 CSR jako přidaná hodnota firmy
Corporate Social Responsibility as an Added Value to a Firm

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„Místopřísežně prohlašuji, že jsem celou práci, včetně všech příloh, vypracovala samostatně.“

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1. Abstract

Corporate social responsibility is nowadays very widespread notion. CSR is getting to be demanded by European Union, country’s government and also by other business partners. More and more companies apply CSR politics to their strategy and it is getting to be not only large international companies but also local small and medium-sized ones. With this expansion the question raises not only whether company is or is not socially responsible, but also if its stakeholders can appreciate this behaviour.

Although CSR has come back to the Czech Republic recently (about 20 years ago), it is getting to be increasingly required and it is not seen as something extra or as something horribly expensive that does not has any positive effects for a company. There are also more and more people who have met with this term and know what corporate social responsibility stands for.

The aim of this study is to find out if companies really think that CSR can bring them an additional value. This study is focused on relationship of CSR not only with reputation, profit or on connection of CSR and company’s attractiveness for employees, but also on CSR standards. There were also identified following objectives of the study:

1. To find out if CSR activities influence the profit of the company
2. To determine whether the reputation of a company is affected by its socially responsible behaviour
3. To detect whether employees appreciate socially responsible activities of a company and their willing to engage in these activities
4. To identify what kind of CSR standards and methods companies use, if they do so
According to these objectives was written also Literature review - Theoretical base of corporate social responsibility and its value for the company, which was lately used for supporting research and Result chapter.

Next part was called Methodology, hypothesis, their confirmation or confutation, and results. In this chapter is written about research method that was used in this study – questionnaire. The used method is quantitative. The hypothesis was also assumed here. There can be also found all information gained from research and confirmation or confutation of given hypothesis. The study is completed with the final chapter – Conclusion, which summarizes the results of research, the limits of the study and recommendations for further possible research.
2. Literature review - Theoretical base of corporate social responsibility and its value for the company

2.1. Corporate social responsibility

Management theorists have systematically dealt with the term corporate social responsibility (CSR) since 50th. As the breakthrough year is considered 1953, when H.R. Bowen published his book Social Responsibilities of the Businessman, which provides the first definition of corporate social responsibility. The development of CSR was shifted further by defining so called “iron law” by Davis in 60th and linking CSR to stakeholder’s theory in 80th (Kašparová, 2007).

CSR does not have just one universal definition, every institution or person can define it differently. European Commission (2010) defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” Other definition is created by World Business Council for Sustainable Development (1998) and it says that „Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.“ These definitions are used also in the Czech Republic by Business Leaders Forum that is the main representative of this area (BLF, 2004).

Socially responsible companies put at the first place filling legislative requirements and then beyond them voluntarily apply responsible behaviour. The result is a positive impact on a society as well as benefits and competitive advantage for the company (BusinessInfo, 2008).

The problem with the term corporate social responsibility is that many people still do not know what this term really stands for. The managing director of IBM Slezinger (2011) adds: I have a problem if somebody says CSR. It takes me a while to realize
what is actually hidden behind these initials. Although if you ask me at midnight what we do, I am able to give you a list immediately.

2.1.1. Triple-bottom Line

CSR is consisted of three spheres, so called Triple-bottom Line. These spheres are economical, environmental and social. Within Triple-bottom line is economical sphere called as “profit”, environmental as “planet” and social as “people”.

In economic area a company should care mainly of its relationship with customers, quality and safety of its products or services, transparency, rejection of corruption, ethical marketing, sustainability, innovation etc.

In environmental sphere it should be protection of natural sources, investment in “clean” technology, efficient use of natural sources, ecological production etc. And in social sphere we would talk about health and safety of company’s employees, rejection of child labour, gender equality, respect for human rights, anthropology and donation, retraining etc. (Pavlik et al, 2010).

Companies are facing to increasing pressure to be transparent and responsible for what they do with regard to sustainable development. Therefore only companies that do activities in all previous spheres can achieve sustainability.
2.1.2. Stakeholders

In almost all definitions of CSR concept can be found the term “stakeholders”. The stakeholders can be customers, employees, shareholders, suppliers, competitors, business partners, trade unions, media, state, public and others. The concept of stakeholders puts the company into the network of relationships. A company is not responsible only to its owners and shareholders. This concept sees a company as integral part of society, it stresses that the economic and social goals cannot be separated, because every economic decision has social implications that managers as only one of the stakeholders, must take into account (Zadrazilova et al, 2010).

Business Dictionary (no date) described the term stakeholder as follows: “A person, group, or organization that has direct or indirect stake in an organization because it can affect or be affected by the organization's actions, objectives, and policies. Key
stakeholders in a business organization include creditors, customers, directors, employees, government (and its agencies), owners (shareholders), suppliers, unions, and the community from which the business draws its resources."

A positive outcome of dialogue with stakeholders is e.g. spreading of good practices, mutual inspiration and motivation. This aspect is very clearly shown in the example of supplier-buyer relationship: if the customer is corporation with high-profile of CSR, and if they require the same standards from the suppliers, it is very direct and effective way to spread the principles of CSR.

Who is the part of stakeholder concept according to Franc et al (2006)?

- Customers
- Shareholders
- Employees
- Local community and its members
- Suppliers
- Business partners
- Representatives of public administration and local government
- Unions
- NGOs (non-profit organizations)
- Media
- Other special interest groups

Another image of who stakeholder is can be seen in Figure 2.
Figure 2 Stakeholders

Source: http://www.brandchampionsblog.com/my_weblog/2010/03/engaging-stakeholders-the-key-to-a-sustainable-brand.html
2.2. CSR in the Czech Republic

The concept of CSR is not new in the Czech Republic; Tomáš Baťa was one of the world’s leaders at his time in this area. But after World War II the CSR activities were inhibited.

It can be said that it is coming back to the Czech Republic after the half of the century from the United States across Western Europe, especially thanks to the international companies.

CSR is brought to the Czech environment by foreign companies, especially those with global human resource strategies. Czech companies are trying to find their way and some have already successfully coped with the philosophy of philanthropy and volunteerism (Dvorakova, 2010).

