CORPORATE SOCIAL RESPONSIBILITY
AS A COMPETITIVE ADVANTAGE

Ing. Pavlína Dalíková, University of South Bohemia in České Budějovice,
Czech Republic, dalikp00@ef.jcu.cz

ABSTRACT

Current global situation with increasing economic, social, and environmental crisis all over the world leads inevitably to the fundamental change of society. Already, in the last century, there began to appear first voices calling for sustainable development. In the business world this way represents corporate social responsibility. This new philosophy of long-term prosperity is quite well-managed by large companies but apply it in more limited small and medium sized enterprises has certain obstacles. This paper deals with results of applied research about possibilities how to use corporate social responsibility as a competitive advantage for small and medium sized enterprises. The results clarified position of surveyed enterprises in social responsible issue. On the basis of them, there were suggested recommendations for increase competitiveness of small and medium sized enterprises through corporate social responsibility. This research was funded by grant GAJU 047/2011/S-Dalíková from Grant Agency of South Bohemia University.

Keywords: corporate social responsibility, small and medium sized enterprises, competitive advantage

INTRODUCTION

Society is constantly evolving; it is not so long ago when the companies were easily satisfied by selling their products within national borders. In the sixties has this situation changed and the international trade and also globalization began increasingly move the world. Similarly, in the eighties the companies did not need internet for success but already with the turn of millennium they can not exists in real world without the being in virtual reality (Wheelen and Hunger 2008). In the new millennium is more and more visible that our current way of life based on overproduction and overconsumption, on exploitation of developing countries and environment, and especially on robbing our common future is unsustainable.

Pick (2011) states that under the current economic crisis is deeper cause than only US mortgage crisis, crisis of overproduction, or crisis of freeze demand; it is social crisis of global imbalance. Current situations requires fundamental social reforms; the invisible hand
of the market should shake hands with the visible hand of develop knowledge-social government (Pick 2011, 170). Contemporary, consumer society must be changed. Increasing consumption of primary energy and natural resources is no longer sustainable, similarly, the unlimited shortening of product life; not only the short-term but also the long-term consumption as luxury beyond rationality.

Buchholtz and Carroll (2009) state that during whole human history business and society relationship has generated a number of economic, social, ethical, and environmental issues. When we discuss the relationship between business and society, we are usually focused on large businesses. However, the small and medium sized enterprises, in fact, represent closer links between business and society, or better say, between companies and local communities. With increasing influence of business on society also increase importance of ethics and responsibility, not only towards stakeholders or business partners but also towards local community and environment. Benn and Bolton (2011, 13) note that ethics is concerned with the nature of morality, or a society’s norms, values and beliefs about right and wrong, and the philosophies, principles and conditions that influence moral choices. Ethics and morality have broader application than the law which represents codified set of a particular society’s acceptable behavioural standards. The link between business and society represents just corporate social responsibility.

**Corporate social responsibly**

Werther and Chandler (2011, 15) note that corporate social responsibility broadly represents the relationship between a company and the principles expected by the wider society within which it operates. It assumes businesses recognize that for-profit entities do not exist in a vacuum and that a large part of their success comes as much from actions that are congruent with societal values as from factors internal to the company. Corporate social responsibility, therefore, embraces the range of economic, legal, ethical, and discretionary actions that affect the economic performance of the firm. In fact, companies according to corporate social responsibility should pursue also other goals than only profit maximization.

Kotler and Lee (2005, 3) state that corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources. A key element is the word discretionary. It is referring to a voluntary commitment a business makes in choosing and implementing these practices and making these contributions. Such a commitment must be demonstrated in order for company to be
described as socially responsible and will be fulfilled through the adoption of new business practices and contributions, either monetary or non-monetary.

Corporate social responsibility is a fundamental and integral part of every business. Not only in a meaning that it is the right thing to do but in a meaning that it represents substantial growth opportunities for companies that fully embrace its principles. Urip (2010) states that the business mantra has changed; from “profit” alone into “profit, people, and planet”. This is called triple bottom line or simply 3P and it corresponds with segmentation area of interest into three parts; economic, social, and environmental. Benn and Bolton (2011) note that triple bottom line provides a mechanism through which business can review and report on the overall impacts of their operations more variously than only by financial indicators.

