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**IMPLEMENTATION OF THE SUSTAINABLE
ENTREPRENEURSHIP PRINCIPLES IN CORPORATE
PRACTICE WITHIN THE CZECH REPUBLIC AND THE
SYSTEMIC SUPPORT OF FURTHER EXPANSION**

Štěpánka Hronová – Vilém Kunz

Abstract

The topic of sustainable entrepreneurship has received considerable attention worldwide. The importance of issues connected with the wide implementation of Corporate Social Responsibility (CSR) principles in the Czech Republic has increased since the country's accession to the European Union. This paper explores possible ways to implement sustainable business practices in the Czech Republic as well as its further development. Moreover, it includes the identification of key areas of importance to the process of systemic support of sustainable business activities. The article also presents the results of an empirical investigation that maps government support of CSR among selected companies in the Czech Republic.

Keywords: sustainable entrepreneurship, corporate social responsibility, implementation of the CSR principles, sustainable business activities, the Czech Republic, empiric research

JEL Code: M14

Introduction

Corporate Social Responsibility is a complex and broad concept on its own which in addition serves as the fundamental basis for other partial concepts focused on particular areas of socially responsible behaviour of companies. Comparatively large width of the CSR concept as well as its unrestrained development has caused very high terminological disunity.

Even though the term Corporate Social Responsibility has been discussed for more than half a century, there currently still does not exist any universally applicable and uniform worldwide definition.

In our opinion, it is caused mostly by the fact that CSR is based on voluntariness and it does not have any strictly defined boundaries thereby giving space to a worldwide debate and a very broad understanding and interpretation of the comprehensive concept by individual stakeholders. Mura (2011) even believes that if a uniform and generally accepted consensus in understanding of the CSR concept exists, then it is the one claiming that the term CSR has different understanding by different stakeholders and different social commentators.

As a result of this, numerous definitions can be found as well as approaches of defining the notion of corporate social responsibility. However, these are often quite vague thereby giving considerable space to their relatively wide application and use.

A large number of authors have been dealing with the issue of the unified CSR definition not only abroad but also in the Czech Republic. For example, Mullerat thinks that to define the notion of CSR, either a simple definition should be used, which however might be simplified to a misleading level; or on the contrary a lengthy definition can be used which is more descriptive but more accurate. (Mullerat, 2010, p. 227).

Many international and national organizations and movements have been trying to define the concept of social responsibility as well. These entities often seek to promote CSR and disseminate ideas of the concept not only among business representatives but also among the general public. We can mention, for example, the following international organizations: Business for Social Responsibility, World Business Council for Sustainable Development, or an organization Prince of Wales International Business Leaders Forum linked to the transatlantic institutions such as the World Bank, the United Nations and the International Labour Organization (ILO). In Europe, CSR is supported by the EU institutions as well as by the network of its national partners.

Following the development of views on CSR in the course of time is interesting and informative. Issues of evolution and development of definitions of the complex theoretical approach to CSR were in the focus of interest of an acclaimed theorist in the CSR field A. B. Carroll (1999) in his paper called „Corporate Social Responsibility: Evolution of a Definitional Construct“. There he states that authors who have been involved in defining the CSR concept can be divided into two main schools of thought. While supporters of the first one emphasize the commitment of every business being mainly profit maximization within the law and with the minimum of ethical responsibilities, the others propose a wider range of responsibilities of enterprises towards society (Carroll, 1999). Carroll (2008) on his own considers CSR to be companies' obligation to make decisions and implement policies that are

desirable in terms of the values and goals of the society. In connection with the evolution of the development of definitions, it is possible to include a view of one of the major contemporary experts in CSR Wayne Visser according to whom CSR is: *“the way in which business consistently creates shared value in society through economic development, good governance, stakeholder responsiveness and environmental improvement. Put another way, CSR is an integrated, systemic approach by business that builds, rather than erodes or destroys, economic, social, human and natural capital.”* (Visser, 2011, p. 87).

