

CSR STRATEGIES AND PRACTICES: THE CASE OF THE CZECH REPUBLIC¹

Zuzana Dvorakova – Martin John David Quigley

Abstract

The concept of Corporate Social Responsibility (CSR) has been the subject of debate and research with non-profit organizations in the CR since the early 1990's. This concept has been embedded in Czech society by the local subsidiaries of multinational corporations (MNC's). CSR is a strategy whereby the corporations take responsibility for the economic, social and environmental consequences of their business activities. In so doing, they undertake to limit/eliminate the negative impact which they have on their 'stakeholders. The aim of this paper is to identify and analyze the extent to which the local subsidiaries of MNC's really do implement and utilize the CSR concept in favour of stakeholders. The local trends are characterized in terms of quantity and quality. Year by year, a growing number of businesses formulate a CSR strategy and develop CSR projects. The quality of these projects is also constantly being improved upon. They focus on disadvantaged communities, the sustainability of CSR activities, in addition to quantifying the benefits for business, as well as for society as a whole. Philanthropy continues to occupy its place in CSR projects. However, the austerity measures contained in successive budgets give greater encouragement to those practices which connect companies' core business activities with CSR activities.

Key words: Corporate social responsibility (CSR), local subsidiaries, CSR best practices, Czech Republic

JEL Code: JEL J01, JEL M14, JEL M21

¹ This paper is processed as one of the outputs of the research project "Competitiveness" registered at the Ministry of Education, Youth and Sport under registration number IP300040 - created by the fund for the long-term institutional support to the conceptual development of a research organization; the relevant part of the project is called "Resources and perspectives of the development of European economies."

Introduction

The concept of Corporate Social Responsibility (CSR) has been the subject of debate and research with non-profit organizations in the Czech Republic since the early 1990's. The increasing attention which is being paid to CSR by the businesses community has become particularly noticeable during the past decade. The CSR concept has been embedded in Czech society by the local subsidiaries of the multinational corporations (MNC's). CSR is seen as a strategy whereby the corporations take responsibility for the economic, social and environmental consequences of their business activities. In so doing, the corporations undertake to limit/eliminate the negative impact which they have on the 'stakeholders' (Crane & Matten, 2010).

The aim of this paper is to identify and analyze the extent to which local subsidiaries of MNCs really do implement and utilize the CSR concept in favour of their stakeholders in the CR. This study's methodology consists of the following: firstly, mapping and analyzing secondary sources dealing with the CSR strategies and practices which are applied in the business world. Secondly, illustrating the facts described herein by use of two case studies that demonstrate the best practices in the area in the CR.

Czech based branches of foreign MNC's have helped to firmly implant the concept in Czech society. The European Union (EU) encourages companies to adopt CSR strategies, which, it can be argued, are instruments for the implementation of some of the EU policies which are contained in the EU Social Chapter, for instance, as well as EU policies and legislation related to consumer and employee protection, environmental protection, human rights and so on. In order to illustrate how Czech companies implement CSR strategies, the authors have chosen two business subjects: SKODA AUTO, a.s. and a rather unusual organization from the point of view of social responsibility - the Czech Gambling Industry. The prospective outcomes of this paper should be to support or refute a common view, that in the CR, pragmatic arguments prevail within the business community as to why enterprises should expend time and resources on CSR.

1 Foundations of the CSR Concept

1.1 Defining the CSR concept

The concept of CSR has a long history. We can find cases of business organizations in the 19th century, as well as in the first half of the 20th century, which can be said to have behaved in a ‘socially responsibly’ manner; e.g. Cadbury Brothers in England (19th century), and Tomáš Baťa in the CR (20th century). In the context of such a reality academics have attempted to define CSR. Despite this fact, no universal definition has yet been adopted (Porter & Kramer, 2006). For the purposes of this paper, with regard to the local CSR reality, we will start with the definition provided by European Commission, and which has been embedded in the New Policy on Corporate Social Responsibility. There, CSR is defined as: “the responsibility of enterprises for their impact on society” (European Commission, 2011, p. 6). In order „... To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders“(European Commission, 2011, p. 6). Arising from the aforementioned, we will define CSR thus: ‘that state of affairs where corporations take steps, over and above what is required of them by law, to limit and/or eliminate the negative impact of their business activities on the stakeholders’. Socially responsible corporations must take the needs and interests of the stakeholders into account when formulating their business strategies, and the budget allocations for the coming year. For instance, including pollution reducing measures as well as the research to find much cleaner production methods in such planning, would be part of the corporation’s socially responsible strategy. On the other hand, funding for a new sports club, or library in the town where the company has its business seat, would come under the category of ‘Corporate Philanthropy/Corporate Charity’ - itself a sub-heading of CSR.