However, corporate social responsibility is quite extended, there are some difficulties. Urip (2010) note that companies may be troubled by unclear definitions and also by fact that corporate social responsibility is still frequently viewed as something separate from a company’s primary business. Although, corporate social responsibility should be seen as a business approach that creates long-term value for the company by incorporating economic, social, and environmental dimensions into its core business decisions (Benn and Bolton, 2011). To achieve maximize efficiency is important to monitor results of every activity in the business what brings in connection with corporate social responsibility a lot of difficulties.

There are currently available a few international reporting systems and guidelines. Unfortunately, they are mostly suitable only for large companies but for small and medium sized enterprises they are often confusing and elusive.

**Small and medium sized enterprises (SMEs)**

Although, the corporate social responsibility issue is more often associated with the large companies small and medium sized enterprises have greater potential to naturally fulfil principles of this philosophy. The owners and also employees are usually the local people so they have stronger links to nearby area and so they are more responsible. It is also caused due to greater transparency and permanent supervision of local people. SMEs thus represent the local capital so the economic effects, promoting employment, financial and material support remain in region.

On the other hand, small and medium sized enterprises have a lot of limitations. Especially it is about lack of economic power which is probably one of the reasons why these companies are more responsible. Although, SMEs can be relatively satisfactorily informed about their nearby area, they are not able effectively monitor and adapt to new trends in research and
development. Veber and Srpova (2005) state other limitations such as more difficult access to capital and investment, to new technologies, to highly educated employees, and so on. This implies that they have more difficult position in the competitive struggle. These enterprises need to be supported to survive on current highly competitive markets. It is mostly about financial and consulting support. Many organizations provide these issues. One of the most important is organization established by law – Chamber of commerce. This organization helps to various companies to promote their interests, further, to provide education and consultancy, and also to arrange business contracts. Chamber of commerce has offices in each district in Czech Republic and the Chamber of commerce in Havlíčkův Brod supported research of which results are represented in this paper.

The financial support is not so easily achievable for small and medium sized enterprises, especially because of administrative requirements. In the surveyed area there are for example SMEs financially supported annually by grants (this year was divided between projects 10 million crowns, approximately 420 thousand euro). This support is focused on overcoming the disadvantages of small and medium sized enterprises and the main goal is to improve stability of SMEs position on the market, and to influx of new technologies in these companies. Another matter which is difficult for small and medium sized enterprises is legislation. There are so many different regulations which are also frequently changing so that the SMEs are nearly drowning in the various documents.

CORPORATE SOCIAL RESPONSIBILITY AS A COMPETITIVE ADVANTAGES FOR SMALL AND MEDIUM SIZED ENTERPRISES

As was mentioned above, corporate social responsibility is an appropriate way of sustainable development of business sector. Small and medium sized enterprises represent the vast majority of companies all over the world. Veber and Srpova (2005) stated that there is more that 99 % of such enterprises in the Czech Republic. These enterprises are very important for social and market stability which could be long-term and efficient if the corporate social responsibility is applied.

The main role of this paper is to represent the results of research which was funded by grant GAJU 047/2011/S-Dalíková from Grant Agency of South Bohemia University. This research was focused on current position of corporate social responsibility issue in the small and medium sized enterprises in the chosen are – district Havlíčkův Brod which is described below. The research was carried out during June and July 2011 by qualitative method of depth interviews on sample containing 100 small and medium sized enterprises (the examined area
consists of 297 small and medium sized enterprises) which was chosen by probabilistic
method of lottery. The results were statistically prepared and are presented below.

Surveyed area and enterprises
The area of research is situated in the middle of Czech Republic in the north part of Vysočina
region. This region belongs to the poorest and more rural areas of republic. The examined
area, Havlíčkův Brod district (shown in figure 1) covers almost 20 % of total area of this
region (1265 square kilometres). This area is more rural (63 % of agriculture land) with 112
villages, 8 cities, and with approximately 95,7 thousand inhabitants.

