



# Corporate Social Responsibility as a Competitive Advantage for International Companies

## Master Thesis

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## Master Thesis Assignment Form

# Corporate Social Responsibility as a Competitive Advantage for International Companies

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- CAROLL, Archie B., 2015. Corporate Social Responsibility: The Centerpiece of Competing and Complementary Frameworks. *Organizational Dynamic*. Vol. 44, Issue 2, Pages 87-96. ISSN 0090-2616.
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## **Anotace**

Cílem diplomové práce na téma "Corporate Social Responsibility as a Competitive Advantage for International Companies" je charakterizovat pojem společenské odpovědnosti. Následuje její analýza ve vybrané mezinárodní společnosti a porovnání s vybranou konkurencí. Důraz je kladen především na to, jak implementace CSR a její realizace ovlivňuje konkurenční výhodu společnosti v mezinárodním prostředí. Účelem této studie je vysvětlit, jaké faktory společenské odpovědnosti generují konkurenční výhodu a zvyšují obchodní výkonnost vybrané společnosti. Závěrečná část se skládá z vyhodnocení výsledků a navržení proveditelných zlepšení pro vybranou společnost.

## **Klíčová slova**

Společenská odpovědnost, CSR, Festool, zákazníci, respondenti, Bosch, komunikace, konkurenční výhoda, obchodní výkonnost

## **Abstract**

### **Corporate Social Responsibility as a Competitive Advantage for International Companies**

The aim of the diploma thesis on the topic "Corporate Social Responsibility as a Competitive Advantage for International Companies" is to characterize the concept of social responsibility. That is followed by its analysis in a selected international company and comparison with a selected competitor. The focus is mainly on how the implementation of CSR and its realization is affecting the company's competitive advantage in an international environment. The purpose of this study is to explain what kind of social responsibility factors that generates competitive advantage and increases business performance for the selected company. Final parts consist of the evaluation of the results and proposition of feasible improvements for the selected company.

### **Key words**

Corporate social responsibility, CSR, Festool, customers, respondents, Bosch, communication, competitive advantage, business performance

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## List of Abbreviations

3P	Profit, People, Planet
CSR	Corporate Social Responsibility
EC	European Commission
FSC	Forest Stewardship Council
GRI	Global Reporting Initiative
ISO	International Organization for Standardization
OECD	Organisation for Economic Co-operation and Development
PR	Public Relations
S&P 500	Standard and Poor's 500
UN	United Nations
VAT	Value Added Tax

## **Introduction**

The diploma thesis is mainly focused on the issue of corporate social responsibility, which is in these days becoming an increasingly discussed topic. Social responsibility is a concept that does not require compliance with established rules, laws or regulations, but is based on the voluntary beliefs of the companies themselves. In today's world, customer requirements are constantly increasing, the degree of globalization as well as the competition is growing and the demands for environmental protection are being more and more important. Therefore, corporate social responsibility is coming to the forefront of the interest of business entities.

Companies are today much more aware of the importance of "good name", which is associated with responsible behaviour towards their surroundings. Because of that, they have the opportunity to gain a competitive advantage, which allows them to be successful on the international market. Thus, reputation often becomes a sub-goal of many companies.

The concept of social responsibility is sometimes understood only as a marketing communication, momentary activity, or is not taken seriously at all. However, corporate social responsibility is something that should be comprehended in a broader context and developed throughout the year. Only such an understanding of this concept can bring both social and environmental benefits as well as major benefits for the company itself.

At first, the term corporate social responsibility is presented, together with the history of this issue, its main features, theories, and individual areas. After that, the concept of competitive advantage as well as the benefits and critics of CSR is looked into. Short chapter is also devoted to the issues of greenwashing. Furthermore, the thesis is focused on the area of CSR communication which is an unavoidable aspect of proper CSR strategy. The next parts of the thesis are focused on the selected company and its current CSR activities.

For the diploma thesis, the company Festool - brand of high-end power tools from Germany - is analyzed. The main objective of the research is to find out how the current state of CSR in the company affects the company's competitive advantage and its environment. First, the company and its CSR activities are introduced. For the thesis, the cooperation with the production site Festool s.r.o. in Česká Lípa took place. The secondary goals are: formulation of appropriate recommendations for Festool in order

to increase the efficiency of CSR and business performance of the company; definition of basic benefits and economic impacts in the field of social responsibility both for the company itself and for the environment which it operates in.

The following methods are used to meet the main objective: literature research, secondary research of the company Festool, personal meetings with certain stakeholders of the company, questionnaire survey focused on the customers of Festool, and comparative analysis.

Literature research is used to gather basic information for the practical part of the thesis. Secondary research as well as personal meetings with certain stakeholders is used to introduce the company Festool and its current state of CSR which includes all three areas of CSR: economic, social, and environmental area. Furthermore, qualitative research is carried out using a questionnaire survey via Google forms. The monitored group is the customers of Festool. The company's customers were chosen as the target group precisely because they are one of the main indicators which affect the business performance of a company. Customers are the main reason the company produces products and their satisfaction should be one the main goals of the company. Well-informed and positively motivated customers often disseminate information about the company in their surroundings and thus potentially create a good image of the company. For data collection are used the company's online platforms. The questionnaire consists of total 19 questions compounded in a way to find out the general position that the customers have towards the CSR and how this affects their overall view of the company Festool. The individual questions are subsequently analyzed. Finally, comparative analysis is used to compare Festool's current CSR with CSR of one of the company's main competitors Robert Bosch GmbH.

The secondary goals are fulfilled by summarization and evaluation of the information obtained from the theoretical and practical part of the thesis. Proposition of feasible improvements and recommendations for the company as well as formulation of basic benefits and economic aspects are presented.

# 1 The Concept of Corporate Social Responsibility

This chapter introduces the whole concept of corporate social responsibility. First, the very concept of CSR is defined, followed by a description of its historical development and a detailed description of its individual components.

CSR is a trend that is gradually becoming part of every business. Most international companies now include a senior level position in their organizational structure which is dedicated specifically to CSR or sustainability issues. (Brent D. Beal, 2013)

## 1.1 Definition

There are dozens of definitions of corporate social responsibility that have arisen over decades. One of the early definitions of CSR by Keith Davis (1960, p. 70) reads as follows: *“Social responsibility is a nebulous idea and, hence, is defined in a various ways. It is used here within a management context to refer to businessman’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest.”*

According to Carroll (2015, p. 87): *“CSR represents a language and a perspective that is known the world over and has become increasingly vital as stakeholders have communicated that modern businesses are expected to do more than make money and obey the law.”*

European Commission defines CSR simply as *“the responsibility of enterprises for their impact on society.”*

As stated by the European Commission (ec.europa.eu, 2022), the company can become socially responsible by:

- *“integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations;*
- *following the law”*

Volunteering plays a significant role within this issue, leaving it up to companies whether they will be socially responsible or not. However, nowadays, all companies are starting to realize that being socially responsible is essentially inevitable. Social responsibility often brings the company a better market position and many other financial and non-financial benefits. Despite the fact that social responsibility does not have a uniform definition and precise limits of action, it is quite clear what the goal is. CSR requires companies to behave socially responsibly towards their surroundings, including their employees, customers,

business partners, suppliers, local and communities, the environment, etc., while also complying with the law and generating profit.

## **1.2 Historical Background**

The role of business in society has been debated for over hundreds of years. However, the concept of corporate social responsibility first emerged in the 1950s. One of the first publications that examined the idea of the modern CSR is by Howard R. Bowen, *Social Responsibilities of the Businessman*, from 1953. He was inspired by a number of questions that are still relevant to this day: “*What responsibilities do businesses have to contribute in positive ways to society? What benefits might be derived from a more enthusiastic assumption of these responsibilities? What practical steps could be taken to encourage businesses to give greater weight to these responsibilities in their decision making?*” (Brent D. Beal, 2013, p. 1)

Bowen’s work proceeded from the belief that the several hundred largest businesses in the United States were crucial centers of power and decision making and that their actions touched the lives of citizens in many ways.

At the beginning, CSR was discussed mainly in academic circles. From a scholarly perspective, most of the early definitions of CSR and initial explanations about what it means in theory and in practice have begun in the 1960s by writers like Keith Davis, Joseph McGuire, Adolph Berle, William Frederick, and Clarence Walton. Later development of this concept came soon after the important social movements of the 1960s, the civil rights movement, consumer movement, environmental movement and women’s movements. (Carroll, 2016)

At the beginning of the 1990s and carrying forward, three strong trends in CSR emerged, grew and continue to this day: globalization, institutionalization, and strategic reconciliation. Multinational corporations extended their businesses globally and therefore, the challenge managers faced was to identify and respond to social issues abroad by utilizing both accepted and novel policies and practices that would be suitable in host nations. With the rising global competitiveness of corporations, reputational risk increased as well. Global visibility and vulnerability of corporations’ international images gave them a strong incentive to plan carefully their responsibility and ethics activities alongside their business. All this was greatly intensified by the technological changes that grew rapidly during the decade with the rise of the Internet and E-commerce. As a result, corporate



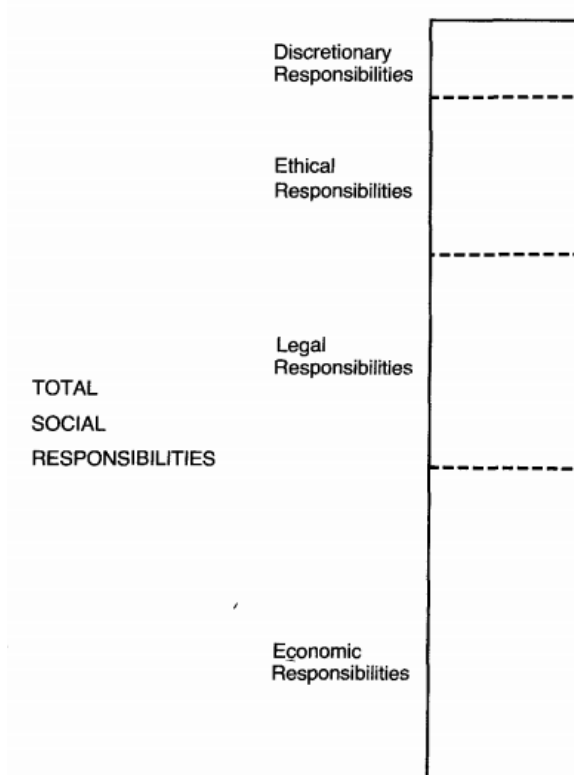
responsibility crossed borders and cultures as never before, and the challenges to business managers and companies grew significantly. (Carroll, 2015)

### 1.3 Theories of CSR

In this chapter two main theories of corporate social responsibility will be introduced. The first basic theory of CSR is based on the Carroll’s pyramid, and the second triple bottom-line theory represents more of a modern approach to CSR.

#### 1.3.1 Carroll’s Pyramid of CSR

Corporate social responsibility, in the form that we see today, became popular after it was defined by Archie Carroll’s “Pyramid of Corporate Social Responsibility” in 1991. It is one of the most well-known models of CSR that has been used in the literature and practice for several decades. According to Carroll, to fully address the entire range of obligations businesses have to society; it must embody the economic, legal, ethical and discretionary categories of business performance. This set of four responsibilities creates a foundation or infrastructure that helps to delineate and characterize the nature of businesses’ responsibilities to the society of which it is a part. (Carroll, 1979)



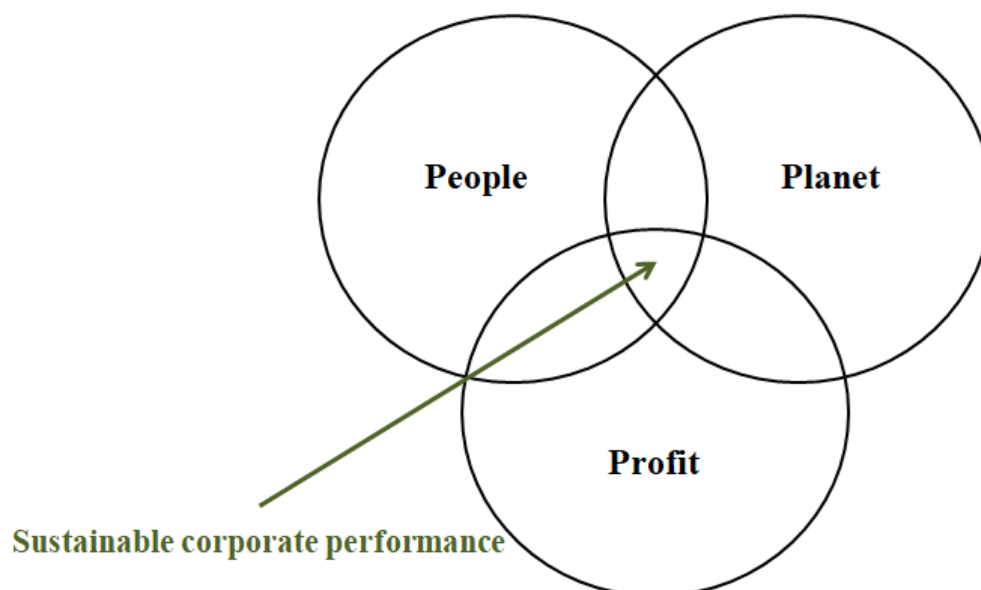
Picture 1: Social Responsibility Categories  
Source: Carroll, 1979

Picture 1 shows the original representation of the CRS pyramid model by Carroll. These four categories are not mutually exclusive, they are ordered just to suggest their role of importance. The economic responsibility was placed as the base of the pyramid because it is a foundational requirement in business. The CSR pyramid presumes that firms should engage in decisions, actions, policies and practices that simultaneously fulfil the four component parts. As the concept of CSR suggests, economic and legal responsibilities are required; ethical and philanthropic responsibilities are expected and desired. (Carroll, 2016)

There are now well over 100 variations and reproductions of the pyramidal model. The design is still regularly quoted, changed, discussed, and criticised by business leaders, authors, politicians, scholars, and other social pundits. (Writer, 2021)

### 1.3.2 Three Principles of CSR

Nowadays, perhaps the most represented theory in the CSR field is the triple bottom-line view or 3P, shown in the picture number 2. According to this theory, corporate social responsibility is based on three main pillars: economic, social and environmental area. Therefore, a socially responsible company does not only focus on improving its economic results (economic growth and profit), but also pays attention being socially (people) and environmentally (planet) responsible. (Vilém Kunz, 2012)



Picture 2: Triple-bottom-line

Source: Own processing according to: Vilém Kunz, 2012

Table number 1 shows all three areas and specific examples of CSR activities within each individual area. Each of the three components of responsibility also addresses different stakeholders in terms of the varying priorities in which the stakeholders might be affected. Economic responsibilities for example mostly impact shareholders, owners, and customers because if the business is not financially viable legally responsible these groups will be significantly affected.

Table 1: Three areas of CSR

	<b>Economic area</b>	<b>Social area</b>		<b>Environmental area</b>
<b>Stakeholders</b>	<u>Market:</u> - Owners and investors - Customers/consumers - Suppliers - Government institutions - Media	<u>Work environment:</u> - Employees - Unions	<u>Local community:</u> - Non-profit organizations - Public	<u>Environment:</u> - Environmental groups - Other spokesperson for the environment
<b>CSR activities</b>	- Code of ethics - Code of conduct - Transparency - No corruption - Timely payments - After sales services - Advertising ethics - Protection of intellectual property - Quality and safe products and services - Innovation and sustainability - Compliance system - Fair competition - Adherence to law	- Health and safety - Education and development - Work-life balance - Equal opportunities - Diversity - Support for redundant workers	- Donations - Volunteering - Social integration - Education - Employment and local infrastructure development - Foundations	- Recycling program - Energy/water saving - Waste management - Restriction of the use of dangerous chemicals - Packaging and transport - Compliance with norms and standards - Organic production - Protection of natural resources

Source: Own processing according to: [www.csr-online.cz](http://www.csr-online.cz)

In this model of the CSR, the legal part that is pictured in the Carroll's pyramid is included in the economical area. The economical responsibilities are seen as the most important precisely because it includes the responsibility of being profitable and to conform to regulations and legislation. These types of responsibilities are necessary for the company. Social responsibilities are mainly focused on the way of treating employees and the support of the surrounding community. In the environmental area, the company is aware of its impact on the environment and performs its activities accordingly. (Business Leader Forum; csr-online.cz, 2022)

## **1.4 Corporate Social Responsibility in a Transnational Framework**

This chapter provides a description of some of the most important international guidelines and standards which include a number of aspects of corporate social responsibility. These international guidelines and standards can for example help to assist with the implementation and dissemination of CSR in a company or its subsequent evaluation, measurement and reporting.

