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Knowledge and Application of Concept of the Corporate Social Responsibility in the Czech Republic

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Abstract

The article focuses on the application of Corporate Social Responsibility (CSR) in enterprises in the Czech Republic and aims at the knowledge of the concept of Corporate Social Responsibility and engagement of companies within the particular CSR's activities. The knowledge and awareness in the field of CSR is compared to the application of the concept of CSR and the fulfilment of its three pillars – social, economic and environmental, in terms of frequency of use of particular activities and engagement in the concept of CSR as a whole. The examined group includes 702 companies from the Czech Republic; which equally represents companies from each region. The dependence between the knowledge of the concept of CSR and its application in practice is evaluated using statistical methods. The testing uses test χ^2 .

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1. Introduction

In recent years, there has been a growing worldwide interest in the issue of corporate social responsibility (CSR) that is supported not only by the multinational and international organizations, the European Union, and the governments, but also by the companies themselves. As Srpová, Kunz and Misař (2012) reported, corporate responsibility has not only social benefits, but also brings a lot of advantages to the companies themselves.

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The job of a manager has become challenging because of the fast changes and complexity of the business environment. Higher awareness and expectations of the stakeholders and the uncertainty of the global markets force managers to take actions to create favourable images of their companies, which can be done just through Corporate Social Responsibility (Singh, Narwal, 2012).

A lot of studies conducted in different countries confirm both of these factors. For instance, Sun and Cui (2013) suggest in their research that CSR has an ability to build a strong corporate image and reputation, and thus effectively improve a firm's performance. The research empirically examines the relationship through which CSR helps firms reduce the risk of falling into default. The results prove that CSR strongly reduces the risk of the business default and this relationship is stronger in dynamically developing environments.

The importance of presentation of CSR activities on company performance is also supported by the research results of Yusoff, Mohamad and Darus (2013), who state that there is a significant relationship between the structure of the disclosure of CSR activities that the firm uses in practice, and the corporate financial performance in the subsequent year.

The perception of social responsibility by Greek managers was examined by authors Leonidas, Mary, Theofilos, and Amalia (2012). Their findings indicate that most companies in Greece have an internal management position that carries out CSR programs mostly oriented towards society, environment and employees. The way CSR is managed depends on the size of the company. Moreover, Greek managers believe that CSR activities offer a number of benefits.

Other researches also confirm the positive impact of CSR on motivation, loyalty and employees' performance. For example, Lee, E.M., Park and Lee H.J. (2013) state that this is the corporate culture and its capability to become the source of the competitive advantage as well as the employees' perception of CSR activities which both play an important role in the loyalty to their company as well as in the increase in corporate performance. This is proved by empirical findings.

Aya Pastrana and Sriramesh (2013) conducted the research between small and medium-sized enterprises in Colombia. Customers, employees and shareholders are the most important stakeholders for SMEs in Colombia. The perceived benefits of CSR activities by SMEs are: improved organizational culture, attracting and maintaining best employees, improving image and reputation and improving customer loyalty.

In enterprises in the eastern Slovakia Ubrežiová, I., Stankovic, Mihalcová and Ubrežiová, A. (2013) have dealt with the similar study in 2009 and 2010. From the research results the authors conclude that if a company is committed to the concept of Corporate Social Responsibility, it implements the Corporate Social Responsibility and prefers activities that are known as socially responsible, and if employees perceive their business as socially responsible, it greatly increases their motivation, as well as loyalty and performance.

All of the above mentioned studies show the importance of CSR for businesses today. Nevertheless, not all companies still behave socially responsible. These are mainly small and medium businesses. The evidence is seen in the research of Georgescu (2012), who examined the ethical values in Romanian companies. The author concludes that the implementation of ethical values is connected, through the organizational culture, to the size of the enterprise. Big companies are more likely to elaborate written ethical codes within a strategic vision and their employees acknowledge this aspect, compared with small enterprises and their workers.

Furthermore, not all businesses really act socially responsible, even though they present themselves with the socially responsible behavior, as evidenced by the results of Perks, Farache, Shukla and Berry (2013). The authors conducted the research focusing on corporate social disclosure mainly through advertisements. They were interested in how organizations publicize their CSR strategies through printed advertisements in order to disclose social and environmentally responsible behavior to their stakeholders. The exploratory research finds out that CSR advertisements contain a limited amount of substantial information which reflects possible latent corporate irresponsible (CSI) motives.

