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MASTER'S THESIS

**THE STATE OF CORPORATE SOCIAL RESPONSIBILITY IN
CENTRAL AND EASTERN EUROPE**

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AUTHORSHIP STATEMENT

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INTRODUCTION

The term corporate social responsibility (hereinafter: CSR) was introduced some time ago, however it gained serious importance in the 21st century, as a growing number of scholars and practitioners became proponents of this practice. While CSR implementation is very common in Western Europe, its presence in Central and Eastern Europe (hereinafter: CEE) has evolved much later and is thus weaker. Due to sparse literature regarding the state of corporate social responsibility in some of the former socialist countries, I have decided to analyze CSR in selected countries and provide state-level implications for the development of corporate social responsibility. More specifically, I focused on CSR practices in ten CEE countries: Bulgaria, Czech Republic, Kosovo, Lithuania, Latvia, Romania, Serbia, Slovakia, Slovenia and Hungary and addressed the following research questions that were the main guidelines on the basis of which I have formed several hypotheses:

- What benefits have businesses derived from the implementation of CSR activities?
- What are the methods, tools and management techniques that responsible executives consider most useful in CSR implementation?
- What are believed to be the main problems or obstacles to CSR implementation in the selected countries?

The main goal of the master thesis is therefore to examine the characteristics of emerging concepts and practices of CSR in Central and Eastern European countries. More specifically, the purpose is to present the current state of socially responsible behavior in these countries by investigating their practices, benefits derived and opinions regarding the future state of CSR in the coming years.

The research is based on primary and secondary sources. The empirical part of the paper is based on the quantitative analysis of the survey that was conducted by Deloitte in 2015. Sample size consists of 179 CSR Managers from different countries. With the use of SPSS program, I examined whether theoretical findings and relationships, presented in the first part, hold in the case of selected European countries.

The master thesis is divided into three chapters. The first chapter covers an overview of the main concepts related to corporate social responsibility. This primarily includes definition of CSR and the principles comprising the concept itself. It covers the historical development of the concept and presents some of the main theories and models in that area. The second chapter presents the development of CSR in selected European countries and highlights best practices of successful companies. Chapter 3 covers the empirical analysis of the questionnaire. Conclusion turns to the discussion and implications of outcomes identified during the research.

1 CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY

1.1 Defining corporate social responsibility

Corporate social responsibility has become a prominent concept in management literature over the past few decades. However, the concept of CSR has not only been investigated by academics, but has been increasingly exercised by practitioners in companies. It evolved from the wider concept of sustainability, which was formed over time due to various influences, such as political, public and academic pressures (Kidd, 1992). It is believed that the reason behind this are consumers, who are becoming more and more environmentally sensitive and demand sustainable and more environmentally pleasant products and services (Saeidi, Sofian, Saeidi, Saeidi, & Saaeidi, 2015).

Even though a lot of literature on CSR is readily available, no unified definition has been accepted by researchers and according to Wood (2010), this is because CSR is difficult to conceptualize. Some researchers define CSR as business behavior in relation to corporate ethics' fulfillment, including companies' obligations and commitments to a larger society (Wang, Chen, Yu, & Hsiao, 2014). CSR can involve various activities, ranging from working in partnership with local communities, building relationships with employees and customers and engaging in sustainability initiatives for conservation of the environment (Ismail, 2009).

European Commission (2016) defines CSR as “the responsibility of enterprises for their impact on society.” Public authorities can only support companies in CSR implementation through voluntary policy measures and regulation, whereas firms have to lead these initiatives by themselves (European Commission, 2016). CSR has been a trending topic in the European Union and the Commission is intensely promoting and encouraging companies to follow international guiding principles – the EU's policy builds on outline actions to support CSR (European Commission, 2016), including:

1. Enhancing the visibility of CSR and disseminating good practices,
2. Improving and tracking levels of trust in business,
3. Improving self and co-regulation processes,
4. Enhancing market rewards for CSR,
5. Improving company disclosure of social and environmental information,
6. Further integrating CSR into education, training, and research,
7. Emphasizing the importance of national and sub-national CSR policies,
8. Better aligning European and global approaches to CSR.

1.2 The principles of CSR

Even though no universally accepted definition of CSR and its activities exists, three basic principles comprise CSR activity (Crowther & Aras, 2008):

1. Sustainability

The principle of sustainability deals with the effect of actions taken in the present on the options available in the future and therefore implies that society is limited to using no more resources that can be generated (Crowther & Aras, 2008). The foundation of every definition of sustainability however comes from the “Our Common Future” report by the World Commission on Environment and Development, published in 1987. This report, also called the Brundtland report, is one of the most important reports regarding the sustainability and sustainable development matters.

The standard and commonly accepted definition of sustainable development is “Development which meets the needs of the present without compromising the ability of future generations to meet their own needs.” (Crowther & Aras, 2008).

Due to some criticism of the Brundtland report (e.g. inability to fully capture all sustainable activities), the term sustainable development has been redefined and its three main pillars identified. These are economic sustainability, social sustainability and environmental sustainability. Economic sustainability means creating prosperity at various levels of society, social sustainability is defined by respect for human rights and ensuring equal opportunities and environmental sustainability aims to conserve biological diversity and natural and cultural heritage.

2. Accountability

Accountability means that organizations are aware of the fact that their actions are affecting the external environment and thus assume responsibility for the effects of their actions (Crowther & Aras, 2008). The concept implies organization’s recognition as being a part of the wider societal network and having responsibilities towards the whole system, rather than solely firm’s owners. Therefore, companies have to develop suitable measures of environmental performance and the reporting actions of the firm (Crowther & Aras, 2008).

3. Transparency

Transparency as a principle means that all the effects of the actions of the companies, including external impacts of firms’ actions, should be apparent from the organization’s reporting (Crowther & Aras, 2008). This is particularly important to the external users, as the latter usually lack background details and internal knowledge.

The importance of transparency in business relations was already recognized in 1916 by J.M. Clark, who wrote in the *Journal of Political Economy*: "If men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether these have been recognized by law or not." (Katsoulakos, Koutsodimou, Matraga, & Williams, 2004).

1.3 Theoretical development of the concept

1.3.1 Early theoretical views

Development of a CSR concept has passed several stages. The starting point of corporate social responsibility is considered to be the publishing of G. Bowen's "Social Responsible Businessman" in 1953. In his work, Bowen defined corporate social responsibilities as "obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society." (Katsoulakos et al., 2004). The following studies by K. Davis (1960), J. McGuire (1963) and S. Network (1975) also specified the concept and content of social responsibility (Madrakhimova, 2013). K. Davis defined business social responsibilities as "the businessman's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest... which need to be commensurate with the company's social power." (Katsoulakos et al., 2004).

1.3.2 Corporate social responsibility theories

The field of corporate social responsibility has been investigated through decades and the result is a landscape, full of theories and approaches that are complex, controversial and unclear (Garriga & Mele, 2004). Garriga and Mele (2004) tried to clarify the position of the CSR concept by categorizing the main CSR theories into four distinctive groups:

- Instrumental theories, in which the function of organizations is profit maximization, and any social activities pursued are only a means to achieve economic results (Ismail, 2009; Garriga & Mele, 2004),
- political theories, which deal with the power of corporations in society,
- integrative theories, in which the organization is focused on satisfying social demands,
- ethical theories that are based on ethical responsibilities of corporations to society.

1.3.2.1 Instrumental theories

Instrumental theories are widely accepted in business, and such theories view CSR solely as a tool to achieve economic goals (Garriga & Mele, 2004). A typical representative of this group of theories is Friedman's view, who argued that companies do not have social responsibilities, as the latter will drive focus away from their main economic objectives.

According to Friedman (1962, in Garriga & Mele, 2004), acceptance of any social responsibility other than wealth creation, is undermining the foundations of a free society.

Depending on the proposed economic objective, the following three groups of instrumental theories can be defined (Garriga & Mele, 2004):

- Theories, where the main objective is the maximization of the shareholder value.
- The second group of theories is focused on allocating resources for achieving long-term competitive advantage.
- The third group of theories is very similar to the second one and is related to cause-related marketing. Varadarajan & Menon (in Garriga & Mele, 2004) defined cause-related marketing as the process of designing and implementing marketing activities for a designated cause. Cause-related marketing is in a way a means to product differentiation by creating socially responsible features that affect company reputation (Smith and Higgins, 2000).

1.3.2.2 Political theories

This group of theories is focused on the relations between corporations and society and on the power of business and its responsibility (Garriga & Mele, 2004). They point out that social responsibilities of organizations arise from the amount of social power an organization has, as the latter is viewed as an individual with certain contribution in the society (Ismail, 2009). Two main political theories can be noted: corporate constitutionalism and corporate citizenship (Garriga & Mele, 2004).

1.3.2.3 Integrative theories

Integrative theories look at how companies integrate social demands in such way that they operate in line with social requirements that achieve social legitimacy and increased social acceptance (Garriga & Mele, 2004). Garriga & Mele (2004) identify three groups of integrative theories:

- The principle of public responsibility,
- stakeholder management, oriented towards stakeholders, people who affect and/or are affected by companies' policies and practices. One of such theories is the Stakeholder theory, one of the most commonly used theories in relation to corporate social responsibility (explained more in detail below) and
- corporate social performance theories that integrate some of the previous theories.

Stakeholder theory

The stakeholder theory was created in 1984 by R. Freeman, who defined stakeholders as any group or individual that is affected by or can affect the attainment of a company's goals and objectives (Ismail, 2009). According to Freeman, the use of the term stakeholder was firstly used in the 1960s from the ideas of the Stanford Research Institute (now SRI International). Maignan and Ferrell (2004) grouped stakeholders into four main categories:

- Organizational (employees, customers, shareholders, suppliers, etc.),
- community (e.g., local residents, special interest groups),
- regulatory (e.g., municipalities, regulatory systems) and
- media stakeholders.

Frederick, Post and Davis (1992, in Fauzi, Svensson, & Rahman, 2010) classify the stakeholders in the above-mentioned groups into two categories: primary and secondary stakeholders. According to authors, primary stakeholders are those that directly affect or are affected by organization's decisions (e.g. suppliers, customers, employees and investors). Secondary stakeholders, on the other hand, are those that are directly and indirectly affected by decisions made by organization, such as local communities, the public, business groups, media and governments (Fauzi, Svensson & Rahman, 2010). Comparing this classification to Maignan and Ferrell's grouping, organizational stakeholders are included in primary stakeholders, whereas all three other groups are included into the secondary group of stakeholders.

The basic concept of the stakeholder theory highlights the importance of managers to understand the concerns and ambitions of shareholders, employees, customers and society at large. By understanding this, managers can set objectives that will be supported by stakeholders (Mele, 2008). According to this theory, an organization is viewed as an open structure, comprising of different actors with various and sometimes contrasting interests (Maignan & Ferrell, 2004). Following this, an organization that is socially responsible has to balance the multiplicity of interests of all stakeholders in order to satisfy stakeholders' requirements (Garriga & Mele, 2004). Fauzi et al. (2010) state that companies should make decisions that positively affect stakeholder groups. An overview of stakeholders and the hierarchy of their goals is presented in Table 1.

Non-governmental organizations, local governments, media and other institutions in the wider community are increasingly pressuring companies on adopting responsible corporate actions (Roux, 2007, in Kanji & Chopra, 2010). In order to respond to these social demands, companies are trying to establish dialogues with a wide range of stakeholders (Garriga & Mele, 2004). These dialogues help to overcome the problem of responsiveness to various stakeholder groups and in turn also improve the society's understanding of the problems many organizations are facing (Kaptein & Van Tulder, 2003, in Garriga & Mele, 2004).

Table 1. Stakeholders and the hierarchy of their goals

Audience for CSR	Goal Hierarchy
Classic Strategic Marketing Stakeholders	
Customer	Satisfaction/delight Availability (supply) Value for money Quality of life Ego fulfillment Self-actualization
Suppliers, channel, and other collaboration	Satisfaction/delight Availability Value for money
Competition (industry)	Industry growth Industry profitability
Company	Profitable, growing, stable
Other Stakeholders Internal to the Company	
Investors	Maximize returns, minimize risks (across time and across portfolio)
Employees	Salaries and other remunerations Achievement, affiliation, social and psychological needs
Board of directors, internal governance and management	Confidence/reinsurance Power, ego, ease of justification
Personal/individual	Maximize positive emotions, minimize negative emotions
External Stakeholders: The Community	
Society	Educated, healthy, wealthy, happy, stable, cohesive community
Environment	Sustainable
Regulators, auditors, nongovernmental organizations	Ensuring compliances with present regulation
Media	Providing accurate, timely, and newsworthy information to the public
Financial markets	Stability, growth and profitability
Economy	Stability, growth and profitability

Source: Raghubir, Roberts, Lemon, & Winer, *Measuring the Effects of Corporate Social Responsibility*, 2010, p. 68, Table 1.

1.3.2.4 Ethical theories

The fourth group of CSR theories, as identified by Garriga and Mele (2004) are theories and approaches that focus on ethical dimension in business. As such, these theories stress out the importance of doing the right thing in order to achieve a respectable society (Garriga & Mele, 2004). Ethical theories are classified into four groups: normative

stakeholder theory, universal right theory, sustainable development and the common good approach (Garriga & Mele, 2004).

1.4 Corporate social responsibility models

1.4.1 CSR pyramid

Carroll (1991) proposed a pyramid model with four types of social responsibilities that serves as a conceptual model of corporate social performance (Katsoulakos, Koutsodimou, Matraga & Williams, 2004). According to Carroll (1979), CSR is defined as the responsibility of companies that includes economic, legal, ethical and voluntary expectations of the society at any point in time” (Carroll, 1979, in Dudovskiy, 2012). The pyramid model consists of the following four CSR categories that help executives recognize various types of corporate obligations. These categories are not mutually exclusive, yet can often be in continuous tension with one another (Dudovskiy, 2012):

1. Economic responsibility

Economic responsibility of CSR pertains to the responsibility of companies of providing goods and services for the general public and selling them at a profit. The economic component of Carroll’s CSR definition sets the base of the pyramid, where other layers built upon (Dudovskiy, 2012).

2. Legal responsibility

The legal component in Carroll’s CSR pyramid demands that businesses abide by the law (Moura-Leite & Padgett, 2011), as companies’ failure to comply with the law or ignoring the legal responsibilities can make a lot of damage to business (Dudovskiy, 2012).

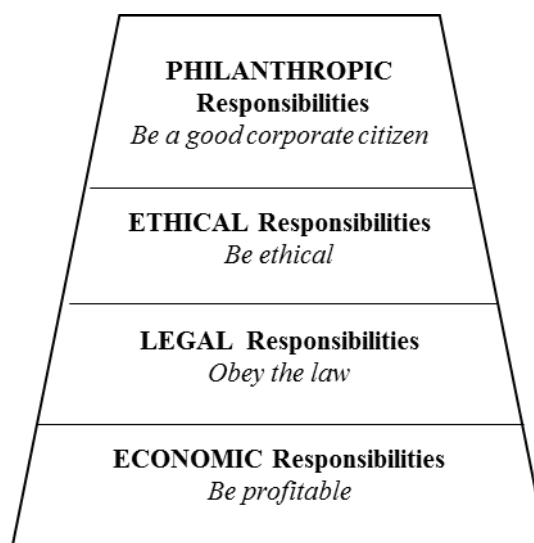
3. Ethical responsibility

The ethical responsibility presented by Carroll (1999) specifies responsibilities that extend over compliance with law (Moura-Leite & Padgett, 2011). The ethical component consists of behaviors and ethical norms expected by the larger society beyond economic and legal expectations (Dudovskiy, 2012). In fact, despite several existing definitions of CSR, many of them relate to business ethics. Business ethics are the accepted principles of right or wrong that guide the way individuals conduct business (Tian & Slocum, 2016) and thus many scholars equated CSR with ethical behavior. For example, Daft (2003) and Vogel (2004, in Wang, Chen, Yu & Hsiao, 2015) claim that CSR is an expansion of business ethics and moral principles of the management and as such, should not only comply with legal requirements, but reply to social expectations and public pressure as well (Wang, Chen, Yu, & Hsiao, 2014). Additionally, Laczniaak and Murphy (2013) linked CSR with ethical marketing, indicating that the two are related concepts (Murphy & Schlegelmilch, 2013).

