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Procedia Economics and Finance 12 (2014) 725 – 732

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**Procedia**  
Economics and Finance  

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Enterprise and the Competitive Environment 2014 conference, ECE 2014, 6–7 March 2014, Brno,  
Czech Republic

## Corporate Philanthropy in the Czech Republic

Adriana Válková<sup>a</sup>, Sylvie Formánková<sup>a,\*</sup>

<sup>a</sup> Mendel university in Brno, Zemědělská 1, 613 00 Brno, Czech Republic

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### Abstract

Large corporations make only 0.2 % of the total number of companies in the Czech Republic. On the other hand their influence on the society is enormous. This paper deals mainly with large companies that were able to incorporate the philanthropic activities in their business strategy. Based on the analysis of secondary data provided by the companies the aim of this paper is to identify the key areas of corporate philanthropy these companies focus on, describe the common characteristics and find the ways of corporate philanthropy that could be used by small and medium sized companies in the Czech Republic. SMEs have 99.8 % in the total amount of companies in the Czech Republic and they employ 68.5 % of employees. This fact makes them important and it is necessary to ensure their future competitiveness. Large companies usually focus on a long-term partnership with a certain NGO. The second most often activity is establishment of their own corporate foundation or endowment fund. Most often supported areas are children, family and young people. Large companies also support education. The three areas that were not supported (or just minimally) by the analyzed large companies were animals, homeless and old people. This could be a gap where the small and medium sized companies may fit in. There are two options how to do it. Individually by direct support or individual cooperation, and the second option is to cooperate with other companies from the same field, region or branch in the form of association, joint fund etc. The second way could be more beneficial for both parts – profit and non-profit organizations. These results could serve as a pre-research for the next more extensive study of philanthropy in the Czech Republic.

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Selection and/or peer-review under responsibility of the Organizing Committee of ECE 2014

*Keywords:* Corporate philanthropy; corporate social responsibility; large, small and medium enterprises

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\* Corresponding author. Tel.: +420-545-132-534

E-mail address: [sylvie.gurska@mendelu.cz](mailto:sylvie.gurska@mendelu.cz)

## 1. Introduction

The history of altruistic behaviour connected with donation goes back to the beginnings of human civilization. Historical roots of philanthropy – humanistic motivated charity in the form of money/goods/time giving – had been found in the Ancient times. The beginnings of organized philanthropy on the Czech Republic territory are connected with the Christianity and church. In the Middle Ages philanthropy became a public affair and was set in law. Nowadays, the effort to help others who need it still occurs. The philanthropy is realized mainly through the non-profit sector. It mediates the transfer of material gifts from the donor to the target group. The non-profit organizations intervene usually in those areas where the state fails. They try to compensate the arising deficiencies. The number of NGOs in the Czech Republic has risen from 3,879 in 1990 to 86,068 in 2012. Accept of private sector the importance of corporate philanthropy increases and it is part of corporate social responsibility. Companies (mostly in the form of financial gifts) contribute to the solution of social problems. The motivation beside the altruistic behaviour is the improvement of corporate image and tax relief. (Bečvářová, 2013)

Only over half of European citizens believe that companies have positive influence on society, while more than 4 out of 10 believe companies have negative influence. Europeans are more sceptical about the influence of companies than citizens from other major economies. There is, however, a wide diversity of views across EU27 countries, from the 85 % of respondents in Denmark who think the influence of companies on society is generally positive, to 36 % of those in Italy and Slovenia. Respondents in non-European countries are generally more optimistic about how much attention companies pay to their influence on society, with more than half in Brazil (74 %), China (65 %), India (62 %) and Turkey (57 %) saying companies pay more attention. Europeans are more likely to think SMEs make efforts to behave responsibly compared to large companies. (How companies influence our society: citizens view, 2013) On the other hand there is still the opinion that corporate social responsibility, especially corporate philanthropy, is a domain of large companies – because they can effort it. Corporate philanthropy is a part of corporate social responsibility and the idea of “unnecessary luxury” is no longer valid.

