



MASARYK UNIVERSITY  
FACULTY OF ECONOMICS  
AND ADMINISTRATION

## The Corporate Social Responsibility

Ondrej Castek  
castek@econ.muni.cz

# Content of the lecture

- 1. What is CSR**
- 2. Why is it important and how to do it**
- 3. Critique of CSR**
- 4. Differences in CSR**





# What is the Corporate Social Responsibility





# What is the Corporate Social Responsibility

## Perhaps

Voluntary integration of social and environmental goals into everyday life:

## Tripple bottom line

### 3P



## How?

### **Business area:**

- No corruption
- Transparency
- Good relationships with customers, shareholders, business partners
- Intellectual property protection

### **Social area:**

- Filantrophy
- Human rights
- Equal opportunities
- Community engagement

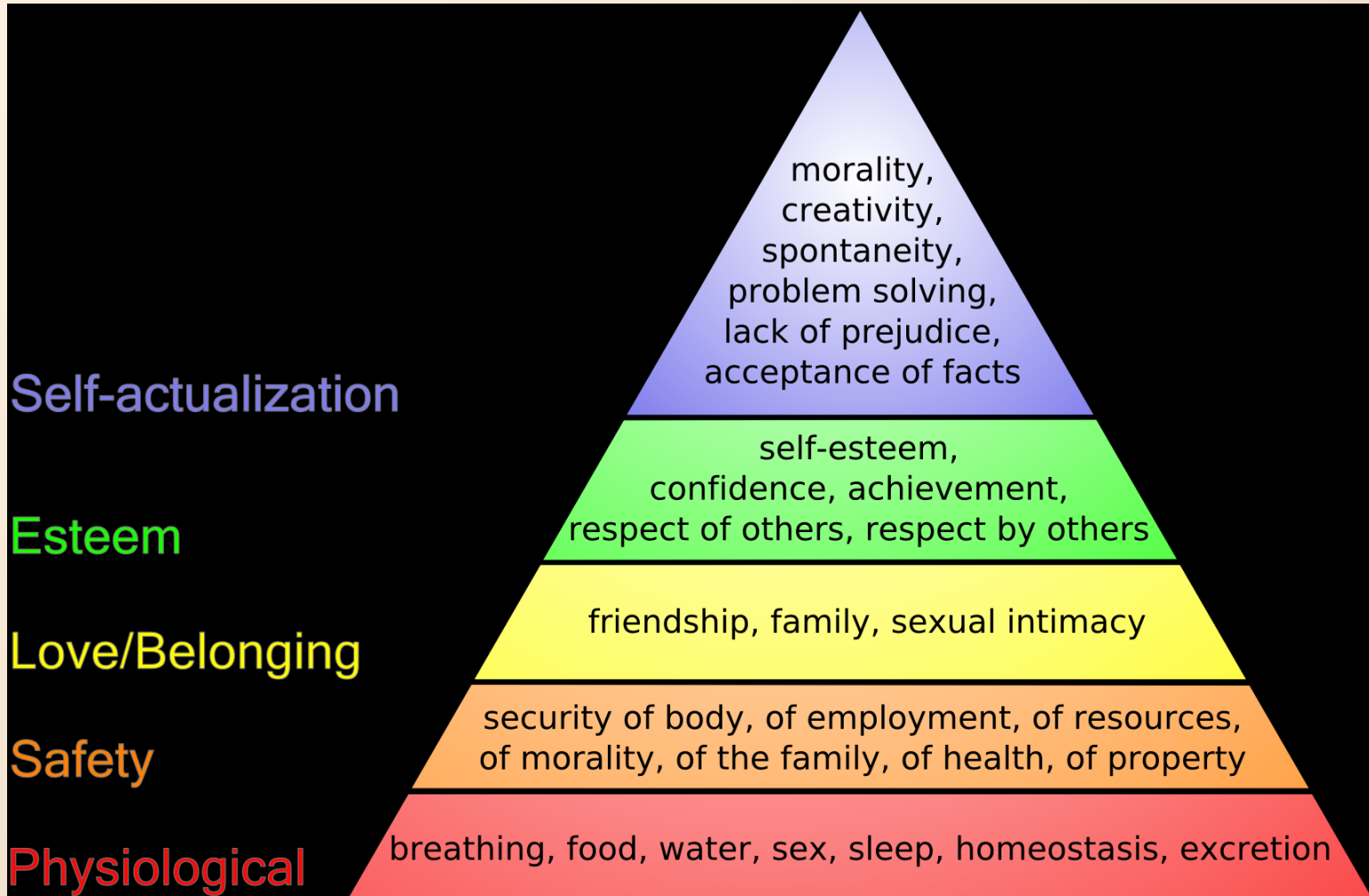
### **Enviromental area:**

- 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
  - as more attractive employer

