Large companies’ corporate social responsibility (CSR) towards the community in Hungary

Abstract

CSR has become increasingly important in today’s business world and managers must consider not only the economic results of their decisions but also the legal, ethical, moral, and social impact and repercussions of each of their decisions. The aim of this study was to answer the question: “What kind of CSR initiatives do the large companies have in Hungary with particular regard to the social activities?” Our hypothesis is, that the large companies’ CSR activities and the profit maximization do not exclude each other, they can mutually reinforce one other.

First of all during our research we relied on international and Hungarian special literature in the conceptual clarification of CSR. However, a survey was made among so large companies in Hungary such as the E.ON and ELMÚ to create an image about their opinion on topic and their CSR activities toward the society. For the analysis of companies’ responsible attitude their web sites, reports, case studies provide dates. We compared how the companies’ activities change as a result of foreign pressure in Hungary and in the homeland.

During the survey the results were very contradictory in terms of corporate social responsibility and the business success. In the companies’ opinion the CSR is a costly concept, the companies regard the improvement of consumer confidence and corporate reputation as advantages of the CSR. Furthermore, it appeared that the main motivations for CSR are the correspondence to the values of the company and the improvement of corporate reputation. This shows that among the respondents it is based on the true identity of social responsibility and ethical considerations may play a comparable role as a business interest. In addition, the examination proved that the companies think the corporate social responsibility in Hungary is lagging behind the companies in other countries. The lack of social solidarity and commitment has been identified as reasons. Examining the community participation of the Hungarian large companies in the practice we can say that the companies are trying to enforce their social responsibility in many areas. They are the leading players in this area, they support foundations, schools, theater, exhibitions, they donate the poor, which can demonstrate this companies’ social utility in their opinion. We can emphasize from the companies’ CSR activities the support of children as future generations through education or donation programs. The companies through their education programs may want to find a solution to a long-term, strategic social problem.

In Hungary CSR is less important area and is only the large companies lay more emphasis on this question, but they have structured, well-established policy. In addition, according to the survey, the community initiatives of the companies take many forms, such as donation, support of sport; cultural; educational programs and foundations. The practical manifestation of responsible behaviour in many cases acts on the company profile. We have seen that the companies in electricity industry highlight the energy efficiency and conservation across their educational programs in their CSR policies. The parent and domestic company’s CSR activities have a lot of similarities. This probably is due to the CSR principles of the parent company have an effect on the subsidiary’s activities. Only the large companies’ corporate social responsibility will not solve the problem of sustainable development, all economic actors have to play their part. In point of the sustainable development we need to mention – next to the large companies – the role of the consumers, the small and medium-sized businesses, the civil society as well as the government.

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Introduction

Nowadays no one calls into question the economic role of companies, however, it is not enough if a company is successful only in economic terms. Because the problem of sustainable development comes to the forefront, it is expected the companies to integrate social and environmental concerns in their business operations as well as in relations with the stakeholders in addition to the profit and the satisfying customer. All economic actors have to contribute to the solution of the problem. The companies can only answer to the criteria of sustainable development, if they redefine their roles and incorporate social and environmental requirements of sustainability in their strategies. The corporate social responsibility can define as a movement of corporate behaviour in a new direction. Corporate responsible behaviour increasingly gained attention in public debate, entrepreneurial networks, corporate communication and academic research [7]. Today social responsibility goes far beyond the “philanthropy” of the past, it is about the business contribution to sustainable development and about proactive solutions to societal and environmental challenges [10].

What is corporate social responsibility?

Although the notion of corporate social responsibility (CSR) is prominent in some of the current discussions and investigations about the role of business in society, the concept is not new. As an important proponent, the World Business Council for Sustainable Development (WBCSD) defined CSR in general terms as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce [13]. In an analysis of different interpretations of CSR from the business community, [7] emphasizes that according to Holme and Watts (2000) CSR is no longer seen to represent an unproductive cost or resource burden, but, increasingly, as a means of enhancing reputation and credibility among stakeholders. Accordingly, they understand CSR as representing the human face of the highly competitive world of commerce and globalization [7].