### **UN Guiding Principles on Business and Human Rights**

The UN Guiding Principles on Business and Human Rights is the guideline of how businesses and governments should work with human rights, including rights in relation to labour. These Guiding Principles can be applied to all businesses in all situations. They include 31 principles which are divided into three main areas within the framework. These areas are: the government's duty to protect; the corporate responsibility to respect human rights; access to remedy which dedicates what an enterprise must do if it becomes involved in cases of human rights violations. (Marie Gradert, Peter Engel, 2015)

### **OECD Guidelines for Multinational Enterprises**

OECD Guidelines for Multinational Enterprises consist of recommendations for responsible business conduct, prepared and adopted by the countries that are members of OECD in cooperation with companies, trade unions and civil society. These guidelines include the following CSR areas: disclosure, human rights, employment and industrial relations, environment, combating bribery, bribe solicitation and extortion, consumer interests, science and technology, competition and taxation. (Marie Gradert, Peter Engel, 2015)

Although, their application is voluntary, the States Parties are obliged to promote the Guidelines, which are the only multilaterally agreed and comprehensive code of conduct for corporate social responsibility. (csr-in-deutschland.de, 2022)

### **The UN Global Compact**

The UN Global Compact is an international network of companies, which have committed to aligning their operations with ten globally applicable principles within four areas: human rights, anti-corruption, the environment and labour. Businesses can use the ten principles as inspiration, and can in addition, join the UN Global Compact. By joining the organization commits to making the ten principles a part of its business activities and to report annually about the progress to the UN Global Compact. (Marie Gradert, Peter Engel, 2015)

### **ISO 26000 Guidance on Social Responsibility**

ISO 26000 is an initiative of the International Organization for Standardization (ISO). It provides guidance concerning social responsibility to all types of organizations, no matter their size or location. It is intended to assist organizations in contributing to sustainable development, encourage them to go beyond legal compliance, to promote a common understanding of social responsibility, and to complement other instruments and initiatives for social responsibility. (Marie Gradert, Peter Engel, 2015)

It includes seven core subjects on social responsibility which are: organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues and community involvement and development.

### **Global Reporting Initiative**

The framework developed by the GRI - Global Reporting Initiative platform has become an international standard for CSR reporting for organizations operating in the economic, environmental or social field. The GRI Standards can be used by organizations of different sizes and orientations. It helps them to understand and report on their impacts on the economy, environment and people in a comparable and credible way, thereby increasing transparency on their contribution to sustainable development.

(globalreporting.org, 2022)

## 2 CSR and International Companies

Miles and Munilla (2005) describe the motives for actively engaging in CSR by using Carroll's (1991) Pyramid of Corporate Social Responsibility and Van Marrewijk's (2003) CSR Framework. Table below shows how different levels of commitment to CSR are related to motives and outcomes. As was mentioned before, in Carroll's framework CSR responsibilities include the responsibility of the company to comply with regulatory and legal requirements, to act in accordance with the societies' ethics, to be profitable, and to be a good corporate citizen by voluntarily contributing to the community's quality of life. All of this results in a "pyramid" that prioritizes the responsibilities of the company to its relevant stakeholders. Van Marrewijk (2005) came up with a more complex framework based on the stakeholder primacy perspective that consisted of five "ambition levels" of CSR based on how a corporation's management relates to its social, economic, legal, and environmental responsibility. The framework illustrates that a company's CSR philosophy can be: compliance driven, profit driven, driven by caring, synergetic or holistic.

CSR ambition level	Motives (Van Marrewijk, 2003)	CSR Category (Carroll, 1991)
<b>Compliance driven</b>	Duty to society, CSR as a social obligation – perception of CSR expenditures as a simply a cost. Economic responsibility is paramount.	Legal
<b>Profit driven</b>	CSR as a strategic initiative – using CSR to create competitive advantage and superior financial performance. CSR expenditure perceived as an investment in the creation and renewal of competitive advantage – resulting in an enhanced stream of future profit.	Economic
<b>Caring</b>	Economic responsibility is paramount. Using CSR to balance the triple bottom line of profits, people and planet. Explicitly stating that the corporation will manage for social welfare, not simply to create wealth for shareholders. Social and/or environmental trumps economic responsibility.	Ethical and philanthropic
<b>Synergetic</b>	Use of CSR to attempt to create a "sustainable corporation" – that will be able to be an ongoing concern over the long run. Social and/or environmental responsibility I strategically used to create competitive advantage and meet the corporation's economic responsibilities.	Economic, legal, ethical and philanthropic
<b>Holistic</b>	CSR as a corporate culture – similar to when firm adopts a marketing, entrepreneurial, or quality orientation. Social and/or environmental responsibility is strategically used to create competitive advantage and meet the corporation's economic responsibilities.	Economic, legal, ethical and philanthropic

Picture 3: The interrelationship of CSR framework and Pyramid of Corporate Social Responsibility  
Source: Miles and Munilla, 2005

According to Kotler and Lee (2005), companies participate in CSR in order to look better, feel better, do better and live longer. They argue that such participation looks good to potential customers/consumers, investors, financial analytics, business colleagues, in

annual reports, in the news and others. They also mention that there is growing evidence that participation in CSR improve the brand and companies with a strong reputation for CSR will last longer.

Kotler and Lee also describe several benefits that companies could gain by participating in CSR. The main ones are the following:

- *Increased sales and market share:* There is strong evidence that company's participation in CSR often influences customer's decisions while purchasing products or services.
- *Strengthened brand positioning:* A company that is in some way associated in CSR is usually viewed better in the eyes of customers than the one that is not.
- *Improved image and clout:* A company that actively participates in CSR can gain positive publications in various articles or magazines.
- *Increased ability to attract, motivate and retain employees:* Employees working in a company which participates in CSR activities are usually proud to work there and are more likely to stay longer in a company.
- *Decreased operational costs:* Many companies report that their participation in CSR result in decreased operational costs and increased revenue. As an example, a company could gain free publicity as a result of their CSR participation which reduces costs for marketing campaigns.
- *Increased appeal to investors and financial analysts:* There is some evidence that CSR activities can increase stock value and that it is easier for companies engaged in CSR to get access to capital.

## **2.1 The Concept of Competitive Advantage**

According to Barney (1991), the creation of sustained competitive advantage occurs through the implementation of strategies that exploit internal strengths, through responding to environmental opportunities as well as adding value and creating benefits for one company when another company fails to do so, while neutralizing external threats and avoiding internal weaknesses. He also mentions that a firm could take advantage of its exceptional resources for sustainability when its resources are valuable, inimitable, rare, and immobile.

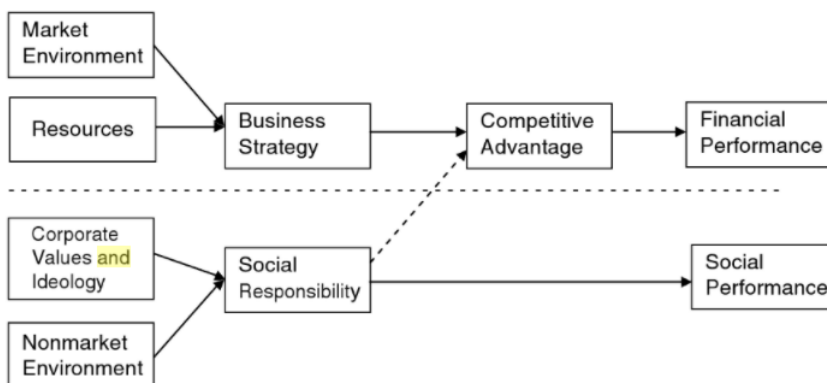
Kotler and Keller (2009, p. 373) define competitive advantage as “*company's ability to perform in one or more ways that competitors cannot or will not match.*” Basically,

a competitive advantage is what differentiates one firm from another in the thoughts of customers.

### 2.1.1 CSR and Competitive Advantage

Corporate social responsibility and competitive advantage are important topics for the contemporary discussion on corporations in society when taking into account social and environmental impacts. Regarding the previous chapter, we can see that social responsibility strategies, when managed effectively, are associated with competitive advantages, such as attracting valuable employees and new customers as well as enhancing the company's image and reputation. There are a number of studies concerning the relationship between CSR and competitive advantage. A majority of these studies support the idea that a positive relationship between CSR and competitive advantage exists. On the other hand, some studies presented contrary results and some found the relationship to be neutral. (Martinuzzi, Krumay, 2013)

Husted and Allen (2010) discuss the connection between business strategy and social responsibility. They state that CSR strategies can create competitive advantages if used properly; pointing out that there is a positive association between strategic social responsibility actions and competitive advantage. Traditionally, social responsibility and business strategy have been viewed separately, each one contributing to either the social or economic objectives of the company. Some theorists have suggested that there do exist linkages between social responsibility and the creation of competitive advantage. Typically, the argument goes that doing good deeds for society or engaging in ethical behaviour builds support from stakeholders, which is necessary for a firm to survive and creates competitive advantage by reducing agency and transaction costs. Therefore, the relationship between social responsibility and financial performance is postulated to occur in a manner similar to that illustrated in Picture 4.

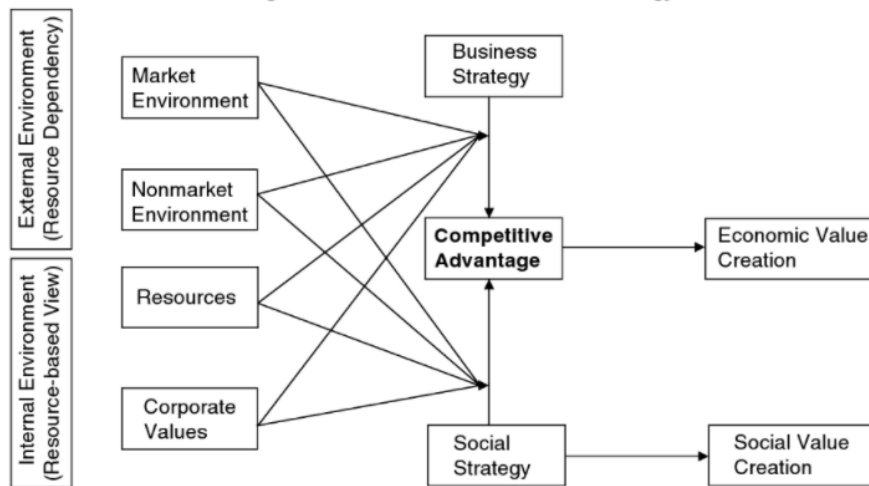


Picture 4: Social responsibility and financial performance



Source: Husted, Allen, 2010

However, Husted and Allen argue that these links do not occur as a matter of chance by simply including a CSR program, but must be cautiously designed. This element of design distinguishes the traditional approach to the social responsibility-financial performance relationship from the integrated approach set between social strategy and business strategy in Picture 5. Strategy refers to the plans, investments, and actions taken to achieve sustainable competitive advantage and both superior economic and social performance. The term business strategy is associated with economic issues and social strategy with treating social issues. Therefore, they define corporate social strategy as the firm's positioning with respect to social issues in order to achieve long-term social objectives and create competitive advantage.



Picture 5: Social strategy and business strategy

Source: Husted, Allen, 2010

When we look at this issue from the view of brand perception, there is strong evidence that CSR and corporate reputation positively impact industrial brand equity and brand performance. Assessments of brand perception indicate that customers do not only care about brand's features and its advantages, but they more likely care about the connection between the company and the society. Therefore, when companies engage in strategic CSR activities, it can contribute to branding the company as socially, ethically, and environmentally sensitive. This aids the company to distinguish its products and services from others that do not engage in CSR. With that, some customers in certain advanced countries, especially Millennials and Generation Z, are more likely to buy from a company that participates in meaningful and significant strategic CSR activities. They feel that when

they use a product or service of a socially responsible company, they are doing their part and the more socially responsible the company, the more supportive their community and customers become. Hence, this could eventually lead to creating a competitive advantage of a company. (Kuna-Marszalek, Klysik-Uryszek, 2020)

### **2.1.2 Critics of CSR**

Besides all the positives and advantages corporate social responsibility can deliver, there are a number of critics that have some critical arguments against CSR. One of the best-known critics of the concept of corporate social responsibility is Nobel laureate in economics Milton Friedman. He believes that the sole corporate social responsibility is to achieve and increase profits. If the company is actively involved in socially responsible activities, then the company is diverted from its main goal, which is profit generation. In an interview with New York Times Magazine, he said that: *"There is one and only one social responsibility of business -- to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."* (Milton Friedman, New York Times Magazine, 1970)

Friedman also states that if company managers have to deal with something other than increasing profits for a given company (which is their primary responsibility to the company), then the very foundations of a free society are disrupted.

British CSR experts M. Blowfield and A. Murray (2008) also addressed some critique of CSR:

- Corporate social responsibility suppresses the primary goal of business and ultimately restricts the free functioning of the market.
- CSR highlights the interests of entrepreneurs over the interests of the law and the expectations of the general public.
- CSR focuses too much on a specific area and does not address key aspects of doing business in today's society.
- The CSR concept is failing to achieve its goals and must accept new practices and methods if it is to succeed.

Current critics of the CSR concept, such as R. Reich, A. Karnani, Capaldi, Coulter and Robins, also mentioned other significant arguments against the implementation of social responsibility in the corporate environment, such as (Kunz, 2012):

- CSR is a dangerous distraction that undermines democracy.
- CSR activists are being diverted from the more important and realistic task which is to force governments to address social issues.
- CSR becomes primarily a PR tool for manipulating stakeholders and the general public.
- Risk of unprofessional management of CSR and inefficiency.
- Excessive concentration of power in the hands of big enterprises.
- Involvement in CSR only for reasons of tax relief.

Barnett and Salomon (2012) demonstrated that despite their opposition, both critics and supporters of corporate social responsibility might be correct over some range. They argued that for some firms corporate social performance and corporate financial performance are negatively associated, but for others can be positively associated. Therefore, whether it pays to be good depends upon how well firms are able to capitalize on their social responsibility efforts. In their paper, they also hypothesized that though it is costly for firms to engage in socially responsible activities, there are benefits from improved stakeholder relations that can offset these costs.

## **2.2 International Companies with Successful CSR Campaigns**

Corporate social responsibility is more and more common especially within big international enterprises. Although there are thousands of companies doing their part, the efforts of large global enterprises have far-reaching results that can impact global issues like hunger and health as well as global warming and climate change. This chapter will introduce few examples of companies that are known for their CSR campaigns.