4. Discretionary/philanthropic responsibility

Carroll (1979) puts the discretionary responsibility at the top of the pyramid. The latter represents voluntary roles that business assumes, however does not have a clearly defined expectations of it by the society (Moura-Leite & Padgett, 2011). Discretionary responsibilities go beyond ethical responsibilities and include charitable actions aimed at enhancing the quality of life of employees, local communities and finally society at large (Dudovskiy, 2012). The model has been supported by various studies and is presented in Figure 1 (Dudovskiy, 2012).

Figure 1. Carroll's 4-level pyramid model



Source: Carroll, *A three-dimensional conceptual model of corporate performance*, 1979, p. 499.

1.4.1.1 Limitations of the pyramid model

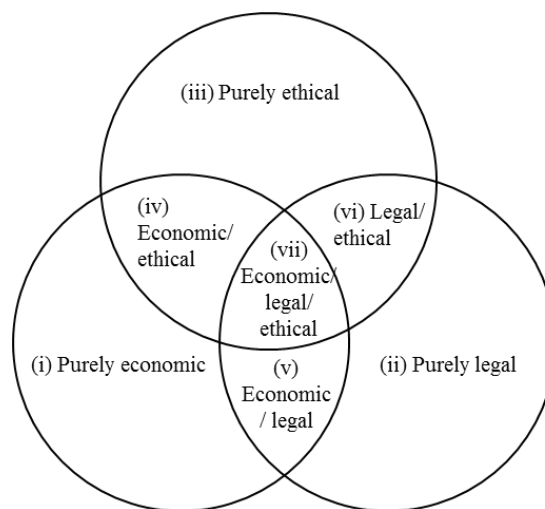
Three main issues of the Carroll's pyramid model are identified: the use of a pyramid to display relationships among the identified CSR responsibilities, the role of philanthropy as an individual element in the model and insufficient theoretical development of the other three social responsibilities (Schwartz & Carroll, 2003).

1.4.2 A three-domain approach to CSR

With respect to limitations of the Carroll's pyramid model, Schwartz and Carroll (2003) upgraded the model from 1991 (see Figure 1) and proposed an alternative approach to theorizing corporate social responsibility. A three-domain approach is comprised of three core areas of responsibilities: economic, legal and ethical, which are by definition consistent with Carroll's four-part pyramid model. Nevertheless, there is an important exception to the preceding model, as the philanthropic activities are considered as being part of ethical and/or economic areas, depending on motivations for pursuing such

activities (Schwartz & Carroll, 2003). The three-domain approach to CSR is represented in a Venn model framework (see Figure 2), which suggests that none of the defined CSR categories is more important relative to others. However, authors identified overlapping of the three core areas, which results in seven CSR categories in the Venn model framework (Schwartz & Carroll, 2003).

Figure 2. The Three-Domain Model of Corporate Social Responsibility



Source: Schwartz & Carroll, *Corporate Social Responsibility: A Three-Domain Approach*, 2003, p. 509.

1. Economic domain

The economic category of the model includes activities that have an (in)direct positive economic impact for the organization. The latter is based on two different, but related criteria (Poitras, 1994, in Schwartz & Carroll, 2003): profit maximization and/or share value maximization.

2. Legal domain

The legal domain denotes companies' obedience of the legal expectations by the society. This includes compliance with relevant regulation, avoidance of any civil legal actions and anticipation of the law (Schwartz & Carroll, 2003). Only limited actions can be considered purely legal, as the larger part of activities that are considered legal are also considered ethical (Posner, 1986, in Schwartz & Carroll, 2003).

3. Ethical domain

The ethical category of CSR is related to companies' responsiveness to expectations of the general public and relevant stakeholders, both domestic and global (Schwartz & Carroll,

2003). Schwartz and Carroll (2003) broadened Carroll's concept of ethical responsibility and included solely three common ethical principles: conventional, consequentialist and deontological.

Overlapping domains

According to Schwartz and Carroll (2003), an ideal overlap is located at the center of the model where the three core responsibilities are simultaneously fulfilled. Nevertheless, companies find themselves in other situations as well and therefore these overlapping segments should not be neglected. The overlapping domains, as identified by Schwartz and Carroll (2003) are the following:

4. Economic/ethical

Any activity that is not based on legal consideration, but is economic and ethical at the same time, would fall within the economic/ethical category. In practice, many "social marketing" activities can be taken as having an economic and ethical rationale behind it. Schwartz and Carroll (2003) illustrate this with the policy of Ben & Jerry, where free ice cream is given away. Such action, even though the motivation behind it was genuine, proved to be an effective marketing strategy for the firm as well.

5. Economic/legal

Activities that are both economic and legal, can rarely be considered unethical, as the legal system mostly supports ethical activities. Therefore, few companies that engage in economic and legal activities are acting unethical. There are exceptions, however, as some companies are using legislative and administrative gaps for their own economic gain (Schwartz & Carroll, 2003).

6. Legal/ethical

Very few corporate activities fall within the legal/ethical category. The reason is that actions that are ethical and legal at the same time often provide indirect economic benefits (Schwartz & Carroll, 2003).

7. Economic/legal/ethical

An activity that is motivated by economic, legal and ethical principles, falls into the last overlapping category of the three-domain model. Authors (Schwartz & Carroll, 2003) suggest that this is the optimal segment where firms should seek to operate.

1.4.3 Kanji-Chopra CSR model (KCCSRM)

Kanji and Chopra (2010) developed a CSR model that is based on all-inclusive and system modelling methods. By using relevant system components, authors construct a model that measures company's social responsibility within the limits of the organizational strategic planning systems (OSPS). The organizational strategic planning systems serve as a basis for the following dimensions (Kanji & Chopra, 2010):

- Social accountability and social investment (SASI),
- environment protection and sustainability (EPS),
- corporate governance and economic responsibility (CGER),
- Ethics and human resources (HER).

The degree of corporate social responsibility is determined by the way the aforementioned considerations are developed and supported in a company. These measures allow benchmarking, enable to monitor changes over time and finally demonstrate CSR improvements in companies (Kanji & Chopra, 2010). Additionally, the KCCSRM model provides an instrument by which CSR can be communicated through the system, bringing out factors that might otherwise not be considered, e.g. human resources (Kanji & Chopra, 2010).

1.5 Benefits of CSR

The concept of corporate social responsibility has been a subject of many debates over what it means and what it encompasses (Carroll & Shabana, 2010). Some academics (Pinkston & Archie, 1996, in Snider, Hill & Martin, 2003) still argue that the concept itself remains vague, yet an increasing number of companies is starting to pursue some kind of CSR activities. The European Commission publishes several reasons for the importance of implementing social responsibility in organizations, as the latter provides important benefits to a wider group of stakeholders, rather than corporations alone (European Commission, 2016). Together with Epstein's and Buhovac (2014) reasons for CSR's increasing importance, sustainability nowadays demands a greater attention than ever before due to the following:

1. Regulations

Government regulations now require that companies address sustainability (Epstein & Buhovac, 2014). The importance of preserving environment and continuous growth has been recognized by the European Union, which strives to create conditions for a more competitive economy with higher employment. Sustainability has been identified as one of the growth-drivers and priorities of the current EU strategy, *Europe 2020*, along with increased investments and job creation (European Commission, 2016). In order to ensure

the fulfillment of the EU strategy, EU established a system of economic governance that helps to coordinate policy actions between the EU and individual countries.

With respect to organizations' legal responsibilities, some academics claim that regulation guidelines are necessary for the attainment of CSR (Carroll & Shabana, 2010). In case of noncompliance with regulations, firms must bear many costs this brings, including penalties and fines, legal costs, potential closure of operations and damaged reputation (Epstein & Buhovac, 2014).

2. Community relations

The general public and non-governmental organizations are becoming more and more conscious of sustainability and the influences of companies on the environment and society (Epstein & Buhovac, 2014). Creditors and investors are becoming more critical than ever and companies with a negative impact on natural and social capital have a higher risk profile (and vice versa). Therefore inability to create positive impact has implications for investments and loans (Green Deal, 2016).

Benefits of corporate social initiatives exceed financial benefits only and include benefits such as improved company perceptions and thus enhanced public image of companies and many more (Kanji & Chopra, 2010). Additionally, managing relationships with stakeholders can encourage loyalty and trust and consequently increase sales due to improved corporate reputation (Epstein & Buhovac, 2014). Therefore, in order to develop appropriate business strategies and achieve long-term success, managers have to actively explore its relationships with all stakeholders (Katsoulakos, Koutsodimou, Matraga & Williams, 2004).

3. Cost and revenue imperatives

According to Epstein and Buhovac (2014), sustainability can also create financial value for the firm through increased revenues and lower costs. In fact, several studies confirmed that CSR is positively correlated with firm financial performance (a detailed discussion on the relationship between CSR and firm performance can be found in section 1.6.4). As mentioned previously, CSR activities can improve corporate reputation and enhance revenues. Furthermore, it can lead to lower costs due to improvement in processes and a reduction in regulatory fines (Epstein & Buhovac, 2014). A business executive survey, conducted by PricewaterhouseCoopers in 2003 indicated that 73% of respondents listed "cost savings" as one of the top three reasons for engaging in socially responsible initiatives (Carroll & Shabana, 2010).

4. Societal and moral obligations

Ever-stricter governmental regulations and public pressures force companies to take responsibility of their impacts on the environment and the society and thus many

corporations have included sustainability in their strategies (Epstein & Buhovac, 2014). It is believed that implementation of CSR activities makes companies more sustainable and increases their innovation, which consequently leads to a more sustainable economy as a whole. The CEO of a widely known multinational, GE, has stated that GE has to focus on the environment and innovation in order to grow revenues and stay competitive (Epstein & Buhovac, 2014). Moreover, according to European Commission (2016), corporate social responsibility offers a set of values that serve as a basis to the transition to a more sustainable economic system and ultimately help to build a more cohesive society (European Commission, 2016). Table 2 summarizes external and internal benefits of corporate social initiatives.

Table 2. Benefits of Corporate social responsibility

External benefits	Internal benefits
<ul style="list-style-type: none"> • Improved confidence of current and potential investors • Attraction and retainnment of high-quality people • Positioning and differentiating the brand • Attraction of new customers • Building customer loyalty • Improved corporate image • Improved relationships with the society 	<ul style="list-style-type: none"> • Motivated employees • Improved work climate that results in increased productivity and quality in service supply • Improved internal communication • Increased employee commitment • A positive culture in the organization through the promotion of shared values in the company

Source: DESUR, *Corporate social responsibility: Good practices & recommendations*, 2014, p. 7.

1.6 CSR and firm performance

1.6.1 Definition of firm performance

Corporate performance (hereinafter: CP) is the end result of all management activities related to the achievement of organization's goals (Fauzi, Svensson & Rahman, 2010). Daft (1991, in Fauzi, Svensson & Rahman, 2010) defined CP as the company's ability to accomplish its goals by using resources in an effective and efficient manner. Several perspectives on the measurement of company performance exist. In accounting, firm performance generally refers to financial aspects such as profits, economic value added (hereinafter: EVA) and return on assets (hereinafter: ROA) (Fauzi, Svensson, & Rahman, 2010). Financial aspect of firm performance is usually denoted as "the bottom line".

However, financial data have several limitations that prohibit the use of financial data as the only basis for decision making in companies (Lawrie & Cobbold, 2004). Kaplan and Norton (1992) have extended the measurement of corporate performance to what they called “the balanced scorecard”. They presented balanced scorecard as a tool that encourages and facilitates the usage of non-financial information in organizations (Lawrie & Cobbold, 2004). Kaplan and Norton (1992) argued that non-financial measures equip managers with better information to deliver improved strategic performance. The model of balanced scorecard has become well known and widely accepted (Lawrie & Cobbold, 2004).

Regardless of the measurement of organization’s performance, determination of good performance depends on the standpoint from which it is being considered – what one group of stakeholders might consider as a good performance, another group of stakeholders might consider as a poor performance (Crowther & Aras, 2008).

1.6.2 Corporate financial performance

The predominant view in the economics and finance literature defines shareholders of the firm as primary stakeholders (Raghubir, Roberts, Lemon & Winer, 2010) and better financial performance leads to the increase in wealth of these stakeholders (Fauzi, Svensson & Rahman, 2010). The belief that the sole responsibility of managers is to improve the financial performance of the company was introduced in the 1970s and became widespread among business leaders in the corporate world (Fauzi, Svensson & Rahman, 2010; Yang, 2013).

According to Fauzi et al. (2010), corporate financial performance (hereinafter: CFP) can be measured by the following three approaches:

- Market-based measure: the market value of an organization derives from the stock price, all of which is used to measure CFP.
- Accounting-based measure: market value of an organization derives from the competitive effectiveness of the company, internal efficiency and the optimal assets’ utilization.
- Perceptual-based measure: subjective judgments are used to measure CFP.

1.6.3 Triple bottom line as sustainable corporate performance

Air and water pollution, child labor and global climate change are only some of the challenges that organizations around the world are nowadays facing on a daily basis. Therefore, the issue of whether companies should consider impacts of their actions on the society is no longer questionable and has become a central part of the creation of shareholder value (Epstein & Buhovac, 2014). But managing social, environmental and

financial performance simultaneously is one of the most critical challenges in the field of corporate social responsibility (Epstein, Buhovac & Yuthas, 2010), as managers at all levels have significant incentive pressures to increase short-term earnings (Epstein & Buhovac, 2014).

Corporate social performance (hereinafter: CSP) is defined as a company's formation of social responsibility, social responsiveness, policies and noticeable effects in relation to company's relationship with the society (Fauzi, Svensson & Rahman, 2010). CSP is a complex, multidimensional concept. Its complexity from an empirical perspective lies in the fact that each dimension has multiple variables and multiple operationalizations (Griffin, 2000).

The concept of CSP is an extension to the concept of corporate financial performance, as it includes three dimensions of performance measures, known as "three Ps" (Fauzi, Svensson & Rahman, 2010):

- Profit (financial aspect),
- People (social aspect),
- Planet (environmental aspect).

In accounting, the above-mentioned framework is also denoted as "the triple bottom line" (hereinafter: TBL), a term that was developed by theorist John Elkington. Unlike traditional reporting frameworks, the TBL framework includes environmental and social dealings that can be difficult to measure (Slaper & Hall, 2012). Epstein and Buhovac (2014) state that the identification and measurement of social and environmental strategies is particularly difficult due to longer time spans, increased levels of uncertainty and impacts that are often difficult to quantify. Brusseau (2011) presents two notions to the TBL concept. First notion is that the three dimensions of responsibility must be kept separate with independently reported results for each of them and secondly, the company is ought to obtain sustainable results in all three areas.

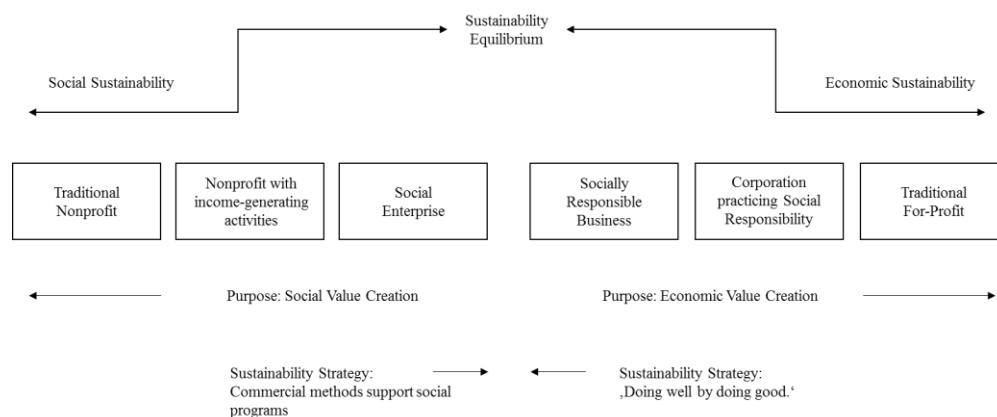
Brusseau (2011) summarized findings by several theorists on how to achieve the balance economically, socially and environmentally:

- *Economic sustainability* values long-term financial stability rather than volatile, short-term profits;
- *Social sustainability* values stability and balance in people's lives and the way people live (Brusseau, 2011);
- *Environmental sustainability* stems from the assertion that natural resources – particularly oil, clean air and water – are limited and thus it is extremely important to preserve those resources. This can be achieved by recycling and cleaning up pollution that already exists, limiting the pollution released from factories and

similar actions. Companies are not always legally required to do so, however conservation of a livable planet is a direct obligation within the triple bottom line model of corporate responsibility (Brusseau, 2011).