1.2 Importance of the CSR concept for the business world

CSR has become increasingly important for every modern company in order to sustain its competitive position amongst other players in the marketplace (Avram & Kuhne, 2008). Implementation of this concept may bring significant benefits to the company in terms of risk management, access to capital, cost saving, human resource management and customer relationships (European Commission, 2011). These days, increasing the importance of social

responsibility requires organizations to recognize the role of CSR in the business world and integrate the CSR concept into their business and strategic leadership strategies (Bondy, Moon & Matten, 2012). So, corporations actively work on ‘developing management and organizational mechanisms for reporting and controlling business’s socially conscious policies and practices’ (Crane et al., 2008, p. 20).

As a ‘benchmark’ for companies to measure the level of success which they have achieved in their CSR activities, as well as allowing them to see what still remains to be improved upon; there exist the: OECD Guidelines for Multinational Enterprises; 10 principles of the UN Global Compact; UN Guiding Principles on Business and Human Rights; ILO Tripartite Declaration of Principles on Multinational Enterprises and Social Policy, as well as the ISO 26000 Guidance Standard on Social Responsibility (European Commission, 2011).

Porter and Kramer (2006,) pointed out that reporting CSR initiatives to its stakeholders brings the company prestige, as well as contributing to the positive reputation of the organization. Crane (et al. 2008) added that through official CSR reports it is possible to monitor how different nations and corporations approach various issues with regard to CSR. The phenomenon has emerged mostly in developed countries such as the United States, where the first formal reports came from (Fifka, 2013). Following the example of the United States – the cradle of CSR development - in the past 10 years, the significance of CSR in Europe has reached new levels, and has become the topic of many conferences, reports, as well as the focus of research dealing with social welfare (Crane et al., 2008).

2 The CSR concept in the CR

The CSR concept has created a paradigm shift from the traditional interpretation of what is profitable (Mullerat, 2010). Society does not believe that entrepreneurs perform their economic activities out of altruism, nor is it believable that companies will exchange their profitable business activities for socially beneficial ones. Under the currently prevailing economic conditions, current CSR practices in the CR are adjusted in such a way as to allow companies to carry out their business activities in a reasonable way. For the employees of a socially responsible corporation, the strategy means, to internalise the Public Interest into decision making processes and HR services.

2.1 Two case studies

SKODA AUTO, a.s.

This company's CSR strategy comes under the following three headings: Economic, Social and Environmental (Ptacek, 2011). Under its Economic heading, Skoda-Auto shows its commitment to environmental protection by its introduction of its GreenLine range of cars. These vehicles are designed to be more fuel efficient, aerodynamic and ecological. At Skoda-Auto, CSR is not just something to be done at managerial level; each individual worker also has his/her part to play in realising the company's CSR environmental strategies. The Skoda-Auto employee behaviour index informs staff, regardless of position in the company, of their CSR responsibilities.

Skoda's social area of its CSR strategy deals mainly with employee welfare, sports and culture sponsorship, as well as education. The company's relations with the wider community (i.e., external relations), is also covered by the social area. Skoda encourages its employees in following a healthier lifestyle by offering a personal health plan, tailored to the needs of the individual employee. Furthermore, the company offers its employees such benefits as extra pension plans, interest free housing loans, and other social and cultural benefits. In addition to this, employees are invited to suggest improvements to the ways the company carries on its business activities, as part of Skoda's quality improvement program. The car maker is also committed to equality in its plants, as well as to drastically reducing, or eliminating workplace accidents, through its strict work injury policy. Skoda also supports, through its partnership with non-profit groups, causes such as cancer research and environmental protection (e.g., pollution clean up operations; research and development into new methods of 'green' industrial production, and the like). While Skoda supports environmental groups in their work, the company's main activity in the environmental component of its CSR policy consists of developing more ecological engines for its vehicles, as well as decreasing their fuel consumption. Skoda is continually researching and developing more environmentally friendly production methods in its plants, as well.

