MASARYK UNIVERSITY
FACULTY OF ECONOMICS AND ADMINISTRATION

The Corporate Social Responsibility in the Czech Republic

Ondrej Castek
castek@econ.muni.cz

Content of the lecture

1. **What is CSR**

2. **Why is it important**

3. **What are the differences**

What is the Corporate Social Responsibility

What is the Corporate Social Responsibility

Perhaps

Voluntary integration of social and environmental goals into everyday life

How?

Business area:
- No corruption
- Transparency
- Good relationships with customers, shareholders, business partners
- Intelectual property protection

Social area:
- Filantrophy
- Human rights
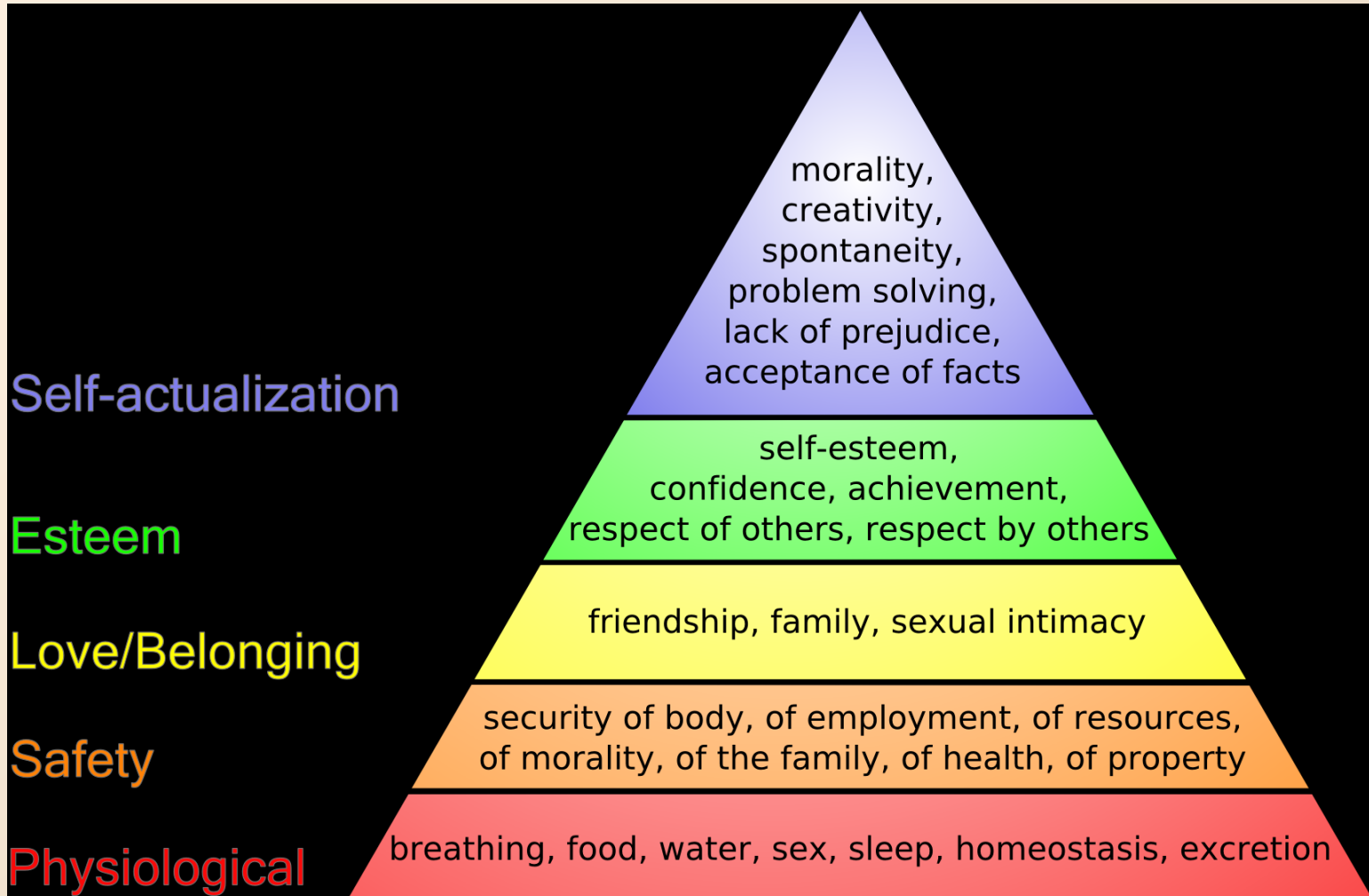- Equal opportunities
- Community engagement