To summarize, to be considered socially responsible, companies need to achieve what can be called a “hybrid middle ground” equilibrium that comprises of economic and social sustainability (see Figure 3) (Hardi & Mulloth, 2013). Reaching the status of a sustainable organization, ie. integrating economic, social and environmental objectives, is facilitated by reaching the middle ground as fast as possible.

Figure 3. Representation of Hybrid Middle Ground Sustainability Equilibrium



Source: Hardi & Mulloth, *Using Strategic CSR to Achieve the Hybrid Middle Ground in Social Entrepreneurship: The Case of Telenor Hungary*, 2013, p. 2699.

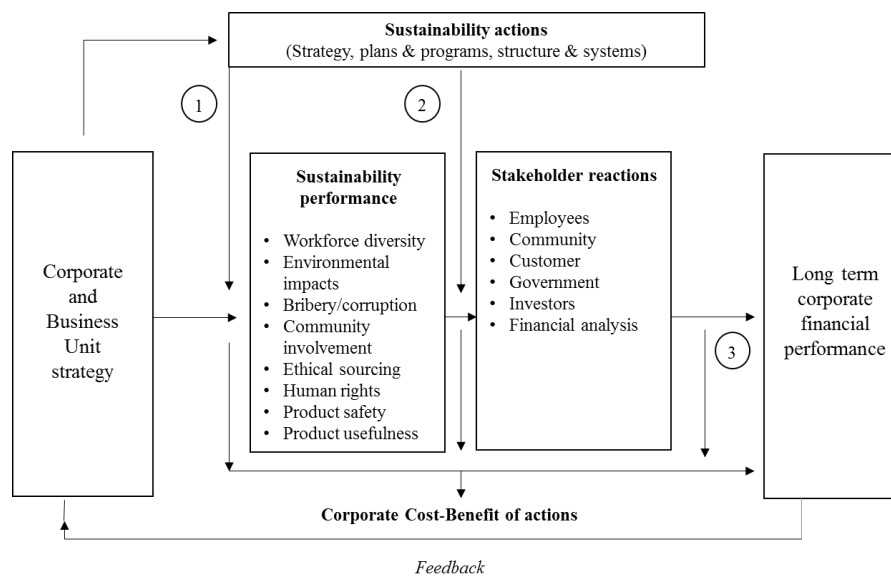
1.6.4 Relationship between CSR and firm performance

The connection between CSR and firm performance has been studied by many practitioners and the direct correlation between the two remains unclear. Lacznia and Murphy (1991, in Wang, Chen, Yu & Hsiao, 2014) suggest that companies that commit themselves to developing a sustainability-focused culture would avoid incurring organizational and social costs, which eventually leads to a better firm performance. Sims and Kroeck (1994, in Wang, Chen, Yu & Hsiao (2014) suggest that when firms follow the principles of business ethics, employees’ satisfaction and corporate identity can be enhanced, both of which are beneficial to company performance. Additionally, a financial study conducted by Verschoor (1998) concluded that CSR has a causal relationship with firm performance. An increasing number of studies show a positive relationship between social responsibility and companies’ financial performance (Garriga & Mele, 2004; Kanji & Chopra, 2010). Wang, Chen, Yu & Hsiao (2014) present studies that examine the linkage between CSR and firm performance and the latter suggest that when a firm fulfills its CSR, its corporate image is greatly strengthened, which in turn improves firm

performance (Wang, Chen, Yu, & Hsiao, 2014). Griffin (2000) and Rowley & Berman (2000), however, point that such correlation is difficult to measure and thus the aforementioned findings have to be taken with caution.

Epstein and Buhovac (2014) suggest that managers integrate social and environmental issues into corporate strategy and decision-making to increase profitability. However, translating strategy into action is often a difficult task. Epstein and Roy (2001) present a framework that describes the main drivers of CSP and present actions that managers can take to improve the performance (see Figure 4).

Figure 4. Drivers of sustainability and financial performance



Source: Epstein & Roy, *Sustainability in Action: Identifying and measuring the key performance drivers*, 2001, p. 588.

Epstein and Roy (2001) claim that managers that understand the drivers of social performance and the impacts their performance has on stakeholders make better day-to-day operational decisions and to institutionalize social matters throughout the entire corporation. In comparison with the Balanced Scorecard that provides insights into the overall implementation process, this framework is focused on social and environmental strategies and thus narrows the attention to specific actions and related payouts. The framework comprises of five main components that are highly intertwined:

1. Corporate and business unit strategy,
2. sustainability actions,
3. sustainability performance,
4. stakeholders' reactions and
5. corporate financial performance.

Managers first define corporate and business unit strategy and then move to the second component, sustainability actions. Once they have decided what actions to explore, they can start establishing links from sustainability actions to sustainability performance, stakeholders' reactions and corporate profitability (Epstein & Roy, 2001). The latter component turns back into the corporate strategy to improve and challenge strategies and assumptions that have been made. Authors do point out that it is necessary to make a distinction between intermediary results and financial outcomes. The former, such as enhanced public image, improved environmental and social performance and increased market share, must be carefully observed to determine whether the company is performing well within the framework. As such, this framework makes a perfect tool to assist managers in identifying the levers that may be pulled, specific actions that can be taken and the structure, people and culture that a company can combine and finally improve corporate and social performance.

1.6.5 Measures of corporate social performance

Corporate social performance is, as previously noted, a multidimensional concept that represents a broad range of economic, social and environmental impacts caused by organizations (Chen & Delmas, 2010). While measures that represent firms' financial performance are clearly defined (e.g. ROA, ROI, etc.), the valuation of CSP mostly relies on "soft" measures related to management practices, such as the protection of labor and social and environmental performance reporting transparency (Chen & Delmas, 2010). To fully cover its scope, multiple metrics are required (Gond & Crane 2009, Rowley & Berman 2000, in Chen & Delmas, 2010) and to assess the firms' overall CSP, various CSP measures need to be aggregated.

Social and environmental rating agencies such as Kinder, Lydenberg, and Domini Inc. (KLD) are making efforts to make companies' effects on the environment more transparent. Such databases contain most comprehensive information regarding CSP and typically measure firms' past environmental performance and current managerial actions that might predict firms' future outlook regarding environmental performance (for example pollution prevention) (Chatterji, Levine & Toffel, 2008).

1.6.6 Integrated reporting

“For decades, investor decision-making has been governed by information in the financial statements. In today’s world, how effectively a company addresses sustainability issues can impact its financial position and future prospects. Companies and investors acknowledge that an integrated understanding of performance – one that connects the drivers of long-term value – is needed in order to make informed decisions.”

Dr. Jean Rogers, CEO and founder, SASB

Every choice organizations make impacts the social and natural capital that are decisive for the quality of people’s lives. Companies are increasingly required to indicate the value they add to society (Green Deal, 2016), as the need to conserving the aforementioned capital has been translated into legislation, such as the EU guidelines on publishing non-financial information and diversity. Reporting on CSR issues became very important after the financial crisis in 2008, as investors’ and consumers’ trust in markets needed to be rebuild, to some extent through better information regarding risk management and sustainability (Federation of European Accountants, 2016). European Commission and Parliament are promoting CSR reporting for improving competitiveness and innovation of European companies and ultimately for the benefit of the society at large (Federation of European Accountants, 2016).

The annual reports of almost every major company nowadays dwell on social goals and good works undertaken (The Economist, 2004) as financial and non-financial reporting provides stakeholders with a comprehensive view of the companies’ position (European Commission, 2016). Russel Picot, Chief Accounting Officer at HSBC, stated that integrated reporting gives an opportunity to clearly communicate company’s strategic messages that are of interest of many users - *What is your business model? How do we create value? What is our relationship with a broad view of stakeholders and the external environment? What is our sustainable development strategy in the long term?* (Chartered Institute of Management Accountants, 2014).

Reports that include information about the economic, environmental and social effects business activities have on the environment are called sustainability reports. Such reports present company’s values and model of governance as well as clearly display the link between firm’s strategy and its aims to achieving a more sustainable global economy (Global Reporting Initiative, 2016).

Large public companies are obliged to disclose relevant and useful information on their policies, risks and outcomes related to environmental issues, respect for human right, social and employee aspects and similar. Nevertheless, companies have noteworthy flexibility in disclosing such information, as they can rely on international, European or

national guidelines (European Commission, 2016). Some of the guidelines accepted are the UN Global Compact, OECD Guidelines for Multinational Enterprises, ISO 26000 and more.

Companies, participating in the Green Deal Cooperation towards transparency in natural and social capital share their experience with the introduction of integrated reporting. According to the participating countries, integrating reporting leads to stronger integration within business management and better decision making (Green Deal, 2016), as integrating non-financial values in the corporate strategy leads to an improved understanding of the main areas in the value chain.

1.6.6.1 EU directive on disclosure of non-financial and diversity information

In 2014, the European Union (hereinafter: EU) imposed a new reporting requirement regarding disclosure of non-financial and diversity information. This Directive is part of the broader initiative by the EU on corporate social responsibility. The latter includes strategies for a consistent approach to reporting in order to support smart, sustainable and inclusive growth in line with the Europe 2020 objectives (European Commission, 2016).

The above-mentioned Directive presents measures that will strengthen the transparency and accountability of large public companies with more than 500 employees, which amounts to roughly 6000 companies in the EU (European Commission, 2016). It is expected that the first business reports will be published in 2018, covering financial year 2017-2018. Companies will be able to choose the preferred reporting standard out of many recognized frameworks, already mentioned above, such as Global Reporting Initiative (GRI), the United Nations Global Compact (UNGC), the UN Guiding Principles on Business and Human Rights, OECD Guidelines, International Organization for Standardization (ISO) 26000 and the International Labor Organization (ILO) Tripartite Declaration, IIRC (European Commission, 2016).

1.7 European initiatives on corporate social responsibility

The European Union has undertaken several initiatives for sustainable development that are summarized in Table 3.

Table 3. European initiatives on CSR

Date	Initiative
2000	Lisbon council Lisbon council is a policy network dedicated to making a positive contribution to social responsibility by promoting best business practices in work organization, equal opportunities and sustainable development.

table continues

Table 3. European initiatives on CSR (cont.)

2000	Nice council The European Social Agenda making a new reference to the social responsibility of business is approved.
2001	Stockholm Council The Commission announces that it will present a Green Paper on CSR.
2001	The Green Paper is published: Promoting a European Framework for CSR.
2002	Communication: CSR. The business contribution to sustainable development.
2004	CSR. National Public Policies in the European Union includes the public initiatives on CSR in the member States (a new version is published in September 2007).
2004	The Report of the European Multi-Stakeholder Forum recommends to the Public Administrations to assume their role on social responsibility.
2005	Brussels Council It is agreed that sustainable development is the fundamental objective of all policies of the European Community.
2006	Communication: Implementing the partnership for growth and employment. Making Europe a pole of excellence on CSR
2007	Parliament approved the Howitt Report on CSR: A New Partnership
2010	The study of the legal framework in human rights and the environment applicable to European enterprises operating outside the European Union is published.
2011	Commission study about the situation regarding sustainability reporting in the EU is published.
2011	A new strategy of the EU 2011-14 on Corporate Social Responsibility

Source: DESUR, *Corporate social responsibility: Good practices & recommendations*, 2014, p. 11.

Some of the most acknowledged organizations and private initiatives in Europe and other countries are the following (DESUR, 2014):

- **CSR Europe**

CSR Europe is a European Business Network for Corporate social responsibility that acts as a platform for companies that are looking to improve sustainable growth and contribute to the society. Its network comprises of approximately 53 corporate members and 45 National CSR organizations, gathering over 10,000 companies. It is a reference point for European companies on CSR. Its actions however extend beyond the European borders, as

it cooperates with CSR organizations in other regions across the world as well (CSR Europe, 2016).

- **Business for Social Responsibility**

Business for Social Responsibility is an NGO from the United States that provides services related to CSR. Its aim is to integrate CSR into the companies' strategic models and offers consultancy and research activities (DESUR, 2014).

- **European Coalition of Corporate Justice (ECCJ)**

ECCJ promotes corporate social responsibility and accountability by connection together various national organizations (NGOs, trade unions and other establishments across Europe). It was set up in 2006 and has a coordination office in Brussels. By today, ECCJ brings together 21 member groups that represent over 250 organizations from 15 countries, including Oxfam, Greenpeace, Amnesty International, etc. They are all guided by a vision of a sustainable world where businesses respect human, social and environmental rights (European Coalition of Corporate Justice, 2016).

- **Business in the Community (BITC)**

BITC is an association of 800 companies that offers a number of ways for businesses to work together and address some of the key issues facing society (Business in the Community, 2016).

- **European Social Investment Forum (Eurosif)**

Eurosif is a European network that is working towards applying sustainability across the European financial markets. Its members are investors, financial services providers, academic institutions, research organizations and NGOs (DESUR, 2014).

- **The World Business Council for Sustainable Development**

Coalition of more than 170 international companies that stimulates business leaders to promote changes and enhance sustainable development. It encourages an efficient use of natural resources through innovation and social responsibility by organizing various events, publications and development of best practices programs (DESUR, 2014).

2 CORPORATE SOCIAL RESPONSIBILITY IN EUROPE

2.1 Comparison between Western and Central and Eastern European countries

CSR is originating in the United States, but has spread around the world and is now predominantly present in Western European countries (hereinafter: WE) and Asia, as the concept became so widespread that no major company could afford to disregard it. However, its presence in Central and Eastern European countries (hereinafter: CEE) has evolved much later. Due to different historical background, the understanding of corporate responsibility in the two European regions differs and despite increasing knowledge and practice of CSR in CEE countries, the level of awareness and understanding of CSR in this region remains much lower than in Western Europe. According to the U.N. Development Program, this is due to the socialist heritage that left a general perception in the business community as well as public at large, that social responsibility is the primary role of the government and that organizations' sole responsibilities are to do business in accordance and compliance with the national regulatory and legal environment (Feltham, 2016). Generally, the first steps in implementing CSR activities in developing countries came from large multinationals who developed new management cultures and environmental and labor practices in response to pressures from their home countries. This, in some instances, encouraged local firms to embrace these practices (European Commisison, 2013).

Steurer & Konrad (2010) deduced the following characteristics from existing studies of understanding and implementation of corporate responsibility in CEE in comparison to WE:

- The majority of companies in CEE consider solely their compliance with the legal and regulatory environment in their countries. By contrast, businesses in WE emphasize activities that voluntarily go beyond what is required by law.
- In CEE, environmental protection is relatively important, whereas companies do not put much importance on the social issues. Authors (Steurer & Konrad, 2010) note that the latter might be related to the socialist heritage that left many environmental problems and at the same time a considerable degree of skepticism regarding social issues.
- Reputation remains the main focus of CSR in both Western and Eastern Europe. While the main driver for adopting CSR in CEE is to keep a company's 'license to operate', the leaders in Western companies have moved to addressing how sustainability affects their core businesses through innovation and strategy (Feltham, 2016).
- Corporate social reporting was not very common in CEE countries in back in 2010, whereas a substantial number of companies in WE already documented their social and environmental performance. Still, companies in CEE are slowly learning how to apply

social reporting, while in the West, most of the companies already managed to leverage reporting into significant benefits (Feltham, 2016).

- In the CEE region, many of the big players are subsidiaries of some multinational corporations that are applying centrally managed CSR, adapted to local laws and regulations (Feltham, 2016).
- While many national governments in WE are actively involved in fostering corporate responsibility, governments in CEE pay less attention to it. According to UNDP (2007, in Steurer & Konrad, 2010), CEE companies identify the lack of government involvement and similar regulations as key barriers to adopting CSR (Mazurkiewicz, 2005, in Steurer & Konrad, 2010). Nevertheless, the stance on whether CSR should be regulated or remain voluntary is equally mixed (Feltham, 2016).

The summary of existing studies presented above shows that considerable gap exists between average CEE and WE companies. For the purpose of my research, however, I will focus on CSR practices in selected Central and Eastern European companies and present them in the continuation of this section.

