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CORPORATE SOCIAL RESPONSIBILITY – MODERN CHALLENGE OR INEVITABILITY

Summary. As the Report on Corporate Social Responsibility shows, there is no specified government institution, except Ministry of Social Affairs and Ministry of Economy, dealing with CSR in Slovakia. CSR networks are operated by NGOs. The survey of UNDP and the University of Bratislava (2011) shows, that only 26% of business associations are active in promoting CSR. Most of them are large companies or multinational corporations. There is much to improve in this area. Core strategies supporting sustainable corporate social strategy do not seek short-term profit; they help to create prosperous economy.

Keywords: social responsibility, sustainability, environment, strategy, society.
Introduction

Corporate social responsibility “is becoming a leading principle of top management and of entrepreneurs.”\(^1\) Using G. H. Brundtland definition of sustainability M. Marrewijk and M. Verre described the new role with which corporations around the world are struggling as “meeting the needs of the present generation without compromising the ability of the next generations to meet their own needs. Organizations are being called upon to take responsibility for the ways their operations impact societies and the natural environment.”\(^2\) This definition is quite common and often used. It seems that companies have got clear and open strategy they might follow to be successful in their business. It seems they can expand their production and not to harm environment. What is tricky about corporate social responsibility? M. E. Porter and M. R. Kramer argue that “heightened corporate attention to CSR has not been entirely voluntary. Many companies awoke to it only after being surprised by public responses to issues they had not previously thought were part of their business responsibilities… In fact, the most common corporate response has been neither strategic nor operational but cosmetics: public relations and media campaigns, the centrepieces of which are often glossy CSR reports that showcase companies social and environmental good deeds.”\(^3\) D. Matten and J. Moon compare explicit and implicit CSR.

### Table 1

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<tr>
<th>Explicit CSR</th>
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<td>Describes corporate activities that assume responsibility for the interests of society</td>
<td>Describes corporations’ role within the wider formal and informal institutions for society’s interests and concerns</td>
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<td>Consists of voluntary corporate policies, programs, and strategies</td>
<td>Consists of values, norms, and rules that result in (often codified and mandatory) requirements for corporations</td>
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Incentives and opportunities are motivated by the perceived expectations of different stakeholders of the corporation.

Motivated by the societal consensus on the legitimate expectations of the roles and contributions of all major groups in society, including corporations.

Y.A. Babalola maintains, that “organizations have developed a variety of strategies for dealing with this intersection of societal needs, the natural environment, and corresponding business imperatives with respect to how deeply and how well they are integrating social responsibility approaches into both strategy and daily operations worldwide. A firm cannot ignore the problems of the environment in which it operates.”\textsuperscript{5} But the fact is that, “the prevailing approaches to CSR are so fragmented and so disconnected from business and strategy as to obscure many of the greatest opportunities for companies to benefit society. If, instead, corporations were to analyse their prospects for social responsibility using the same frameworks that guide their core business choices, they would discover that CSR can be much more than a cost, a constraint, or a charitable deed – it can be a source of opportunity, innovation, and competitive advantage.”\textsuperscript{6}

The quality “of relationships that a company has with its employees and other key stakeholders—such as customers, investors, suppliers, public and governmental officials, activists, and communities—is crucial to its success, as is its ability to respond to competitive conditions and corporate social responsibility. These major transformations require national and global companies to approach their business in terms of sustainable development, and both individual and organizational leadership plays a major role in this change.”\textsuperscript{7}

**Corporation identity**

“Corporate responsibility or sustainability is therefore a prominent feature of the business and society literature, addressing topics of business ethics, corporate social performance, global corporate citizenship, and stakeholder management. Management education can be an important source of new ideas about shifting toward an integrated rather than fractured


knowledge economy, but this means also that the role and meaning of socially responsible leadership needs to be updated. Much further research is needed to create a clearer understanding of what is required, both in leadership itself and in the field of leadership development.\(^8\) L. S. Paine describes “the key attributes that define a company’s essential character and the contemporary turn to values reflect an evolution in what has sometimes been called the personality of the corporation – or the corporation’s identity”\(^9\).

A. Carroll described in 1991 a company’s pyramid of CSR\(^10\), which “starts with economic responsibilities and continues with legal, ethical, and discretionary responsibilities respectively. However, what was ethical or even discretionary in Carroll’s model is becoming increasingly necessary today because of the changing environment within which businesses operate and because the ethical responsibilities are more likely to stand on a par with economic and legal responsibilities as foundational for business success”\(^11\). CSR can be “a way of matching corporate operations with societal values at a time when these parameters are changing rapidly. As such, ethical behaviour is a prerequisite for strategic CSR. A company’s ethical behaviour is the mirror image of its culture, a shared set of values and guiding principles deeply ingrained throughout the organization and the ethical behaviour and culture become part of the definition of corporate identity”\(^12\).

