract

The much fiercer competition in globalised markets demands that economic entities adapt quickly and appropriately as new conditions arise. One way to meet the new conditions, challenges and opportunities is through corporate social responsibility, with emphasis on a shift away from the short-term to long-term goals and from maximising to optimising profits, the latter having three dimensions (economic, environmental and social). Socially responsible companies take into consideration the needs of their internal as well as external settings and contribute to sustainable development. Transparent and responsible behaviour reflects the pressure of the society and is becoming a competitive advantage. The concept of CSR is gradually making headway and becoming part of corporate strategy, instead of being merely a marketing tool. For small and medium-sized companies, which operate regionally and are easily monitored, socially responsible conduct presents a natural course of action to ensure survival.

Key words: corporate social responsibility, ethics, strategy, globalization

JEL Code: M14 Corporate Culture; Social Responsibility, L1 Market Structure, Firm Strategy, and Market Performance Code, L2 - Firm Objectives, Organization, and Behavior

Introduction

Becoming capable of competing on the global scale calls for flexibility, ability to respond adequately to changes within and outside the enterprise, and consistence in seeking and making use of new opportunities. Recognising which factors are crucial for the future and gaining advantage over one's competitors are of utmost importance. The choice of the company's strategy is a key factor in this process. From the long-term perspective, behaving in accordance with the principles of social responsibility appears to be the best strategy for more and more companies. The article deals with the role of corporate social responsibility in global conditions. It is only focused on selected issues of CSR and its specific features and its prospects in the Czech Republic. In order to achieve this, the methods of description,

comparison and analysis have been employed, making use of secondary data from specialist literature sources and results of available research on the topic.

1 What encourages companies engage in CSR and what benefits does it bring?

The notion of CSR started to develop in the second half of the 20th century, in relation to global processes, when the roles of the church and the state as the traditional guarantors of social responsibility began to weaken. Social changes and long-term solutions to problems faced by civil society demand active participation by the corporate sector (Kunz & Srpova, 2007). The modern history of CSR started in the U.S. and it's related to such names as H.R. Bowen, R.E. Freeman, P. Drucker, A. Carrol. CSR derives from the stakeholder theory and the principles of sustainable development. The concept of CSR is based on voluntary conduct, it is open to discussion and leaves room for a wide range of interpretations and understanding. There is not one generally accepted definition. For example, the World Business Council for Sustainable Development defined social responsibility in 1997 as follows: *"CSR is a company's continual commitment to act ethically and contribute to economic growth, while striving to improve the quality of life of its employees and their families, as well as of the local community and society as a whole."* According to the EU Green Book, *"CSR is the voluntary integration of social and ecological aspects within a company's every-day operations and its interaction with stakeholders"* (Duskova & Dzbankova, 2005; Trnkova, 2004). In essence, CSR is about enterprises behaving responsibly towards their employees, consumers, suppliers, local communities, the environment etc, and doing so beyond the scope of what is required of them by law. Numerous studies prove that the public expect organisations to act in a responsible manner. CSR and the implementation of ethical principles have an impact on the company's position within the market, its ability to compete and its profits (Pavlík & Bělčík, 2010).

As the concept of CSR was developing, its supporters were joined by its opponents. Milton Friedman made his stand against the idea that companies should be obliged to conduct themselves in accordance with the society's expectations, arguing that *"a company's only responsibility is to create profits for its owner"* (Friedman, 1970; Džbánkova, 2003; Doležalová 2008).

When a management of a company considers introducing CSR, it must ask itself why the company should be responsible, what activities it should opt for, how the concept should

be implemented, evaluated and what the current status of CSR is. CSR activities are associated with additional costs. Why be a socially responsible company then? What are the benefits of social responsibility and who benefits from it? Responsible behavior has a positive effect on the image and goodwill. Companies can increase demand of their production, profit and its market value. Firstly, it is a way for a company to create goodwill as a by-product of expenses which are fully justifiable by its own interests. Secondly, the socially responsible behavior may be influenced by various entities inside and outside the company. And that relationship to their surroundings can lead to socially responsible behavior. Socially responsible behavior as a response to environmental demands. Furthermore, the socially responsible behavior can be the result of company efforts to achieve the objectives of the participating entities in the company (Soukupová & Dušková, 2005). What may be the benefits of CSR?

1.1 Benefits of CSR

Once put in practice, CSR begins to bring benefits to the company's clients (improved product quality, innovation), its employees (improved quality of work place, better care), its suppliers (higher effectiveness and transparency of supplier-client relationships), the public sector (better quality and availability of public services, financial savings) and the citizens (improved living and social environment) in the region where CSR is applied.