Also, as the Dytrt and Pribyl (2012) state, lots of enterprises still evaluate their performance using only quantitative methods. According to the authors, the management should not focus only on still dominant development of quantitative values without a proportional development of quality content. This allows the controlled subjects to manifest their behavior as completely closed systems, when in fact there are only relatively closed systems that cannot exist without their surroundings.

The goal of the research described in this paper is the insight into the knowledge and application of CSR concept in the Czech Republic. Do the Czech managers know the essence and principles of CSR? Are there any differences between large and small businesses? Which pillars do companies fulfill with their activities? Does the knowledge of the CSR concept influence the engagement within the corporate social responsibility?

2. Material and Methods

Due to the considerable terminological inconsistencies of the term CSR, this article uses the definition of the European Union created in 2001, which is stated by Kunz (2012). This definition defines the CSR as the voluntary integration of social and environmental aspects into everyday business operations and interactions with business stakeholders.

According to Kunz (2012), the corporate social responsibility is based on three basic pillars that a socially responsible company or organization should fully respect. 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. These three pillars are consistent with the system triple-bottom-line, which was defined by Elkington (1997).

The actual research was conducted between businesses throughout the Czech Republic and focused on detection of the rate of CSR concept knowledge. Another objective was to verify whether the concept knowledge also brings its greater use in the company. For this reason the questionnaire was created. The questionnaire is divided into parts which help the respondents to understand the CSR concept, the basic idea of three pillars and activities falling into it (if the respondent does not know the concept of CSR), and to develop their knowledge in the CSR field (if the respondent is acquainted with the concept of CSR).

Respondents of the research were large, medium, small and micro enterprises from the whole Czech Republic. The size of the company was distinguished by the number of employees:

- Large enterprise – over 250 employees,
- Medium enterprise – 50 to 249 employees,
- Small enterprise – 11–49 employees,
- Micro enterprise – 0–10 employees.

The data collection was carried out in the period from November 2013 to January 2014. At that time, 702 respondents were involved in the research. Due to formal errors, 6 questionnaires were excluded from the research; 696 questionnaires were used for the statistical analysis. The research emphasis was put on the fact that companies were represented from each region of the Czech Republic at least in the number that corresponds to 3 % of companies active in the region.

Also, the distribution of respondents among large, medium, small and micro companies was chosen to correspond the representation of these enterprises in the Czech Republic.

For the purpose of spreading the information on research, the website www.csr-online.cz was created. The questionnaire was placed in an electronic form for direct filling. Respondents were surveyed using the cooperation with chambers of commerce of each region, the Association of Corporate Social Responsibility, and Business Leaders Forum.

Statistical processing of the obtained data used Analysis of Dependence, combinatorial sorting, Pearson coefficient, χ^2 test.

Analysis of dependence can compare the relation between the verbal signs and measure their interdependence. The combinatorial classification is a classification with verbal characters resulting in a contingency table supposing that at least one of the characters is a plural (Minarik, 2006). The contingency table has a special structure. Variations of independent variable character A are written in single lines of the table and called a_1, a_2, \dots, a_r , where r is the number of lines in the contingency table. Variations of dependent verbal signs B are written in columns and denoted b_1, b_2, \dots, b_s , where s is the number of columns in the contingency table (Hindls, 2003).

The analysis of contingency table is based on the fact that for each table cell we can determine the frequency which would be there in case that both characters A and B are independent. This frequency is called frequency calculated and is determined as follows:

$$n'_{ij} = \frac{n_i n_j}{n}$$

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), (Minarik, 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 χ^2 (chi-square) and is identified as:

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

where using a double summation symbol we denote the fact that the values calculated for each field are summed over all the lines (there are r) and simultaneously for all columns (there are s). Squared contingency thus measures the variance of the observed and calculated frequencies in the contingency table.

The influence of the file size can be deleted by determining so called average squared contingency:

$$\Phi^2 = \frac{\chi^2}{n}.$$

which, however, does not solve the influence of different sizes of contingency tables. Therefore the effort is to skip to the characteristics of intensity depending, which are beyond its influence.

Pearson's coefficient of contingency:

$$P = \sqrt{\frac{\chi^2}{\chi^2 + n}}$$

It takes values $0 \leq P < 1$. However, the value one can never be achieved (Hindls, 2003).

