

Analyse of Principles of Corporate Social Responsibility in Food Industry in the Slovak Republic

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Abstract

The aim of the paper analyses the complexity of term corporate social responsibility from historical and present points of view, to deal with individual principles of corporate social responsibility and to map out the present situation in Slovakia. The object of practical part was to analyse the implementation of principles of corporate social responsibility in food industry. The main part is focused on the evaluation of the survey of corporate social responsibility conducted among companies in Slovakia.

Keywords

Company and its environment, corporate social responsibility, stakeholder, Cronbach alpha coefficient

JEL code

C83, L21

INTRODUCTION

In recent years, the philosophy of socially responsible business has shown more and more awareness and interest in the company and business. It contributes significantly to the changes in society related to globalization, which brings new challenges for businesses. The pace of change is gaining ever greater speed and causes inequality in social, economic and environmental areas between regions. In this process of change an important role is assigned to businesses and therefore the issue of corporate social responsibility becomes a topical issue. The public, represented by governments, international organizations and NGOs, hoped to change the orientation of firms from short-term goals to long-term goals, motivate them to promote sustainable development, to increase the awareness and consideration of the consequences of their impacts on society. Corporate Social Responsibility provides a systematic concept that facilitates an integration of environmental, social, economic and ethical criteria into management strategies and decisions in companies. The philosophy allows you to reduce waste production, energy consumption, costs, strengthen brand value of the company and to ensure a higher quality of life.

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1 BIBLIOGRAPHY

1.1 Corporate social responsibility

One of the most frequently asked questions which are similar also for all individuals and organisations dealing with CSR issues is the obvious – just what does ‚Corporate Social Responsibility‘ mean anyway? Is it a stalking horse for an anti-corporate agenda? Something which, like original sin, you can never escape?

Different organisations have framed different definitions – although there is a considerable common ground between them. Mallen Baker (2004) offers the definition that CSR is about how companies manage the business processes to produce an overall positive impact on society.

Take the following illustration.

Companies need to respond to two aspects of their operations. 1. The quality of their management – both in terms of people and processes (the inner circle). 2. The nature and quantity of their impact on society in various areas.

Figure 1 Illustration of the Corporate Social Responsibility



Source: www.mallenbaker.net

improving the quality of life of the workforce and their families as well as of the local community and society at large.“

Traditionally, in the United States, CSR has been defined much more in terms of a philanthropic model. Companies make profits, unhindered except by fulfilling their duty to pay taxes. Then, they allocate a certain share of the profits to charitable causes. It is seen as tainting the act for the company to receive any benefit from the giving.

The European model is much more focused on operating the core business in socially responsible way, complemented by investment in communities for solid business case reasons. Social responsibility becomes an integral part of the wealth creation process – which if managed properly should enhance the competitiveness of business and maximise the value of wealth creation to society.

When times get hard, there is the incentive to practice CSR more and better – if it is a philanthropic exercise which is peripheral to the main business, it will always be the first thing to go when push comes to shove.

But as with any process based on the collective activities of communities of human beings (as companies are) there is no ‚one size fits all‘. In different countries, there will be different priorities, and values

that will shape how business act. And even the observations above are changing over time. The US has growing numbers of people looking towards core business issues.

CSR definition used by Business for Social Responsibility is: Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business.

On the other hand, the European Commission hedges its bets with two definitions wrapped into one: A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

When you review each of these, they broadly agree that the definition now focuses on the impact of how you manage your core business. Some go further than others in prescribing how far companies go beyond managing their own impact on the area of performance specifically outside that focus to make a contribution to the achievement of broader societal goals. It is a key difference, when many business leaders feel that their companies are ill equipped to pursue broader societal goals, and activists argue that companies have no democratic legitimacy to take such roles. That particular debate will continue.

1.2 The development of the corporate social responsibility (CSR) in Slovakia

The concept of CSR in Slovakia began to emerge in the second half of the 90's, when the Slovak economy has undergone the reform and began the process of integration into European and North Atlantic economic, political and security structures. At that time, the number of investors brought from their countries trade policy guidelines and principles of corporate social responsibility as part of their business.