This paper deals with large companies that were able to incorporate the philanthropic activities in their business strategy and cooperate with foundation “Nadace VIA”, are registered in “Fórum Dárců o.s.” (Donor’s forum) or are on the list of the awarding “Top filantrop” (The Top Philanthropist). There were 21 of these companies chosen and a research based on the secondary data published by the companies was performed. This research could serve as a pre-research for the next more extensive study of philanthropy in the Czech Republic and its aim is to identify the key areas that these companies focus on, describe the common characteristics and find the ways of corporate philanthropy that could be used by small and medium sized companies in the Czech Republic.

## 2. Body

### 2.1. *The Current Situation in the World*

The number of EU enterprises that have signed up to the ten CSR principles of the United Nations Global Compact has risen from 600 in 2006 to over 1900 in 2011. About 180 enterprises expressed support for the Alliance. National employers’ associations also supported the Alliance and undertook a number of actions to promote CSR. Other organizations associating companies active in CSR registered a huge development too. In spite of this progress, important challenges remain. Many companies in the EU have not yet fully integrated social and environmental concerns into their operations and core strategy.

The Commission puts forward a new definition of CSR as “the responsibility of enterprises for their impacts on society”. 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, with the aim of:

- maximizing the creation of shared value for their owners/shareholders and for their other stakeholders and society at large;
- Identifying, preventing and mitigating their possible adverse impacts.

The complexity of that process will depend on factors such as the size of the enterprise and the nature of its operations. For most small and medium-sized enterprises, especially microenterprises, the CSR process is likely to

remain informal and intuitive. (Communication from the commission to the European parliament, the council, the European Economic and social committee and the committee of the regions, 2013)

Two hundred and forty companies participated in the Corporate Giving Standard (CGS) Survey on 2012 contributions, including 60 of the largest 100 companies in the FORTUNE 500. The value of contributions across all respondents was more than \$20.3 billion in total giving.

Table 1. Snapshot of Corporate Giving in 2012

	All Companies (N=240) Median Values	Largest 100 Companies in the FORTUNE 500 (n=60) Median Values	All Other Companies (n=180) Median Values
Total Giving	\$19.89 Million	\$60.95 Million	\$13.54 Million
Total Giving as a % of Revenue	0.13 %	0.09 %	0.14 %
Total Giving as a % of Pre-Tax Profit	1.00 %	0.96 %	1.01 %
Total Cash Giving as a % of Pre-Tax Profit	0.71 %	0.68 %	0.73 %
Matching Gifts as a % of Total Cash Giving	11.99 %	13.69 %	10.97 %
Total Giving per Employee	\$620	\$542	\$649

Source: CECP, in association with The Conference Board. Giving in Numbers: 2013 Edition

The average company provides most of its giving in cash from corporate budgets (47 %) and its corporate foundation (35 %), with other contributions provided in the form of non-cash resources (18 %). Through matching-gift programs, companies match employee donations of money or volunteer time to eligible nonprofit organizations. In 2012, 181 companies shared details about their matching-gift programs. Among that group, matching gifts comprised a median of 12 % of a company's total cash giving. Employee-volunteer programs are planned and managed efforts that enable employees to volunteer under their employer's sponsorship and leadership. In 2012, 188 companies reported having a formal domestic employee-volunteer program, a formal international-volunteer program, or both. Paid-Release-Time, Dollars for Doers, and Company-Wide Days of Service were listed among the most successful engagement programs in 2012. In 2012, 81 % of companies reported having a corporate foundation. The most common foundation structure was a pass-through model, wherein the company annually funds the foundation.