For the European Commission (2001), CSR is a program where companies decide voluntarily to contribute to a better society and cleaner environment. It is seen as an option where, along with their prime responsibility of generating profits, companies can contribute to social and environmental objectives, through integrating corporate social responsibility as a strategic investment into their core business strategy, their management instruments and their operations [6]. Likewise, Perrini (2005) define CSR as the responsible behaviour of companies is a concept in the framework of which companies integrate social and environmental aspects and considerations in their business activities voluntarily and they form their relationships with their partners accordingly [8].

For Walker and Parent (2010), CSR implies that businesses are responsible for assessing their wider impact on society and regardless of specific labelling, the concept has been applied to how managers should handle public policy and other social issues [12]. Accordingly, Waddock (2004) claims that CSR is the subset of corporate responsibilities that deals with a company’s discretionary relationships with its societal and community stakeholders. These demands on businesses to address and respond to social concerns have become an instrumental aspect of the majority of modern business models [11].

The different definitions are similar in that regards that healthy and sustainable balance among economy, society and environment must be created in the business. The “triple bottom line” terminology which is frequently used in CSR communication means just the same. It means that companies’ comprehensive achievement can be analyzed, and value if we know how their contact and contribution is to economy, qualitative environment and the social capital.

Results

In the first part of the survey we discovered the companies’ general opinion about the corporate social responsibility. In the first question we asked the respondents to choose from the list one statement which
the best expression of the concept of corporate social responsibility is. We considered important to take a close look at this question, because we found that there are many misconceptions of the CSR’s limitation. According to the report published by the United Nations (2007) we can observe that companies sometimes mistakes the CSR for the PR and marketing strategy while the government bodies identify the CSR with social care [9]. E.ON Hungaria’s opinion the concept of social responsibility means the validation of the economic, social and ecological aspects in the business activity. The ELMÜ formulated likewise the concept of CSR, it approached the CSR in terms of sustainable development and linked it to the efficient management of resources.

In this context, we asked the companies to review of the range of 1 to 5 scale that “how the certain factors motivate companies to recognize the social responsibility?” The figures 1 represents that the companies during their CSR activities would like to meet their own values system. On the position of second are the contribution to sustainable development and the factor of responsibility for the local community. This shows that among the surveyed companies the corporate social responsibility is based on the true identity. We can see, however, that in addition to the ethical considerations appears the business interests also among the motivational factors. The improving of the corporate reputation is considered as a significantly driving force for companies. The significant motivations were to reduce business risk and to win the employees for the company. Winning new markets, developing products and services only influence the companies in a small compass in their CSR. The other conclusion is that the obtaining government grants and reducing of costs was not significant motivating factor. Our results are in harmony with other Hungarian authors’ results [1, 2]. In all cases it proved that the most important motivation for large companies’ CSR activities are the compliance with the company’s values, contribution to sustainable development, improving the corporate reputation and expanding customer base.

It was interesting to see that in contrast to large companies the small and medium-sized enterprises emphasize so motivational factors, such as the expansion of customer base, winning new markets, reducing costs compared with other factors, like the contribution to the sustainable development and meeting the needs of customers and suppliers [2].

![Fig. 1. The motivating factors of CSR.](image-url)
In the following question the companies classified on a five-point scale (1–5) that “What are the benefits of CSR activities in certain areas?” As the figure 2 shows the companies saw the improvement of consumer confidence and business reputation as the greatest advantage of social responsibility. This is understandable, since consumers expect for businesses the ethical social behaviour, and the company’s reputation and economic performance are at stake, if consumers lose confidence in the company. Furthermore, the companies considered it important to improve social awareness of workers, which certifies that the companies regard particularly role to employees in corporate social responsibility. In their opinion the employees are independent responsible people, they are not just the parts of body. In addition, both companies saw medium benefits in CSR in the field of improving the partnership with suppliers, customers and increasing efficiency. This provides that companies see business opportunity in corporate social responsibility in Hungary. The surveyed believed that in the case of purchasing of credit and awarding of EU funds does not receive positive treatment the company, which is actively working in the field of social responsibility.

