

CORPORATE SOCIAL RESPONSIBILITY AS A TOOL FOR SUSTAINABLE REGIONAL DEVELOPMENT: A CASE STUDY IN MORAVIAN-SILESIA AND ZLÍN REGION

SPOLE ENSKÁ ODPOV DNOST PODNIKÁNÍ JAKO NÁSTROJ PRO DLOUHODOBÝ REGIONÁLNÍ ROZVOJ: P ÍPADOVÁ STUDIE V MORAVSKOSLEZSKÉM A ZLÍNSKÉM KRAJI

ING. PAVEL ADÁMEK, PH.D.

Katedra managementu a podnikání | *Department of Management and Business*
Obchodn podnikatelská fakulta v Karviné | *School of Business Administration in Karviná*
Slezská univerzita v Opav | *Silesian University in Opava*
✉ *Univerzitní nám stí 1934/3, 733 40 Karviná, Czech Republic*
E-mail: adamek@opf.slu.cz

Annotation

The purpose of a paper is analysing Corporate Social Responsibility (CSR) as a tool for sustainable economic and social development and reviewing CSR practise of the companies in the Moravian-Silesian and Zlín Region. In our empirical research (146 Moravian-Silesian and 83 Zlín SMEs had been surveyed) we explored the commitment, the motivations and barriers of social and environmental activities in two regions, and we also consider the concept as a strategic tool for sustainable regional development. Conclusions of this paper indicate a possible future development of CSR and uncovered a summary of CSR impacts. Paper is contribution to the debate for recognition of the particular role of CSR as a tool for strengthening regional competitiveness.

Key words

corporate social responsibility, regional development, small and medium-sized enterprises

Anotace

Cílem p ísp vku je analyzovat spole enskou odpov dnost podnikání (CSR) jako nástroje pro udržitelný ekonomický a sociální rozvoj a také pro p ezkoumání CSR a jeho aplikovatelnost ve spole nostech v Moravskoslezském a Zlínském kraji. V na-em empirickém výzkumu (146 moravskoslezských a 83 zlínských malých a st edních podnik) jsme zkoumali závazek, motivaci a p ekáfky sociálních a ekologických aktivit ve dvou regionech. Koncept CSR je p edstaven jako strategický nástroj pro udržitelný regionální rozvoj. Záv ry p ísp vku ukazují na budoucí vývoj spole enské odpov dnosti podnikání a odhalují konkrétní možnosti v dal-ím využití CSR mezi malými a st edními podniky. P ísp vek p íspívá k poznání role CSR jako nástroje pro posílení regionální konkurenceschopnosti.

Klí ová slova

spole enská odpov dnost podnikání, regionální rozvoj, malé a st ední podniky

JEL classification: M14, R11

Introduction

Socially sensitive corporate activity entails a voluntary commitment to the public good demonstrated during the deployment of business resources in corporate or entrepreneurial business practice.

Corporate Social Responsibility (CSR) not simply means a mere following of certain set of rules and criteria, but refers to such business conduct, which provides benefits and advantages for the employees, for the immediate and macro environment, including the natural surroundings, thereby promoting overall well-being. This, however, cannot be restricted to financial support, as the concept of well-being is not exclusively measured in monetary terms demonstrated by the elaboration of such novel indicators as the ecological foot print, the human developmental index, and the complex environmental indicators (Szlávik and Csáfor, 2012).

The Corporate Social Responsibility (CSR) movement is rapidly growing in signification as a strategic management instrument over the past number of years. Not only has the issue received academic attention but has quickly moved up the corporate agenda (Knox et al., 2005; Ogrizek, 2002). However, there has been a lack of attention to, and discussion of, CSR in the Czech Republic. Research with regard to SMEs has also been quite scant (Friedman and Miles, 2001; Jenkins, 2005) SMEs have been identified as an important strategic sector for promoting growth and social development (Munasinghe and Malkumari, 2012). The considerable emphasis placed nowadays on the societal role of business is in accordance with the spreading belief that measures of company success must go beyond profit and should also relate to the needs of stakeholders and society at large (Natale and Sora). According to Carroll (2000) CSR is becoming the defining business issue of our time, affecting corporate profits and credibility, as well as personal security and sustainability of the global economy.