## Needs – Values (Maslow's Hierarchy)



# 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

= institutionalization of CSR (e.g. CSR Europe in 1996)



# How to do CSR: ISO 26000:2010 Guidance on social responsibility, Core subjects and issues

## Core subjects and issues

Core subject: Organizational governance

Core subject: Human rights

Issue 1: Due diligence

Issue 2: Human rights risk situations

Issue 3: Avoidance of complicity

Issue 4: Resolving grievances

Issue 5: Discrimination and vulnerable groups

Issue 6: Civil and political rights

Issue 7: Economic, social and cultural rights

Issue 8: Fundamental principles and rights at work



**Core subject: Labour practices**

**Issue 1: Employment and employment relationships**

**Issue 2: Conditions of work and social protection**

**Issue 3: Social dialogue**

**Issue 4: Health and safety at work**

**Issue 5: Human development and training in the workplace**

**Core subject: The environment**

**Issue 1: Prevention of pollution**

**Issue 2: Sustainable resource use**

**Issue 3: Climate change mitigation and adaptation**

**Issue 4: Protection of the environment, biodiversity and restoration of natural habitats**





**Core subject: Fair operating practices**

**Issue 1: Anti-corruption**

**Issue 2: Responsible political involvement**

**Issue 3: Fair competition**

**Issue 4: Promoting social responsibility in the value chain**

**Issue 5: Respect for property rights**

**Core subject: Consumer issues**

**Issue 1: Fair marketing, factual and unbiased information and fair contractual practices**

**Issue 2: Protecting consumers' health and safety**

**Issue 3: Sustainable consumption**

**Issue 4: Consumer service, support, and complaint and dispute resolution**

**Issue 5: Consumer data protection and privacy**

**Issue 6: Access to essential services**

**Issue 7: Education and awareness**





**Core subject: Community involvement and development**

**Issue 1: Community involvement**

**Issue 2: Education and culture**

**Issue 3: Employment creation and skills development**

**Issue 4: Technology development and access**

**Issue 5: Wealth and income creation**

**Issue 6: Health**

**Issue 7: Social investment**

More available at:

<http://www.iso.org/iso/home/standards/iso26000.htm>



## How to do CSR: Principles

- Voluntariness
- ACTIVE cooperation with ALL involved parties
- Transparency
- Systematic and long-term nature
- Responsibility towards the society
- Tripple bottom line

## Why to do CSR: CSR activities should result in

- Higher margins, better access to additional capital, lower costs, better image
- Higher turnover and productivity, ability to attract better employees
- Lower risk, lower scrutiny

The other side:

- Higher costs, cash outflows

## Why to do CSR: Empirical research issues

- Corporate financial performance
- Corporate social performance
  - Domini 400 Social Index (DSI 400)
  - Standard and Poors 500 Index for socially responsible firms
  - Best employers, most respectable companies, etc.
- Direction
- Causality

## 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
- **RESULT: 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
<b>1. CSP and CFP (whole sample)</b>	<b>373</b>	<b>0.143</b> <b>(0.135 to 0.151)</b>
<b>2a. CSP and CFP without corporate environmental performance</b>	<b>289</b>	<b>0.145</b> <b>(0.137 to 0.154)</b>
<b>2b. CSP and CFP with corporate environmental performance</b>	<b>84</b>	<b>0.140</b> <b>(0.118 to 0.162)</b>
<b>3. CSP and CFP with CSP reputation</b>	<b>268</b>	<b>0.120</b> <b>(0.110 to 0.129)</b>
<b>4. CSP and CFP with philanthropic donation</b>	<b>77</b>	<b>0.277</b> <b>(0.257 to 0.298)</b>