3. Results and Discussion

Within the research emphasis was put on mapping the businesses access to all three pillars of CSR. Each pillar was briefly introduced to respondents and more closely analyzed in nine core areas of its operations. The research results in each pillar show that not all activities of the pillars were met by the companies, as well as that some of the activities are completely outside the attention of more than 90 % of respondents.

3.1. Social pillar

Activities in the social pillar were divided into nine groups. Their sequence is presented according to the rate of their implementation in enterprises in the Czech Republic (in total):

- Health and safety of employees – 17 %;
- Business Ethics and Corporate Culture – 16 %;
- Care of the education and retraining of employees – 15 %;
- Compliance of equal opportunities – 14 %;
- Support of the surrounding community – 11 %;
- Dialogue and listening to stakeholders and people involved in business – 10 %;
- Corporate philanthropy, sponsorship and volunteering – 9 %;
- Balance of work and personal lives of employees (work-life balance) – 6 %;
- Help with finding work for redundant employees (outplacement) – 1 %;
- No activity of this pillar is performed in the enterprise – 1 %.

The respondents' answers show that most activities of this category are realized in the safety and health protection at work (this activity is generally known, and is also supported by legislation); in the area of corporate

culture (most companies adhere to certain rules, whether written or unwritten); and care of the education and retraining of employees (which brings re-benefits for the company, skilled workers can do their job better). There are activities implemented in the social pillar that are already well known and widely used. In contrast, activities such as help with finding work for redundant employees and balancing of personal and professional life are supported in less than 10 % of cases by companies. Among the respondents, there is a small group of companies that still do not perform any of activities within the pillar.

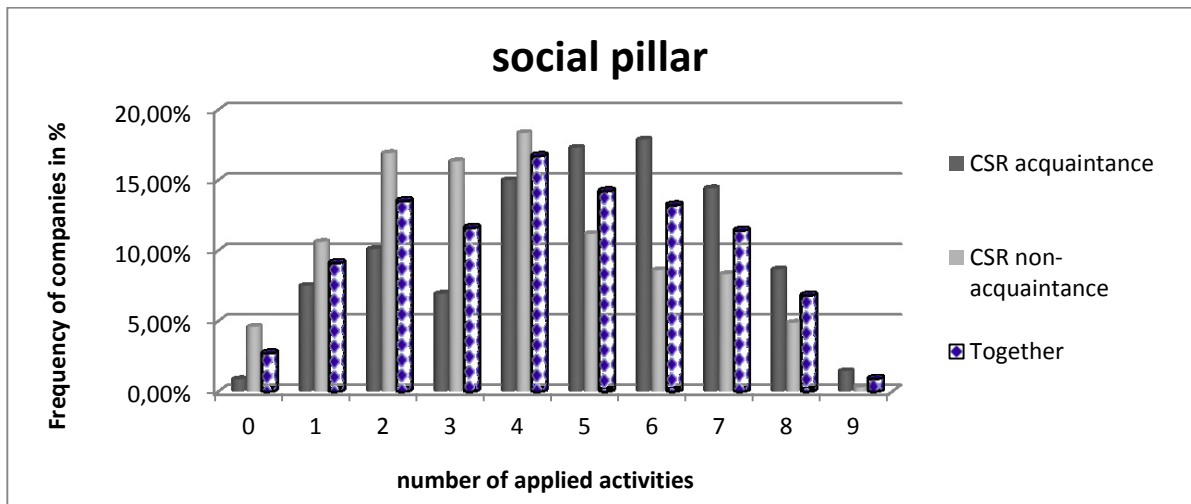


Fig. 1. Number of enterprises applying CSR activities in the social pillar in % (0 – no activity, 9 – all activities)

Source: own research

Regardless of the knowledge of the CSR concept, the highest percentage of companies (16.70 %) of the total number 696 respondents perform four of nine activities within the social pillar. If we compare the number of activities carried out by companies with regard to the knowledge of the CSR concept, we conclude that more activities are carried out just by companies that are aware of the CSR concept. This fact is illustrated by Fig.1. The largest representation is at companies that are acquainted with the concept – 6 activities (17.87 % of companies), whereas the companies that don't know the CSR concept have the highest proportion in 4 activities (18.34 % of companies).

