CSR reporting as an important tool of CSR communication

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Abstract

The article focuses on Corporate Social Responsibility (CSR) and the importance of reports within communication of CSR. 1953 is considered to be a breakthrough year, when it was first referred to the definition of social responsibility. CSR is a trend that appeals to change of business orientation from short-term to long-term goals and from maximum to optimum profit. CSR reports, respectively triple-bottom-line reports have become tool of communication for Corporate Social Responsibility. Those are voluntary comprehensive reports involving not only economic data, but also information from environmental and social field. These reports tell about the company policy in relationship to the environment, sustainability, or there are directly focused on fulfilling the commitments accepted by the company within the concept of social responsibility. CSR report can help to bring a systematic approach into the management of socially responsible activities, identify future risks and opportunities and thereby contribute to increasing the competitiveness of business and maintain the possibility for long-term business venture. Information is not only for the company, but on the basis of them enterprise can partly to create decision-making process of different types of stakeholders. This article points out how the CSR report is used by businesses and how socially responsible activities through CSR reports are perceived by Slovak customer. We will use secondary information collected from marketing agencies surveys and primary information collected from own survey. We will use these methods: analysis, synthesis and deduction.

Keywords: CSR report, CSR communication, customers, company

1. Introduction

Corporate social responsibility is a concept under which the company should behave responsible in everyday business decisions and creation of strategy to employees, suppliers, customers, shareholders and other stakeholders.

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Corporate responsibility requires to give up the intention "profit only" and shift to the overall view to the establishment of a wider system of social relations. The fact if the company is socially responsible, affecting customer opinions for the company and also their buying decisions. It is important that enterprise informs customers about their CSR activities by appropriate communication tools. In particular, large multinational companies, but now even small and medium-sized enterprises provide the public with a comprehensive reports which are prepared beyond the ordinary annual reports. These reports should present the company policy in relation to the environment, sustainability, or these are directly focused on the area of obligations under the CSR concept. Communication with the public in this way has become a matter of good reputation, prestige, demonstration of efficient and aware management. (Franc, 2006)

2. CSR communication

Communicating about CSR activities is the ability to present, explain and give their ideas to various stakeholders in an appropriate form. When company a reports customers what conduct in social responsibility area, provides them information about the values of the company and about the products or services that it launches. (Pavlik, Belcik, 2010)

Regular CSR communication brings company certain advantages:

- **Transparency** - increased awareness of CSR activities and ensure corporate transparency.
- **Supervision of CSR activities** – enables comparison company publicly known liabilities of CSR with reality and draws attention to the weaknesses in CSR corporate strategy.
- **Involvement of stakeholders** - strengthens the position of stakeholders and their involvement in company decisions.
- **Cross-sector cooperation** - supports cross-sector partnerships between businesses, government agencies and non-profit organizations. (Vexlerova, 2008)

Communication concerning the customer should present how a company manages to integrate corporate responsibility into everyday practice. Communication with customers may be directed to:

- The production of safe and quality products and services,
- Maintaining a permanent customer satisfaction,
- Provision of information beyond the core-business enterprise,
- Fair prices
- Compliance with marketing and advertising ethics and consumer rights
- High-quality after-sales service.

Communication tool that can be applied to company communication between internal and external stakeholders, is called CSR report. (Pavlik, Belcik, 2010)

3. CSR report

Company that performs CSR activities should report on these activities to target groups that society learned about company social engagement by aggregated manner. (Heemskerk, 2002) CSR report can be defined as "the notification process of social and environmental impacts caused by company economic activity to certain interest groups and the company as a whole." (Gray, 2005) Currently, CSR is defined by the triple bottom line, and therefore range of themes may be extend the economic sphere. It is most often represented by corporate governance. CSR report can help bring companies a systematic approach to the management of socially responsible activities, to identify future risks and opportunities, and thereby contribute to increasing the competitiveness of the company and also keep the right long-term business venture. Information that is therein, do not serve only to company. On its basis it can be partially conducted the decision-making process of different types of stakeholders. (Kasparova, 2013)

Quality CSR report has to fulfill four main aspects:

- **Credibility** - the credibility of the report can be supported by the commitment of top management, description of corporate policy and introduction of personnel responsibilities, data collection methods and the objectives. Credibility is also influenced by the level of key stakeholders involvement and it is increased by an independent third party verification.
Completeness - is based on the fact that CSR report includes all business operations and offices in the country and inform fully about the major areas that impact of the organization on society and the environment.

Significance - the company should maximize the using of quantitative and qualitative indicators to assess its social responsibility.