Enviromental area:
- Efficient production
- Enviroment friendly behavior on all levels

Why?

- **License to operate**

- **Avoiding additional taxation or regulation**

- **Competitive Advantage**
  - through extra value for a customer

Needs – Values (Maslow's Hierarchy)

Self-actualization

morality,
creativity,
spontaneity,
problem solving,
lack of prejudice,
acceptance of facts

Esteem

self-esteem,
confidence, achievement,
respect of others, respect by others

Love/Belonging

friendship, family, sexual intimacy

Safety

security of body, of employment, of resources,
of morality, of the family, of health, of property

Physiological

breathing, food, water, sex, sleep, homeostasis, excretion

History of CSR

Early works

- M. P. Follett, 1918, 1924: social problems are not only a government matter
- Ch. Barnard, 1938: the purpose of business existence is to serve the society
- J. M. Clark, 1939: *Social Control of Business*
- T. Kreps, 1940: *Measurement of the Social Performance of Business*

History of CSR

Conditions

- excess of demand over supply
- enormous labor specialization
- need for large amounts of capital
- growth of capital intensity

History of CSR

Boom

■ H. Bowen, 1953: *Social Responsibilities of a Businessman*

■ A. B. Carroll: *A Three Dimensional Conceptual Model of Corporate Performance.*

■ Mid: 70s a project focusing CSR at Harvard Business School

■ World Economic Forum Meeting (Davos), 1973: Managers' Code of Conduct

Three Levels of CSR Determinants

- **Government**

- **Companies**

- **Consumers**

Corporate level

- **64 % of companies claim, they know what CSR is**
  - **but many of them actually don't**

- **99 % think that CSR activities are beneficial**
  - **but some of them only for PR purposes**

- **84 % wants to broaden their CSR activities**
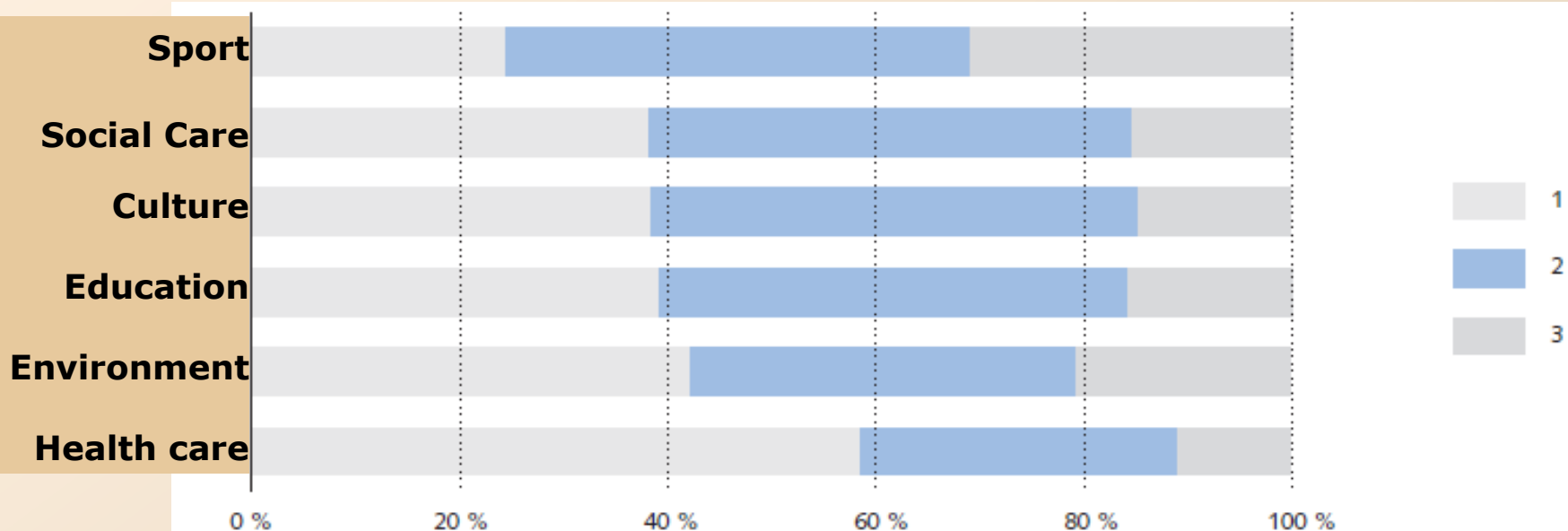 - **most active now: employee benefits, employee education, transparency, ecology**