The European Union slightly changes its CSR definitions in the course of time as well. In the European Commission document about CSR in 2001 it is defined 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”*(KOM, 2001, p. 8 [online]). Later in 2011, the European Commission puts forward a renewed definition as follows: *“the responsibility of enterprises for their impacts on society”* (KOM, 2001, p. 6 [online]). On its website the European Commission announces principles and guidelines which the current Commission’s CSR strategy is built upon. They are:

- “United Nations Global Compact
- United Nations Guiding Principles on Business and Human Rights
- ISO 26000 Guidance Standard on Social Responsibility
- International Labour Organization Tripartite Declaration of Principles concerning Multinational Enterprises on Social Policy
- OECD Guidelines for Multinational Enterprises” (European Commission, 2014 [online])

Despite the significant width and complexity of the CSR concept, but also the differing interpretation by individual stakeholders, we assume that it is still possible to define the basic principles of CSR. The following is mainly emphasized:

- voluntariness – enterprises implement CSR activities entirely voluntarily beyond their duties specified by legislation;
- active cooperation with all stakeholders - allows to create 'win-win' situations;
- transparency and open dialogue with stakeholders – businesses should enable stakeholders to access information, not just the data related to the economic performance of enterprises;
- complexity and functioning of the organization with respect to the so called *triple bottom line businesses* – companies focusing on economic, environmental and social aspects of its activities;
- systematization and long-term time horizon – CSR is included in long-term corporate values, business strategies and processes at all levels of the company;

- responsibility towards society and commitment of companies to contribute to the development of the quality of life – Social responsibility represents an ethical imperative to work for the good of the society.

According to some theorists, social responsibility can be considered an important feature of the new economy and, at the same time, a reflection of an opinion that not only governments but enterprises alike shall carry its part of responsibility for social welfare, environmental protection, sustainable development and rational use of non-renewable resources (Pavlů, 2009, Bobenič Hintošová, 2008).

1. Corporate Social Responsibility in the Czech Republic

In recent years, we have been witnessing a growing interest in CSR worldwide as well as in the Czech Republic (not only by businesses), including search for ways of its further expansion and promotion.

In the Czech business environment we can find elements of CSR already in the interwar period in the first half of the 20th century. In connection with the implementation of the principles of a socially responsible business, Tomas Bata (1876 – 1932), a founder of a famous footwear company, is one of the most frequently mentioned Czech entrepreneurs. (Čaník et al., 2006).

Many experts including Cekota believe that social responsibility - along with high-performance, customer focus and continuous improvement - belongs to one of the main hallmarks of the company during Tomas Bata's lifetime. Principles of the socially responsible business can already be found in the fundamental values of the Bata company. (Cekota, 2004)

A promising development in the area of socially responsible business growth in our country was interrupted by historical events (World War II and the subsequent Communist regime). By establishing the Communist government after 1948, the whole economy was centralized. The state took over the social protection and social security of the entire population. In contrast, the non-profit sector was virtually abolished and philanthropic activities were pushed to the very bottom of the human will.

It is the rebuilding of the corporate philanthropy tradition in the Czech Republic which is typical for the early nineties of the 20th century, even though it was frequently done without systematic and strategic interconnections.

Representatives of the business sector in the Czech Republic are gradually gaining understanding of the fact that socially responsible entrepreneurship should not be focused

only on the corporate philanthropy, even though much more sophisticated. It shall also be based on all pillars of the triple bottom line which means that social, ecological and economic aspects should be integrated into all corporate activities.

In the first years of the post-November development in the Czech business environment after 1989, a number of large multinational companies contributed significantly to the promotion of ideas of socially responsible business. These MNCs often carried forward their good practices in the field of CSR and transferred them onto their subsidiaries within the Czech Republic.

Accession of the Czech Republic to the Organisation for Economic Co-operation and Development (OECD)³ represented a significant shift in terms of further expansion of CSR ideas. The move towards CSR was even more significant after its integration into the European Union⁴, for which CSR represents one of the fundamental themes and which has been receiving its long-term support.

Awareness of the concept of corporate social responsibility in the Czech Republic has been gradually increasing since the new millennium and has gained its still growing support and affinity among the business community.

Skácelík assumes that the current situation in the Czech Republic can be described as a phase of *awakening*, when the CSR themes is gradually gaining public attention and organizations are more and more aware of the fact that CSR not only exists, but could be beneficial for their future successful development (Skácelík, 2010).

CSR in the Czech Republic is not a domain of international companies or MNCs only; Czech businesses also trying to implement this concept into their corporate culture.

For the development of CSR on the Czech territory, the role of institutions focused on the area of CSR, philanthropy or business ethics is particularly important.

Major organizations supporting the promotion and dissemination of the principles of CSR in the Czech Republic are, for example: Donors Forum, Business Leaders Forum (BLF), Gender Studies, Transparency International - Czech Republic and Czech Society for Quality.