Appropriate form - the format of the report has the important role play and also whether the report is clear, moderately long and clear. (Pavlik, Belcik, 2010)

There are several factors that have a significant impact on reporting. One of them is the size of the enterprise. Small and medium-sized enterprises, that often operate locally, are with their stakeholders on a larger contact than large, in many cases, multinational enterprises. They have the ability to express the performance of their obligations against them by more direct means. Large companies must also use impersonal forms of communication such as CSR reports due to a wide range of stakeholders. (Wensen, 2011) In addition to the size, the reporting is also influenced by the type of property. KPMG research shows that publicly traded companies and government companies report on CSR over cooperatives and family companies. 8 As the reason of lower reporting by cooperatives is indicated the absence of an investor who would not acquainted with the cooperative and who would need to be convinced through reporting about its responsible behavior. The lower level of reporting of family businesses is explained by the fact that the family owners are often the managers of these enterprises, and thus they find the necessary reports by different way than through reports. (Touminen, 2008) The reporting is also affected by the industry. According to KPMG are among the most corporate reporting companies that come from environmentally sensitive industries such as woodworking, pulp and paper industry and the mining sector. In these sectors, 84% of companies create a CSR reports. According to statistics CorporateRegister.com the mentioned sectors were exceeded by the banking sector and industry support services in the number of reports. (CR, 2012)

The KPMG survey shows the most common reasons, which lead large enterprises to CSR reporting, are the strengthening the position of goodwill and brands, and ethical reasons. On the other hand, there are reasons why the companies do not report on their CSR activities:

Ignorance of the issue - CSR reporting is a new topic within CSR concept. The absence of a basic interpretation of CSR and lack of transparency in standards complicates understanding and implementation of CSR. The lack of transparency is due to the large number of standards that regulate the various CSR areas at national and international level.

Susceptibility of data which to report on - companies often do not report on its actions and activities CSR concept includes.

The expected growth in costs as result of the implementation of additional activities - monitoring system has to be configured across departments to allow the company to use the CSR report. (Kasparova, 2013)

3.1. Points of the CSR report

CSR report should contain the following main topics:

1. Business context - placement company into a context, which it is in business in, contributes to correct understanding of CSR report. The commitment of top management and the corporate profile are noted mainly.

The commitment of senior management:
- Word of Director - management describes and evaluates the key parts and findings of a report.
- The definition of CSR - publishing own or overtaken understanding of CSR.
- Business coherence - responsible behavior is associated with corporate values, principles and rules of conduct.
- Summary Report - combination of economic, environmental and social impact on the overall impact on society.
- Goals for the next year - information about what the company wants to achieve and which CSR activities to use.

Corporate profile:
- General information - products and services, geographic location, industry, market share..
- Financial results - sales revenues, earnings after taxes.
- Human resources - staff, organizational structure.

2. Management of social responsibility - successful achievement of CSR goals depends on the chosen strategies, corporate governance effectiveness and level of stakeholders involvement.

Strategy:
- CSR as a part of business strategy - the relationship between CSR strategy and the total business strategy.
- CSR priorities - identification of priority CSR topics and related activities.
- The benefits of CSR - identification of the benefits.

Corporate Governance:
- Staffing CSR - the organizational structure and personnel responsibilities in the implementation of CSR.
- CSR management - a description of the management system used in the context of CSR.

Involvement of stakeholders:
- Key Stakeholders - a description of the steps to the involvement of stakeholders.
- Cross-sector cooperation - information on business partnerships with non-commercial entities.

3. Company performance - the essence of the report is a description of corporate performance in CSR. Company provides quantitative and qualitative information on the impacts of processes, company products and services in the market, working environment, local communities and the environment. The measured results must be put into context through benchmarking. As a reference point can be used company data from the same area, current trends or company goals set out in the following period.

4. Creation of the Report
- Scope of the Report - the time periods and calculation of business units included in the report.
- Methodology - description of standards or methods used in the creation of reports.
- Verification - by an independent third party.
- List of indicators - register of published indicators and reasoning for their choice.
- Feedback - readers can express their views on CSR report or performance.
- Additional information - sources of additional information on the company activities (website, annual report).

(Vexlerova, 2008)

In 2010 Accountability for Sustainability (A4S) created in cooperation with the GRI and the International Federation of Accountants International Council for Integrated Reporting (IIRC). According to IIRC the current reporting has some errors. The different methods for creating reports and national regulations have resulted in diverse reports. (A4S) IIRC aim was to create a globally accepted integrated Reporting Framework, that associates financial, environmental, social information, and information on corporate governance in a clear and concise manner and in a comparable format. (IIRC, 2012) IIRC Integrated Reporting Framework establishes principles and content elements that determine the content of the integrated report and help to decide how to inform the creation of unique values in a meaningful and transparent manner.

