Summary

The expression Corporate Social Responsibility was first used in the United States of America in the 1960s. This triggered a nationwide debate about the responsibilities corporations have towards societies. The most criticized statement belongs to Milton Friedman, a Nobel prize winner, who said, “The social responsibility of business is to increase its profits.”[1] This means that there is only one responsibility of business, namely to use its resources and to become engaged in activities in order to target increases in profits. The past few decades have brought about a lot of changes. According to a survey published recently, which encompassed over 100 countries, the majority of managers polled said it was not enough if corporations generated high returns to investors but this should be balanced with contributions to the broader public good.[2] In the background of the empirical results lies the fact that growing numbers of corporations realise that the business world is not an isolated area, but is closely linked with, and strongly related to, its narrower and wider environment and ultimately to societies and the natural environment.

The Concept of Corporate Social Responsibility

There are several definitions of Corporate Social Responsibility. There are some who describe it as an instrument; others think it is a concept. Still others consider it as a business model which needs sweeping changes in terms of approach and which assumes changes in paradigm. Corporate Social Responsibility supposes the recognition of the fact that a corporation is more than simply a foundation striving for return on capital and maximisation of profit. A corporation is a partnership of people operating in a well-defined social and natural environment. Corporations have to play an active role in social processes and have to take into account the environmental and social effects of their activities.[3] The definitions formulated by some major organisations are as follows:

“With the fast-spreading commitment to C[S]R, a case can be made that a fundamental new business model – one that respects stakeholder and shareholder values simultaneously – is evolving.” (United Nations Global Compact)

“CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis.” (European Union [4])

“CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.” (World Business Council for Sustainable Development)

What is CSR?

After summerising the definitions, it can be concluded that CSR is a business model which promotes business contributions to sustainable development i.e, it creates a balance between economic interests, environmental needs and social expectations by integrating the following components into a business strategy:

- Emphasis on environmental and social interrelationships – corporations operate in the environment and society in an integrated form. They take into account the impact their operations have on the environment and society and they want to exert a favourable effect on evolution. Some publications and corporations lay more emphasis on this component and prefer using the term Good Corporate Citizenship.

- Stakeholder approach – during their operations companies make efforts to take into account the interests of shareholders and stakeholders. As all the participants concerned have an interest in the responsible behaviour of companies, the term Corporate Responsibility (CR) has been in use instead of Corporate Social Responsibility (CSR) recently because it reflects a broader approach.
Ethical behaviour – the concept of CSR does not only take into account the impact of corporate operations on the communities concerned, but it also stresses the need for ethical behaviour which respects the interests and values of these communities. Some papers consider CSR and business ethics as synonyms. Several experts think CSR is the expression of the business ethics in corporate practice. [5]

Volunteering – having acknowledged their responsibilities, companies then decide to assume them on a voluntary basis. Volunteering reflects their commitments and provides them and the communities involved with opportunities to apply the most favourable instruments. Taking into account practical elements, a system giving rise to CSR or controlling it does not exist. However, this does not mean that CSR cannot be motivated by government regulations or community expectations.

What is not CSR?

CSR is not PR – a lot of companies consider CSR to be one of the instruments of Public Relations. It is obvious that CSR increases the reputation of companies, and, thus, positively differentiates the products of these companies in the views of customers. This, therefore, brings about competitive advantages. CSR is much more than just a PR instrument as it involves new approaches and business models. If it is used as a PR instrument, it does not reflect the real commitment of the company and may have an unfavourable effect.

CSR is not charity work – CSR has often been associated with charity activities and, instead of bearing responsibilities in a broader sense, a number of companies have limited their activities to this. Charity work and sponsorship are constituent parts of CSR, which are integrated into company operations, and are not separate activities. However, CSR means more than this. CSR is not a social part of sustainable development, but has a much wider meaning. We accept the EU definition of CSR as the business contribution to sustainable development.