### **Ben and Jerry's**

Ben & Jerry's is a well known ice cream company which have a long tradition of social responsibility, particularly with respect to environmental and social issues. Some of the company's CSR activities include for example use of fair trade ingredients. Ben & Jerry's also donate a portion of its pre-tax profits to corporate philanthropy which is done through the Ben and Jerry's Foundation and Community Action Teams at site locations. Ben & Jerry's pints carry a "Support Farm Aid" message as part of the grassroots efforts of Farm Aid, a non-profit organization whose mission is to keep family farmers on their land. In 1992, Ben & Jerry's joins in a cooperative campaign with the national non profit, Children's Defense Fund. The campaign goal is to bring children's

basic needs to the top of the national agenda. These are only a few examples of how the company is contributing to the society and environment. The company have also a number of grant and gift programs supporting not only the communities but also its own employees. (bjsocialresponsibility.weebly.com, 2022)

## **LEGO**

LEGO, a company that manufactures Lego-brand toys, consisting mostly of interlocking plastic bricks, is one the biggest leaders in corporate social responsibility worldwide. LEGO has announced that they will be replacing the plastic packaging from their products to paper packaging which is the result of hundreds of letters that the company received from children asking them to make their products more sustainable. The company has also announced that it will invest \$400 million over the next three years in order to ‘accelerate sustainability and social responsibility initiatives.’ LEGO also committed itself to work towards complete phasing out of single-use plastic bags in its products by 2025. In addition to this, the company will invest in developing more sustainable bricks and packaging as well as the development of sustainable plastics made from renewable and recycled sources. The company also launched the Emergency Relief Response Policy along with the LEGO Foundation to provide support for families in armed conflict and natural disaster zones. (Thacker, 2020; lego.com, 2022)

## **Walt Disney**

The company believes that social responsibility is a long-term investment that serves to strengthen its operations and competitiveness in the marketplace, enhance risk management, attract and engage talented employees, and maintain reputation. The company aims to provide comfort, inspiration, and opportunity to children and families around the world through cash and in-kind contributions, volunteerism as well as its signature social impact program focusing on children’s hospitals and wish granting. Disney is also committed to reducing greenhouse gas emissions, minimizing waste, conserving water resources, and protecting the planet. Since 1995, the Disney Conservation Fund has directed \$100 million to support non-profit organizations working with communities to save wildlife and protect the planet. Disney is also actively ensuring strict international labour policies to protect the safety and rights of its employees. The company is also active in the community and encourages employees to do the same. When their parks closed due to the COVID-19 pandemic, Disney focused their CSR efforts

on local communities and provided \$27 million towards food donation. (thewaltdisneycompany.com, 2022)

## **Adidas**

Adidas is one of largest sportswear companies in the world. At the company, corporate social responsibility and sustainability is viewed as “a team sport” with employees, consumers, and communities playing an essential role. To achieve its CSR goals, Adidas mainly focuses on three key areas, such as environmental sustainability, human rights, and employee development. Regarding the area of environmental sustainability, in 2021, the company announced that it will use more than 60% recycled polyester in its shoe and apparel lines and is on track to reach its goal of using 100% recycled polyester in its products by 2024. Adidas is also investing in developing leather alternatives and using recycled cotton in their footwear and apparel. Furthermore, Adidas plans to continue its partnership with Parley for the Oceans, to produce shoes made from recycled plastic waste collected from beaches and coastal areas. In 2021, 17 million shoes were manufactured using marine plastic waste, earning the company great reputation. Since 2018, the company has also organized the Run For The Oceans events to raise funds. With all that, Adidas sets a great example for other companies from the fashion industry. (Dean, 2021)

This list is a short illustration of how brands use corporate social responsibility to drive equity and inclusion, protect the planet, and make a commitment to improving the quality of life for local communities, and across the globe. For brands of all sizes, it's not only important to pay attention to the issues your customers are interested in, but also succeed in communicating that with a customer-centric marketing strategy. How to communicate CSR properly will be discussed later on.

## **2.3 Greenwashing**

Nowadays more and more organisations are promoting themselves and their products or services as being green to attract a growing environmentally aware segment. In result to that, to attract a green audience, companies often use claims that sound environmentally friendly, but are actually vague, and at times may be false. This behaviour of companies is so called "greenwashing".

Friend (2009, p. 69) defines greenwashing as “*the act of misleading consumers regarding the environmental practices of a company or its environmental benefits of a product or*

*service – even with the best of intentions.*” Companies therefore on one hand can look and present itself as environmentally friendly but on the other hand, the truth can be very different.

Greenwashing is usually used by corporations as a marketing tool to give them a green reputation, although their so called involvement does not reflect the truth. This can be damaging for companies that are actually involved in environmental protection. It is becoming harder and harder for consumers to distinguish between companies who are greenwashing and who are not. (Paetzold, 2010)

According to Trojáněk (2012), regulating greenwashing is a problematic issue, because in not all cases are greenwashing offenses enforceable. The reason is that in most cases, it is not a law, but only a guide with a recommendation, and also, due to the rapid development of this direction, this information is often out of date. In the Czech Republic, for example, legislative regulation of greenwashing is still very much lacking.

Currently, one of the most powerful tools for regulating the use of misleading environmental claims is considered to be the Consumer Protection Act, ie Act No. 634/1992 Coll., which in urgent cases can also be applied to one's own environmental claims as a means of misleading advertising. (Act No. 634/1992 Coll.)

As an example of greenwashing will be introduced misleading advertisement case by Adidas. In the previous chapter, Adidas was presented as a company with great CSR actions. This shows that although a company may seem on the surface like "the greenest of all", there is always some dirt to be found under the surface. Adidas has been recently found guilty of greenwashing by the French Advertising Ethics Jury, the national regulator of advertising. The specifics of the case involve Adidas' claim that its famous Stan Smith sneaker is made from at least 50% recycled materials in one commercial. According to the Jury, the "50% recycled" advert does not inform consumers of the total proportion of the shoe that is recycled and is misleading in its use of the "End plastic waste" logo. The Jury noted that the claim of "50% recycled" gives the consumer the impression that 50% of the total material used in the sneaker is made of recycled materials and, because this is not the case, is misleading. (Sally Ho, 2021; Jury de Déontologie Publicitaire, 2021)

### **3 Communicating CSR**

When creating a specific corporate CSR strategy, it is very important to also think about how to communicate and present these individual activities to the general public and key corporate stakeholders in the future. As there are a myriad of ways and tools to spread information about a company's CSR activities, the company must first break down the individual stakeholders and then adapt the "tailor-made" message to them. Businesses invest a considerable amount of money and time in the implementation of a specific strategy of corporate social responsibility. However, it is necessary for them to make the same investments in communication about these activities. The main goal of CSR is the commitment of the company to behave responsibly towards its stakeholders, but the application of this concept by the company also serves to increase the competitiveness, reputation, and brand perception of the company, which the company achieves only by making its activities known and public. CSR communication is definitely not a straightforward nor easy task. When communicating an organization as a socially responsible entity it is important for organizational members to develop a concurrent sensitivity towards the changing expectations among a variety of stakeholders who voice their concerns on different topics with different intensity. (Morsing, 2017)

#### **3.1 Reasons and Benefits of Communication on CSR**

Steinerová (2008) mentions that regular and sufficient communication of socially responsible behaviour of the company brings a number of benefits such as:

- Increases awareness of social and environmental issues.
- Increases the brand perception of the company.
- Increases awareness of the general public and employees about the company's CSR.
- Enables the supervision of CSR activities.
- Strengthens the position of stakeholders and their involvement in business decision-making.
- Supports cross-sectoral partnerships between companies, state institutions, and non-profit organizations.

Vysekalová and Mikeš (2009) contribute with other positives, like:

- New business opportunities.
- Improving the reputation of the company, brand and product or service.

- Increasing employee motivation and productivity.
- Improving relations with the public and public authorities.

### 3.2 CSR Communication Tools

Communicating CSR activities should be directed not only to customers, business partners, investors, but also to company's employees, the local community and the general public. Thus, communication of corporate social responsibility should be done (Hameed, 2016):

- internally – employees of the company,
- externally – external environment.

**Internal tools of CSR** communication are widely used among employees and co-workers, the company has them under control and influences ethical behaviour within the company.

**External CSR tools** are applied outside the company. Through them the company influences the ethical environment in its surroundings. (Vysekalová, Mikeš, 2009)

A company can use to communicate the principles of responsibility towards employees by numerous formal and informal communication tools. The basic internal tools include: codes of ethics, regular meetings, intranet site, e-mails, bulletin boards, posters, banners, brochures, internal magazine, formal or informal staff meetings, presentations and videos of responsible behaviour, anonymous boxes for feedback and new ideas, valuation responsible employees, staff training and coaching. (Dimitrova, 2019)

Unlike internal, external communication of the company's corporate social responsibility should inform the public, community and environment where they work and which they affect with important facts related to CSR. There are several ways and tools by which companies could communicate corporate social responsibility to the public: internet (website, corporate blog, social media), brochures about the company, various events (open house), annual or CSR reports, press releases and conferences, labelling products and their packages (bio, eco), presentation of prizes obtained under the CSR, paid advertising, interviews. (Ingenhoff, Sommer, 2011)

The company chooses its own communication mix according to its character and possibilities. However, it is very important to be aware of which communication tools are currently essential for a given company and should be used in interaction with stakeholders, and which are rather complementary.



In terms of communication with the public, the most important tools of social responsibility communication have been the regularly issued CSR reports and information published on the company's website. Nowadays, however, social networks and media relations are becoming more and more popular and important in interaction with stakeholders. Although social networks cannot replace complex CSR reports, which are still considered the main source of information about the company's activities, they open up new ways on how to effectively establish daily communication with the public. (Andersen, 2021)

### **3.3 CSR Reporting**

The main tool for informing the public are annual reports, often called as environmental or sustainability reports. These are comprehensive reports, covering economic, environmental or social data from the area of CSR of a particular company in a given period. Companies publish these reports voluntarily. They serve to communicate the company with the general public and key stakeholders, as well as to evaluate the current position of the company and to define future goals within CSR. Basic information which CSR reports should include is (Pavlík, Bělčík, 2010):

- basic information about the company,
- the company's relationship to the environment, employees and the local community,
- environmental impacts and potential risks associated with the operation of the company,
- specific CSR activities and projects (implemented or planned).

The specific content of CSR reports depends on the particular region, country, on the size and financial resources of the company, on the industry in which the company operates, on the riskiness, on the used standard related to CSR areas. (Kašparová, 2011)

When creating the report, the company should pay attention to a number of important elements which include:

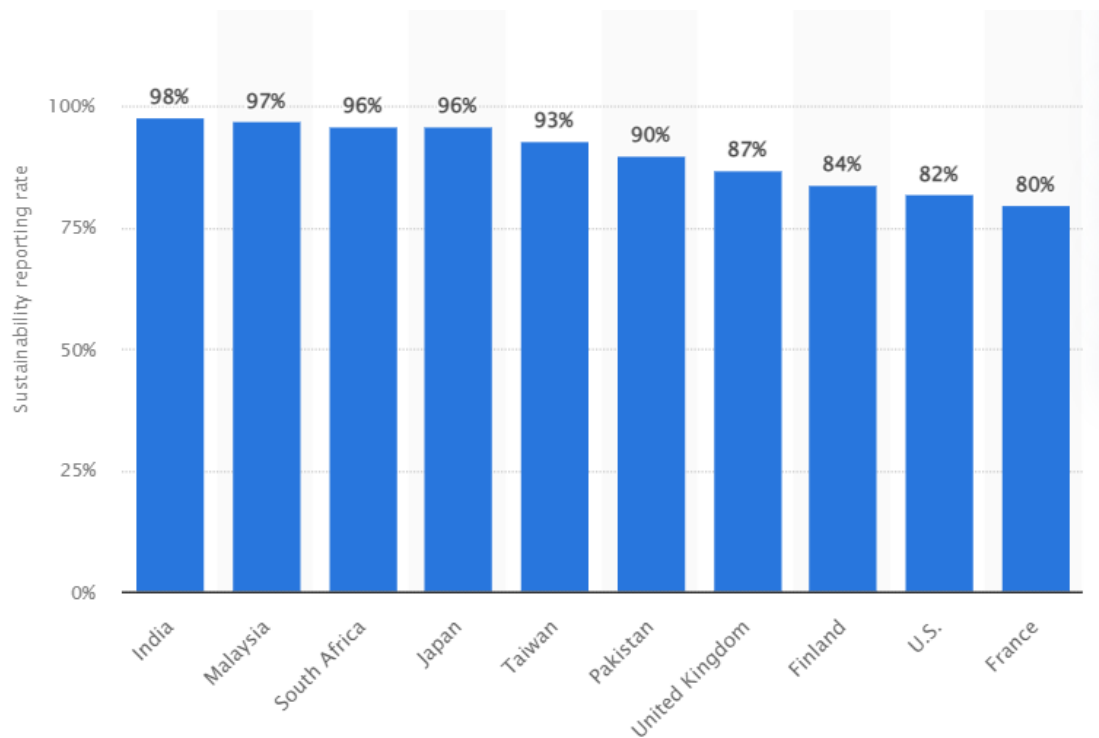
- **Completeness:** The report should cover all corporate operations and branches in the country and also, the report should fully inform about significant aspects of the company's impact on the surrounding society and the environment.
- **Credibility:** The credibility of the report is based on the company's policy, personnel responsibilities, data collection methods, and goal setting. It is also

significantly affected by the degree of stakeholder involvement and the verification of internal systems and information by an independent third party.

- Form: The report should not only have an appropriate graphic design and appearance, but it also should be understandable, readable and reasonably long.

The report should also be easily accessible; in printed and electronic versions, or in several language versions. In many cases, the online report is downloadable as a pdf document that is an exact copy of the printed version. (Steinerová, 2008)

With the development of knowledge about CSR, the volume of reports is growing every year. An estimated 90% of companies on the S&P 500 index - the Standard and Poor's 500: a stock market index tracking the performance of 500 large companies listed on stock exchanges in the United States - published a CSR report in 2019, compared to just 20% in 2011. (statista.com)



Picture 6: Nations where companies include sustainability information in their annual reports, 2020

Source: statista.com

In 2020, India was the leading nation where information about sustainability and CSR was included in company annual reports. This was mainly because of the regulatory requirement for the top 1,000 listed Indian companies to provide a Business Responsibility Report (BRR) to the stock exchanges as a part of their annual reports. (statista.com)

Concerning the Czech Republic, CSR reporting is still lacking in certain areas. Most of Czech companies do not adequately report greenhouse gas emissions, do not disclose climate risks for different time horizons, and for the most part do not deal with information on human rights and due diligence, which is necessary for access to green financing. That being the case, since 2018, the Non-Financial Reporting Directive (NFRD) has required large corporations to mandatorily disclose relevant information on climate, environmental, human rights and anti-corruption risks and impacts. (Asociace společenské odpovědnosti, 2021)

Guide to how to correctly and effectively compile CSR reports and evaluate the level of application of social responsibility in a given company provide various reporting standards. The most common standard is currently the international standard developed by the Global Reporting Initiative (GRI). The main goal of this standard is to provide all companies and organizations with clear guidance on how to properly formulate final CSR reports and what quantitative or qualitative performance indicators to use in the report. (globalreporting.org, 2022)

Examples of companies that do not take social responsibility lightly can be found on the Business for Society website. This Czech platform annually awards the prize for responsible reporting in the TOP responsible company competition. It is an award for a company that comprehensively, transparently and effectively measures and communicates its activities in the area of responsible and sustainable business. For the year 2020, the TOP Responsible Companies in Reporting included:

- Accenture
- PWC Česká republika
- Pivovary Staropramen s. r. o.
- Lidl Česká republika
- Skupina ČEZ
- Plzeňský Prazdroj
- Letiště Praha, a. s.
- Kooperativa pojišťovna, a.s., Vienna Insurance Group

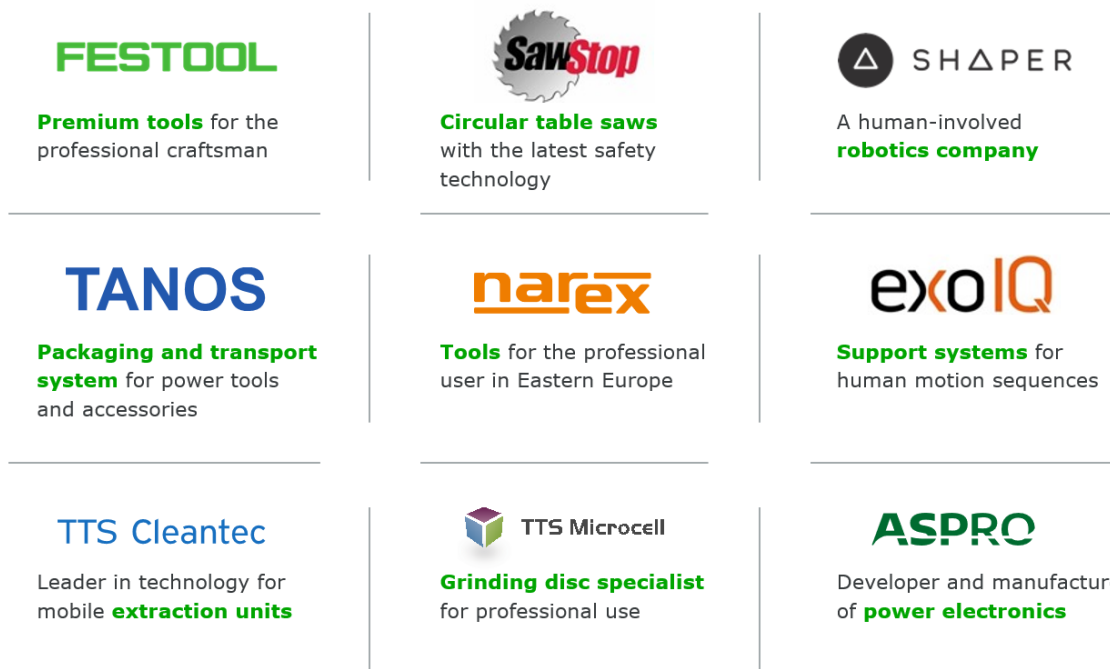
There are other categories concerning CSR like for example TOP Responsible big or small company, TOP Responsible company in diversity, TOP Responsible company helping the environment, and other. (byznysprospolecnost.cz, 2022)

## 4 Introduction of the Selected Company

In this chapter, the thesis first deals with the general characteristics of the company Festool including its organizational structure, brief history, and current state. Then an analysis of the current state of social responsibility in this company is carried out. This analysis deals with all three areas of CSR - economic, social and environmental. Information for this chapter was drawn mainly from the company's websites and from internal company data of the production site Festool s. r. o. in Česká Lípa.