Figure 1: Map of Czech Republic with marked surveyed area; orange colour represents
Vysočina region, red colour represents surveyed district Havlíčkův Brod (own adjustment
from Czech statistical office 2011)

In this district operate around 18 thousand businesses which represent approximately 20 % of
all businesses in the region. The majority of them is engage in service (more that 60 %),
furthermore, in industry, in construction, and in agriculture (Czech statistical office 2011).
The healthy environment and minimal pollutions ranks the district to the quarter of areas with
lowest pollution in the Czech Republic. This relates with the tourism which is development
especially thanks to the natural and historical heritage.

Characteristics of surveyed small and medium sized enterprises
More than half of the examined enterprises were interested in corporate social responsibility
and they did actively participate on this research. 46 % of contacted enterprises were not
interested in this problematic and so they did not participate. The reasons why they do not
want to participate were usually linked with economic crisis, and lack of positive motivation
to deal with this issue which will be explained below.

78 % of examined enterprises were established after velvet revolution and change of regime
in 1989 which brought the big boom of business and especially small and medium sized
business in the Czech Republic. So the majority of examined enterprises have relatively stable position on the market. 11 % of examined enterprises have longer history; they were established earlier at the time of normalization in the seventies and eighties. These companies are mostly multi-general family businesses. The rest of examined enterprises are quite newcomer on the market because they were established in the new century. The half of examined enterprises is limited liability companies then the join-stock companies, tradesmen, cooperative, and public companies. According to the sectors classification CZ-NACE, 33 % of examined enterprises operate in engineering, 22 % in construction, 17 % in food industry, and the rest operate in retail and services.

Half of examined companies belong to the small enterprises with number of employees between 11 and 50. 34 % are micro enterprises and 16 % are medium sized enterprises. The majority of examined enterprises are located in the main city Havlíčkův Brod (40 %), but overall it can be assessed that the enterprises located in the small villages were more open to participate on this research.

Results

39 % of examined enterprises consider itself as responsible company, 15 % as partly responsible company; 6 % of examined enterprises are not currently engage in corporate social responsibility issue but they expressed an interest for more information, and the rest 40 % did not want to comment this issue. As it was said above, 46 % of examined enterprises have any interest about this problematic. Although, the secondary data show that more then 90 % of small and medium sized enterprises participate on some activity which could be labelled as a social responsible. It is because the base of corporate social responsibility corresponds with efficiency and effectiveness of business processes. Another question is, if few positive actions are able to outweigh the negative ones.

Pro and con for engaging to the corporate social responsibility

The first part of research was focused on motivation factors and opposite hindering factors for engaging to corporate social responsibility. The most frequent motivation factors are shown in figure 2. 61 % of examined enterprises stated that the main motivation to practice corporate social responsibility is to improve relationships with business partners. This factor was also most frequently given as a second most important factor. On the first place, as a most important motivation factor was most frequently given increase efficiency which 56 % of examined enterprises indicate as important motivation factor. Apart from the other factors
shown in the figure 2, there were also stated less significant factors such as strengthening the market position, long-term sustainability of the company, and for example the claim that such behaviour is commonplace.

Figure 2: Four main motivation factors for engaging to the corporate social responsibility (adapted from own research)

On the opposite side, examined enterprises stated which factors are the main obstacles for extension of corporate social responsibility. The four most important factors are shown in the figure 3. On the first place and also the most frequent factor is cost growth. This factor is to some extent justified but on the other hand it shows on two basic rumours about corporate social responsibility. First of all corporate social responsibility is based on long-term perspective. It is logical, that the cost often increases in the presence but with a view of savings in the future. The second issue relates with the uninitiated look at corporate social responsibility. A lot of companies or better say their managers perceives corporate social responsibility as a need to grab some piece of profit and to do any good without context of possible benefits. There is need to perceive this problematic more as an investment to the future and also not to engage indiscriminately.