It is essential to determine the advantages CSR brings to the organisations that practise it as CSR activities come hand in hand with additional expenses. The advantages include: increased value of intangible assets and the organisation as a whole (reputation, brand value, human capital, trust relationships and partnership), expenditure savings (innovation, which leads to increased effectiveness and brings down real explicit costs, decrease in implicit costs, i.e. expenses to do with future removal of contaminated surfaces or potential disputes etc.). In the long-term, CSR contributes to greater profits and content, loyal and skilled workforce (company's stronger image, creative environment), increased competitive advantage and greater client loyalty (differentiation from competition, ethics-based decision-making by clients), new business opportunities (communication with various stakeholders being a source of ideas), it attracts investors (adding CSR to the firm's strategy is a sign of good management and lower risk), enables the enterprise to achieve the status of "preferred supplier", to increase effectiveness of supplier-client relationships (mutual trust, increased product quality, greater profits) and leads to better risk management (changes and potential risk is foreseen thanks to respecting the environment) (Pavlík & Bělčík, 2010).

Creating and implementing the attitude of CSR within the organisation is a long-term and complex process. It is the choice of operation areas and individual CSR activities, their integration into the company's vision and values. It also concerns corporate culture and decision-making at all levels of management. The process involves: forming of a vision (selecting CSR activities), evaluating attitudes to CSR within the organisation, determining what steps need to be taken to implement CSR (commitments, goals, involvement of target groups etc) and creating a CSR concept which is the most suitable concept for the company's line of business, mission, size and corporate culture. The formation of the concept itself entails determining the main motivating factors for implementing CSR, identifying the key CSR visions, evaluating the current standing of CSR within the organisation, establishing who the main stakeholders are and how best to involve them in the CSR activities of the company, deciding on the main themes and goals and forming an action plan of CSR activities necessary to achieve the selected goals. Personnel roles and responsibilities, the budget and the time plan must be clarified. At the same time, a way of monitoring and reporting results of CSR activities which have taken place needs to be put forward. Communicating correctly with the target groups (stakeholders) constitutes an important part of the implementation of the principles of CSR.

2 The current status of CSR in the Czech Republic

A number of recent studies and analyses (STEM, BLF, the Pontis Foundation, Ipsos etc.) have indicated how much real awareness there is about CSR in the Czech Republic and to what extent CSR activities take place there. The Business Leaders Forum (BLF) – an association of Czech and international companies – contributes greatly in this field in the Czech Republic by being an active promoter of socially responsible conduct and a supporter of collaboration between the enterprise, not-for-profit and public sectors.

In general, awareness about the extent of CSR can be regarded as low. CSR is often associated only with philanthropy and/or companies acting ethically. There is lack of systematic and complex approach, lack of strategy and lack of interconnectedness among all the different CSR activities. Delegation of responsibility and CSR goals tend to be imprecise. Ways of assessing whether CSR activities have been successful are not defined sufficiently and accidental and occasional occurrences are seen as socially responsible. CSR is thus often mistaken for marketing (presentation of a company and its products). Enterprises concentrate on donorship, activities in the field of environmental protection and ethical codices. CSR politics focuses inwards, on the employees (education, social benefits). On the public-sector

end of the spectrum, the support of CSR is poor or missing altogether. The fact that the public are not kept sufficiently informed is a major characteristic (low support and education through media with respect to CSR benefits) (Pavlík & Bělčík, 2010). Despite this situation, as the following surveys show, Czech citizens and local companies are taking the growing pressure of demanding transparency and ethical conduct into consideration.