### 4.1 TTS-Group

Festool GMBH. is, together with Tanos, Narex and others, subsidiary of the TTS Tooltechnic Systems AG & Co. KG. It is one of the world's leading manufacturers of electric high-end power tools. Initially, it was a small family business; today it is a global group of companies. The company itself operates its own subsidiaries in 25 countries.



Picture 7: TTS Group Subsidiaries

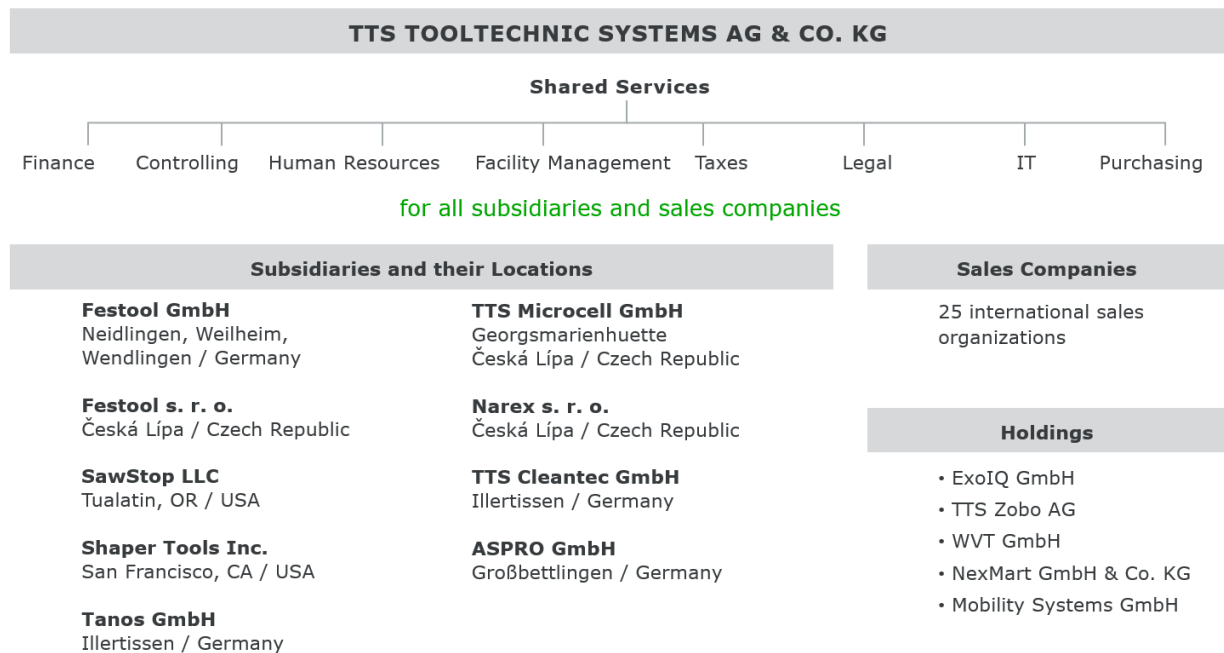
Source: Festool s. r. o., 2022

TTS Tooltechnic Systems Holding AG operates as a holding company. The Company, through its subsidiaries, manufactures practical powerful tools, accessories, and system solutions. TTS Tooltechnic Systems Holding serves customers in Germany. The picture number 7 shows the individual brands and their main purpose. The company is present in 40 countries through its sales companies and importers (status January 2022). All TTS Group subsidiaries are together aligned with the most up to date megatrends. Through this,

the company is able to offer appropriate solutions for all the challenges of its target groups and sustain the company's future viability. (Festool s. r. o., 2022)

#### 4.1.1 Company Structure

Picture number 8 shows the structure of the whole TTS Group including all its subsidiaries, their location and shared services.



Picture 8: TTS Group Structure

Source: Festool s. r. o., 2022

The company has nine main subsidiaries in Germany, the USA and Czech Republic; 25 TTS international sales companies. All individual sales companies and subsidiaries share services including finance, controlling, HR, facility management, taxes, legal departments, IT and purchasing. (Festool s. r. o., 2022)

#### 4.1.2 Company's Mission

The company's mission focuses on three main areas: customers, employees, and economic efficiency (Festool s. r. o., 2022):

- Customer: *"We support the success of professional work with strong brands in the field of electric power tools and related business areas."*
- Employee: *"We enable passionate people to achieve ambitious goals."*
- Economic efficiency: *"We grow profitably and secure our independence as a family-owned company."*

### 4.1.3 Company's Principles

The company has several principles that all the subsidiaries and other business partners should be guided by. Similar with the company's mission, the principles are divided into specific groups; more precisely into four groups: benefit oriented, responsible, innovative, flexible (Festool s. r. o., 2022):

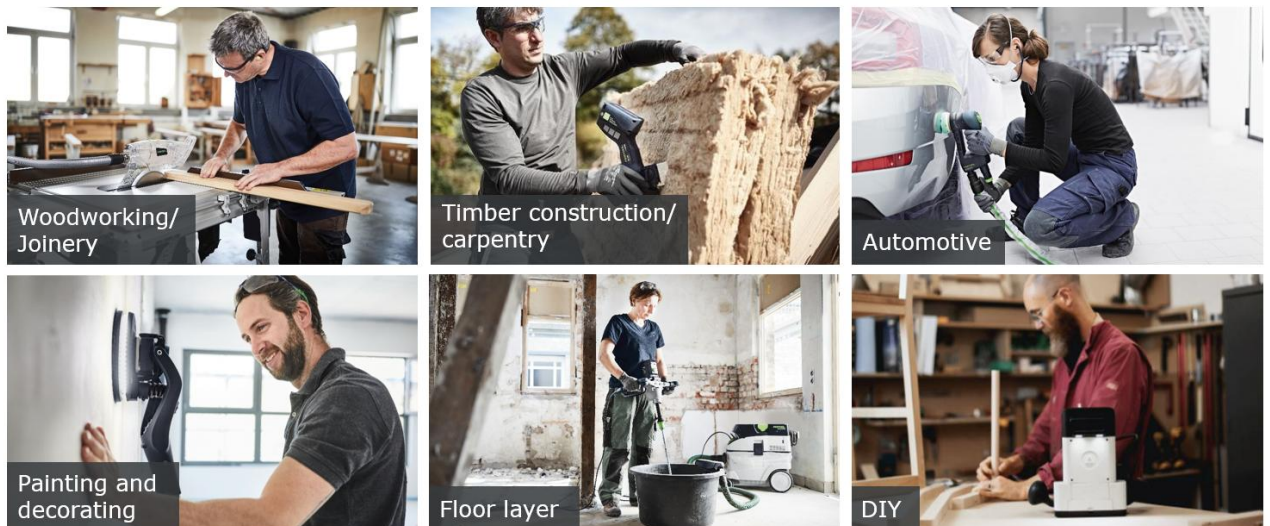
- Benefit oriented: Regarding this area, the company always poses a question: *“Do expense and result ensure an optimum ratio in the medium and long term?”* If this is the case, the company does everything in its power to decide and act in a benefit-oriented manner.
- Responsible: This area focuses on the responsibility which the company has for everything its do. This means that the company treats its colleagues and employees with the same fairness as its customers, suppliers as well as the environment.
- Innovative: As nowadays the world offers numerous possibilities and opportunities to discover and develop new solutions, the company understands this change as a challenge for innovative action.
- Flexible: For the company, being flexible means that it can assert itself against its competitors by acting swiftly and smartly.

## 4.2 Festool

The Festool GMBH is a German company with more than 1 100 employees. The company's headquarters are located in Swabian Wendingen on the Neckar which is also the location of its main administrative office. There are more than 900 employees who work in Research and Development, Quality Assurance, Testing, Purchasing, Marketing as well as Service and Distribution and more. The company has 4 production sites. Three are sited in nearby German cities: Neidlingen (250 employees), Illertissen (140 employees), and Weilheim (300 employees). The fourth one is in Česká Lípa (360 employees) which is a city in north of the Czech Republic. The company currently manufactures 80% of its products in Germany. The production site in Česká Lípa uses the same processes and quality standards as German factories and specializes in both low-volume and high-volume products. (festool.com, 2022)

### 4.2.1 Product Portfolio

Festool primarily sells its products to specialized dealers which then sell to the end-users. The company offers not only high-quality tools but also a complete range of system accessories. Its product portfolio consists of a wide range of products from cordless screwdrivers, jigsaws, circular and miter saws to milling machines, grinders, polishers and more. Festool is also the only company specializing in power tools that offers special industrial vacuum cleaners. The company relies on the quality of its products. At each development stage, the products undergo rigorous practical tests to detect and eliminate even the smallest weaknesses before series production. The founder Gottlieb Stoll himself stated the sentence that the company follows to this day: *"If it needs to be done right, then it is best to do it ourselves"* (festool.com, 2022).



Picture 9: Areas of use

Source: Festool s. r. o., 2022

As the picture 9 shows, Festool products can be used in many areas, such as woodworking and joinery, timber construction and carpentry, painting and varnishing, laying floors, renovation, remediation and modernization, and, last but not least, the automotive industry.

### 4.2.2 Services

In addition to power tools, Festool also offers a wide range of specific services. Service packages represent a direct, practical, and complete service for customers of the company. Festool's service packages include service all-inclusive, My Festool account, and a number of mobile applications.

### **All-inclusive service**

If a Festool customer wants to use the All-Inclusive Service free of charge, they must register their purchased goods online within thirty days of purchase on the company's website. All warranty conditions are listed in the service conditions on the website. Festool provides four areas of all-inclusive service (festool.com, 2022):

- Warranty all-inclusive: Free repair service for the first three years after registration.
- Full repair: Free of charge for the first three years.
- Theft Compensation: In the case of theft, the customer will receive new tools in the first three years as compensation for the stolen goods. The customer only has to pay an excess of £110 net (excl. VAT). There are no other costs. The company provides this service for all Festool tools registered with warranty all-inclusive for three years from the date on the original sales slip. However, to take advantage of this service, the theft must be reported immediately to the relevant police authorities and notice of the theft must be presented to a Festool dealer together with the warranty certificate within five days of the theft. The replacement product is not protected against theft.
- Original parts guaranteeing: Availability of every spare part for at least ten years after discontinuation of production. In the case that the company doesn't have the part in stock, the customer receives a new machine free of charge.

### **My Festool**

My Festool is personal Festool customer account. This account provides customers access to customized information and direct contact with Festool at all times. It offers (festool.com, 2022):

- Quick and easy registration of newly purchased products for warranty all-inclusive.
- Overview of registered products and their warranty periods.
- Request for a warranty certificate for a product within the warranty period.
- Simplified search for accessories and spare parts for products.
- Online request for a repair directly with Festool.
- Overview of all repairs requested online.
- Fast access to all current information from the company.



### **Festool Work app**

Among other features, this app offers an overview of remaining warranty times, all the ways to contact Festool Service that users need, and a list of nearby dealers. The Work app communicates with the battery pack via Bluetooth<sup>®</sup> and displays the battery level of a product, temperature, number of previous charging cycles and the last known location. With the new Work app, customers can easily register all their tools for the free Festool "Warranty all-inclusive" service package, register for warranties and manage them using their smartphone. The app is also linked to the customer's personal MyFestool customer account. Furthermore, the app allows users to easily access the whole Festool SERVICE range. Repair work orders can also be created directly using the Work app. The customer is continuously kept up to date regarding the status of the repair via e-mail or SMS. (festool.com, 2022)

### **Festool Order app**

With the Order application, customers can find Festool tools, suitable accessories or consumables, create a digital shopping list and easily send it to a specialist dealer. (festool.com, 2022)

### **4.2.3 History**

The original company called Festo was founded by company partners Albert Fezer and Gottlieb Stoll in 1925 in Esslingen. Initially, they concentrated on repairing wood processing machinery and making structural modifications to these machines by converting plain bearings to ball bearings. Later, under the first company logo "Fezer & Stoll", the development of tools for carpentry has begun. The company specialized in the production of woodworking machines and launched several "revolutionary" machines - in 1927 the first transportable chain saw, in 1930 mobile circular saws, and in 1932 a chain mortiser. These machines allowed workers to process wood and work with the machines directly on the construction site, which was not possible before. In 1993 the company has started to be active in social matters. Berta Stoll, wife of Gottlieb Stoll and company partner, focused her attention on the employees which included for example visiting those off sick, organising company functions and excursions and arranging children's Christmas celebrations.

By the year 1950, it had become clear that the Ulmerstraße site in Esslingen would once again be too small in the medium term. Thus, new factory was established in Neidlingen in

the 1950s. Gottlieb Stoll died in 1971 and his sons Kurt and Wilfried took over the management of the company. The brothers later decided to leave the stationary machine market and focused exclusively on the development and production of electric and pneumatic tools. Nowadays the main leader of the company is Barbara Austel, Supervisory Board Chairwoman and Gottlieb Stoll's Granddaughter. (festool.co.uk, 2022)



*Picture 10: Development of the company logo*  
Source: own representation inspired by festool.co.uk, 2022

The FESTO logo was expanded at the start of the 1990s to include the term "TOOLTECHNIC" mainly to disassociate the company from FESTO Pneumatic. In 2000, Festo Tooltechnic becomes the independent Festool brand and confirms loyalty to specialist shops. With that, the green logo that remains to this day was established. (festool.co.uk, 2022)

## 5 The Current Situation of CSR in Festool

Festool, as a manufacturer of power tools, is conscious of how it affects the environment. This chapter presents the current state of corporate social responsibility in the company on both international and local level. The analysis of the international level goes through all three areas of CSR - economic, social and environmental. For each area, key activities that Festool carries out within CSR are presented. After that, the thesis will shortly focus on how the CSR is handled on the local level. Information for this part of the thesis was drawn from websites, annual and other reports that Festool publishes, internal company data, and also from personal meetings with the stakeholders that are responsible for certain areas of CSR specifically in the production site in Česká Lípa.

### 5.1 International Level

Festool operates on the basis of a holding policy which means that Festool together with all the branches of the TTS Tooltechnic group has to follow the same CSR policy which is governed from above. Individual plants and branches therefore do not have the opportunity to influence specific activities themselves.

#### 5.1.1 Economic Area

Festool operates worldwide. This comes with responsibility towards the company and towards society. Festool understands and is aware of its social responsibility. The company respect and protect human rights and advocate fair competition, and also expressly speaks out against every form of forced labour and child labour. The company expect the same socially responsible behaviour of its employees and business partners. Thus, Festool has developed a compliance structure to ensure that the legal requirements of the individual countries concerned are being met, as well as company-internal requirements and fundamental ethical principles. The compliance organisation at Festool consists of the following (festool.com, 2022):

- **The code of conduct:** It is a central part of the Festool compliance system and is intended as a guideline for its employees as well as for its business partners. Key values and principles are included. These values and principles are obligatory for all employees and are also intended as guidelines for the company's business partners. The code is available on the company's website for download.
- **Preventative and regulatory measures:** Additional measures were developed and implemented by Festool to ensure that its employees are not only aware of

the subject matter, but also have a deep and increasing appreciation for integrity. This involves regular compliance training sessions and the practical application of the two-person rule.

- **Reporting system:** One of Festool's crucial concerns is honest and open cooperation and transparency. This is secured mainly by the Festool's regular reporting system which complements its compliance organisation.

With these three building blocks, the compliance organisation at Festool provides a good basis for enabling employees and their business partners to act safely in their everyday business.