CONTENT ELEMENTS OF CORPORATE SOCIAL RESPONSIBILITY

As a modern approach integrated into corporate operations, CSR appears in every corporate field. It looks for solutions in order to protect the environment and improve working conditions. These solutions take into account social interests and are based on innovative and economical aspects. [6]

An international survey conducted in over 100 countries polled over 4000 top executives and examined the most favourable and unfavourable effects major companies exercised on society. The findings show that creating jobs was the most favourable impact. Following this, the innovation and production of essential products and services were also of great importance. Figure 1. shows the most important factors influencing the public good. Polluting and damaging the environment, putting profits ahead of the well-being of people and exerting improper influence on governments are considered the most harmful factors to the public good by the respondents. [7]

![Figure 1. Most important ways in which large corporations currently contribute to the public good and cause harm to the public good.](image-url)
A lot of articles in different fields of scientific literature mention Corporate Social Responsibility. Summarizing the ideas mentioned in them, and taking into consideration the stakeholder approach which is the basis of CSR, the most important factors of CSR according to the communities concerned are as follows:

- **Employees** – ensuring job places; respecting employees’ basic rights; providing safe, healthy and proper working conditions; promoting training and development; ensuring equal opportunities and non-discrimination; offering decent salaries; ensuring a balance between work and private life; the diversity of the work force; training and supporting the handicapped; fair and extensive in-company communication; participation and involvement in decision-making; and proper management of restructuring, dismissals and crisis situations.

- **Customers** - useful, good-quality, healthy and reliable products and services; protection of national products; fair behaviour towards customers; decent prices; and proper customer information.

- **Contractors/suppliers** – incorporation of social/environmental values into purchasing decisions; avoiding business relationships with companies that use illegal practices (i.e. child labour); active engagement in supply chain risk management; ensuring socially responsible practices through the whole supply chain; and prompt responses to supplier complaints.

- **Local communities** – improvement of life conditions of local communities; creating jobs; protecting the environment; promoting social catch-up; supporting local education, health care, security and culture; and contributing to increases in local tax revenues.

- **Shareholders and owners** – reporting socially responsible business practices to shareholders; and providing a definition of a mission that includes non-financial objectives.

- **Government** – promoting the creation of a favourable regulatory environment for CSR; and proposals for sustainable industrial solutions.

- **Civilians** – sensitivity to social problems; providing assistance to civil organizations; and ensuring cooperation.

- **The natural environment** – promoting solutions to global and national environmental problems; saving energy and avoiding environmental pollution; commitment to minimising negative impacts and optimising resources; performance of full life-cycle analysis on all products/services; and the incorporation of environmental values into purchasing decisions.

- **Society in a broader meaning** – promoting solutions to national and global problems; providing assistance to disadvantaged communities and regions; promoting entrepreneurial development and innovation; compliance with human rights standards; promoting the fight against corruption; raising the awareness of the public concerning the importance of CSR; and providing proper information about essential operations.

Which factors will dominate in various countries and companies depends highly on the existing cultural community. According to an American survey conducted recently polling over 2,000 people on corporate social responsibility, priority was given to commitments to communities and to society in broader terms. This was followed by commitment to employees and responsibility to the environment. Only 1% of respondents defined corporate social responsibility as charitable and philanthropic giving.

According to Mark Line, director of CSRnetwork, CSR has different meanings in various parts of the world. In the United States, corporations think they should produce profit first, part of which they will contribute to the public goods afterwards. In some countries, like France and Germany, CSR means issues related to employees’ relationships and human resources. According to a survey conducted by McKinsey, German respondents think the most important CSR factors are creating jobs, training employees and social measures. Another German survey revealed that the main CSR areas are environmental protection, in-company training, the support of the handicapped, the avoidance of child labour, the development of products with low risks, and respect for basic human rights.

Central European countries, the new member states of the EU, interpret CSR factors in a different way. According to a survey focusing on Hungary, Poland and Slovakia, the main factors are ethical conduct, transparency in operations, compliance with regulations, stakeholder partnership, environmental protection, addressing stakeholders’ concerns, public relations and the correction of social inequalities.

As for the development of CSR in Europe, the United Kingdom is considered a model. Here the first Minister for Corporate Social Responsibility was appointed in 2000 and CSR has widely been accepted in the business sector. Scandinavian countries and Belgium have also achieved considerable results concerning this issue.