The reason for rise of this article is identified CSR as a significant opportunity for regional development: an opportunity for SMEs, for their stakeholders and for society at large, because SMEs are a fundamental part of the growth and jobs equation. By Zumbasen (2011) it is necessary to take into account the developmental stage companies in a given economic environment with emphasis its size (for example small, medium or micro firms), to serve our dividing companies in the SME sector under the EU methodology.

1. CSR in a nutshell

The history of CSR is strongly intertwined with the emergence over the past forty years of the environment as a worldwide concern and the eventual transformation of the term into "sustainable development" which incorporates social issues alongside environmental and development ones. This is because sustainable development has been translated into a managerial approach - CSR which integrates the businesses' financial performance with their externalities for human development and the environment (Nilsson et al., 2008; Carrol and Bucholtz, 1999; EU Commission, 2006; 2008; Henningsson, 2008). According to WBCSD - CSR and sustainable development CSR is an integral part of sustainable development. For an individual company, this means the integration of social (including human rights), environmental and economic concerns into that company's values and culture. These values are then incorporated into the way in which the company goes about its business and are reflected in that company's policies and strategies, decision-making, and operations

CSR is one of the tools which can help European countries to develop their competitiveness and to develop a dynamic knowledge based economy (Szlávik and Csáfor, 2012). In relation to SMEs, a variety of definitions have been proposed which focus on issues such as number of employees working in the enterprise, annual turnover, ownership types, and formal versus informal economy status (Jamali et al., 2009). For research purpose was used definition of SME according to the EU. Study by Caroli suggests that SME can successfully implement CSR policies and this directly affect their competitiveness (Munasinghe and Malkumari, 2012). SMEs have a similar (Jenkins, 2005) and stronger (Perini, 2006) stakeholder relationship in comparison to large companies. That means SMEs have stakeholders in the common range with large companies and the purpose of stakeholder management is similar, namely to reduce the risk by managing stakeholders (Jenkins, 2005) and SMEs are used to be very close to their stakeholders like community and employees (Perini, 2006). Additionally, SMEs plays a significant role in the local community with a high-degree of inter-reaction and acting as benefactor by support to the local economy by creating job opportunities

(Munasinghe and Malkumari, 2012). It has been argued that SMEs are constrained by the time and financial resources (Sarbutts, 2003; Vives, 2006). On the other hand, it has been argued that being smaller and flatter, SMEs may be better placed than large firms to take advantage of the changing needs of society (Perez-Sanchez, 2003).

Above mentioned facts were determined as the basis for the research in SMEs. We deliberately concern on SMEs because there is a higher assumption of local impact, in the concrete that most of these companies operate mainly in the region or in šplaceõ of business. The empirical research effort has completed in 2012 and focused on the firms and enterprises in Moravian-Silesian and Zlín Region.

2. CSR background

In condition of the Czech Republic (CR) at the beginning was the impulse of most companies involved to focus purely on philanthropic donations. Over the time, a number of companies have steadily been growing and companies are engaged in a remarkable range of activities. Today, Business Leaders' Forum's mission is promotion and enforcement of CSR in line with European methodology and best standards. The harmonization of Czech law with EU legislation, and the Czech Republic's accession to the European Union, contributed to major advances in the promotion of CSR. As long ago as 1998 the Czech Republic adopted, among other things, rules for the introduction of Eco-Management and Audit Scheme (EMAS), and prepared the first National EMAS Program.