The corporate sustainability model “describes the inputs, processes, outputs, and outcomes necessary to implement a successful sustainability strategy. The inputs include the external context, the internal context, the business context, human and financial resources. Though the inputs sometimes act as constraints to improved corporate sustainability, managers have significant ability through leadership and the formulation and implementation of various processes including sustainability strategy, structure, actions, and systems to effect corporate sustainability performance”\(^13\).

Corporations “need to engage with stakeholders to develop valuable CSR-related actions. Stakeholders that face challenges and threats are more likely to partner with corporations on CSR-related issues and corporations and stakeholders are more likely to succeed when a long-term vision is embraced. The literature shows that corporate leadership should have a holistic approach”\(^14\).

\(^{8}\) Ibid., p. 2.
Good employment practice belongs to the integral part of the company developing strategy, but it usually stays apart from the environmental strategy. Managements without a strategic understanding of CSR often fail to fulfil the social obligations; managements without a strategic understanding of environmental corporate social responsibility fail to fulfil environmental obligations. It is obviously different from company to company, from management to management. The motivation is also different. Lots of companies try to increase CSR employees’ awareness.

**Measuring Corporate social responsibility**

Criteria used in measuring CSR vary widely\textsuperscript{15}. Companies report e.g. on their annual financial reporting; social, environmental and anti-corruption activities, energy use, opportunity to strengthen brands and corporate reputation, possibility to improve market position, access to capital, etc.

Y. de Boer, KPMG’s Global Chairman for Climate change and Sustainability, says in the KPMG Survey of Corporate Responsibility Reporting 2013, that some people can see these reports as “waste of time and money, believing them to be so dense and so dull that no one could possibly bother to read them. Others see them as vehicles for corporate greenwash, an opportunity for companies to exaggerate their social and environmental credentials without any genuine intention to change… CR reporting is the means by which a business can understand both its exposure to the risk of these changes and its potential to profit from the new commercial opportunities.”\textsuperscript{16} In the KPMG international survey, which monitored 100 largest companies in 41 countries (4, 100 companies at all) on the Corporate responsibility reporting, Slovakia reporting rate in 2013 was 57%, while in 2011 it was 63%.

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<thead>
<tr>
<th>Country</th>
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<td>Greece</td>
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<td>Netherlands</td>
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<td>Norway</td>
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\textsuperscript{15} The Dow Jones Sustainability Index, FTSE4Good Index, e.t.c.

\textsuperscript{16} KPMG Survey of Corporate Responsibility Reporting 2013, p. 9.
This survey also shows the difference in terminology used by companies while reporting. The most commonly and globally used terms are corporate responsibility (14%), or corporate social responsibility (25%) and sustainability report (43%).

**Slovakia and CSR strategy**

Companies can understand CSR as a modern challenge and at the same time as an inevitable strategy. Except the triple bottom line of economic, social and environmental issues, we can see development of CSR into two major dimensions. The first one deals with sustainable CSR, with corporate sustainability as company strategy. The second one sees CSR as an inevitable respond to sustainable development of postmodern society in transition. Companies also face limitations when implementing CSR. For D. Matten and J. Moon the fundamental idea of corporate social responsibility is that “it reflects both the social imperatives and the social consequences of business success, and that responsibility accordingly falls upon the corporation, but the precise manifestation and direction of the responsibility lies at the discretion of the corporation.”

Y. A. Babalola explains that “such a characterization of corporate social responsibility makes it a mandatory exercise in that it assumes that business has a direct responsibility to help in solving society’s problems.”

A. Lewicka-Stralecka “identifies the opportunities and limitations of CSR in the so-called countries of transformation, or Central and Eastern European countries: the business image, the legal background, the job-market situation, the corruption and the correlates of economic stagnation and social decline, the socialist associations, the CSR rhetoric – including the blurred boundaries of CSR, the underdevelopment of the civic society, the economic reality, the ethical standards, and the attempts at self-regulation of business.”

Slovakia “has undergone a difficult transition from a centrally planned to a market economy. A study by the World Bank (2005) found that most companies in Slovakia consider shareholder, customers and employees as well as top management and board of directors to be their key stakeholders. Only very few companies think of local communities as stakeholders. The same study established that most companies understand “socially responsible activities”

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17 KPMG Survey of Corporate Responsibility Reporting 2013, p. 5.
as addressing stakeholders’ concerns and ethical conduct. Companies are also concerned about transparency in operations and compliance with existing regulations.”