Luknič (1994), who was the author of the first Slovak publication dedicated to issues of business ethics argues that corporate social responsibility, is considered a „social contract between businesses and communities in which they operate entrepreneurship's difference operators“. In his view, a manager is perceived as principal of the company, liable to the consumer. Manager there represents responsibility to employees, shareholders, but also the public as well as the environment. In 1995, Slovakia introduced a certified Environmental Management System (EMS) according to international standard ISO 14001. Application of EMS in Slovakia was confirmed by foreign accredited certification agency. Two years later, the products at our market was first labelled as „Environmentally friendly products“ under the National Program evaluation of environmentally friendly products.

In 2005, the first Slovak publication on the CSR, „Corporate Social Responsibility: An overview of the basic principles and examples“ was published. This work offered the definition of benefits of corporate social responsibility for each interesting group. In this work the contribution of CSR to the public especially in social cohesion, harmonization of public policy objectives with the objectives of businesses and nonprofit organizations, public education, reduced unemployment, a greater number of stable companies that are able to stay on the market, phase out the regulatory requirements, increasing customer satisfaction, creation of new markets, improving the reputation of companies cutting costs, benefits, and many other innovations were indentified. The company's responsible business brings several benefits: it allows for risk management, helping to increase profits, costs reduction, support of innovation, helping companies to maintain legitimacy, helping to build trust and brand, enabling better management of human resources and for attracting investors.

Smreková a Palovičová (1994) in their work point out the fact that „business in free market conditions is particularly focused on efforts to maximize profits.“ They deal with the question of whether morality has no chance in such conditions. In purely economic terms a measure of business success is considered efficiency, profits and profitability and moral requirements seem to be inappropriate. Costs of implementing and maintaining the CSR are in this sense regarded as additional to be from a purely economic way of thinking excluded. Remišová (2004) states that profits should not be the only priority for business.

Managers should strive for other achievements, not only in respect of the company as a whole but also at the level of social policy towards the employees and in many other aspects.

Remišová (2011) even argues that if a company is in a situation where there is a conflict between ethics and profit, it should prefer ethics to profit from the viewpoint of ethical rationality. The company has always maintained so as to not infringe positive relationships with stakeholders, because the company is not alone in society, but is intertwined with a variety of links with internal and external stakeholders.

The aim of this paper is based on information available to analyze social responsibility of businesses operating on the Slovak market in the food industry. The focus is placed mainly on companies' access to different areas of the CSR, assessment of their involvement and detailed analysis of the differences between the approaches taken by companies.

2 METHODS

To obtain data on corporate social responsibility in Slovakia a questionnaire survey was conducted. Interviewed enterprises were operating in the food industry in Slovakia. The preparation of the questionnaire was preceded by the study of the field of accessible, particularly foreign literature, but not least it was supplemented by the information obtained from Internet sources and expert articles devoted to this subject.

The questionnaire consists of two main parts, first part consists of the identification of issues and the second part is divided into three groups of questions focused on different areas of the CSR. Before the polling was conducted a pre-test on a sample of ten respondents, the questionnaire was subsequently modified. In this paper we will analyse only one part of questionnaire policy towards community.

The questionnaire has a lot of scaling issues (Likert scales), because we have to evaluate the reliability analysis of scales used. For the calculation of internal consistency we used Cronbach alpha coefficient which was calculated as follows:

$$\alpha = \frac{K}{K-1} \left(1 - \frac{\sum_{i=1}^K \sigma_{Y_i}^2}{\sigma_x^2} \right), \quad (1)$$

where K is the number of items in the scale, σ_x^2 variance of the observed total test score and $\sigma_{Y_i}^2$ represents the deviation of the i -th component of the current sample of individuals. The rating scale is based on examining correlations between individual items (measurements) in relation to the variability of items (Reynaldo, 1999).