The milestone in building foundations of CSR was August 2003, when the Sustainable Development Council of the Czech Government (SDCG) was established as a standing advisory body of the Government for sustainable development and strategic management. Increasing interest in CSR and a trend in implementation of CSR reflect also surveys of the Business Leaders' Forum. CSR awareness has also been increasing thanks to international corporations operating in the country as they belong among main supporters of CSR and have brought essential know-how. As CSR gaining its popularity among entrepreneurs, some non-governmental organizations have been focusing on building partnership between profit and non-profit organizations in the area of corporate philanthropy, corporate volunteerism, social marketing, environmental protection and others (e.g. HESTIA, AISIS, Czech Donors Forum, Environmental Law Service, Business Leaders' Forum, etc.). In March 2007 the Ministry of Labour and Social Affairs created a new website on CSR, to inform users about the concept of CSR in the European Union. The website also provides references to different projects and activities concerning the promotion of CSR (Czech Ministry of Labour and Social Affairs, 2012).

According to surveys in the business sector, it appears that the main CSR related priorities are the environment, well-being and philanthropy. In each field is the most important to get into public awareness while the SMEs should implement this approach and gaining the competitive advantage in the futures market. Awareness is widespread, but information is lacking as to specific CSR topics. Many CSR-related activities are of common public knowledge but they are understood as concepts in and of themselves and not within the CSR context. However, the broader concept of CSR is slowly taking root in educational institutions such as universities. It is often covered in courses on Corporate Governance, Business ethics and in some cases it exists as a separate course as well. From environment part of situation in CR are related - National action plan - the current policy on climate change is in the process of modification. Environmental awareness is largely promoted through the Czech Republic's National Cleaner Production Program. In addition, there are a number of educational programs that reach out to the younger generations, introducing them to important personal practices such as sorting waste.

From the cooperation between local communities and businesses there we found that the business community involvement is generally not innovative. While normative projects and activities are carried out, ongoing dialogue and cooperation between businesses and communities is not common. Sustainable Products and Services are included into the Czech Republic's National Trademark on Quality is given to products that meet certain standards regarding quality/sustainability. The program consists of approximately 20 trademarks, including several that focus solely on environmental impact

of the product. It was mentioned that company best practices is implemented into the Business LeadersøForum. Currently, has collected and disseminated practical CSR tools and guidelines via its web portal.

3. The conceptual framework of the research

The target to be examined was selected by a systematic sample taking process. The research task is focused on analysing the commitment, the motivations and barriers of social and environmental activities in two regions. Research was conducted during 2012. The research was based on the scheduled progress of the research, selection and identification of respondents, data processing and analysis. Primary research finds opinions entrepreneurs in the micro, small and medium enterprises in connection with the use of socially responsible activities in the Moravian-Silesian and Zlín region. To obtain information, the SMEs in the total number of 2000 firms and the total return was 12% (240 questionnaires). Of these, the control was excluded 11 questionnaires that were not properly completed and included in the survey was 229 completed questionnaires. Representation of companies that meet the criteria for allocating the relevant groups are in absolute numbers, was represented by 104 micro (45%), 73 small (32%) and 52 medium-sized (23%) enterprises, in particular the number of 146 companies in Moravian-Silesian Region and 83 companies in Zlín Region. The empirical research analyses are aimed at the identification of following components (as a part of extensive research): *the commitment of the region, the motivational and limiting factors* of responsible business activity and firm's expectations for the support of CSR development efforts.

4. The main findings of research

Firstly, we measure the importance of SMEs and to behave responsibly towards the environment area, employees and the community in which the company operates. For the interpretation of the output was used an approach that took into account both frequency response and attributed to the weight (range 1-10 is maximum value). It is obvious that micro, small and medium enterprises attach importance to a very similar socially responsible behaviour to the community. Values is dominated by a numerical expression 8, which expresses the arithmetic mean of the number of weights and responses. Awareness of companies within the extent of approaches is quite surprising. The results suggest that firms have will to be responsible to the environment, employees and community.