Companies significantly involved in the field of CSR in the Czech Republic deserve public recognition for their achievements and can receive awards for their active approach. Recently, the Czech Republic has seen the first examples of awards in these areas:

³ Czech Republic accessed OECD in 1995.

⁴ Czech Republic joined the EU in 2004.

- National Award for Corporate Social Responsibility (Czech Republic),
- Top philanthropist,
- Ethnic friendly,
- *Health & Safety* and *Environment*
- Competition: Company of the Year - Equal Opportunities,
- Best Employer (Czech Republic)
- Best CSR Report

CSR in the Czech Republic is increasingly being incorporated into education and training schemes of future managers and entrepreneurs. A research carried out within the research project of the Faculty of International Relations at the University of Economics in Prague among 236 students tried to find out (among other issues) the level of their general awareness of the term corporate social responsibility. It also aimed to reveal the source of the information. The research disclosed that 73% of respondents have learned or heard about CSR mostly through their studies at the university or from newspapers. (Průša, 2008)

Especially in recent years an offer of conferences, workshops and seminars dedicated to CSR has expanded in the Czech Republic.

In the Czech Republic people who are interested in the topic can regularly find news from the world of CSR and corporate philanthropy, including interesting trends and CSR experience from home and abroad in a specialized magazine called CSR Forum published by the PubliCon agency. In 2012 the daily paper *Hospodářské noviny* began publishing a special supplement devoted to CSR. Annual Awards of best socially responsible companies in CR (eg. the competition *Top philanthropist*, or its successor *TOP Responsible Company of the Year*) enjoy growing attention of mass media (including Czech TV).

In terms of further expansion of CSR in the Czech Republic, a role of the Czech Government is crucial. Although it has been discussed among the experts for several years that our government should incorporate CSR principles into their policies – and, at the same time, that it is necessary to establish a uniform strategy for promoting the principles of CSR inclusive of a creation of system conditions enabling a rapid and wide deployment of the main ideas of the CSR concept into practice in the business sector as well as its general expansion in the Czech Republic – there still was no common vision determined nor main priorities set in CR. (Kašparová, Kunz, 2013)

The Czech Republic, unlike many countries of the European Union, had no national strategy approved to promote the CSR concept for quite some time.

One of the reasons for the absence of a single central formal support from the state in CR is the CSR agenda fragmentation among various ministries. It is caused by the fact that CSR is a very complex concept affecting a number of areas (environment, finance, employment and social affairs, health).

CR was solving the question of which ministry should be primarily responsible for the concept of CSR for quite a long time. The appointed ministry was to become the prime mover in the formation of the National Action Plan for CSR for the submission and implementation of which the European Commission reiterated its call on all Member States in 2011.

At the end of 2012 the Ministry of Industry and Trade was appointed a coordinator of the National CSR Strategy and this ministry started to work on the national action plan very intensively together with other actors namely the Ministry of Labour and Social Affairs and the Ministry of Environment (Růžička, 2013). In 2014 the Government of the Czech Republic approved the National Action Plan for CSR which is supposed to contribute to further expansion of organizational responsibility and corporate sustainability among organizations in the Czech Republic.

2. Own research of CSR within the Czech Republic

2.1 Objectives and Methodology of the Research

Numerous researches carried out in the Czech Republic on the issue of corporate social responsibility have often touched only certain issues related to this broad concept.

Our own empirical research therefore aimed to identify broader context of CSR. Thus it focused not only on determining the extend and manifestation of the main CSR principles in everyday business practice in the Czech Republic, but also on finding possible ways of CSR expansion including the role of the government.

The main tasks of the research were to find out:

- What activities, attitudes or behaviour companies in the Czech Republic consider to be the main manifestations of social responsibility.
- How companies inform about their CSR activities.
- If a CSR expert or a coordinator is employed by the company.
- What is it that companies in CR consider to be the main benefits received for their socially responsible behaviour.
- Opinions of businesses on the role of the Czech Government in the further expansion of CSR ideas including the National Action Plan for CSR.

The survey was carried out in the period January - February 2015.

2.2 The research sample and its selection

The research was intended to carry out a survey among enterprises in the Czech Republic which have been engaged in CSR and have been incorporating it into their business practice for a long time. Many of these entities have also received significant awards for their achievements in the field of CSR in recent years (for example the CSR National Award). The research sample was therefore chosen among companies who are active members of the *Association of socially responsible companies*, *BLF* or the *Business for the company*. Altogether, with the use of semi-structured interviews 52 representatives of enterprises were addressed out of whom 11 were representatives of large companies, 18 of medium-sized companies and 23 of small businesses.