Festool also places particular emphasis on the following principles (festool.com, 2022):

- **Adherence to the law:** Festool expects all of its employees to know and adhere to all laws and regulations that are relevant in their working environment. This also includes the current version of guidelines that have been drawn up and implemented within the company.
- **Fair competition:** All employees are required to always use fair means to realize the company objectives. This means that they cannot make any agreements with competitors, customers and/or suppliers that are aimed at preventing or restricting competition.
- **Fighting corruption and bribery:** All Festool employees have to be familiar with ethical standards and comply with them in their everyday work. In particular, they are prohibited from unlawfully influencing third parties in any kind of business transactions. It is also not allowed to demand or accept gifts or bribes. To secure this, Festool has drawn up its own guidelines and engages its employees in regular training sessions.

### **Suppliers and business partners**

In the economic area of the CSR concept, suppliers and other business partners are one of the key stakeholder groups. Festool selects them according to strict requirements, which also result from the concept of sustainability and compliance. In order to comply with the principles and standards of sustainability, it must be complied with by all actors in the supply chain. Sustainability in the supply chain is also ensured by regular monitoring of compliance with the requirements and by ensuring the necessary qualification of suppliers and business partners. (Code of Conduct, 2017)

## **Customers**

Another very important group of stakeholders are customers, whose satisfaction requires a wide range of activities leading from the product development itself to the provision of after-sales service. The most important aspect on which Festool bases its products is quality and safety. Festool products are manufactured under strict compliance with quality standards which is guaranteed by the ISO 9001 quality management system certificate. The company attain the highest degree of product safety with an optimal quality management system and a systematic “zero defect” strategy. When necessary, employees are required to inform the responsible departments immediately about possible safety concerns and do everything necessary to make sure there is no harm to customers. (Code of Conduct, 2017)

### **5.1.2 Social Area**

The key social stakeholders for Festool are mainly its employees and the local community, represented by the regions where Festool operates.

## **Employees**

Festool treat its employees as entrepreneurs within the company and expect them to act independently when fulfilling the responsibilities assigned to them. Festool also make sure that respectful treatment of others at the company and business partners is a fundamental element of corporate governance. In particular, Festool follows the principle of equal opportunity in selecting and promoting employees. Sexual harassment as well as discrimination of any kind on the basis of age, disability, ethnic heritage, skin colour, gender, sexual orientation, citizenship, religion, marital status, or other characteristics is prohibited. All Festool employees are assessed solely based on their performance. Festool also adheres to the relevant minimum wage requirements. The company expects all of its employees to be familiar with and comply with the laws and other mandatory regulations applicable in the workplace. Also, all employees must strictly adhere to internal guidelines. The priority of Festool is the safety and health of its employees. The company strives to achieve this goal through preventive health measures and continuous improvement of safety in the workplace. Also, each employee must receive training on safety and health at work. (Code of Conduct, 2017; festool.com, 2022)

### **5.1.3 Environmental Area**

Environmental policy is part of Festool's sustainability management system. Taking into consideration current global mega trends, the company listed three relevant environmental impacts which are important for them. These include climate change, scarcity of resources and health protection. By implementing environmental policy in sustainability management, the company is able to carry out certain environmental projects. Its commitment stretches across the entire value-added chain.

Festool's products are assessed for their possible risk potential for people and the environment. The products and their packaging are therefore developed and labelled in accordance with the global harmful substances requirements. The company's suppliers are bound to comply with the in-house environmental standard for compliance with environmental requirements. Festool products are also known for being long-lasting which helps to preserve resources and the environment. In order to avoid packaging material, products are delivered in a long-lasting Festool Systainer which ensure that everything is perfectly protected and in its proper place, whether at the workshop, during vehicle transport and on the construction site. (festool.com, 2022)

#### **Recycling and disposal**

As a manufacturer of electrical equipment and accumulators, the company must be of the legal requirements regarding the placing on the market and return and environmentally sound disposal of old electrical equipment and batteries, and comply with these globally. Festool's electrical equipment and batteries are labelled with a crossed-out bin, shown on Picture 11. This symbol indicates that the old devices and used batteries do not belong in the household waste. For this case, Festool has also its own recycling systems where old products can be fed into in an environmentally friendly manner. The products can be disposed of free of charge at public collection points, at specialist dealers or with the Festool after-sales service. The recovering of raw materials contributes to the resource cycle and therefore protects the environment and conserves precious natural resources.



*Picture 11: Crossed-out bin label*  
Source: festool.com

Packaging is also made up of important materials that can be recirculated in the resource cycle if they are properly separated and recycled. Individual packaging materials could be distinguished from each other using the alphanumeric coding in accordance with Commission Decision 97/129/EC. It is very important to separate the individual packaging materials before disposing of them. To help with that, Festool has also listed and briefly explained the materials most commonly used in packaging on their website. For example, packaging marked with code 20 to 22 should generally be disposed of with waste paper. This includes the cardboard packaging and blister cards that come with newly purchased Festool products. (festool.com, 2022)

#### **Forest Stewardship Council™ (FSC™) - certification (FSC-C164884)**

Festool is awarded FSC certification for wood and paper products where all stages along the supply chain are FSC-certified. This makes it possible to trace the products right back to the forest owner. Only products that are made from the corresponding raw materials are certified with the label. The company takes a holistic approach when it comes to conversion. This means that with FSC-certified products, not only the raw materials for the product itself but also those for the packaging come from responsible sources. The aim is to offer at least 80% of the cellulose content in the products and packaging from FSC-certified sources by 2023. (festool.com, 2022)



FSC™ C164884

*Picture 12: FSC Certification*

Source: <https://www.facebook.com/festoolCZ>

The Picture 11 shows the form of the FSC certificate for Festool products. The FSC-certified products are labelled with this mark as such both in the catalogue and on the Festool website.

### **ISO 14 001 Certification**

Adherence to environmental regulations, standards and other obligations is a prerequisite for the functioning of the company. Festool is the owner of the certificate according to the ISO 14 001 standard - environmental management system (EMS), which is directly focused on environmental protection management. (festool.com.au, 2022)

## **5.2 Local Level**

The data for this part were mainly collected from the Festool s. r. o., production site in Česká Lípa, Chelčického. This part introduces the CSR of Festool into more detail and shows how it works on the local level. The company actively cooperates with specific schools and offers various collaborations for students and absolvents. The way the company treats its customers and employees as well as the way the company handles its energy use, waste, and emissions is also mentioned.

### **Cooperation with schools and students**

Festool is dedicated to the preparation of students and pupils in secondary schools and vocational schools, enabling them to complete specific internships in the production sections of the company. The company is also very much open to help students with their bachelor or master thesis. Festool also offers excursions with a practical demonstration of production for those interested in secondary and primary schools. Festool has an active cooperation with the following schools:

- Secondary Industrial School in Česká Lípa,



- Secondary vocational school in Česká Lípa,
- Varnsdorf Higher Vocational School and High School.

Festool has also its own talent program for absolvents. This is an individual annual talent development program tailor-made in selected departments of the company - technology, logistics, quality, purchasing, human resources, finance, and production. First in the program is training and rotation. Absolvents will spend the first 3 months rotating across all sections of the company. In each section, they will have their own mentor and gain a basic orientation in the daily operation of a manufacturing company. After that, they can choose the position they are closest to and for the next 3 months they will be integrated into the daily operation of the section. They will be in charge of their own specific project, on which they can show their potential. Subsequently, the absolvents can decide if this is really their goal. If not, they can use another option. The absolvents have also the opportunity to do an internship in Germany. They can complete the internship in sections that work closely with their target department. After completing the talent program, they can start officially working at Festool branch in Česká Lípa, and finally devote themselves fully to their dream career. (Festool s. r. o., 2022; festool-kariera.cz, 2022)

### **Cooperation with customers and dealers**

The company also regularly organizes various business and product workshops and trainings. They are focused on two different target groups - the end users who work with Festool tools and the companies that sell Festool tools. Festool also organizes presentation or demonstration events for its customers at its dealers. These are events where new products of the company are presented or existing products are demonstrated and tested. Customers not only have the opportunity to get a lot of essential information about the company and its tools and news, but they can also personally see the practical use of the tools. This is a great way to personally connect with customers and build a stronger relationship with them. (Festool s. r. o., 2022)

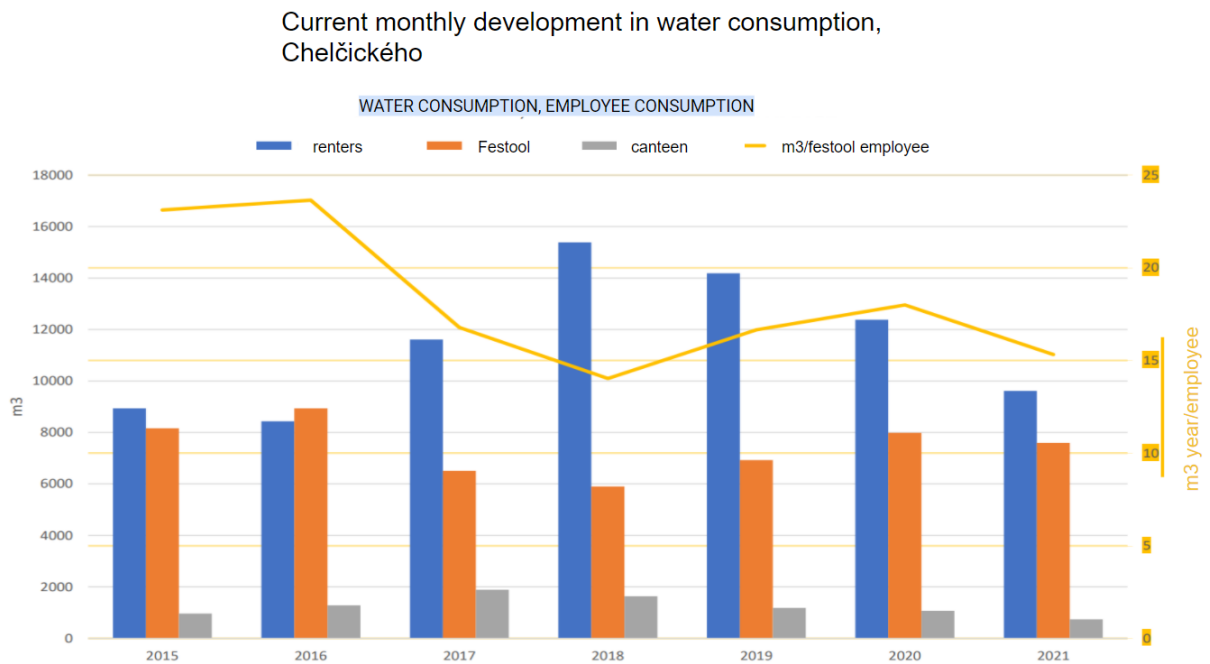
### **Employees**

Festool values its employees and offers them a number of benefits such as flexible working hours, home office, 5 weeks holiday, 2 days of sick leave, benefits of choice, modern canteen, catering allowance, free vaccinations, childbirth allowance, contribution to

children's activities, contribution for pension insurance, business trips abroad, corporate events and parties, and loyalty rewards. (Festool s. r. o., 2022)

## Energy

The company controls and measures in detail its electricity consumption, water consumption, gas consumption, compressed air consumption as well as its waste production. All the data is updated and closely controlled every year to make sure the company does not exceed certain standards. (Festool s. r. o., 2022)



Picture 13: Monthly development in water consumption

Source: Festool s. r. o., 2022

The graph above shows an example of one of the monitored areas which is the company's current water consumption. The less water the company consumes, the better. The company also monitors the quality of the wastewater. Czech company Severočeské vodovody a kanalizace, a.s (SčVK) does control sampling four times a year. If the wastewater quality is not suitable, the company must undertake certain measures to fix it. (Festool s. r. o., 2022)

## Waste

The company sorts its waste such as cardboard and carton waste (pictures of the bins outside), plastic and wooden pallets, and other. Wooden pallets were previously disposed as the other waste, now the company has a customer who buys it. (Festool s. r. o., 2022)

## **Photovoltaics**

In 2022, the company plans to introduce photovoltaic panels on certain buildings. Photovoltaics is an environmentally friendly solution, as solar panels, apart from sunlight, which is a renewable and inexhaustible source of energy, do not require any fuel that would pollute the air or burden nature. The project is currently in process and the simulation results are the following: it will be located on 6 roofs, the expected return is about 6 years, output is 936 kWp. The CO2 emission savings are expected to be 444.3 t, which is equivalent to about 20,407 planted trees. (Festool s. r. o., 2022)

## **Emissions**

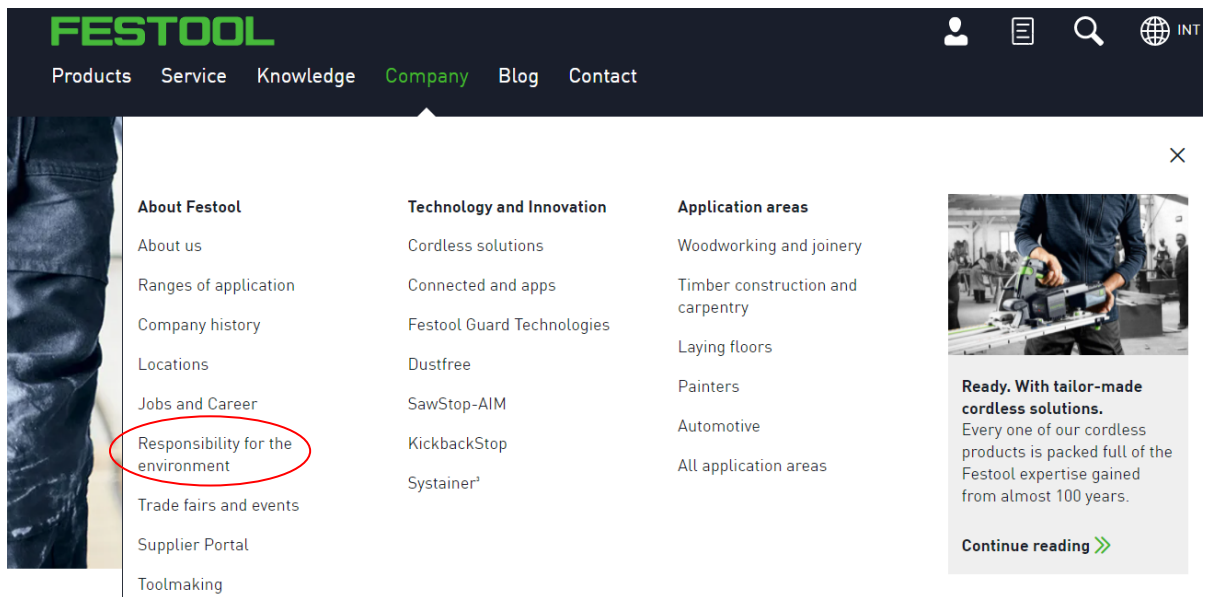
The company uses waste heat from its own compressor plant. This secures the company does not need to buy it and therefore saves money. The boiler rooms in the company are low-emission. To ensure the emissions are not increasing, their condition is controlled twice a year. The company also make sure that the production of plastics, which the company buys, is free of any kind of harmful substances. Festool also regularly controls oil losses and in its production reuses oil. (Festool s. r. o., 2022)

## **5.3 Communicating CSR**

As was mentioned before, CSR without a proper communication to the public significantly decreases the chance of gaining competitive advantage. CSR communication is therefore very important aspect of the whole CSR strategy. This chapter will introduce some of the main aspects of Festool's CSR communication.