Commonly accepted rule for a description of the internal consistency Cronbach alpha coefficient by the following:

Cronbach alpha coefficient	internal consistency
$\alpha \geq 0.9$	excellent
$0.9 > \alpha \geq 0.8$	good
$0.8 > \alpha \geq 0.7$	acceptable
$0.7 > \alpha \geq 0.6$	debatable
$0.6 > \alpha \geq 0.5$	bad
$0.5 > \alpha$	unacceptable

Source: Tull Donald (1990)

The results obtained from the questionnaires were properly prepared and evaluated with the help of software MS Word, MS Excel and SAS. With them were results transformed in text and graphic form to clarify the reason of the facts.

3 RESULTS

3.1 The structure of the companies involved in querying

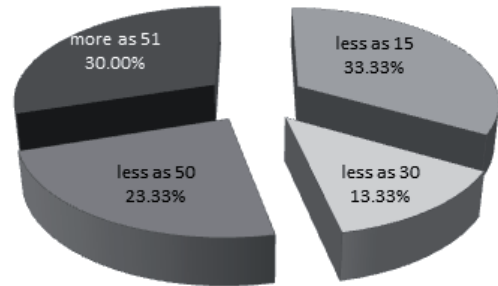
Our survey on CSR in the food business in Slovakia has involved with 30 companies, among which were represented as small and medium-sized and large enterprises. The questionnaire was prepared to answer

most small businesses with less than 15 employees (33.33%). They were followed by large companies with more than 51 employees (30.00%) and whose work has significantly impinged on the environment and the community in which they operate. Smaller businesses are represented by less than 50 employees (23.33%) and lowest proportion were companies with less than 30 workers (13.33%).

Using the chi square test of good compliance, in determining the H0 hypothesis, which asserts that the sample is representative at the level of significance alpha 0.05, we conclude that H0 thus do not reject that our sample is representative at the significance level alpha 0.05 and therefore results obtained from our questionnaire have statistical significance.

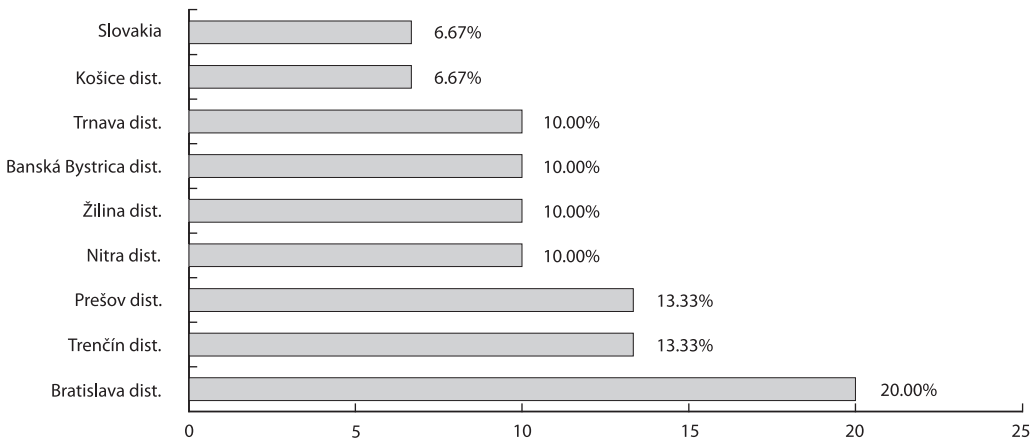
Most companies that participated in the survey, operate in Bratislava region (20%), followed by enterprises from Trenčín (13.33%) and Prešov (13.33%). Equal representations in the form of 10% of businesses have Nitra, Žilina and Banská Bystrica district. The smallest firms have representation from the Kosice region (6.67%) and companies that have branches of their companies in various regions of Slovakia.