Companies linked to foreign countries are due to internal communications main representatives of this trend, particularly of an external engagement. Czech companies, by contrast, are strong in traditional areas such as care for employees. This can be seen also in the researches that were done in 2004 (by Jana Trnkova for Business Leaders Forum) and 2007 (also done by Business Leaders Forum). Most companies see their socially responsible behaviour as taking care of their employees, and the number is increasing. While in 2004 76% of all respondents take care of their employees, in 2008 it was already 90% of all respondents. More companies are also engaged in donation, there was an increase of almost 20% (Trnkova, 2004).

Putnova (2010) adds: “In the long-term, I criticize the fact that CSR in the Czech companies is often reduced to a charity or various forms of volunteering. It is clear that CSR, if it is not only an instrument of PR, is a comprehensive system that is based on the value of the firm and includes all corporate functions and operations. In this sense, I believe that we owe to our business an education and awareness. Large Czech companies or subsidiaries of foreign companies are adopting proven international experience. I see the biggest informative debt in medium and small companies, whose actions in fact meet the CSR, but cannot yet accommodate their activities systematically. And I regret that, unlike foreign companies, cannot yet show off their achievements. Humility is not a virtue in business, but unfulfilled opportunity.”
This opinion confirms also Kuldoa (2010) that says: “The majority of Czech companies simply reflect the concept of CSR from its parent company and do not think deeply about CSR concept. CSR strategy is, in many cases, not adapted to the Czech market and critics and opponents of CSR concept deriving benefit from this. CSR should be primarily well communicated and should not be abused just as a marketing tool, which in my opinion many companies still do.”

The other problem with CSR in the Czech Republic can be that the public in the new EU members’ states (members who joined EU after 2004) does not have enough awareness what social responsibility really is about, what to expect from the corporations and what to require from them.

2.2.1. Approach to CSR by various types of companies

According Pavlik et al (2010) the organization’s approach to CSR varies according to three different views:

- Organization size – big versus medium and small businesses
- Ownership of the organization – private versus public sector
- The dependence of the profit of the organization on its reputation among customers – organizations dependent on a good reputation versus companies that are not dependent

The fact that CSR concept is applied mainly in the big companies was already mentioned in previous chapter. And Pavlik confirms that. He also hints at the research about CSR in medium and small companies from 2007 where only 44% of all respondents know the CSR concept. Small and medium businesses have already met CSR concept and they do many actions in this way, but they often do not know that it is part of CSR concept or they have significant deficiencies in the complexity of CSR strategies.

On the other hand, Pfeifer (2008) says that large companies actually have a tradition international benchmark, large funds to invest etc. But he also has the experience that large companies can use their socially responsible behaviour very skilfully, in the terms of media or marketing. And in principle, their CSR is not so great. He has also
experience with small and medium-sized companies that are naturally socially responsible. Maybe it is because they operate in regions where the family live for years, they know all neighbours, they are well known and their reputation is easily controlled.

Special group is made up of non profit organizations (NGOs), on the question whether it is important for the company’s reputation its CSR activities, responded these companies most positively of all (see Figure 3). These types of companies are generally more sensitive to issues of social responsibility than the others, especially in the areas of environmental protection, information openness and return the profits back to communities (Vodafone, 2009).

Figure 3 the importance of CSR activities due to a reputation

There is also a difference in approach to CSR activities according to ownership. Organizations owned by global corporations would behave as large companies, while organizations owned by individuals are usually medium and small businesses. Organizations that are owned by the state (e.g. CEZ) usually behave similarly to global corporations.

One of the motives to behave socially responsibly is also the reputation of the company. Therefore these companies usually have concrete politics of CSR.
Companies whose success is not dependent on their reputation do not usually have elaborate CSR concept, but they usually have to take care of their reputation among their business partners or they can be owned by public known company, so its culture can be linked to CSR concept applied by this company.

### 2.2.2. CSR ranking in the Czech Republic

One of the best known rates of the most socially responsible companies is called “TOP Filantrop”. Participation in this rank is opened to all companies that within CSR support ecological, social humanitarian projects, projects supporting non-commercial culture, respect for human rights, developing education, restoration of cultural monuments and more. The aim of Top Filantrop rank is to reward those companies that consider socially responsible behaviour as an integral part of their business. This competition is announced by Byznys pro společnost in cooperation with Czech Top 100 and Czech Donors Forum.

Companies can compete in various categories such as The Most socially responsible large company, The Most socially responsible small or medium company, The Most generous corporate donor or The Most responsible partnership with employees (Byznys pro společnost, no date).

Another CSR rate is called “CSR Award”. The main aim of the competition CSR Award is to promote the development CSR, to motivate companies to understand and implement CSR not only as an incidental activity, but as an integral part of all aspects of their business, not just for large corporations but also for smaller and medium-sized companies in different regions of CR.

The aim of this award is also to promote the concept of CSR in the context of the European Union’s Green Paper “Promoting a European Framework for Corporate Social Responsibility”, adopted in 2001 in the EU members (Společenská odpovědnost firem, 2011).
Next rate „Company of the year: Equal Opportunities“ is the prestigious award for the companies that put the idea of equal opportunities for women and men into practice.

An integral part of evaluating the applicants is the feedback and the possibility of further consultations, each company receives a number of recommendations. This award not only appreciates, but also offers expertise in the field of equal opportunities in the labour market reconciliation of work and private life (Rovné příležitosti, no date).

2.3. Reporting CSR

An important part of socially responsible behaviour is reporting their responsible behaviour. These reports provide data and information about operation of a company in economic, social and environmental area (Forum Darcu, no date). These reports are mainly issued by large global corporations and they are processed beyond the law. Communication with the public in this manner has become a matter of a good reputation, prestige, demonstration of effective and conscious management (Pavlik et al, 2010).