3.2. Economic pillar

Activities in the economic pillar were divided into nine groups. Their sequence is presented according to the rate of their implementation in enterprises in the Czech Republic (in total):

- Rejection of corruption, fraud and unfair competition – 15 %
- Maintaining of good relationships within the supply chains – 14 %
- Loyalty to the company, correct relations with the owners of the company – 13 %
- Transparency of company activities and results of its business – 11 %
- Protection of intellectual property – 10 %
- Fair trade – 10 %
- Providing information to the stakeholders (customers, suppliers, banks, ...) – 9 %
- After sales service for customers – 9 %
- Creation of employment opportunities in the region in which the company operates – 8 %
- No activity of this pillar is performed in the enterprise – 1 %

The activities that are most widespread could be identified from the answers of respondents. These are mainly activities enshrined in the legislation of the Czech Republic – such as corruption, unfair competition. On the

contrary, activities that are not required by law and that are no longer necessary for the company are performed by less than 10 % of respondents. These include for example the creation of jobs in the region in which the company operates, and after-sales service to customers. Among the respondents, there is a small group of companies that still don't perform any activities within the pillar.

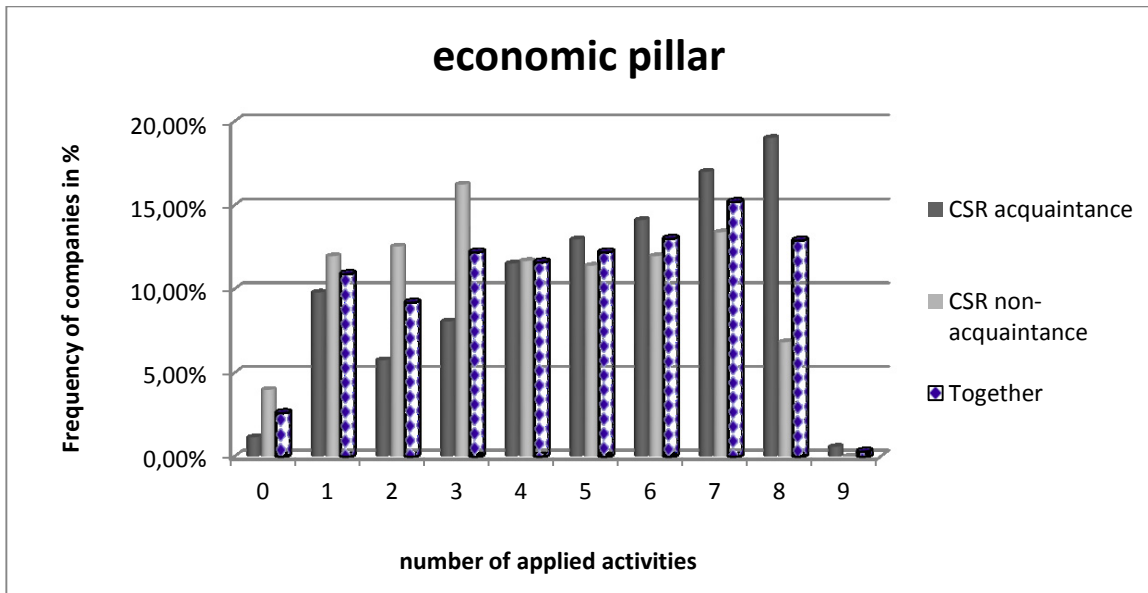


Fig. 2. Number of enterprises applying CSR activities in the economic pillar in % (0 – no activity, 9 – all activities)

Source: own research

It is evident from Fig. 2 that the knowledge of CSR concept has an influence on the number of activities that companies realize within the economic pillar. The largest representation among companies that know the CSR concept, is at eight activities. This number of activities is performed by 19.02 % of respondents with the knowledge of CSR concept. The highest percentage of companies (16.24 %) not knowing the CSR concept apply only three activities.

Regardless of the knowledge of the CSR concept, the highest percentage of companies (15.02 %) of the total number of 696 respondents perform seven activities within the economic pillar.