Figure 2 Number of employees



Source: Own calculation

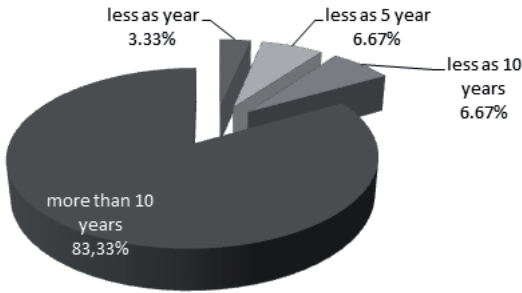
Figure 3 County companies' activity



Source: Own calculation

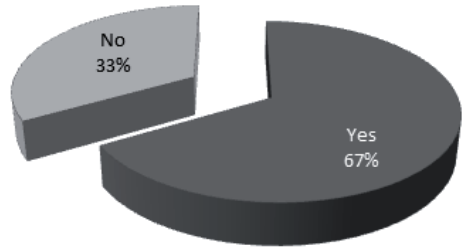
More than 80% of the companies that responded to the questionnaire, has been operating for over 10 years. These are companies that have built up a stable market position and built a positive relationship with their customers and suppliers. Their long-term successful operation is largely associated with customer loyalty. Only 17% of companies operating in the market less than 10 years, of which only 3% of the companies that participated in the survey are the market „newcomers“ and not look back on more than one year activities.

Figure 4 Duration of company's activity in the market



Source: Own calculation

Figure 5 Cooperation with foreign buyers and suppliers



Source: Own calculation

67% of surveyed companies have suppliers from abroad. The same percentage also has companies' customers from abroad, while the rest of the companies (33%) are business partners only in the country.

Based on Chi-square test square contingency we investigated whether the partnership with suppliers from abroad is directly related to the company size. Established hypothesis argued that there is no demonstrable difference between the size of the company and whether their business partners are beyond the borders of Slovakia. We conclude that there is no demonstrable relationship between enterprise size and their partnerships with suppliers from abroad.

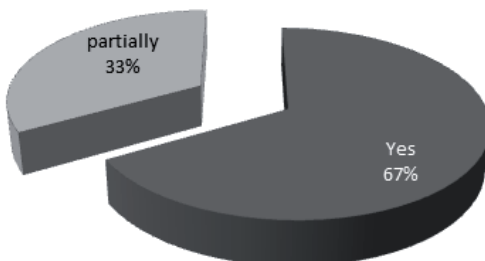
Therefore, we can say that foreign suppliers are both large companies and small businesses that participated in the survey. Similar results were obtained for the customers, because the answers to these two questions are different.

3.2 Policy towards community

If a company wants to build a positive perception in the area of its operation, it should seek closer contact with its surroundings. The more a company will do for your community, the better perception it will receive from a given community. One way how to contribute to the development of the community is the manner how the company operates a shop in the area. This company provides sales to other businesses that are located in the vicinity and thus reduces the costs associated with transportation.

This fact is known to most of the observed companies, while only 67% of companies are trying to buy the site of operation. The remaining 33% of shops in your area are seeking the site only in part which may be due to the limited capabilities of potential suppliers operating in the area of companies.

Figure 6 Efforts to shopping at the site of the company



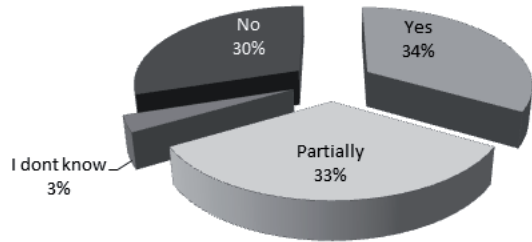
Source: Own calculation

The company can develop the local community by providing education and job training for future graduates, who may later become valuable employees of their company. 34% of companies have opportunity to gain younger prospective employees aware of their surroundings and therefore provides the opportunity to practice any job training. 33% of the companies provide for future graduates of such an opportunity only partially, 3% of companies know the following question and answer portion of the remaining companies (30%) does not provide these options.

Valuable contribution of the company is undoubtedly mainly donations and financial assistance to organizations that decide to support from its surroundings. A positive finding is that 60% of companies provide regular financial support to projects and local community Activity ends. Most companies under survey provide support and assistance to children’s homes, kindergartens and primary schools involved in the project a good angel, promoting sports and cultural events in the region and develop many other activities to support the entities of their environment.