Canik (2007) on the other hand argues that he does not think that all companies are as responsible and fair as many of them present themselves. Many companies only give the path of what is in foreign literature referred as “pinkwashing” or “greenwashing”; thus only creating the impression of socially responsible companies. It looks nice, it also covers many problems and it is cheaper. By no means, it is not the trend in all companies, but unfortunately the reality is not often as nice as looks at beautifully looking annual reports. He also asks himself if it makes sense to even consider the concept of business ethics and corporate social responsibility. And his answer is: “sure it does!” It is an area that is very important for companies. Despite so many “Potempkin´s villages” and “pinkwashing“ press releases issued by the companies. The importance of business ethics and CSR will continue to increase with ascending business needs for quality human capital. That is becoming increasingly important factor in business success in today’s economy.
2.4. CSR in the time of crisis

In the time of crisis, we have heard from various quarters that the world has changed and after the crisis it is not the same as before. Shock and fear has affected investors, companies, customers and no less even the government which embarked on measures intended to save individual companies, industries and whole economies. On the part of companies we have met with a range of measures from the bankruptcy, firing employees to the best approach towards more effective and flexible behaviour. What is same for all approaches – ending the boundless spending and the beginning of considering what and why to invest and if our overall strategy pays off (Kalousová, 2010).

Visser (2008) says that this time of crisis “not only an acid test for companies’ CSR commitment, but for CSR itself. It may very well be that the time has come for CSR to adapt or die”. There are two types of opinions, some believe that we are likely to see fewer CSR initiatives, such as Howard Davies (2008) who claims that „desirable initiatives to promote diversity and extend working lives, which have been easy to promote when the labour market was tight, will be a much tougher proposition from now on. There is a business case for diversity, the government tells us. That may well be true in the longer run, but the costs tend to come first. “

Some people advert to changing numbers, e.g. Citigroup invested to charity $90,000,000. In 2009 it was three times less. The similar case was in Ford and other large companies. But it is not just about giving. Companies also reduced budgets for their employee benefits such as education which was not directly connected with their work. Limited was also investment in more expensive, but environmentally friendly technology (Mucka, 2009).

Others hold a different view, Dr.Kim Moller (2009) insists that “Corporate social responsibility is the key condition for a continued global market economy, and companies will need to accept and implement this condition if they are to keep their license to operate. “ In the power of CSR believes also European Commission (2010) which says that „CSR is more relevant than ever in the context economic crisis. It can
help to build (and rebuild) trust in business, which is vital for the health of Europe's social market economy. “

2.5. Measuring CSR

There are many companies that behave socially responsibly and in doing so they really think of their environment. However, the problem may occur if a company sees CSR only as the way how to arouse public notice. A company confuses the CSR and Public Relations and takes it as a marketing tool. All activities that are made in this direction are intended to act only to increase its profit; a company does not care about stakeholders’ welfare. This kind of behaviour invokes a negative awareness of CSR among people. Therefore there is a necessity of implementation uniform standard of measurement and objective assessment of CSR (Kuldova, 2010).

Most companies correctly perceive CSR as an investment that should bring them “something positive”. It is not important if it should be formulated in money or e.g. in the form of good feeling from the good deed. But the owners are asking how CSR activities can be evaluated and measured.

But the question is if can be measured the benefit from activities where intangible asset is expected, such as better image or motivation of the employees. Very accurate is in this context quotation of manager of the company DuPont Garry Pfeifer who says that “During last 5 years DuPont has been reducing the environmental impact by 60% and its value on the market has increased by 340%. Can I somehow prove that these two facts are connected? No, I cannot. Do you think that I doubt about it? I do not.” Yet, the experts are trying to offer methods and models for measuring results and impacts of applying CSR concepts (Pavlik et al, 2010).

2.5.1. Measurement methods

There are various methods how to measure CSR. Some of them are exact (norms, standards), others use indices or benchmarking. Differences between methods can be in the target groups, focus or scope of their methodology (Pavlík et al, 2010).
The good news can be that according to the research that was done by Západočeská Univerzita in Pilsen in 2009, only 20% of all asked companies do not use one of the following methods.

2.5.2. OECD Guidelines for Multinational Enterprises

The official website of OECD describes this guideline as following: “The Guidelines constitute a set of voluntary recommendations to multinational enterprises in all the major areas of business ethics, including employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation. Adhering governments have committed to promote them among multinational enterprises operating in or from their territories." (OECD, no date)

The important fact is that abidance by these rules is voluntary.

2.5.3. Global Reporting Initiative

Global Reporting Initiative (GRI) is an independent international organisation based in Amsterdam and it is consisted of thousands of volunteers from global business, civil society, labour, academic and professional institutions (Kuldova, 2010).

GRI itself says that its „core goals include the mainstreaming of disclosure on environmental, social and governance performance. The cornerstone of the Framework is the Sustainability Reporting Guidelines. The third version of the Guidelines – known as the G3 Guidelines - was published in 2006, and is a free public good.“ (GRI, no date) Standard contains 24 social, 10 economic and 16 environmental indicators. There is worked with three application levels. Application level C is designed for beginners who have just started with reporting CSR. Middle application level is marked as B and for advanced users is used mark A. If there is also a plus sign that means that a report was verified by the third party (Kuldova, 2010)
2.5.4. SA 8000

International SA 8000 standard is accepted worldwide as the reference standard for CSR. It is based on international conventions and recommendations:

- International Labour Organization
- Universal Declaration of Human Rights
- The Convention of Human rights
- The Convention on the Rights of Children (CSR on-line, no date)

The main attention of SA 8000 is focused on improving working conditions around the world. This shows the way for organizations how to improve and demonstrate their CSR in terms of basic human rights in the workplace (CQS, no date).

As one of the few CSR standards SA 8000 is certified.

2.5.5. AA 1000 Account Ability

AA 1000 Account Ability is defined as following: “AccountAbility’s AA1000 series are principles-based standards to help organisations become more accountable, responsible and sustainable. They address issues affecting governance, business models and organizational strategy, as well as providing operational guidance on sustainability assurance and stakeholder engagement. The AA1000 standards are designed for the integrated thinking required by the low carbon and green economy, and support integrated reporting and assurance.“ (AccountAbility, 2011)

Standard originated in the UK in 1999 and its aim is to contribute to greater transparency of business operations management. This standard is in many ways broader than SA 8000, it can be applied to every organisation and it is also certified (Kuldova, 2010).