There were also stated factors relate with the lack of support from business partners and also from government. It strongly corresponds with current alienation politics from ordinary people. Policy and its leaders in the Czech Republic are more and more presented by unfulfilled promises, corruption scandals, and overall unethical behaviour which is logically reflected in the business. The strong position of this factor shows also following result. The attitudes to the ethical or unethical political culture or market practices are almost unified between surveyed enterprises. 95 % of them do not agree with the statement that the business environment in the Czech Republic is ethical. 83 % of examined enterprises think that policy and its leaders should set an example of ethical behaviour. Unfortunately, the same percentage
stated that the Czech policy is unethical. These findings coincide with the results of public opinion research. According to this research, seven from ten inhabitants of Czech Republic perceives government behaviour as negative and unethical. Also 62 % of inhabitants think that politicians should be more strictly morally judged that ordinary people. Unfortunately, politicians often pass through such unethical and illegal behaviour for which the ordinary people would we punished (Centre for research of public opinion 2007).

The examined enterprises stated also another factors which hindering corporate social responsibility efforts. For example unstable economic and market environment, unethical environment in Czech Republic which makes from corporate social responsibility more disadvantage than advantage, according to the surveyed enterprises. There were also mentioned difficulties with managing of such philosophy as a cost management, personal management or choice of suitable activities.

Figure 3: Four main hindering factors for engaging to the corporate social responsibility (adapted from own research)

![Graph showing hindering factors]

72 % of examined enterprises stated that the corporate social responsibility is part of their business strategy and 33 % from them even compile separate strategy for this area. In the majority of examined enterprises, the owner or director secured corporate social responsibility issue. 44 % of examined enterprises delegated this responsibility to other people, or department (mostly marketing department, and human resources department) or they established a new one for example ecologist.

*Economic, social, and environmental areas and related activities*

The figure 4 shows how examined enterprises apply some activities and also how they evaluate them. In the economic area, the most frequently applied activities were quality and safety of production, satisfying customers’ needs and expectations, and good business
relationships. Further, the examined enterprises stated activities as transparency, denial of corruption, innovation, and sustainability of business. The activities in social area were mostly perceived as relatively important which shows that examined enterprises perceive corporate social responsibility more frequently as economic issue and environmental issue than the social issue (shows in figure 5 by curvature of the curves). The most important activities in this area were health and safety of employees, development of local quality of life and infrastructure, and care of professional and personal employee development. More than a half of examined enterprises also stated corporate philanthropy and volunteerism, and suitable dialog with key stakeholders. The activities in the last environmental area were most often represented by protection and saving of natural resources, environmentally friendly production and corporate culture. Furthermore, it was about activities related with investment to the eco friendly technologies and eco design.

Figure 4: Overview of frequently applied activities within areas of corporate social responsibility and its importance (adapted from own research)
Figure 5: Overview of importance of activities within areas of corporate social responsibility (adapted from own research)

In general, the corporate social responsible activities should exceed the legislation. The research shows that only 6% of examined enterprises seek stricter practice than under the law and also only 11% perceived this issue as important.

The research pointed to confusion of enterprises about election of suitable social responsible activities, especially corporate social investment and charitable projects. 50% of examined enterprises regularly participate on such projects but mostly only if they are requested (only 28% stated that they are mostly the initiators of such projects). These companies support such projects most often by financial or material way but also by employees volunteering. 22% of examined enterprises stated that they support such activities through all possible ways (financial help, material help, and employees volunteering, and so on). Key for maximizing efficiency of these activities is its connection with company, and with main ideas with which company want to be associated. The results of research were quite satisfied in this point of view because 33% of surveyed enterprises choose such activity according to its importance, 28% according to its connection with focus of the company, and only 17% haphazardly according to the current condition. At the same time, there were shown more intutional and emotional ways how to choose the right activity or project. Some enterprises stated that they support projects where their assistance can not be misused. Furthermore, companies choose according to personal qualities of leaders or organizer, and also according to the meaning of project.

Evaluation of current situation and expectations for the future
As it shows figure 6, surveyed enterprises are mostly satisfied with its involvement into social responsible activities and behaviour. The average of their satisfaction ranged is approximately around 74% where the 100% represents maximal satisfaction. Examined enterprises stated
that the most important benefits from their involvement into corporate social responsibility are increase awareness about the company and the positive differentiation from competitors. Companies also often mentioned, improving of business relationships, of business climate, obtaining of new business partners, more stable position in the market, social appreciation and also the good feeling.