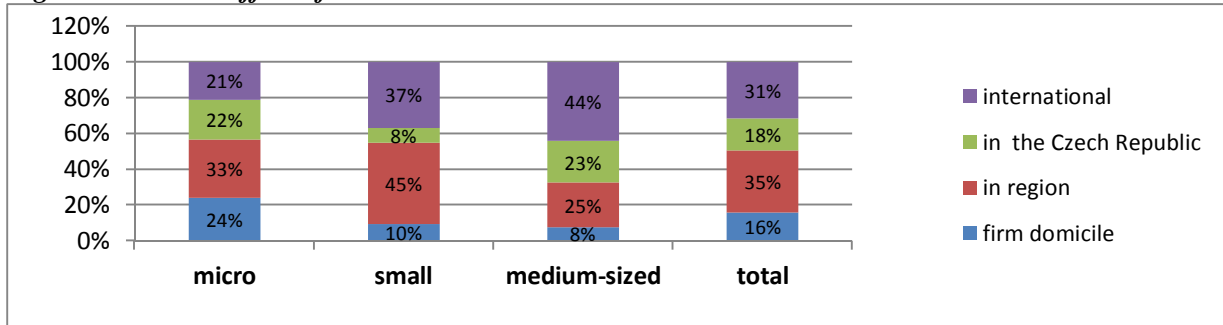
Tab. 1: Level of importance of SMEs responsibly towards the environment, employees and the community in which the company operates

Type of enterprises	Points
Micro	8,10
Small	7,92
Medium-sized	8,27
Total	8,08

Source: own research

From terms of territorial effect of SMEs, there is a significant position of companies that mainly operate only in the region (Chart 1), it is clear that the international presence is most important for medium-sized and small companies compared to micro-enterprise for which is more distinctive local or regional action. We can observe that the significance of the local influence is dependent on the size of the company. According to the given results it is clear that micro and small firms are major players on the local (regional) market and thus have a direct impact on regional development. This finding is crucial for the importance of SMEs in regional development.