2.5.6. Ethibel Sustainability index

The Ethibel Sustainability Index “provides a comprehensive perspective on the financial performance of the world's leading companies in terms of sustainability for institutional investors, asset managers, banks and retail investors.”( Ethibel, 2003)
This index is the most spread in Europe and comparing to other indices it provides much wider range. Ethibel also awards Ethibel Quality Label (Pavlik et al, 2010).

2.5.7. Dow Jones Sustainability Index

These indices “are the first global indices tracking the financial performance of the leading sustainability-driven companies worldwide. Based on the cooperation of Dow Jones Index and SAM they provide asset managers with reliable and objective benchmarks to manage sustainability portfolios." (Dow Jones Sustainability Index, 2010)

Individual components of these indices are selected according to a systematic sustainability assessment that identifies sustainability of the leaders in each of 57 sectors (Kuldova, 2010). The companies are selected “for the indices based on a comprehensive assessment of long-term economic, environmental and social criteria that account for general as well as industry-specific sustainability trends. Only firms that lead their industries based on this assessment are included in the indices. The indices are created and maintained according to a systematic methodology, allowing investors to appropriately benchmark sustainability-driven funds and derivatives over the long term.” (CME Group Index Services, 2011)

2.5.8. ISO 26 000

ISO 26 000, the Guidance on social responsibility, is the youngest standard, it was approved in 2010. This international standard is giving guidance how to implement the principles of social responsibility in the organization. This norm is no intended for certification. The composition of this standard involved experts from all around the world, including the Czech Republic (BLF, 2010).

The standard consists of seven topics:

a) Organisation and Management
b) Human Rights
c) Working Conditions  
d) Environment  
e) Code of Business Conduct  
f) Consumer Care  
g) Participation and community development

### 2.5.9. London Benchmarking Group (LBG)

London Benchmarking Group method called “Standard odpovědná firma” was introduced in the Czech Republic by organization Fórum dárců in 2005. The essence of this methodology, connected to corporate donation, is to evaluate (in money) all costs (inputs), to assess the immediate results (outputs) and express long-term effects (impacts). This model distinguishes three types of an involvement in voluntary activities of the organization: Corporate Philanthropy, Corporate Investment in local communities and commercial activities in the local community (Pavlik et al, 2010).

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### 2.6. The impact of CSR on a company’s performance

Many surveys and studies show that public expects from the companies responsible behaviour. It is also clear that the responsible and ethical behaviour affects the position of the organisation on the market, their competitive ability and last but not least profit (Pavlik et al, 2010).

Organisation that is not focused on short-term objectives, but mainly on profitability in the long-term while trying to maintain the basic principles of CSR shows the sustainable business (Prskavcova et al, 2009). Being a socially responsible company should be an interest of company itself. Responsible behaviour increases productivity and employee loyalty and provides sustainable competitive advantage (EnviWeb, 2010). Skorpil (2008) agrees and adds that “commercial companies are increasingly starting to realize that their clients and partners do not asses them only by financial results or the number of sold products, but also by how considerate to their environment they are or how sustainable their business in a long-term is. Therefore
social responsibility should not be understood as necessary evil, but rather as an excellent opportunity to show that it is in our interest to build a business on solid bases and not on vision of a quick profit at any costs."

Thanks to the importance of all mentioned effected elements for a company they cannot be underestimated, because these values are among the greatest challenges of today’s managers and may be indisputable advantage for each business. The premise of the success is a systematic approach, when socially responsible behaviour is connected to business strategy, values and the mission of the company. The idea is to choose activities that match the character of the enterprise. Experience also shows that the activities associated with CSR are not effective without the personal and ethical beliefs of management and employees (Berka, 2010).

2.6.1. Financial performance

CSR is becoming an important indicator of non-financial performance of the companies. But it has also positive effect on the financial performance and it increases shareholder’s value.

First signs of linking CSR and profit of the organisation can be already seen in the article that was written by Milton Friedman in 1970. He claims that “corporate social responsibility is to increase its profits”.

Razafindrambinina et al describes how CSR can be linked to company’s financial performance: „Intellectual capital has been playing an ever more increasing role not only in the corporate financial performance of companies, but also in contributing to financial achievements such as market evaluation (Bozburua, 2004) (Brennan, 2001) (Petty & Guthrie, 2000). If this link between intellectual capital and financial performance is true, then from looking at past studies which have shown a positive link between financial performance and CSR, we could infer that intellectual capital would also have a positive relationship on CSR.“ (see Figure 4)
Bibri (2008) in his thesis writes that “the claims that a company becomes unprofitable by adopting high ethical standards while its competitors adopt lower ones is incorrect since, they conclude, potential customers discount their demand prices where there is uncertainty about the quality of the offering. This can imply that companies adopting corporate sustainability and business ethics are more likely to be profitable, if not in the short run, in the long run.” This is also confirmed by Lo and Sheu (2007) who affirm that “a company that acquires a reputation for unethical behaviour will lose current as well as potential future stakeholders and the profits they would have generated.”

An important benefit is also reducing of the implicit costs that are associated with the current of future business, such as the costs of future environmental damage removal or the costs of future suits.

Lyon (2007) adverts to a survey that was done by PricewaterhouseCoopers in 2002 which indicates the view of top global companies’ management. This survey regards “their views on how vital CSR is to their company, the results showed that 70% of managers felt these disclosures were essential to the continued profitability of their company.”

Venclikova (2008) adds that she would say that the company which develops its CSR may be likeable to its customers and may even have some support in non-commercial scale, such as more university graduates interested in working for them etc. Skorpil (2008) throws in and says that especially in commodities that are not
easily distinguish from other similar commodities; CSR activities can play an important role in consumer decision-making. Although the price of the product or service will always be one of the most important facts, the sustainability of the company and taking care of client’s interest are already unavoidable factors behind overall consumer behaviour.

Bednář (no date) agrees and says: “Although thing about CSR do not look like a source of profit, sustainable business needs corporate social responsibility. The more you make and the more active you are in the terms of your stakeholders, the smaller effect of future crisis will be and the greater willingness of customers to choose goods or services rather from you than from competitive. There will be also lower migration of existing customers and better awareness about company and its products or services. What more could you wish to achieve higher profits?”

