Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Humanities

Diploma Thesis

Analysis of Corporate Social Responsibility Activities - Makro Cash & Carry Case Study

Bc. Martin Čivrný

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

Bc. Martin Čivrný

Economics and Management

Thesis title

Analysis of Ethical and Corporate Social Responsibility Activities – Makro Cash & Carry Case Study

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Objectives of thesis

The thesis will investigate Business Ethics, and in particular notions of Corporate Social Responsibility through examining the practices of a particular company. Business ethics is a growing field, and businesses are encouraged to become more aware of their responsibility to their employees, communities and natural environment. Yet there are challenges to this, and often a gap between theoretical discussion and actual business practice.

The thesis will examine the corporate social responsibility practices of a specific business in the Czech Republic: Makro Cash and Carry, in order to consider how effectively they are carried out and how they might be improved. It will consider both the official policy of the company, and the attitudes of staff within it.

Methodology

Develop a literature review covering debates and discussions about business ethics in general and corporate social responsibility in particular, in order to frame the particular case study.

Carry out a case study of Makro Cash and Carry's approach to corporate social responsibility based on:

- Examining corporate policy documents.

- Considering how policy is communicated to staff.

- Interviews with staff at various levels.

- Participant observation from within the company.

Assess Makro's policy in terms of the themes and ideas discussed in the literature review, considering possible improvements and changes. Consider what the case of Makro might show about the challenges and questions of corporate social responsibility more generally.

The proposed extent of the thesis

50-60 pages

Keywords

Business Ethics, Corporate Social Responsibility, Corporation, Ethics, Environment, Makro Cash & Carry, Management, Sustainability,

Recommended information sources

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The Diploma Thesis Supervisor

Daniel Rosenhaft Swain, Ph.D., MA

Supervising department

Department of Humanities

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doc. PhDr. Michal Lošťák, Ph.D.

Head of department

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Ing. Martin Pelikán, Ph.D.

Dean

Prague on 06. 03. 2017

Declaration

I declare that I have worked on my diploma thesis titled "Analysis of Corporate Social Responsibility Activities - Makro Cash & Carry Case Study" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 30.3.2017 _____

Acknowledgement

Analýza společensky odpovědných aktivit firmy - Případová studie Makro Cash & Carry

Souhrn

Diplomová práce se věnuje problematice podnikatelské etiky a společenské odpovědnosti firem skrze analýzu praktik na příkladu konkrétní společnosti Makro Cash & Carry. Společenská odpovědnost firem je obecně přijímaný fenomén. Podniky jsou povzbuzovány ve snaze více podporovat zodpovědnost vůči zainteresovaným skupinám, jako jsou zaměstnanci, lokální komunita a životní prostředí. Teoretická část shrnuje historické a současné teorie spojené se společenskou odpovědností firem, poskytuje náhled na udržitelné firemní principy a uvádí etické predispozice společensky zodpovědného chování v korporaci. Konkrétní případová studie zkoumá a hodnotí oficiální podnikové strategie společnosti Makro spojené s pojmy vysvětlenými v teoretické části práce. Diplomová práce hodnotí společensky odpovědné firemní strategie a přístupy zaměstnanců skrze různé metody kvalitativního a kvantitativního výzkumu. Výzkumná práce se zabývá aplikací společensky odpovědných aktivit ve společnosti Makro Cash & Carry a analyzuje vnímání konceptu mezi zaměstnanci na dvou stupních pracovního zařazení. Doporučení pro prohloubení kvality přístupu ke společenské odpovědnosti jsou uvedeny v závěru práce.

Klíčová slova: Korporace, Makro Cash & Carry, Management, Podnikatelská etika, Společenská odpovědnost firem, Udržitelnost, Zaměstnanci, Zainteresované subjekty, Životní prostředí

Analysis of Corporate Social Responsibility Activities - Makro Cash & Carry Case Study

Summary

The Diploma thesis investigates issues related to business ethics and Corporate Social Responsibility (CSR) through examining practices in particular company Makro Cash & Carry. Corporate social responsibility is a prevalent topic and businesses are encouraged to become more aware of their responsibility to various stakeholder groups, such as e.g. employees, local communities and natural environment. The theoretical background summarizes historical and current theories about corporate social responsibility, provides insights into the sustainable corporate principles and introduces the ethical predispositions of the socially responsible concept in relation to the corporation. The particular case study examines and assesses Makro's policy in terms of the themes and ideas discussed in the literature review. The thesis evaluates official policy of the company and attitudes of staff within it through various methods of qualitative and quantitative research. Overall, the study explores the application of CSR activities in Makro Cash & Carry and analyzes its perception among employees at the two working levels. Recommendations for further corporate social responsibility practices are listed in the conclusion.

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1.   INTRODUCTION

"I personally believe that every firm needs to have economic and financial results at first, nothing is possible without them. However, every firm has to realize that it is not only about those numbers, but also about the behavior, presentation towards society and, in addition, how it reaches the financial performance. It is about the behavior towards employees, environment and also towards local community which is in daily connection with firm - this is extremely important, to be responsibly connected with closest location and people within it." (Head of Quality Assurance)

Due to globalization and other sociological phenomena, companies are forced to react faster to present social and environmental issues. Traditionally, the core strategy of businesses is mainly focused on their economic operations and terms connected to profit, such as turnover, sales, diversification or differentiation. However, scholars and recent studies over the past thirty years support the need to add business activities that expand out of the company and have an impact on wider society. This business approach and activities have been identified as corporate social responsibility (CSR). In other words, CSR is an intangible concept that plays a valuable role in advanced enterprises and can provide significant competitive advantage. Promotion of CSR aspects in business operations may enhance positive reputation, attract quality employees or change consumer attributes towards the company. CSR seems as a phenomenon that becomes more and more linked to company's image. This may raise a partial contradiction because on one side, social responsibility is a valuable corporate strategy and on the other hand an ethical thing to do. It is important to differentiate between what is CSR as an ethical approach and what is marketing brand campaign. Nevertheless, CSR policies have slowly become the basis of practices within corporations in a large scale of industries.

To provide and perform this diploma thesis study, the following steps were conducted in order to address research objectives. First, the reader is provided with general information, thesis objectives and the research questions designed for the purpose of the thesis. Later, primary research methods and the reason why they were chosen in order to fulfill thesis objectives are in detail identified in the methodology

chapter. In addition, methodology covers research procedures, such as research sample, data collection methods and means of data analysis. Next, a thorough theoretical framework related to CSR most important factors was developed. CSR and its determinants, mainly in relation to the stakeholder concept and enterprise performance, offer an insight into theoretical background of corporate responsibility concept. The thesis deals with CSR from multiple perspectives, especially associated with the analysis of corporate business environment. In the practical section of the thesis, empirical data collected through various research techniques are presented. It starts with a brief company background, followed by subchapters connected to research objectives and questions. Furthermore, the main reasons for the investigated corporation to engage in CSR activities are analyzed and the actual application of related activities and various commitments to society are evaluated. Later, CSR activities and its origins in the parent company and its subsidiary company in the Czech Republic are investigated in order to find out their relation. The subsequent fundamental chapter of the practical part focuses in detail on four main CSR activities processed by the company and the reason of its selection is their reporting on company webpage. Reporting, as an essential part of corporate communication, is evaluated in the last chapter of the empirical part of the thesis. In the conclusion, all the findings are interpreted in order to answer the research questions and meet the thesis objectives. Finally, a critical evaluation of the study is provided and future recommendations based on the thesis outcome are offered.

The author's interest in the issue of corporate social responsibility emerged from his personal one year long working experience as a trainee within one of Makro's management teams. The author's interest and awareness of the issue resulted in further investigation of the corporate social responsibility in context of economic and business environment performance on case of Makro Cash & Carry ČR.

2. OBJECTIVES AND METHODOLOGY

2.1 Objectives

The main purpose of the thesis is to examine corporate social responsibility inside one particular company. Corporate Social Responsibility (CSR) has grown significantly in last decades and has become a global trend in management literature and modern economy. Business ethics is a growing field, and businesses are encouraged to become more aware of their responsibility to their employees, communities and natural environment. Yet there are challenges to this, and often a gap between theoretical discussion and actual business practice. The thesis will examine the corporate social responsibility practices of a specific business in the Czech Republic: Makro Cash and Carry, which is part of global conglomerate METRO Group, in order to consider how effectively they are carried out and how they might be improved. It will consider both the official policy of the company, and the attitudes of staff within it. Main objectives of the thesis are following:

- Examine corporate social responsibility activities in Makro Cash & Carry
- Evaluate how effectively are these practices carried out
- Consider how CSR practices might be improved
- Explain and interpret how Makro Cash & Carry reports about CSR practices

With respect to above mentioned main thesis objectives, following research questions were considered in order to investigate current situation of CSR concept in Makro Cash & Carry:

1. What does Corporate Social Responsibility mean in the Makro Cash and Carry concept?
2. What are the main reasons for Makro Cash and Carry to engage in CSR activities?
3. What is the relationship between METRO Group and Makro C&C CSR policies?

4. Is there a significant difference in CSR perception among employees at working place levels - Kampus vs. Store?

5. How and about which CSR activities is Makro C&C reporting?

These objectives and research questions are specified by the author in order to be able to provide recommendations for the investigated company in the area of CSR and its activities. More specifically, based on the conducted research the author evaluates how effectively are CSR practices in Makro carried out and whether there is at least general knowledge about its principle among employees at two working levels.

2.2 Methodology

This chapter identifies the choice of methods adopted for the procurement of data for this thesis. Before a researcher can conduct a study, proper methods for the research must be considered. There are several approaches of research conduction and the researcher chooses appropriate methods based on what is the main objective of the study and other factors influencing the outcome of the research. The methodology chapter of the thesis is divided into four parts. In the first part, chosen type of research and the reasons for its usage in the thesis is described. The second part discusses the subjects of the research because correct choice of research sample plays a key role in study procession. The third section of methodology chapter thoroughly explains the data collection methods of the research used for gaining proper information in order to meet the objectives of the thesis. The final methodology section focuses on concrete procedures used for the best data procession in order to conduct valuable research.

2.2.1 Research type

With respect to the given research objectives, appropriate type of research was chosen to conclude the most relevant answers to research questions. Because of the fact that the main objectives of the study are identification and examination of corporate social responsibility activities, together with consideration of how effectively are these practices carried out in a particular company, qualitative research was chosen. Qualitative research methods often focus on how individuals and groups view the world and emphasize words rather than quantification in the collection and

analysis of data. According to Bryman (2004, p. 79), qualitative research *"has rejected the practices and norms of the natural scientific model and of positivism in particular in preference for an emphasis on the ways in which individuals interpret their social world"*.

Within the qualitative framework, case study and document analysis were chosen as appropriate research methods. Case study was chosen particularly because this approach enables detailed study of one case where data are collected from one or few individuals, or as it is in this thesis, one business. The chosen type of case study is intrinsic one, which is a specific type of case study where the case itself is of primary interest in the exploration and is driven by a desire to know more about its uniqueness. Case study has been supplemented by internal document analysis as a standard activity in qualitative or quantitative research.

For the second partial research, regarding thesis objective, which is identification of CSR perception among chosen group of stakeholders, quantitative type of research was chosen. Quantitative research *"entails a deductive approach to the relationship between theory and research, in which the accent is placed on the testing of theories, and embodies a view of social reality as an external, objective reality"* (Bryman, 2004, p. 79). The quantitative research serves as an appropriate choice of research type because as an object of this investigation quite numerous group of company stakeholders was chosen. Furthermore, selected type of research can be described as selective, nonrecurring and multi-type. Selective research comprises a selection of materials and formal criteria based on researcher's choice. Nonrecurring research comprises materials related to specific topic within a defined time period. Multi-type research summarizes of two or more types of documents.

2.2.2   Research subjects

The proper choice of research subjects is a key factor of a study in both types of research - qualitative and quantitative. The criteria of subject selection are different for both research types, therefore two groups of respondents were chosen in order to form the case study. Even though different groups of stakeholders were part of the research, the main subject of the study was one company - Makro Cash & Carry. The choice of the company was mainly because of its long lasting engagement

in CSR activities. The company as a whole became the subject of qualitative research, while a particular group of stakeholders - in this case, employees at two levels - became subject of the quantitative research. With respect to research objectives, investigated stakeholder group was divided into two groups according to their work place - employees of a Makro stores and employees of a Makro Head office (Kampus[1]).

2.2.3   Data collection methods

For acquisition of valuable data appropriate data collection methods had to be set. Selection of these methods was done with respect to thesis objectives, where the main factor was to choose proper methods, which would lead towards achievement of set objectives, valuable information gain and answers to research questions. During the initiation phase of research the existing literature represents an important element. After the topic selection researcher has to determine number of essential factors – which concepts and theories, methods and clashes of evidence has been applied to the topic (Bryman, 2004).

As mentioned above, qualitative research was chosen as an essential part of the study. There is a wide range of data collection methods which can be used during the conduction of qualitative research. After thorough consideration of these methods, semi-structured interviews were chosen as elemental method. Based on information gained in literature review, list of topics and questions related to thesis objectives were set. These questions were asked according to situation and atmosphere of the interview. The interviews were recorded with the permission of the respondents and later transcribed into written form. Altogether, five semi-structured interviews with relevant Makro employees were conducted and the information gained were interpreted with usage of framework analysis method. Records and transcriptions of all five interviews are at author's disposal however one of these could be find in appendix 7.1. Aim of interview analysis is to order data to facilitate interpretation involving thematic and explanatory analysis. Framework analysis serves for data categorization and interpretation, which allows better understanding of the text (Bryman, 2004). This method was chosen because of the fact that the research does not work with large

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[1] Kampus is an internal business designation for Makro ČR Head office situated in Prague 5 - Stodůlky.

number of results, especially because only one company was part of the investigation. Analysis of such information does not require more complicated and more complex approaches of methods.

The method of semi-structured interviews was extended by two other data collection methods – document analysis and participant observation. As only used method, document analysis would not be satisfactory enough. Its purpose was to provide reader with general information of the business, its situation and CSR activities. Documents used for the research were internal documents, annual reports, press releases, reports and Makro webpage. Participant observation inside the company, as other qualitative data collection method, is a technique in which researcher observes and records the behavior of individuals. One of its main advantages is that unlike survey researches, it allows behavior to be observed directly (Bryman, 2004).

For the second partial research focused on CSR perception among company stakeholder group the method of questionnaire illustrative research among Makro employees were chosen. Questionnaire research offers an opportunity to reveal information about both behavior and social attitudes. In other words, it is a flexible tool which offers the prospect of being able to uncover a variety of correlates of behavior (Bryman, 2004). Table number 1 shows the table of respondent who became the part of the research. Respondents were selected with regards to thesis objectives. As main differentiating factor of analysis was chosen work place of employees - Store or Kampus. There are 279 workers in Kampus and 120 entered research. We can see that 43 % Head office employees filled out the questionnaire. On the other hand, 82 out of 281 workers in Makro Stodůlky store found the time for a respond, which is almost 30 %. Final questionnaire used for data collection is portrayed in Appendix 7.2. The final structure of respondents is shown below:

Table 1: Table of respondents

Age	Gender	Work place		Total
		Kampus	**Store**	
18 -29	male	16	11	**27**
	female	20	9	**29**
30 - 49	male	40	21	**61**
	female	40	23	**63**
50 +	male	3	11	**14**
	female	1	7	**8**
Total		**120**	**82**	**202**

Source: Own creation

2.2.4   Data processing

For the realization of qualitative part of the research, five Makro Kampus (Head office) employees responsible for at least part of CSR were contacted and asked for semi-structured interview. Interviews we recorded and later transferred into written form using method of literal transcription. Second chosen method was the document analysis. Internal materials were obtained during the interviews and later analyzed. Other information concerning CSR was found out on Makro webpage and other relevant internet sources.

Quantitative research was conducted with the help of questionnaire illustrative research. The questionnaire itself was spread via two different channels. The questionnaire was created using internet survey software Survey Monkey and sent to respondents by corporate email service. In addition, printed version of the questionnaire was distributed among store employees in order to reach more respondents. Evaluation of the research was done with using mathematical and statistical methods. As a main tool for data procession MS Excel was used.

3. THEORETICAL BACKGROUND

3.1 Business ethics

All human activity may be the subject of ethical questions. The term ethics is based on the Greek word *éthos*, which means habit, custom, pattern or routine. This term is very close in meaning to the Latin expressions *mos*, *mores* that have become the foundation stone of the word morality (Trojan, 2012).

A business is an organization whose purpose is to create good and services, usually at a profit. On the other hand, business is also an activity, because entities exchange their goods and services for an agreed price. Business ethics thus can be understood as the study of the ethical dimensions of this activity, including ethical analyses of production, consumption, sales, marketing and distribution. Business ethics is also the study of professional practices designed to guide people involved in business activity, such as development, management, effectiveness and the content of codes of business conduct. To do business ethics well, a company has to be familiar with results in a variety of disciplines, including ethics, political philosophy, economics, psychology, law, and public policy (Moriarty, 2016).

Business ethics, like other areas of ethics, focuses mainly on principles of action, on the action itself and its consequences. According to Robert C. Solomon, the focuses of Kant's "deontology" is targeted primarily at principles of action and their justifications, while the later focuses of "utilitarianism" concentrated mainly on consequences of actions and their relative benefits and harms. As in most fields of ethics, in business ethics it is generally agreed that all three elements must be taken in account - principles, the action itself and consequences (Frederick, 1999).

According to Remišová (2004), among the most important impulses leading to the formation of business ethics belong ecological problems, unemployment and social issues. She characterizes business ethics as applied integrative normative ethics that examines interactions between ethics and economics. Business ethics enquires into analysis of moral codes and principles in all spheres of a business system by investigating the ethical assumptions for functional conditions of modern market economy. Business ethics involves critical reflection of economic activities based on the values of humanisms justice, solidarity, freedom and tolerance. To sum up, the

term business ethics represents ethics of the whole economic system, not ethics of one individual in some area of economy. Its main purpose is to incorporate ethical norms into the economic sphere. Remišová (2004) summarizes the four main purposes of business ethics as:

- revelation of functioning ethical norms and principles
- confrontation of those principles with human values of a dignified, just and good life
- formulation of new ethical norms and principles
- preparation of procedures for the application of those norms and principles into the economic sphere at all management levels

3.1.1 Morality of actions

Ethics as a discipline explores the different motives of human behavior to show some expected consequences of specific actions. In other words, ethics is the study of impulses of human acts dividing what is good and what is evil. Professor of philosophy Jakub Trojan in his book *Ethical Relationships in Economics* points out that considering the field of ethics and the field of morality as the same would be a mistake. He specifies that in ethics as a science we focus on finding the reasons for our moral acts. The purpose of ethics is not to concentrate on how we act, but how we should act (Trojan, 2012).

We may consider the term morality as a complex of certain rules of behavior and action, which are necessary when solving practical situations. According to Marie Bohatá (1997), morality is closely related to conscience because every act we do or feeling we have must be in harmony with it. Morality characterizes practices defining what is good or bad and consists of standards acknowledged by every member of a certain society. These practices are connected to culture and are handed over from one generation to another. The first step of this process is to learn how to differentiate moral principles (we do not do it because it is not right) from principles of circumspection and self-interest (we do not do it because it is dangerous) (Bohatá, 1997).

3.1.2 Codes of ethics

Human beings are in the position to influence their life decision by having freedom of choice and the ability to distinguish between good and bad. Because of freedom of choice and the fact that moral understanding may differentiate one person from another, people in general need guiding principles to deal with moral dilemmas. These principles and standards in personal life are in the business world replaced by codes of ethics. These codes are defined by the OECD as *"voluntary commitments made by companies, associations or other entities, which put forward standards and principles for the conduct of business activities in the market place"* (cited in Mika, 2011, p. 40). As companies have different goals, the intentions behind codes of ethics may differ as well. Codes of ethics may have legal significance and consequences and cover topics related to human and labor rights, together with environmental protection, and are directed by governments, business partners, shareholders and customers. The adoption of ethical codes is inspired mainly by the idea of guiding employees and partners towards ethically correct behavior. *"Codes of ethics are the written basis of a firm's value system and moral ground rules. The ethical principles offer guidance for the people involved and show due its standards the ethically right behavior"* (Mina, 2011, p. 41).

To implement codes of ethics into the organization, it is essential for the business to review values relevant to laws and regulations and assure that the company is not breaking any of them. The Josephson Institute of Ethics has developed a list of ethical values and codes that are at the highest priority of the organization:

- *"Trustworthiness: honesty, integrity, promise-keeping, loyalty*
- *Respect: autonomy, privacy, dignity, courtesy, tolerance, acceptance*
- *Responsibility: accountability, pursuit of excellence*
- *Caring: compassion, consideration, giving, sharing, kindness, loving*
- *Justice and fairness: procedural fairness, impartiality, consistency, equity, equality, due process*
- *Civic virtue and citizenship: law abiding, community service, protection of environment"* (cited in McNamara, 2004, p. 12).