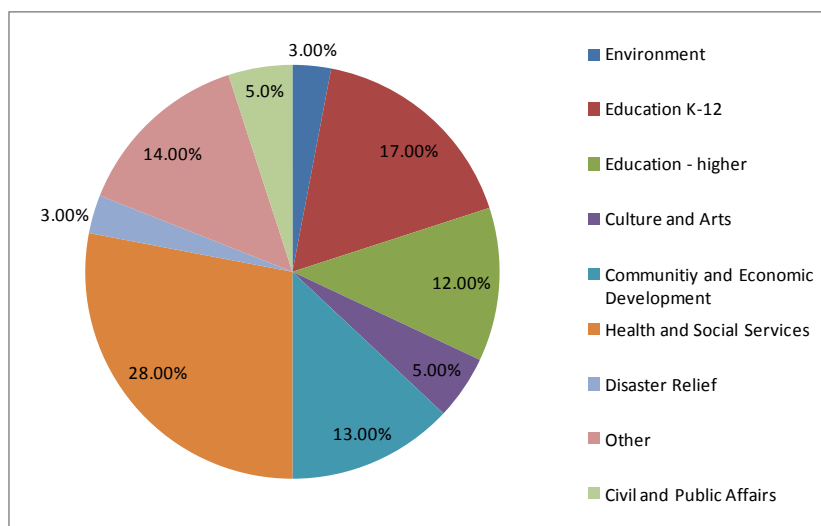


Fig. 1. Top priorities for giving

Source: own elaboration based on CECP, in association with The Conference Board. Giving in Numbers: 2013 Edition

Education (comprising both K-12 and Higher Education) was the most funded program area (collectively, 29 % of average allocations) for the first time since Giving in Numbers was first released in 2006, inching past Health and Social Services for the top spot.

Manufacturing companies provide a greater proportion of non-cash contributions than Service companies, typically because Manufacturing companies have greater access to excess product. Service companies do provide non-cash in other ways, such as pro bono service, use of facilities or space, or donations of land or property. The Health Care industry gave the highest average percentage of non-cash contributions, in large part due to Pharmaceutical companies providing, on average, 88 % of giving in the form of non-cash contributions (n=9). The Financials, Materials, and Utilities industries provided the highest proportion of cash giving, including both foundation and direct-cash contributions combined. In 2012, total giving growth was driven by increased non-cash contributions, yet the average company provided only 18 % of giving in the form of non-cash contributions. (CECP, in association with The Conference Board. Giving in Numbers: 2013 Edition)

## 2.2. Czech Republic

The corporate social responsibility concept is perceived in the world as competitive advantage. This statement cannot be confirmed in the Czech Republic. The declared interest in CSR (45 %) is equal to the unconcern among Czech respondents (44 %). Other respondents could not judge this question. These are the results of the research TNS AISA in 2011. (Kuldová, 2012) On the other hand for almost 2/3 of Czech population care about the CSR of companies where they buy the products and services. Employees also prefer employers that are socially responsible (81 %) and ¼ of Czech citizens declare they would be willing to pay more for products that are environmentally friendly. (Kuldová, 2012) The situation in philanthropy in the Czech Republic has been improved in comparison to previous years. The contribution of donors in philanthropic activities rose by 3.5 % in 2011 (compared to 2010). It makes 127 mills CZK. This data comes from the statistics of private philanthropy (Statistika soukromého dárcovství) published by the Czech Ministry of Finance. A downward trend was observed in the years 2008 and 2009 due to the crisis but since that time the number has been rising again.

The companies can be active in different types of corporate philanthropy:

- Direct support of chosen organization
  - The company provides gift or financial contribution to one or more chosen NGOs on a certain purpose or support of a concrete project.
- Own corporate foundation or endowment fund
  - The company establishes its own corporate foundation or endowment fund and uses them to support public beneficial projects or organizations.
- Long-term partnership (long-term support of a concrete organization)
  - The company supports those one or more chosen organizations they have good experiences with.
- Joint project of a company and non-profit organization
  - The company and NGO works on a joint project. Interesting and good example of this cooperation could be e.g. cause related marketing (win-win marketing) or a matching fund. (Bartošová, 2006)