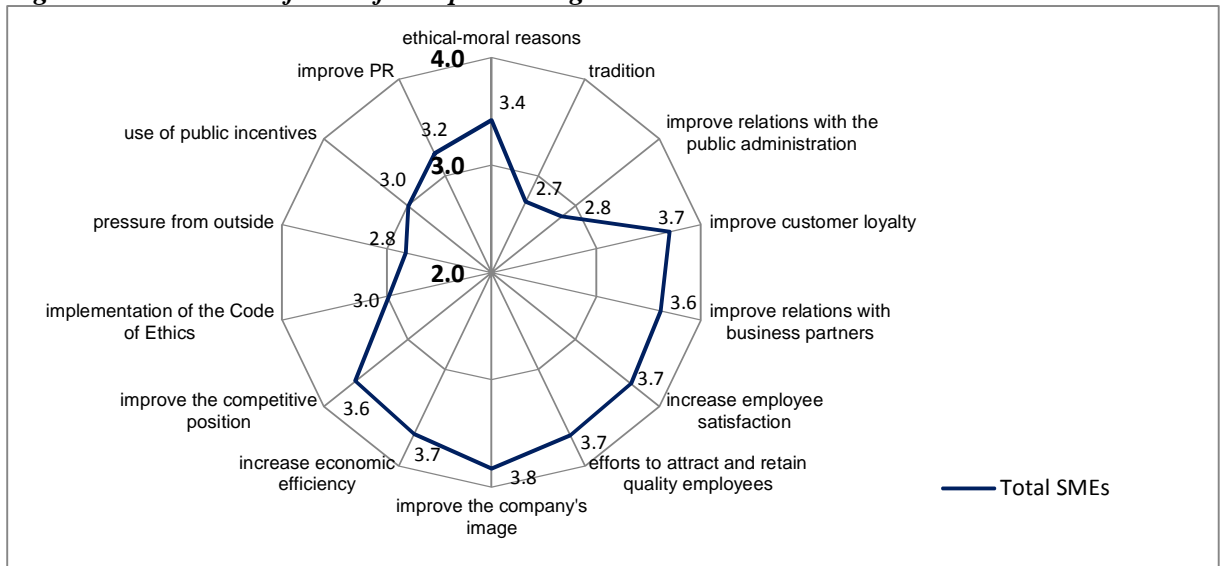
Fig. 1: Territorial effect of SMEs



Source: own research

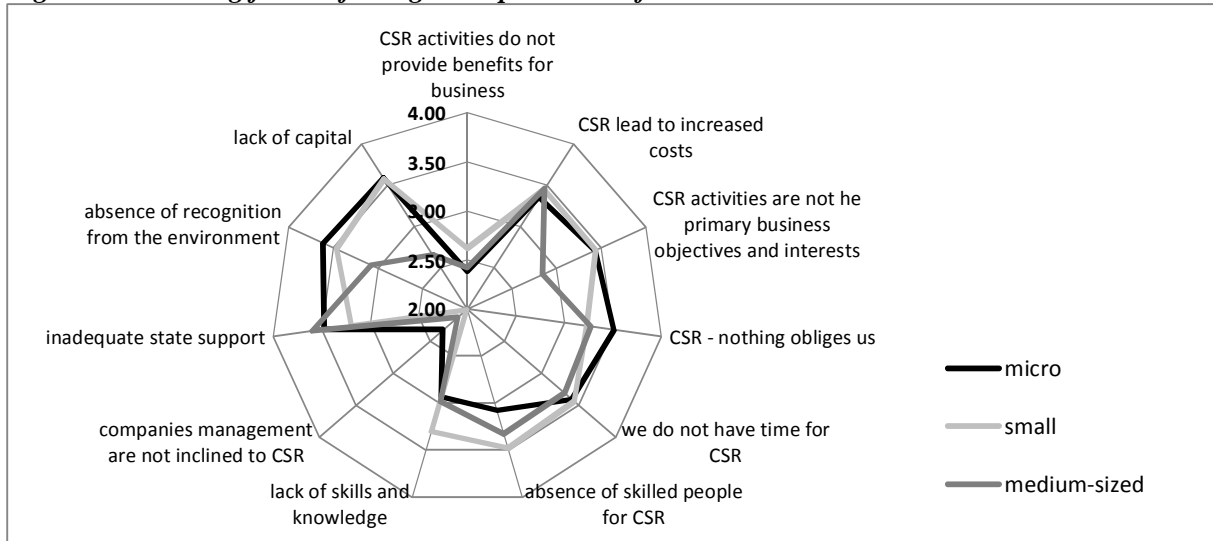
The factors of motivation for implementation (Chart 2) of CSR were researched by a frequency of responses and their arithmetic average (min. 0, max. 5). It has been determined that the most motivating factor is improving the company’s image. Minimum values were identified as the factors: tradition (2,8), improving relations with the public administration (2,8) or pressure from business environment (2,8).

Fig. 2: The motivation factors for implementing CSR



Source: own research

On the contrary, the main motivating factors are identified in order: 1. šimprove the company's image, the significance 3,830; 2. šimprove customer loyalty, 3,703; 3. šefforts to attract and retain quality employees 3,686; 4. šincrease economic efficiency, 3,668; 5. šincrease employee satisfaction, 3,659. These factors may be found as the dominant motivational incentives for the use of socially responsible approaches companies.

Fig. 3: The limiting factors for higher exploitation of CSR

Source: own research

To identify limiting factors was selected 10 potential barriers and examined the degree of significance based on the arithmetic average based on the calculation of response rates and associated weights 1 to 5 (5 presents most significant value). For a partial description of the final results of the findings will be presented in each category separately by individual surveyed SMEs. As a first result values are given for micro-enterprises. Results findings suggest factors such as the lack of recognition for the use of CSR activities and lack of capital. Micro-businesses do not feel the pressure that was exerted on them at a higher involvement of CSR activities. In fourth place was the lack of support from the state and fifth place went factor that expresses incorporate these activities into core business objectives. Seventh place goes to "increased costs", here we have assumed that this factor for micro-enterprises will be given a higher significance. Reluctance management is a major obstacle to including statements that socially responsible activities provide no benefit to the business. Necessary knowledge and skills also not a major barrier in the use of approaches.