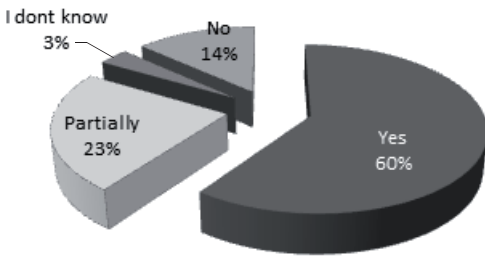
Almost ¼ of companies perform similar activities in part, the most dedicated donations to raffles for balls or other cultural events. 3% of companies cannot answer this question and 14% in any of the options support the local community does not pay.

Figure 7 Providing education and practice opportunities for future graduates



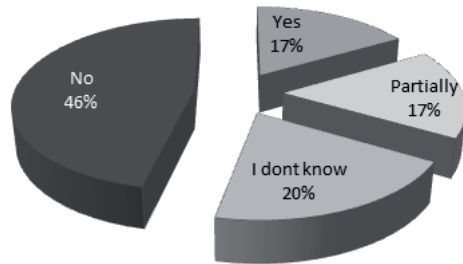
Source: Own calculation

Figure 8 Providing regular financial support for community development



Source: Own calculation

Figure 9 Information of surrounding about the effects of activities on a social environment



Source: Own calculation

The information about implications for social work and business environment should also be interested in surroundings. These data reveal other players from around and form a view about how the company approaches the observed areas.

Nearly half of companies (46%) do not provide the information of this nature. Only 17% of companies inform their surroundings on the effects of their activities on social environment. This applies mainly to companies that provide internship opportunities and job training for people from the neighborhood.

The same proportion of companies provides the information of this nature only in part, to some extent and 20% could not answer the question.

Table 2 Result of the Cronbach alpha coefficient

Cronbach Coefficient Alpha	
Variables	Alpha
Raw	0.7
Standardized	0.6

Source: Own calculation

Our aim was to determine whether individual responses, preferences can be considered reliable and whether the research findings are relevant in their entirety. Accuracy can be divided into two dimensions: validity and reliability. Validity is a match between what we want to measure and what we mea-

sured. Reliability is the reliability with which an instrument measures what is measured. The tool can be reliable but may not be valid. It cannot be valid without the sound.

With Cronbach alpha coefficient, we found sufficient internal consistency scale ($\alpha = 0.7$) between the questions focused on the company policy to the community.

4 DISCUSSION

In recent years, the philosophy of socially responsible business gets more and more awareness and interest in the company and business. It significantly contributes to the changes in society related to globalization, which brings new challenges for businesses. The pace of change is gaining ever greater speed and causes inequality in social, economic and environmental areas, between regions. In this process of change plays an important role businesses and therefore comes to the fore the issue of corporate social responsibility. The public, represented by governments, international organizations and NGOs, hoped to change the orientation of firms in short-term goals for long-term goals, motivates them to promote sustainable development, to the awareness and consideration of the consequences of their actions on society. Corporate Social Responsibility provides a systematic concept that facilitates the integration of environmental, social, economic and ethical criteria into management strategies and decisions in companies. Allows you to reduce waste production, energy consumption, reduce costs, strengthen brand value of the company and ensures a higher quality of life.

CONCLUSION

Responsibility of companies is understood mainly the effort to reach sustainable business and to generate funds for its development. The fact that some companies are nowadays engaged beyond their commitments, it is not surprising. These businesses understand that if society expects from them, taking into account a number of interest groups and of participation in the sustainable development of society, the adoption of CSR philosophy helps them to fulfil the commitments.

The survey among Slovak enterprises operating in the food industry showed that firms will wish to bring their activities to the recognition of the company. The survey was conducted between large and small enterprises and, while it may be argued that the concept of CSR can be applied in any size company. Some companies have adopted the concept of CSR, although it ultimately has a positive impact on reducing their costs while projects are beneficial to both parties, corporate social responsibility approach is justified.

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