3.1.3 Ethical management

Business ethics as a management discipline came to consideration together with the beginning of the social responsibility movement in the 1960s. Social expectations in that time heavily increased and businesses were pushed to share their massive financial base and social influence with others to address communal problems such as poverty, environmental protection, human rights, public health and education. The idea came from the conviction that if companies are making profit by using country's resources, their natural obligation is to work to improve society. As mentioned above, organizations were forced to change their behavioral patterns in business ethics and also in other managerial disciplines, such as public relations and human resources. To manage business ethics successfully, certain roles and responsibilities need to be taken by different people in the organization. Naturally, smaller companies have a disadvantage because of a lack of human resources in the implementation. On the other hand, these roles can be assigned as a part-time function to someone already employed in the organization (McNamara, 2004).

To implement business ethics successfully into the corporation, firstly, a business ethics program has to be fully supported by the chief executive of the organization. If so, the chief executive should consistently lead its employees in ethical conduct and admit possible mistakes. By setting down an ethical philosophy and rules of conduct and practices, the company can embrace organizational codes of ethics and enhance corporate brand image and reputation. Besides, executives of the organization may appoint ethics officers, people trained in matters of ethics in the workplace, whose job would be to organize employee training programs in ethics. Top management support in this area can play a major role in employee's encouragement and enforcement of ethical behavior and standards (Jalil, Azam, & Rahman, 2010).

Secondly, the organization should consider establishing an ethics committee at board level, which would oversee operations of business ethics program, and later consider the establishment of an ethics management committee. This group of people, comprised of experienced senior officers, would be asked to implement an ethics management program by administering and training other colleagues about policies, procedures and ethical dilemmas. Finally, by establishing an ombudsperson, the company gains a person responsible for coordinating the development of the policies

and procedures to instill moral values into the workplace. In summary, to be successful in issuing business ethics, at least one person in the company must ultimately be responsible for managing the program (McNamara, 2004).

3.1.4   Business ethics and corporate responsibility

There are number of reasons why corporations are asked about their responsibilities to others. Among the most important is the changing role of the corporate world, technological development, globalization and the democratization of moral authority. Traditional moral authorities, such as government and church have faded to the background, is therefore no longer easy for organizations to take social consensus and legitimacy for granted.

"Nowadays the motto is: 'seeing is believing'. We are moving from a 'tell me the world' to 'show me the world'. Moral concepts in society no longer come from a central source and come in evermore multiple forms, which mean businesses are less and less able to predict who will approve or criticize their actions. This reinforces the need for businesses to publicly give account over their policies, so they can respond to unexpected critical questions" (Jeurissen, 2007, p. 12).

To conclude, a process of democratic moral consensus has replaced traditional sources of authority and citizens more frequently develop these standards themselves in public debates. This democratization of moral means that businesses are expected to define their social role and all the responsibilities that go along with it (Jeurissen, 2007).

The demand for corporate social responsibility is international and comes from all sectors of society - governments, non-profit organizations, consumers etc. Corporate social responsibility can be viewed from different angles - in public relations the key factor is communication, especially how the company targets its audience and inform public of its activities. A strategic approach evaluates how corporations anticipate changing social expectations and which ideas therefore become more important to a business. In business ethics, power and influence are not decisive criteria, but rather are morally and reasonably justified (Jeurissen, 2007).

3.2   Corporate Social Responsibility

Corporate Social Responsibility constitutes a new way of "doing" business. If presented well, it can not only be considered a huge social contribution, but can bring many benefits for the corporation itself. CSR is a trend that appeals for a change in a firm's orientation from short term goals to long term ones, trying to gain optimal profit. Socially responsible corporations take care about their internal and external social environment, are responsible for global sustainability contributions and help to improve general social status. In short, CSR can be expressed as the integration of positive programs, attitudes and practices to entrepreneurial strategy at the highest corporate management levels. The CSR trend is growing worldwide, especially because of consumer pressure and increasing global connections (Skácelík, 2010).

Despite the fact that CSR has received increasing attention in the media and business environment, Sen and Bhattacharya (2001) conclude that effects on consumer behavior could be limited. CSR is a powerful tool for leaders in strategic decision making, but not all firms are able to achieve the same positive outcome. There are several factors influencing the effectiveness of CSR, such as leadership (decision taking execution), employees (support) and exploitation (communications and branding). These CSR activities are not same in every organization (Sen & Bhattacharya, 2001).

CSR is considered to be a part of sustainable development and is internationally supported by OSN, EU, OECD and many other international non-governmental institutions. The European Union is considering setting down definite standards about reporting CSR activities across Europe. National governments have the permission to spread the positive trends not only legislatively, but also by active public encouragement and propagation. To sum up, it is absolutely crucial for CSR to become deeply rooted and relevant not only for large corporations, but especially medium and small-sized businesses (Skácelík, 2010).

3.2.1   History and evolution of CSR

The roots of socially responsible firms can be traced to the 19th century when company owners built dormitories for their workers to strengthen relationships

and maintain working morale. A crucial moment in the history of CSR is a book called Social Responsibility of Businessman written by Howard Bowen in 1953. Bowen argued for a requirement to consider social aspects of management and control (Skácelík, 2010). According to Bowen, a businessman's obligation is to pursue policies and make decisions that have value for whole society. Carroll (1999) named Bowen "the father of CRS" because of his work. After Bowen's introduction, many studies have taken place, which have deepened the CSR concept. Swanson (2006) claims that there were three main ideas about CSR in 1950s - managers should play the role of public guardian, deal responsibly with resources and form corporate philanthropy.

There was definitely evidence of CSR in 1950s literature, but it was in the 1960s when there was a significant growth in efforts to explain what the term means. It was Davis in 1960 who set the definitions that CSR refers to: *"businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest"* (1960, cited in Carroll 1999, p. 271). Another important contributor to the CSR definition in the 1960s was Joseph W. McGuire, who stated: *"The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond the obligations"* (1963, cited in Carroll 1999, p. 271). McGuire did not make perfectly clear what these obligations literally meant, but according to Carroll (1999) the main idea was that a corporation must be concerned with community welfare, take an interest in education, politics, employee satisfaction and the whole social world. McGuire first showed that organizations should act as corporate citizens.

In relation to globalization, CSR received much more attention in the USA during 1970s. The United Nations considered the topic for the first time and basics of contemporary understanding of the CSR term were set. In 1971, Harold Johnson talked about conventional wisdom, defining a socially responsible firm, where: *"managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stakeholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation"* (cited in Carroll, 1999, p. 273). According to Carroll and Shabana (2010), social responsibility in the 60s and 70s was driven especially by socially motivated reasons and businesses did not expect anything specific in return.

Moving into the 1980s, more research and fewer definitions are the main focuses, in hand with alternative concepts and themes such as corporate social performance (CSP), corporate social responsiveness (the connection between financial performance and social responsibility), public policy and stakeholder theory. Interest in CSR had been recast into alternative theories and themes trying to discover the "truth" (Carroll, 1999). Frederick termed the 1980s as *"the beginning of the 'corporate/business ethics' stage, wherein the focus became fostering ethical corporate cultures"* (cited in Carroll, 2010, p. 88). Peter Drucker (1984) talked about profitability and responsibility being compatible notions. The idea is built on fact that business ought to modify its social responsibilities into business opportunities. *"The proper 'social responsibility' of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth"* (Drucker, 1984, p. 62). Carroll (1999) considers as a major contribution to the topic the theory presented by Wartick & Cochran in 1985, where these two authors recast Carroll's three-dimensional integration of responsibility, responsiveness and social issues introduced in 1979. Those three aspects were reworked into a framework of principles, processes and policies. In addition to CSR definition, Edwin M. Epstein in 1987 brought together business ethics and corporate social responsiveness and called it 'corporate social policy process'. To sum up, he added, *"The nub of the corporate social policy process is the institutionalization within business organizations of the following three elements... business ethics, corporate social responsibility and corporate social responsiveness"* (cited in Carroll, 1999, p. 288).

The 1990s and 2000s became the era of global corporate citizenship, where the quest for CSR accelerated in terms of global outreach. CSR certainly became a dominant theme during this period, especially because of business community was looking for a way to legitimize and rationalize their activities (Carroll & Shabana, 2010). As we approached the millennium, interest in the concept of corporate citizenship was renewed. To put it briefly, this term may be broadly or narrowly conceived, the three theories related to CSR had captured the most attention in the 1990s - CSP, business ethics and stakeholder theory (Carroll, 1999). In the early 2000s, the corporate community became fascinated by the topic of sustainable development,

and the theme of sustainability became an essential topic of all CSR discussions (Carroll & Shabana, 2010).

At the European level, very significant progress in asserting the concept of CSR concept was made at the Lisbon summit of the European Union. During the summit of the EU, top representatives defined strategic goals for European Union such as to become the most dynamic and competitively most robust economy in the world by 2010. Participants of the summit simultaneously agreed on the fact that the concept of CSR is one of the most important tools to reach this strategic goal and that is crucial for every member of the EU to support its development across the whole continent (Pavlík & Bělčík et al, 2010).

3.2.2   The pyramid of Corporate Social Responsibility

As repeatedly mentioned above, Archie B. Carroll is considered to be a pioneer and scholar in the field of CSR and has been instrumental in designating and formulating levels of company responsibility in social interactions with stakeholders. Carroll (1991) characterizes four kind of social responsibilities - the economic, legal, ethical and philanthropic levels, which should be accepted by a conscientious business entity. Carroll arranged all of these kinds of responsibilities into a pyramid model (Figure 1), where ethical and philanthropic functions have taken the most significant place in recent years.

Figure 2: Stakeholders and their expectations

PHILANTHROPIC
Responsibilities

Be a good corporate citizen.
Contribute resources
to the community;
improve quality of life.

ETHICAL
Responsibilities

Be ethical.
Obligation to do what is right, just,
and fair. Avoid harm.

LEGAL
Responsibilities

Obey the law.
Law is society's codification of right and wrong.
Play by the rules of the game.

ECONOMIC
Responsibilities

Be profitable.
The foundation upon which all others rest.

Source: Carroll, (1991)

- Economic Responsibilities - Business organizations are created as entities to provide goods and services to our society. The primary incentive for entrepreneurship is to satisfy consumer needs and wants and to make an acceptable profit during the process. Maximization of profits is an enduring corporation value and all other business responsibilities are built upon the economic responsibility of the firm.

- Legal Responsibilities - Together with the economic motive of business operations, a company is expected to comply with laws and regulations declared by governments and authorities. Legal responsibilities comprise notions of fair competition and reflect views of fairness and justice established by ground rules makers.

- Ethical Responsibilities - Carroll illustrates ethical responsibilities as *"those activities and practices that are expected or prohibited by societal members even though they are not codified into law. Ethical responsibilities embody those standards, norms, or expectations that reflect a concern for what consumers,*

employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights" (Carroll, 1991, p. 41).

- Philanthropic Responsibilities - As will be thoroughly described later, the idea of corporate philanthropic activities encompasses actions that are in response to society's expectations for programs to promote human welfare or goodwill. Fields of philanthropy include financial contributions to the arts, education and community. The distinguishing difference between ethical and philanthropic responsibilities is that the former are not expected and are strictly voluntary (Carroll, 1991).

Carroll's pyramid is a metaphor intended to *"portray that the total CSR of business comprises distinct components that, taken together, constitute the whole. Though the components have been treated as separate concepts for discussion purposes, they are not mutually exclusive and are not intended to juxtapose a firm's economic responsibilities with its other responsibilities"* (1991, p. 42). In relation to this, Carroll points out that the tensions between economic and other responsibilities are most crucial and most hard to measure. In addition, there emerges a conflict between a firm's concern for profit and a concern for society, therefore in this particular meaning the pyramid is suggested to be seen as an oversimplification. The focus on the entire pyramid as a unified complex shows the company is engaged in programs, actions and decisions that fulfill all its component parts - profit making, legal obedience, ethical behavior and good corporate citizenship (Carroll, 1991).

3.2.3   Stakeholder theory

The concept of stakeholders, in other words involved and participating groups of people, institutions or organizations, represents a key factor in the area of corporate social responsibility. Stakeholders have a direct or indirect influence on the operation of the company while they are also affected by its existence. The stakeholder model originally stands on the opinion that business entities have larger responsibility than just to its owners (Skácelík, 2010).

It is very important to distinguish between the term "stakeholder" and "stockholder". Carroll (1991) specifies stakeholders as a group, which has a stake, a claim, or an interest in the operations and decisions of the firm. On the other hand,

a stakeholder's stake *"might represent a legal claim, such as that which might be held by an owner, an employee, or a customer who has an explicit or implicit contract. Other times it might be represented by a moral claim, such as when these groups assert a right to be treated fairly or with due process, or to have their opinions taken into consideration in an important business decision"* (1991, p. 43).

Even though each scholar may define the theory differently, each version in general stands for the principle that corporations should heed the needs and interests of those affected by their operations and policies. According to Carroll, a stakeholder may be thought of as *"any individual or group who can affect or is affected by the actions, decisions, policies, practices, or goals of the organization"* (cited in Frederick, 1999, p. 315). The theory assumes that stakeholders are individual entities, isolated and easily identifiable by management, whose interests can be taken into account in the decision-making process (Buchholz & Rosenthal in Frederick, 1999).

Stakeholder theory may be viewed as a conceptual framework, concocted from a variety of disciplines, incorporating philosophy, ethics, economics and social science. Cannon (1994) claims that the basis for stakeholder theory is that corporations are large entities and their impact on society is so pervasive that they should practice accountability to many more sectors of society than solely to their shareholders. The typical stakeholders are considered to be employees, customers, creditors, suppliers, communities in the vicinity of the company's operations, government, competitors, and of course, stockholders and owners. Stakeholder management involves considering the interests and concerns of these various groups in making management decisions in order to satisfy them at least to some extent. Table 2 shows what most important stakeholders expect from their organizations.

Table 2: Stakeholders and their expectations

Stakeholders	Primary expectations	Secondary expectations
Stockholders	Financial	Added value
Employees	Pay	Work satisfaction, training
Customers	Supply of goods and services	Quality
Creditors	Credit worthiness	Security
Suppliers	Payment	Long-term relationships
Community	Safety and security	Contribution to community
Government	Compliance	Improved competitiveness

Source: Adapted from Cannon (1994)

It is important to mention some real examples of how we should think of people having a stake. In relation to market oriented stakeholders, a company measures customer satisfaction and provides truthful and exact information about products and services according to an ethical advertisement code. In relation to employees, corporate responsibility questions identify e.g. nonfinancial benefits provided to employees and verify if the company enables employees to help the local community by active participation and prevent discrimination in the workplace. Thirdly, environmental questions concern about ecologically friendly products and identify if organization minimizes waste and recycles (Pavlík & Bělčík et al, 2010).

The idea of corporate social responsibility is closely link with stakeholder theory, because companies are being strongly forced by social and environmental lobby groups to strengthen and improve their attitudes toward all stakeholders and to act in a socially responsible and ethical manner. Quinn and Jones define this approach as "non-instrumental ethics[2]", arguing that: *"company managers have no special rules that allow them to ignore their moral obligations as human beings and that, whether ethical behavior is profitable or not, it must be adhered to"* (cited in Cannon, 1994, p. 24).

They provided arguments that four moral principles have to be applied: avoiding harm to others, respecting the autonomy of others, avoidance of lying and honoring agreements (Cannon, 1994). With these perspectives in mind, the process of

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[2] Things with non-instrumental value, in other words intrinsic, are viewed as having value ending in themselves, rather than as a means to some other objective. For example, telling the truth is for somebody just right thing to do, not as mean to something else (Copp & Wong, 2012).

fulfilling of claims and expectations being made by various stakeholders group is work for "stakeholder management". The main important functions of stakeholder management are to manage, analyze, describe and understand the long-term interests of primary stakeholders while the rest of them are also satisfied. Carroll (1991) illustrates five fundamental questions to capture the main tasks for which stakeholder management is responsible:

1. Who are our stakeholders?

2. What are their stakes?

3. What opportunities and challenges are presented by our stakeholders?

4. What kind of corporate social responsibilities do we have to our stakeholders?

5. What actions, strategies, or decisions should we make to best deal with these responsibilities?

To answer these questions, Carroll presents an analytical tool to deal with thoughts and ideas of the managers. The concept is presented as the stakeholder or responsibility matrix, which works with an economic, legal, ethical and philanthropic sense in relation to relevant groups of stakeholders (Figure 2). According to Carroll (1991), this matrix helps the managers to develop and establish a significant data base for developing priorities in making long and short term decisions towards stakeholders' best interests.

Figure 2: Stakeholder / Responsibility Matrix

Types of CSR

Stakeholders	Economic	Legal	Ethical	Philanthropic
Owners				
Customers				
Employees				
Community				
Competitors				
Suppliers				
Social Activist Groups				
Public at Large				
Others				

Source: Carroll (1991)

3.2.4   Triple bottom line - CSR pillars

The term Triple Bottom Line was implemented by John Elkington in 1994 as one of the main rallying cries for businesses trying to address sustainability. The environmental agenda has been shaped from 1960 to the present, when the responsibilities of governments and the public sector have significantly changed according to three main waves, presented by Elkington. In the first wave, environmental legislation showed up as a response to increasing natural resource demands made by society. The second wave brought up the view that it is necessary to implement new kinds of production and products that respect sustainability. The response of businesses was much more competitive than the defensive response to the first wave. The third wave's focus targeted the requirement for changes in the governance of corporations and the whole globalization process regarding a renewed view on government and civil society (Elkington in Henriques & Richardson, 2004).

The triple bottom line suggests that sustainability can be analyzed by considering impacts in three dimensions - the environmental, social and economic. It stimulates the activities of corporations and generates tools which can yield corporate social responsibility performance. According to Savitz, the concept of the triple

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bottom line *"captures the essence of sustainability by measuring the impact of an organization's activities on the world... including both its profitability and shareholder values and its social, human and environmental capital"* (cited in Slaper & Hall, 2011, p. 4).

This raises questions about what mechanisms exist for responsibly managing sustainability issues at international and national levels and at corporate boundaries. Despite the fact that there have been several treatments of the connection between the three dimensions of corporate sustainability behavior, in summary it is not possible to prove a preference for one dimension over another. According to Henriques & Richardson (2004), it is possible to relate the approach of triple bottom line with the stakeholder approach to CSR[3], but there is no suggestion that these three dimensions must fully exhaust the entire field of sustainability.

3.2.4.1 Economic dimension - Profit

The economic dimension is the primary inner dimension of the organization because it comprises its employees, management, shareholders and especially adopts an economic strategy towards society. The first wave of countries, which adopted CSR, came out of unequal geographical locations (richer industrial north in comparison to poorer agricultural south). The concept proved its impact on the real life of citizens and showed it is not only a question for intellectuals and high society. According the points mentioned above, Skácelík (2010) defines a sequence of individual economic activities connected to stakeholder theory:

1. Relationship to employees
2. Relationship within management
3. Relations to involved groups
4. Relations to legal entities
5. Transparency of operations
6. Rejection of corruption

Next, it is crucial to distinguish between the economic dimension and the expression of social and environmental impacts in terms of cost and money. Whereas the original bottom line suggests that increasing revenues and limiting costs improves

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[3] The concept involves a range of issues in which they are concerned as stakeholders.

the concept, according to Henriques & Richardson (2004), the economic performance of a company is much wider than shareholder return. In other words, profitability is one element of economic dimension, but not all of it. The scope of the economic dimension must be distinguished from the expression of environmental or social impacts in financial terms. The economic dimension has to be interpreted in broad sense, not just a financial one, because sustainability is essentially a system property and has critical qualitative characteristics. Economic variables deal with the bottom line and flow of money, specific examples may include business climate factors, expenditures, taxes, job growth and employment distribution by sector. On the other hand, what is most crucial is not the definition, but the way of measuring it.

Despite the fact that there is no universal standard method of triple bottom line calculation, Slaper & Hall (2011) calculate with an index which allows comparisons between entities, e.g. performance between companies, cities or development projects, if there is a universally accepted method of accounting. *"The level of the entity, type of project and the geographic scope will drive many of the decisions about what measures to include. That said, the set of measures will ultimately be determined by stakeholders and subject matter experts and the ability to collect the necessary data"* (Slaper & Hall, 2011, p. 5).

3.2.4.2   Environmental dimension - Planet

The ecological dimension is another important component of CSR. Association of the environmental or planet dimension with sustainability at the organizational level of the company is broadly accepted and understood because of the environmental movement which has promoted sustainable development since the 1970s (Cavagnaro & Curiel, 2011). The planetary dimension is mentioned in the Green book of the European Commission and also in the United Nations Global Compact Initiative in 2000, where three of the nine fundamental principles of world entrepreneurship practices concern ecology. For example, corporations should encourage environmental protection and nations should promote initiatives propagating responsible attitude towards natural resources.

The principle is to promote development and disseminate technologies that are respectful to environment. Ecology is an area where a huge percentage of

economic subjects evolve activities and use natural resources and raw materials to own production while at the same time negatively affect the ecological system of the landscape (Skácelík, 2010). The environmental variables *"should represent measurements of natural resources and reflect potential influences to its viability. Ideally, having long-range trends available for each of the environmental variables would help organizations identify the impacts a project or policy would have on the area"* (Slaper & Hall, 2011, p. 5).