But there are also people who do think that CSR has any effect on a profit of the company. One of them is Vogel (2008) who says: “The good news is that firms with superior CSR performance have not performed any worse than their less virtuous competitors. But the disappointing news is that neither have they done any better. For most firms, most of the time, CSR is largely irrelevant to their financial performance”.

Profit is a cheerful prospect of the owner, but not too god reality for the customers, if they do not strike into enlightened businessman, who knows that every day he builds “the bridge of trust”, which structure is fragile. But social responsibility and responsible business are related to profit even otherwise. People can glorify today’s profit and do not think about tomorrow. And just today’s profit, usually quick profit, takes from the possible future profit, which scale businessmen will never hear about if they are not behaving socially responsible now to be able to achieve this future profit (radioTv, 2007).
2.6.2. Reputation

It is undisputed that the activities in CSR area, especially sponsoring, in areas that are generally as socially useful and their financial support as desirable will lead to improved image of a company. The question is whether it is economically beneficial, whether the additional revenues will exceed the additional costs. A positive answer to this question gave research carried out by Market & Opinion Research International in Great Britain in 2004, which showed that long-established principles of CSR increases its competitiveness and increase the value of its brand (Hlavacek et al, 2007).

How important CSR is when we speak about reputation showed the research from 2008 made by Vodafone (see Figure 5). As the factors that most destroy the reputation of the company were identified: bad quality of product/service, unfair business practises and lack of communications with stakeholders. While unfair business practises occupy 59% (Vodafone, 2009).

Figure 5 Reputational Risk

![Pie chart showing factors that destroy reputation]

70% of consumers from Western Europe select goods according to corporate reputation and 44% of customers are willing to pay more for a product that is environmentally friendly. Creating goodwill is according to Top managers in Europe the main objective of the activities related to CSR. The results of the USP Europe Business Monitor show that for the half of surveyed European executives (49%) is the need of improving brand reputation and image the strongest impulse for CSR activities. Reputation is the most important for managers in Germany, 66% of them point out that in the abbreviation CSR they imagine under the letter “R” the word Reputation (Mesec, 2007).

Bibri (2008) agrees and says that “the greater an organization’s contribution to social welfare, the better its reputation”.

Kaye (2010) evaluates the results from the study made by Professor Mary Ann Ferguson and comprises: “corporate social responsibility (CSR) programs can only serve as part of a company’s effort to build a good reputation—and in turn only reap cynicism when a firm already has a poor reputation among the public."

Rociakova (2009) made a research about CSR from customer’s view and we can see that customers do look whether company is or is not socially responsible (see Figure 6)
The good reputation brings benefits also to potential new business partners, whether it is potential customers, suppliers or employees. These potential business partners expect that any contract with the well known solid and respectful company not only reinforce their reputation as well, but also allows them to the cost of "cost of vigilance", which they would expend with other unknown and suspicious companies (Hlavacek et al, 2007).

Organisations do realize how strong the impact of CSR on their reputation is. That is why sometimes occur “greenwashing”, “pinkwashing” or “ whitewashing”.

**2.6.2.1. Greenwashing**

Greenwashing is a practise where companies try to look “greener” than they actually are. The goal of the companies that paint their products or even the entire company on green, is not about filling their words. Credibility is not important for such companies. PR is not about capturing the actual state, but about getting better. The word refers to “brainwashing”, greenwashing is similar to washing, but green (Canik, 2008).
The Dictionary of sustainable management (no date) writes that greenwashing is “any form of marketing or public relations that links a corporate, political, religious or nonprofit organization to a positive association with environmental issues for an unsustainable product, service, or practice. “

According to the study the greenwashing is an international phenomenon. The most notable differences among countries are the issues they are linked to and how these topics are used in marketing. In Australia, for instance, is more often used the issues of water conservation and reducing water consumption. The designation “Water Savings” can be found on about 13% of all products, while in the other countries it is in average on 0.4-1.6% products. For the UK is typical the designation “Natural”, 42.7% products are marked with this word, in other countries is usually about 29%. In the US is most often mentioned the advantage of the recyclable product (Stastna, 2010).

2.6.2.2. Pinkwashing

Another term is “pinkwashing” – is no longer so closely tied to the environmental dimensions of business. It is again about creating of a false, unrealistic or pink impression about the company or its product (Canik, 2008).

One of the definitions is further (kvorganics, 2010): “a term used to describe the activities of companies and groups that position themselves as leaders in the struggle to eradicate breast cancer while engaging in practices that may be contributing to rising rates of the disease.“

2.6.2.3. Whitewashing

Whitewashing means that companies that are boasting about their CSR actually just camouflage their completely unacceptable behaviour within the business, poor treatment of employees or corrupt practises. An example can be employing children in various factories or not obeying basic safety rules (Tožička, 2010).

An example of whitewashing can conduct business in the Slovak Whirlpool, which boasts a special CSR program focused on the employment of Roma. The truth is that
in region where 20% of the population Roma is, Whirlpool employs only about 5%. Moreover in its requalification programmes has Whirlpool company purely racist remarks, such as the Roma should improve their hygiene habits. If this company would do such a thing in the United Stated to African-Americans, they would face legal action.

The worst form of whitewashing is the example of company Nestlé. In developing countries they boast with fairly grown coffee, in our republic they support children in orphanages. In Bangladesh, this company distributes milk substitutes against all principles of CSR. By giving free examples of this product at hospitals, removes the possibility of breastfeeding to uninformed mothers. These mother after some time recognize that they do not have enough money to buy this product and finally, not even for clean water. World Health Organization estimates that as a result of these practices, 1.5 million infants die every year (Tožička, 2010).

2.6.3. Employees

CSR activities increase employee motivation and creativity that are very important factors for work productivity and a quality of goods and services. Increased interest in working for companies that respect CSR illustrate the results from public opinion in the U.S. which showed that 78% of respondents prefer the reputation of a company to employment in a disreputable and unknown company, even if they offer better salary (Hlavacek et al, 2007).