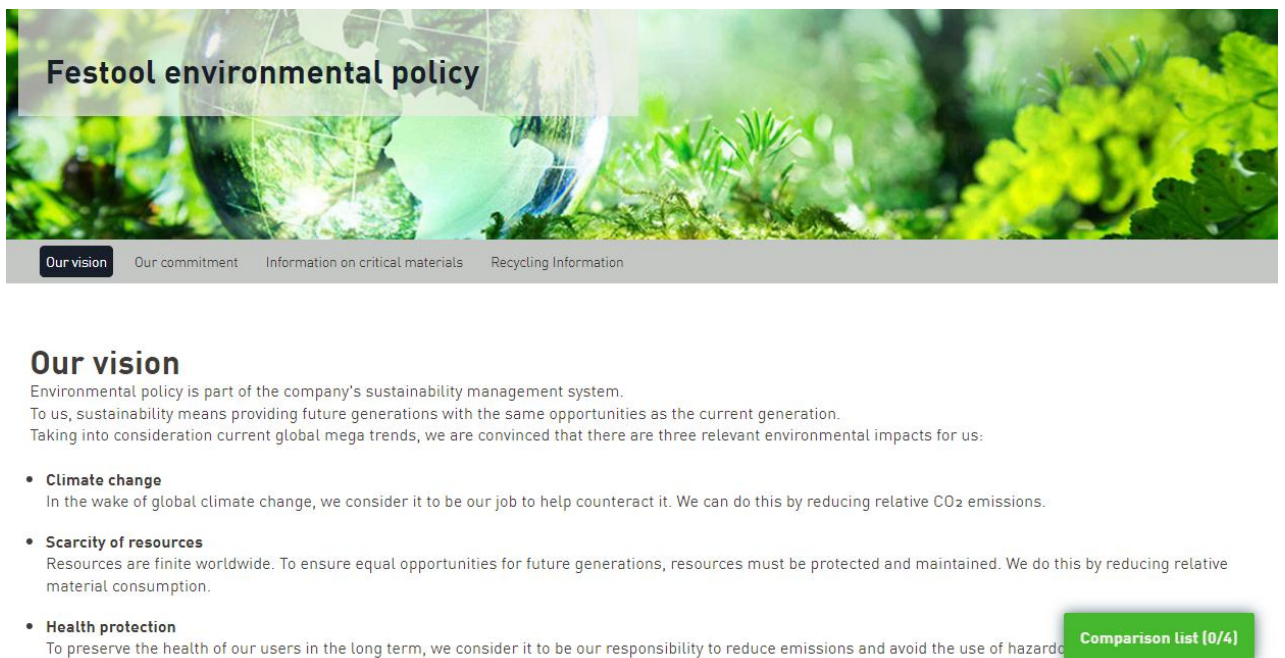
### **Websites**

Festool publishes certain information about its CSR activities on its website. The information includes some specific CSR activities towards the environment and society.



Picture 14: Festool’s website tabs  
 Source: festool.com

The overall clarity of the Festool’s website is very good. The information about the company’s strategies towards the environmental can be found in the tab “About Festool”. The Picture 15 shows how Festool presents its environmental policy on its website. It includes the company’s vision, commitment towards the environment, as well as information about raw materials, FSC certification and recycling. All this applies to the Czech Festool website as well. (festool.com, 2022)



Picture 15: Festool’s website  
 Source: festool.com

Regarding specifically Festool in the Czech Republic, information about Festool's cooperation with certain schools, students and absolvents can be found on separate Czech website "festool-kariera.cz".




### Printed media

Every year, Festool publishes a comprehensive catalog where customers can find lots of useful information about the news, services and all the products that Festool provides. The catalog also includes technical information about each product and methods of use. The catalogue, besides the printed version, can also be downloaded from the company's website. (festool.com, 2022)


System accessories | Joining 09

Every wooden joint has its advantages.  
**The DOMINO joining system combines them all.**

**DOMINO dowels made from beech and sipo**








Responsible forest management: All DOMINOs originate from sustainable forest management and other controlled sources. They bear the Forest Stewardship Council™ (FSC™) seal, which means that all stages along the supply chain are FSC-certified. Look for products that are FSC-certified.



DOMINO dowels made from sipo are resistant to weather, insects and mould, making them ideal for outdoor applications.

**Basic structure connectors and furniture connectors for the DOMINO DF 500 joining machine**



Corner connector – for DOMINO/LR 32 joint

Corner connector – for DOMINO/DOMINO joint

Centre panel connector – for DOMINO/LR 32 joint

Centre panel connector – for DOMINO/DOMINO joint

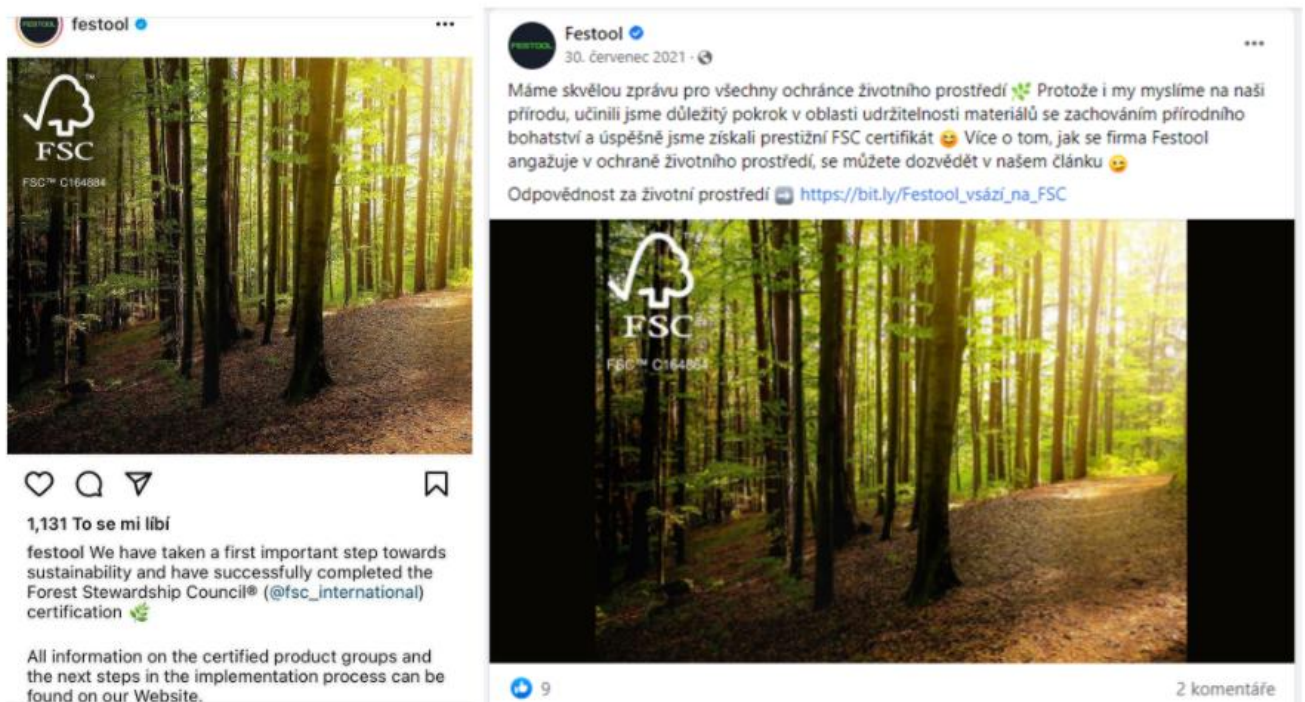
Picture 16: Festool's catalogue  
Source: festool.com

Picture 16 is a screenshot from the company's Catalogue 2022 downloaded from the website. The picture shows that the company includes the information about the FSC certification in their catalogues. However, no other information concerning CSR or sustainability is included in the catalogue.

### Social media

On the company's social media can also be found certain posts about the company's CSR activities. Festool has its own active Facebook page focused on the Czech Republic market, with over 700,000 followers. The company regularly publishes posts regarding the company's activities and products, and people can respond to these posts in the form of "likes" or comments. The company thus receives immediate feedback from its customers. The company can also create and organize various events on Facebook. Festool often creates public events, such as upcoming trainings.

As for Instagram, Festool in the Czech Republic does not have its own Instagram account, but can add posts to the main Festool account, which is only in English. This account is used by all Festool branches that do not have their own Instagram account. Countries which have their own account include, for example, Poland, France, Belgium, Sweden, Denmark, etc.



Picture 17: Festool's Instagram and Facebook post  
Source: instagram.com/festool, facebook.cz/festool

The Picture 17 shows Instagram and Facebook post about the company's FSC certification. Festool in Czech Republic has also its own YouTube channel with more than 1,500 subscribers. YouTube is one of the largest Internet video sharing servers. Festool has been on YouTube since 2014. It has over 300 videos in its account and the total number of views of all videos has exceeded 1 million. The videos have an average of 500 views, while the most popular video about the presentation of cordless jigsaw from 2021 reached more than 400,000 views. The company mainly posts videos about the usage of products. No videos about the CSR activities are published.

To conclude, besides posts about the FSC certification, and some other information on the company's website, Festool does not provide much other information about its CSR activities. The strong site of Festool CSR communication is its overall interaction with customers. Mainly on the Facebook page, the company publishes a lot of posts about certain holidays, competitions, and other interesting events. Moreover, the company adds a lot of photos from certain events, workshops, trainings, and other.

#### **5.4 Questionnaire Survey**

This part of the diploma thesis deals with the analyzation of a questionnaire survey focused on the customers of the company Festool. The primary goal of this questionnaire is to find out how the company's social responsibility affects the customers and whether it motivates them to buy the company's products. The secondary goal is to find out how employees perceive social responsibility, whether they are sufficiently informed in this regard and whether they themselves behave responsibly. Regarding the products the company offers and the specific areas which the products are used at, the customers of the company could be characterized as joiners, carpenters, woodworkers, painters, and others. The customers of the company are therefore mostly entrepreneurs that have their own business focused on a certain kind of professional work for which they use power tools provided by the company Festool. There are 19 questions in total and the individual questions are divided into three main parts. **The first part** of the questions (**questions 1-3**) focuses on general data, such as age, gender, and their current main position. The aim of these questions was to find out, who the customers of the company really are. **The second part** of the questions (**questions 4-10**) deals with general knowledge of the concept of CSR. The aim of this section is to find out whether the customers know the concept of CSR and whether they know what this concept is about. Also, if they

themselves participate in some kind of CSR activity and whether it is important for them that the company, they regularly buy products from, behaves socially responsibly. **The last, third part** of the questionnaire (**questions 11-19**) contains questions focused on how the CSR concept works at Festool. The goal is to find out how Festool's CSR activities are perceived by its customers. Whether the customers have sufficient awareness of CSR activities in the company and whether they would like to change anything. All these questions should help to evaluate the connection between the company's CSR and its business performance. The questionnaire was created via Google forms and published on January 25, 2022, on the company's main Facebook group for Czech Republic. The survey was terminated on March 1, 2022, and was therefore carried out over a period of five weeks.



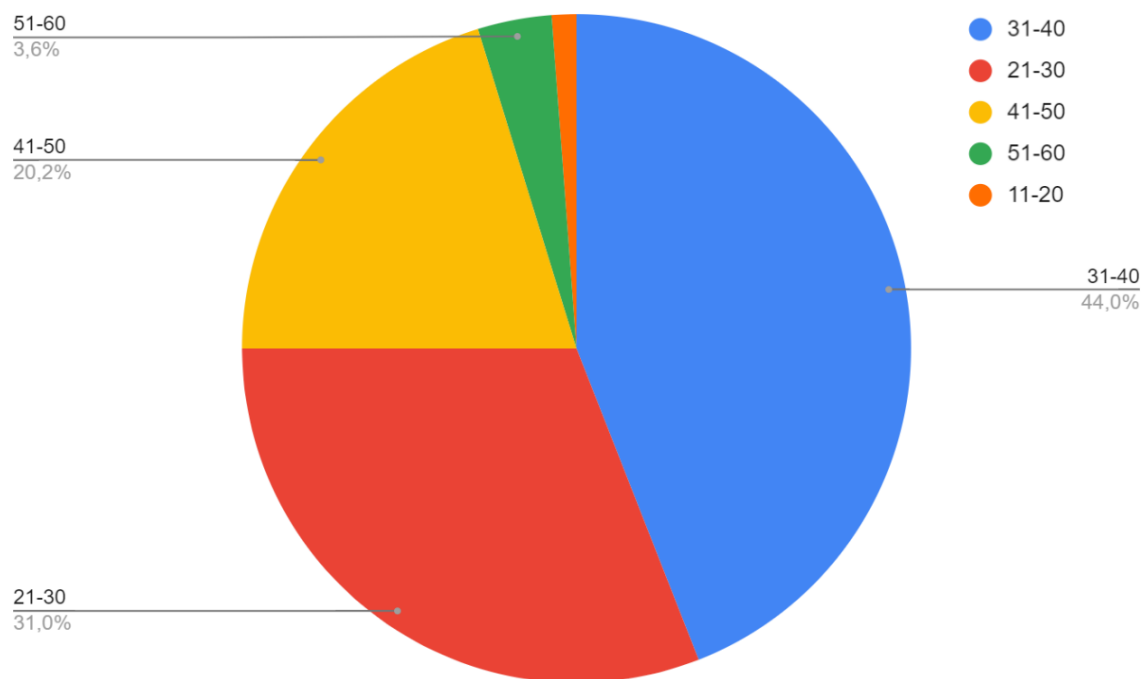
Picture 18: Publication of the questionnaire on the Facebook group  
Source: facebook.com

The picture 18 shows the publication of the questionnaire on the company's Facebook group. The text of the picture states in English: "Help our graduate fill out a short questionnaire. Thank you." The group has more than 700,000 followers. However, the overall activity of the followers on the group is rather low. Individual posts have on average 20 likes and 10 comments. Most of the followers on this group are therefore not active. For this reason, the expected return on the questionnaire was less than 100 people. The expectation was confirmed as the total number of respondents is 84. Graphs have been added to the individual questions for better interpretation of the results.



1. *Question: What is your age?*

The first question in the questionnaire was fully general. The aim of this question was to find out the customer's age group. Respondents had a choice of six options. As the questionnaire was published on social media which is actively used mainly by the younger population, the expected age for this question was between 20 to 40.

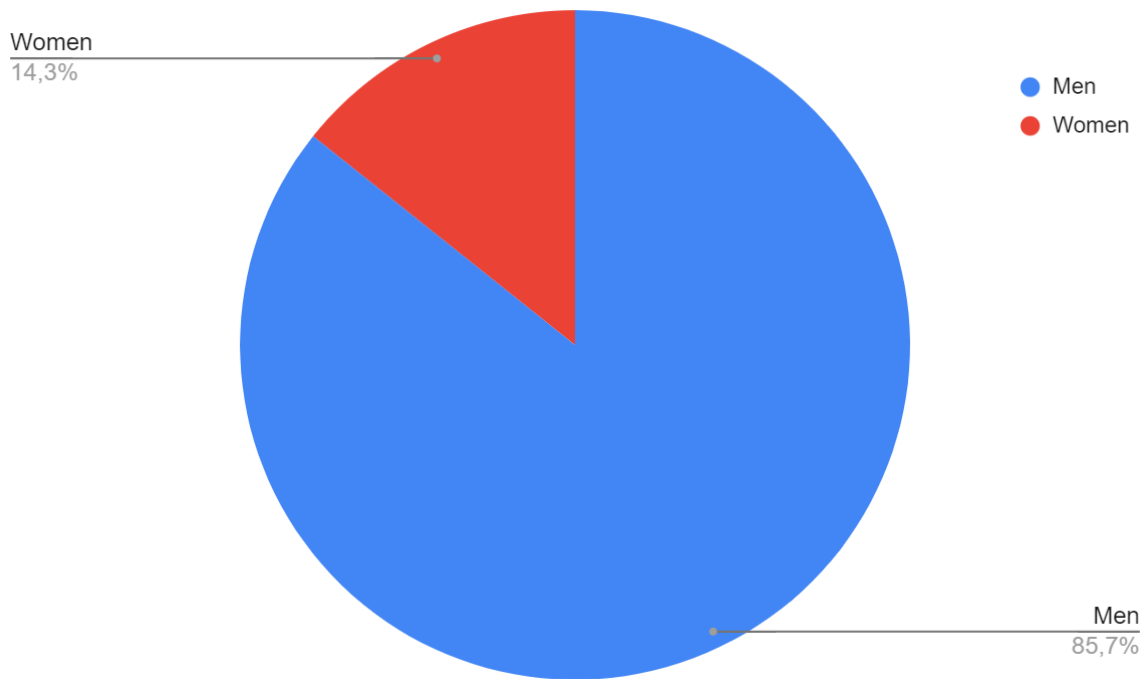


Picture 19: *Question 1*  
Source: own processing

The most frequent age of the respondents of this questionnaire is between 31 and 40 (44%) and the second most frequent age is between 21 and 30 (31%). The questionnaire therefore does not show an overall picture of the company's customers but analyzes the positions and opinions of the younger part of Festool customers which use social media and other online platforms more frequently. Most of them fit into the group of Millennials and Gen Z. Millennials and Gen Z are usually more likely to go out of their way to find a brand with meaningful values, even if that means spending more. These specific generations are becoming the future of every company, and for this reason, organizations need to get involved in sustainability practices in order to stay on the younger generation's radar.