Fig. 2. The advantages of CSR.

firms think that the lack of commitment and social awareness is the main deterrent, while the small and medium-sized enterprises named the bad economic situation and the lack of financial resources as the main hindering factors of the spread of CSR concept [9].

The next question related to the relationship between the companies’ business success and social responsibility. We considered it important to mention this area, since every company wants to know whether CSR is good business for the company. We examined the following question: Is the social responsibility an obstacle of business success? Can the responsible behavior contribute to the business development in any way? Or is it relevant statement that only a successful business can afford a socially responsible
activity? Both companies assumed a positive relationship between CSR and business success, but they attributed only a small effect to the social responsibility in the field of business success. This is probably due to the fact that it is not easy to measure the business benefits of social responsibility. On the one hand the improvement of corporate reputation is hard to quantify, it cannot be expressed in money and on the other hand it is a long term process, the business success of CSR does not occur immediately.

The question, “What kind of CSR initiatives do you have with particular regard to the social activities?” E.ON Hungaria Ltd. answered the following: donation, support of sports and cultural events, corporate foundations, corporate volunteering, charity marketing campaigns, cooperation with educational and research institutions. The ELMU has highlighted from its community activities also the corporate foundation, corporate volunteering and donation.

Related to the above we introduce the two companies’ CSR activities by some practical examples. The E.ON Hungaria Ltd. in its CSR policy focuses on the next generation, support children and young people, and through that the most important philosophy: building the future. Therefore, the company supports the next generation through the field of education and sport programs in several ways. From its educational programs we underline the project called Energy Adventure, which was developed to increase energy awareness of school-age children. The Energy Adventure offers effective ways of learning to teachers and children to recognize their environment aspects of energy. As part of the educational program, the children can participate in power-plant visits, where the visitors can learn about the energy production process. In addition, E.ON Hungaria Ltd. give a helping hand to many foundation with financial support and volunteering [4].

Like E.ON Hungaria Ltd. the ELMU launched in 2006 its educational program called Power School to develop the elementary and middle school children’s energy conscious. A related program, the Fizibusz has visited 650 schools, and nearly 100 000 students could participate in specific physics lessons, where the students could learn about awareness of energy consumption. In 2007 started energy saver programs for adults to draw the adult’s attention to the economic advantages of the using of energy efficient technologies. From support project we can emphasize its charity’s activities, help the social groups especially in less developed regions. It also includes its charitable activities to help the needy by organizing collection action among co-workers [3].

![Fig. 4. The international parent company’s total community investment in 2011, in thousand €.](image-url)
Interesting was the comparison between the domestic subsidiaries and the international parent company’s CSR activities, so we investigated the parent company’s CSR. We were interested in how similar is the domestic and the international parent company’s activities in this field. We can read in the E.ON international parent company’s sustainability report, that in 2011, the Group-wide financial commitment to its communities increased from EUR 40.8 million (2010) to EUR 41.9 million. Its community investments can be broken down into three focus areas:

- strategic community involvement,
- sponsorships that benefit the community, e.g. sponsoring sports and the arts,
- financial corporate giving, including disaster relief.

In 2011 more than half of E.ON’s social investment was dedicated to strategic community involvement. We can see on the 4 Figure that the largest share of its investments in society falls into the areas of the arts and culture, science and education, and sports projects. Like the Hungarian subsidiary the parent company started its Environmental Champions in Schools program in cooperation with charitable organizations. In Italy, Hungary and Spain helped a total of 27 schools in 2010/11 to reduce their energy consumption. Together with around 1,000 middle-school students, energy checks were carried out and energy-saving measures were developed. E.ON employees supported students and their teachers in raising their awareness for the environment and promoting sustainable behaviour. Overall, 73 metric tons of CO2 emissions have already been eliminated in this way. Elements of Community Involvement can also enrich its activities in the fields of art, cultural and sports sponsorship. For example, the parent company sponsored a project AT the School of Arts for Disadvantaged Children in Varna, Bulgaria: students in the art class were able to organize an open-air photo exhibition focused on environmental pollution in their region. Also, as part of sponsored sports events, athletes present themselves as role models to convey key characteristics for a successful and self-determined life to children. Following the earthquake disaster in Japan in March 2011, together with the children’s aid organization Save The Children, E.ON started a Group-wide fundraising campaign called E.ON for Japan. By the middle of May 2011 employees had donated more than 40,000 EUR. Save the Children used this money for the construction of child protection centers, which provided affected children a safe space and psychological care. The aid project, set up for three years, is run in close cooperation with local agencies [5].