The Czech Gambling Industry

At first glance, the gambling industry of a country could look like something which CSR is trying to prevent. However, the Czech Gambling Industry, the same as the above-mentioned SKODA AUTO, is aware of the need for implementing socially responsible ways of carrying

on its business activities (Tetrevova, 2011). First of all, given the potentially destructive nature of gambling, the operators in the industry are anxious to take steps to limit, or eliminate, the more noxious effects of, for instance, the ‘one arm bandits’ on the stakeholders (i.e., the gamblers themselves, their families and society at large). The ‘one arm bandit’ operators recognize the need to limit the damage caused to families, and the wider society, by less strong willed individuals who become addicted to playing the machines. The industry divides its CSR strategies into five headings. These are: the economic, social, environmental, ethical and philanthropic parts. The economic part covers such areas as: corporate governance and transparency, stakeholder relations, as well as safety and quality of the offered products; i.e., the ‘business side’ of things. The social part deals with employee welfare and allied matters, whilst the environmental part focuses on the gambling industry’s ecological impact. Given the rather dim view taken by society of gambling, the industry is anxious to demonstrate its commitment to ethical behaviour, as well as its philanthropic endeavours. The ethical aspects of the Gambling Industry’s CSR strategy deal with such things as Intellectual Property protection, and transparency in its dealings. Society at large also benefits from the industry. For instance, the profits from lotteries, and other Gambling Industry areas of business, are used to sponsor cultural and sporting activities, whilst the local economy benefits from investments in infrastructure, and so on.

2.2 Trends and the future

Based on some facts described in the case studies mentioned above, CSR strategy and practices are usually executed by the local subsidiaries of the MNC’s, and are based on the CSR strategy which has been adopted and implemented by head office. The administration of CSR processes is delegated to the local management, and is, in turn, conducted by a staff subdivision within the local organization. Supervision of the process is carried out by a top management member of the local subsidiary. Nowadays CSR philanthropic activities are not of a purely financial nature. Indeed, new business models link entrepreneurship with social or environmental projects. Generally speaking, in the case of Czech firms, it appears to be the exception rather than the rule that they have a written CSR strategy which is consistent with their business policies and standardized processes. This includes the establishment of a CSR department.

In the CR, pragmatic arguments prevail within the business community as to why enterprises should expend time and resources on CSR. Therefore, we find a significant number of cases where the main motive is based on building good PR, as well as HR marketing. Hence, some companies strive to be visible as sponsors, or philanthropists who support local communities, as well as presenting themselves as the best employer. Public reactions to CSR activities are different. The majority of the population is less willing to be personally engaged in CSR activities compared to people in other developed countries. Czech people also have a reserved attitude to the usefulness of such activities. A positive attitude change towards CSR is evident among Generation Y, graduates, and also among higher and middle income people because their values are similar to the values and lifestyles in developed countries.

All private entities in the CR prioritize an active rather than a passive approach to CSR. Instead of making financial donations to specific entities, they are willing to devote employee time to volunteering; to link volunteering with HR processes, as well as monitoring the extent to which CSR projects are sustainable, as well as what benefits they will reap in the long-term.

2.3 Role of the CSR department

CSR, being a voluntary business concept, relies on self-regulation to achieve its objectives. For a corporation to be able to gauge its progress in CSR, it must measure its activities against its industry/business sector Best Practices. In order for it to have any sense, it must be incorporated into the company's overall business strategy; if a corporation has a CSR department which operates outside its core business area; that would be a waste of resources. Ideally, a CSR department's *raison d'être* should only be to cooperate with the other departments in the implementation of CSR policy into all aspects of the corporation's core business activities. Once it is up and running, the CSR department personnel should be absorbed into the other 'business' departments to help ensure that they abide by the socially responsible principles which they have adopted. It is also important to have the entire staff; from the CEO down to the cleaners; committed to realising the CSR policy of the corporation. Only in this way can the company's CSR strategy have any chance of long term success.