Companies in Europe, the Americas, Asia and South Africa inform their stakeholders about the CSR activities. The number of reports increases in most countries. In Slovakia, the situation is reversed. While in 2011 reported on CSR 63% of companies, in 2013 it did only 57% of them.

4. CSR reporting in Slovakia and abroad

KPMG conducted Survey of Corporate Responsibility Reporting in 2013. This survey covering 4100 companies across 41 countries. It looks at the 100 largest companies by revenue in 41 countries to explore how many companies are producing CR reports and other issues, such as the drivers for reporting, sector variances, and the use of standards and assurance for CR reports.

The survey is based on a detailed study of company reporting on CR performance, carried out by KPMG member firms’ professionals and based on publicly available information in annual financial reports, stand-alone CR reports and on company websites. It includes information provided in both PDF and printed reports as well as in web-only content.

According to survey more than half (51%) of 4100 companies now report on CR in their annual financial report. (KPMG, 2013)
If we focus on reporting in terms of regions, most companies reported on CSR in 2013 in America (76%), followed by Europe (73%), Asia (71%) and the Middle East and Africa (54%). The reporting rate in Europe in 2013 increased in compare 2011 only slightly, partly due to lower than average reporting rates in some of the countries that were included in the survey for the first time this year (e.g. Poland). (KPMG, 2013).

CR reporting has traditionally been voluntary, however, governments and stock exchanges around the world are increasingly imposing mandatory reporting requirements. CR reporting regulations are seen in several countries that have almost 100 percent reporting rates, including France and Denmark. The reporting rate increased in most countries, but there are also countries where this rate decreased for example Finland or Spain. Companies in Greece submitted minimum number of CR reports. Their number in 2013 compared to 2011, while increased from 33% to 43%, but it is still a small number.

Slovak companies provide CSR reports, their number can be compared with Russia or Germany. In 2011, reported by 63% of companies in Slovakia, but in 2013 their number decreased to 57%. (KPMG, 2013)
In 2014, we conducted a survey “Corporate Social Responsibility in terms of customers”, which involved 397 respondents. We wanted to find out if respondents have known or have heard about the concept of CSR concept. According to the results it can be concluded the Slovak respondents do not know this concept well, because 41% of people said they have not heard about this concept. Only 19% of respondents know exactly what this concept means and 32% of them, despite the fact that they had heard about concept, know approximately what it means.

![Fig. 3 Knowledge of CSR concept by customers in Slovakia](image)

We wondered from where the respondents, who are familiar with this concept, take cognizance of it. Respondents could select up to 3 answers. The most common response was television, radio, press, which 49% of people stated. Another way through which customers learned about CSR was company campaign. This possibility is mentioned 34% of respondents. Through CSR report 22% of respondents learned about socially responsible activities of a particular company. As another possibilities were mentioned packaging, internet, relative person, work and school.

![Fig. 4 Sources from which customers in Slovakia heard about company CSR activities](image)
Corporate social responsibility is now a very important concept for companies. Customers are interested in company responsible activities carried out to the community, business partners, employees and the environment. These knowledges influence their buying decision. Customers prefer buying a product from a company that is socially responsible. For the company is a crucial way, which gives its stakeholders know about CSR activities. CSR report is a very effective tool through which the company is able to report on their CSR activities. According to the KPMG survey may be stated Slovak companies use the possibility to inform its stakeholders through CSR report in small extend. Our survey showed that 41% of respondents do not know the concept of CSR. Those who know it, take cognizance of it on television, radio, newspapers or through company campaigns. It can be concluded if companies in Slovakia inform more about CSR activities through the CSR report, consumer awareness of this concept will increase.

5. Conclusion

Volume CSR reports, which inform stakeholders on the implementation of socially responsible activities in recent years increasing. The number of reports, however, vary greatly between regions. European companies published on average three times more reports than companies from other regions in 2011. In 2013, the situation was quite different and US companies were the first in reporting. For more than 30 years, when companies address this type of report, there was a significant shift from a environmental report to report covering all aspects of social responsibility. The latest trend is the integration of information about CSR in the company's annual reports, it is called integrated reports.

According to the KPMG survey, 51% of surveyed companies stated in their annual reports information on socially responsible activities. Most companies provide CSR reports in America and Europe. Among European countries are leaders in CSR reporting Denmark and France, where even 99% of surveyed firms provide this type of report. In Slovakia more than half of companies reported on CSR in 2013. According to our survey, 59% of Slovak respondents know the CSR concept. These people are learnt the concept mainly from television, radio and print campaigns further from company campaigns and CSR reports.

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