According to Skácelík (2010), positive steps in the field of sustainable activities are realized mainly by firms whose operations have a direct impact on the environmental sphere. Put briefly, eco-friendly thoughts and behavior are usually not on the agenda of firms whose business politics are not strictly connected with ecology. Specific examples of the worst situation include concentration of nitrogen oxides, electricity and fossil fuel consumption, air pollution and land use and cover.

3.2.4.3 Social dimension - People

The social dimension is a field which main purpose is to protect rights and interest of employees and the society as a whole based on the work of labor and trade unions. Based on The European Trade Union Confederation, CSR is a tool for creating progress in social dialogue and questions that concern social benefits. The greatest anxiety concerns to law privatization on the business level, which could exceeded rights and laws monitored by government. To sum up, CSR cannot include elements which are in conflict with legal requirements and multilateral agreements (Skácelík, 2010).

As mentioned above, social variables inlude measurements of the social dimension in a community or region. Those variables concern education, health, well-being, social capital and quality of life. The social dimension also covers all institutions and organizations which are responsible for performance of the company, e.g. customers, shareholders, employees and unions (Slaper & Hall, 2011).

To bring this chapter to a close, the triple bottom line concept consists of financial profit or success, social justice, and protection of the environment. The summary of "Profits, People, and Planet" is closely related to the concept of sustainability - corporations that are built to last, society which is stable and just, and

a global natural environment in a healthy equilibrium with human behavior. Figure 3, presented by Savitz & Weber (2014), deals with the most common measures of the triple bottom line theory.

Figure 3: Pillars of Triple bottom line

	Economic	Environmental	Social
Typical Measures	Sales, profits, ROI	Pollutants emitted	Health and safety record
	Taxes paid	Carbon footprint	Community impacts
	Monetary flows	Recycling and reuse	Human rights; privacy
	Jobs created	Water and energy use	Product responsibility
	Supplier relations	Product impacts	Employee relations
	Total	Total	Total

Source: Savitz & Weber (2014)

3.2.5   Corporate citizenship

Originally, this term can be traced back to the 1970s and refers to the role of corporations, which should carry responsibilities and build partnerships with the greater society around it. The term Corporate Citizenship is predominantly about philanthropy and the concept of CSR, where good corporate citizenship can be summarized as active community involvement and contribution to the enhancement of the quality of community life. Moral obligations arising from the role of citizens may encourage corporations to *"not only make use of the benefits arising from their home country they can actively shape thanks to their position on society, but to fulfill also the responsibilities connected with these privileges and options open to them. Corporations may thus ask themselves in the future what they could do for their country"* (Keinert, 2008, p. 50).

Corporate citizenship can be seen as a corporate response to the critiques of their role as the main actors in the globalization process. Zadek (2001) sees corporate citizenship as the explicit social and environmental aims of corporations that go

beyond the requirements set by local or national law. The challenge is whether the government is able to change the underlying relationship between businesses and society and encourage corporate citizenship. The role of the contribution of corporate citizenship is a matter of governance in addressing social and environmental challenges. In other words, attempts to achieve international public policy objectives, such as growing poverty, inequality and environmental security and corporate citizenship in almost every form should be welcomed, encouraged and honored (Zadek, 2001).

In hand with corporate citizenship goes another important term - corporate personhood. It refers to the ability of organizations to be considered as an individual by law. This concept is based on idea of limited liability. Corporate executives operate on behalf of the company rather than on behalf of themselves, therefore the organization has the right to be sued in a court of law. Corporate personhood is mainly controversial in the United States, because it is protected under the US Constitution. Criticism is based on claim that corporations can be sued but that this protects those individuals inside the organization (HRZONE, 2013).

3.2.6   Corporate social responsiveness

Scholars at the beginning of the 1970s began to reorient the perspective of corporation's response to the social environment. This ship was labeled "corporate social responsiveness" and the attempt was to search for mechanisms, procedures and behavioral patterns that would make the company more capable of responding to social pressures. Frederick, in 1978, termed corporate social responsibility as CSR1 and corporate social responsiveness as CSR2. He defined this new concept as *"the literal act of responding, or of achieving a generally responsive posture... It then becomes evident that organizational design and managerial competence play important roles in how extensively and how well a company responds to social demands and needs"* (1978, cited in Frederick, 1999, p. 306). In contrast to CSR1, CSR2 stands for concrete strategic reactions to social issues and leaves behind thoughts about business ethics and accountability. The major differences between social responsibility and social responsiveness were summarized by Wartick & Cochran (1985) in following table:

Table 3: Comparison of CSR1 and CSR2 concepts

	Social responsibility	Social responsiveness
Major considerations	Ethical	Pragmatic
Unit of analysis	Society	The firm
Focus	Ends	Means
Purpose	"Window out"[4]	"Window in"
Emphasis	Obligations	Responses
Role of the firm	Moral agent	Producer of goods and services
Decision framework	Long term	Medium and short term

Source: Adapted from Wartick & Cochran (1985)

Clarkson (1995) adjusted Carroll's three dimensional conceptual model from 1979 and the existing approaches of Ian Wilson from 1974, and classified four types of strategy or response to corporate social responsiveness, known as the RDAP scale[5]:

- *Reactive* - firm denies responsibility and does less than is demanded
- *Defensive* - firm admits responsibility, but resists adjusting the requirements of social responsiveness
- *Accommodative* - firm accepts responsibility and endeavors to fulfill the demands
- *Proactive* - firm anticipates the responsibility and does more than is demanded by the social responsiveness concept[6]

According to Sims (2003), from the evolution of corporate social responsibility, we can determine that the term *responsibility* is too suggestive of efforts to fully describe business's willingness and nonobligatory activities as a response to social demands. The term responsibility places an emphasis on motivation rather than on performance, while social responsiveness is a more fitting description of what is essential in the social area. Epstein's social responsiveness definition places a focus on organizational processes *"for determining, implementing, and evaluating the firm's capacity to anticipate, respond to, and manage the issues*

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[4] The term "window out" can be understood as "external" and the term "window in" as internal
[5] Reactive-Defensive-Accommodative-Proactive scale
[6] This concept partly abandons "society-wide" ethical imperatives and does not proclaim long term horizons of thoughts. It is more short-term or medium-term, relatively concrete business strategy (Pavlík & Bělčík et al., 2010).

and problems arising from the diverse claims and expectations of internal and external stakeholders" (Epstein in Sims, 2003, p. 51).

Carroll (1991) emphasizes that the action and performance of the organization is based on implementing the economic orientation with a social role as a crucial part of the social responsiveness movement. Firms need to address a broad spectrum of obligations to society and the most fundamental aspect - the economic - cannot be overlooked. This concept is closely related to Carroll's pyramid as a four dimensional perspective (in section 3.2.2).

To sum up, existing work argues that social responsiveness is important to promote supportive relationships with primary stakeholders. These stakeholders demand attention from corporate management to demonstrate CSR activities. If the stakeholders view the company as socially irresponsible, they can have a powerful impact on the financial performance and the execution of corporate strategy. Stakeholders do not have full information regarding a firm's impact on social welfare, but do have enough relevant information to assess the degree to which the company is socially responsible. CSR comprises attractive qualities such as generosity, altruism and selflessness, while by irresponsibility we can understand selfishness and sociopathic tendencies (Aras & Crowther, 2010).

3.2.7   Corporate social performance

In recent years, the term corporate social performance (CSP) has arisen as a concept embracing corporate social responsibility, responsiveness and a whole range of socially beneficial activities and accomplishments in the social sphere. From a performance perspective, Carroll suggests that *"firms must formulate and implement social goals and programs as well as integrate ethical sensitivity into all decision making, policies, and actions. With a results focus, CSP suggests an all-encompassing orientation towards normal criteria by which we assess business performance to include quantity, quality, effectiveness, and efficiency"* (Carroll, 1991, p. 40).

Firms differ in their responsibilities to all primary stakeholders, where the crucial part is performance data for evaluating company strategy. Absence of data simply means that the issue is not being managed well or is not managed at all. Furthermore, having basic and formal policies does not guarantee responsible motives

to address social issues. To sum up, the term CSP is based upon stakeholder theory and transitional society context and is measured by the number of socially aimed activities. Developing strategy, execution of CSR through various departments and intense communication of concept towards all stakeholders, especially employees, leads to greater social performance (Aras & Crowther, 2010).

3.2.8 Corporate philanthropy

The word philanthropy originally dates back to the epoch of Ancient Greek, literally meaning friend (*philia*) of men (*anthropos*). The aim of philanthropy is to give back something to society by common purpose and financially supporting good causes and institutions (schools, hospitals, etc.). We may refer to philanthropy as *"doing well to do good"*. The general idea that people should not overlook but support the communities of less fortunate people has deep religious roots both in Western and Eastern societies. Even though philanthropy is a voluntary activity, the Anglo-Saxon world has long seen it as a civic duty. Philanthropic activities are in present considered as necessary component of marketing campaigns to promote a business name and a building block (built upon financial and legal requirements) of what may become corporate social responsibility (Cavagnaro & Curiel, 2011). It is crucial not to confuse CSR theory with philanthropy. Rosemary, in 2004, claims that *"corporate philanthropy is something corporations do because they want to, because they feel they should, and they expect no return. Corporate responsibility is about meeting expectations of your stakeholders so you can continue to have contract to operate"* (cited in Aras & Crowther, 2010, p. 367).

As mentioned in chapter 3.2.2., Carroll (1991), in his pyramid theory of CSR distinguishes between four types of responsibilities, with philanthropic activities as one component. The main differentiating factor between ethical and philanthropic responsibilities lies in stakeholder expectations. Even though society wishes for a firm's money, facilities and employee time contributions to humanitarian programs and social welfare, they do not consider firms as immoral and unethical if they do not provide the requested level. Although CSR includes philanthropic contributions and there is societal expectation to provide it, the vital point is that CSR is not limited to them. In summary, philanthropy is highly desired and appreciated and can be

metaphorically seen as the icing on the cake of the pyramid. It is important for the company to fulfill the philanthropic components of CSR, in a manner consistent with the charitable expectations of society and to assist in performing arts. Examples of philanthropy include financial contributions to education and community (e.g. a loaned-executive, volunteer granting or gifts donating programs.) Managers and employees should participate in voluntary activities especially in local communities and provide assistance to public and private educational institutions. To conclude, the overall picture seems to be that it is most important assist in those projects that enhance a community's quality of life (Carroll, 1991).

3.2.9   Social marketing

As we saw at the beginning of the paper, the concept of CSR started to spread in particular as a reaction to changes not only in the business sphere but also in the whole society. This evolution was also taken into consideration by the field of marketing, within which the idea of social marketing was developed. Lee & Kotler (2015, p. 9) defined social marketing as a *"process that uses marketing principles and techniques to change target audience behaviors to benefit society as well as the individual. This strategically oriented discipline relies on creating communicating, delivering, and exchanging offerings that have positive value for individuals, clients, partners, and society at large"*. In contrast to commercial marketing, in which the primary goal is to satisfy corporate stakeholders by selling goods and services and gaining financial means, the primary beneficiary of social marketing is societal and individual gain. Social marketing uses activities and processes of commercial marketing to create, communicate and deliver innovative solutions to contribute to the well-being of the society. It is mainly used by government and nonprofit organizations as a way of delivering goods and services to improve lives (Lee & Kotler, 2015).

Pavlík & Bělčík et al. (2010) claim that social and cause related marketing also helps profit-making organizations to be involve in supporting society. Providing help to non-profit organizations or community service projects may help increase sales and attract new customers. The most common social marketing activities comprise commercial advertisement campaigns in which corporations undertake to donate a small amount of every sold product to a charity organization. It helps the company to

improve and build reputation and brand trust. Even though this is related to supporting social activities, it may not be related to CSR. CSR activities are set as a compact conception which requires corporations to act responsibly during daily choices and to create strategic policy towards interested stakeholder groups. Sporadic ad-hoc activities as mentioned above are not satisfactory enough.

To summarize, social or cause related marketing is a tool for companies that enables them to respond to social demands and contribute to the development of communities in which they operate. It empowers them to build trust with customers and other stakeholder groups and create long-term benefits for brands and products (Adkins, 2007).

3.2.10   Sustainability principles

The idea of the term sustainability was first published in a study written by von Carlowitz in 1713. This study discussed the necessity of considering natural resource limitations, specifically in forestry. This theme has been presented mainly in the last four decades through the concept of sustainable development. We need to ensure that *"the needs of the present generation are met without affecting the ability of future generations to meet their own"* (Bolis, Brunoro, & Sznelwar, 2014, p. 1).

The theme of sustainability originates in humanity's major problems and is strongly related to the conception of sustainable development. These concerns about future population are perceived not only by the public but also by large corporations, which include corporate sustainability policies into their operations. One of the aspects highlighted in the introduction of many firm's corporate sustainability policies is connected to work. The most important work-related policies in corporate sustainability currently are work conditions and social protection, human rights connected with labor, the relationship between employers and employees, development and training at the workplace and health and safety at work. These issues are introduced in corporate sustainability policies with the aim of increasing performance of the organization and improving its corporate image (Bolis, Brunoro, & Sznelwar, 2014).

Cavagnaro & Curiel (2011) observe that the integration of sustainable principles into an organization's values and vision and its monitoring and

measurements are the fundamental basis of CSR. Later, these sustainable principles must become part of management attention and find a place in a system of evaluation and reporting. If the corporation's target is to generate a positive impact on economic, social and ecological value at the society level, profit and financial results must be considered only when people and planet are also benefited during the process. Based on this, the triple bottom line constitutes an integral part of strategy, principles, visions and values of sustainable organizations in order to pursue positive solutions for all three dimensions (people, planet, profit). *"Sustainable organizations recognize responsibility towards all stakeholders - positively or negatively; directly or indirectly; willingly or unwillingly - affected by their operations. They strive to maximize value in win-win situations and, when this cannot be achieved, to reduce negative consequences for involved stakeholders"* (Cavagnaro & Curiel, 2011, p. 164).

3.2.11   Reasons to engage in CSR and its benefits

There are many ways to look at the implications of CSR. Kotler & Lee (2005) compare participation in corporate social initiatives to health care. As engagement in regular health activities is profitable for humans, CSR activities have similar potential benefits for the firm - it looks better, does better and lives longer. It is reported that such participation looks valuable for potential customers, financial analysts and business partners in annual reports and in the news. There is growing evidence that it improves the atmosphere among employees, customers, stockholders and board members. In fact, corporations with a strong reputation and brand trust last longer and enhance the well-being of the community.

Because of increasing public demand on business leaders to include social issues as part of their strategy, managers continually meet demands from stakeholder groups to invest in CSR initiatives. According to Musah (2008), there are four main stakeholder groups that put pressures on the company - employees, consumers, communities and environment. Employee pressures include primarily rights in the workplace, including non-discrimination in hiring, firing and promotion. Consumer pressure puts main emphasis on the production of safe products and a wider range and spread of information. This goes in hand with the environment and community

pressure where it is most important to invest in pollution abatement equipment and ensuring that the company does not threaten the health and safety of local community.

A study by the Business for Social Responsibility[7] organization concludes that companies which have incorporated CSR practices experienced range of bottom-line benefits, including the following:

- Increased market share and sales
- Strengthened brand position and trust
- Magnified corporate image and clout
- Extended ability to retain and attract employees and customers
- Reduced operating costs (Kotler & Lee, 2005).

Before the possible implementation of the CSR concept in practice, every organization needs to consider the motives and merits for the company itself. A major aspect related to method of implementation is to ensure that the concept endorses the company's strategy and is part of employees' daily activities. Empirical research has proved (Pavlík & Bělčík et al, 2010) that CSR boosts sales of the company and the main reason is the reduction of implicit costs, e.g. costs for future elimination of ecological damages and costs of future legal disputes. If the company acts proactively (foresees social responsibility), in the long-term it can reduce costs (increase effectiveness), on the other hand in the short-term costs slightly increase, which may frighten the company off.

As mentioned above, organizations dealing with CSR raise the motivation and creativity of employees, which significantly influences work productivity and the quality of products and services. According to (Pavlík & Bělčík et al, 2010), 78 percent of questioned employees in the USA (research made by STEM agency in 2003), responded that they would rather work in company with a good reputation for a lower financial salary than in company with bad image or company with no name.

Corporations that are able to identify the creative capacity of their employees to be less harmful to the environment will reduce their expenses on energy, water and waste disposal. Smaller companies can follow larger ones and paradoxically have the courage to make moves in which large corporations are too heavy-footed. To

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[7] Business for Social Responsibility is a global nonprofit organization that works with its network of companies to create a just and sustainable growth. It develops sustainable business strategies leading to a prosperous and dignified life within the boundaries of natural resources (BSR, 2017).

sum up, excellent functioning and prosperity of firms is possible only with enthusiastic and dynamic employees (Chouinard & Stanley, 2012).

3.2.12   Implementing CSR in organization

Creating and implementing a successful CSR approach in an organization is complex, long-term and complicated assignment. For a corporation it often means a shift how activities are performed, connected with the implication of other innovative management tools. The final goal of CSR implementation into the company is successful integration of particular CSR activities into the values and vision of the corporation, its business culture and operative decisions at all management levels (Pavlík & Bělčík et al., 2010).

Skácelík (2010) recognizes four main phases of CSR implementation into the corporation. The first phase is based on management's decision about the process initiation, where the decision to launch has to be voluntarily made by the representatives and the leader of the project has to be named. The nominated person is supposed to know market positioning, corporate operations, competition, stakeholder groups and have great organization and communication teamwork skills.

The second phase of the implementation is the launch of the CSR team operation. The CSR team should perform an initial analysis and think about possible aspects of social responsibility in order to create a management system. The work of the management group comprises activities of the company, interest groups, products and already certificated management systems. The output of the analysis is a CSR report, which brings attention to fields of corporate responsibility where the company is successful and where it is possible to find new opportunities for development.

The third CSR implementation phase is output determination and realization of project purpose. The main aim is to integrate CSR into business culture and change management and other employee's ways of thinking. Upper management of the company has to put sustainable development principles into practice and define the new mission, vision and values of the business. Next, employees need to be involved in dialogue and their interest in the new corporate values has to be awoken, in hand with building mutual trust. Management has to modify its business strategy and purposefully support cooperation with local community, non-governmental

organizations, suppliers and consumers. A further possible procedure is employee training on the question of CSR, communication, data collection and publication of a CSR report together with the annual report.

The final stage of applying the concept in practice is the CSR report, as already mentioned in the thesis. The first partial step is the creation of a report concept. This concept should comprise all necessary information, distribution of team member tasks and realization of communication channels with interest groups. The concept of the report has to reflect the demands of CSR in all criteria of the triple bottom line. On the other hand, if any of the requirements are irrelevant, it is possible to exclude them (Skácelík, 2010).

3.2.13 Reporting about CSR

The companies who process different reports about their corporate social responsibility performance are mainly large global corporations. These reports are not part of legislatively compulsory framework and are prepared separately. CSR reports give evidence about the company's attitude towards the environment and sustainable development and are directly related to the fulfillment of commitments made by the corporation in context of CSR. Communication with public in this way has become a means of ensuring good reputation, prestige and demonstrating effective and conscious management. Reporting about CSR activities mainly provides information for various stakeholder groups that the company takes CSR seriously (Pavlík & Bělčík et al., 2010).

The content of CSR reports may be different in every corporation, but in every report it is necessary to present a corporate vision, targets and relationships towards employees, environment and local community. Next, the company shall present concrete realized and planned CSR activities and projects. Reports also include environmental impacts and potential risks connected to corporate operations (e.g. activities endangering environment and close surroundings) (Pavlík & Bělčík et al., 2010). This information is only visible from reports of corporations that portray aspects of activities complexly, clearly and truthfully. A published report is an indicator that company takes CSR seriously and its observance is a minimal standard. To provide valuable information, it is necessary to fully engage at least one employee

in constant and systematic work on providing information about the company's CSR performance (Franc et al., 2006).

Largest global corporations follow one of the world commonly used standards in the field of CSR reporting: *Global Reporting Initiative* (GRI). GRI is an international organization with headquarters in Amsterdam, established in 1997 by CERES (Coalition for Environmentally Responsible Economies) and the United Nations Environment Programme (UNEP). GRI in 2006 published *Sustainable Reporting Guidelines*[8] (also termed G3) which created a framework for corporations to compile as objective CSR performance reports as possible. The aim of the GRI is to reach a state where CSR reporting about environmental, economic and social condition from the corporation side becomes routine, comparable to financial reports. In the first section, GRI guidelines describe dialogue between interest groups, content and recommendations of report structure with regard to sustainable management.[9] The second section focuses mainly on fundamental principles, such as transparency, complexity, verifiability, comprehensiveness, accuracy and reasonableness. Thirdly, section C characterizes visions and strategies leading towards sustainable development that corporations should implement into management systems (Franc et al., 2006).