2.1 Latest CSR Survey

The survey “**Corporate Social Responsibility – a new factor of competitive advantage**” by **BLF**, carried out in stages between 2006 and 2008, revealed some important facts. A total of 225 companies from all over the Czech Republic participated in it – small, medium-sized as well as large firms (65%, 23% and 12% respectively), operating internationally as well as only within the Czech Republic (49% and 51% respectively). 47% of the firms were familiar with the term CSR, whereby the larger the firm, the greater the familiarity. Almost 80% of the companies agreed that an enterprise must behave responsibly and ethically towards its employees, the environment and the community in which it operates, if it is interested in long-term prosperity. A majority of the firms (close to 90%) undertake at least one employee-oriented activity (mainly education – 66%) and 93% of the firms engage in at least one outward activity (collaborating with NGOs, supporting training and education, integrating disadvantaged groups of citizens). Donations constitute the most commonly executed form of assistance (63% of the firms), then come sponsoring (47%), collaboration with other institutions on socially beneficial projects (33%) and cooperation with one’s own employees (24%). Prague-based companies tend to focus on their staff more (67%), non-Prague firms more commonly opt for donations (65%) and sponsoring (48%). The factors that most frequently motivate companies to behave in a socially responsible manner are: ethical/moral reasons (74%), greater satisfaction of the staff (64%), improved relations with business partners and investors (40%) and traditions (32%). Greater satisfaction of the employees, better relationships with business partners and investors and improved reputation of the company were perceived to be the main benefits which result from CSR. Conversely, the principal reasons listed among those that hinder socially responsible conduct were: excessive bureaucracy, lack of time and high costs (almost 30% of the firms state no reasons). 28% of the companies had appointed someone to coordinate CSR, while only 15% publish news about CSR (BLF Survey, 2008).

For the benefit of comparison, let us examine some of the results of project „**CSR Research 2010**“ by **Ipsos Tambor** (in cooperation with Ceska Sportelna, MPMG Czech

Republic, CEZ and Vodafone). It was carried out in autumn 2010 on a representative sample of the adult population and professionals (CSR managers of large corporations, representatives of prominent NGOs, members of various associations, institutions and media). Its aim was to perform a detailed analysis of the different areas of CSR, the ways which CSR activities are perceived and their influence on the reputation of the companies. The total of 17 enterprises was evaluated. Whether a company is socially responsible or not influences 2/3 of shoppers. 80% of the employees find it important whether their employer acts responsibly. Based on their conduct and personal attitude to CSR, 53% of the population can be seen as engaged in CSR – they actively participate and demonstrate interest in the topic. Responsible behaviour is more important to women, which is consistent with studies in other developed countries of Europe. One of the conclusions of the study was that (especially larger) enterprises ought to concentrate primarily on honest communication with the clients and on environmental issues. What citizens expect from companies is dependent on the sector, within which the company operates. Thus, energy firms should focus on the environment, services on activities within the social area, banks and financial institutions on humanitarian aid and crisis situations. The study investigated the extent to which social responsibility helps build a company's reputation. The way in which social responsibility is perceived clearly acts as a contributory factor in the formation of a positive view and trust, both necessary for goodwill to be created and spread. Almost 75% of the respondents stated that they would be willing to pay a higher price if a product was environmentally friendly or if a proportion of that payment was donated to a socially beneficial cause (Ipsos Tambor Survey, 2010).

One of the recent surveys, "**The interest of Czechs about CSR**" by TNS AISA,¹ was carried out on May 2011. The results showed that in the world the CSR is perceived as a competitive advantage. In the Czech Republic around 3 million people aged 18-60 years are interested in the CSR. Declared interest (45%), respectively lack of interest (44%) in the topic of corporate social responsibility are alike. The remaining respondents are unable to evaluate this area. Decisive interest in CSR, however, declares only one in eight citizens (13% - that is about 850 thousand people). This interest in CSR is declared more by men (48%, definitely interested 14%) than women (42%, 12% definitely interested). The highest interest in CSR was declared by the group of 30-39 year olds (57%, 15% definitely interested).

An remarkable paradox is that about a third of people can name a socially responsible company. Among those mentioned were Skoda Auto, CEZ, Ceska Sporitelna and Vodafone.

¹The leading companies on marketing research and market information in the Czech Republic.

Equally, however, a whole third of respondents listed companies which are not considered socially responsible. The most frequently reported were CEZ, Sazka and Skanska (TNS AISA Survey, 2011).

Conclusion

Social responsibility in practice can be seen as a challenge how to keep track of implicit and explicit social needs of its integration into corporate strategy and how to improve social relations with the business environment. It strives to seek a balance between the company (people), environment (planet) and the maximization of profit (Soukupová & Dušková, 2006, p. 21).

Although the CSR is often associated with philanthropy or mistaken for marketing (presentation of a company and its products), it is evidently penetrating into awareness of the public and companies. In global terms, the responsible behavior is considered a competitive advantage. It appears to be the best alternative strategy for a growing number of companies.

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Contact

Ing. Zuzana Džbánková, Ph.D.

Department of Microeconomics, University of Economics, Prague, Czech Republic

nám. W. Churchilla 4, Praha, Czech Republic

dzbank@vse.cz