France has taken the lead in promoting CSR principles: it is the only country where it is obligatory to prepare CSR reports. In Austria and Germany, principles of CSR have been present in their social policies and, in addition, they take CSR very seriously. In 2008 in Germany, a new Internet webpage was created called ‘CSR WeltWeit’ (CSR in other parts of the world) which provides extensive information on CSR activities in 24 countries and illustrates them with case studies related to German corporations.

Compared to Western Europe and Scandinavia, CSR is a relatively new concept in Central and Eastern Europe and...
its evolution is relatively slow. Large, mainly multinational companies have started to adapt their CSR policies and programmes to the local context. The most tangible signs of progress can be seen in Poland, Hungary and the Czech Republic, but CSR initiatives are starting to take place in the Baltic countries, Romania, Russia, Slovakia and others. [12] Firms from Eastern Europe do not agree on the most important actions required for the broader adoption of CSR activities. Hungarian companies prefer incentives and relations with local governments to influence their behaviour, and pressure from consumers rather than regulation, central government participation and/or management. They believe that under these circumstances CSR would embrace new business models and modes of behaviour. Slovakian companies share these views to some extent, strongly believing in dialogue with the government. In contrast, Polish firms stress macro and national-level factors (regulatory reform, national dialogue with the government, banking measures). However, there is an agreement that governments should not become heavily or directly involved in micro-managing business issues. [13]

**ADVANTAGES OF CORPORATE SOCIAL RESPONSIBILITY**

Why is CSR advantageous? What favourable effects does CSR produce on companies? Does CSR have to recover its expenditures? Do we speak about responsibilities or economic interests in this case? These have been the most essential, discussion-generating questions in the circle of experts for years. The reasons for the introduction of CSR from the point of view of the business sector are summarised below:

**Business reasons**

In the past few years such famous scholars as Philip Kotler, the marketing guru, [14] and Michael Porter, professor of strategy, [15] have been arguing for CSR, saying that it leads to competitive advantages. Companies have adopted CSR practices, first as window-dressing, then as patchwork policies, and now thought-leaders are arguing the necessity of integrating CSR with core business strategy. Regarding the CSR issue, the European Union clearly states that there is ‘broad consensus among businesses about the expectation that CSR will be of strategic importance to ensure long-term business success.’ [16] CSR ‘can play a key role in contributing to sustainable development while enhancing Europe’s innovative potential and competitiveness’. [17]

According to the literature, the advantages that corporate social responsibility may have are as follows:

► improving image, multiplying PR and advertising opportunities
► reducing social and environmental risks, prevention of scandals, decreasing criticism from civil organisations and others concerned
► enhancing corporate reputation
► becoming a more attractive company for a well-qualified and trained labour force
► improving morale and conditions at work, resulting in a more committed, productive, innovative, loyal and content work force
► increasing transparency for customers by means of responsible trade
► upgrading corporate brands
► attracting loyal customers
► developing mutually beneficial partnership collaborations based on trust and common scales of values, resulting in new business opportunities, new markets and an increase in innovation productivity
► promoting greater transparency of corporate processes, resulting in an increase in the feelings of satisfaction of stakeholders and investors, and also resulting in greater interest in the company
► developing good relationships with government regulators, authorities, the public and, especially, with the media
► contributing to the development of a more stable global market
► creating corporate values arousing trust, as a result of which the national and international competitiveness of major corporations will increase

**Is CSR good for business?**

The reasons listed above for the introduction of CSR have not completely convinced all corporations that responsible behaviour will have business returns, at least in the long run. Academics also have different opinions on this issue. According to sceptics, if CSR were good for business, all companies would start to apply it in a helter-skelter way. The supporters of CSR, on the other hand, argue that the business opportunities hidden in CSR have not been discovered yet and, in addition, some favourable impacts of CSR cannot or can hardly be expressed numerically. There is a third group of academics who disapprove of even raising this issue, saying that taking on responsibilities is important in itself and should not depend on whether it will have any business returns or not.