■ 82 studies, 1972 - 2003

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

## Alluche, Laroche, 2005: results

- Virtuous spiral
- Focusing on environmental issues and charity means lower CFP than other forms of CSP
- Focusing on philanthropy means higher CFP than other forms of CSP
- Measurement of CFP matters
- If CSP measured as reputation, correlation higher than if measured as transparency and CSR audits

## Critique of CSR

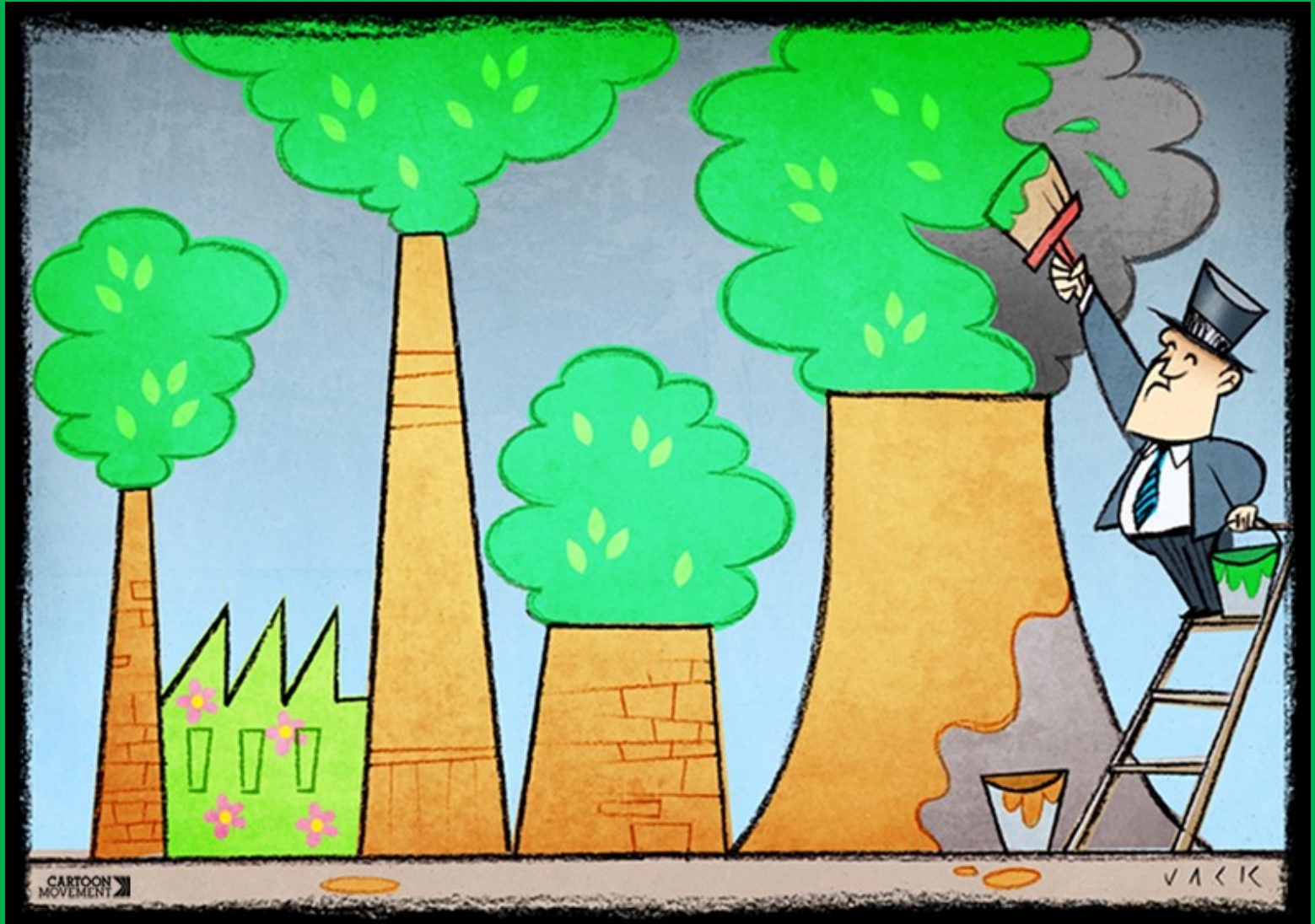
- Milton Friedman: *The Social Responsibility of Business Is to Increase Its Profits*
- Robert Reich: „*CSR is a dangerous distraction, focusing hyped-up attention on the social interventions of corporations rather than laying responsibility squarely on government, which is the only actor that can actually solve social problems*” (quote by M. R. Kramer)
- Pinkwashing
- Greenwashing

# We Support Breast Cancer Research.

Because the longer you live, the more you can smoke.