Despite of various attempts of Slovak government, initiatives and efforts, very paradox situation is described in the analysis of national policies on CSR published in May 2007 „Raising Awareness for CSR in EU Member States: Overview of government initiatives and selected cases Final Report to the EU High-Level Group on CSR“. Authors of survey explain, that “some countries are not included in the survey for various reasons: The representative of Luxembourg could not identify an expert on CSR awareness rising. The responsible person in the Czech Republic did not speak English, and the promised written information was not submitted via email. In the cases of Cyprus, Italy and Slovakia, no telephone interviews could be undertaken in spite of several attempts to reach the contact persons.” Considering the situation in Slovakia, we can only dispute why it was like this – because of language barriers, unwillingness to speak about CSR, because of non-existing CSR strategy in lots of companies.

There is a crucial demand for both sustainable CSR strategies – internal strategy which means building sustainable company and external, which helps to promote company sustainable business in public. A renewed EU strategy 2011 – 2014 for Corporate Social Responsibility invites member states to “promote CSR in Support of the Europe 2020 strategy, with reference to internationally recognized CSR principles and guidelines and in cooperation with enterprises and other stakeholders… “

The Report on Corporate Social Responsibility – Copenhagen (Denmark, 2013) brings information, there is no specified government institution, except Ministry of Social Affairs and Ministry of Economy, dealing with CSR in Slovakia. CSR networks are operated by NGOs. The survey of UNDP and the University of Bratislava (2011) shows, that only 26% of business associations in Slovakia are active in promoting CSR. Most of them are large companies or multinational corporations. “A CSR award as well as network initiatives to share good practice on CSR exist, but so far there is no co-ordinated National Action Plan.”

It was the first time in 2013 when Slovakia was represented by two companies at the European CSR Award in Brussels. “In the SME category, SK-NIC for the project Ľudia l'ud'om (People to people) was selected. This partnership helps donors to better target people in need, NGOs, artists, foundations and municipalities. In the large company category, Slovenské elektrárne (Enel Group owns 66% of Slovak Power Company) and its partners

were rewarded for their long term contribution to solving the issue of homelessness in Bratislava.”

According to the *European Commission SBA 2012 Report* “there are more small businesses in Slovakia than in the EU as a whole and the Slovak SME sector is slowly recovering from the crisis.” The real situation is that Slovakia still has got quite high unemployment rate (12.5%, December 2014) and it is not easy to find a job in lots of towns, especially in the East Slovakia. There is still lack of job opportunities and most of people work for the minimal salary per month. There is still something like the “heritage” of past, the situation that rose after former Czechoslovakia split apart and Slovakia as an independent state become into existence on 1 January 1993 and lost the traditional business partners and trade market positions due to the political and economic situation in Slovakia and in Europe.

SBA Facts Sheet 2012 shows that “Slovakia’s SME sector is characterised by a high proportion of small and medium-sized enterprises, albeit to the detriment of micro-firms. The medium sized group in particular makes above-average contributions to employment (23.3% compared to 17.2% in the EU) and value-added (22.3% as against 18.3%). Overall, however, the SME sector contributes less to value-added and employment than do its European counterparts on average. This may be the result of the Slovak economy’s industrial structure.”

The prognosis for future development seems to be positive. “The Slovak economy, which saw one of the speediest recoveries from the financial crisis, faces the challenge of strengthening its domestic production base and diversifying its sources of growth, whilst consolidating progress made so far in terms of structural reforms and public finances. After a slowdown in 2013, economic activity in Slovakia is set to pick up in 2014. Real GDP is expected to increase by 2.2% in 2014 and by 3.1% in 2015. The composition of growth is projected to become more balanced as domestic demand becomes the main driver. Private consumption is set to recover gradually after several years of decline. Nevertheless, labour market conditions are expected to improve only modestly and the unemployment rate will remain close to 13%.”

Common people do not see better situation in their towns except the capital Bratislava. According to *Eurobarometer survey (Quality of life in the Cities, 2013)* on the question whether it is easy to find a job in their city, comparing two largest cities in Slovakia – Bratislava and Kosice, 51% respondents living in Bratislava answer “yes”, but in Kosice the

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level of disagreement is very high (over 70%). With regard to respondents’ personal job situation, 58% of respondents in Bratislava are totally “satisfied” with their personal job situation: 18% “very satisfied” and 40% “fairly satisfied”, 13% “not very satisfied”, 8% not at all satisfied and 21% do not know or the answer is missing. It is interesting that very similar results are also in Kosice.