Having learned about the main characteristics of reporting, the next part seeks to describe the significant advantages that CSR reporting provides to companies. These advantages may be considered as the crucial factor for corporations to incorporate CSR reports into practice even though it increases financial expenditures. Kašparová (2011), based on various case studies,[10] identifies the main advantages that arise from CSR reporting:

- *Demonstration of transparency* - reporting propagates the obligation to manage environmental, social and economic impact and demonstrates transparency, which creates a base for dialog with stakeholders
- *Creation of competition positioning and market differentiation* - CSR reporting becomes a tool for the corporation to distinguish its brand and goods/services

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[8] Sustainable Reporting Guidelines are presented online on GRI webpage
[9] Sustainable management consists of behavioral patterns, environmental management systems and internal methods, advancement and guidelines with respect to CSR concept (Franc et al., 2006).
[10] KPMG, a professional auditor service company, comprised information from case studies developed by The World Business Council for Sustainable Development and United Nations' Environment Program (Kašparová, 2001).

- *Improvement of reputation* - CSR reports improve company name among stakeholder groups
- *Elevation of awareness, motivation and employee's identification with company -* CSR reporting helps to increase loyalty of employees, decreases fluctuation and develops company's ability to attract talents and retain high quality employees
- *Support of innovations* - composition of CSR report can stimulate performance and enables it to enhance its competitiveness (Kašparová, 2011).

As the number of socially responsible businesses grows, interest in credible data in public presentation naturally grows with it. This data is attractive not only attractive for corporations themselves, but also interested stakeholder groups, non-governmental organizations and unions. In recent years, a large number of national and international standards and techniques of measuring and reporting CSR have arisen. Among them, three indexes play first fiddle. In the beginning, the *Dow Jones Sustainable Indexes* (DJSI) was the first global index developed to track the long-term financial performance of large global corporations. *"Each year we ask over 3,400 listed companies around the world between 80-120 industry-specific questions focusing on economic, environmental and social factors that are relevant to the companies' success, but that are under-researched in conventional financial analysis"* (RobecoSAM, 2010). Next, the *Ethibel Sustainability Index* (ESI) is considered the most commonly used index in Europe and the *FTSE4Good Index series* are indexes owned by The Financial Times and London Stock Exchange. Even though there are several research organizations measuring and evaluating CSR, it is hard to state which companies assign importance to which criteria. On top of that, the absence of the possibility to compare results of performance measurements of CSR has been considerably criticized on the non-governmental and union side (Franc et. al, 2006).

KPMG (2015) assesses the quality of CSR reporting based on seven criteria that are key factors of company best practice. Firstly, the report should explain how the company identifies and engages its stakeholders. Secondly, the report should demonstrate a clear process of how the company identifies the most significant issues to the company and its stakeholders. Next, the company should identify environmental and social risks and opportunities and explain its strategic response to the public. The report also needs to declare time boundaries and measurable targets, achievements and

should communicate them effectively. The strategy and targets of the company must consider social and environmental impacts of its products, services and suppliers and show them in the report. Lastly, the report should detail who within the organization has responsibility for assessing the CSR and how corporate responsibility performance is linked to remuneration. In summary, companies are getting better at reporting the social trends and environmental risks that affect their businesses. Asia is making rapid progress and it is possible that Europe, which has traditionally led the field, could be overtaken in next few years (KPMG, 2015).

3.2.14 CSR as a strategy

The majority of companies undertake CSR practices in order to encourage their responsibilities towards society and view these initiatives as a separate phenomenon of the business. Eranda & Abeysekera (2015) pointed out that the main element of strategic CSR is to engage in social issues linked with firm's interest and operations. Next, linking the core activities of the company with social issues and considering them alongside present market opportunities is a key to success. Therefore, combining philanthropic activities with primary business goals results in the harmonization of economic and social benefits.

Porter & Kramer (2006) have suggested that by aligning CSR to a company's core strategy the true benefits of CSR and its impact on business and society can be realized. The strategy of companies must go beyond best practice by choosing a unique position of doing things differently from competitors. The principles of lower costs or better services leads to better satisfaction of customer needs and relationships towards customers and society. Identification of negative and positive effects on society helps the company to identify which ones are best to address. If the benefits lean to just one side only (company or society), this has negative consequences in the long term and offers only short-term results. A principle of shared value must be followed by both and serve both participants to the best of their ability. *"Strategic CSR moves beyond good corporate citizenship and mitigating harmful value chain impacts to mount a small number of initiatives whose social and business benefits are large and distinctive. Strategic CSR involves both inside-out and outside-in dimensions working in tandem. It is here that the opportunities for shared*

value truly lie... The success of the company and the success of the community become mutually reinforcing. Typically, the more closely tied a social issue is to the company's business, the greater the opportunity to leverage the firm's resources and capabilities, and benefit society" (Porter & Kramer, 2006, p. 10). Ranking and categorizing social issues is the crucial factor towards the end – the creation of an explicit and affirmative corporate social agenda. A corporate social agenda's goal is to achieve economic and social benefits simultaneously by taking into account community expectations.

To incorporate social issues into the strategy of the organization, Porter & Kramer (2006) developed a framework to prioritize the relevant social areas and stakeholder groups. There are three levels of interactions, including generic social issues, value chain social impacts and social dimensions of competitive context:

Figure 4: Prioritizing social issues by Porter & Kramer

Prioritizing Social Issues		
Generic social issues	Value chain social impacts	Social dimensions of competitive context
Social issues that are not significantly affected by a company's operations nor materially affect its long-term competitiveness.	Social issues that are significantly affected by a company's activities in the ordinary course of business.	Social issues in the external environment that significantly affect the underlying drivers of a company's competitiveness in the locations where it operates.

Source: Eranda & Abeysekera (2015)

To conclude, in order to be more effective in strategic CSR, organizations need to develop unique value chain activities to satisfy customer needs in the market place. Every activity of the organization touches the community in which it operates and creates consequences. Adding a social dimension to a value proposition offers a new frontier in competitive positioning (Eranda & Abeysekera, 2015).

3.2.15   CSR in the Czech Republic

CSR does not have a long history in the Czech Republic, primarily for historical reasons. In the years of communism there was only the so called "social business policy", as a concept how to access employees. Important progress was made

in 1992 when the Business Leaders Forum[11] in Prague was established. The current situation in the Czech Republic can be described as a phase of "awakening", where the concept of CSR is getting public attention and companies are realizing that such an approach exists and is beneficial and essential for future development (Skácelík, 2010).

From the above it may seem that CSR is underdeveloped in the Czech Republic. Corporations often engage in CSR only because their international parent company forces them to and not because of stakeholder pressure. CSR reporting in general is not widespread and the leading companies are in the bank sector and fast moving consumer goods. Awareness of customers in the Czech Republic about CSR activities is low and occasional philanthropic activities are not seen as a part of a strategy (Lakatos, 2013).

Corporate responsibility is closely connected to business ethics and ethical thoughts, while trust and behavioral patterns in Czech conditions suffer. Transparency International Czech Republic[12] published research focused on observance of ethical principles by Czech and British managers.[13] Research revealed information that almost 36% of respondents believe that the company should not punish employees convicted of corruption if such an act brought profit to the company. More than 38% Czech managers are convinced that unethical business behavior is rather beneficial than disadvantageous in comparison to only 10 % of British ones. From this comparison, we may draw the conclusion that an unethical business climate is a tremendous disadvantage compared to Western Europe. There are no doubts that improvement of such situation would be beneficial for the nation, economy and individuals (Pavlík & Bělčík et al., 2010).

3.2.16 Critical reflection

Since the concept of CSR was born there have been a number of scholars who have contested its validity and argued against it. The concept of CSR brings up one paradox or contradiction related to the fact that social responsibility is a valuable

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[11] Business Leaders Forum was established by initiatives of several leading Czech companies and international organization The Prince of Wales International Business Leaders Forum (IBLF).
[12] Research was compiled by INCOME GfK company.
[13] There were 254 Czech and 39 British managers questioned during the research.

corporate strategy and on the other hand an ethical thing to do. Even though the concept of CSR is much younger than the following example given by the essential German philosopher Immanuel Kant, it can work as a partial demonstration of the difference between honesty and selfishness. Kant gives a duty according example of a shopkeeper who charges the same prices for all customers, inexperienced and experienced. The argument stands on the fact that the intention of the shopkeeper not selling his products to children for worse price than to others does not essentially mean he is behaving by the principles of honesty. The conduct of his pricing comes neither from duty or honesty but from a selfish purpose. Treating all customers equitably is not because of what he wants for them, but because he wants them to behave later in his interest. This is still not an ethical act because the primary purpose was not to do the right thing (Kant, 2005).

Among the most notable arguments against CSR is a classical economic argument. This traditional view is based upon one elemental responsibility: to maximize profit and shareholder value. One of the first to oppose the concept of CSR was the economist Milton Friedman, who argued that managers should avoid earning profit and increasing sales for business owners while simultaneously trying to enhance welfare of the society. These two objectives are, according to Friedman, incompatible, and destroy the purpose of business as we know it. Social problems should be solved by the system of free market and managers should be not concerned with them. Next, these thoughts hold on a fact that if the unfettered workings of the free market system are not able to solve the social problem, then the duty falls upon legislation and government to deal with the issue. In addition, forcing corporations to engage in a socially responsible attitude could be unethical because it asks managers to spend money that does not belong to them. This money are in possession of other individuals and otherwise would be returned to stakeholders and shareholders in the form of wages, dividends etc. (Sims, 2003).

As mentioned above, the main argument of CSR critics is based on the opinion that corporations exist solely to provide goods, services and earn profit. Opponents of the concept believe that the costs of socially responsible behavior lower the efficiency of the company and weaken its capability to provide goods and services at the lowest possible cost. *"Accepting social responsibility sends mixed signals about*

an organization's goals to both organization and community members. Organization members may have difficulty meeting goals if they do not know whether their primary mission is to make a profit or to act responsibly. Community members may develop unrealistic expectations that the organization is unable to fulfill" (Sims, 2003, p. 62-63).

To summarize, scholars argues that by assuming CSR, corporations would exercise too much power over society and managers are not trained adequately in how to deal with social problems. According to Kant's example mentioned above, it is crucial to distinguish between selfish and purely ethical acting. This is extremely hard to consider and evaluate, especially because of different expectations of various stakeholders. It is a commonly known fact that efforts of reputation, brand and corporate image improvement are considered by the public as main reasons to engage in CSR. Companies face social skepticism, that exclusive reasons in CSR engagement are purely selfish and only motivation is to improve marketing and fight competition. To evaluate this point of view is, in fact, one of the main objectives of this thesis.

4. CASE STUDY OF MAKRO CASH & CARRY

4.1 Company background

MAKRO Cash & Carry ČR is a wholesaling business providing a broad range of goods and services particularly to registered customers, such as individual and legal business entities. To shop at Makro, a customer needs to register himself inside the store to get a customer card, which entitles him to purchase goods. Currently, the company operates 13 wholesale centers in the Czech Republic and six in Slovakia. The majority of the range of goods on offer is made up of food and its packaging is arranged primarily for the needs of Hotels, Restaurants and Catering and retail customer groups. For other client groups, Makro offers a wide range of office and other equipment available only in Makro stores (About MAKRO Cash & Carry, 2017).

4.1.1 METRO Cash & Carry

METRO Cash & Carry is a leading international trader in the world of wholesaling businesses. Company comprises more than 750 wholesale stores in 25 countries and is the largest customer-focused and innovative sales line of METRO Group. Together with Cash & Carry brand, METRO Group unites hypermarkets Real, Makro and popular electronic stores Media Markt and Saturn. Principal business concept of METRO is based on customer orientation and efforts to help professionals successfully run their own business. METRO is worldwide known for exceptional range of fresh food products, provided to professional customer in flexible sales concept of large selling space. For each customer group, company customizes assortments and services with its own brand strategy. These customer oriented own brands offer an added value to all customers because of value for money and focused product portfolio (METRO GROUP Business model, 2016).

The first METRO wholesale store was opened in Germany, 1964. In 1968, METRO Cash & Carry took a first step abroad and signed a partnership with a Makro store in Netherlands, owned by company Dutch Steenkolen Handelsvereeniging. Later in early 1970s, METRO opened another 13 stores in Germany and started operations in neighbouring countries France, Austria and Denmark, followed by Spain and Italy.

After 20 years of operation, METRO opened its hundredth store in 1984 and was the first wholesaler to manage its inventory electronically. During the decade of 1990s, METRO Group was one of the first international trade group entering Eastern Europe and Far East.[14] Stores opened in Hungary, Poland, Turkey, Romania, Bulgaria and the Czech Republic in 1997. In the beginning of new millennium group expanded to Russia, Japan, Vietnam, Ukraine, India and Slovakia, operating over 500 wholesale centers. New trader franchise for small independent grocery shops was kicked off in Poland in 2011 as a very important strategic move. The 750th store was solemnly opened in China, 2013 and METRO Cash & Carry was designated by the title of "Champion for Independent Business" (METRO GROUP History, 2016).

According to METRO, a positive corporate culture is a crucial part of the way, how to achieve the best possible results for customers. The company presents six guiding principles to provide a framework for staff members how to make decision and treat one another:

- *"Customer orientation: For us, being a wholesaler is all about creating customer value. This principle is at the heart of our strategy and all our professional decisions are based on it.*

- *Global entrepreneurship: We encourage entrepreneurial behavior and use our internal connections to enhance the company's value.*

- *Success through excellence: We strive to constantly improve our services. If necessary, we change outdated structures and make unconventional decisions to achieve this.*

- *Trust in our people: We encourage staff development, which also helps our company to grow. Demonstrating personal commitment, actively listening and embracing different opinions are all essential for us.*

- *Authentic leadership: Our business is built on integrity, transparency and authenticity. We start by applying these standards to ourselves and our actions.*

- *Sustainability: We ensure that our decisions take economic, ecological and social considerations into account in equal measure"* (METRO GROUP Passion).

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[14] METRO obtained a license for expansion across China and opens first store in Shanghai, 1996 (METRO Group Business model, 2016)

Figure 5: METRO GROUP Strategy Circle

Source: METRO GROUP (2016)

4.1.2 Makro Cash & Carry ČR

Makro is an international brand of retail store selling a wide variety of merchandise. As briefly mentioned above, Makro Cash & Carry ČR was established as a subsidiary of company SHV MAKRO. This Dutch family company has been part of market since 1896 with a wide range of products and services concerning transporting of goods, retail and financial services. In 1998, all activities of SHV MAKRO in Europe had been taken over by German company METRO AG founded in 1964. Trading company Makro Cash & Carry s.r.o. is legal successor of a company MAKRO CASH and CARRY TSCHECHOSLOWAKEI founded in December 1990 (About Makro Cash & Carry, 2017).

Makro C&C ČR operates 13 wholesale centers in the Czech Republic, of which almost all have a total area of approximately 15.000 square meters with almost 10.000 square meters of retail space. Ten of the retail stores are located in large cities and all regions of the Czech Republic, with three in the capital, Prague. These retail stores are built on the edge of the cities and traffic routes because of easier customer reach in the form of vehicle.

The concept of Cash & Carry works with a principle of "pay in cash and carry away". This concept works on the basis of direct purchase of goods inside the

store by direct choice or by selection of samples. *"The Cash & Carry system is a successful and internationally proven form of self-service wholesale for businesses and entrepreneurs who wish to shop in the shortest possible time – i.e. truly "pay cash and carry away", as the translation of the Cash & Carry suggests - and mainly for the lowest possible prices"* (About Makro Cash & Carry, 2017). Makro C&C offers a wide range of food and nonfood products under one roof in one easily accessible location. That is why restaurateurs, small and medium-sized trader, catering providers and other businesses can reduce their stocks and storage space and thus reduce costs. There is in present time more than 33.000 food and consumer goods items, which can be found inside one store (16.000 of fresh food and 17.000 items of consumer goods). Complete range of the products is continuously renewed and modified according to present customer structure. Customers can benefit from many advantages provided by the Makro Cash & Carry system, such as rapid customer response, flexible service and personal approach ensured by all employees and experienced sales force. To summarize, Makro C&C does not compete with small retail traders, on the contrary, it serves as a partner and helps them fight for the attention of final consumers with other large retail stores. Special price, for some customer affected by CIP[15], offers give a small and medium-sized businesses a chance to compete on rapidly changing market and thus distinguish themselves from their competitors (About Makro Cash & Carry, 2017).

4.2   Reasons for Makro to engage in CSR

"In normal society, CSR is a topic everyone should live for and live with. Of course, it is good if corporate gives some addition and stress on that. Nevertheless, I think that corporate should not impose the topic, and we should live the topic and we should be supported by the corporate to live the topic. I believe this is important... This is a topic, which is crucial for me. It is one of the main motivations, why I am walking day and night and trying to transform the company. We have done a bit and still have more to do. It is also a topic everybody should carry on its own." (Chief Executive Officer - Makro ČR / Metro SK)

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[15] CIP (Customer Individual Price) is a price customized according to individual customer needs. CIP creation takes into account several factors, such as margin, solvency or turnover of the customer.

"I believe CSR is a duty. When we do business in this country, it is necessary to be also a good partner for the society. I do not differ between professional and personal responsibility, they both mean the same to me. In present time, CSR is a strategic tool of the business because we need to think about the footprint we are making. CSR is not only the corporate external communication and material help. It is also our internal responsibility towards employees." (Head of Communications)

"When I was younger I used to believe in the idea of capitalism building and that clean and unregulated free trade is solution for almost every economical problem. Now, later on, I do believe in more socially responsible behavior of the firms towards others and more control of the market. Otherwise, our society would end up terribly." (Head of Region Operations - Region East)

"If the corporation wants to have integrity, CSR has to be core part of the system. 'Treat others the way you want to be treated' should be an elemental human attribute. It is the same for corporations because society is about integration of individuals. That is why CSR is an important question for the company as well, otherwise it is not possible to operate." (Head of Legal and Compliance Officer)

CSR is not a field which the company should be forced into, the company should do it because the people inside want. Not because it has to, this is extremely important. It is about the people inside the firm, employees and management, if they want to participate. If the management leads by example, other people inside the company can better understand why it is so and why the company involves. There is no reason to conceal that appropriately presented CSR activities can be efficiently presented and can build up successful public relations and marketing. On the other hand, Makro should send a signal to customers and employees that the firm is not indifferent to the future and well-being of others.

"I believe that lot of people in the present time realize that having only good financial results is not enough. You have to offer something extra. This is the way, how

to be successful in the future, to show how efficient you are in these non-financial activities. Non-financial reporting is becoming much more important than it was in past." (Head of Quality Assurance)

As all other large companies, Makro is forced by the market and other reasons, such as marketing, PR, market position, competition, to become responsible towards all stakeholders. Makro is definitely a corporation, but we can refer to it as a "soft" corporation, in comparison to other retailers, e.g. Tesco. The difference between Makro and other large corporations is that there is still possible to find out who is the owner of the company. Furthermore, people inside the firm are still aware of those three families, who built up the company and this image of legacy is their own image of themselves. The size of Makro remained in the extent, where people still know each other, can have a decent discussion and it is not an apparatus of technocrats. Paradoxically, the complexity of Makro, because of different customer groups, wide assortment, complex communication channels and size, help to avoid people interested in large corporation style of work to become part of Makro. These CSR initiatives come from the people inside the firm independently because they have a free space, because the company is not in the position of power enforcement and let the employees breathe.

"The greatest value Makro has is done because of people, their attitude, pleasant working environment and business culture. Majority of people came to the stage they think about these questions and they naturally come with new initiatives. This is the largest power Makro has in comparison to other companies." (Head of Region Operations - Region East)

According to Head of Region Operations - Region East, even though Makro is somehow unable to present these activities and initiatives to the society as efficiently as others are, this could be paradoxically an advantage. The local community perceives Makro mainly positively and it may be a crucial factor. The natural way, how Makro presents and reports about CSR, may be seen as believable and give Makro an advantage against the competition. The fact is that Makro and the

individual employees inside the firm behave more responsible than is necessary for them to present and show to customers. This is maybe the reason why all stakeholder groups generally perceive Makro positively. During the process of Sustainability Team members setting, Makro board representatives place large emphasis on the fact that each member of the Sustainability Team must be interested, have a sincere concern related to the topic and have close connection to these values.

"It is important that people who solve these issues are able to put a large amount of energy into the questions to make it work. The support of local management is clear and distinct, on the other hand, the Sustainability Team works maybe too anonymously and it could be presented across the firm little bit more effectively." (Head of Legal and Compliance Officer)

To evaluate what could be the reasons for Makro to engage in CSR activities, research among one of the most important Makro stakeholder groups – its own employees - was done. A questionnaire was distributed within two main important groups of employees, such as store workers and employees of head office - Kampus. Exactly 202 Makro employees participated in the research. Makro employees were asked through the questionnaire about their general knowledge of CSR and about several important activities processed by Makro. First general question is focused on general awareness of the definition of CSR. Employees were asked to evaluate on a five-point scale how they agree with following statement: *"The company, in addition to making a profit, should also behave responsibly to internal and external environment, for example employees, business partners, customers or the environment."*

The purpose of this statement was to find out whether Makro employees think that companies should also focus on other business factors connected to their environment than just profit. From the research we can see that almost 85 % (exactly 175) of respondents strongly believe in responsible behavior of a company and its responsibility to other groups related to the business. Another 26 employees do also agree with the statement, which together creates more than 97 % responds of positive

approach. Four questioned employees were not sure, while only one strongly disagrees with the statement. To measure average rate of statement approval, coefficients 1-5 (most favorable choice is multiplied with highest coefficient) were assigned to every 1 to 5 scale option. Frequency of the choices is later multiplied with these coefficients. Average approval rate of the statement is 4.8 out of 5.