Number of references in annual reports
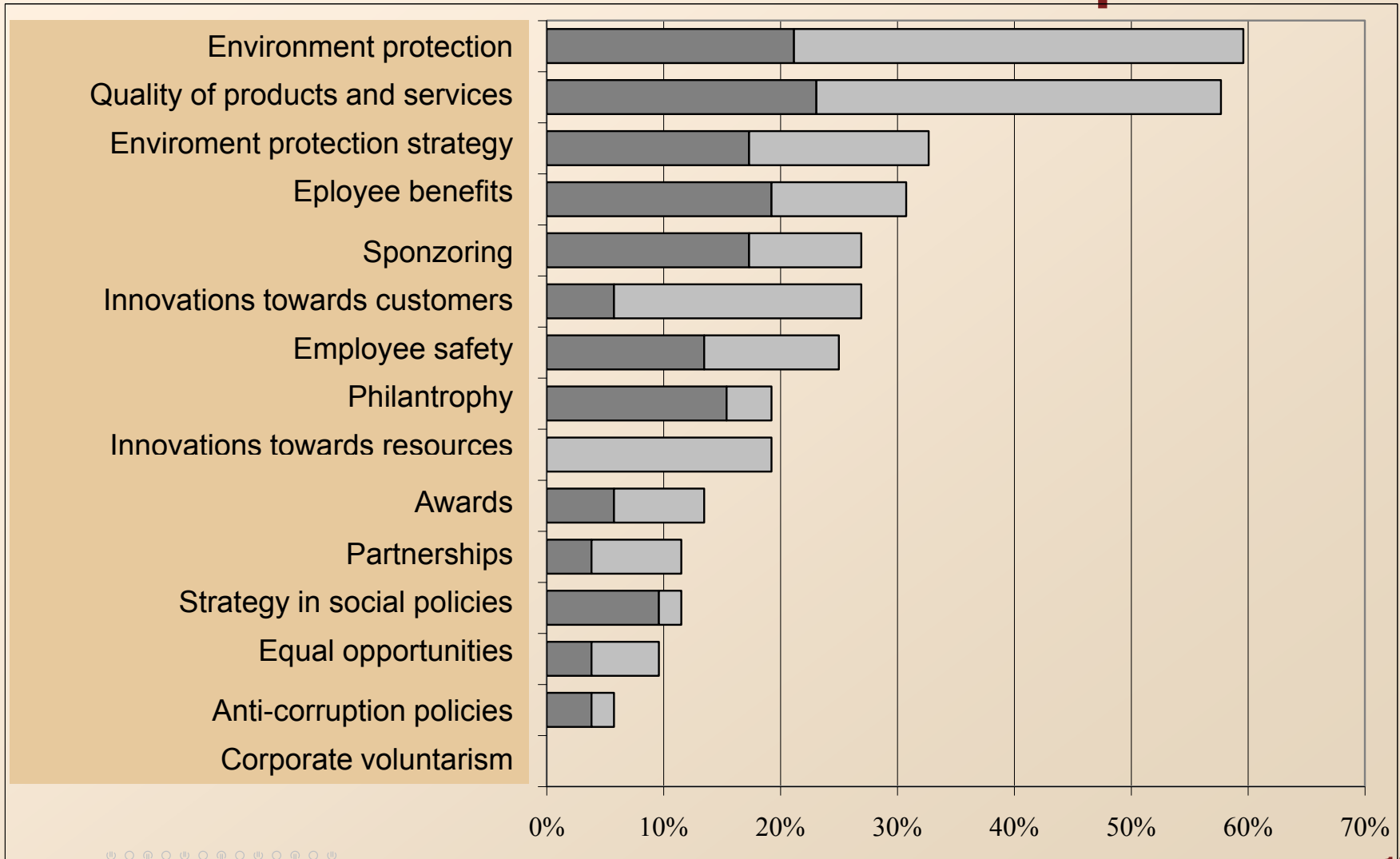