2. *Question: What is your gender?*

The second question of the general ones was focused on the gender of the customers.

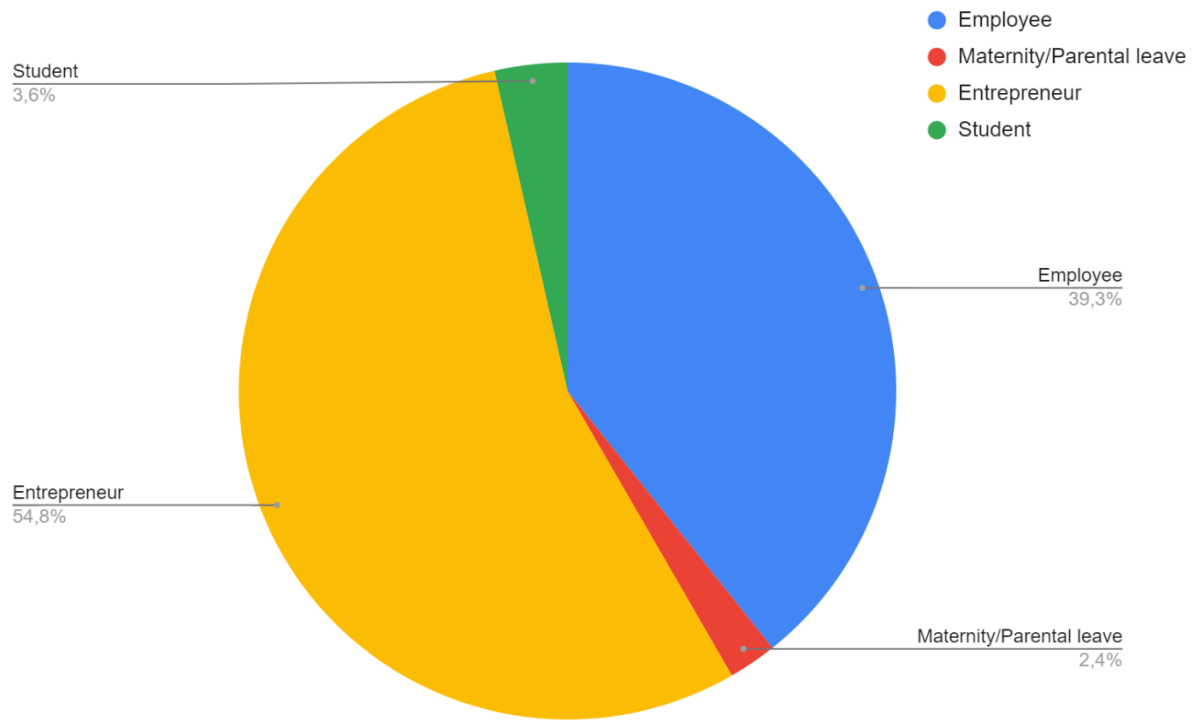


*Picture 20: Question 2*  
Source: own processing

The expectation of this question was confirmed as the majority of Festool customers are men.

*3. Question: What is your main position?*

This was also a general question focused on the customer's main position.



Picture 21: Question 3

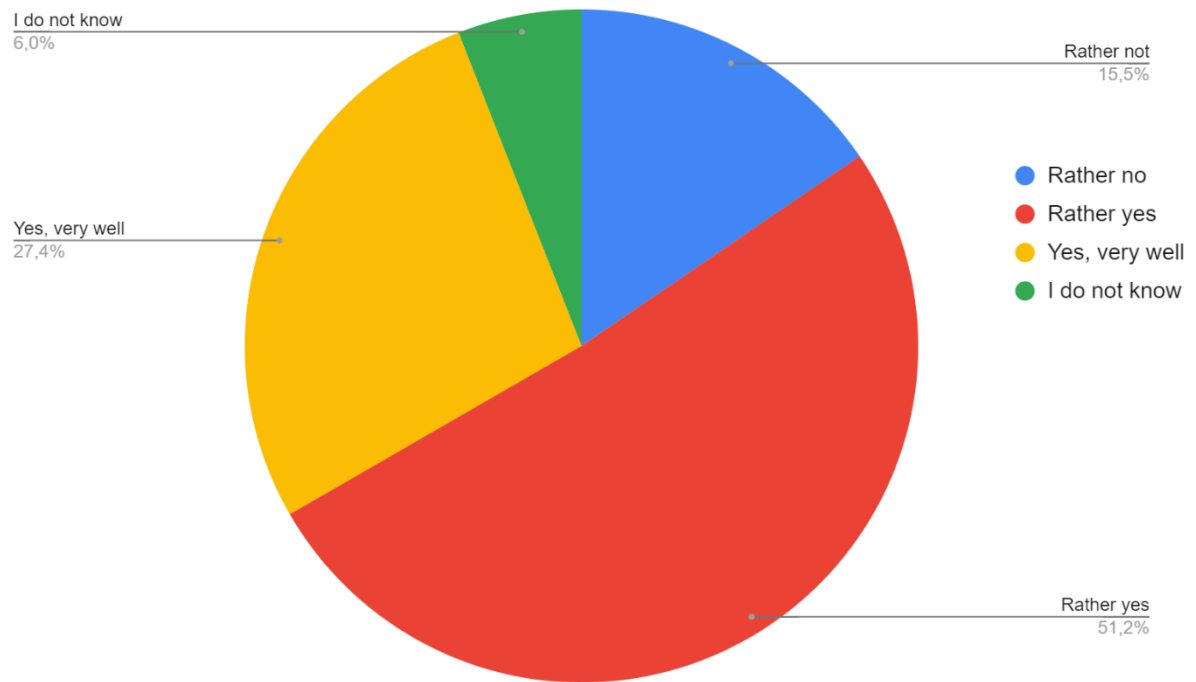
Source: own processing

The respondents had six answers to choose from. As expected, the most frequent position of the Festool customers is entrepreneur and the second most frequent position is employee. No respondents choose the option of Unemployed and Pensioner/Invalid pensioner. The main objective of this question was to determine what positions appear among Festool customers and therefore see from how many different perspectives are the following questions answered.

As a conclusion to the first general part of the questionnaire, most of the respondents of this questionnaire are men entrepreneurs between the age of 31 to 40.

4. Question: Do you know what the term “social responsibility” means?

The fourth question already addresses the concept of CSR. The aim of this question was to find out if the respondents have some general idea about social responsibility.



Picture 22: Question 4  
Source: own processing

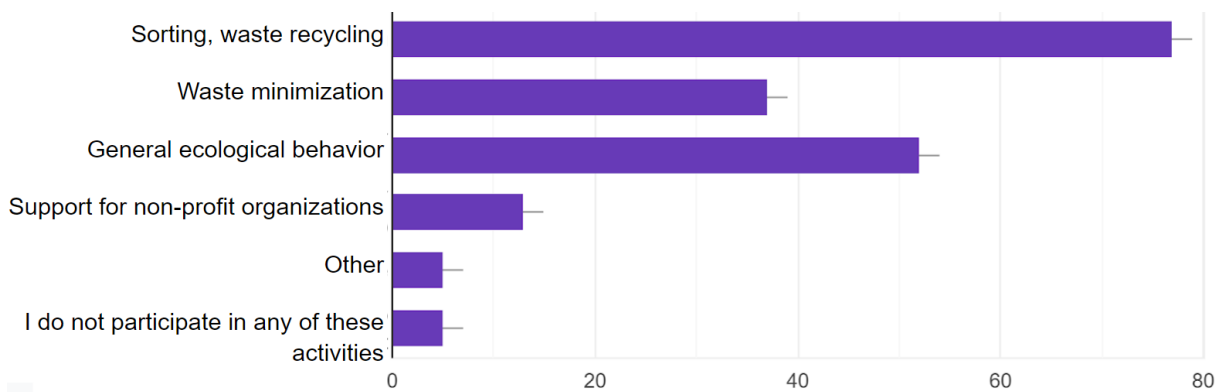
They could choose from four answers. The most frequent answer was “Rather yes” and the second most frequent answer was “Yes, very well”. Judging by that, most Festool customers have at least heard about the term “social responsibility” and more or less know what the term means. Only 5 people (6%) answered that they know nothing at all about social responsibility.

5. Question: Please indicate how you would briefly characterize corporate social responsibility?

This question was voluntary, aimed primarily at those respondents who answered "Yes, very well" and "Rather yes" in the previous question. The question acts as confirmation that the respondents who stated they have some general idea about CSR in the previous question actually know what the term means. The respondents could therefore by a short answer express what corporate social responsibility means to them. The total amount of answers to this question was 49. Most of the questions included taking care of the environment, compliance with rules and laws, ecological behavior and other. None of the illustrated questions was wrong. The awareness of the respondents about CSR is therefore correct.

6. Question: Do you personally participate in any of the following activities that could be described as "socially responsible"?

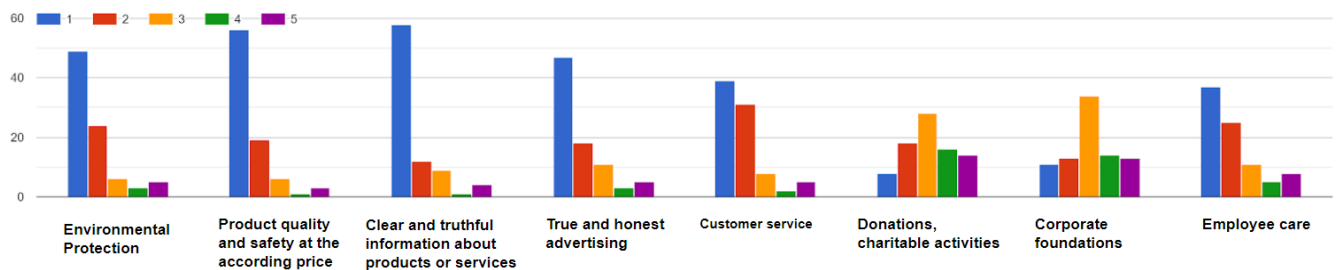
The aim of this question was to find out if the respondents themselves contribute to some kind of social responsible activity. This was a multiple choice question so the respondents could choose more than one answer. This question was aimed directly on the respondents' responsible behavior for the reason that everything starts with the individual. The more a person behaves themselves socially responsibly, the more likely they are to care if the company they buy products from also behaves socially responsibly.



Picture 23: Question 6  
Source: own processing

The option which most of the respondents (91,7%) chose was "Waste sorting, recycling". This was expected as recycling waste is nowadays becoming more and more popular. It is usually the starting point for people who are new to the protecting environment agenda. 5 people (6%) do not participate in any of these activities.

7. Question: How important are the individual factors for you to consider a company as socially responsible? (mark each activity with numbers 1 to 5; 1 - very important, 2 - quite important, 3 - medium, 4 - almost unimportant, 5 - completely unimportant)

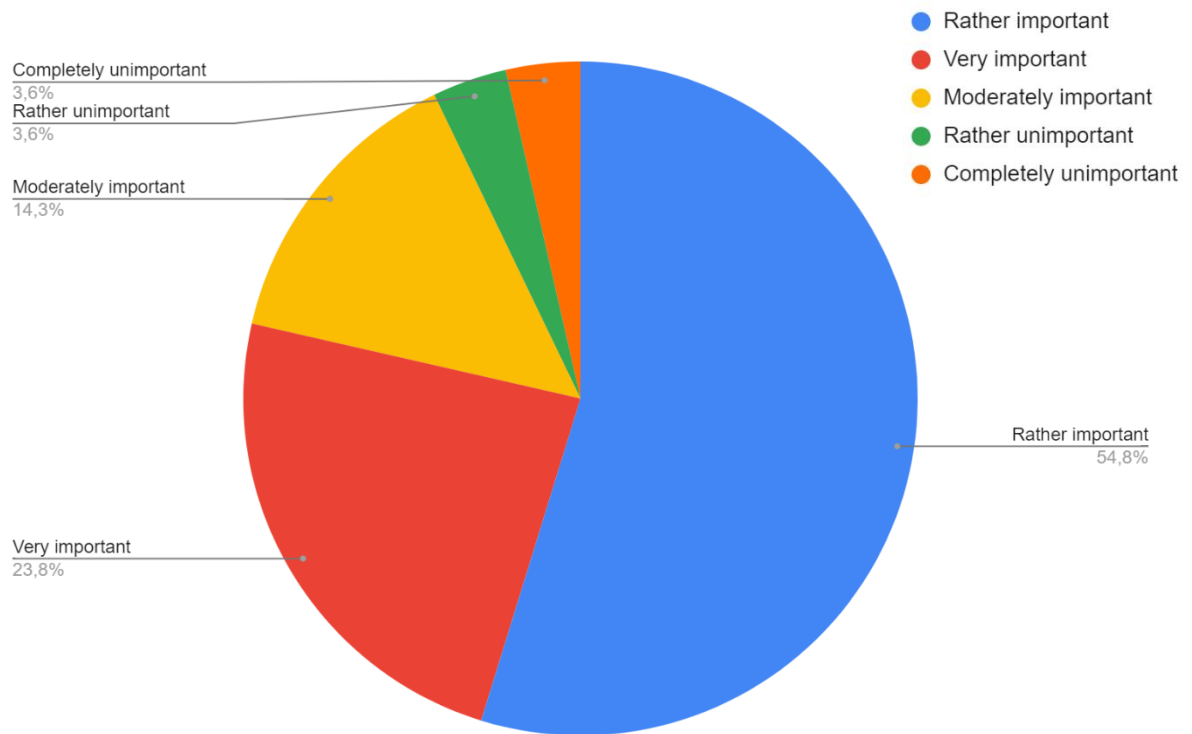


Picture 24: Question 7  
Source: own processing

The aim of this question was to discover which specific factors of CSR are the most important for the respondents. They could choose from 8 factors. By incorporating any these factors in the company's operations, the company becomes to a certain level socially responsible. The results of this question indicate that for majority of the respondents, the most important factor is "Clear and truthful information about products and services. Regarding the graph, it is clear that the most important factors for the respondents are the first four, together with "Employee care". The factors that came as less important are "Donations, charitable activities" and "Corporate foundations". This question was general and therefore was not focused specifically on Festool. Festool's CSR activities include all the factors which came as the most important for most of the respondents, and the factors which Festool do not engage in are donations to charities and corporate foundations. The company's main focus is its products quality and safety, and also providing its customers with clear and understandable sources of information about its product and services.

8. *Question: To what extent is it important for you that the company you are buying from behaves according to the principles of social responsibility?*

This question is one of the most important one in the whole survey as it shows weather the customers of Festool care about a company's CSR at all or not. The respondents could choose from 5 answers form "Very important" to "Completely unimportant". As the majority of the respondents are between the age of 31 to 40, the expectation for this question was that for most of the respondents CSR of a company would be important to a certain level for them.