2.2 Corporate Social responsibility in Central and Eastern Europe

2.2.1 Bulgaria

The concept of CSR Bulgaria was introduced in the early years of the socioeconomic transition by international companies, such as the United Nations Development Programme (UNDP) and the International Business Leaders Forum (IBLF). Bulgaria had quite a strict legislation regarding the social and environmental standards since the 20th century and throughout the pre-accession period to the European Union, CSR has gained additional importance with the support of political action (Ribarova, 2011, in Simeonov & Stefanova, 2015). Consequently, Bulgaria published a national CSR strategy as one of the first countries in the EU (Martinuzzi, Krumay & Pisano, 2012). Nonetheless, the state of CSR in Bulgaria is – as in the majority of Central and Eastern European countries – still significantly different from the one in Western European countries. Simeonov and Stefanova (2015) claim that there is still a lack of CSR-related knowledge and know-how among Bulgarian companies, as the latter still attribute CSR to legal compliance and philanthropy. Additionally, a research conducted by the Institute for Social Survey and Marketing (ISSM) revealed that a majority of business representatives in Bulgaria are ignorant about CSR principles and practices, whereas only 17 percent of them consider themselves comprehensively informed about CSR (Simeonov & Stefanova, 2015).

However, based on my analysis of the survey, 60% of respondents believe that CSR will flourish and that more and more businesses will be joining the CSR network. Additionally, survey results show that 70% of respondents from Bulgaria in fact do measure the results of CSR initiatives. It is important to note, however, that these results cannot be generalized due to small sample size (only 10 Bulgarian CSR Managers answered this survey).

Nevertheless, one can get a valuable insight into most recent Bulgarian CSR practices from this survey and according to it, most of them use opinion polls (70%) and media monitoring (57%) for measuring the effects of CSR actions.

2.2.2 Hungary

In Hungary, the concept of CSR was not very well-known in 2006 and companies that started to pursue some kinds of CSR activities were primarily focused on their reputation and public image (FIDH, 2006). Consequently, CSR representatives are mostly part of the communication department, which take care of upholding an image of a responsible company for their customers and investors (FIDH, 2006). Nevertheless, according to the UNDP research (2007), Hungarian companies do not report their CSR activities, as only 35 Hungarian companies made environmental or sustainability reports in 2006 (UNDP, 2007, in Csáfor, 2008). An important matter that might undermine the increasing awareness about CSR in the country are media – the Hungarian Media Act forbids companies to publicize their CSR activities on television, as the latter is identified as a hidden advertisement. However, a growing number of articles related to CSR are published on websites and newsletters (Csáfor, 2008).

Analysis of the survey showed that 55% of the respondents from Hungary measure results of their CSR initiatives, which is lower relative to Bulgarian managers. Most used tools for measuring them are media monitoring (45%), own sustainable development strategy realization metrics (30%) and opinion polls (25%). What is surprising is that a relatively high percentage of Hungarian respondents (35%) believe that in the coming years, CSR will remain in the same position as it is today. By contrast, 30% of them believe that CSR will become more mature and that social and environmental issues will be included in companies' business models and 25% presume that more and more businesses will be joining the CSR network in the coming years.

2.2.3 Kosovo

The existing regulatory framework in Kosovo has no direct reference on CSR and it is not surprising that in general, there is low awareness about CSR among companies in Kosovo. An NGO organization “Kosovo CSR Network” operates in the field of corporate social responsibility and only companies that are members of this network are pursuing some kind of CSR activities (Bajraktari, 2015). However, Bajraktari (2015) points to an interesting assertion in observing CSR practices in different countries. Author claims that different countries adjust CSR policies according to what is needed the most and that the capability of implementing CSR practices in a small and underdeveloped country such as Kosovo is far lesser than that in more developed countries. Kosovo is in a huge need to attract foreign investors and therefore cannot afford to impose strict environmental rules. Bajraktari (2015) highlights the case of NewCo Ferronikeli, a manufacturing company in Kosovo that is causing enormous environmental damage. If the applicability of CSR would

be the same for all countries, Government of Kosovo could forbid companies that damage the environment to continue to operate. Instead, it has to balance the interests of various stakeholders and cannot afford to take such measures against its broken economy. Following that, the national government in Kosovo has to some extent accept what companies choose to do rather than what is required.

The survey results somewhat reflect the described situation in Kosovo, as the majority of CSR Managers do not measure their CSR initiatives (55%), which is way more than in any other country surveyed. Nevertheless, they are rather optimistic about the development of CSR in the future: 53% of them believe that CSR will flourish in the coming years.

2.2.4 Slovakia

CSR in Slovakia is widespread, as the legislation in the country is very favorable to CSR. Unlike in Hungary, Slovak National Media is active in publishing CSR articles and news (Csáfor, 2008). A large number of companies in the country are promoting CSR and universities offer various courses in the field of CSR. Additionally, the national government of Slovakia has published a Sustainable Development Strategy (Csáfor, 2008). NGOs are not being independently funded, but there are a many international and national organizations promoting CSR. Their work is mostly focused on networking and exchanging information among companies.

It is not surprising that 74% of Slovak CSR Managers measure the results of their initiatives, which reflects the high awareness about the importance of CSR in the country. They measure CSR actions by evaluating respondents' actions (79%), analyzing of own sustainable development strategy realization metrics (43%) and media monitoring (32%). Even though they are highly aware of the importance of CSR, the majority (58%) of the respondents is convinced that corporate social responsibility will flourish in the coming years and that it will become even more important in companies' agendas.

2.2.5 Czech Republic

An increasing number of companies in the Czech Republic are pursuing socially responsible activities and the concept of CSR has developed significantly during the past few years. Nevertheless, many consider CSR solely as donations to charity and the real CSR, derived from company's values, is still being misinterpreted by many. One of the trends among businesses in the country is transparency and companies are increasingly starting to include information about their CSR activities on the web and various kinds of reports (Business Leaders Forum, 2013).

Interestingly, respondents from Czech Republic are either least informed or most ignorant about the effects of CSR practices, as 50% of them do not measure their results. 42% did not know whether the results are being measured and only 8% of them stated that they

actually measure them. Additionally, Managers from Czech Republic are least optimistic regarding the position of CSR in the future; 42% of them expect no changes and believe that CSR will be in the same position as it is today, whereas 25% claim it will flourish and 33% believe it will become more mature and that companies will include environmental issues in their business models.

2.2.6 Latvia

The survey by Pētersons and King (2009) on concepts and practices of CSR in Latvia showed that CSR applications in the country at that time were at a very early stage of development. Socially responsible activities were only practiced in larger firms. By the end of the twentieth century, country was in transition to a market economy and young graduates were taught that their sole responsibility is to do well within the market. There was unusually little interest in compassion and concern for others, and, implicitly, in social responsibility (Pētersons and King, 2009). No clear understanding of CSR and its functions was found between older and younger practitioners in Latvia – however, firms that most attracted public interest and concerns became the leaders of CSR, dealing mostly with the following external problems (Pētersons & King, 2009):

- Destruction of the physical environment and the depletion of physical resources,
- the effects of chemical industry pollution,
- discrimination in banking and related services,
- the negative social impact of casinos and other gaming enterprises.

Authors note that CSR activities among Latvian managers were adopted because of efforts to improve firms' financial performance and attract strong public support.

Analysis of my survey showed that 44% of Latvian respondents measure the effects of their CSR actions with the majority of them using media monitoring (67%), analysis of own CSR realization metrics (50%) and result sustainability analysis (39%). Also, they appear to be quite expectant of the CSR development in the coming years – 56% of them think that more and more businesses will be joining the CSR network.

2.2.7 Lithuania

In Lithuania, companies are pursuing socially responsible activities to create positive consumer attitudes. Social and environmental responsibility awareness among Lithuanian individuals is generally high, however a recent study by Kavaliauskė and Stancikas (2014) revealed that CSR initiatives do not influence much the way individuals perceive an organization in Lithuanian service industry. Not only that, the study found out that CSR in Lithuania's service sector is way less important than product and service quality and that corporate social responsibility is the least regarded aspect of companies' reputation. This implies that financial and labor costs may not really outweigh the potential benefits CSR

could bring, as CSR does not change people's perceptions of companies (at least in Lithuania's service industry).

It should be noted, however, that this does not mean that Lithuanian managers do not care about social and environmental responsibilities – individuals understand the importance of CSR initiatives and agree with such actions; 59% of CSR Managers from Lithuania believe its importance will grow even more and 41% of them are convinced that such issues will become included in companies' business models in the future.

2.2.8 Romania

Corporate social responsibility initiatives in Romania started in the 1990s when several NGOs were established. During the 2000s, the country was preparing for the EU integration and with major reforms, large and small companies started to pursue CSR activities. The legislation in the CSR area is very extensive in Romania and companies are obliged to use technologies that ensure the protection of the environment and of employees and promote sustainable development (Anca, Aston, Stanciu & Rusu, 2011). Nevertheless, at the time of the research by Anca, Aston, Stanciu & Rusu (2011), the field of CSR in Romania was still at very early stages of development, as it was mostly associated with philanthropy and donations, sponsorships and public relations. Only few companies implemented a strategic approach to it, integrating CSR into core business activities. Most frequently used corporate social activities are corporate codes of conduct, social investments, audit and social reporting.

While several years have passed, it seems that Romanian companies are well aware of the increasing importance of being socially responsible. 25% of the respondents believe that more and more businesses will be joining the CSR network in the coming years and as much as 50% of them believe that social and environmental issues will be more often included in companies' business models.

2.2.9 Serbia

As most transition countries, Serbia was also at an earlier stage of CSR development in comparison to economically more developed countries. The 2005 survey by Smart Kolektiv on the state of corporate social responsibility in Serbia showed insufficient awareness of the importance of CSR (Green, 2008). The research revealed that only philanthropy and participation in different community-support projects were among socially responsible activities taken by companies and that only 31% of businesses surveyed (survey included more than 2000 respondents) implemented environmental protection programmes (CRNPS, 2012). Mijatovic, Miladinović & Stokic (2015) claim that CSR in the country is solely recognized as a term, rather than an integrated practice in companies' everyday business activities. The awareness about CSR of course exists, however many companies do not recognize the long-term advantages of socially

responsible behavior. Several organizations recognized the need for a more developed environment for CSR in the country and therefore various international initiatives were being implemented. The latter are aimed at promoting CSR at a state level. These include UN Global Compact, UNIDO's Development of CSR and IFC initiatives (CRNPS, 2012). Additionally, national and multinational companies and institutions, such as National Bank of Serbia, Soko Stark, Hemofarm, started to integrate CSR principles in their work and some of the companies in Serbia can serve as examples of best practices in CSR implementation.

The analysis of the 2015 survey showed that the awareness of CSR importance among Serbian businesses increased, as 81% of them measure the results of their CSR initiatives. Also, their expectations regarding the state of CSR in the following years reflect that, as 38% of them are convinced that socially responsible behaviors will flourish and 43% believe CSR will become more mature and that businesses will include social and environmental issues in their business models.

2.2.10 Slovenia

In Slovenia, CSR activities are increasingly being perceived as important and take place in both, private as well as the public sphere, within the government and other public organizations. The concept of CSR has started to become an imperative tool and a necessary part of companies' everyday business activities. Although the concept was initially considered solely as a matter of philanthropy, the view has been changing in recent years. Zrilic (2011) notes that an increasing number of companies, especially those that are investing abroad, view CSR as a business opportunity and a tool for enhancing company's reputation and for managing its risk. The change in companies' attitudes can be clearly seen in the codes of conduct drafted by the companies and in their sustainability reports.

CSR Managers from Slovenia are also quite expectant of the development of the CSR in the coming years. They are aware that it is gaining in importance and 59% of them believe the corporate social network will become even larger. Additionally, 41% of the respondents believe more social and environmental issues will be included in business models of Slovenian companies.

2.3 Best practices

As the disagreement regarding the concept of corporate sustainability exists, there is also a lack of clarity on how to implement it in practice (Daily & Huang, 2001). A number of scholars (Hart & Milstein, 1999; Senge & Carstedt, 2001) argue that organizations will have to undertake significant cultural transformation to entirely respond to both, environmental and social challenges (Linnenluecke & Griffiths, 2010). By engaging in CSR activities, organizations can achieve greater strategic consistency, increase

organizational commitment, lower transaction costs, attract high quality personnel and ultimately improve customer-related outcomes (Bhattacharya, Korschun, & Sen, 2009).

It is very improbable that sustainability has fully been integrated, let alone achieved in any company. However, many companies have realized its importance and have started to take noteworthy steps toward improving their sustainability performance and lower the impacts their businesses have on the society and the environment (Epstein & Buhovac, 2013). These corporations are very cautious of the broader impacts of their activities. They are very well aware of the fact that stakeholders have an enormous impact on company's profits – employees with their motivation and willingness to work for the particular company, customers that want to buy their products and the community by issuing the company a license to operate. Nonetheless, it is important to recognize that stakeholder expectations regarding sustainability cannot be managed solely as a public relations strategy to soothe their concerns. In fact, such strategies can even be risky, as stakeholders expect actions and results to be consistent with promised (Epstein & Buhovac, 2013). In order to make sustainability valuable to both the company and its stakeholders, managers need to integrate it into the way an organization does business.

This section provides an overview of some of the best practices of companies in both Western Europe as well as Central and Eastern Europe that can serve as an inspiration for companies with underdeveloped CSR strategies.

2.3.1 Western Europe

2.3.1.1 Thornton's (United Kingdom)

United Kingdom is considered to be a European leader in CSR. Reasons for that, to name only some, are: it is home to a number of big accountancy firms; the government has put a lot of pressure on companies in terms of improving disclosure; the government also appointed a minister for CSR (Mullerat, 2013). UK's premium chocolate company Thornton's is an example of a company that has adopted a wide range of CSR initiatives and prides itself on giving back to the larger society by supporting various local charities. Community led projects are stimulated by staff through volunteering and fundraising projects. Additionally, the company has implemented an environmentally friendly policy by focusing on three main areas (CharityChoice, 2015):

- *Recycling*: Thornton's has developed an integrated waste management business with recycling champions on site through a partnership approach,
- *Energy*: saving energy is one of the company's main priorities and its gas and electricity consumption has declined progressively in the recent years,
- *Water*: in 2011, Thornton's signed Federation House Commitment. The goal of this commitment is to reduce the overall water consumption in the food and drink sector by 20% by 2020.

2.3.2 Central and Eastern Europe

2.3.2.1 Holcim (Serbia)

In 2002, Serbian company Holcim bought the Novi Popovac cement factory and renamed it to Holcim Serbia. Holcim developed a CSR strategy that aimed at improving and benefiting the local community. The project's sub-initiatives included:

- A Community Advisory Panel that gathered local representatives of CSOs as well as other institutions in the planning process, consultation and involving them into decision making in projects that aim to benefit Holcim's local community;
- A Social Engagement Scorecard that measured the effects of the implemented CSR projects. With the use of the Group's software applications, Holcim was able to measure efficiency of individual projects, bring CSR initiatives in line with its strategy as well as provide targeted and efficient budget allocation and spot new CSR opportunities out of current activities;
- Organization of Plant Visits with the aim of informing citizens about the cement production process and Partnership for the Future competition;
- SD Materiality review that was focused mostly on the sustainable development, protection of the environment and local community building.

The above-mentioned Stakeholder Dialogue activities are a clear example of promoting sustainable development and corporate social responsibility that might motivate other companies to develop and implement sustainable practices themselves as well.

2.3.2.2 Coca-Cola Hellenic (Serbia)

In 2005, Coca-Cola Hellenic and Coca-Cola announced their official partnership with the International Commission for Danube Protection (ICPDR), called The Green Danube Partnership. The campaign was performing under the slogan "The Danube – our River, our Future" and its goals were to raise awareness of the broader public about water pollution and encourage people to celebrate June 29th as Danube Day.

In this context, several events were organized at various locations. In 2006, the campaign introduced an educational component and started giving out leaflets with practical advices on various social issues. Other initiatives under this ongoing campaign included campaigns to clean the river banks, environmental lectures and workshops, sports activities for younger generations, organization of events for persons with special needs, workshops about recycling and many other activities, all with a focus on water conservation. Additionally, a two-week student environmental camp was organized for students from Serbian universities (European Commission, 2011).

In 2009, the campaign connected more than 100 partners with more than 60 activities in 10 different Serbian cities. More and more individuals showed the desire to participate and the campaign attracted a lot of media attention as well. According to the company's executives, the main challenge in the implementation of the campaign was to motivate and unite various partners from different sectors to help and raise awareness about the importance of preserving the European largest water system.