**SURGEON GENERAL'S WARNING:** The Surgeon General has determined that smoking cigarettes increases the risk of profits for tobacco companies.



## Open questions about CSR

- Should companies do CSR?
- Should CSR be regulated?
- Should CSR be obligatory?



# DIFFERENCES IN CSR

## And Czech specifics







# Three levels of CSR determinants

- **Government**
- **Companies**
- **Consumers**

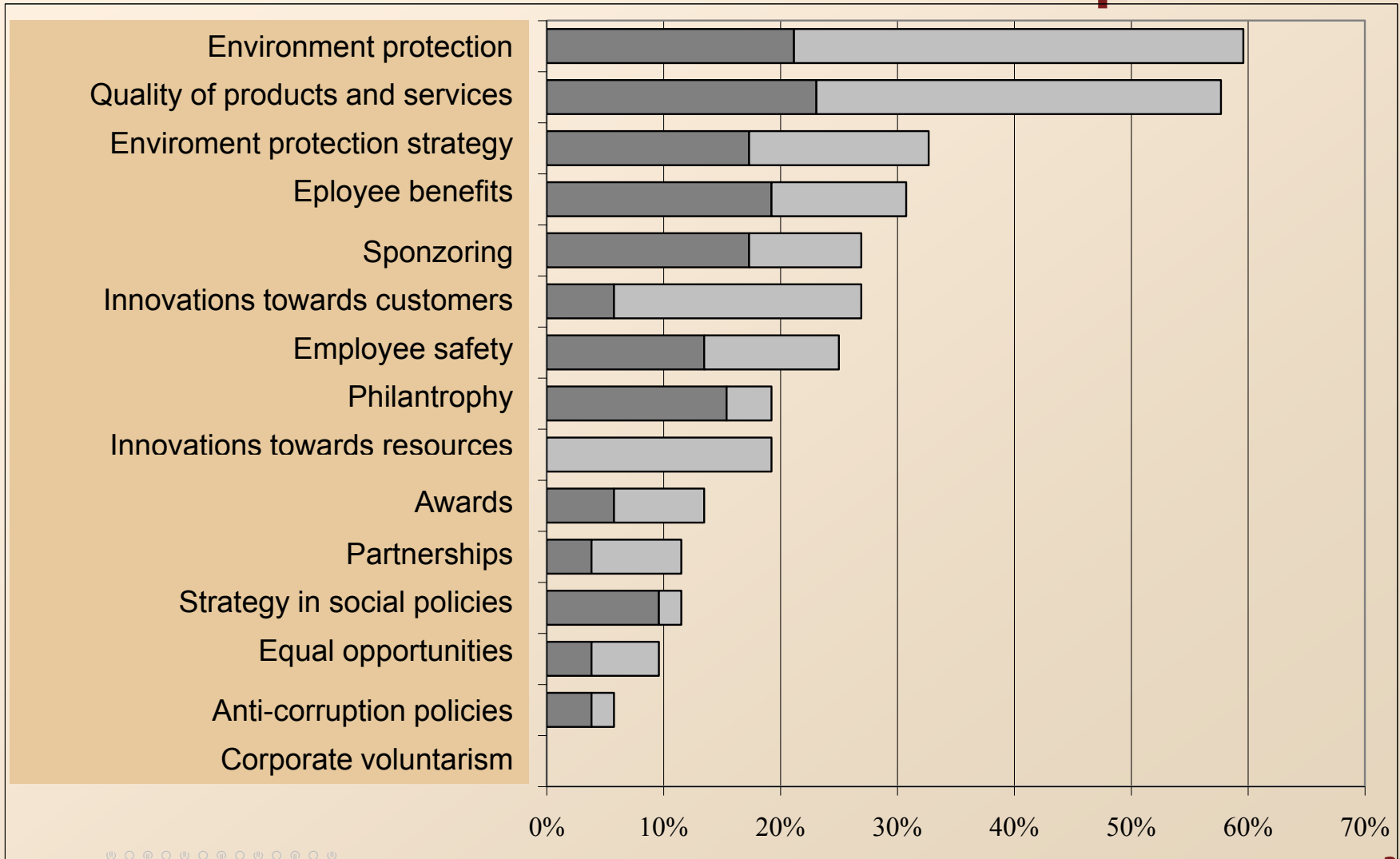




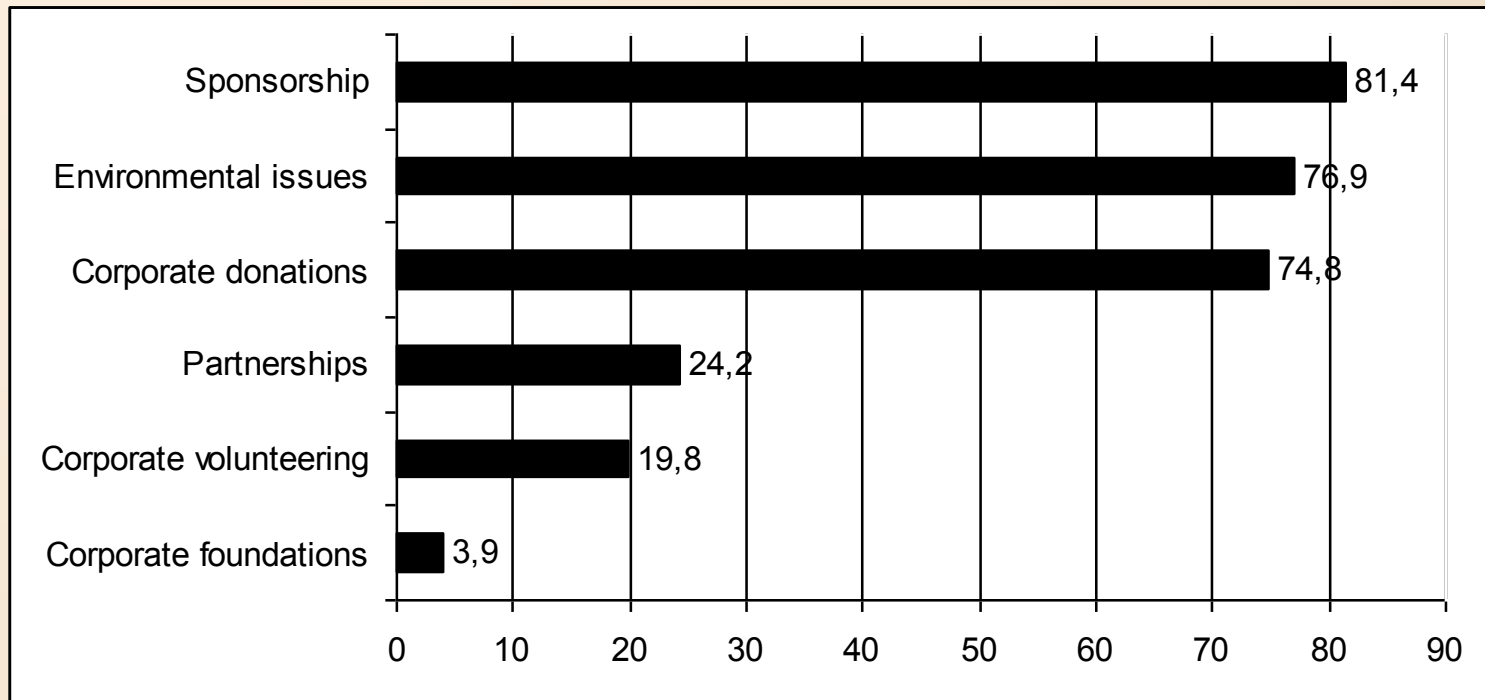
## Corporate level

- **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

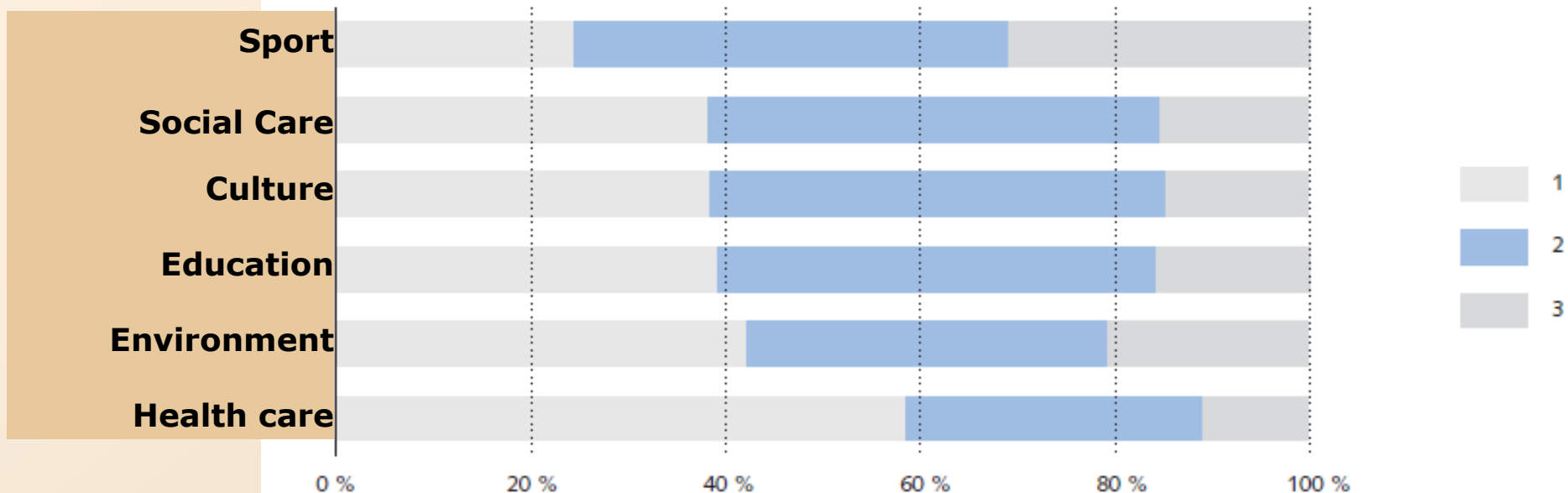
## Number of references in annual reports