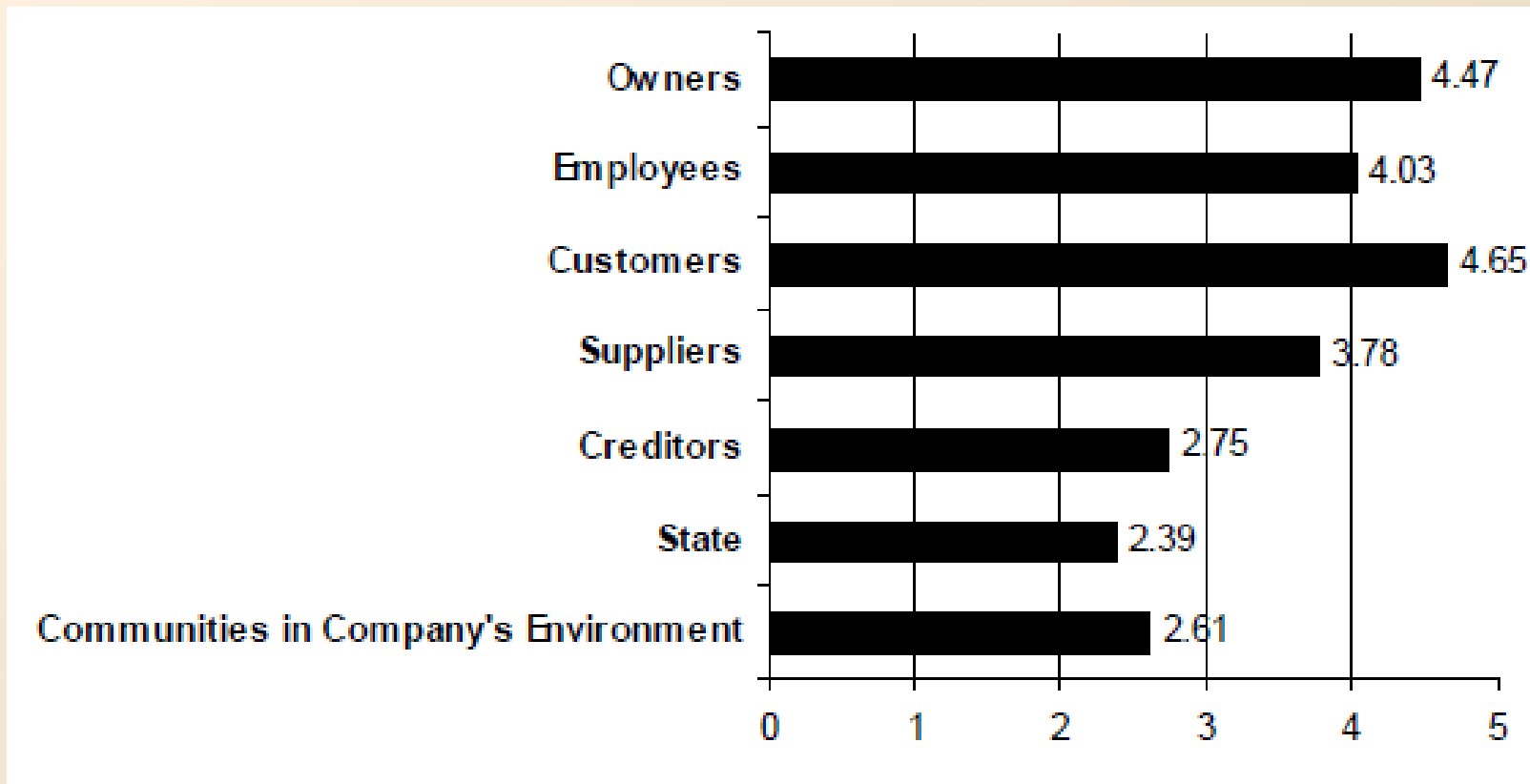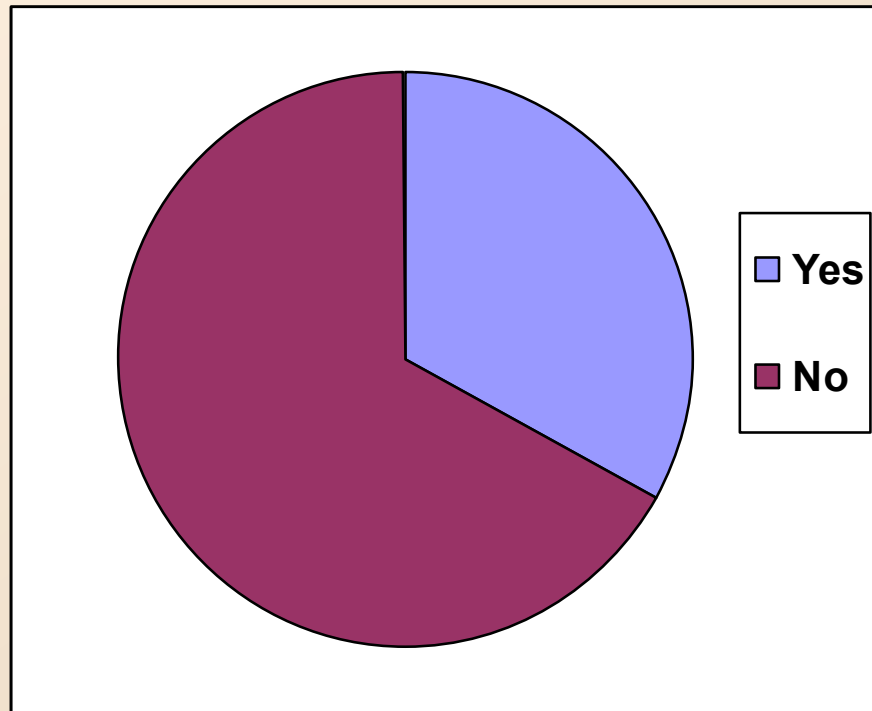