Figure 6: Overview of satisfaction of examined enterprises with their involvement into corporate social responsibility (adapted from own research)

To determine where surveyed companies need help in this problematic is very important to get to know what they exactly want the corporate social responsibility should bring to their businesses. In the results, there was not discovered prevailing demand. 17 % of examined enterprises require increase awareness and social position of their company. Furthermore, another 17 % of examined enterprises require gaining competitive advantages, and cost reduction. When we compare the results with the previous paragraph it is clear that these goals are achievable in praxis. It is possible to gain competitive advantages through improvement of image and social position of company. The cost reduction is not so easy achievable, in the meaning of short-term goals. Further, the companies stated improvement of relationships inside and also outside of the company, and for example better negotiating position with government organizations.

CONCLUSION

New sustainable philosophy of corporate social responsibility is still evolving but has already stable position in business sphere. It could bring long-term sustainable prosperity but sometimes it is rather like it brings difficulties. First of all, many specialists introduce new ways how to understand and practice corporate social responsibility. In the same time, a lot of national and international organizations advertise and support such behaviour. They assembled lots of strategies and utter flashy goals but in fact there is still missing some
concrete explanation, steps what to do in various situations to be responsible, and ways how to evaluate and monitor such efforts.

The first purpose of business is to gain profits and so the corporate social responsibility has to bring them also. Unfortunately, there are only few ways how to proof and observe that such behaviour is responsible for the increasing financial and also non-financial profits. For example Global Reporting Initiative which is definitely a step forward but not only for small enterprises is it complicated and often impossible to follow them. Mentioned small and medium sized enterprises have key position in the market from many reasons. They, especially, represent important resource of region development. We can possibly indicate these enterprises as naturally responsible, although, they have some limitations. So it is needy to support them and the first step to it is to identify current situations, options, and interest of utilization of corporate social responsibility as a competitive advantage by which dealt with the project introduced in this paper.

The research shows that examined enterprises are not well motivated to join these activities, although, the majority of them implement some social responsible principles or activities into their business. One of the most significant factors of this situation is unethical and illegal scandals often linked with the large companies and politics. In the Czech Republic is more and more obvious gab between politics and ordinary people. It relates with still continuous machinery and reforms with few short-term results but, unfortunately, with foretaste of difficulties in the future. Government blindly saves on education, health care, culture, and environment; simply on factors which will decide about the future and they also blindly saves through purported taxes reforms which escalating polarization of wages and household incomes. Ethics' values and responsible behaviour should be given and represented by top management in the companies and similarly in the republic by politicians.

Nevertheless, the majority of surveyed enterprises are interested in corporate social responsibility and majority of them have this issues connected with their business strategies. The most important factors which motivate enterprises to join this sustainable way are effort for improving relationships with business partners and also to improve the effectiveness. On the other hand the major scarecrow is increasing costs.

According to the results of the research, surveyed companies perceived as more important economic and environmental area of corporate social responsibility than the social area. The positive fact is that the companies themselves are interested to get more information about this problematic. Although, the majority of the enterprises stated that they are satisfied with
the level of corporate social responsibility in their businesses, they mainly seek to increase of image, social position, and obviously for competitive advantage.

**Fundamental recommendation**

Aim of this paper was to find the current situation of corporate social responsible efforts within small and medium sized enterprises and on this basis to suggest some recommendations how to use corporate social responsibly more effectively as a competitive advantage. The figure 7 shows these final recommendations which can lead the first steps of surveyed enterprises towards more responsible and profitable future. These recommendations will be more extended according to the future situation.

Figure 7: Steps for improving corporate social responsibility in small and medium sized enterprises as a competitive advantage (own adaption)

The fundamental knowledge ensues from this research is necessity inform enterprises, first of all, about corporate social responsibility as a way of sustainable strategy and secondly to explain them how to presented their enterprises as social responsible. Second part deals with the right choice of activity. There are two main ways how to choose right. The first one is to choose activities according to the connection with focus of enterprise (for example the producer of dog’s feed will sponsor local dog’s shelter). The second suggestions in this way deals with such choice of activity which is important for nearby area and the enterprise can take it as its own mission and profile themselves on it (for example the craftsman can manufactures see-saw for children from local nursery school for free with the message that he is the right one if you want to make smile on your children face).
REFERENCES