2.3.2.3 Telenor Hungary (Hungary)

Telenor Hungary is an example of a company that made a transitioning from a for-profit organization to a socially responsible business by using the concept of strategic CSR. In 2009, right after the global economic crisis, Telenor Hungary started to rethink its CSR strategy and eliminated all charity and classic philanthropy initiatives that were not directly linked to the company's core business and operations (Hardi & Mullot, 2013). Instead, the company has strengthened a so called strategic CSR thinking, meaning that it focused its support on programs that are directly linked to its core business and bring operational and/or financial advantages for the company and at the same time create a positive social and/or environmental impact. Therefore, from then on, Telenor's CSR strategy stands on three pillars (Hardi & Mullot, 2013):

- *Environment:* company aims to contribute to the reduction of CO₂ emissions and the improvement of energy efficiency. Its "green" headquarter, Telenor House, has relevant features that manifest these aims: geothermal heat pumps, solar collectors, green IT projects, less paper offices, free bus transports and awareness building of employees.
- *Enable:* programs under this pillar are aimed at helping disadvantaged groups (such as the poor, people with disabilities, etc.) with the innovative use and the transformative potential of telecommunications. A specific area of this program is healthcare where Telenor offers smart solutions that have a huge potential to benefit the society as well as business.
- *Safe:* initiatives under this pillar are focused on two issues, namely to provide safe services and products and ensure safe exposure to radiation by recommending certain safety measures to all users of Telenor Group and secondly, to protect its users by ensuring that mobile phones and the internet do not become a tool for abuse. This means taking actions to protect children from unintended contents, prevent online sexual abuse, digital bullying and similar issues.

This case clearly serves as an example of a company that looked beyond classic philanthropy and charity programs and moved toward a socially-responsible organization by focusing on core business-related and strategic CSR initiatives.

2.3.2.4 Dewesoft (Slovenia)

Dewesoft is a Slovenian company that produces innovative software and hardware solutions in the field of transportation, automotive, aerospace, energy and engineering industry. With their innovative solutions, the company created many new jobs and is active in the environmental protection. Company's management realizes that employees are firm's most valuable assets and is thus taking several actions to improve the safety and health of its employees:

- Providing good working conditions for their employees,
- increasing employee motivation by actively involving them into the whole business process,
- promotion of the work team concept.

3 ANALYSIS OF CSR IN EUROPE

3.1 Methodology

The research is based on secondary sources. Chapters 1 and 2 of the thesis are a synopsis of an extensive literature review of the main topics in relation to corporate social responsibility. The latter also covers existing empirical findings to relationships of interest (e.g. relationship between CSR and firm performance) that will be the focus of my own empirical research.

The third chapter is an empirical study that is based on the quantitative analysis of the survey, conducted by Deloitte in 2015. With the use of the statistical program SPSS, I examined whether theoretical findings and relationships, presented in the first two chapters, hold in the case of selected European countries.

3.1.1 Survey and data collection

The CSR Managers Survey is a survey launched by the Responsible Business Forum (RBF), which is the largest and the oldest non-governmental CSR organization in Poland. Deloitte realized the Central European part of this survey, except for the Polish edition. The survey was intended to look at CSR practices in ten Central and Eastern European countries (Bulgaria, Czech Republic, Kosovo, Lithuania, Latvia, Romania, Serbia, Slovakia, Slovenia and Hungary). The survey was aimed at CSR Managers and therefore a nonprobability, judgmental sampling method was used. The latter is a sampling technique that is based on the researcher's personal judgment when choosing the participators of the study.

Despite being one of the most cost and time-effective sampling methods available, there are several disadvantages associated with it. Namely, three main things have been pointed out in relation to purposive, judgmental sampling: susceptibility to researcher's errors in judgment, lower level of reliability and inability to generalize research findings (Dudovskiy, n.d.). Nevertheless, due to the specific research topic, the judgmental sampling method is the most appropriate method, as a limited number of primary data sources can contribute to the study (Dudovskiy, n.d.). CSR managers are people who are directly involved in CSR activities in companies, have the most thorough overview of the latter and are therefore very well convenient to the topic. The questionnaire was divided into three sections:

- CSR from the perspective of the past 15 years: questions in this section were related to managers' evaluation of solving social problems in countries,
- CSR activities – general overview: identification of methods and tools for CSR implementation, benefits derived and measures of the effects of CSR actions,
- CSR implementation management and trends: identification of the main problems and obstacles to CSR implementation and questions pertaining perspectives for development of CSR in the coming years.

Questionnaire answers were being gathered from 14th July, 2015, to 9th September, 2015 through the CAWI method (Computer Assisted Web Interview) via DeloitteDEX tool, which is a special survey tool, developed by Deloitte. The interviews lasted up to 15 minutes. For the whole questionnaire and examples of questions, please see Appendix.

Frequent interaction and collaboration in the field of business research all around the world results in greater cross-cultural and international research (Sireci & Berberoglu, 2000, in Lin, Chen & Chiu, 2005). Many questionnaires developed for a specific population in one country are being translated or adapted by researches in other-speaking countries. This process is called back translation, which can be defined as a procedure where a translator interprets a document, previously translated into another language, back to the original language. Such translated questionnaires can disrupt the accuracy of results, as lingual and/or cultural differences across samples may exist (Lin, Chen & Chiu, 2005). According to Geisinger (1994, in Lin, Chen & Chiu, 2005), issues related to cross-cultural assessment are the following:

- Adaptation issue requires that cultural differences between the target and the original populations are taken into consideration;
- Validity issue necessitates that after a measure is adapted to a new language and context, the validation and reliability of the latter is checked;
- Interpretation issue pertains to various cultural and language differences that may result in significantly diverse interpretations.

Due to the above-mentioned issues, a careful examination is required when existing questionnaires are translated or adapted from another language (Lin, Chen & Chiu, 2005).

3.2 Research objectives

Due to sparse literature regarding the state of corporate social responsibility in some of the former socialist countries, I have decided to analyze CSR in CEE and provide state-level implications for the development of CSR in selected countries. The main purpose of the master thesis is to **explore the state of corporate social responsibility in Central and Eastern Europe**. More specifically, the research is focused on ten selected European countries: Bulgaria, Czech Republic, Kosovo, Lithuania, Latvia, Romania, Serbia, Slovakia, Slovenia and Hungary and will address the following research questions:

- What benefits have businesses derived from the implementation of CSR activities?
- What are the methods, tools and management techniques that responsible executives consider most useful in CSR implementation?
- What are believed to be the main problems or obstacles to CSR implementation in the selected countries?

3.3 Hypotheses development

Hypothesis 1: Implementation of CSR activities is positively associated with reduction in operating expenses

Among several arguments for the implementation of CSR practices, improved financial performance and cost reduction tend to be one of the first ones on the list (Carroll & Shabana, 2010; Epstein & Buhovac, 2014). “Being proactive on environmental issues can lower the costs of complying with present and future environmental regulations... (and) ... enhance firm efficiencies and drive down operating costs (Berman, Wicks, Cota & Jones, 1991, in Carroll & Shabana, 2010). I would like to test whether practitioners in selected European countries perceive these and other (see below) benefits when engaging in CSR activities.

Hypothesis 2: Implementation of CSR activities is positively associated with increased reputation.

In addition to financial benefits, CSR activities are believed to have a positive effect on the company legitimacy and reputation (Carroll & Shabana, 2010). For example, Coca-Cola Co. was excluded from the Broad Market Social Index by Kinder, Lydenberg, Domini Research and Analytics (KLD) due to company’s dubious labor and environmental practices in the developing world (Chatterji, Levine & Toffel, 2008). Furthermore, Helm (2007) claims that for investors, a company with a good reputation is perceived to be less

risky than companies with similar financial performance, but with a less well-established reputation.

Hypothesis 3: Implementation of CSR activities is positively associated with an increase in employee involvement.

Several recent studies have displayed internal organizational pressures for the adoption of CSR practices, such as staff turnover due to decreasing firm loyalty and workplace satisfaction (Linnenluecke & Griffiths, 2010). Therefore, CSR is also a way to attract and retain talent (Knowledge@Wharton, 2012). Global workforce studies carried out by Towers Perrin and Deloitte revealed that CSR is the third most important driver of employee engagement and that 70% of young Millennials say companies' commitment to the community has an influence on their decision to work there (Knowledge@Wharton, 2012). Linnenluecke & Griffiths (2010) suggest that companies develop a sustainability-oriented organizational culture when implementing CSR practices.

Hypothesis 4: Dialogue with stakeholders is identified as most useful method in the CSR implementation.

Stakeholders' perceptions of firms can be critical to their performance (Chatterji, Levine & Toffel, 2008), therefore managing stakeholder relations is recognized as an integral part of CSR (Steurer & Konrad, 2009). Improving stakeholder relationships can foster loyalty and trust and increase sales due to improved corporate reputation (Epstein, 2008). Nowadays, companies can communicate with stakeholders easier than ever. New media technologies, such as social media, enable companies to proactively engage stakeholders in CSR activities and it has been proven that employing social media in the CSR context can generate substantial value for companies and society (Wang, Chen, Yu, & Hsiao, 2015).

Hypothesis 5: Absence in the media and public debate is identified as one of the main problems for CSR implementation in Europe.

In general, the media plays a crucial role in promoting CSR. The most important role of the media is in communicating the right message about the CSR initiatives and sustaining the concept in the community. The media can shape public opinions and also has an important task of raising awareness of CSR by publishing good practices and benefits of being socially responsible (Csáfor, 2008). Furthermore, in the Information Age, customers have more access than ever about companies' environmental and labor practices and thus the level of transparency is higher than ever (Business Time, 2012).

Hypothesis 6: EU Directive on non-financial reporting will positively impact the quality of social reporting in the selected countries.

The annual reports of almost every bigger organization nowadays include its social goals and good works undertaken as financial and non-financial reporting provides shareholders

and other stakeholders with an all-inclusive view of the company’s state (European Commission, 2016). However, company’s environmental impacts are difficult to evaluate. In 2014, the European Union imposed a new reporting requirement regarding disclosure of non-financial and diversity information. This Directive presents measures that will strengthen the transparency and accountability of large public companies and therefore I would like to see whether CSR practitioners in selected countries believe that this will truly be the case.

3.4 Sample description

The basis for my empirical research was a survey, conducted by Deloitte in 2015. Sample size consists of 178 CSR Managers and provides insights on the effects of CSR on the social and economic condition of each country. 61% of the respondents were female and 38% men.

Managers come from various industries, whereby most of them (17%) work in the FSI area (finance, banking or insurance), power industry (13%) and trade/fast moving consumer goods (11%). The structure of respondents’ area of expertise is presented in Figure 5. The majority of respondents (63%) work in large companies with more than 250 employees (see Figure 6).

Figure 5. Respondents' area of expertise (in %)

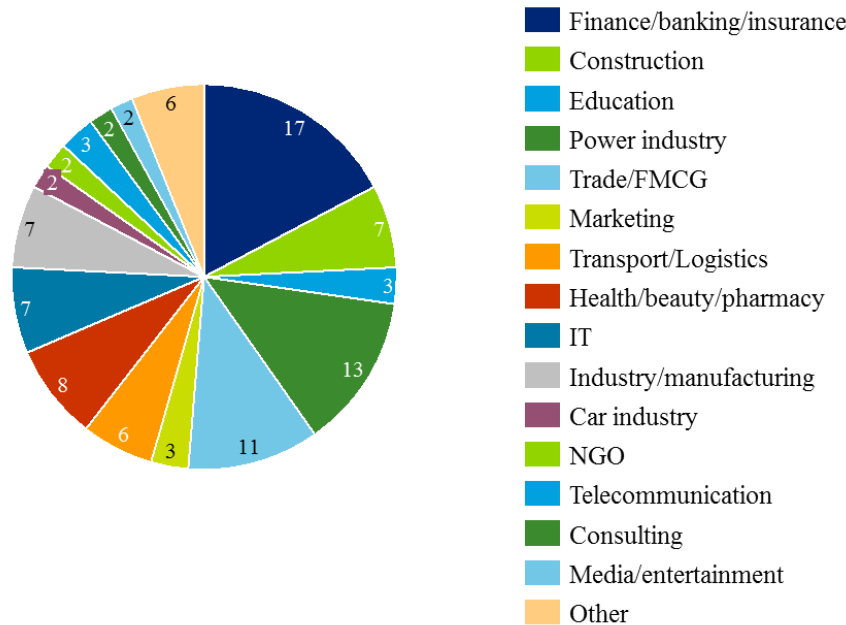
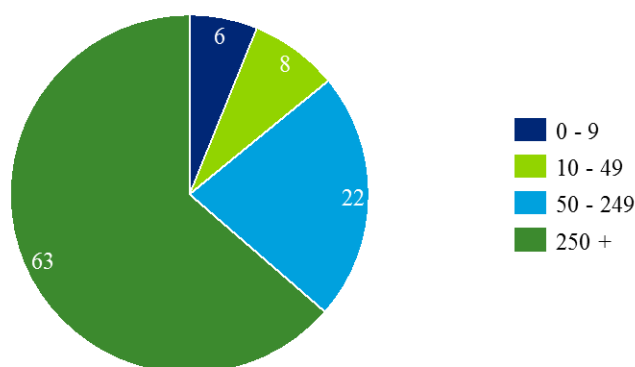
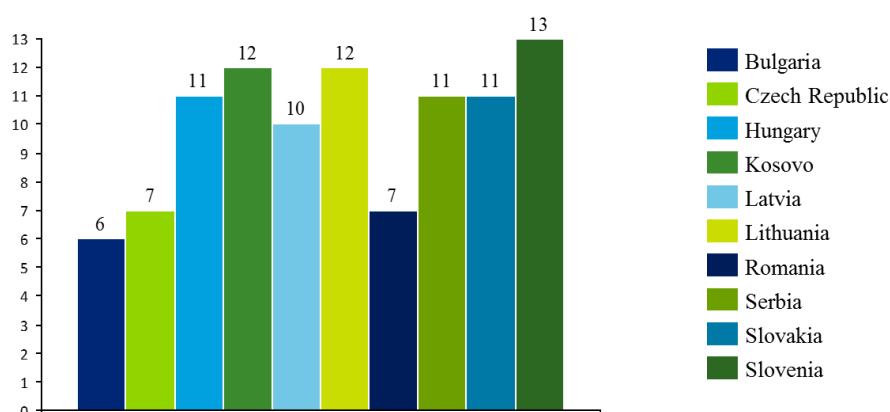


Figure 6. Company size (number of employees) (in %)



Sample size consists of CSR Managers from 10 different CEE countries. Number of responses per individual country can be seen in Figure 7. Most responses were gathered from Managers from Slovenia (13%) and the least responses from CSR representatives from Bulgaria (6%).