Conclusion

In the CR, pragmatic arguments prevail within the business community as to why enterprises should spend time and sources on CSR. Private entities prefer an active approach to CSR projects than a passive one, and so they integrate them into other activities; mostly into HR management; e.g. into training and development. Public reactions to CSR activities are different. Czech people still have a reserved attitude to the usefulness of such activities. A positive attitude change towards CSR is evident among Generation Y, graduates, and also among higher and middle income people due to changes in their lifestyle, as well as their expectations.

Local CSR trends are characterized in terms of quantity and quality. Year on year, a growing number of businesses formulate a CSR strategy and develop CSR projects. At the same time, the quality of these projects is improving. They focus on disadvantaged communities, the sustainability of CSR activities, in addition to quantifying the benefits for business, and society as a whole. Philanthropy continues to occupy the place which it has always occupied, but the austerity measures contained in successive budgets encourage those CSR practices which connect companies' core business activities with CSR activities.

References

- Avram, D.O., & Kuhne, S. (2008). Implementing responsible business behavior from a strategic management perspective: developing a framework for Australian SMEs. *Journal of Business Ethics*, 82 (2), 463-475.
- Basil, D.Z., Runte, M.S., Easwaramoorthy, M., & al. (2009). Company support for employee volunteering: a national survey of companies in Canada. *Journal of Business Ethics*, 85 (2), 387-398.
- Baumann-Pauly, D., & Scherer, A.G. (2013). The organizational implementation of corporate citizenship: an assessment tool and its application at UN Global Compact participants. *Journal of Business Ethics*, 117 (1), 1-17.
- Bingham, J.B., Mitchell, B.W., Bishop, D.G. & al. (2013). Working for a higher purpose: A theoretical framework for commitment to organization-sponsored causes. *Human Resource Management Review*, 23 (2), 174-189.

Bondy, K., Moon, J., & Matten, D. (2012). An institution of corporate social responsibility (CSR) in multinational corporations (MNCs): Form and implications. *Journal of Business Ethics*, 111 (2), 281-299.

Crane, A., & Matten, D. (2010). *Business Ethics. Managing corporate citizenship and sustainability in the age of globalization*. (3rd edition). New York: Oxford University Press. 648 p.

Crane, A., McWilliams, A., Matten, D., Moon, J., & Siegel, D.S. (eds). (2008). *The Oxford Handbook of Corporate Social Responsibility*. New York: Oxford University Press. 608 p.

European Commission. (2011). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. A renewed EU strategy 2011-2014 for Corporate Social Responsibility. [online]. Brussel, 25. 10. 2011. [cit. 2014-5-10]. From http://ec.europa.eu/enterprise/policies/sustainable-business/files/csr/new-csr/act_en.pdf.

Fifka, M.S. (2013). Corporate citizenship in Germany and the United States – differing perceptions and practices in transatlantic comparison. *Business Ethics – A European Review*, 22 (4), 341-356.

Choi, Y., & Yu, Y. (2014). The influence of perceived corporate sustainability practices on employees and organizational performance. *Sustainability*, 6 (1), 348-364.

Mullerat, R. (2010). *International Corporate Social Responsibility: The Role of Corporations in the Economic Order of the 21st Century*. Alphen aan den Rijn: Kluwer Law International, 510 p.

Porter, M.E., & Kramer, M.R. (2006). Strategy and society: the link between competitive advantage and corporate social responsibility. *Harvard Business Review*, 84 (12), 78-92.

Ptacek, T. (2011). CSR in the Czech Republic: Skoda Auto. *Tomas Ptacek`s Blog* [on-line]. 8th May 2011 [cit. 2014-05-10]. From <http://tomasptacek.wordpress.com/2011/05/08/csr-in-the-czech-republic-skoda-auto/>.

Tetrevova, L. (2011). Corporate social responsibility in the Czech Gambling Industry. *Economics and Management* [on-line], 16, January, 612-620 [cit. 2014-05-10]. From <http://www.ktu.edu/lt/mokslas/zurnalai/ekovad/16/1822-6515-2011-0612.pdf>.

Contact

Zuzana Dvorakova

University of Economics, Prague

Faculty of Business Administration

Department of Human Resources Management

Mail: zdvorak@vse.cz

Martin John David Quigley

University of Economics, Prague

Faculty of Business Administration

Department of Human Resources Management

Mail: martin.quigley@vse.cz