There are many reasons why companies incorporate philanthropic activities in their strategy. It is possible to mention good relations with the region where they exist, public relations (good tool to create the identity of the firm), marketing (cause related marketing, increasing awareness about the company), human resources (better internal communication, better loyalty of employees, new experiences of employees – mainly when volunteering), tax benefits. (Bartošová, 2006) 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. Gurská (2012) mentions many awards given in the Czech Republic. One of the prizes is called TOP FIREMNÍ FILANTROP (Top corporate philanthropist) and it awards the best philanthropist in the Czech environment. This competition deals with the firm's donation and providing finances on publicly beneficial projects. According to this awarding the top 10 companies are announced every year. Some of them are constantly appearing on this list. The amount of donated money varies. The table 2 shows the companies that were awarded among the top ten companies in the years 2009–2013. Totally the biggest contribution was in 2010 which is influenced mainly by the donation of OKD,

a.s. that almost doubled their annual contribution from the last year and the next year (2011) fell to 32.429 CZK. The companies, ČEZ and Johnson & Johnson, s. r. o., have occupied the top ten places in this competition every year since 2009. ČEZ is currently also the most generous donor.

Table 2. Donations from the top ten companies in the competition Top firemní filantrop in 2009–2013

Company	Donated amount in thousand CZK				
	2009	2010	2011	2012	2013
AHOLD Czech Republic, a. s.			19.898	17.475	
CETELÉM ČR, a. s.		1.017	1.097	1.655	1.341
ČEPS, a. s.	35.385	31.698			
Česká pojišťovna a. s.		46.386		18.682	
Česká rafinérská, a. s.		8.886			
Česká spořitelna, a.s.	50.440	53.130	60.607		
ČSOB	36.596	29.738	46.468	55.868	
ČEZ	261.274	374.528	374.303	376.770	330.633
GE Money Bank, a. s.					9.768
GlaxoSmithKline s. r. o.		9.018	9.430	7.313	11.426
Johnson&Johnson, s.r.o.	39.361	30.717	32.295	25.965	21.889
Komerční banka, a.s.	41.892				
Kooperativa pojišťovna, a. s., Vienna Insurance Group			9.711		
KPMG Česká republika, s.r.o.		9.479	6.330	6.089	7.588
Metrostav a.s.	31.620	13.268	7.650	6.748	
Nestlé Česko s. r. o.		17.367			
OKD, a.s.	78.506	134.000	32.429	79.690	
PDQM, s. r. o.			82		
Plzeňský Prazdroj					12.992
PRK Partners s. r. o., advokátní kancelář			225		
Provident Financial s. r. o.		5.264	9.621	9.941	8.742
PwC, Česká republika, s. r. o.		1.720	1.891	1.021	
RWE Transgas, a.s.	35.800				
Siemens Group ČR		5.035			
STEM/MARK, a. s.		174	337	269	655
Telefónica O2 Czech Republic, a. s.	30.113		33.656	49.431	59.259
Vodafone Czech Republic a. s.		17.013	22.506	11.715	
<b>Total</b>	<b>640.987</b>	<b>788.438</b>	<b>668.536</b>	<b>668.632</b>	<b>464.293</b>

Source: Own elaboration based on Scorecard TOP Filantrop 2009 (2010), Ceny TOP Filantrop 2010 za projekty ve strategických oblastech (2010), TOP Odpovědná firma 2013 (2014)