**Figure 6: General awareness of CSR statement**
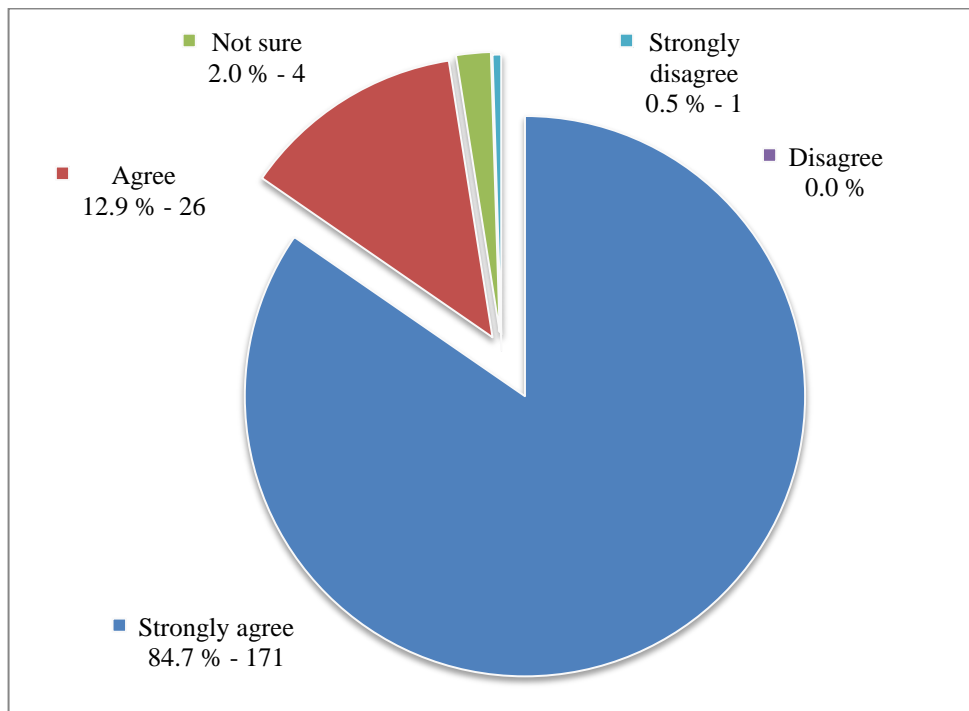
Source: Own creation

Second question of the research focused on the term CSR and its familiarity among respondents. Employees were asked if they ever heard about socially responsible firms and their activities. The purpose of the question was to find out whether responsible activities of businesses in general are for Makro employees important and if this behavior even crosses their minds. The chart below shows that 52.5 % of respondents definitely and 32.2 % more likely know socially responsible business activities. Eighteen (8.9 %) respondents are not precisely sure and only 13 out of 202, probably or definitely did not hear about any possible responsible activity of a business. Total amount of respondents who have ever heard about Corporate Social Responsibility terminology and related activities exceeds 84.6 %, exactly 171

out of 202 answers. Average approval rate of the CSR terminology and related activities is 4.29 out of 5.

Figure 7: Awareness of CSR terminology and related activities
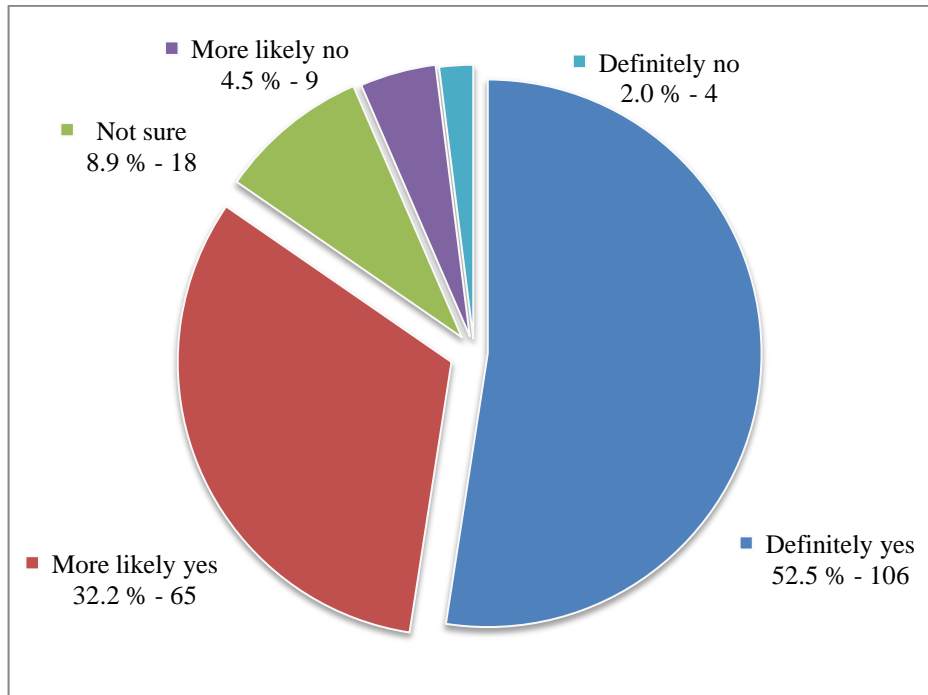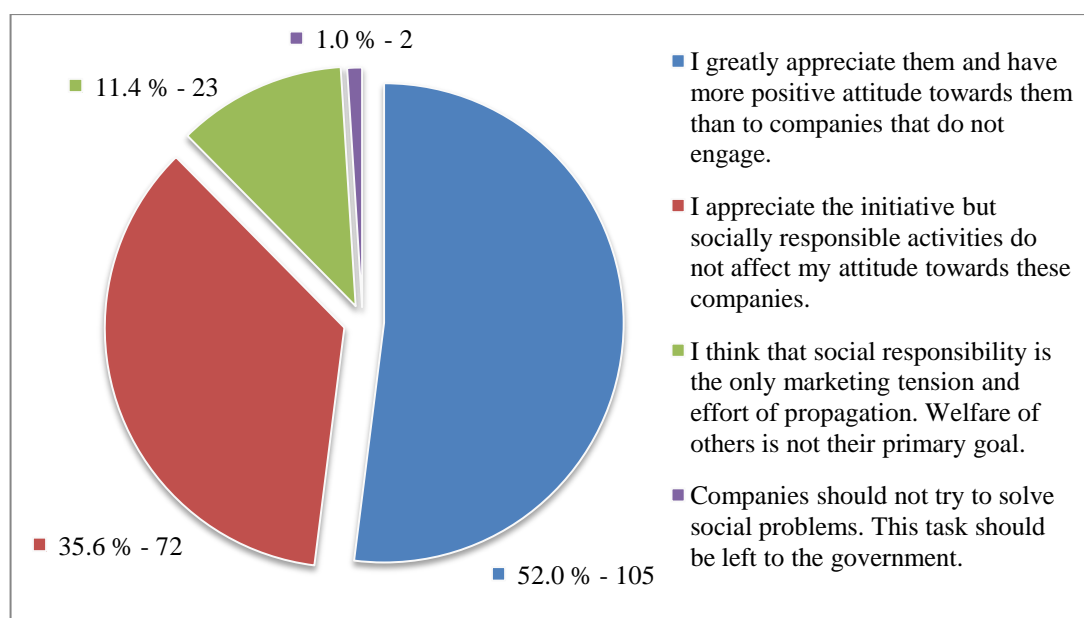

Source: Own creation

Third general question about CSR awareness among Makro employees on two work place levels concerned personal perception of socially responsible businesses. Respondents had four different options for choice and their task was to choose which one is the closest to their own opinion. Very important is to stress out that purpose of this question was not to create any scale of answers, because options of the question are not mutually exclusive. Intention of the question was to find out what is a general opinion of a Makro employee on socially responsible active business. The research has shown that a majority (52 %) of respondents considerably appreciate socially responsible business and have a more positive attitude towards these businesses than to companies which do not engage at all. The second largest group (35.6 %) has chosen as most appropriate solution opinion, that they appreciate initiatives of businesses to engage in CSR activities but this approach does not affect their attitude or stance towards these companies. Third option, chosen by 23

respondents (11.4 %), relies on a stance that social responsibility of a business is only marketing strategy and effort of brand propagation. This option works with an idea that social welfare of community is not a primary goal. The last choice, which was offered by this question and chosen by only two employees (1 %) works with completely different belief or posture. According to this statement, companies should not solve any social problems and should leave these questions completely to government and state. We can unequivocally see that this option does not seem right to 99 % of questioned Makro staff members.

Figure 8: Perception of socially responsible businesses

- 1.0 % - 2
- 11.4 % - 23
- 35.6 % - 72
- 52.0 % - 105

■ I greatly appreciate them and have more positive attitude towards them than to companies that do not engage.

■ I appreciate the initiative but socially responsible activities do not affect my attitude towards these companies.

■ I think that social responsibility is the only marketing tension and effort of propagation. Welfare of others is not their primary goal.

■ Companies should not try to solve social problems. This task should be left to the government.

Source: Own creation

From the chapter above we can conclude that there are several important reasons for Makro to engage in socially responsible activities related to enhancement of community welfare. Quotations of interviewed Kampus employees showed that there is a sincere passion about the topic and its improvement. We can say that only financial results of a company is not in present working space enough to satisfy all needs than society has and that there is an increasing demand of employees for non-financial activities and the way how are they achieved. Questionnaire research has shown huge interest of employees in socially responsible firms and we can easily

conclude that these sympathies towards CSR are among the most essential reasons for Makro to engage in socially responsible activities.

4.3 The application of CSR in MAKRO

"Sustainability of the company is very important, it is not something to put aside, because we have some shareholders and have to create some wealth and also redistribute the wealth. All of these things are part of the equation. Even though, I still believe the reasons at first are emotions, not rationalism. It is emotion what leads action and motivation of emotions can be different from one another." (Chief Executive Officer - Makro ČR / Metro SK)

As mentioned in previous chapter, there are many reasons for Makro to engage in corporate social responsibility. This chapter focuses on corporate sustainability proposals and targets, which the company sees as most important in the field of complex corporate social responsibility concept. There are five main streams and company targets Makro defines for being more responsible towards all stakeholder groups. This whole process and commitments is shown in figure below (Figure 6), those five main streams are definitely not possible to achieve without properly set financial and time target, not forgetting thoughtful and precise internal and external communication.

Figure 9: MAKRO Sustainability streams definition

Source: Internal documents

4.3.1   Sourcing commitments

• **Local suppliers** - Local sourcing support is an actual and important strategic sustainability target. In practice it means that all Makro stores would have their own small local suppliers, which would provide their products specifically to the local store in the region. In this case, store manager has to be an ambassador of these local suppliers. If customers want products from a small local producer, Makro has to be able to manage it. This is a way of thinking which Makro acquires because new trends show that customers are searching for local products rather than foreign. This support of small Czech producers starts with the effort of helping them to become successful in the huge competition. Makro tries to help these businesses to become more productive with the vision of future cooperation. Current status is that there are 180 local suppliers in the Czech Republic and Slovakia, with next step of providing special activities such as trainings and tools. This is a specific local type of project with year 2017 as a target year.

• **Fish -** Local suppliers support is closely connected to other commitments. For example, Makro started to cooperate with a local producer of Czech trout from

Kořenov, which should become the exclusive supplier of this fish to Makro in 2017. In addition, corporate target focused on traceability of all fish sold in METRO Group in 2016. At present, the origin of all fresh fish has to be traceable.

- **Palm oil** - Corporate target set the condition of 100 % sustainable palm oil in all own brand products until 2020. Currently, the list of own brand products with palm oil is defined and appropriate certification is requested from suppliers. Next step is to define a road map of pure palm oil sourcing and find alternative oil for the products.

- **Wood & Paper** - Commitment sets to have 100 % own brand products sources from sustainable source by 2020 with 50 % of wooden fibers certified by FSC (Forest Stewardship Council) or equivalent standard. At present, all wooden own brand products delivered to Makro ČR are from common sourcing (corporate sourcing) and the next step is to focus more on local sourcing of stationery and near food products.

- **Packaging reduction** - Corporate target focuses on environmental impact of packaging reduction during the whole product life cycle. Makro has to review approximately 3000 SKUs (Stock Keeping Unit) until the year 2020. Currently there are more than 500 SKUs being reviewed in Makro ČR and next step is to continue and phase out PVC FSC certification of Tetra Pack packaging.

As a great example we can consider all assortment of fresh pork meat under Makro's own brand Fine Life (12 SKUs). Makro ČR sells more than 25 tons of the Fine Life pork meat per year. In 2016, plastic packages have been replaced by recycled plastic. In total, 1.4 tons of not recycled plastic have been saved. Visualization can be seen in Figure 10:

Figure 10: Product optimization

Category	Food – Meat	
Product name	Fine life – All assortment of pork fresh meat – 12 SKUs	
REDUCE / PALLET OPTIMISATION		
LEVEL	FROM	TO
	Material: PP Weight: 35,4g	Changed material Material: R-PET Weight: 33,5g

Source: Internal documents

- **Traceability** - Combined corporate and local target sets a condition of 80 % ultra-fresh products traceability. As mentioned in fish category, pilot trout supplier in CZ is in process together with local meat suppliers. Next step is to continue in these categories and enter another, such as e.g. fresh fruits and vegetables.

4.3.2   People commitments

- **Talent Management - Leadership Talent Review** - Target of this local commitment is to have appropriate successors on 70 % positions on several types of positions in store and Kampus. In other words, the process of Leadership Talent Review works with improvement of internal hiring rather than finding people outside the firm. The LTR is currently running and the next move is to constantly work on development of potentials, include the LTR to external hiring process and use the succession benches during internal hiring. The target also proposes to have 35 % of managerial positions hired from LTR successors until 2020. At present, the HR department is appointing the potentials and in near future will start using the overview of nominees and develop them.

- **Employer Branding** - The condition is that every store and Kampus should cooperate with at least two schools, and Kampus with two universities. In the present

time, there are 15 active interns every year in Kampus in various departments. The task is to keep the trend every year since 2017. Considering the stores, Region West and East shall add two schools each, Region Slovakia is covered. A further goal is to actively promote the process of hiring and PR, followed by mapping, starting communication and setting the cooperation with suitable schools for the business.

- **Fluctuation** - Main goal of this local target is to decrease fluctuation of employees to 25 % by the year 2020. In 2016, fluctuation is at 30 %. Major objectives are to focus on onboarding process and introduction, in hand with internal moves and promotions to be part of the recruitment process. Next, correct and clear job description for each position and implement of transparent compensation and benefit strategy.

- **Makro & METRO Voice** - Local activity works with questioning employees concerning their satisfaction and participation with the company. The ambition is to increase the score for questions by 5 % or keep the results at least the same. Main areas of questioning focus are - effective implementation of actions agreed during the action planning process, currently with score of 76 % and "I am proud to be part of Makro/Metro" question with score of 73 %. High support of each team with preparing the action plans and tracking of the implementation is planned as a next step.

- **Training and development** - Internal local commitment working with idea of better training system aligned with strategy "From trade to services".[16] At present, Cash & Carry, delivery and sales force training is not fully connected with business strategy. Finding these gaps and linking them to strategy is the goal to achieve by 2020.

- **Learning organization survey** - Promotion of supportive learning environment inside the company is another local ambitious activity connected to internal stakeholders. 4 % increase in the field of "Psychological safety", "Appreciation of

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[16] Externally presented slogan which represents Makro's commitments towards customers in a way of added value offer and loyalty.

differences", "Openness to new ideas" and "Time for reflection" trainings is set also for year 2020. In 2016, survey status was at 75 %, and the plan is to support employees in line with strategy "From trade to services" and drive the performance oriented business culture.

- **Sustainability Day on 9th of June 2017** - Idea originally comes from corporation but it is mainly issued locally. Plan is to create and prepare an interesting program for store employees, e.g. set up workshops, find external speakers (e.g. Food Bank Association) and also personal participation. Store staff will be asked to provide others with "Zlepšováky",[17] ideas connected to sustainability. Vision is that winning employees would be provided with some kind of special award. Special logo for the day is also in preparation.

- **METRO Group Compliance System** - Metro Group has a clearly defined ethical code for the sphere of compliance. In uncertain situations, an employee has a right to contact Compliance Officer who operates in every country of the Group. In addition, third parties, such as customers, suppliers or other business partners have the opportunity to report violations in the field of Compliance through a form provided on Makro's webpage.

4.3.3 Waste commitments

- **Food waste elimination and separation** – A very important corporate target and initiative is reduction of food waste and finding new alternative ways to ecologically dispose of the waste. Despite the fact that corporate target sets a target of food waste reduction until the year 2025 by 50 %, local ambition is zero food waste at all stores by 2020. The main idea is not to send any food waste to incineration plant but cooperate with ZOOs and animal stations, such as dog shelters etc. A pilot is planned for the Stodůlky store, where the Kampus is located and the largest amount of products is sold. Total calculation of food waste is presently in process.

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[17] "Zlepšováky" can be translated as "Gimmicks". It is an internal campaign for employees to come up with some working improvement applicable for rest of staff.

4.3.4 CSR commitments

• **Food Bank** - Food bank donation activity will be thoroughly analyzed later in chapter 4.5.2. Two main local commitments are issued in this particular activity - increase of Food Bank donation awareness among employees, followed by regular reporting. Second commitment is connected to National Food Collection,[18] which is issued together with the Czech Federation of Food Banks. In total, 659 stores joined nationwide, 3,569 volunteers gave a helping hand and 9,736 kg of food was collected during the event. Concrete results per store can be seen in Table 4:

Table 4: National Food Collection 2016 results per store

Region	Address	Amount in kg
Hlavní město Praha	Makro, Praha - Černý Most, Chlumecká 2429	790
Hlavní město Praha	Makro, Praha - Průhonice, U Makra 102	1 050
Hlavní město Praha	Makro, Praha Stodůlky, Jeremiášova 1249/7	1 343
Jihočeský	Makro, České Budějovice, Hrdějovice 396	300
Jihomoravský	Makro, Brno, Kaštanová 506/50	1 221
Karlovarský	Makro, Karlovy Vary, Obchodní 33	887
Královéhradecký	Makro, Hradec Králové, Hradubická 181	545
Liberecký	Makro, Liberec, Sportovní 522	548
Moravskoslezský	Makro, Ostrava, Místecká 280	758
Olomoucký	Makro, Olomouc, Olomoucká 791	315
Plzeňský	Makro, Plzeň, Obchodní 2	1 095
Ústecký	Makro, Ústí nad Labem, Žižkova 3363/78	519
Zlínský	Makro, Zlín, Třída 3. května 1198	364
		9 736

Source: Internal documents, own creation

• **Trees instead of Leaflets** - Together with Food Bank, performance and perception of this activity will be analyzed later in chapter 4.5.4. To state it briefly, 200,000 CZK a year is donated to tree planting and 5,000 EUR in Slovakia. This activity is issued by cooperation with Nadace Partnertsví in the Czech Republic and Nadácia Ekopolis in Slovakia. In 2017, Makro celebrates 20 years on Czech market and one of the plans is to connect it with this tree planting. 20th of October is an official "Day of trees" and

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[18] The purpose of the National Food Collection is to raise awareness of how much food is wasted in contrast to people in need who have limited access to it, such as senior citizens, single mothers, foster families or handicapped people.

Makro would like to build a plantation together with a local grower and then continuously help him take care about it.

- **Support of Regions** - Help in regions is not an activity enforced by the corporation, more likely it is a true support, which evolved from natural necessity of people to help others into a working system. The support to local charities or organization is all in form of product donation. These food and nonfood products are then provided to children homes, family and infant centers etc.

- **Community / Charity** - One of local activities is processed with Coca Cola. It is based on percentage price share donation to local charity. The trend is to continue with this approach annually, possibly with more A-brand suppliers (Nestlé, etc.).

4.3.5   Environment commitments

- **CO_2 Emissions** - Both commitments related to environment and future generation originally come from Germany, and the target year is set as 2030. The vision of this long-term responsible engagement is to reduce Carbon emissions by more than 55 % until 2030. In the present time, Makro has purchased company cars with lower CO2 emission release and replaced old cooling technology in Brno store with a new one, which has more sustainable liquid inside the cooling machine. Local future vision is to change the cooling technology in all other stores until 2025. This process is extremely expensive and now suspended for a short time.

- **Energy consumption** - Brave local targets oblige Makro to lower energy consumption until 2030 by 53 %. Compared to year 2010, energy consumption in all Makro stores in the Czech Republic was lowered by 25 % in 2016. In October 2016, all illumination technology in Zlín store was replaced by new energy saving bulbs and it planned to continue to do so in Plzeň in April 2017. For fiscal year 2016/2017, whole illumination replacement is planned for all cash desks in several stores. Not to forget, in November 2016, whole illumination in car park was replaced in Černý Most store, Prague.