In the past few years more and more empirical studies have discovered correlations between responsible behaviour and corporation results. [18] A survey of more than 500 business executives was conducted by Grant Thornton LLP, the U.S. member firm of Grant Thornton International, one of the six global accounting organizations. This survey found that company executives believe that corporate responsibility programmes can positively impact their business and help achieve strategic goals. [19] A report released by Goldman Sachs, one of the world's leading investment banks, surveyed companies from six sectors: energy,
mining, steel, food, beverages, and media. The report found that the companies that are considered leaders in implementing environmental, social and governance (ESG) policies — with the aim of creating a sustained competitive advantage — have outperformed the general stock market by 25 per cent since August 2005. In addition, 72 per cent of these companies have outperformed their peers over the same period. [20]

On the basis of studies finding a positive correlation between social responsibilities and corporate productivity, it can be stated that a socially responsible attitude of a company can be considered a long-term and strategic investment which results in competitive advantages in a favourable corporate environment and will finally lead to economic returns. In addition, it will create a “win-win” type situation from which the company and its environment, as well as society, will profit. By a favourable corporate environment we mean that corporate people promote and give a positive evaluation to CSR initiatives. There may be considerable divergences between certain countries and regions in this respect. It is not surprising that companies committed to CSR try to have a positive impact on their environment as well by, for example, increasing customer awareness and promoting the development of a regulatory system for the promotion of CSR.

Companies have to behave in a responsible way, but the reason for doing so should not be profitability. However, it is not a problem if there are forms of social activities which comply or can be made to comply with business interests. It is crucially important that a company should be trustworthy, as this model is based on trust. The new business model seems to ensure real competitive advantages if the corporation environment develops. However, later it can appear in the form of a basic expectation, resulting in a competitive disadvantage for companies which do not behave in this way.

**THE CSR PROCESS AND ITS TOOLBAR**

The practical aspect of CSR can be defined as the methods and instruments used for the practical execution of CSR’s theoretical ideas and objectives, and their application in everyday life. The first step of the process is to define the mission and CSR values of the company. In order to determine the impact of CSR, the most important values of the company, the character and degrees of CSR’s involvement, and the related risks and opportunities have to be defined. The CSR strategy is a part of the corporate strategy. The CSR strategy includes a list of its main objectives, the methods to achieve them and the tools to be used for this. After practical implementation of the objectives, its performance is evaluated and communicated.

CSR values can be published in a Code of Behaviour or Ethics containing a set of norms of corporate behaviour. Their elaboration is especially characteristic of large companies. SMEs can also compile a simple system of norms containing basic values. It is not the formulation, but the process of its creation and the selection of values that is important. The advantage of formulation is that it provides some guidelines to avoid the dilemmas which occur in everyday life. Formulation can, therefore, serve as a helping hand.

In the elaboration of CSR strategies, involving the parties concerned is of essential importance and this can be done in the form of a stakeholder dialogue. This can provide opportunities for raising critical and relevant issues and defining the main strategic routes. It is not essential to elaborate a separate CSR strategy. Integrating social, environmental and business ethical aspects into the strategy, operative plans and budget is theoretically enough.

Perhaps the CSR strategies of multinational companies are better elaborated as they have more financial resources and, due to their size, they need to regulate the processes on a much bigger scale in order to formulate their objectives and strategy. SMEs do not formulate a CSR strategy, but it does not mean that they do not have CSR operations. Defining principle strategic policies can promote awareness of CSR operations and their compliance with company basic values.

Measuring performance is considered to be a critical element of the process. It is often very difficult to create criteria which comply with basic principles and objectives and can be used for measuring their performance. Only a handful of major companies take the trouble to elaborate a system measuring performance despite the saying that everything that can be measured can be implemented. The preparation of social, environmental and sustainability reports can also promote this process, and in this way provide opportunities not only for internal monitoring, but for external evaluation and auditing as well. Employing evaluating organisations from outside results in an increase in transparency, ensures the trustworthiness of the process and offers professional values which contribute to improving the process.