3.3. Environmental pillar

Activities in the environmental pillar were divided into nine groups. Their sequence is presented according to the rate of their implementation in enterprises in the Czech Republic (in total):

- Waste reduction and total waste management, recycling – 25 %
- Reduction of consumption of materials, energy, water – 23 %
- Education of employees in the field of environmental protection – 11 %
- Ecological products or services – 8 %
- Ecological modes of transport 7 %
- Use of renewable natural resources – 7 %
- Reduction of CO₂ emitted into the atmosphere – 6 %
- Protection of used natural resources – 6 %
- Determination of the origin of exploited resources – 4 %
- No activity of this pillar is performed in the enterprise – 3 %

The research results show that the most extended activities in the environmental pillar include activities supported by the state or activities that significantly reduce the cost of enterprise. On the contrary, activities that are so far on a completely voluntary basis in the Czech Republic are performed only exceptionally. Among the respondents, there is a small group of companies (3 %) that still don't perform any of the activities within this pillar.

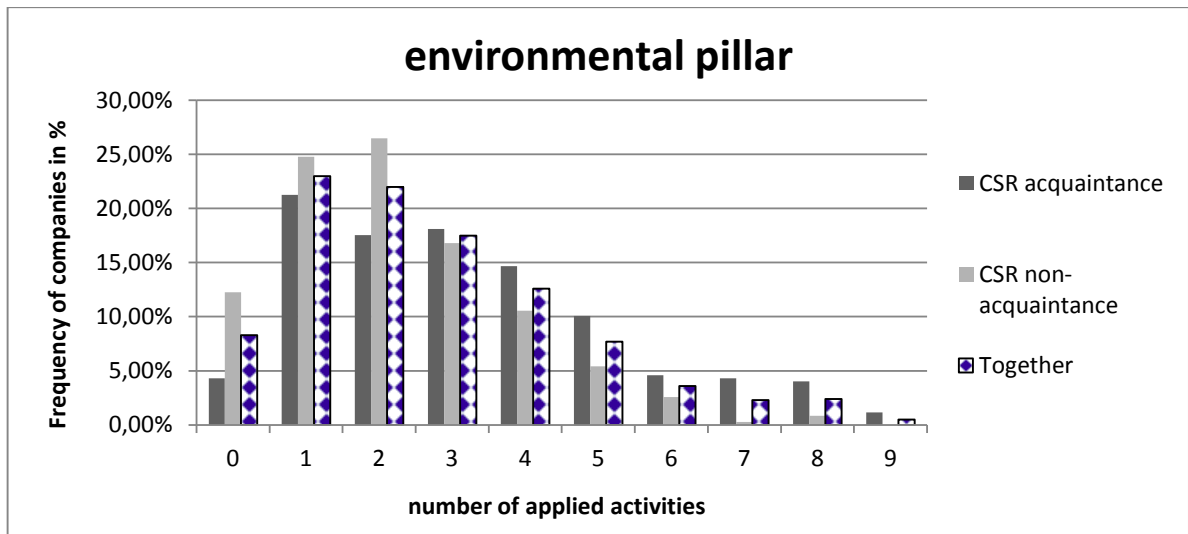


Fig. 3. Number of enterprises applying CSR activities in the environmental pillar in % (0 – no activity, 9 – all activities)
Source: own research

In Fig. 3 we can compare the activity of companies within the environmental pillar depending on the knowledge of CSR concept. Companies that know the CSR concept perform a higher number of activities (18.75 % of enterprises with knowledge of CSR concept perform three activities) than companies that are not aware of the CSR concept (26.5 % of the companies without the knowledge of CSR concept perform two activities). Regardless of the knowledge of CSR concept the highest percentage of companies (23 %) of the total number of 696 respondents perform only one activity of this pillar.

3.4. The relationship between the implementation of CSR activities across the pillars

Test results of statistical correlation between the knowledge of the CSR concept and number of applied CSR activities show a high level of dependency in all three pillars. The value of χ^2 test criterion is 59.05, P-value <0.001 for the social pillar, $\chi^2 = 53.63$, P-value <0.001 for the environmental pillar, $\chi^2 = 49.07$, P-value <0.001 for the economic pillar.

There is a high correlation between the number of activities implemented in one pillar and number of activities implemented in another pillar in the application of the CSR concept as a whole. Based on testing, it is possible to state that if the company is engaged more in the social pillar, then it is even more involved in the economic and environmental pillar. The value of χ^2 test criterion is 531.65 for the dependence of social and economic pillar, $\chi^2 = 406.49$ for the dependence of social and environmental pillars, and $\chi^2 = 707.71$ for the dependence of economic and environmental pillars. The P-value for all mentioned combination is <0.001. Pearson's correlations are positive for all referred combinations.