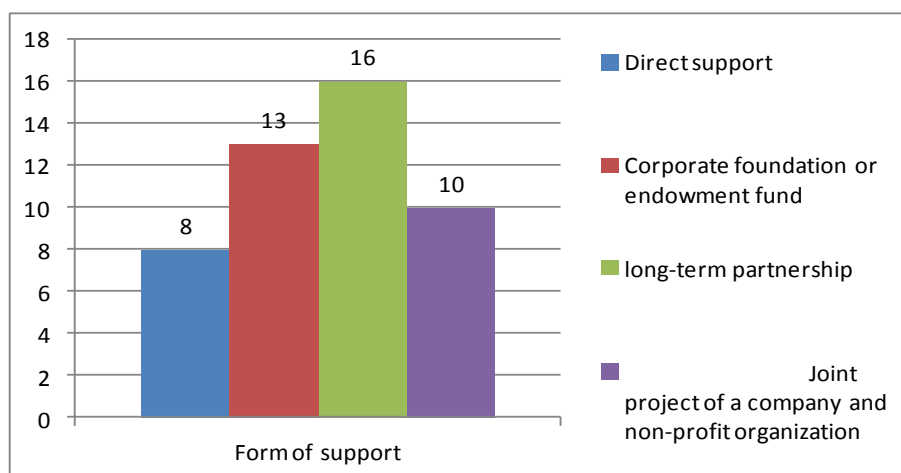


Fig. 2. Forms of support by 21 large companies in the Czech Republic

Source: Own research based on Bartošová (2006), Dělat dobro dobře (2008), Vodafone.cz

Large companies make only 0.2 % of the total number of companies in the Czech Republic. On the other hand their influence on the society is enormous. As Jim Gustafson (2006) mentions: “Today’s global corporations have more capital and human resources at their disposal than many governments. As a result, business leaders are beginning to realize that this shift of power and resources also requires a shift in responsibility to becoming better expectation that is not only the right thing to do, but will also positively add to the bottom line”.

Selected 21 large companies were analyzed in this paper. The selection was based on the data and results gathered from the Donors forum and VIA foundation. So these companies are mostly participating on joint projects with them or are registered in the association. Some of the analyzed companies were chosen according to the TOP Filantrop results. Figure 2 shows different forms of their support.

These companies usually focus on a long-term partnership with a certain NGO. This fact certifies the statement that large companies usually have a specific form of philanthropic strategy or that they incorporated the philanthropic activities in their business strategy. The second most often activity is establishment of their own corporate foundation or endowment fund. This fact is connected with the property of the company. As mentioned above (see Tab. 1) large companies participate in the financial support with significantly higher numbers than the small and medium sized companies do. But in percentage of their revenue and profit it is less than the SME’s. So it is possible to prove the fact that an establishment of a corporate foundation or an endowment fund has sense for larger companies and it can contribute to their promotion and good image.

Most often supported areas are children, family and young people. Large companies also support education on all three levels – primary, secondary, and university. They are interested in health and social services (ill or handicapped people), ecology, culture, regions and community, world charity organizations (UNICEF etc.) and old people (see Fig. 3).

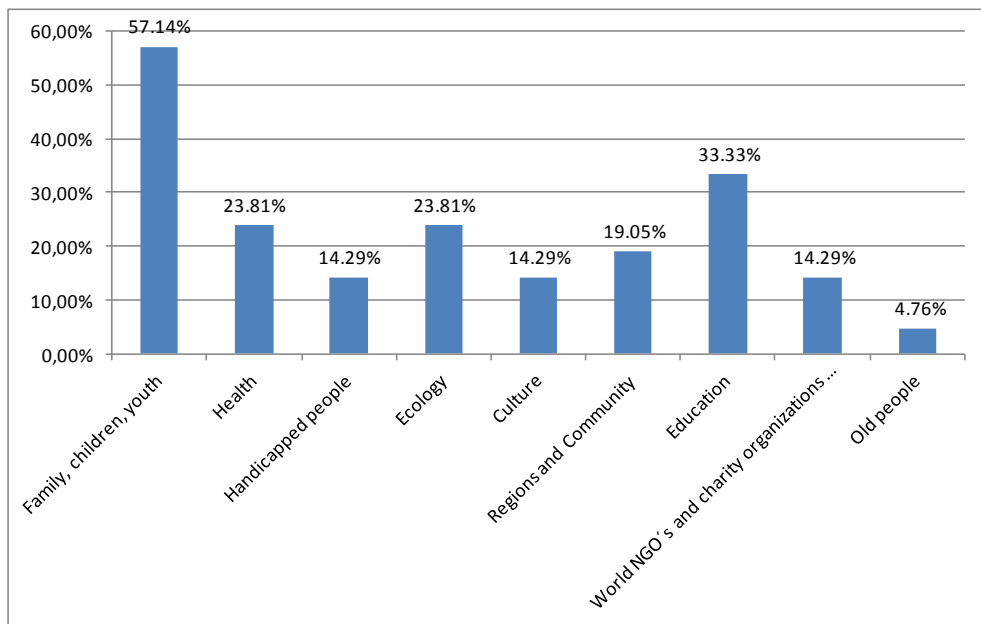


Fig. 3. Areas supported by chosen large organizations (N=21)