Small businesses see as the biggest obstacle to a lack of capital for the use of socially responsible activities. In second place was the barrier "incompetence staff" possibly managers who would be focused on the area of CSR. As the problem appears to be in third place "the lack of" recognition from the outside" it means that the small businesses are not motivated to higher level of developmental activity due to public pressure. The last two places are placed obstacles in the form of resistance of management, which means that this fact is not privileged barrier including the statement that CSR activities do not bring any benefit to the business. These values are identical to those of micro enterprises. The question of the cost increase to fourth place and thus constitutes an important aspect in the issue of selected barriers. For the sample of medium-sized companies is considered the most significant barrier is the lack of support from the state. In second place was the view that CSR activities lead to increased costs. The claim that CSR activities are not the main business objectives placed eighth place and the lack of capital for the implementation of CSR activities took ninth place out of 11 selected factors. The values obtained are significantly different in contrast to the previous two categories of SMEs, but the last two factors barriers ended up in the same place, these are factors that CSR does not bring any benefit to the business and management of indignation to the use of CSR.

The presented results demonstrate the partial results of extensive research in the use of selected activities of CSR in SMEs in Moravian-Silesian and Zlín Region. The results showed that SMEs have allowance for socially responsible business, but in practice terms there is an area for improving. Based on the results was confirmed that this sector, namely micro and small companies operate mainly locally (domicile of firms) or in the region, and thus have a direct interaction with their competitiveness in these areas. SMEs affect their stakeholders and if "more" to use activities and tasks

included in the concept of CSR could be created expectations for sustainable development in terms of regional performance.

Conclusion

SMEs in Moravian-Silesian and Zlín Region are already implementing CSR activities (sometimes even for decades) but are, in general, not aware on that. Especially the smallest companies are not familiar with the concept. Consequently, they are often sceptical towards the concept as such and do not see the benefits they may derive from an investment in CSR. Nevertheless, SMEs are in general aware of their social responsibility and in most of the cases not at least reluctant to fulfil it. Either due to intrinsic motivation (i.e. the ethical/moral standards of behaving correctly) or because of extrinsic pressures (i.e. stakeholder expectations) SMEs become knowingly or unconsciously involved in CSR and, consequently, benefit from the positive impact on the enterprise's competitiveness that can be derived thereof.

From Czech perspective is more important to know that companies (especially SMEs) need help with implementing CSR approach according different models, because there is no one approaches for everyone. The awareness raising and the availability of best practices (from all types of companies) should be important for SMEs. But, on the other hand, we can see an increasing demand and need from SMEs for concrete tools, very concrete instruments and solutions to tackle the challenges of sustainable regional development. From the performed research we should summarize: 1. SMEs are interested in CSR, even if they are struggling for survival (e.g. financial problems, increased competition, economic situation); 2. Finding good practices in SMEs in one thing, convince them to participate in a project is another thing (due to their difficult economic situation); 3. Most SMEs are doing "some" CSR, often linked with personal values of the entrepreneur, the approach in SMEs is an individual one; 4. Awareness among SMEs has increased (due to projects and initiatives); 5. Does not exist the real strategy for CSR (only best practices); 6. Entrepreneurs need the expert's support to formulate (implement) CSR strategy; 7. Widening of CSR has to be continued ó focused on the stakeholders; 8. No need for any standardization, important is voluntary principle; 9. SMEs are silent diversity stakeholders and they are socially responsible actors deeply embedded in the local community.

Literature

- [1] CARROLL, A. B., (2000). Ethical challenges for business in the new millennium: corporate social responsibility and models of management morality. *Business Ethics Quarterly*, vol. 10, iss. 1, pp. 33-42. ISSN 1052150X. DOI 10.2307/3857692.
- [2] CARROLL, A. B., BUCHOLTZ, A., (2014). *Business and Society: Ethics and Stakeholder Management*. 9th Edition. Cengage Learning. ISBN 978-1285734293.
- [3] Commission of the European Communities, (2008). *Proposal for a Regulation of the European Parliament and of the council on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS)*. Brussels. COM (2008)402.
- [4] Commission of the European Communities, (2006). *Review of the EU Sustainable Development Strategy (EU SDS) ó Renew Strategy*. Brussels.
- [5] Czech Ministry of Labour and Social Affairs, (2012). *Corporate social responsibility (Sociální odpovědnost podnik)*, [online]. [cit. 2013-02-10]. Available at: <<http://www.mpsv.cz/cs/3893>>.
- [6] FRIEDMAN, A., MILES, S., (2001). SMEs and the environment: two case studies, *Eco-Management and Auditing*, vol. 8 iss. 4, pp. 200-9. DOI 10.1002/ema.166.
- [7] HENNINGSSON, J., (2008). Does SEE Information Make a Difference to Fund Managers? *Sustainable Development*. vol. 16, pp. 1696179.
- [8] JAMALI, D., ZAHNOUR, M., KESHISTIAN, T., (2009). Peculiar strengths and relational attributes of SMEs in the context of CSR. *Journal of Business Ethic*, vol. 87, iss. 3, pp. 355-367. DOI 10.1007/s10551-008-9925-7.
- [9] JENKINS, R., (2005). Globalization, corporate social responsibility, and poverty. *International Affairs*, vol. 81, iss. 3, pp. 525-540. DOI 10.1111/j.1468-2346.2005.00467.x.