Forms of CSR (%)
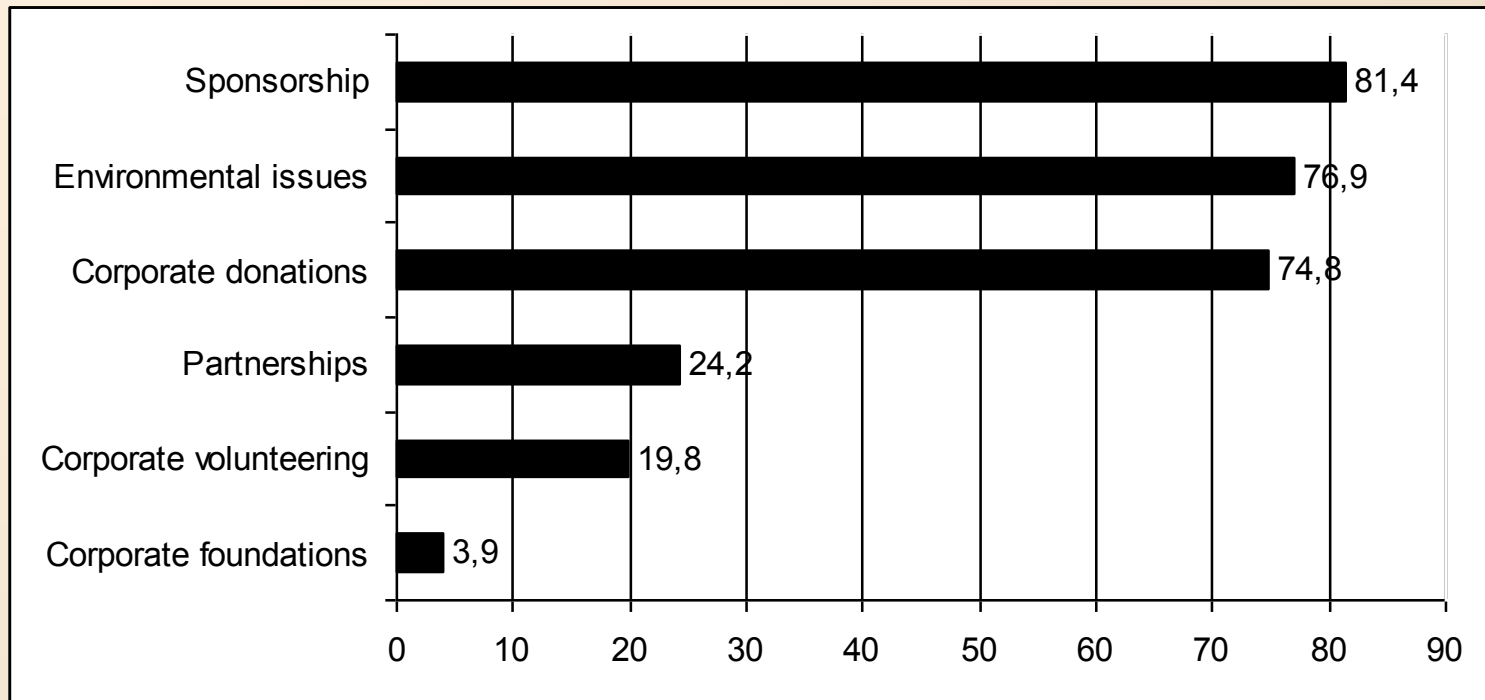
Supported areas