## Forms of CSR (%)



## Supported areas

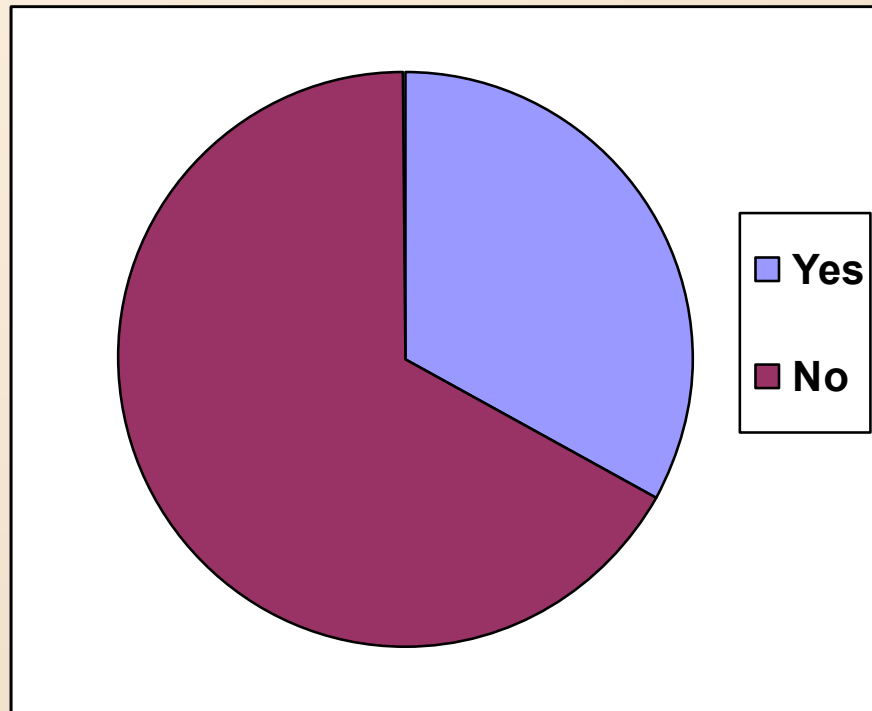


**1 – Not at all, 2 – occasionally, 3 – significantly and systematically**

## 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 activities

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

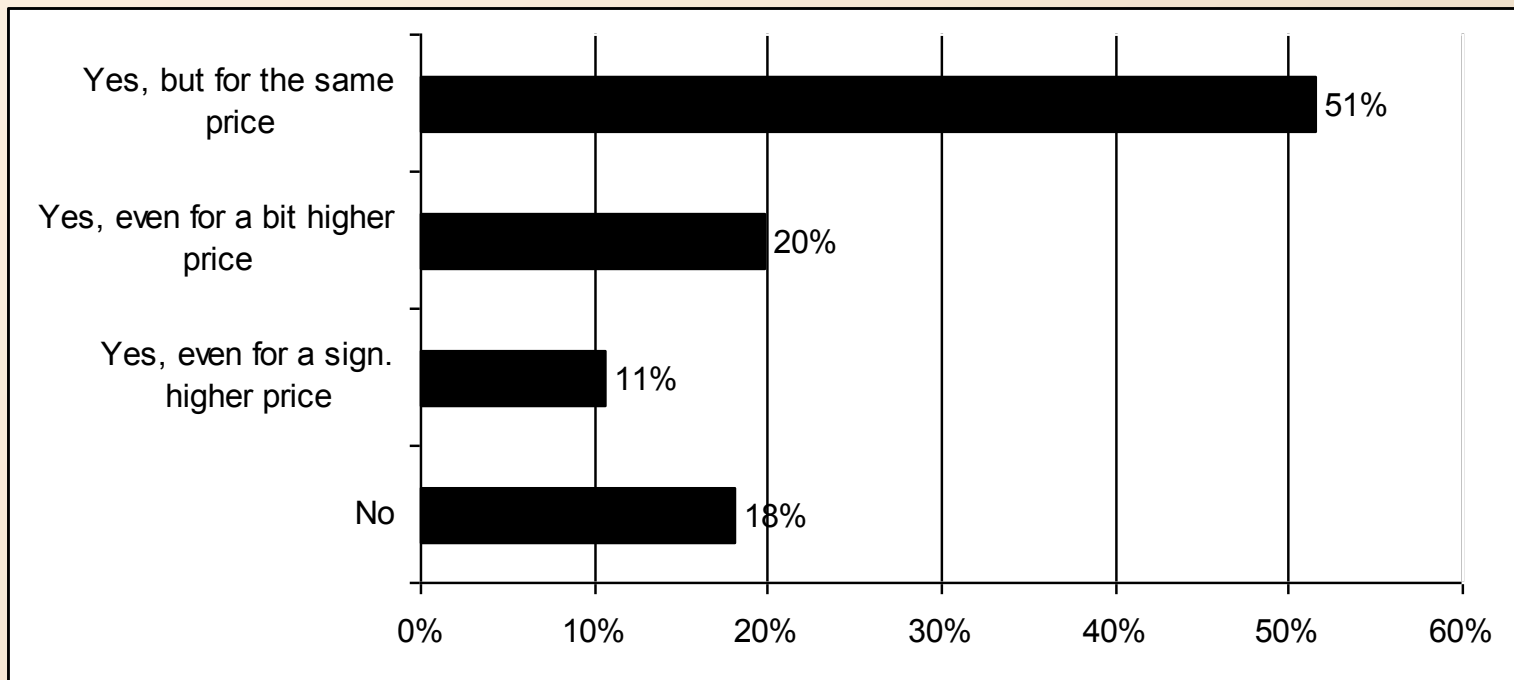
<b>Preferred information sources</b>	<b>(%)</b>
<b>Information on product</b>	<b>48</b>
<b>Independent media news</b>	<b>47</b>
<b>Newspapers, TV news</b>	<b>45</b>
<b>Product brochures</b>	<b>44</b>
<b>Logos</b>	<b>34</b>
<b>Corporate PR news</b>	<b>27</b>



## Czech specifics – alternatives to indexes

- **Employer of the year**
- **Rhodos best companies**
- **100 most admired companies**
- **100 most influential 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



**Thank you for your attention**