Figure 7. Respondents' countries (in %)



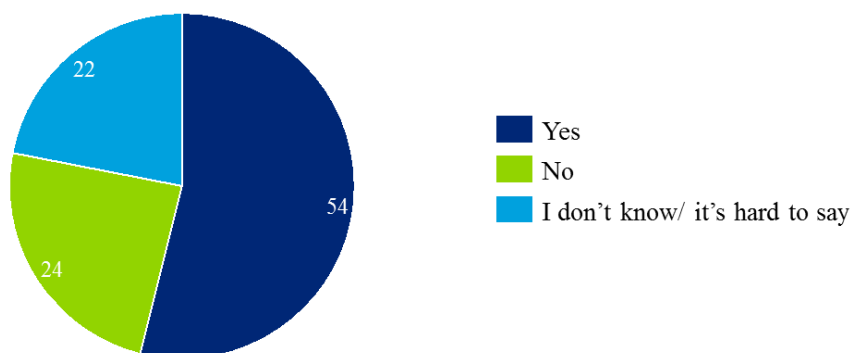
3.5 Analysis of results

3.5.1 Descriptive analysis

Due to the multidimensionality of the CSR concept, measuring its effects is difficult and relies mostly on “soft” measures (Chen & Delmas, 2010). In fact, survey analysis showed that just over half of the respondents (54%) measure the effectiveness of their CSR initiatives (see Figure 8), which is rather surprising, as due to increasing investments in CSR, measuring its effects is viewed as critical in evaluating the progress made by companies in pursuing social goals (Lemon, Roberts, Raghubir and Winer, 2011). Among

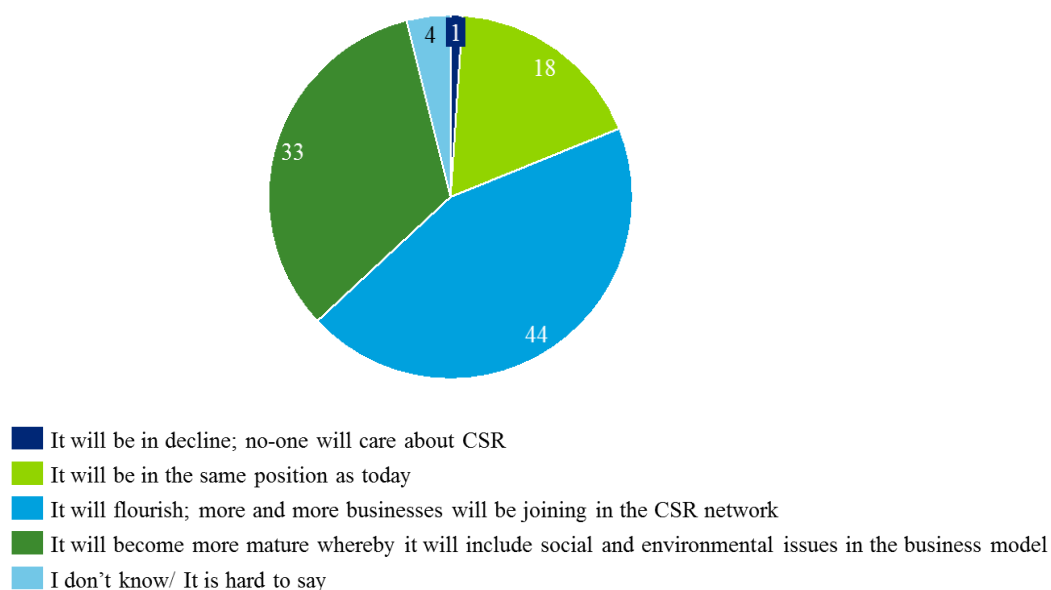
respondents, the most popular method for evaluating CSR initiatives is media monitoring (52%). To a lesser extent, respondents use their own corporate social responsibility metrics (37%) and opinion polls (34%).

Figure 8. Proportion of respondents who measure CSR effects (in %)



Respondents were also asked about their opinion regarding the development of corporate social responsibility in the coming years and the results show that they are quite optimistic about it. Almost half of the respondents (44%) believe that CSR will flourish and that more businesses will be joining the CSR network and one third of the respondents (33%) claim that CSR will become more mature as social and environmental issues will become a part of business models (see Figure 9). These findings are consistent with the global trend of a strong upward curve in actively engaged companies in all key markets (Kell, 2014) and imply that businesses in the selected European countries are aware of the fact that environmental and social responsibilities will become integral to companies' success.

Figure 9. Opinions regarding CSR in the upcoming years (in %)



3.5.2 Analysis of hypotheses

The quantitative analysis of the survey was carried out by using SPSS program. Due to question types, more hypotheses have been defined for a single question in some cases. Summary of hypotheses' testing can be seen in Table 4. The continuation of this section presents a complete analysis of the hypotheses tested.

Table 4. Summary of hypotheses' testing

Hypothesis	Key findings	Confirmed/not confirmed
Implementation of CSR activities is positively associated with a reduction in operating expenses.	Only 21% of the respondents experienced reduction in operating expenses due to CSR implementation.	<i>Not confirmed</i>
Implementation of CSR activities is positively associated with increased reputation.	56% of respondents note increased reputation due to CSR implementation.	<i>Confirmed</i>
Implementation of CSR activities is positively associated with an increase in employee involvement.	Positive changes with employee involvement were identified by most respondents (65%). Additionally, managers perceive methods that include employee involvement as some of the most useful in CSR implementation, namely corporate volunteering and ethics programs for employees.	<i>Confirmed</i>
Dialogue with stakeholders is identified as one of the most useful methods in the CSR implementation.	Based on the survey analysis, managers in CEE countries find dialogue with stakeholders (35%) and corporate volunteering (35%) as two of the most useful methods in CSR implementation.	<i>Confirmed</i>
Absence in the media and public debate is identified as one of the main problems for the CSR implementation in Europe.	CSR being such a "hot" topic, managers from CEE believe it won't lack public debate in the coming years. Instead, they identify the following potential problems related to CSR implementation: (i) perception of CSR as sponsoring activities, (ii) lack of government incentives and (iii) companies' reluctance to invest.	<i>Not confirmed</i>

table continues

Table 4. Summary of hypotheses' testing (cont.)

EU Directive on non-financial reporting will positively impact the quality of social reporting in the selected countries.	The increasing demand for transparency drives social reporting of the companies. The new EU Directive on non-financial reporting is perceived to have a positive impact on social reporting in CEE, according to surveyed CSR managers.	Confirmed
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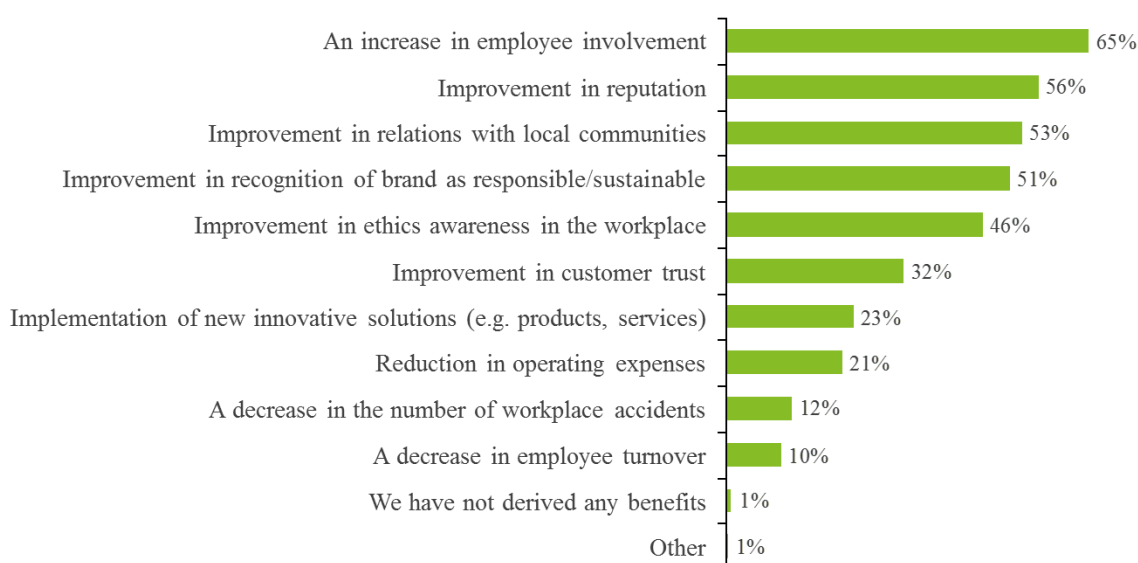
Hypothesis 1: Implementation of CSR activities is positively associated with a reduction in operating expenses

Hypothesis 2: Implementation of CSR activities is positively associated with increased reputation

Hypothesis 3: Implementation of CSR activities is positively associated with an increase in employee involvement.

The first three hypotheses are related to perceived benefits of corporate social responsibility. Respondents were asked to identify benefits their businesses have derived from CSR action implementation. They could indicate as many options as applicable from the preselected options. Due to the aforementioned option of selecting multiple answers, it is most appropriate to use a non-parametric, binomial test. I calculated the proportion of positive answers for all the available options (see Figure 10) and ranked them according to percentages of positive answers.

Figure 10. Respondents' perceived benefits of CSR



It can be seen that the respondents observed positive changes with employees when implementing CSR activities, as the top 3 benefits of CSR implementation are: **an increase in employee involvement (65%), improvement in reputation (56%) and improvement in relations with local communities (53%)**. Some of the results were quite expected, whereas I was quite surprised with the results of the first hypothesis.

Namely, empirical studies by several researches (e.g. Alafi & Hasoneh, 2012, Shen & Chang, 2008, Luo & Bhattacharya, 2006, in Saeidi, Sofian, Saeidi, Saeidi, Saaeidi, 2015) indicated a positive association between CSR and firm performance. Berman, Wicks, Cota & Jones (1991, in Carroll & Shabana, 2010) state that engagement in environmental activities improves financial performance by enhancing firm efficiencies and consequently drive down its operating costs. Furthermore, a survey conducted by Rettab (2009, in Saeidi, Sofian, Saeidi, Saeidi, Saaeidi, 2015) showed that corporate social activities are positively associated with three determinants of company performance: monetary performance, personnel commitment and corporate integrity. However, some scholars (e.g. Epstein & Buhovac, 2010) argue that integration of corporate sustainability into day-to-day decision-making is complicated due to substantial pressures to increase short-term earnings. For example, Epstein and Buhovac (2010) point out instances of substantial financial cost associated with improving social or environmental performance. Possibly the respondents dealt with such cases, as only 21% of them identified “reduction in operating expenses” as one of the benefits derived from CSR implementation, implying no real efficiencies have been noted. Therefore, my first hypothesis does **not hold** and should perhaps be formulated differently, more specifically inferring to the derived financial benefits.

Nevertheless, academic research has emphasized several other benefits of CSR initiatives and the survey analysis shows that CSR Managers from Central European countries also noted some of them. More specifically, studies have shown that CSR initiatives positively affect stakeholders associations of the company (Sen, 2006, in Kavaliauskė & Stancikas, 2014). Moreover, consumers who perceive a company as more socially responsible are far more likely to trust the company’s products and thus their intention to consume company’s products is increased (Kavaliauskė & Stancikas, 2014), which in turn brings financial benefits to the company. Researches by Lee & Shin (2010) and Sen (2006, in Kavaliauskė & Stancikas, 2014) have also indicated that consciousness of CSR activities is associated with a greater intention to seek employment within such company. This can also be related to increased employee involvement, as recognized by 65% of the respondents. It is important to note, however, that benefits are all intertwined, as improving stakeholder relationships can foster loyalty and trust and increase sales due to improved corporate reputation (Epstein & Buhovac, 2014)

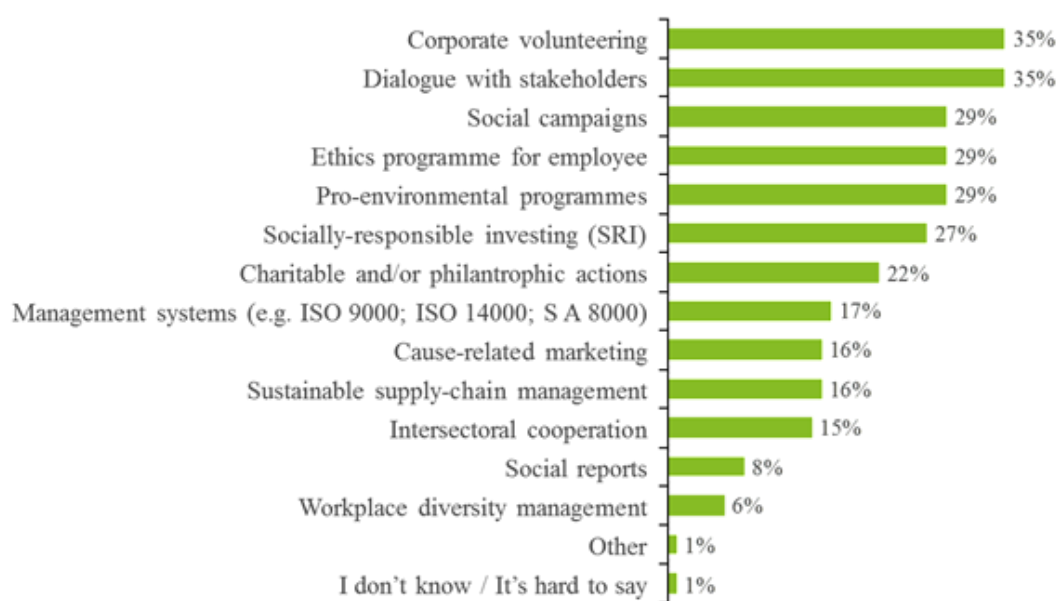
To conclude, several benefits of corporate social activities have been identified by CSR Managers in the selected CEE countries. The most interesting finding to me was that a

relatively low percentage of respondents noted financial benefits in terms of cost reduction as one of the resulting effects of engaging in CSR activities. The latter might be attributed to a later popularity of CSR in comparison to WE, which did not result in reduction in operating expenses so far. Hypotheses 2 and 3, however, hold in the case of CEE countries.

Hypothesis 4: Dialogue with stakeholders is identified as one of the most useful methods in the CSR implementation.

Based on the survey analysis, managers in CEE countries find **corporate volunteering (35%)** and **dialogue with stakeholders (35%)** as two of the most useful methods in CSR implementation (see Figure 5). The result is similar to present research that was done globally, as managing stakeholder relations has been recognized as one of the integral parts of CSR. Therefore, in order to gain strategic advantage, companies are trying to leverage associations that various stakeholders have of them (Kavaliauskė & Stancikas, 2014).

Figure 5. Respondents' most useful perceived methods in CSR implementation



Dialogue with stakeholders can also be viewed as a method of self-presentation and impression management by organizations to ensure different stakeholders are content with their public activities (Snider, Hill & Martin, 2003). In the past, companies used traditional mass media for such communication, however in recent years, the preferred communication channel has become the Internet (Snider, Hill & Martin, 2003). The Internet allows companies to publish information quicker and far less expensively and consequently, interested individuals can access to these information anytime, anywhere. Even more, the Internet enables companies to use a variety of new content characteristics that enhance their communication effectiveness (Snider, Hill & Martin, 2003) and companies have immensely started to employ social media in the context of CSR to engage

consumers, employees and other stakeholders in ongoing virtual dialogs. It is estimated that 80% of mid-to-large companies use social media for marketing activities (Korschun & Du, 2013) and a study by Weber Shandwick (2011, in Korschun & Du, 2013) claims that in 2011, 72% of Fortune 2000 companies were using social media as part of their CSR communication. Procter and Gamble, for example, leveraged its presence on Facebook to create “Future Friendly Challenge”. Its followers can post tips and experiences on how to be socially responsible and environmentally friendly. The company’s aims are primarily: (1) strengthened ties with the virtual community and (2) encouraging virtual followers to behave in responsible ways themselves.

While the questionnaire did not capture sufficient information regarding the type of dialogue respondents use to implement CSR activities, the aforementioned research findings provide useful information regarding the use of Internet and the social media for CEE companies. The Internet penetration in the European Union is presented in Table 5. As it can be seen in Table 5, among the surveyed CEE countries, Slovakia has the highest penetration of Internet users (83%), whereas Bulgaria and Romania have the lowest penetration (56%) in the whole European Union. Nevertheless, the proportion of Facebook users relative to the number of Internet users in all countries is very high, which allows for many options and effective communication via Facebook also in the case of selected CEE countries. Virtual CSR dialogs, unlike traditional CSR communications, enable participants to engage in peer-to-peer exchanges of information about themselves, the company and the cause (Korschun & Du, 2013). Due to this, virtual communication enables addressing a wider array of stakeholder groups (e.g. customers, employees, investors, etc.) and overcomes what is usually a corporate level CSR activity.

Other tools and methods that CSR Managers in CEE have also identified as most useful in CSR implementation, are those methods that enable **employee involvement**, such as corporate volunteering (35%), ethics programs for employees (29%) and social campaigns (29%) and socially responsible investing (28%). These findings can also be supported by a multi-company study done by Kim, Lee, Lee and Kim (2010, in Korschun & Du, 2013). The researchers find that when employees are actively engaged in CSR creation, they identify with the company and become more committed towards serving its goals (Korschun & Du, 2013). As such, CSR activities can help attract, motivate and retain talented employees and attract socially responsible investors (Korschun & Du, 2013).