1 – Not at all, 2 – occasionally, 3 – significantly and systematically

The Czech Republic – importance of stakeholders (1 – lowest, 5 – highest)

Codes of ethics (%)

Consumers-driven CSR

- **2009: CZ is on 80 % of EU-27 GDP per capita average**

- **55 % of income is spent on food and housing (45 % in Austria, 65 % in Slovakia)**

- **Problem with reporting about CSR activities**

# The Czech Republic specifics – information sources about CSR activites

Trusted information sources	(%)
Other people	72
Own experience	65
Independent media	54
Corporate news, advertisement, website	33
Information on products	25

Preferred information sources	(%)
Information on product	48
Independent media news	47
Newspapers, TV news	45
Product brochures	44
Logos	34
Corporate PR news	27

Czech specifics – alternatives to indexes

- **Employer of the year**

- **Rhodos best companies**

- **100 most admired companies**

- **100 most infuential companies**

Would you buy a rope from recycled material?
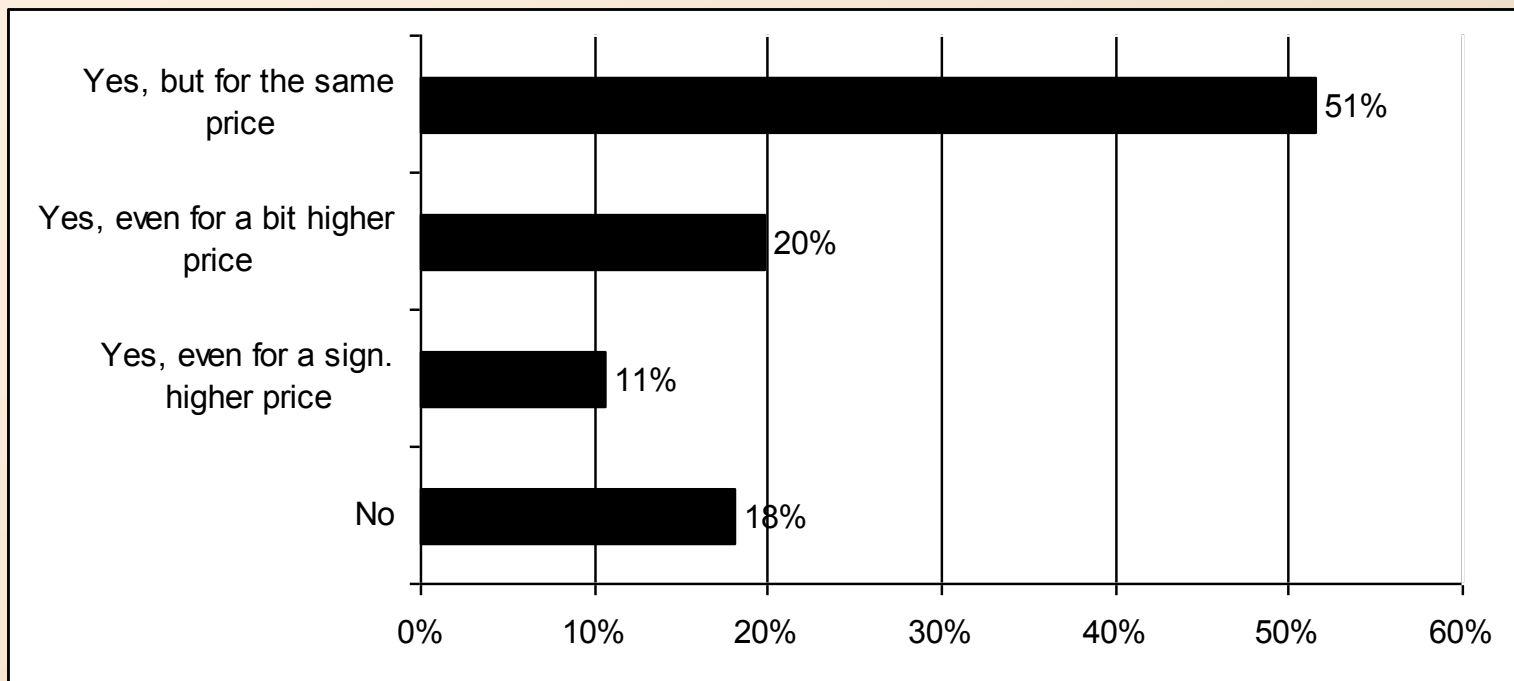
Czech specifics – conclusions from researches

- **Higher awareness in companies with foreign owner**

- **Media afraid of accusation of hidden advertisement**