It is not secret that there exist some of companies in Slovakia, especially with foreign owners that misuse legislative holes in the system and keep people working in very poor conditions. Because of lack of work possibilities in some regions of Slovakia, employees do not want to speak openly about the situation because they are scared they might lose even these bad paid jobs. Many workers working in the private sector complain that they even have not got their salaries for several months or more. They work and hope they will have once their money paid back. We can say that the state system allows such types of companies, such type of employers misuse employees and their poor social situation. But recently some cases have been highly publicly discussed in media; angry people went into strike and claimed it is a new form of slavery, e.g. company for railway components in Prakovce (more than 300 workers), textile company in Svidník (more than 300 women) where women get monthly paid less than 219 Eur.

This situation is not unfamiliar for workers even in large companies. The last scandal situation has been revealed in one of the largest building company that has been building the highways in Slovakia. The hired workers who build bridges and motorways accused this company for not paying them their salaries for more than six months. However, the company management argues that the reason for this situation is secondary insolvency. The question is what kind of corporate social responsibility do such companies promote? M. E. Porter and M. R. Kramer in their article *Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility* write that “the CSR field remains strongly imbued with moral imperative… It is the nature of moral obligations to be absolute mandates, however, while most corporate social choices involve balancing competing values, interests, and costs.”

The Slovak Spectator interviewed in 2012 eleven representatives of large companies on the possibility for large companies to contribute to regional development as part of CSR. The question was if companies develop their own activities, or bring in models from their parents companies. All of them proclaimed responsible approach to their business, supporting NGOs programmes, financial education, young people education, developing their own strategies according to regional needs and markets in which they operate, support of environmental

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31 U.S. Steel Košice, Slovenská Sporiteľňa, VÚB Banka, Slovak Telekom, Orange Slovensko, Telefónica Slovensko, Accenture, Východoslovenská Energetika, Stredoslovenská Energetika, SPP, IBM.
protection, support of children protection programmes, building trust and transparency, corporate citizenship programmes, applying long-term sustainable growth mechanism, investments, respect towards employees.32

According to World Bank, in Slovakia “many companies believe that the highest barriers to the adoption of CSR practices are the overall costs of CSR projects and the lack of direct impact on financial success. At the same time companies believe that sharing information, discussing, collaborating and negotiating with different stakeholders would make their CSR practices more relevant.”33

Conclusion

EU defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.34 Core strategies supporting sustainable corporate social strategy do not seek short-term profit; they help to create prosperous economy.

We completely agree with K. Udovički, who claims that “CSR is becoming an increasingly powerful tool of modern societies – carried out by companies on a voluntary basis working to deliver social cohesion and environmental sustainability as well as economic development. In transition and post-transition countries, CSR can become a forceful tool contributing towards sustainable development and societal regeneration as well. In addition to the obvious, direct, benefits of CSR enjoyed by the ultimate beneficiaries of responsible corporate practices, CSR brings benefits to the companies that practice it.”35 The challenges and limitations to which companies face as they implement CSR “usually relate either to political issues or to organizational-level concerns and are often embedded in culture. The complexity of operating in a global society places new demands on organizations and their leadership.”36

33 Line M., Braun R.: Baseline study on CSR practices in the new EU member states and candidate countries, United Nations Development Programme, 2007, s. 20.
35 Line M., Braun R.: Baseline study on CSR practices in the new EU member states and candidate countries, United Nations Development Programme, 2007, s. 3.
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Omówienie

W artykule omówiono społeczną odpowiedzialność biznesu (CSR) jako wyzwanie i nieuchronną strategię. Poza potrzebną dolną linią zagadnień ekonomicznych, społecznych i środowiskowych istnieją dwa główne wymiary. Pierwszy z nich dotyczy zrównoważonego CSR jako strategii firmy. Drugi widzi CSR jako nieuchronną reakcję na zrównoważony rozwój społeczeństwa ponowoczesnego w okresie przejściowym. Dobre praktyki zatrudnienia należą do integralnej części strategii rozwijającej się firmy, ale zwykle pozostają poza strategią środowiskową. Zarządzający bez strategicznego rozumienia CSR często nie dopełniają obowiązków społecznych; zarządy bez strategicznego zrozumienia środowiska w społecznej odpowiedzialności biznesu nie dopełniają obowiązków dotyczących ochrony środowiska.