Table 5. Internet users in the European Union

Country	Population (2015 estimation, in millions)	Internet users (November, 30th, 2015, in millions)	Penetration (% population)
Austria	8.6	7.1	82.6
Belgium	11.3	9.6	85.0
Bulgaria	7.2	4.1	56.9
Croatia	4.2	3.1	73.8
Cyprus	0.9	0.8	88.9
Czech Republic	10.5	8.4	80.0
Denmark	5.7	5.4	94.7
Estonia	1.3	1.1	84.6
Finland	5.5	5.1	92.7
France	66.1	55.4	83.8
Germany	81.2	71.7	88.3
Greece	10.8	6.8	63.0
Hungary	9.9	7.5	75.8
Ireland	4.6	3.8	82.6
Italy	60.8	37.7	62.0
Latvia	1.9	1.6	84.2
Lithuania	2.9	2.4	82.8
Luxembourg	0.6	0.5	83.3
Malta	0.4	0.3	75.0
Netherlands	16.9	16.1	95.3
Poland	38.0	25.7	67.6
Portugal	10.4	7.0	67.3
Romania	19.9	11.2	56.3
Slovakia	5.4	4.5	83.3
Slovenia	2.1	1.5	71.4
Spain	46.4	35.7	76.9
Sweden	9.7	9.2	94.8
United Kingdom	64.8	59.3	91.5
Total European Union	508.0	402.6	79.3

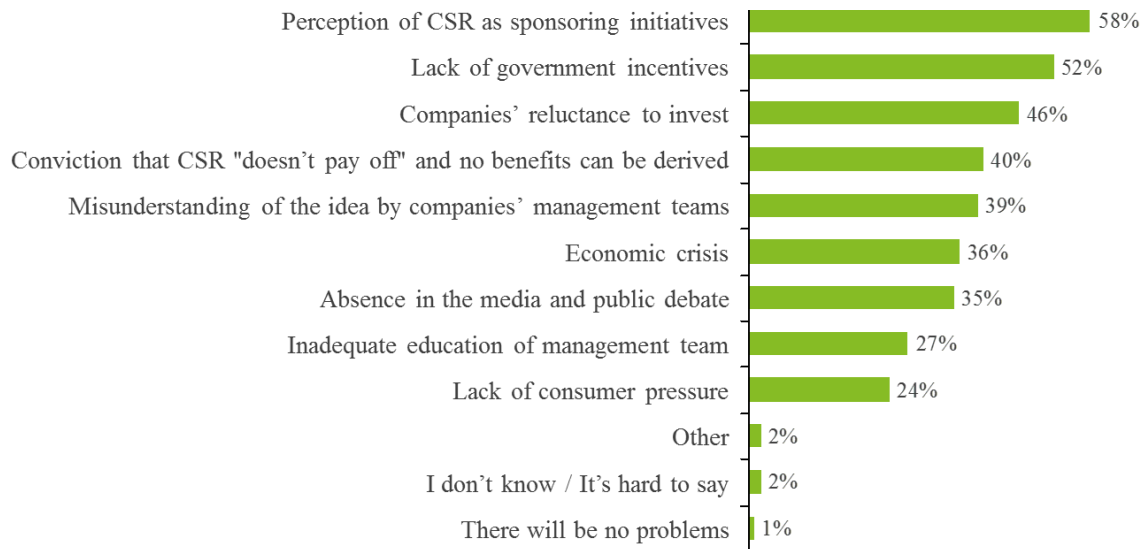
Source: Internet World Stats, 2015

Hypothesis 5: Absence in the media and public debate is identified as one of the main problems for the CSR implementation in Europe.

When asked about the main problems and obstacles to CSR implementation, respondents could indicate as many options as relevant from the possible selections. As mentioned before, due to the multiple choice option, I used a non-parametric, binomial test. The process was the same as in the case of Hypothesis 1, i.e. calculation of the proportion of positive answers and ranking according to the percentages of positive answers. As it can be

seen in Figure 6, the main obstacles for CSR development, as stated by CEE Managers, is the **perception of CSR as sponsoring activities (58%)**, **lack of government incentives (52%)** and **companies' reluctance to invest (46%)**.

Figure 6. Respondents' perceived problems for CSR implementation



In general, media play an important role in raising awareness of corporate social responsibility actions by publishing good practices and benefits of being socially responsible and enabling companies to publicize the achievements of CSR activities (Csáfor, 2008). Ideas of companies' social responsibilities have appeared regularly in the press in the 1970s, with stories about pollution and shareholder actions regarding CR debates. In the United States, the media coverage of CSR increased significantly in 2000 and leveled off in 2002, whereas in Europe, it continued to increase sharply (Hamilton, 2003).

Ignoring CSR poses significant risk to businesses, as consumers are becoming increasingly cautious about companies' ethical reputation and social practices (Kell, 2014). For example, a survey by Landor associates found that 77% of consumers say it is important that companies are socially responsible (Business Time, 2012). The results of my questionnaire also confirm that there are no signs of a lesser pressure from consumers' side regarding social responsibilities – only 24% of the surveyed CSR Managers believe this might become a problem in the future. Therefore, companies indeed need to be proactive and manage how consumers view their responsibilities and impacts on society (Kell, 2014).

However, one of the main criticism against CSR is that businesses only care about it for marketing purposes (Knowledge@Wharton, 2012) and CSR Managers from CEE believe

this will remain a problem in the future. 58% of respondents stated that one of the biggest obstacles to CSR implementation is in fact the “perception of CSR as sponsoring initiatives”. Therefore, these results show I **cannot confirm my hypothesis** regarding the role of media in relation to CSR in the future. If one thinks about it thoroughly, though, the result itself makes sense, as companies as well as consumers are increasingly aware of the importance of social responsibilities. Consequently, it is expected that CSR will also be promoted in media. Looking at it from this perspective as well as looking at what the survey results indicated, the formulated hypothesis was rather unsuitable.

According to MacMillan (2012, in Knowledge@Wharton, 2012), professor of innovation and entrepreneurship at Wharton, companies use CSR solely because it is the ‘right’ thing to do and they do not have to deal with excessive media attention. General public deals with events and situations that are presented by journalists and through their daily selection and display of the news, the media focus our attention and influence our perceptions of what are the most important issues. The agenda of the news media, therefore, becomes, to a considerable extent, the agenda of the public (McCombs, 2014) and doing things that aren’t right would most definitely catch the media attention and create a negative public image of the company.

Hypothesis 6: EU Directive on non-financial reporting will positively impact the quality of social reporting in the selected countries.

Out of several trends that indicate the growing importance of corporate social responsibility in the future is demand for transparency. Ever-easier access to information, high public interest and several regulatory changes will drive the reporting and disclosure of companies’ operations (Kell, 2014). In 2014, the European Union imposed a directive on disclosure of non-financial and diversity information. This Directive represents one of the most significant EU legislative initiatives with respect to environmental and social issues and is thus expected to have a significant impact on the non-financial information (hereinafter: NFI) reporting of many affected companies (FEE, 2016). All EU Member States are required to alter the rules on NFI into national legislation (European Commission, 2016).

Following this, I wanted to find out whether CSR Managers in Central and Eastern Europe believe that this concrete legislation will have a positive impact on the quality of social reporting in selected countries. The respondents could demonstrate their agreement with the following statement: “EU Directive on non-financial reporting will positively impact the quality of social reporting in the selected countries,” by choosing the values from 1 to 5, where 1 indicated “I strongly disagree” and 4 “I strongly agree”. Number 5 was left to their unfamiliarity (“I don’t know”).

I first conducted a non-parametric, binomial test, to check the proportion of people who agree with the statement. The answers were grouped into 2 subgroups: 1 and 2 were

assigned to value 0 (“do not agree”), whereas 3 and 4 were assigned to value 1 (“agree”). Number 5 was denoted as “system missing”. As it can be seen in Table 6, 74% of respondents agree that the quality of social reporting in the countries will be positively affected by the imposition of the EU Directive on non-financial reporting and my hypothesis can be **confirmed**.

Table 6. Binomial test output

	Category	N	Observed Prop.	Test Prop.	Exact Sig. (2-tailed)
C4dNEW	Group 1	,00	39	,26	,50
	Group 2	1,00	111	,74	
	Total	150	1,00		

The result is expected, as this particular Directive was, with approval of 70% of stakeholders, the most successful initiative by the European Commission (Kowszyk, Besnier, Haddad, Maher & Meneses, 2015). Stakeholders increasingly demand more information, however increasing volume of disclosures opens up issues of legibility (FEE, 2016). The Federation of European Accountants (2016) claims that the real potential for non-financial reporting comes with disclosing financial and non-financial information and ensuring a complete view of the firm’s business. The Federation recognizes the importance of implementing internal processes required to fulfill the requirements of the EU Directive for achieving long-term benefits. Furthermore, FEE members believe that innovative approaches in CSR matters can provide companies with competitive advantage over competitors (FEE, 2016).

3.5.3 Research limitations

Limitations of studies are characteristics of methodology or design that may impact the interpretation of research findings. They may influence generalizability of the research findings and their application to practice. The main methodological limitations that pertain to this research are the following:

- Sample size: if the sample size is too small, significant relationships from the data are difficult to extract, as statistical tests generally require a larger sample size to ensure a distribution of the population that allows for generalization of results. In qualitative research, however, sample size is less relevant. Due to the nature of this research, sample size by individual countries is relatively small and therefore the results might not reflect the true state of companies’ social responsibility in the countries surveyed. Additionally, sample size between countries varies quite a lot and thus comparison between countries has to be interpreted with this limitation in mind.
- Lack of available and/or reliable data: lack of (reliable) data can limit the scope of research and represents a noteworthy limitation in finding meaningful trends related to the topic analyzed.

- Lack of prior research studies on the topic: an extensive literature review lays a foundation for understanding the research problem under investigation. While numerous studies exist regarding corporate social responsibility in general, its benefits and implications, studies on CSR in specific countries are limited. More specifically, as the concept is very well known in Western Europe, many studies for WE exist. Due to different historical background, social responsibility in Central and Eastern Europe became acknowledged much later and consequently, analyses that study the development of CSR in CEE are limited.
- Measure used to collect the data: the way data is gathered can influence the ability to perform a thorough analysis of the results. For example, sometimes, after the interpretation of research findings is completed, one finds out that some additional questions could be included in the survey or that some questions could be formed differently. This research is very limited in this sense, as the survey was conducted prior to my research. Some questions were structured poorly and some pre-determined answers are difficult to understand. Furthermore, there were some issues that emerged later during my study and having the possibility to run the survey again would allow for a better and/or clearer insight into the state of CSR in Central and Eastern Europe.

Following this, inflexibility in forming the survey questions required the use of nonparametric tests, due to (a) non-numeric variables and (b) the nature of answers, as respondents could select several options. The applicability of nonparametric tests is much broader than the corresponding parametric tests. More specifically, they can be used when less is known about the application in question. In addition, they rely on fewer assumption and are therefore more robust. However, despite their simplicity and wider applicability, nonparametric tests have several limitations that need to be taken into account. Namely, nonparametric test might require modification of the hypotheses, as in questions about the population center, nonparametric tests measure median instead of the mean. Additionally, nonparametric tests tend to be less powerful than tests designed for data that come from a particular distribution in cases where the use of parametric tests would be more appropriate. This means that a larger sample size may be required in order to draw conclusions with the same degree of confidence.

CONCLUSION

The concept of corporate social responsibility was and still is a subject of many debates over what exactly it encompasses, yet it is increasingly being practiced by companies. Originating in the United States, corporate social initiatives have spread around the world, with a particularly strong resonance in Western Europe. Due to different historical background, the concept evolved much later and is thus less developed in Central and Eastern European countries. The latter countries have experienced an enormous political, environmental and social development during the last twenty years and their awareness of social obligations is increasing, with CSR-related initiatives spreading rapidly.

The main goal of this research was to present the state of corporate social responsibility in Central and Eastern European countries. More specifically, the research focuses on investigating practices, benefits derived and opinions of CEE managers about the development of CSR in the coming years and is particularly valuable because CSR-related research in this region remains an under-studied domain. Research findings revealed that the CSR is undoubtedly becoming a mature concept and that the adoption of CSR practices will become even more widespread.

Benefits of corporate social responsibility have been examined by many scholars, namely the relationship between CSR activities and firm performance, reputation and employees' satisfaction. When asked about the benefits of engaging in CSR activities, managers from CEE countries observe positive changes with regard to employees, as the main three benefits identified were increased employee involvement (65%), improvement in reputation (56%) and improvement in relations with local communities (53%). These results confirmed my hypotheses regarding increased reputation and employee involvement, which clearly indicates that CSR initiatives positively affect stakeholders' associations of the company. However, quite a low percentage of respondents (21%) noted a decrease in operating expenses, therefore my hypothesis related to this could not be confirmed. Present research did not capture sufficient information regarding improved financial performance and inferring about it through companies' operating expenses did not seem to be a good approximate of it. Nevertheless, these insights demonstrate that socially responsible actions do bring notable benefits, which is an encouraging finding.

In the opinion of the CSR managers in CEE, among the most useful methods, tools and management techniques in CSR implementation are corporate volunteering and dialogue with stakeholders (35%). They also noted social campaigns, ethics programmes for employees and pro-environmental programs (29%). With these results, my hypothesis regarding the indispensability of stakeholder dialogues was confirmed. Stakeholders' perceptions are indeed of vital importance to companies' success and reputation and therefore the use of timely, inclusive and two-way communication establishes mutual trust and benefits for both parties.

Due to easier-than-ever access to information and increasing demand for transparency, there is a growing popularity of socially responsible activities among companies. Research results displayed that respondents feel positive regarding the future of CSR, as 44% of them believe CSR will flourish and that the number of socially responsible companies will further increase. Additionally, 32% of the managers surveyed claim that social and environmental issues will become a part of companies' business models. Despite optimistic perceptions regarding future development of CSR, one of the aims of the research was to find out what might be the potential obstacles to CSR growth, as stated by CSR managers. It seems that the media will continue to be actively involved in promoting CSR, as 35% of the respondents identified absence in the media as a potential obstacle, which is a relatively

low percentage compared to others options. According to them, the main impediments to CSR implementation are perception of CSR as a form of sponsoring activities (58%), lack of government incentives (52%) and companies' reluctance to invest in such initiatives (46%). The media continues to be a crucial channel in promoting socially responsible activities and publication of good practices may raise awareness among companies and generate ideas for CSR implementation in their businesses.

Positive outlook for corporate social responsibility might also be attributed to a recent legislation by the European Union that addresses environmental and social issues and is, as such, expected to have an important influence on the quality of social reporting in the countries. The respondents were asked to demonstrate their agreement regarding the impact that EU Directive on disclosure of non-financial information will have on the social reporting quality and the majority of them (74%) believe this will be the case.

To conclude, the study revealed that in the selected European countries, pursuit of socially responsible activities will further increase in the future. Businesses that want to address social issues in any country should be aware that the decisive factors are country context and perception of CSR by stakeholders. This means that what works in one country, does not necessarily work in another country or region. Due to sensitive historical and political background of Central and Eastern European and other developing countries, foreign multinational firms need to develop a local content strategy that respects the country's local culture. Additionally, companies also need to consider country development and take appropriate corporate social responsibility actions. Low-income countries cannot afford applying the same best CSR standards and practices as developed ones, as they lack the capacity and capability to address social and environmental issues the same way. The role of the European Union is to offer these countries support in the implementation of CSR and help the local private sector to be able to work within the global development program. Transparency has become an expectation of companies today and no company can afford to ignore social issues anymore. Possible extension of this study includes a detailed research on how extensively companies in these countries integrate corporate social responsibility into their day-to-day decision making. While many individuals and organizations claim their social responsibility awareness, in some cases their corporate practices do not reflect that. Such study, if conducted on a larger sample size, could serve as a guide of best practices and contribute to advancements of socially responsible initiatives in Central and Eastern Europe.

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APPENDIXES

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APPENDIX A: SURVEY

CSR MANAGERS SURVEY 2015 CENTRAL EUROPE

June – August 2015

Deloitte Central Europe along with Responsible Business Forum in Poland and PBS Social Research Agency with continuous support of other organisations is running now 2015 CSR MANAGERS SURVEY across a number of Central European countries. We do invite you to share your experience and thoughts on outlook for CSR/Sustainability development in your home country in coming years and your professional experience in coordinating efforts of your organisations in that domain.

The survey will take no more than 10 – 15 minutes to complete. Results will be presented in October 2015 in an aggregate (no reference to names, etc.) form for your local market and the CE region as a whole.

Thank you in advance for sharing your thoughts!

Deloitte Sustainability Central Europe Team

SCREEN

S1. Gender:

1. Male
2. Female

S2. Could you please confirm that your work (role in an organisation) involves CSR/sustainability matters?