- **Relationship between CSP and CFP is not falsified, but was found weak if any at all**

- **CSR awareness is lower in smaller companies**

Relationship between CSP and CFP (ROA)

Causality	Correlation (year)		
	Communities	**Employees**	**Customers**
Quality of the relationship with the group depends on ROA	0,4990 (1990)	0,6410 (1990)	0,5831 (1990)
Synergic effect	0,4715 (1983)	0,6019 (1989)	0,5513 (1989)
ROA depends on the quality of the relationship with the group	0,4064 (1992)	0,5172 (1992)	0,4792 (1989)

- 67 companies, 1982 - 1992
- 270 correlations
- always positive

Source: PRESTON, L. E., O'BENNON, D. P., 1997, p. 426.

Relationship between CSP and CFP

Relationship between	Sample size N	Average partial correlation
1. CSP and CFP (whole sample)	373	0.143 (0.135 až 0.151)
2a. CSP and CFP without corporate environmental performance	289	0.145 (0.137 až 0.154)
2b. CSP and CFP with corporate environmental performance	84	0.140 (0.118 až 0.162)
3. CSP and CFP with CSP reputation	268	0.120 (0.110 až 0.129)
4. CSP a CFP with philanthropic donation	77	0.277 (0.257 až 0.298)

- 82 studies, 1972 - 2003

Source: ALLOUCHE, J., LAROCHE, P., 2005, p. 24

Thank you for your attention