3.5. The relationship between knowledge of CSR concept and firm size

Within the research the dependence of knowledge of the CSR concept and company size measured by the number of employees was also observed. In this case, high statistical dependence was proven again, P -value <0.001 , $\chi^2 = 43.26$. From companies with more than 250 employees, 79 % of respondents know the CSR concept; only 21 % of them don't know it. On the contrary, among micro-enterprises (number of employees 0-10) 64 % don't know the CSR concept and only 36 % are acquainted with it. Overall, the knowledge of the CSR concept in the Czech Republic is at the rate 49.7 % – see Fig. 4.

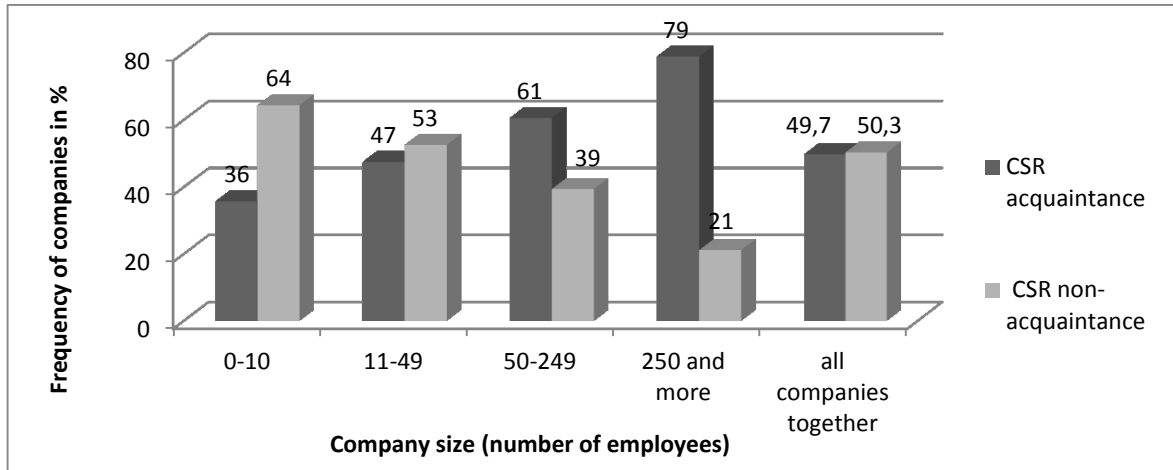


Fig. 4. Dependence of knowledge of CSR concept on size of enterprise
Source: own research

4. Conclusion

The results of the research show that the acquaintance with the CSR concept is still insufficient in the Czech Republic. More than 50 % respondents haven't encounter with the CSR concept so far. These are mainly micro and small enterprises. Large companies have most information, which is given by the fact that they often take information from their parent companies abroad or have sufficient administrative capacity to allocate a worker who follows current events in the field of CSR and introduces these activities in the company. It is usually an employee of a PR department, press officer, but also the head of a personnel department. The common job content of these workers is expanded or complemented by activities in the CSR field. More rarely, the company has a position of the CSR specialist or CSR manager who focuses only on supporting and developing the CSR concept.

Concerning the fulfilment and engagement of companies within each pillar of CSR, it has been confirmed that there is a significant statistical dependence between the knowledge of CSR concept and the number of implemented activities. The value of χ^2 test criterion for the social pillar was 59.05, P -value <0.001 ; for the environmental pillar $\chi^2 = 53.63$, P -value <0.001 ; for the economic pillar $\chi^2 = 49.07$, P -value <0.001 . Companies that didn't know the CSR concept not only applied a lower number of activities, but these activities can also be described as less sophisticated and in some cases even required by the legislation within the field.

The application of the CSR concept as a whole was also statistically evaluated in the research. The results confirm that businesses that are involved more in one pillar use a larger number of activities in other pillars. χ^2 value was always higher than 400, the P -value again <0.001 .

The results of the performed research can be used as recommendations for the Czech government, which is currently preparing a National Action Plan. These results confirm propriety of the intention, which is one of the nine basic areas that the National Action Plan of the Czech Republic primarily intends to deal with. This is the education and research in the field of corporate social responsibility. It is more than evident that the knowledge of this concept

has a direct influence on the development of the concept and its fulfilment in all three pillars. There is a direct relation between the acquaintance with the CSR concept and the number of activities that businesses implement within each pillar. The improving of the knowledge is thus a way to support the idea of CSR in the Czech Republic and develop other activities.

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