Source: Own research based on Bartošová (2006), *Dělat dobro dobře* (2008), Vodafone.cz

Sport, animals, and homeless people weren't mentioned among supported activities. These target groups were on the bottom also in the research by Fórum dárců and AGNES (2004). Only 6 % of 384 interviewed companies supported regularly animals, 2 % homeless people and 8 % professional sportsmen. These two areas of animals and homeless people together with old people area (supported just by one of the analyzed companies) could represent the gap that the small and medium sized companies could fit in. It is clear they won't establish a corporate foundation or endowment fund, but there are other ways how to practice corporate philanthropy.

Small and medium sized companies in the Czech Republic make 99.8 % from the total amount of companies and they employ 68.5 % of employees. This fact makes them important and it is necessary to ensure their future competitiveness. It is important to give them new stimuli through the proceedings for the support of competitiveness and productivity. As a part of cover strategy for competitiveness of Czech Republic in December 2012 a strategy of SME's support for the period 2014–20 was introduced. Nevertheless, the political measures were focused on a few areas, e.g. “access to finance” and “skills and innovation”. But CSR concept could be one of the tools the companies can use when they don't want to wait until the state and government save them. When accepting the fact that the CSR and corporate philanthropy are important also for small and medium sized companies we can see two ways how to practice corporate philanthropy.

The first one means that the corporation is all alone in this process and supports directly or indirectly chosen area of interest. It can establish a good relationship and long-term cooperation with chosen NGO's or other target groups, to participate on a certain project and support them **individually**. This activity takes quite plenty of time and is probably more expensive than the second option. The second option means to cooperate with other companies from the same field, branch or from the same region and try to find an area that could be supported by all these companies and could bring benefits for both sites. In this way it is possible to see not only the costs but the profits from this cooperation in a form of common **association or other form of partnership** with other corporations. This idea could be an incentive for other more complex and extensive research.

### 3. Conclusion

Large companies appearing permanently on the Top Filantrop list usually found their way how to incorporate corporate philanthropy in their business strategy. They have usually long-term partnership with the NGOs or long-term giving strategy (own foundations). Then, the question for SMEs arises. Shall they follow the large companies and be active in corporate philanthropy? The researchers say yes. There are many advantages. On the other hand nothing is as easy as it seems to be. There are also many barriers. Currently the main barriers of the philanthropy development are pure awareness, distrust, lack of tradition and civil society. One of many researches showed also bad legislation setting. Some employees of NGOs think that the situation could be improved by increase in tax write-off. (Průzkum ukázal, kdo ztělesňuje českou filantropii. Nechybí Maxová ani ČEZ. 2012) Some experts even argue that philanthropy is just a part of public relation. Petr Robejšek mentioned for ekonom.ihned.cz that better way how to support the society as an individual is to increase taxes for “millionaires“. (Tři různé pohledy na filantropii bohatých v Česku, 2013) So called “millionaire tax”, is an initiative that has been suggested by several politicians and they try to enforce it. The drawback could be seen in the motivation to work and produce, and the effort of this people could be directed to other activities such as tax evasion, tax havens and other ways how to avoid it. The truth is that no ideal solution exists but if the companies build their reputation on transparent business with a positive attitude to the environment the chances that their activities in philanthropy will be positively accepted by the society grow. In that case it makes sense to invest time and money to ensure their stabile position in the stakeholders' trust and loyalty.

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