There are several international standards which rank corporate processes from social and environmental aspects. The environmental standard ISO 14000, the European EMAS, the international standard dealing with occupational health and safety, the International Occupational Health and Safety Management System (OHSAS18001), the social and ethical standard focusing on working conditions in developing countries, Social Accountability 8000 (SA 8000) and Accountability1000 (AA1000) all focus on involving the parties concerned. The development of ISO 26000 CSR standards is in the process of elaboration and will provide management standards on CSR. These standards are primarily used by major companies because of their high costs, but more and more suppliers are also required to obtain them. Thus, SMEs will be forced to introduce them. Apart from
Corporate Social Responsibility is a hot issue that has worked its way into the agendas of world economic and social forums and debates about global development. It can best be understood in terms of the changing relationship between business and society. Traditionally, in the United States, CSR has been defined as a philanthropic model; while the European model lays more emphasis on operating the core business in a socially responsible way. In the past few years, the two models have made some advances towards each other, as it has become more and more accepted that CSR encompasses strategic issues related to the basic operations of companies.

The European concept defines CSR as a business contribution to sustainable development, and its peculiarities lie in the fact that it lays emphasis on promoting the active incorporation of CSR in small- and medium-sized enterprises. The level of uptake activity of CSR in various parts of Europe is different. Eastern European countries are less developed in this respect. In addition, while in Western Europe the elaboration of CSR was initiated primarily by consumer and NGO groups, in Eastern Europe it was the multinational companies that imported reporting guidelines, which therefore have predominantly PR functions.

The approach of seeing CSR as good for business is not generally accepted yet. However, it is gathering momentum. Its further evolution depends highly on the willingness of the organisations concerned to meet its requirements. According to an American survey, 62% of the respondents believe that pressure to pursue corporate responsibility programmes in the future will come chiefly from consumers (45%) and investors (21%). Nearly three-quarters of executives (72%) believe that the government should regulate companies with regard to their impact on the environment, and more than half (56%) believe that the government should regulate companies with regard to their effect on human rights and labour practices. Only one-third (35%) believe that the government should regulate companies with regard to their impact on the communities in which they operate.

Social organizations (NGOs) may play an essential role in the evolution of CSE. In Eastern Europe such organizations are not as strong and active as in Western Europe. Being involved in CSR means a long-term ‘win-win’ situation and has to be beneficial for all participants (the business world, social groups and governments). This has already been proved by a number of examples in developed countries like Great Britain, Germany and Spain.
CSR performance assessment uses assessment tools, and this enables a standardized assessment. It is of crucial importance that future entrepreneurs, business leaders, managers and their employees have CSR competencies and skills. The essential elements of CRS evolution are credibility and trustworthiness, which can be achieved by an increase in the transparency of reports, hiring external experts to prepare these reports and taking into account stakeholders’ interests.

The importance of CSR lies in the fact that it unleashes a huge potential for evolutorial energy at all levels. It provides a systematic framework for company management, which takes into consideration financial, environmental, employment-related, social and ethical issues. CSR helps reduce energy demand and waste generation, thus cutting costs. In addition, it helps companies increase their differentiation on the market, create innovative new products and processes, open new markets, attract and retain appropriate employees of all ethnic groups and minorities, improve their corporate image with the public and parties concerned, reduce legal risks and insurance costs, and improve the quality of life and the whole community.

A survey of chief executives in 23 countries found that four executives out of five believe that, due to CSR, corporate brand values will have increased by 2010. Eighty-five per cent of executives and investors surveyed rank corporate responsibility as a central consideration in investment decisions. [23] According to a survey conducted by McKinsey, which encompassed over 4,000 corporate top executives in over 100 countries, 59% of CEOs said corporate responsibility should be embedded into global supply chains. More than 90% of CEOs are doing more than they did five years ago to incorporate environmental, social and governance issues into strategy and operations. Seventy-two per cent of CEOs said that corporate responsibility should be embedded fully into strategy and operations. [24] Tendencies show that in the future CSR may become a business concept of the mainstream, the objective of which will be not profit maximization, but the creation of an economy which can help people retain their humanity without continuing to exploit nature. [25] According to megatrends dealing with the future world of business, “CSR is clearly not a short-term phenomenon, but a trend-driven necessity.” [26]
REFERENCES