2.3 The research results and discussion

Almost all respondents (96.2 %) consented that companies should engage in addition to generating profits also in benefiting the society and area in which the company operates. Majority of the addressed representatives of business sector in the Czech Republic (92.3%) also presume that CSR should not be a matter of large companies but that it should become the prerogative of the entire business sector.

All respondents consider the companies they work for to be socially responsible. The main manifestations of the social responsibility of their companies according to the addressed sample are – considering what the company is attempting to do:

- behave ethically and be transparent (36 %),
- be a good employer (26 %),
- provide help and donations to local communities (14 %),
- be respectful to the environment (12 %),
- offer products and services of good quality (8 %),
- maximize profit (4 %).

The main benefits of implementing CSR according to these companies:

- enhancing their image (30 %),
- attracting and keeping experts and skilled staff (27 %),
- gaining competitive advantage (26 %),
- building better relations with customers and stakeholders (17%).

Almost a fifth of the addressed corporate representatives (19%) stated that their company operates a coordinator or a CSR specialist operates in their company.

It is obvious from the respondents' answers that firms use multiple ways and tools to provide information about their CSR activities. The most frequently they use their websites, intranets, business meetings, events for employees and newspaper articles. Regular annual CSR reports are published by companies in the Czech Republic very rarely. Actually only four respondents declared that at least once had their firm published the CSR report in past.

According to most respondents, one basic assumption to strengthen the still insufficient pressure of public opinion in this area in CR is the need to offer more information about socially responsible corporate behaviour to the general public.

Regarding the areas of searching for ways of further CSR expansion, the questioned business representatives believe that the main task is not only to inform about the basic principles, tools and approaches, but also to emphasize the main benefits that companies can gain for the implementation of the CSR principles.

According to the respondents, the role of institutions focusing on CSR and business ethics in the Czech Republic is very important. In line with the survey, media representatives can greatly contribute to increasing awareness and gaining interest in the issues of social responsibility in the Czech Republic as well as to presenting best practices of companies that are already actively engaged in the field of CSR.

Almost four fifths of the respondents (79 %) are fully convinced that it would be appropriate to include subjects concerning CSR in the curriculum of managers' and entrepreneurs' education and training in the Czech Republic.

More than two thirds of respondents (68%) are familiar with the adopted National Action Plan to promote CSR in the Czech Republic but only 26 % of the addressed representatives assume the plan could significantly contribute to the expansion of CSR in the Czech Republic.

As far as the role of the Government of the Czech Republic is concerned in order to foster further expansion of CSR, the research results show that the respondents' tend to think that the role of the state should consist mainly of promoting socially responsible business rather than of its possible regulation, or excessive state intervention in this area. They also fear an increase of administration or complexity of processes. The effort of the state, according to majority of respondents (71%) should be the opposite: a reduction of the administrative burdens and improving motivators for responsible companies be it in a form of various advantages or some fiscal benefits.

Conclusion

Even the results of the survey showed that companies in the Czech Republic respond to new challenges in the field of CSR, although their approach and prioritization of CSR areas vary (for example based on their size). Despite this fact it is important to continue with the support of further expansion of CSR in the Czech Republic.

It is possible to support the following by all possible means and tools: increasing awareness about this approach and its principles, generating interest in it, as well as introducing the concept into practice. Information about CSR shall be available to all stakeholders (not only to representatives of the business sector in the Czech Republic), including employees, customers, clients, suppliers, investors and general public. That is why it is crucial to promote the transparency and innovativeness of the CSR concept and at the same time to develop a conceptual nationwide discussion about the role of CSR in the Czech environment.

Gathering and subsequently presenting examples of various activities of socially responsible companies in the Czech Republic (not only from the rank of large corporations and MNCs operating in the country) is crucial for building awareness about the CSR concept.

The aim of these activities should be pointing out the particular benefits of CSR and helping to convince not only companies, but also all other stakeholders about the need for their greater involvement in this area.

In terms of further expansion of CSR in the Czech Republic, the role of the government remains very critical (despite the adoption of the National Action Plan to Promote CSR). Another fundamental process to be undergone is the creation of systemic conditions that can contribute to the rapid and wide deployment of the main ideas of the CSR concept into practice in the business sector within the Czech Republic.

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