Employees are also the most mentioned topic if we speak about CSR in the Czech Republic. The research done by Business Leaders Forum in 2004 shows that almost 76% of all participated companies already take care of their employees (see Figure 7) (Trnkova, 2004). Employees are also related to the fourth place where education of the employees is. This forms about 55%.
This fact was supported also by research that was done later in 2010, more than 80% of all respondents said that socially responsible behaviour of the company is very important to them (see Figure 8). Only 14% said that CSR was not important. And people who did not know formed only 5%.

Whether company takes care of their employees is important also for the customers, 93% say that it is important for them, slightly more than how company treats customers (themselves), 93% or company’s business partners.

This was proven also by research that was done by GfK Czech in 2010 (see Figure 9). They asked people what do they see under the term Corporate social responsibility. 31,3% responded that it is responsibility to their employees, the second place take ethics and a development of its environment (27%) and about 25% did not know what to imagine under this term, even though it can be seen that it is a large number, it is only every fourth respondent.
Main benefits of involving employees into CSR activities states server CSR solutions.cz (no date) and it divides these benefits into two categories:

**BUSINESS BENEFITS**

- Greater loyalty to the employer
- Increased satisfaction in the workplace
- Lower percentage of workers’ movement
- Lower absence
- Higher customer satisfaction
- Strengthen of company’s culture
- Higher attractiveness for new talents
- Improved image in the local community

EMPLOYEE BENEFITS

- New knowledge, experience and skills
- Personal satisfaction
- Impact on professional growth
- Valuable teambuilding experience and creating relations among company’s employees
- New relationships

There are various CSR activities that are made toward employees. Ones of them are equal opportunities. Pfeifer (2008) says: “Equal opportunities are often cited among the areas which it introduces the concept of social responsibility in. Many examples can be found among large companies that have a branch network, such as banks or insurance companies. In connection with baby boom they boast how they can work with mothers on maternity leave.”
3. Methodology, hypothesis, their confirmation or confutation, and results

3.1. Methodology

The main goal of this chapter is to introduce the methods used in the research. The questionnaire was used as primary data to this research. Therefore this chapter describes the reason why this method was used and its main advantages and disadvantages.

3.1.1. Chosen strategy

I have decided to use questionnaire for my research. The good way how to obtain need information would be also interview that provides more detailed facts. But I would not be able to contact as many companies as with questionnaire and the results would be less objective.

Also I had to contact companies that already socially responsible are in order to find out if it has some benefits. My list of companies was composed according to the chart of the most socially responsible companies by Fórum Dárců or according to positive examples mentioned at the web pages of Business Leaders Forum.

Companies that can be found in this indices and charts belong mainly to bigger ones. The reasons were mentioned already in Literature review. Not only that CSR concept is applied mostly in these companies, but also it would be very difficult to find as many companies as would be needed for this research among small and medium companies, no either any index of socially responsible medium and small companies.

I sent my questionnaire to 50 companies that occupy various types of industries and services (see Appendix 1). The research took place in April 1st – 13th.

The survey results are presented in graphs and tables that show percentage of response options.
3.1.1.1. Respondents

Out of 50 sent questionnaires 26 replied. That makes rate of return 52%. The best return rate was from various financial institutions (e.g. banks and insurance companies) and audit firms. On the other hand the worst rate was from companies that produce goods.

The structure of respondents varied also by number of employees (see Figure 10). The smallest number has STEM/MARK (about 100 employees), on the opposite side is ČEZ with almost 35000 employees.

Number of employees is equalized. More than 30% of respondents have over 5000 employees. The smallest representation is in the group of 3000-4999 employees, about 15%.

Figure 10 size of surveyed companies

Except for two companies (ČEZ and STEM/MARK) all companies have international capital participation and belong to large international corporations.
3.2. **Hypothesis**

Based on the facts which have been traced during writing theoretical chapter and objectives of the study following hypothesis have been set up:

1. Socially responsible behaviour increases the profit of the company
2. Socially responsible behaviour enhances the reputation of the company
3. Socially responsible companies are more attractive for employees
4. Companies do use method for measuring and reporting CSR

3.3. **Questionnaire**

Do you think that socially responsible behaviour has an effect on company´s profit?
   a) Yes, positive    b) Yes, negative    c) No, it has no effect

Do you think that customers are willing to pay a higher price for a product/service provided by a socially responsible company?
   a) Yes    b) No

Do you think that socially responsible activities improve the company´s reputation?
   a) Yes    b) No

Does your company consider socially responsible behaviour of its business partners during trading?
   a) Yes    b) No

Do you think that socially responsible behaviour improves the attractiveness of a company for its employees?
   a) Yes, positive b) Yes, negative    c) No, it has no effect
Are your employees interested (or directly involved) in your socially responsible activities (e.g. volunteering in non-profit organizations)?

a) Yes b) No

In your opinion what is the greatest contribution of adaption of CSR concept (order from the biggest to the smallest contribution)

1. Improved reputation (image)
2. Improved relations with stakeholders (customers, suppliers...)
3. Increased sales
4. Increased efficiency
5. Feeling of making good deed
6. Increased attractiveness for employees

Does your company take the impact of CSR activities on the activity of the company by using CSR standards?

a) No, not using any standard
b) Yes, OECD Guidelines for Multinational Enterprises
c) Yes, Global Reporting Initiative
d) Yes, SA 8000
e) Yes, AA 1000 Account Ability
f) Yes, Ethibel Sustainability Index
g) Yes, Dow Jones Sustainability Index
h) Yes, ISO 26 000
i) Yes, standard socially responsible company (London Benchmarking Group)
j) Yes, other
3.4. The Results

3.4.1. Hypothesis 1

*Socially responsible behaviour increases the profit of the company*

The confirmation (or confutation) of this hypothesis was found out by 2 questions. The first question was whether companies think that their socially responsible behaviour has an effect on their profit. The claim that it has a positive effect was supported by almost ¾ of respondents. 31% of all respondents do not see any effect and there was no respondent that would chose the answer “yes, negative” (see Figure 11).