To analyze how effectively are Makro socially responsible activities carried out and applied one question of the research focused on awareness of its application among employees in Store and Kampus. Respondents were asked if they know any socially responsible activity Makro is engaged in. From the processed research we are able to claim that more than 65 % of questioned employees know at least about one socially responsible activity in which Makro is actively engaged and creates extra value for the stakeholders. These 133 respondents, who answered positively, were asked to state an example of their choice. Among most frequent answers of Makro employees were notions about Food Bank donations (49 x), help to regional charity and children homes (20 x), Trees instead of Leaflets activity (17 x) and salmon returning to rivers (6 x). Among other interesting comments belong mentions of waste separation, respect for human rights, support of local suppliers or CO_2 reduction.

Figure 11: Awareness of Makro socially responsible activities
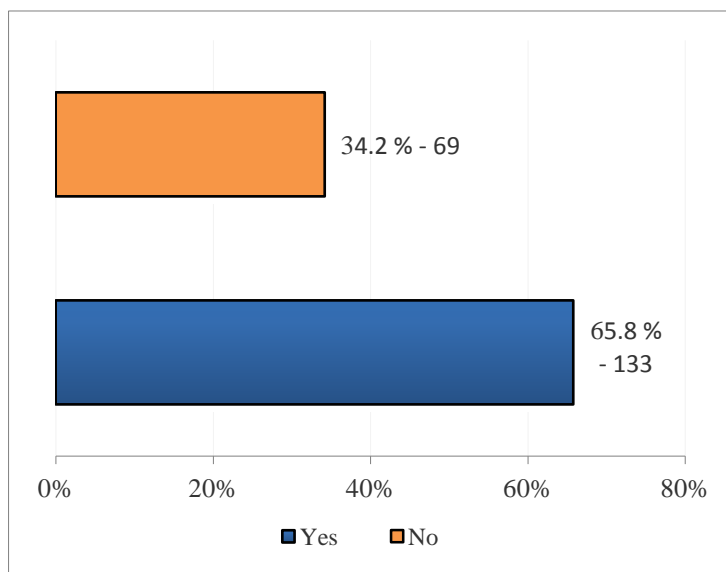
Source: Own creation

4.4   Correlation between METRO and Makro ČR CSR policies

"We don't do it for METRO Germany, we are doing it mainly for our environment and of course it is important to let it know. METRO Germany can structure it to better communicate on that, because if you don't communicate what you

do, people tend to believe you are not doing anything. And this is not the case, it is counter-productive." (Chief Executive Officer - Makro ČR / Metro SK)

All of the CSR initiatives issued by METRO and Makro are significantly connected. The corporation in Germany has to provide Makro with guidance and aiming where whole group should be heading. On the other hand, Makro has quite large independence in these questions for supporting activities important for them. Makro does have CSR pillars provided by the corporation, which have to be fulfilled because of precisely set targets. Support of local communities or activities connected strictly with the Czech Republic, or concrete region, is completely within the competence of Makro ČR. In addition, there is significant support and, on the other hand, also serious pressure of German METRO for the best possible outcome of locally and corporately defined CSR activities. Furthermore, there is large freedom and sovereignty provided to every country, which is a part of METRO Group, and Makro ČR is no exception. To summarize, it is necessary to meet the CSR requirements provided by METRO and work with precisely set budget, however large local freedom in these questions is provided to every METRO Group member country because of different and unique cultural specifications and values.

"Which activities related to CSR we choose is in our competence and it has to be so because every country is different and in every country works something else. This is the reason why this cannot be provided by them, on the other hand it also shows some kind of seniority - how are we able to recognize where to invest." (Head of Quality Assurance)

Chapter 4.3 gave overall clear view on all CSR activities Makro ČR is actively engaged in and the correlation between METRO and Makro CSR policies is measurable. There are twenty-one activities described above, with notions of current situation, next planned step with a properly set year when the activity has to be issued. For the analysis of the correlation between corporately set commitments and completely local activities, we may develop a graph showing the division of these activities according to its initiator.

Figure 12: Division of CSR activities according to its initiator
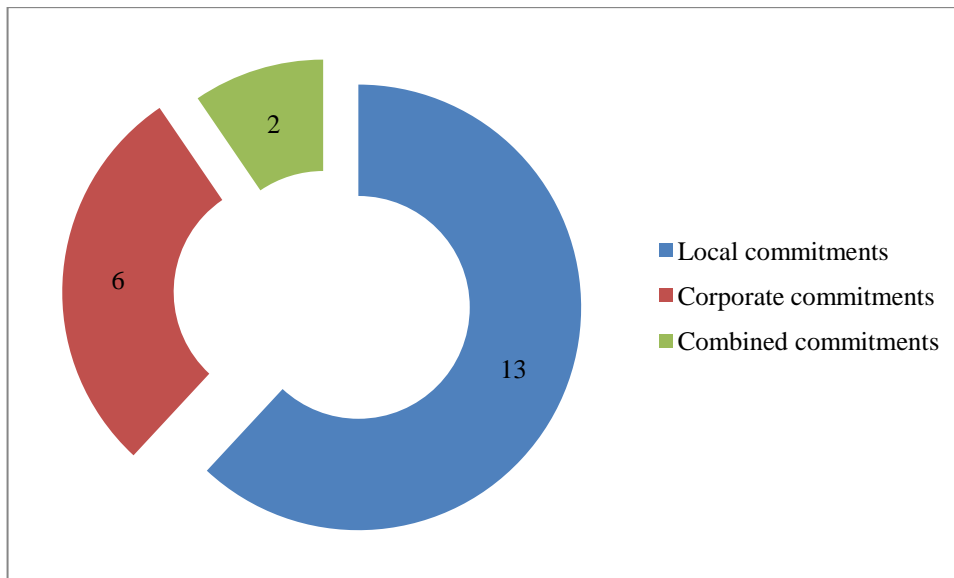
Source: Own creation

From the figure above we can conclude that the majority of CSR activities are issued locally in Makro ČR. Despite the fact that there are unequivocally set corporate targets, Makro does much more to be responsible towards many stakeholder groups, especially people, in the way of employees, customers and suppliers, and also environment and society. To be precise, 61.9 % of all CSR activities issued in Makro ČR, are completely prepared and processed by local Czech initiatives of employees. Only six activities are purely original METRO Group commitments, which is precisely 28.6 %. Two initiatives, concretely fish origins and traceability of products, are issued with collaboration of Czech Makro and its parent company in Germany, Dusseldorf (with 9.5 %).

4.5   Corporate social responsible activities in Makro

Chapter 4.3 has presented a broad view on socially responsible activities in which Makro is actively engaged. The twenty-one most important activities were described with a view on current situation of the application process, together with proposals for possible initiatives in the following years. Even though there are many of those, the following chapter focuses on four activities, which will be described much more thoroughly. The choice of these four important engagements was done based on

consideration of Makro's webpage, where some of these activities are briefly described for customers. The choice was done also with the notions of CSR reporting, which is one part of the thesis and is essential part of CSR. As CEO of Makro ČR / Metro SK mentioned in the interview, information which is not communicated does not exist at all. To sum up, these four elemental activities described were chosen especially because of their appearance of Makro website. Reporting of these activities puts emphasis on their internal and external importance and shows that Makro is proud of them.

4.5.1   METRO Group Compliance System

"Compliance is something as a corporate culture. For people, who work with some kind of responsibility, corruption or inequity is not an option. Compliance system gives rules and guidance for everybody who would feel threatened by someone else". (Head of Region Operations - Region East)

The Origins of the Compliance system are based on German legislation, where criminal responsibility of legal persons was determined by law. One way of dealing with these responsibilities is to create a functional compliance system, which would acquaint all employees with certain obligations and commitments. At present, compliance system implementation is not enforced by Czech legislation. On the other hand, application of the system acquits the company of responsibility under the condition of proper system observance. The main principles of compliance system deal with fair negotiations with business partners, mainly under principle of anticorruption, dealings with political parties and corporate business principles (non-discrimination behavior etc.).

In addition, compliance system on the local level deals with, so called "Compliance incidents handlings". All employees and third external parties have the right to anonymously or in their name report any violence of internal rules or legislations. On the local level, all employees can recourse to their supervisor or to compliance officer by all possible forms (secured email, letter, private conversation etc.). All new employees are obliged to have a face-to-face training where this process is clarified and then every second year there is a refresh in the form of e training. On the corporate level, there is a working corporate webpage available in all languages,

where everybody has the possibility to report the incident. However, these violations are not solved on the local level and are aimed directly to compliance system in Germany.

Furthermore, every single incident reported on the local level has to be reviewed and solutions have to be attempted. Compulsory member of commission, which is dealing with the reports on the local level, has to be Head of Legal and Compliance Officer, Head of HR, Head of Security and Head of Internal Audit. Later on, the commission has to validate the incident by thorough check of all facts and then propose a method of solving. Under the condition, that the incident report was not anonymous, stance and feedback of the commission is then communicated to the author. If the report is done anonymously, feedback is naturally not possible. The number of incidents solved and registered is reported only internally and the data are strictly confidential. Only available notion is that in comparison to other countries (e.g. Hungary, China or India), which belong to METRO Group, there is a very small amount of reported incidents in the Czech Republic. Why this is so is extremely hard to determine, but one opinion works with the assumption that Czechs prefer to solve their problems rather collectively and seek for solution with colleagues than send any kind of anonymous reports.

As mentioned in the beginning of the chapter, there are four main important activities which Makro reports about and which were analyzed more deeply in this research. the sixth question of the study focused entirely on Compliance system and its main purpose was to discover how aware Makro employees in Kampus and Store are of the specifically defined code of ethics and compliance area. Because of the fact that one of the main thesis objectives is to identify differences in employees CSR perception at two main working level in Makro (if there are any), the following chart is divided according to this place of work. From the charts we can see that definitely sure about Compliance system existence is 55.8 % of Kampus employees and 56.1 % of Store staff. Altogether, more than 68 % of Kampus has at least basic awareness of the term, while at Store this recognition is even higher, almost 80 %. Furthermore, only 10.9% questioned employees are more likely or definitely sure that they are not aware of compliance system working in Makro.

Figure 13: Compliance system recognition among Makro employees

KAMPUS
- 5.0 % - 6
- 55.8 % - 67
- 12.5 % - 15
- 17.5 % - 21
- 9.2 % - 11
- Definitely yes
- More likely yes
- Not sure
- More likely no
- Definitely no

STORE
- 1.2 % - 1
- 56.1 % - 46
- 23.2 % - 19
- 14.6 % - 12
- 4.9 % - 4
- Definitely yes
- More likely yes
- Not sure
- More likely no
- Definitely no
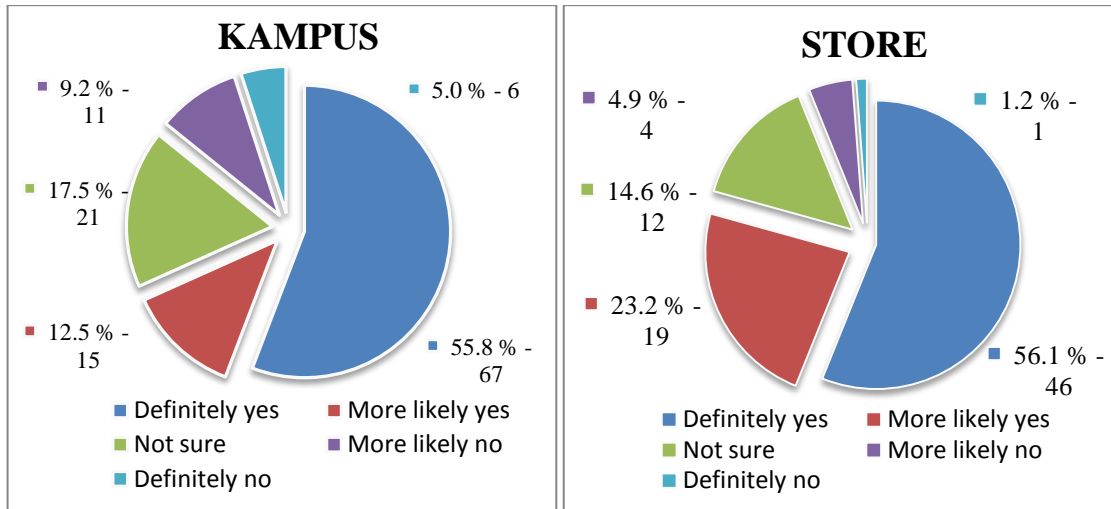
Source: Own creation

From data processing, we can conclude that there is not any significant difference in perception of Compliance system among Makro employees at two working levels. More than two thirds of both employee groups have at least some knowledge of the system and only 7 out of 202 stated that they never heard about it. Among all mentioned we conclude that general awareness of both groups together is high because almost 73 % of all employees are sure they know the system. Average approval rate of the Compliance system among employees in Kampus is 4.05 out of 5, while among Store staff it exceeds 4.3. To sum up, we can come to an end that very large group of employees does actually remember face-to-face training provided by Compliance officer and awareness of the Compliance system among employees is satisfactory.

4.5.2 Food Bank

*"The whole process of donating to a Food bank is not about reducing shrinkage and work decrease. This main benefit is the pleasant feeling of doing something for someone, not put the food to garbage. This is something we should start with."* (Head of Quality Assurance)

To put it briefly, the process of donating food to a Food bank begins in the store, where food with short expiration has to be made cheaper. This is done through

markdowns, where employees place a sticker on the products and execute an intern purchase. These products are then provided to Food bank association, which has to be notified at least a day before. The food bank picks up the goods in Makro store and deliver it to its warehouses. Food bank trucks are able to transfer dry and also cool and frozen food articles. In working days (except Friday), the Food bank is able to deliver goods with only one day expiration, if they are called soon enough. Whole process is in detail described later in the chapter).

"We would like to provide our employees with instructions, how to simplify the process and let them understand the importance. It is about deep communication with the staff to motivate all employees in store to do so, to get it under their skin." (Head of Quality Assurance)

Figure 14: Food Bank donation process
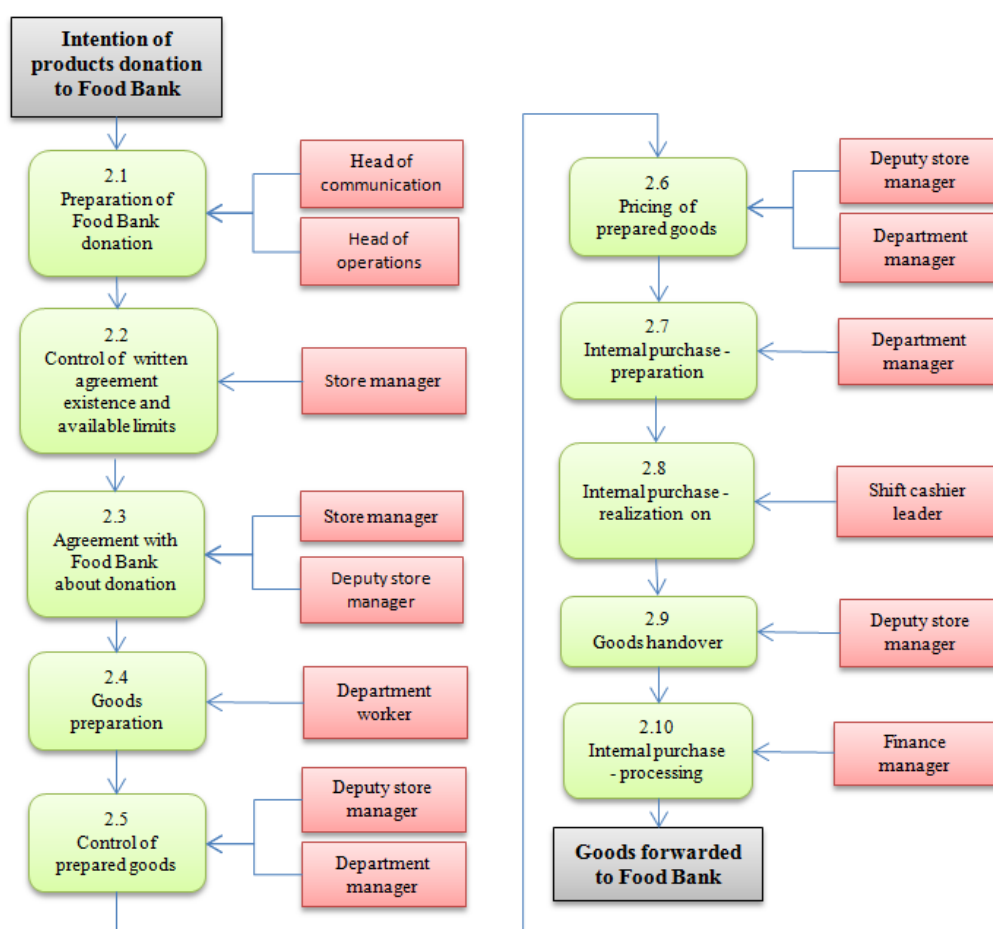
Source: Internal documents, own creation

To start with the first step, stores may donate goods only to those Food Banks which have signed a general written contract about cooperation with Makro. Conclusion of the contract is the responsibility of the Head of Communication, who later informs appropriate Store managers about the possibility of cooperation with a specific Food Bank. The annual financial limit (amount of donated goods) is set for every store differently by the Head of store operations and then this person informs all appropriate Store managers.

Next, Store manager has to control if there is a valid cooperation agreement and if the annual limit is not depleted. Store manager, together with Deputy store manager, arranges conditions under which the donation can be realized (date of delivery, commodity structure, amount of products). Department manager determines, which particular products will be donated. Goods are then stored on convenient place in facility space, separately from other commodities. Only products with the maximum of one day before expiration can be donated. There is a prohibition on alcohol, cigarettes and other tobacco products donation. Goods which show any kind of qualitative or sensory changes disallowing any other food purposes, are strictly banned from donation.

Pricing of the goods is done by a Department manager or Deputy Store manager. Price of donated products is reduced by 90 %, where the articles are transformed into sell-off category with appropriated price level using store correction or sale on markdown. If the article was already discounted before the decision of its donation to Food Bank (markdown by transfer to sell-off article category), product is not discounted again. Internal purchase form has to be approved by Store manager or Deputy store manager and has to contain of total amount of goods after discount. There is no need to mention all items separately. In the case of using store correction, it is necessary to create list of these articles with article number and total amount. In the case of using markdowns, the markdown label parts are pasted over separate paper (EAN code has to stay readable for cashier scanner). If it is not possible to separate original markdown label from the product, additional print of markdown price tags is done. Internal purchase has to be charged on customer registration of the Food Bank with appropriate payment type. Products are rung up according to store correction form or according to list with markdown labels with EAN code.

The last step of the donation is the goods handover. Every single takeover done by the Food Bank has to be acknowledged by signed form - "Recipient confirmation of donation about its amount and purpose". This receipt is issued 3 times (for the store, for the recipient and for Head of Tax department). There is no need to state VAT rate on the receipt but there has to stated that the donation is for social, health, ecological, humanitarian, charitable, religious or registered churches and religious associations purposes. Because of the tax deductibility, total amount of the donated products stated on the "Recipient confirmation of donation about its amount and purpose" form has to be higher than 2,000 CZK including VAT. Last step of the process is the obligation of all documents transfer to financial department of the store. All documents have to be archived for at least ten years.

Together with Compliance system, Food Bank donations belong to activities which are presented on Makro website and therefore deeper analysis of its perception among two employees groups was processed. Food Bank donations belonged among most frequent comments of respondents when their task was to mention any of Makro responsible activities. As mentioned above, thesis objective is to identify differences between two groups of employees, therefore the chart analysis is divided to Kampus and Store responds. It is possible to derive from the charts that 47.5 % of Kampus employees and 61 % of store staff are definitely sure about Food Bank donations activity. Altogether, more than 64 % of Kampus has at least basic awareness of the Food Bank collection, while at Store this recognition is noticeably higher because more than 80 % of store worker. The difference between responses of Kampus and Store workers is more distinctive if compared to Compliance system, we can see that not even a half of Kampus member are not definitely sure they have ever heard about a Food Bank at all. Even the percentage of negative answers is significantly higher, more than one third (exactly 25.8 %) stated they do not know about the activity.