- [10] KNOX, S., MAKLAN, S. FRENCH, P., (2005). Corporate social responsibility: exploring stakeholder relationships and programme reporting across leading FTSE companies, *Journal of Business Ethics*, vol. 61, iss. 1, pp. 7-8. DOI 10.1007/s10551-005-0303-4.
- [11] MUNASINGHE M. A. T. K., MALKUMARI A. P., (2012). Corporate Social Responsibility in Small and Medium Enterprises (SME) in Sri Lanka [online]. *Journal of Emerging Trends in Educational Research and Policy Studies*. pp. 168-172. ISSN 2141 6990. Available at: <<http://jetems.scholarlinkresearch.org/articles/Corporate%20Social%20Responsibility%20in%20Small%20and%20Medium.pdf>>.
- [12] NATALE, S. M., SORA, S. A., (2009). Ethics in strategic thinking: business processes and the global market collapse. *Journal of Business Ethics*, vol. 94, iss. 3, pp. 309-316. ISSN 01674544. DOI 10.1007/s10551-009-0270-2.
- [13] NILSSON, H. CUNNINGHAM, G..M. HASSEL, L.G., (2008). A study of the provision of environmental information in financial analysts' research reports. *Sustainable Development*, 2008/16, pp. 180-194. DOI 10.1002/sd.363.
- [14] OGRIZEK, M., (2002). The effect of corporate social responsibility on the branding of financial services. *Journal of Marketing*, vol. 6, iss. 3, pp. 215-28.
- [15] PERINI, F., (2006). SMEs and CSR theory: Evidence and implications from an Italian perspective. *Journal of Business Ethics*, vol. 74, iss. 3, pp. 285-300.
- [16] PEREZ-SANCHEZ, D., (2003). Implementing environmental management in SMEs. *Corporate Social Responsibility and Environmental Management*, vol. 10, iss. 2, pp. 67-77. DOI 10.1002/csr.37.
- [17] SARBUTTS, N., (2003). Can SMEs do CSR? A practitioner's view of the ways small and medium sized enterprises are able to manage reputation through corporate social responsibility. *Journal of Communication Management*, vol. 7, iss. 4, pp. 340-7. DOI 10.1108/13632540310807476.
- [18] SZLÁVIK, J., CSÁFOR, H., (2012). Corporate social Responsibility as a tool for sustainable regional development in northern Hungary. *Periodica Oeconomica*, pp. 207-224.
- [19] VIVES, A., (2006). Social and environmental responsibility in small and medium enterprises in Latin America. *Journal of Corporate Citizenship*, vol. 21, pp. 39-50. DOI 10.9774/GLEAF.4700.2006.sp.00006.
- [20] World Business Council for Sustainable Development, (1999). *Corporate Social Responsibility*. WBCSD Publications. ISBN 2-94-0240-03-5.
- [21] ZUMBASEN, P., (2008). *The Evolution of the Corporation*. Centre for Business Research. Working Paper No. 373. University of Cambridge.

This paper was supported by the project "Innovation of Educational Programs at Silesian University, School of Business Administration in Karviná" n. CZ.1.07/2.2.00/28.0017.