Figure 11 company’s profit

<table>
<thead>
<tr>
<th></th>
<th>Yes, positive</th>
<th>Yes, negative</th>
<th>No, it has no effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>69%</td>
<td>0</td>
<td>31%</td>
</tr>
</tbody>
</table>

The second question was whether customers are willing to pay higher price for a product/service provided by a socially responsible company. The results were the same as in the previous question. ¾ of all respondents think that customers are
willing to pay more for socially responsible products, about 31% do not see any effect and there was again nobody who would answer “yes, negative” (see Figure 12).

**Figure 12 higher price of a product/service**

The additional question is connected to first three hypotheses (see Figure 13). For this hypothesis the term “increased sale” is important and how it was ordered by respondents. Increased sales were put to the last place, in the terms of the contribution rate of adaption CSR, by 77% of all respondents. There was not also any company that would put increased sales to the first three places.
In the first question 70% of respondents agreed that CSR increases the profit of their company. The second question that customers are willing to pay more for socially responsible product or service was also confirmed. So all in all I can say that hypothesis 1 was confirmed.

**The hypothesis 1 that socially responsible behaviour increases the profit of the company was confirmed.**
3.4.2. Hypothesis 2

**Socially responsible behaviour enhances the reputation of the company**

The first question that should have found out if this hypothesis is right was if the companies think that socially responsible activities improve their reputation. The responses were quite uniform. All 26 companies confirm that “good behaviour” is good for their reputation and chose the answer “Yes” (see Figure 14).

**Figure 14 reputation of the company**

![Bar chart showing responses to the question: Do you think that socially responsible activities improve the company’s reputation?](image)

In the second question whether a company consider socially responsible behavior of its business partners during trading was confirmed by 69% of all respondents (see Figure 15). The answer “no” was chosen by 31% of all respondents.
This hypothesis was adopted by a large majority of all respondents and it is confirmed also by additional question about the biggest contribution of CSR.

**The hypothesis 2 that socially responsible behaviour improves the reputation of the company was confirmed.**

### 3.4.3. Hypothesis 3

**Socially responsible companies are more attractive for employees**

The first question whether companies think that socially responsible behavior improves the attractiveness of a company for its employees was confirmed by 100% of respondents. There was no company that would choose “no” as its answer (see Figure 16).
The second question of this topic was if company’s employees are interested (or directly involved) in its socially responsible activities (e.g. volunteering in non-profit organizations). Here was the same situation as in the first question, all companies answered positively (see Figure 17).
This hypothesis was confirmed by 100% of respondents that answered “Yes” to both questions, the importance of employee’s factor in CSR confirmed also additional question. This hypothesis was confirmed most of all and I can say with 100% certainty that the hypothesis 3 that socially responsible companies are more attractive for employees was confirmed.

3.4.4. Hypothesis 4

Companies do use method for measuring and reporting CSR

This hypothesis was found out by one question. I have asked companies whether they use any CSR standard and if yes, then which one.

The largest share from all standards has standard London Benchmarking Group that was chosen by 31% of all respondents. The second most common standard was then Global Reporting Initiative with 17% share. On the third place is Dow Jones Sustainability Index with 8.6%, followed by SA 8000, OECD Guidelines for
Multinational Enterprises and Ethibel Sustainability Index with identical share 2,85% (see Figure 18)

The answer “not using” was chosen by 22,85% of all respondents and it was the third most common answer. About 11,5% use standard that was not in the options.

**Figure 18 CSR standards**

![Bar chart showing the percentage of companies using various CSR standards.](image)

To sum, almost 80% of all respondents use at least one of existed CSR standards so I can say that **the hypothesis 4 that companies do use method for measuring and reporting CSR was confirmed.**
4. Meeting and discussion of hypothesis

4.1. Hypothesis 1

This hypothesis was confirmed by 69% of all respondents. Only about one quarter of the respondents does not see any effect. These companies are represented mainly by financial institutions (e.g. banks and insurance companies). The reason can be that these institutions are usually not chosen by customers according to their CSR concept, but usually mainly according to their price and offered benefits. Moreover it is almost obvious that any credible bank will be socially responsible, because these institutions belong to one of the most responsible companies, especially when speak about their employees (see Figure 11).

There can be also seen that no one chose the option that CSR has a negative effect on company’s profit. That is good news, because even though CSR activities are not for free and for many companies this can be the reason why they would not do that, there was not any socially responsible company that would think that adapting CSR concept had any negative effects on their economic situation. That also denies often spread opinion, that CSR is expensive and non-profitable. In this study was proved, that if CSR somehow influences profit of the company, it definitely not negatively.

The second question was whether customers are willing to pay higher price for a product/service provided by a socially responsible company (see Figure 12). The structure of respondents was almost the same as in the previous question, ¾ of all respondents think that customers are willing to pay more for socially responsible products. This has also positive effect on a profit of a company that does not have to be afraid of losing revenues by offering more expensive product that is socially responsible.
This question also shows social sophistication of the customers in the term of CSR. People can appreciate good deed and are willing to prioritize products or services, which represent responsible approach of a company.

On the opposite one quarter do not agree and think that customers are not willing to pay more for these products. Again in this group are mainly financial institutions that compete with other banks mainly in offering benefits and lower price. Moreover these institutions usually focus their CSR activities on their employees, who are the main capital for every financial institution.

The additional question, which thing the biggest contribution is, shows us that even though most of the companies think that socially responsible behaviour increased company’s profit, increased sales are the least important if we speak about the contribution of adapting CSR concept (see Figure 13). Thus, if respondents answered truthfully, it can also mean that although companies think that CSR increase their profit, it is not the reason why they behave socially responsible. And it is a very positive fact.

Another positive thing is that profit “lost” to such nonmaterial thing as feeling of making good deed that was put to the last place only by 12% of all respondents. I am also very glad that there was not any company that would put profit in the first place, although it would be an exception in this research.

4.2. Hypothesis 2

This hypothesis was confirmed by 100% of all respondents (see Figure 14). We can also see that unlike the second question, the reputation is important fact for all types of companies. Even for financial institutions, which do not require good reputation from their business partners, but they believe that CSR activities improves theirs.