Overall, the companies carry out wide responsibility activities towards the community, through the support of sport and culture programs, helping the needy the companies contribute to strengthening the community. We can emphasize from both companies’ CSR activities the support of children as future generation including education programs and donations. We can draw the conclusion that the surveyed are trying to find a solution to the long term, strategic social problem with the education of children and formulating knowledge.

Conclusions

With the survey of large companies we wanted to prove or disprove our hypothesis that social responsibility is not just a cost factor for the company, but also it can promote business success. We assumed that responsible behavior is not incompatible with the profit, because the companies’ value creation attracts success, in terms of both investors and consumers. In this regard, the results were inconsistent. The companies assumed only a slight positive relationship between corporate social responsibility and business success. In spite of this the companies considered the improving consumer confidence and corporate reputation as extremely important benefit of CSR. This inconsistency may be related to difficult to measure and quantify the impact of CSR in the field of business success.

In addition, we make the following findings and conclusions based on the research: In Hungary CSR is less important area and is only the large companies lay more emphasis on this question, but they have structured, well-established policy. In addition, according to the survey, the community initiatives of the companies take many forms, such as donation, support of sport; cultural; educational programs and foundations. The practical manifestation of responsible behaviour in many cases acts on the company profile. We have seen that the companies in electricity industry highlight energy efficiency and conservation across their educational programs in their CSR policies. The parent and domestic company’s CSR activities
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SUMMARY

Today we have to face so serious social and environmental problems which require all economic players to find solutions to these problems. Simultaneous management of economic, social and environmental factors has had significant roles in recent years. Because the principle of sustainable development comes to the forefront, this systemic approach seems to infiltrate into the corporate philosophy. In our study we were addressing the theoretical issues and practical realization of large companies’ corporate social responsibility. The aim of this study was to answer the question: “What kind of CSR initiatives do the large companies have in Hungary with particular regard to the social activities?” Our hypothesis is, that the large companies’ CSR activities and the profit maximization do not exclude each other, they can mutually reinforce one other. Examining the role of the realization of large companies’ community participation in practice we can say that the companies are trying to enforce their social responsibility in many areas. They are playing a leading role in this area, supported by foundations, schools, theater, exhibitions, collecting for the needy, which demonstrates these enterprises’ social benefit.

From the responsibility, of course, the most talked about loophole is the lack of financial resources. In our study, firstly we would like to point out that social responsibility is not necessarily a question of money, on the other hand, CSR activities and the profit maximization do not exclude each other. The study might also serve as an example for those, who doubt the business benefits of CSR. In this case the financial incentives and the information could mean the development.

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SPOŁECZNA ODPOWIEDZIALNOŚĆ BIZNESU (CSR) W DUŻYCH PRZEDSIĘBIORSTWACH NA WĘGRZECH

Streszczenie

CSR jest popularna na Węgrzech jedynie w kręgu dużych przedsiębiorstw, które mają te kwestie ustrukturyzowane i zawarte w polityce firmy. Działalność tych firm przyjmuje różne formy – dotacje, subsydowanie programów sportowych, kulturalnych, edukacyjnych oraz działalności fundacji. Społeczna odpowiedzialność przedsiębiorstwa wpisuje się w działalność firmy – np. w ramach polityki CSR firmy z branży energetycznej podkreślają kwestie oszczędzania energii i prowadzi w tym zakresie programy
Edukacyjne. Problematykę CSR muszą podejmować wszyscy gracze rynku – duże firmy, konsumenci, MŚP, organizacje społeczne oraz administracja państwowa i lokalna.

**Słowa kluczowe:** Corporate Social Responsibility (CSR), przedsiębiorstwa, rozwój zrównoważony.

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