Figure 15: Food Bank donations recognition among Makro employees
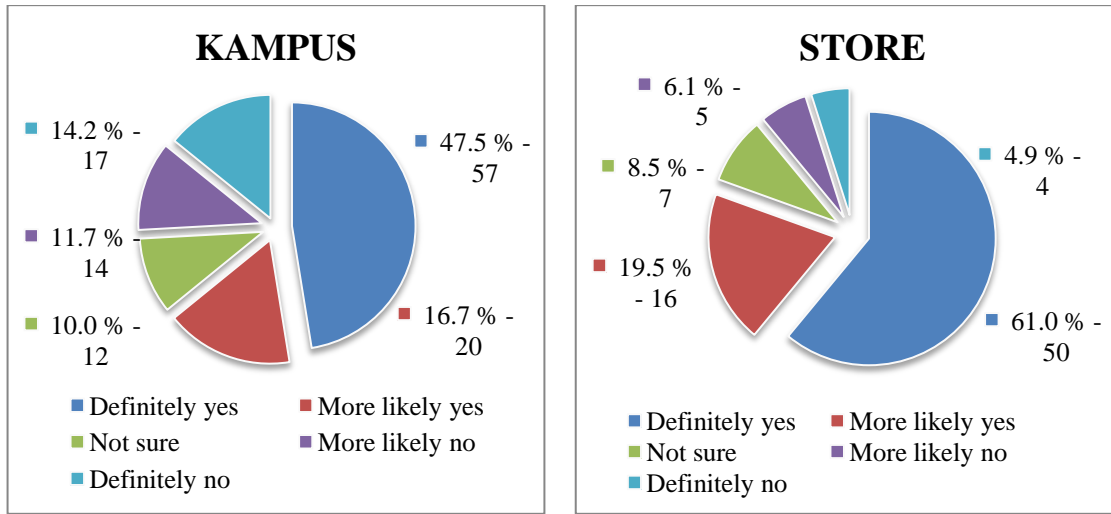
Source: Own creation

Data procession shows that difference of Food Bank donations perceptions among Kampus and Store employees is much more significant that it is with Compliance system. We can see that number of store staff who is definitely sure of Food Bank donations exceeds 60 %, while among Kampus the definite answer did not reach even half of the respondents. On the other hand, almost two thirds of Kampus members (exactly 64 %) are at least more likely to hear about the activity. If we look at store workers, only 9 out of 202 stated that they never heard about Food Bank, which is a positive factor. Among all mentioned, we can conclude that general awareness of both groups compiled is at the same level as with Compliance system because almost 71 % (70.8 % and 143 respondents) of all employees are sure they know the activity at least a bit. Average approval rate of the Food Bank donations among employees at Store is 4.25 out of 5, while among Kampus staff it is significantly lower, only 3.7. This relatively high difference between tested groups could be caused by the fact that many store staff members are part of the actual donation process (Figure 13). On the other hand, there are only few members of head office, who are responsible for Food Bank donations and other employees do not have such a frequent contact with this topic.

4.5.3 Support of Regions

During 20 years of activity on Czech market, store managers have become important partners for many organizations. They play a social role and have connections with entrepreneurs, representatives of region, district or city authorities and also social sector. Because of these connections, long-lasting partnership with social sector organizations has been built. It started with small contributions and became long-term commitment mainly because of social responsibility towards people in need and pure human want to help others. Furthermore, Makro gets involved during serious natural disasters, for example when massive floods hit Moravia and North of the Czech Republic in 2010, material help provided by Makro exceeded one million Czech crowns. In other words, Makro wants to be good community citizen wherever its operations take place. Every each Makro store has charity organization of children home where it provides long-term material help. Every store may provide help to two partner organizations, where the amount of material support is limited by 30,000 CZK per year per store. Table below shows sample of concrete organizations, which are provided with such a support.

**Table 5: List of partner charity organizations**

Store	Partner organizations
Makro - Prague, Stodůlky	Czech Diakonia in Prague 5 - Stodůlky
	Children home Kladno
Makro - Prague, Průhonice	Srdíčko dětem, o.s.
	Home Laguna, Psáry
Makro - Hradec Králové	Children home Nechanice
	Children home Sedloňov
Makro – Plzeň	Czech Diakonia Radost, Merklín
	Counseling for users of social services, Plzeň
Makro – Zlín	Children home Bojkovice
	Children home Smolina, Valašské klobouky
Makro - Prague, Černý Most	MUM - family center, Mezilesí, Prague
Makro - Karlovy Vary	Home for disabled people, Jáchymov
Makro - Liberec	Children and infants home, Husova 91, Liberec
Makro - Ústí nad Labem	Social services Chomutov
Makro – Brno	Nursery and elementary school, Brno

Source: Internal documents, own creation

"It is probably possible to calculate, how much products with certain value was given to these organization. However, in my opinion, this is wrong. To present same charts, tables, how much we have donated... It is not right. This is not the reason why you should do it and I believe that it is the reason, why these local communities trust Makro exactly how they do." (Head of Region Operations - Region East)

As mentioned above, regional help of stores is completely voluntary activity, which arose from long-lasting relationship between social sector and Makro stores. From the research results, we can conclude that the awareness of this material support for childrens homes and any other local charity organization is significantly dissimilar. We can see that more than 57 % of questioned store staff members are definitely aware of this support and another 18 % have at least heard about it. Together, there are 62 out of 82 respondents, who are sure this activity is done and material help is provided. On the other, awareness of regional material support in Kampus, Prague is not so convincing at all. The most frequently chosen option was the least favorable for Makro - 27.5 % of employees have never heard about this activity and another 11.7 % more likely neither. Also very large portion of people, exactly 20, chose as an answer option "Not sure". All around, only 44 % of Kampus workers are definitely or at least a bit sure that they know this activity.

Figure 16: Support of Regions awareness among Makro employees
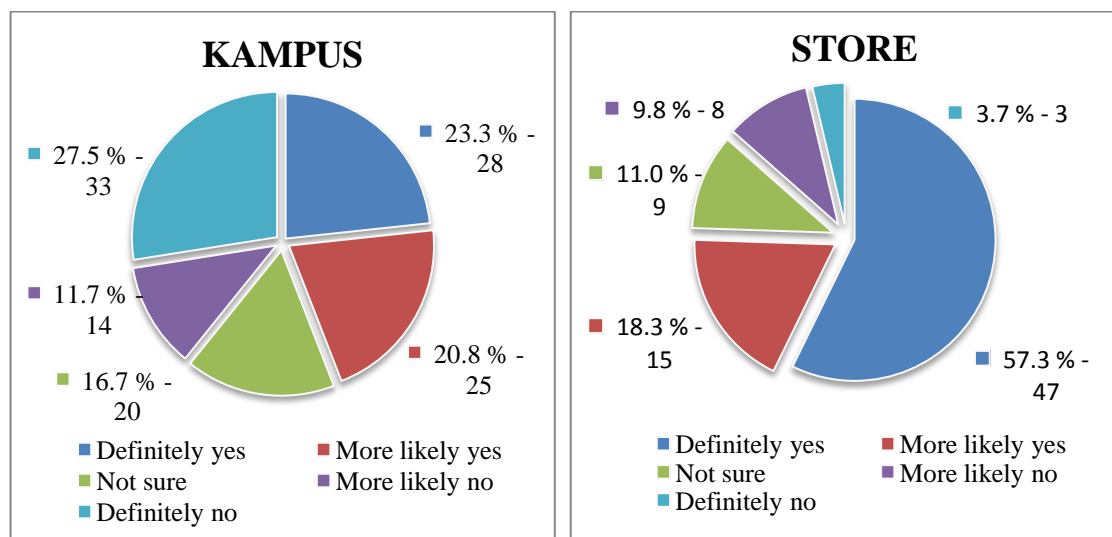
Source: Own creation

Results of the question processing can be interpreted from two sides. We can conclude that awareness of third activity chosen for deeper analysis among employees at Makro stores is very high and satisfactory. More than three quarters of respondents are aware of the support and only 11 out of 82 chose negative option as an answer. On the other hand, results from research among Kampus workers is not satisfactory at all and can be altogether concluded as a bad result and failure of internal communication. Average approval rate of the regional support among employees at Store is 4.16 out of 5, while among Kampus staff it is even significantly lower than it was analyzed above, only 3.0. However, it could be interpreted in a similar way as the results of Food Bank analysis because there are definitely not so many people in Kampus who are with frequent connection related to material help of stores. Of course, there are representatives, who are responsible for regional operations but as mentioned above several times, this activity is connected closely to stores themselves and Store managers and Deputy Store managers are the people who play the social role with these charity organizations.

4.5.4 Trees instead of Leaflets

The original idea of this activity is very simple. If the customer does not want to receive paper leaflets, Makro notice it and because of the fact that this leaflet was not necessary to print out, Makro plants one tree. The core motivation for the customers is to think about if they genuinely need the printed leaflet or if the electronic one inside mobile or other device is enough. During the existence of this project, 900 fruit-bearing trees and more than 150 bushes were planted. To sum up how practically this activity is processed, Makro finds out how many customers unsubscribe themselves from leaflets sending and calculate amount of money, which was saved by not printing them. Later, this amount of money is sent to partner organizations, which actually plant those trees in the ground. Planting of the trees is executed during autumn with the help of locals. For every registered customer Makro donates 20 CZK. Altogether, every year Makro donates about 250,000 CZK for fruit tree planting and further control and supervision of the orchards. Purpose of the table below is to mention some actual projects, which are running at the present or are planned for near future.

Table 6: List of Trees instead of Leaflets projects

| Region	Locality	Project	Number of trees
Středočeský	Budiměřice	Restoration of fruit alley to Oupady	19
Středočeský	Velvary	Trees around Malovarský pond	23
Zlínský	Boršice	František Horenský Elementary school	40
Vysočina	Brtnice	Lime trees avenue restoration	25
Brno	Brno	Planting the bank of the Medlánecký creek	161
Ústecký	Markvartice	Fruit tree line to Olešnický pond	30
Jihočeský	Velešín	Fruit orchard	30
Jihomoravský	Bačov	Tree planting in the village	20
Moravskoslezský	Kravaře	Alley around the bicycle path from Kravaře	43
Moravskoslezský	Hostašovice	The second phase of planting fruit tree lines	47

Source: Internal documents, own creation

However, at the present time it does not work the way that Makro employees personally participate on the planting itself. The activity could be promoted even better, if exact Makro employees would plant the tree. Currently, there is only a financial support and activities where Makro staff personally plant the trees into the ground have never happened. Unfortunately, this activity is above the responsibility of individuals and these plans were not realized yet. On the other hand, in 2017, Makro celebrates 20 years on Czech market and one of the plans is to connect it with this activity. 20th of October is an official "Day of trees" and Makro would like to build a plantation together with a local grower and then continuously help him take care about it.

Trees instead of Leaflets activity was the last one chosen for deeper analysis because of its existence and presentation on Makro webpage. It is an activity processed for many years the same way, on the other hand there are innovations planned, e.g. celebration of twenty years anniversary. Because of the fact that this activity is not connected with active participation of Makro store employees, the awareness among them is little bit less than about the previous activity. Nevertheless, more than 57 % store staff is definitely sure about its existence and another 16 % probably as well. Altogether, 60 respondents out of 82 answered positively and only 15 negative answers were recorded. Not to forget results from research among Kampus representatives, these outcomes are definitely more positive than the previous

ones from regional help. There are exactly 40 % of Kampus workers, who are sure they know the activity and another 12.5 % is more likely confident as well. Altogether, more than 52 % are positive about the initiative, which is in comparison to previous activity much more positive result. However, there are also many negative results, in detail more than 21 % of respondents have never heard about the activity and 13 %, who probably neither. Average approval rate of the "Trees instead of Leaflets" initiative among employees in Kampus is only 3.36 out of 5, while among Store staff it exceeds 4.05.

Figure 17: Trees Instead of Leaflets awareness among Makro employees
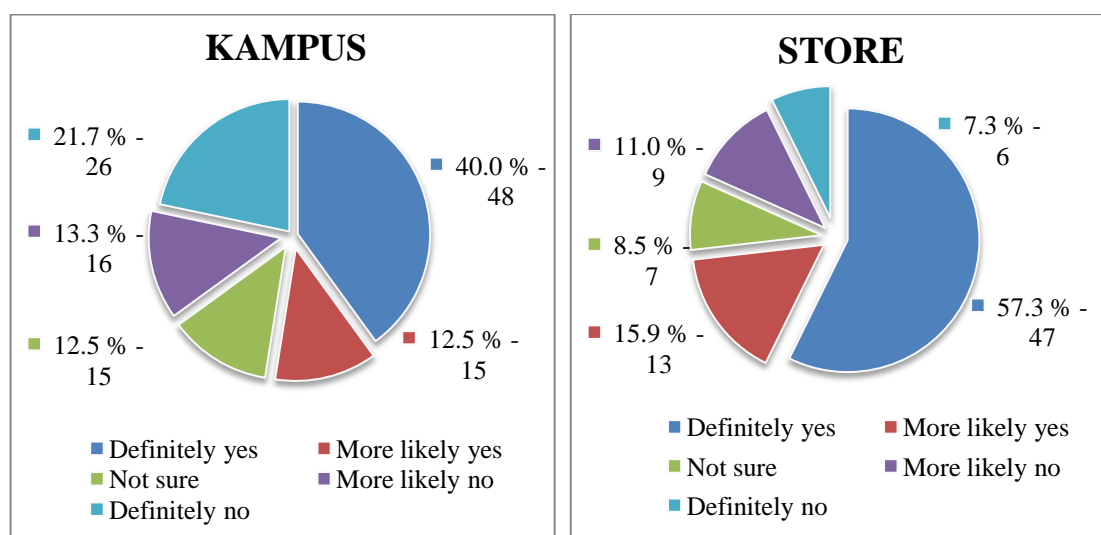
Source: Own creation

"Trees instead of Leaflets" is another socially responsible activity, which is not directly connected with personal participation of store staff member and there are only few Kampus workers, whose responsibility is actual processing of the initiative. According to the results of the question analysis, we can conclude that there definitely is a difference among perception of two working group because there are 73.2 % positive answers on the Store side, while only 52.5 % on Kampus side. However, this difference between two respondent groups in not so significant as it was with previous topic. Another important point related to this activity works with the fact that there crucial role of this activity does not play employees, as a stakeholder group, but customers are the important factor group, who are responsible for unsubscribing from

paper leaflets obtaining. As mentioned above, there are no Makro employees, who ever personally planted a tree within this initiative therefore it could be one of the main reasons for not so high interest in this activity from the side of Makro representatives as it is for example in Compliance system knowledge or Food Bank donations.

4.6 Reporting about CSR in Makro ČR

"There is no reality existing without the communication about the reality. The society we are in today is full of content, data, smart phones... So, if you do not communicate, you do not exist. To make something viral, you need content, a solid base, discipline and communication. Nowadays, if you do not communicate the information, they do not exist. In this matter you cannot be stupid." (Chief Executive Officer - Makro ČR / Metro SK)

There are many aspects mentioned in the thesis, which can be considered as crucial factors in the area of corporate social responsibility. Among the most important, we can count at first reason to engage in CSR, its performance, application and cannot forget communication. To communicate effectively, you need to create valuable amount of information, which can be later on presented internally to employees and externally to all interested groups close to the business itself. There are definitely many channels of communication, which can be used by the business to present requested data. In relation to CSR, the most important tool, which was incorporated by many large companies, is CSR report.

Chapter 4.4 of the thesis is focused on the relation of CSR policies between METRO Group and Makro ČR. Reporting, as an essential part of corporate communication, is something METRO Germany carefully processes and puts large emphasis on. Because of more than 200,000 employees and over millions of customers, METRO Group bears huge responsibility. This could be the main reason, why METRO in 2016 issued an extensive and thorough CSR Report, the main priority of which was to determine the most essential topics for various stakeholder groups and then present a survey identifying and addressing sustainable opportunities and risks closely related to the business field. The CSR Report issued by METRO Germany in

2016 is 161 pages long and targets essential topics connected to the business, such as materiality, stakeholder relations, fair working conditions or climate protection. Makro ČR, as a part of METRO Group concern, naturally has many corporate targets, which have to be followed in many areas. On the other hand, METRO Group gives a lot of national sovereignty to member countries and the field of CSR reports belongs to a sphere, which is fully in the competence of Makro ČR.

At present, there are two main channels used by Makro to report about CSR activities. One of the most essential reasons, why those four activities (Compliance system, Food Bank, Help in Regions and Trees instead of Leaflets) were chosen for more thorough analysis, is the fact that all of them are presented online through Makro webpage. These four activities are not the only reported, there are altogether seven initiatives, which are online to attract attention of customers and communicate the socially responsible activities to wide public. The corporate social responsibility part of the webpage is put on the same level of importance together with other essential factors, which influence the business the most and are relevant for customers, such as quality, carrier offers, information for journalists and suppliers and general information about Makro. From this information we can conclude, that internet page is for Makro very important tool to present information relevant to CSR and its significance is not underestimated.

Webpage CSR reporting is a channel of communication Makro has used for more than six years. However, it is only few months ago, when Makro decided to use another way of reporting which METRO Germany had used for several years – an official CSR report. The current version (see Appendix 8.4), which was issued in autumn 2016 and has six pages, should be a pilot version of future official version. As mentioned, the report is six pages long and its main purpose is to inform Makro sales force, which is working in the terrain to satisfy all customer needs, about socially responsible and sustainable development and activities Makro is engaged in. Report is also issued for customers because one page informs about Makro in general and displays its current situation on the market. Another important part of the report shows local sustainability strategy circle (Figure 9) and other commitments described in chapter 4.3. To summarize, Makro CSR report is a pilot version of more extended version, which is planned for near future. It shows to society and internal stakeholders

that social responsibility is an important topic for Makro and people inside the company and the welfare of others is an issue.

"We started with a small presentation, those 6 slides, and it could be a beginning. Nowadays, there is unfortunately not so much to present. This is important not only for our sales force, but also for customers. There is a vision to create a CSR report which would be published together with annual report." (Head of Quality Assurance)

5.   CONCLUSION AND RECOMMENDATIONS

The purpose of this thesis was to explore CSR practices and activities of Makro Cash & Carry ČR. The main goals were focused on analysis of CSR activities application, general reason to engage in CSR for particular company and the way how are these practices reported. The literature review pointed out the growing importance of the corporate social responsibility concept within present business environment. It has been proven that CSR concept has its place in market economy and its benefits and significance should not be underestimated and overlooked. CSR influences wide range of stakeholders and offers a differentiating potential and competitive advantage for present and future business success.

After concluding the analysis of the Makro Cash & Carry social responsibility, all processed activities should in general correspond to Carroll's CSR pyramid model. It is possible to agree that the economic responsibility, in other words, to be profitable, is the foundation upon which all other responsibilities of Makro rest. The other three elements of the model, such as legal, ethical and philanthropic responsibilities could be considered as very generic terms in constitution of whole CSR model. We can say that all activities conducted by investigated company are processed with legal obedience, harm avoidance and with the purpose of improving quality of life. In general, all elemental part of Carroll's model are outlining the general principle of CSR, on the other hand are rather descriptive than explanatory. We can say the model gives a sort of guidance to proper CSR execution but does not offer any explanation of application and measurement. In author's opinion, more elements of the model should be added in order to analyze and evaluate what companies are undertaking.

The main purpose of the case study was to gain a deeper understanding of CSR and analyze its execution in a large corporation with deep roots in the Czech market. Baring this in mind, answers to research questions described in objectives section can be provided. From the qualitative part of the research, we can say that responsible activities connected to society are important factor of Makro business operations and the concept is not underestimated. As a major factor of correct CSR application, we can consider the fact that the company is working with the principle of not promoting and financing the advertisement of issued activities. We can again

work with the contradiction of social responsibility as a valuable corporate strategy and on the other hand an ethical thing to do. From the information provided by several members of Makro sustainability team and other valuable resources, we can say that CSR strategy in Makro is not to process socially responsible activities in order to promote brand image or reputation but rather invest these resources towards actual help. This ban of investing to advertisement of CSR activities in media is incorporated in Makro's ethical code for many years and is part of corporate strategy for many years. Even though financing of marketing propagation of CSR through media may bring better awareness of its procession among society, on the hand it is in conceptual contradiction of what the CSR concept means. We can once more use the Kant's example of the difference between honesty and selfishness. If the company invests into propagation instead of the actual activity, whole activity is therefore not an ethical act because the primary purpose was not to do the right thing. Above mentioned information proves that Makro does understand this principle and the right purpose of the CSR concept is properly embedded in minds of those employees who are responsible for the activities processing.

There are many different reasons for companies to engage in CSR. The fact that CSR engagement of companies has increased heavily in the last years indicates that CSR is a strategic tool and various stakeholder groups put large emphasis on it. In order to evaluate what are the main reasons for Makro to engage in such activities, research among one stakeholder group (employees) was executed. As one important reason can be that fact that 97 % percent of research respondents agree with the argument that companies should also focus on other business factors connected to their environment than just a profit. This huge amount of positive employee approach towards the concept can be evaluated as major reason for Makro to continue and improve its CSR strategy. Furthermore, 84 % of employees are aware of CSR terminology, which is a sign that the concept plays a significant role among the stakeholder group. In addition, 52 % of respondents considerably appreciate responsible behavior of corporations and have more positive attitudes towards these businesses than to those who ignore it. Among all the other reasons, such as e.g. pressure of other stakeholder groups, research has shown that sympathies of Makro

employees towards CSR activities are an essential reason for Makro to engage in corporate social responsible behavior.