Large role of reputation can be also seen in additional question (see Figure 13), which thing the greatest contribution is. The most respondents put just the reputation in the first place and in the second place as well. This can also mean that reputation is one of the main reasons why companies socially responsible are.
But it also works vice versa. In additional questions about contribution of CSR improved relations with stakeholders is at one of the first three places and companies feel that their reputation is also important to get better position among their business partners.

The good reputation is also important for company’s business partners. Almost 70% of all respondents said that they considered socially responsible behaviour of their business partners (see Figure 15). This group is consisted mainly from companies with supplier-buyer relationships. Exceptions are the banks and insurance companies that responded negatively. Risk and creditworthiness are much more important when they are considering taking new clients e.g. some banks refuse to have casinos as clients, but it is not because it would be no socially responsible but for their risk rate.

4.3. **Hypothesis 3**

The first question asked at this topic was whether companies think that socially responsible behaviour improves their attractiveness for the employees. There was a consensus in all replies and this hypothesis was **confirmed** (see Figure 16). All companies think that their socially responsible behaviour increases their attractiveness among employees, not only among their own employees but also among potential ones. Good care and benefits for the employees are part of CSR concept and as was written in Literature review, it is also the most common way of CSR activities in the Czech Republic.

How much good relations and happy employees important are indicates also additional question (see Figure 13). Increased attractiveness takes the second place in the contribution of CSR concept. It is far ahead of increased profit or efficiency of a company. This fact also shows that in knowledge economy play employees rather important role and companies realize how important is to have great employees and moreover how important is to keep these employees.
The second question was whether company’s employees are or are not interested (or directly involved) in company’s socially responsible activities. Here was again 100% match (see Figure 17). All companies declared that their employees are interested or directly involved in their socially responsible activities. This refers to fact that not only companies are getting to be more and more socially and environmentally sensitive, but also their employees are willing to help their society or environment.

4.4. Hypothesis 4

This hypothesis was found out by one question. I have asked companies whether they use any CSR standard and if yes, then which one (see Figure 18).

The answer “not using” chose only about 23% of all respondents. That means that 4 out of 5 companies do use any CSR standards for measuring and reporting their CSR activities. The companies that did not choose any standard are for instance Kovohutě Příbram or STEM/MARK. Although the first named company use certificate ISO 14001 : 2004 for Environmental Management System.

The most common standard seems to be London Benchmarking Group (in Czech language known as Standard odpovědná firma). More than 31% use this standard. Any many of respondent’s companies were one of the founder members (e.g. O2, ČEZ or Česká spořitelna)

The second most common standard was Global Reporting Initiative (known under the acronym GRI). About 10% of all respondents use standard that was not in the list e.g. FTSE4good and EFQM..

The third most common standard was surprisingly Dow Jones Sustainability Index that is used mainly abroad. And in the fourth place are identically SA 8000, OECD Guidelines for Multinational Enterprises and Ethibel Sustainability Index. OECD can be used only by large international companies and in this questionnaire was also chosen by this type of companies.
Many companies chose more than one possibility. Common pair was formed by GRI and London Benchmarking Group. Also Dow Jones Sustainability Index was always chosen in addition to other standard, because this Index “only” monitors the financial management of socially responsible companies, but does not give instructions how to report CSR. Similar was the case of Ethibel Sustainability index that was also always chose with other standard.
5. Conclusion

Corporate social responsibility is getting to be a necessity for companies that want to succeed in today’s world. In this thesis were studied additional values that are brought by CSR to a company. As the main values, according to Literature review, profit, reputation and attractiveness for the employees were set up.

As the value that is affected by socially responsible behaviour the most, companies see attractiveness for the employees. This fact was supported by Literature review and also by all respondents. This is not only due to orientation of CSR in the Republic that is still oriented mainly on the employees but also due to higher and higher demands of employees on companies. The study has also shown that employees do not only require socially responsible behaviour and they are also willing to be actively involved.

Reputation and profit are according to companies affected as well, although there are some exceptions. Both made by financial institutions and banks, which behave socially responsibly but they do not require the same behaviour from their customers unlike the companies with supplier-buyer relationship. But on the question whether reputation is affected by socially responsible behaviour responded all companies positively.

Next finding of this study is that profit is the least important added value of CSR. When companies should order various terms according to their contribution, profit was put to the last position by most of the companies and also there was no company that would put it to the first three places.

Another goal was to identify what kind of CSR standards and methods companies use, it they do so. Here two standards were used the most – GRI and London
Benchmarking Group. Only every fifth respondent does not use any standard. This finding confirmed the expectation, which was established thanks to Literature review.

This study has also shown some differences in approach to CSR by various types of companies. While companies with supplier-buyer relationship do not only behave socially responsibly, but they also require this activities from their business partners and have merit in spreading CSR concept, financial institutions do not require that, although they behave socially responsibly themselves and they often belong to the best in this respect.

5.1. Limitation of the study

The main limitation was the length of socially responsible behaviour among companies in the Czech Republic. Although some of them behave socially responsibly for longer time, most of them have started to publish CSR reports and measure expenses to CSR within last few years, which were moreover interfered by financial crisis. Therefore there was no possibility to measure the exact numeral added value of CSR to the companies.

There were also limitations connected to the research which were already mentioned in the Methodology chapter.

5.2. Recommendation for next research

One of the possible future researches was already mentioned in previous chapter – exact numerical added value of socially responsible behaviour to a company. Indeed, this study will be possible to make only after some time, when will be available data from longer horizon that was not so hit by financial crisis.
Other researches can monitor CSR from the view of customers and the level of importance of CSR concept in choosing their company or which areas, according to them, various businesses should focus on.

Interesting research would also be the view given by employees. What kind of socially responsible activities they prefer and what the most favourite activities they can be involved are.


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List of abbreviations

CSR - Corporate Social Responsibility

e.g. – for example (exempli gratia)

EU - European Union

GRI - Global Reporting Initiative

LBI - London Benchmarking Group

NGOs – non-profit organizations

UK – United Kingdom
Thesis using declaration

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V Ostravě dne 29. 4. 2011

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