1. Yes
2. No (if NO – can you please forward our invitation to a survey to a person in your organisation occupied with CSR/sustainability topics)

SECTION A – CSR FROM THE PERSPECTIVE OF THE PAST 15 YEARS

A1. Do you agree that business has contributed to solving social problems in your country recent years? [Please pick up one answer only from the selection below]

1. I strongly disagree
2. I somewhat disagree
3. I somewhat agree
4. I strongly agree
5. I don't know/ It is hard to say

A2. What social problems has business contributed to solving in recent years? [Please name a couple of such problems filling in the box below, max. 100 words]

.....

A3. What current social problems business should contribute to solving in your country in particular? [Please name a couple of such problems filling in the box below, max. 100 words]

.....

A4. If you were to summarise your involvement in CSR/sustainability initiatives, what would you consider your biggest success so far? [Please name a single biggest success and please describe in the box below, max. 150 words]

.....

SECTION B – CSR ACTIVITIES – GENERAL OVERVIEW

B1. Which of the methods, tools and management techniques listed below do you find most useful in CSR implementation? [Please indicate up to three options, from the selection below]

1. Social campaigns
2. Cause-related marketing (CRM)
3. Ethics programmes for employees
4. Corporate volunteering
5. Management systems (e.g. ISO 9000; ISO 14000; SA 8000)
6. Social reports
7. Socially responsible investing (SRI)
8. Sustainable supply chain management
9. Dialogue with stakeholders
10. Workplace diversity management
11. Pro-environmental programmes
12. Charitable and/or philanthropic actions
13. Intersectoral cooperation
14. Other (please specify)
15. I don't know/ It is hard to say

B2. Which of the aforesaid are under used in your country and deserve to be popularised? [Please indicate up to three options, from the selection below]

1. Social campaigns
2. Cause related marketing (CRM)
3. Ethics programme for employees

4. Corporate volunteering
5. Management systems (e.g. ISO 9000; ISO 14000; SA 8000)
6. Social reports
7. Socially responsible investing (SRI)
8. Sustainable supply chain management
9. Dialogue with stakeholders
10. Workplace diversity management
11. Pro-environmental programmes
12. Charitable and/or philanthropic actions
13. Intersectoral cooperation
14. Other (please specify)
15. I don't know/ It is hard to say

B3. Do you measure the results of your CSR initiatives? [Please indicate one option only]

1. Yes
2. No
3. I don't know/ It is hard to say

B4. What benefits has your company derived from CSR action implementation over the past two years? [Please indicate as many options as applicable from the selection below]

1. Reduction in operating expenses
2. An increase in employee involvement
3. A decrease in employee turnover
4. A decrease in the number of workplace accidents
5. Improvement in ethics awareness in the workplace
6. Improvement in reputation
7. Improvement in recognition of the brand as responsible/ sustainable
8. Improvement in customer trust
9. Implementation of new innovative solutions (e.g. products, services, presses)
10. Improvement in relations with local communities
11. Other (please specify)
12. We have not derived any benefits
13. It is hard to say
1. Media monitoring
2. Opinion polls
3. Analysis of our own CSR/ sustainable development strategy realisation metrics
4. Cost and benefit analysis
5. Result sustainability monitoring
6. Evaluation of results of respondents' actions
7. Impact evaluation

8. Industry benchmarking
9. Ratio analysis for social and environmental purposes
10. Other (please specify)

SECTION C – CSR IMPLEMENTATION MANAGEMENT & TRENDS

C1. Do you agree that business can have an influence on social and economic advancement of your country & economy in the following areas [Please rate your answers on a 1 to 4 scale where 1 means 'I strongly disagree' and 4 means 'I strongly agree']

- A. An increase in the competitiveness of the economy
- B. Improvement in employee involvement and adjustment of resources to actual needs
- C. Infrastructure
- D. Energy and climate security
- E. Development of intellectual capital and knowledge-based economy
- F. Prevention of social inequality
- G. Social capital development of your country & economy

1. I strongly disagree
2. I somewhat disagree
3. I somewhat agree
4. I strongly agree
5. I don't know/ It is hard to say

C2. What do you think will be the main problems or obstacles to CSR implementation country in the next 15 years? [Please indicate as many options as applicable from the selection below]

1. Misunderstanding of the idea by companies' management teams
2. Companies' reluctance to invest
3. Perception of CSR as sponsoring initiatives
4. Lack of consumer pressure
5. Lack of government incentives
6. Conviction that CSR "doesn't pay" and no benefits can be derived from it
7. Absence in the media and public debate
8. Inadequate education of management team
9. Economic crisis
10. Other (please specify)
11. There will be no problems.
12. I don't know/ It is hard to say

C3. What do you think the position of corporate social responsibility will be in the coming years? [Please indicate one answer only]

1. It will be in decline; no-one will care about CSR
2. It will be in the same position as today
3. It will flourish; more and more businesses will be joining in the CSR network
4. It will become more mature whereby it will include social and environmental issues in the business model
5. I don't know/ It is hard to say

C4. To what extent do you agree with the following statements: [Please rate your answers on a 1 to 4 scale where 1 means 'I strongly disagree' and 4 means 'I strongly agree']

- A. Companies' business models will change within the next several years
- B. There will be increasingly strong pressure from consumers on businesses to offer socially responsible products and services
- C. Operating expenses will go up sharply as companies will have to take better care of the environment/society
- D. EU Directive on non-financial reporting will positively impact on the quality of social reporting in your country

1. I strongly disagree
2. I somewhat disagree
3. I somewhat disagree
4. I strongly agree
5. I don't know/ It is hard to say

DEMOGRAPHIC DATA

Before we end the survey, we would like to ask a few questions about yourself.

M1. How old are you?

.....

M2. How long have you been employed in an organisation you are currently at?

.....

M3. For how many years have you been involved in CSR/sustainability matters in your work?

.....

M4. What industry does your company represent? [Please indicate one answer only]

1. Public administration
2. Finance/ banking
3. Construction
4. Education

5. Power industry
6. Trade
7. Marketing
8. Transport
9. Insurance
10. Health/beauty
11. Other (please specify)

M5. How big is your company? [Please indicate one answer only]

1. Microbusiness (0 - 9 employees)
2. Small business (10 - 49 employees)
3. Medium-sized business (50 - 249 employees)
4. Big enterprise (250+ employees)
5. I don't know/ It is hard to say

M6. Please type your name, function and e-mail address so that we can reach you and share with the CSR MANAGERS survey results.

.....

Thank you for taking your time!

Deloitte Sustainability Central Europe Team

APPENDIX B: LIST OF ABBREVIATIONS

BITC – Business in the Community
 CEE countries – Central and Eastern European countries
 CSP – Corporate social performance
 CSR – Corporate social responsibility
 ECCJ - European Coalition of Corporate Justice
 EU – European Union
 Eurosif – European Social Investment Forum
 GE – General Electric
 GRI – Global Reporting Initiative
 ILO – International Labor Organization
 ISO – International Organization for Standards
 KCCSRM - Kanji-Chopra CSR model
 NFI – non-financial reporting
 UNGC – United Nations Global Compact
 WE countries – Western European countries

APPENDIX C: POVZETEK

Družbena odgovornost podjetij (v nadaljevanju: DOP) je v zadnjih nekaj desetletjih postala pomemben koncept v literaturi, prav tako pa tudi uveljavljena praksa v razvitejših svetovnih in evropskih gospodarstvih. Koncept izhaja iz širšega pojma trajnosti, vendar akademiki in raziskovalci še niso sprejeli enotne opredelitve DOP. Le-ta lahko vključuje različne dejavnosti, od sodelovanja z lokalnimi skupnostmi, gradnjo odnosov z zaposlenimi in strankami ter sodelovanje v dejavnostih za ohranjanje okolja in trajnostni razvoj (Ismail, 2009). S problematiko ohranjanja okolja, trajnostnega razvoja in družbene odgovornosti podjetij se je aktivno začela ukvarjati tudi Evropska unija (v nadaljevanju EU), ki je opredelila nove načine za krepitev gospodarske rasti in zaposlovanja. V letu 2014 je EU uvedla nove zahteve za poročanje o razkritju nefinančnih informacij. Direktiva o poročanju in razkritju nefinančnih informacij in informacij o raznolikosti nekaterih velikih podjetij je del širše pobude EU o družbeni odgovornosti podjetij, ki vključuje strategije za usklajen pristop k poročanju in podpira pametno, trajnostno in vključujočo rast v skladu s cilji strategije Evropa 2020 (Evropska komisija, 2016).

Medtem ko je družbena odgovornost močno uveljavljena v Združenih državah Amerike ter Zahodni Evropi, je njena prisotnost v državah Srednje in Vzhodne Evrope zaradi različnega političnega in socialnega razvoja precej šibkejša. Kljub temu pa se zavedanje o socialnih obveznostih tudi v državah Srednje in Vzhodne Evrope vztrajno povečuje in pobude družbene odgovornosti širijo.

Širša javnost in organizacije se vedno bolj zavedajo vpliva, ki ga imajo podjetja na okolje in družbo (Epstein & Buhovac, 2014). Potrošniki in vlagatelji postajajo zahtevnejši in bolj kritični kot kadarkoli prej, zato imajo podjetja, ki negativno vplivajo na okolje, višji profil tveganja (Green Deal, 2016). Podjetja, ki se poslužujejo družbeno odgovornih, trajnostnih aktivnostih, lahko ustvarijo večjo finančno vrednost podjetja preko povečanih prihodkov ter nižjih stroškov. Mnogo študij je potrdilo, da obstaja pozitivna korelacija med družbeno odgovornostjo podjetij ter okrepljenim finančnim poslovanjem (Epstein & Buhovac, 2014).

Promocija družbeno odgovornih aktivnosti presega zgolj finančne koristi za podjetja, temveč pozitivno pripomore tudi k izboljšanju ugleda. Poleg tega dobri odnosi z lokalnimi skupnostmi spodbujajo zvestobo in zaupanje s strani potrošnikov in posledično izboljšajo korporativni ugled (Kanji & Chopra, 2010). Za dolgoročni uspeh je ključnega pomena, da uprave družb stremijo k družbeni odgovornosti ter aktivno raziskujejo odnose z vsemi deležniki ter temu primerno razvijejo poslovne strategije.

Glavni cilj te raziskave je predstaviti stanje družbene odgovornosti podjetij v izbranih državah Srednje in Vzhodne Evrope. Natančneje, raziskava se osredotoča na prakse, koristi ter mnenja menedžerjev o razvoju DOP v prihodnjih letih in je še posebej koristna, ker je

družbena odgovornost v izbranih državah (Bolgarija, Češka, Kosovo, Litva, Latvija, Romunija, Srbija, Slovaška, Slovenija in Madžarska) še vedno močno neraziskana. Raziskava je pokazala, da družbena odgovornost podjetij nedvomno postaja zrel koncept ter da bo sprejetje družbeno odgovornih praks postalo še bolj razširjeno.

Raziskava temelji na sekundarnih virih. Empirični del raziskave temelji na statistični analizi podatkov ankete, ki jo je izvedel Deloitte v letu 2015. Vzorec sestavlja 179 menedžerjev za družbeno odgovornost v podjetjih izbranih držav. Magistrsko delo je razdeljeno na tri poglavja. Prvo poglavje je zajema pregled že obstoječe literature o družbeni odgovornosti podjetij, tj. opredelitev glavnih pojmov ter načel koncepta, zgodovinski razvoj ter opis glavnih teorij in modelov o DOP. V drugem poglavju je predstavljen razvoj in stanje družbene odgovornosti podjetij v izbranih evropskih državah, deskriptivne statistike podatkov ter dobre prakse uspešnih podjetij. V tretjem poglavju je prikazan empirični del raziskave, ki temelji na statistični analizi zbranih podatkov. Sklep naloge na koncu povzame rezultate, pridobljene med raziskavo.

Glavne ugotovitve iz raziskave o družbeni odgovornosti podjetij so naslednje:

- Obstajajo številne študije, ki so raziskovale prednosti in koristi družbeno odgovornih aktivnosti za podjetje. Menedžerji iz držav Srednje in Vzhodne Evrope med najpomembnejše zaznane koristi vključevanja v družbeno odgovorne dejavnosti navajajo pozitivne spremembe v zvezi z zaposlenimi (kar 65% anketirancev je zaznalo večjo vključenost zaposlenih), izboljšanje ugleda podjetja (56%) ter izboljšanje odnosov z lokalnimi skupnostmi (53%). Ti rezultati jasno prikažejo, da so koristi DOP zaznane tudi v državah, kjer le-ta še ni tako razširjena kot v Zahodni Evropi.
- Kljub temu, da je veliko študij o DOP namenjenih raziskovanju povezave med družbeno odgovornimi aktivnostmi in izboljšanim finančnim poslovanjem, iz raziskave ni možno razbrati, ali srednje in vzhodnoevropska podjetja beležijo izboljšano finančno poslovanje, saj je zmanjšanje operativnih stroškov navedel le nizek odstotek anketirancev (21%).
- Med najbolj uporabne metode, orodja in tehnike družbene odgovornosti anketiranci navajajo vzpostavljanje dialogov z deležniki (35%), etične aktivnosti za zaposlene in okoljske programe (29%). Rezultati se skladajo z raziskavami, ki potrjujejo, da so percepcije zainteresiranih deležnikov ključnega pomena za uspeh in ugled podjetij, zato uporaba pravočasne, vključujoče in dvosmerne komunikacije vzpostavlja medsebojno zaupanje in prinaša koristi za vse deležnike.
- Menedžerji iz Srednje in Vzhodne Evrope so pozitivni glede razvoja družbene odgovornosti v prihodnjih letih. 44% anketirancev meni, da se bo število družbeno odgovornih podjetij v naslednjih letih še povečalo, kar 32% pa je mnenja, da bodo socialna in okoljska vprašanja postala del poslovnih modelov podjetij.
- Čeprav so mnenja o razvoju DOP pozitivna, je bil eden izmed ciljev raziskave ugotoviti tudi katere bi bile lahko morebitne ovire za razvoj in širitev družbene

odgovornosti. Po mnenju anketirancev so le-te dojemane družbeno odgovornih aktivnosti zgolj kot sponzorske dejavnosti (58%), pomanjkanje državne pomoči in vzpodbud (52%) ter pomanjkanje vlaganj podjetij v družbeno odgovorne aktivnosti (46%). Mediji bodo še vedno ključen kanal za promocijo družbeno odgovornih aktivnosti, saj z objavo dobrih praks ozaveščajo podjetja in spodbujajo izvajanje takih aktivnosti tudi v ostalih podjetjih.

- Pozitivne percepcije o družbeni odgovornosti podjetij v prihajajočih letih lahko pripišemo tudi nedavnim spremembam v zakonodaji glede okoljske in socialne problematike s strani Evropske unije. Direktiva glede razkritja nefinančnih informacij in informacij o raznolikosti nekaterih velikih podjetij in skupin je stopila v veljavo leta 2014 in uvaja ukrepe za izboljšanje transparentnosti in družbene odgovornosti v velikih podjetjih v Evropski uniji. Omenjena direktiva predstavlja eno izmed pomembnejših zakonodajnih pobud Evropske unije v zvezi z okoljskimi in socialnimi vprašanji, zato se pričakuje, da bo imela pomemben vpliv na nefinančne informacije podjetij. Kar 74% anketiranih menedžerjev v Srednji in Vzhodni Evropi je tako mnenja, da bo direktiva izboljšala kakovost nefinančnega in socialnega poročanja v posameznih državah.

Analiza je pokazala, da se bo posluževanje družbeno odgovornih aktivnosti med izbranimi evropskimi državami v prihodnosti še povečalo. Pomembno je zavedanje, da je za reševanje socialnih vprašanj v katerikoli državi ključni dejavnik njen kontekst države, kar pomeni, da kar deluje v eni državi, ne pomeni nujno, da bo delovalo v kateri drugi državi ali regiji. Zaradi občutljivega zgodovinskega in političnega ozadja držav Srednje in Vzhodne Evrope je še posebej pomembno, da multinacionalna podjetja razvijejo lokalne strategije, ki so prilagojene zmogljivostim in sposobnostim tem državam. Vloga Evropske unije je, da omenjenim državam nudi potrebno podporo pri izvajanju družbeno odgovornih aktivnosti, saj sta transparentnost podjetij in njihova odgovornost do okolja postala pričakovanja družbe.