Thanks to the fact that Makro ČR is part of global concern METRO Group with its seat in Germany, an important part of the research was focused on the relationship of CSR activities coming from the head corporation and activities completely originating in Makro Czech Republic. From the interviews with narrators we can conclude that there are pillars provided by the corporation but the execution is almost completely in competence of Makro ČR. Although there are precisely set corporate targets in questions of important global sustainability topics, such as reduction of Carbon emissions and energy consumption, the majority of activities are solved locally and the responsibility of its application is in hands of the Makro sustainability team. The thesis concisely describes twenty-one activities issued by Makro and put special emphasis on four of them. The research has shown that majority of activities are completely prepared and processed by local initiatives. In summary, Makro does much more than is originally set by German corporation and focuses on several stakeholder groups.

Further research question was focused on perception of CSR activities among employees at two working levels, as they are an essential stakeholder group of every business. Results of this chapter also showed on what level is the quality of CSR communication in the company because awareness among employees definitely goes in hand with properly working communication channels. To find the answer to the question, four Makro activities were analyzed in depth in order to find out what is the awareness of these important activities among staff at stores and employees of Kampus. From the obtained results we can conclude that the awareness among these groups is different, but not significantly. Research has shown that 77 % of store workers and 57 % of Kampus employees are aware of investigated four Makro CSR activities. There could be several reasons why the awareness in store is higher than in Kampus. As the most significant can be considered fact that people working on store are in much more frequent contact with the activities, such as Food Bank donations or regional support. Furthermore, they may personally participate in the activities, while in Kampus, there are few people who are responsible for this topic. On the other hand, the results show that the awareness in Kampus is definitely not

satisfactory. The communication channels between the employee and Makro as a company is not perfect and shows large opportunity for improvement. In summary, as it was said by the CEO during the interview (Appendix 8.1) the base of awareness is solid but for future it is necessary to go further. Employees are an essential part of the business and if the company wants to be sure about its CSR strategy, employees have to be the first to know. Quotation of the CEO does depict the situation precisely: *"We have done a bit and still have more to do."*

There are many aspects related to right processing of CSR and highly developed communication is the crucial one. Thesis partly focused on detecting the way, how and about which CSR activities Makro reports. The choice of the four activities, which were thoroughly investigated, was done with the fact that they are presented on Makro webpage in the section devoted to CSR. In present time, there are two main channels used to report about CSR and webpage is one of them. There are altogether seven initiatives presented on the internet site and we can conclude that it is currently the most significant and relevant sources of information Makro publishes and spreads to society. The second most valuable source of information is the pilot CSR report issued few months ago, providing especially sales force with information of sustainable development and brief news about activities in which Makro is engaged. Even though this report is short and provides stakeholders with general data, there is a vision to create a report which would be published together with the annual report. This shows that Makro knows about the potential and wants to improve the communication channels as soon as possible with use of innovative forms.

As one of the important method of qualitative part of the research participant observation was used. Due to the fact that author of the thesis is for almost a year part of one management group inside Makro, he has had an opportunity to observe many attitudes of people inside the company by himself. The fact of working inside the firm helped him with the access to relevant documents, which were used in the thesis. Furthermore, he had an opportunity to observe and to be part of the Sustainability Team meetings, which gave him insight into above mentioned issued.

Furthermore, it is necessary to mention limitations of the study. Previous sections outlined that two employee groups were part of the qualitative data collection. As mentioned in the methodology section, 43 % Head office employees and almost 30 % of Makro store staff responded to the questionnaire that is valuable sample of people. It is important to stress out the fact that the survey that circulated within the company internally heavily affected the results of the thesis. On the one hand, the survey helped me to gain admirable amount of responses. On the other hand, it is possible that employees are less likely to be critical or express negative attitudes if they think it is the company that is asking their opinions. From my point of view both aspects are worth considering.

During the literature review of the concept, valuable information about the topic were gained. However, in my opinion, more focus should be put on trying to find better ways how to evaluate and measure the actual application of the thoughts. Even though there are GRI guidelines provided, it can be sometimes difficult to choose and report all available and necessary data. On the other hand, CSR activities and its handling is completely upon the business and the free choice of its application and presentation should be, according to me, the heart and core principle of the concept itself. In summary, the thesis comprises large amount of information and evidence that Makro incorporated the CSR concept into the business practice and put huge emphasis on its improvement. Even though the general awareness among employees is on satisfactory level, I believe that Makro should focus very closely on informing own employees at first. Employees are the core of the company and they need to be the group that is informed the best and can therefore convincingly refer about the status. The fact is that only if employees have enough information, they may become convinced about its importance and later spread the information to public. On the other hand, without personal persuasion of the CSR necessity, communication towards public cannot work. CSR in general is a topic everyone should carry on his own and this freedom gives it the real value. Furthermore, there is number of people inside Makro who are convinced about the topic and do their best to process it at the highest level.

In general, CSR is a topic with huge potential and there is undisputable presumption that the awareness and importance of the concept will elevate. The

current situation of CSR in the Czech Republic can be described as a phase of "awakening", which was already said in literature review. CSR is slowly getting public attention in the Czech Republic and companies are realizing that such an approach can be beneficial in the presence and also in the future. In present time occasional philanthropic activities are not seen as a part of a strategy. The research has shown that people in the Czech Republic prefer to deal with problems informally, in other words, they seek for solution with colleagues rather than sending anonymous reports. On the other hand, it may be caused by the fact that they rather ignore the problems than to report about them. This all is definitely connected to the CSR because improvement of corporate culture is one of the key elements. Number of corporations in the Czech Republic often get engaged in CSR only because their international parent company forces them to do so. It is obvious from the thesis that even though there are several targets and the pressure from METRO Germany on Makro ČR is high, large amount of initiatives is issued locally. From these points I believe that the model of CSR applied by Makro is something other can learn from. My main recommendation is to continue with the positive approach towards society and work on the internal communication in order to be more effective. In fact, this statement could apply for more fields than just Corporate Social Responsibility.

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7.   APPENDIXES

7.1   Transcription of interview with CEO of Makro ČR / Metro SK

What does Corporate Social Responsibility mean for you personally? What do imagine under this term?

First of all, I think it is good that corporate generally hosts this topic, because this topic belongs to all of us. It is not something, which simply start to be in your mind because of external pressure on corporate. In normal society, CSR is a topic everyone should live for and live with. Of course, it is good if corporate gives some addition and stress on that. Nevertheless, I think that corporate should not impose the topic, and we should live the topic and we should be supported by the corporate to live the topic. I believe this is important. The scale of what is corporate social responsibility is for me much more wider than just compliance, Food Bank etc...

Just 20 minutes ago, I was talking at the store with a woman, a cashier, who wants to retire. She said her husband retired at January and they want to travel the world together with their daughter, because she already organized a month in the US... and when you see the emotions, she had when she was talking about that... This is what I think we should work for. So, the social responsibility goes first to people and then to the rest. If you touch the development of the people, the atmosphere at the store, inside the company and the Kampus, the attitudes, the culture, then it becomes almost endless.

What is relation between activities coming from METRO Germany and which are completely Czech initiatives? Can you tell me something about theses relations?

METRO Germany is stirring the things and they ask for report, for specific areas, which are easy to communicate, it is natural... The range of what we have to do will be still on us and what METRO Germany is running after... I think it is stupid, because, once again, we don't do it for METRO Germany, we are doing it mainly for our environment and of course it is important to let it know. METRO Germany can structure it to better communicate on that, because if you don't communicate what you do, people intend to believe you are not doing anything. And this is not the case, it is

contra-productive. First motivation is goes together with our vision and Aristotle's quote: "Where your talents and the needs of the world cross; there lies your vocation." I believe the quote is here more valid there anywhere, because it is here more than two years and it is still not two years when the corporate started running for the CSR. I say it only to stress that these values are here in the company for much more longer.

Which are the main reasons for MAKRO to engage in these activities?

This is a philosophical question and there is first a philosophical answer and then also commercial answer. And I would say that for me the philosophical comes before the commercial answer. Philosopher is somebody who thinks about a life in order to find joy and happiness, in short... And this is more or less the approach. And when you speak about the CSR, it is about how you connect the whole because we are all part of it. We are one element of the chain and if we find our place in the world we are not underestimated and only if so we can enjoy happiness. This is the first and real reason for CSR. Then you can up with much more mercantilist approach, because it is pretty fashion, trendy topic and helps to be positively perceived by the communities and it can bring some commercial value, which is also fair. Sustainability of the company is very important, it is not something to put aside, because we have some shareholders and have to create some wealth and also redistribute the wealth. All of these things are part of the equation. Even though, I still believe the reasons at first are emotions, not rationalism. It is emotion what leads action and motivation of emotions can be different from one another.

Someone would say that CSR should not be done by companies but it should be done by government, state... What is your passion about this?

It is a personal matter. Having this kind of discipline, for example not throwing a plastic bag during your walk, mentioned very simple... after that you can come deeper in the topic. And if we are running company like us, we have a fantastic purpose to help entrepreneurs to grow and to develop themselves. Honestly, this is a purpose where we could heavily wish for better. It is not so many companies on the market, which give you the possibility to run your purpose. That is where I see it. Everything, which is built here, is going to that direction.

Can you tell me briefly something about the corporate culture you are trying to build inside the company? What are the main driving factors?

I am used to say that I am hiring on "PPHCCC", which means I am looking for people who are positive, proactive, humble, collective, curious and customer-oriented. This is the core and the frame how we try to hire the people, because it is very strong and also very fragile. If everybody is part of it but if there is only one person, who is not living it, then it stops the full chain. It takes time but it can bring better trust, better effectiveness, better communication, and the end you have happiness. I really believe that the main part of the CSR is to deserve our environment, which is sustainable and full of happiness. This is what I describe as a CSR. My role is to build the company with help of all the colleagues towards a bit of happiness and not only some concerns. The mistake that people do often is that they say happiness equals no structure. This is not the case. There is no happiness without a discipline. You first need a high level of discipline, if you want to reach the happiness.

How does MAKRO report about CSR activities? There is a two hundred long report issued by METRO Germany but is there something in the Czech Republic? And what are plans and visions in the future?

Yes, we have prepared something, much shorter... I think it is six pages long. There is no reality existing without the communication about the reality. The society we are in today is full of content, data, smart phones... So, if you do not communicate you do not exist. To make something viral, you need content, a solid base, discipline and communication. Nowadays, if you do not communicate the information, they do not exist. In this matter, you cannot be stupid. This is the purpose of the six slides. Within the next quarter, the Sustainability Team will enhance the report and a lot of new will come.

Do you think that in present time Makro is doing enough? Is there some space for improvement? In which way?

I think that M. (Head of Quality) and R. (Head of Communication) have a lot in their pipes and I would not underestimate what they are doing. But I would also not say that this is enough. I would simply give them the time to implement what we

are walking upon. Later, we will see how we can eventually speed up. From an employee perspective, I can tell you we are doing a lot but I want to do more. We did a survey some time ago and 97% of employees mentioned that they are happy at work. This is certainly a good signal. And there a 91% people aware of the transformation, which is also good. Nevertheless, you can say that there are still 9% to inform, or to communicate about the transformation and 3% to improve their happiness at work. One piece of puzzle can stop everything. We need to be sure that 100% of people are on tracks. The base is good but I want to go further.

Actually, it is two years when we have changed our approach. We used to believe that if somebody leaves the company, they do not come back. Now, we say exactly the opposite. Anybody who wants to try outside is welcomed. When somebody leaves, you have 50% chance he will come back. And when the person comes back, first of all the person is happy to come back, secondly because he tried and we did not cut his wings. This is a value of the company where we give the people the chance to try. And they can also share what is the reality and what to expect. Because when they come back, there was probably a gap between reality and what they expected. There is one popular quotation: "The grass is always greener in the field of a neighbor". Especially for young generation this is important. If you think you can do better and you can develop - so just go and try. And on top, we can offer to you a secure base you can come back. I think this is also connected to the CSR.

Thank you for your questions. This is a topic, which is crucial for me. It is one of the main motivations, why I am walking day and night and trying to transform the company. We have done a bit and still have more to do. It is also a topic everybody should carry on its own.

7.2   Questionnaire

1) What is your work place?

a) Kampus

b) Store

2) To what extent do you agree with following statement?

"The company, in addition to making a profit, should also behave responsibly to internal and external environment, for example employees, business partners, customers or the environment. "

a) Strongly agree

b) Agree

c) Not sure

d) Disagree

e) Strongly disagree

3) Do you know term "Corporate social responsibility" or have you ever heard about socially responsible firms and its activities?

a) Definitely yes

b) More likely yes

c) Not sure

d) More likely no

e) Definitely no

4) How do you perceive socially responsible firms?

a) I greatly appreciate them and have more positive attitude toward them than to companies that do not engage.

b) I appreciate the initiative but socially responsible activities do not affect my attitude towards these companies.

c) I think that social responsibility is the only marketing tension and effort of propagation. Welfare of others is not their primary goal.

d) Companies should not try to solve social problems. This task should be left to the government.

5) **Do you know any socially responsible activities in which MAKRO is actively engaged?**

a) Yes - please write an example

b) No

6) **MAKRO has a clearly defined code of ethics for the "Compliance" area, thanks to which the employees and third parties such as customers, suppliers or other business partners have opportunity to report abuse within the company. Have you heard about this activity?**

a) Definitely yes

b) More likely yes

c) Not sure

d) More likely no

e) Definitely no

7) **Every day we deliver products with a short expiration date to the Czech Federation of Food Banks. This help includes food and drugstore products, which then travels to people in need. Have you heard about this activity?**

a) Definitely yes

b) More likely yes

c) Not sure

d) More likely no

e) Definitely no

8) **We want to be good neighbors wherever we operate. Therefore, each Makro store has fellow children's home or another charitable organization where provides material support. Have you heard about this activity?**

a) Definitely yes

b) More likely yes

c) Not sure

d) More likely no

e) Definitely no

9) MAKRO supports the program "Trees instead of leaflets", which together with the Partnership Foundation financially sponsor tree planting and restoration of alleys in regions.

Have you heard about this activity?

a) Definitely yes

b) More likely yes

c) Not sure

d) More likely no

e) Definitely no

10) What is your gender?

a) Male

b) Female

11) What is your age?

a) 18 - 30 years

b) 31 - 50 years

c) 50 years and more
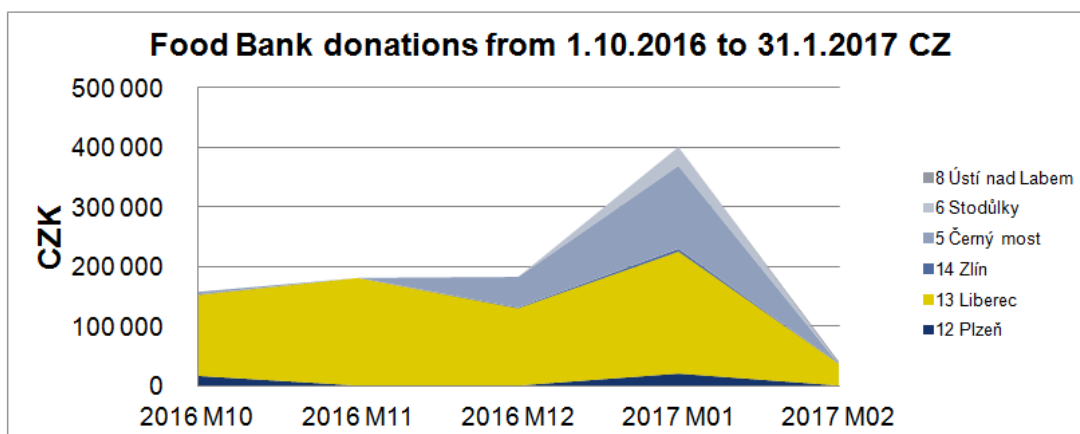
12) What is your highest level of education?

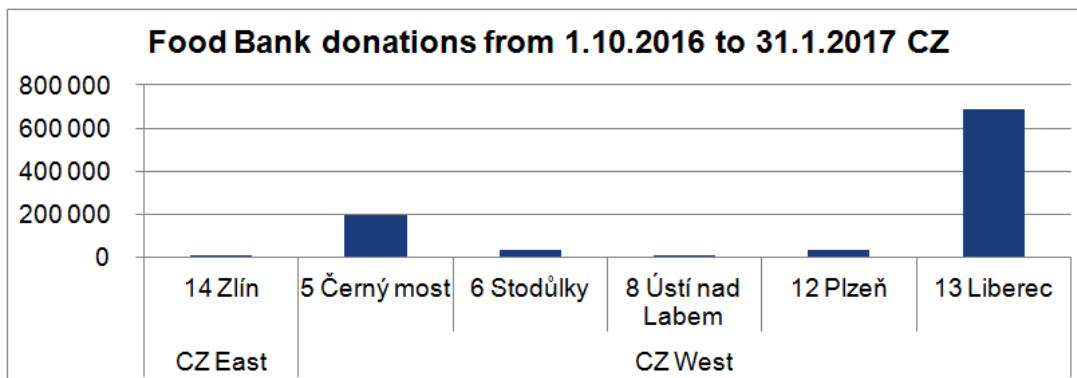a) Elementary

b) Secondary

c) University

7.3　Food Bank donations from October 2016 to January 2017

Makro Cash & Carry ČR s.r.o.

Total amount of Food Bank donations in the period:　1.10.2016 - 31.1.2017

Store	Amount of donations	Sales - Food department
2 Brno	- CZK	815 495 229 CZK
3 Ostrava	- CZK	767 633 825 CZK
7 Hradec Králové	- CZK	528 796 585 CZK
9 Olomouc	- CZK	413 752 111 CZK
11 České Budějovice	- CZK	408 886 170 CZK
14 Zlín	7 139 CZK	380 235 495 CZK
CZ - region East	**7 139 CZK**	**3 314 799 415 CZK**
4 Průhonice	- CZK	820 566 113 CZK
5 Černý most	194 628 CZK	708 342 352 CZK
6 Stodůlky	31 874 CZK	898 400 252 CZK
8 Ústí nad Labem	3 858 CZK	405 890 962 CZK
12 Plzeň	36 417 CZK	544 129 943 CZK
13 Liberec	690 545 CZK	377 209 468 CZK
15 Karlovy Vary	- CZK	344 679 132 CZK
CZ - region West	**957 322 CZK**	**4 099 218 222 CZK**
CZ total	**964 461 CZK**	**7 414 017 637 CZK**

Food Bank donations from 1.10.2016 to 31.1.2017 CZ

Food Bank donations from 1.10.2016 to 31.1.2017 CZ

111

7.4   Makro CZ Sustainability Report 2016

ABOUT US

Guillaume Chêne

CEO of MAKRO ČR / METRO SR

makro

- This year, we celebrate **20 years on Czech market**

- We are the leader **in wholesale to privete businesses**. We constantly focus on support and development of **small and medium sized private business**. Second Tuesday in October we celebrate **Day of private businesses.**

- We operate **13 wholesale store network** placed equally in all regions. **3200 employees and 116 410 of sales area.**

- Total amount of investments in the Czech Republic is **3,2 mld CZK.** In next two years we plan to invest in the amount of **1,5 mld CZK.**

- Since the year 2015 we build **direct distribution** towards our customers with online orderis. In present time we are number two with **distribution share on total sales of food products (25%)**

- **Our distribution customer**
  Professional gastronomy   8 063
  Independent traders   2 031

113

CORPORATE SUSTAINABLE STRATEGY

CO2	**Waste**	**Packaging**	**Water**	**Health & Nutrition**
Reduce carbon footprint for climate protection; Improve energy efficiency and refrigeration systems	Control waste streams in own operations; Support customers in eco-friendly disposal of waste	Reduce excessive use of materials for packaging and its environmental impact	Care about and raise awareness for the scarcity of fresh water as the next global challenge	Support customers and consumers to stay fit and healthy; Adapt to changing dietary habits
Fish & Seafood	**Palm Oil**	**Social Compliance**	**Traceability**	**Paper & Wood**
Ensure sustainable fish population; Protect fish stocks by enabling customers to make sustainable choices	Curb rainforest deforestation by phasing out non-sustainable palm oil	Ensure compliance of business partners with social standards; Ensure safe and ethically produced assortment for our customers	Trace our fish and meat products preventing illegal activities and supporting the protection of our resources	Leverage global reach to reduce deforestation; Support customers to save paper and wood

makro

METRO

LOCAL SUSTAINABILITY STRATEGY

SUSTAINABILITY 2016

ELECTRICITY CONSUMPTION

is on level of year 2012 with enlargement of sales and distribution space by 7 230 m2.

WASTE AMOUNT REDUCTION

by 2.5%

PALM OIL

Until the year 2020 with own brand proucts without palm oil.

SUSTAINABLE FISHERY

We don't sell endagered fish species.

Information about the fishing methods and origin on labels.

PAPER AND WOOD ASSORTMENT UNDER OWN BRAND

Only certified forest wood by the year 2020.

makro

SUSTAINABILITY 2016 (CONTINUE)

145 local suppliers

(farmers, producers close to regional stores)

Total sales **share 1,1 %**

National Food Collection 2016

9,74 tons

Training in MAKRO Akademy

160

Training for school canteens: **450 schools**

Training for gastronomy: **500 customers**

EET Training: 4300 customers

WAGE INCREASE - STORES

8 %

FOOD BANKS

14,5 t

We pay to suppliers at least 3 times a week.

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