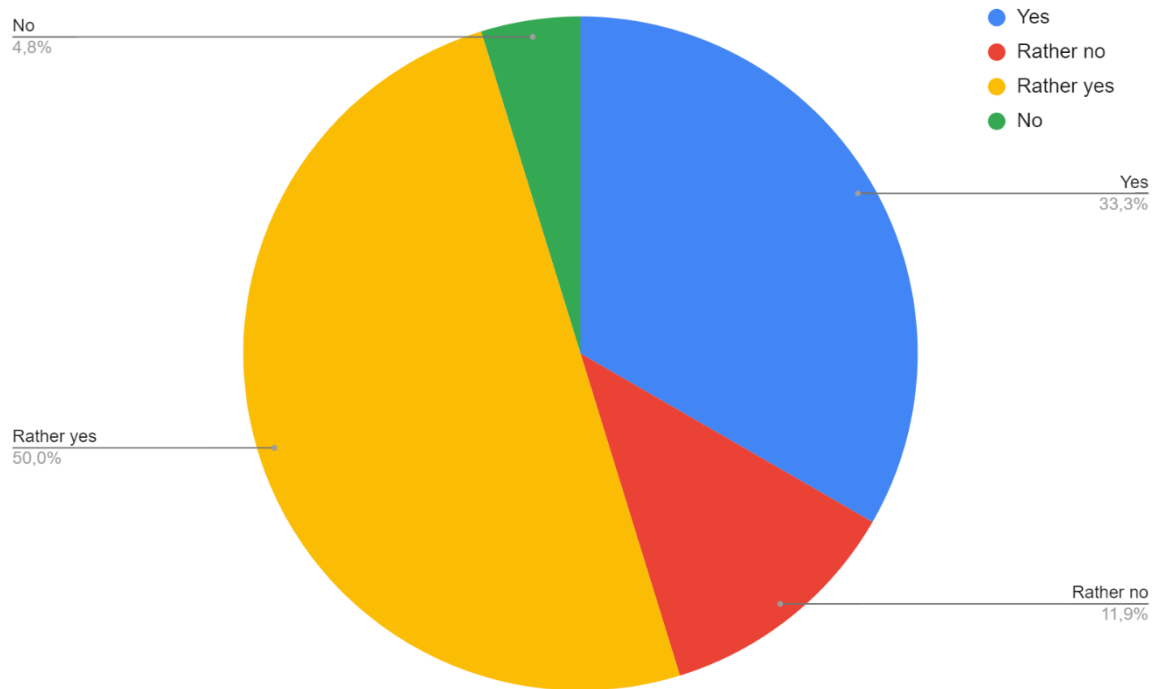


Picture 25: Question 8  
Source: own processing

The expectation was confirmed as for the majority of the respondents (54,8%) the involvement in CSR of the company they are buying from is “Rather important”. The second most frequent answer (23,8%) was “Very important”. This demonstrates that most of the customers of Festool actually care about corporate social responsibility and it is rather important for them.

9. *Question: If you found out that the company you usually buy products or services from behaves "socially irresponsibly" (environmental pollution, employee discrimination, misleading advertisements, etc.), would you stop buying from this company?*

This question was also aiming to find out how important CSR actually is for the respondents. More precisely, how important is it for them if the company they buy from behaves “bad”. Again, the respondents could choose from 4 answers.



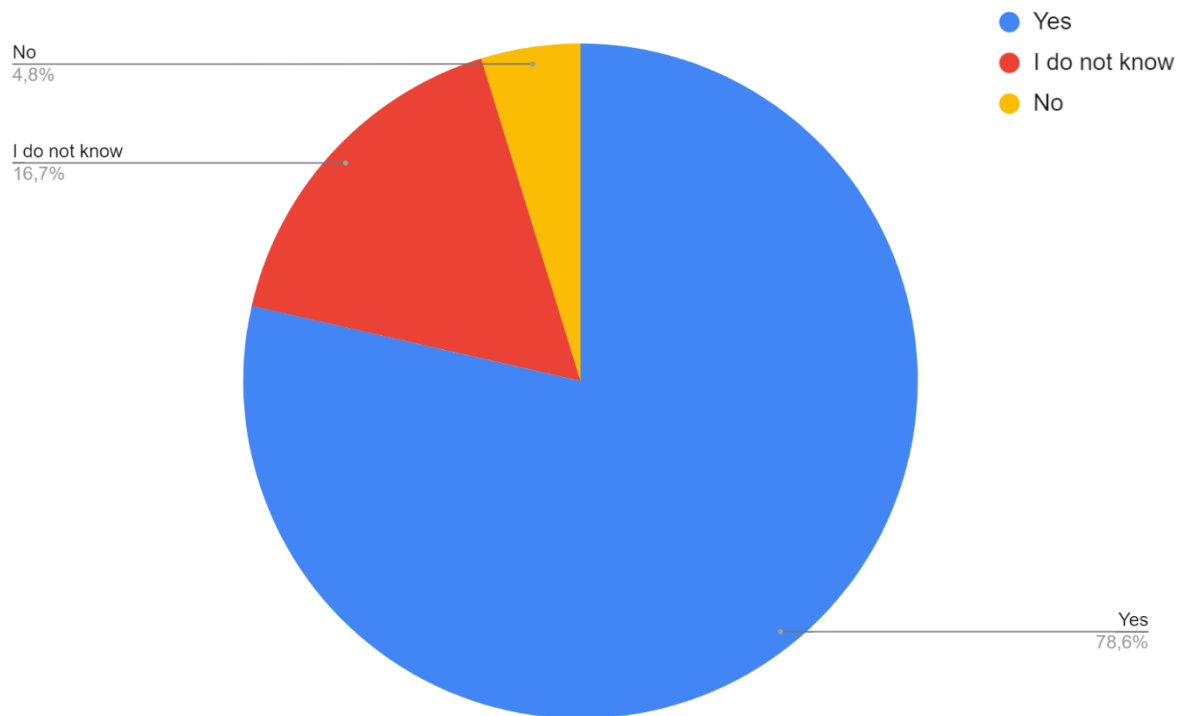
*Picture 26: Question 9*  
 Source: own processing

42 respondents (50%) chose “Rather yes” and 28 respondents (33,3%) chose “Yes”. Only 4 respondents (4,8%) chose “No” which means that these respondents most likely do not care about CSR at all. Again, this question proves that the activities of a company, either bad or good, are to a certain extent important to the respondents.

*10. Question: Do you think that a company can attract more customers through its involvement in social responsibility?*

The aim of this question was to discover how the respondents perceive the connection between the company’s CSR and its potential customers.





*Picture 27: Question 10*  
 Source: own processing

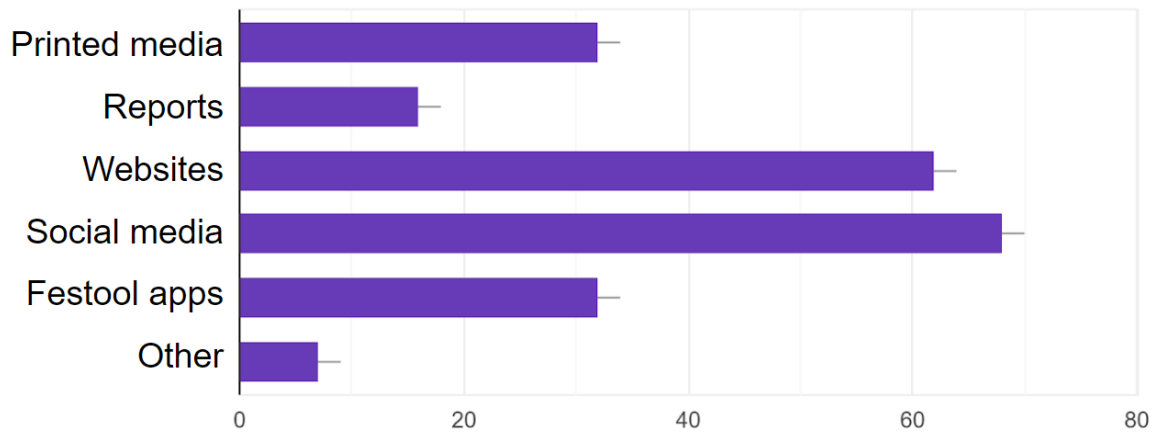
66 respondents (78,6%) believe that a company can use its CSR to attract more customers. Only 4 respondents (4,8%) believe otherwise, and 14 (16,7%) respondents do not know. This shows that most of the customers of Festool believe that involvement in CSR could potentially benefit the organization. Therefore, they believe that it could benefit Festool itself.

To conclude this part of the questionnaire, the majority of the respondents are familiar with the concept of CSR and it is, at least to a certain level, important to them. Usually only 4 to 6 people from all the respondents gave answers to these questions which suggest that they most likely do not care about social responsibility at all.

*11. Question: What media do you visit as a source of information about Festool, its products and news?*

The first question of the third part of the questionnaire, focused on the company Festool itself, is paying attention to the source of information the customers of Festool usually use. The aim of this question was to determine which sources of information are the most used by the customers of Festool. The main reason for that is find out the proper tool for the potential propagation of the CSR activities. The respondents could chose

from 5 different options. This was again a multiple-choice question so the respondents could choose more than one answer.



Picture 28: Question 11  
Source: own processing

The results for this question fulfilled the expectation. **The most used medium** as a source of information is the company's social media. Social networks are nowadays increasingly used and are currently described as a global phenomenon. More and more people are creating their accounts on social media every day. For organizations, social media create a unique interactive space for marketing communication as well as the possibility of creating detailed site and profile analyzes, which help companies effectively adapt their strategies and thus improve their results. As was mentioned before, for the Czech market Festool has its own Facebook page and YouTube channel.

**On the second place** are the company's websites. Websites are one of the most common methods for companies to publish the information about the company itself, their products, their vision, mission and other. Websites, unlike social medial, usually include more detailed information. Social media, even though they are used significantly more, are more of a quick and short source of information. Usually, if a customer wants to know more about a certain product, event, or even the company itself, he/she goes to the company's websites.

**On the third and fourth place** are Festool apps and printed media (for example newspapers, magazines, leaflets or catalogs). Festool has currently two own applications – Festool Work app, and Festool Order app. Both these applications provide the customers with a number of functions and information. Applications are a great way to connect with the company and all its products. Concerning the printed media, Festool publishes catalogues, brochures, and magazines with current topics for carpenters, joiners

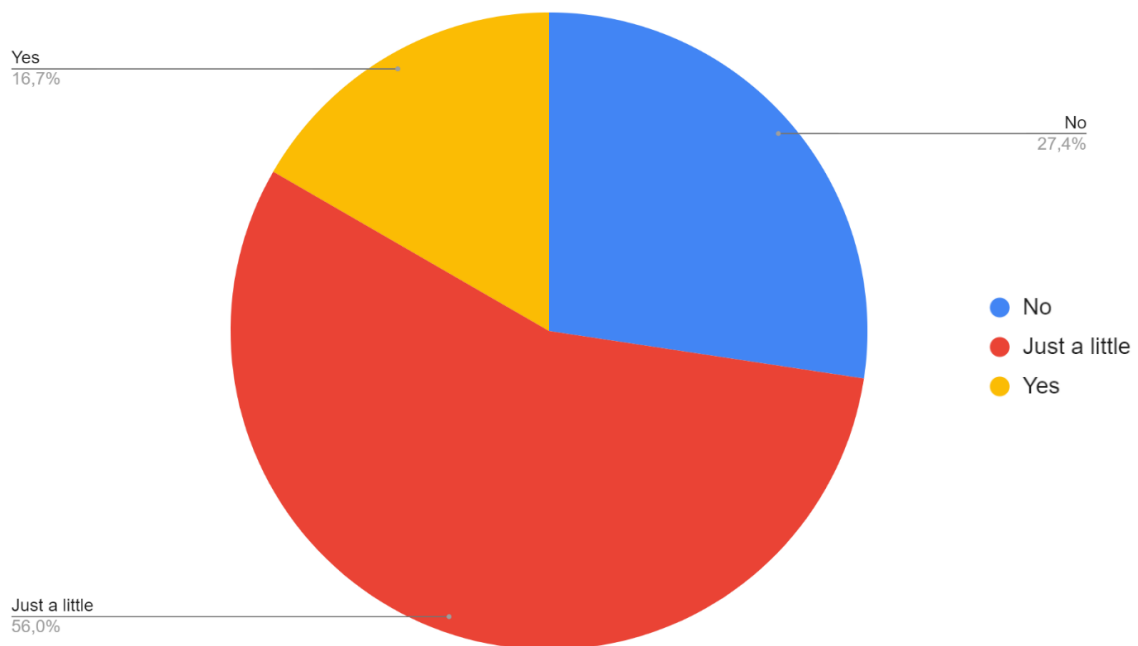
and painters. Besides the printed versions, these all can also be found and downloaded on the company's websites.

**On the last place** are the company's reports. The most common type of a report that companies publish is annual report. Annual reports are published by companies to educate current and potential stockholders about company activities and performance. They contain information and discussions of the previous year's activities, plans for the coming years, and financial data. Some companies publish these reports to the public, usually on their websites, so everyone can read it. (johnson.library.cornell.edu, 2022)

Festool does not publish its own annual reports. It all comes from above from the corporate. For Festool the most important reports are the ones that are published on the website in the form of articles and news, regarding specific products, events, and achievements of the company. On the website there can also be found the company's blog, where are illustrated a lot of additional interesting information.

*12. Question: Are you aware of Festool's corporate social responsibility activities?*

This question asked about the customers' knowledge of CSR activities that Festool organizes as part of its CSR strategy. The respondents could choose from 3 answers.

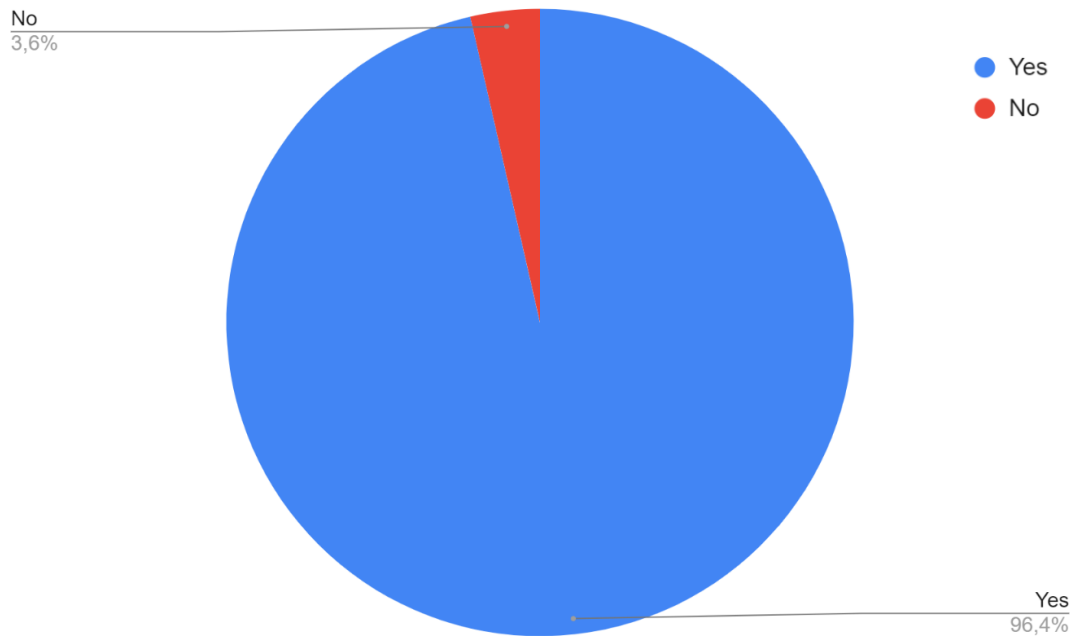


Picture 29: Question 12  
Source: own processing

The most frequent answer was “Just a little” which chose 47 (56%) respondents. 14 (16,7%) respondents chose “Yes” and the rest, 23 respondents (27,4%), know nothing about the CSR activities of Festool. This shows that most of the customers are not sufficiently aware of the CSR activities that Festool does. This is missed opportunity for the company as, regarding the previous questions, most of the respondents care about CSR of a company and are interested in it.

*13. Question: Are you satisfied with Festool customer service? (providing information, solving problems or complaints, warranties, repairs, etc.)*

The following 4 questions are targeting to discover if the respondents have experienced any problems concerning the ways the company deals with its customers. Question 13 is focused specifically on the company’s customer service. Customer service is the interaction between the buyer of a product and the company that sells it, or in this case produces it. It is very important for a company to have a sufficient customer service as it allows customers to connect directly with the company. One of the methods of a customer service which Festool uses is hotline - technical service consulting. This is the provision of direct support from a qualified worker. Operators offer quick telephone assistance in the use of tools, spare parts and accessories, registration of purchased products, ordering system, complaints, handling of tool theft, etc. Festool also provides its customers with free warranties, repairs, theft compensations, and other benefits. The respondents had the option to chose either “Yes” or “No”.



*Picture 30: Question 13*  
Source: own processing

81 respondents (96,4%) stated that they have no problem with the customer service of Festool. 3 respondents (3,6%) chose the answer “No” which means they have experienced some kind of a problem concerning the customer service.

*14. Question: If not, for what reason?*

This question is the follow up for the previous question. Respondents who chose the answer “No” and therefore are not satisfied with the company’s customer service could state the reason for it. The question was voluntary and the total amount of answers for this question is 3 which means that all the respondents who chose “No” in the previous question specified their problem. The answers for this question are as follows:

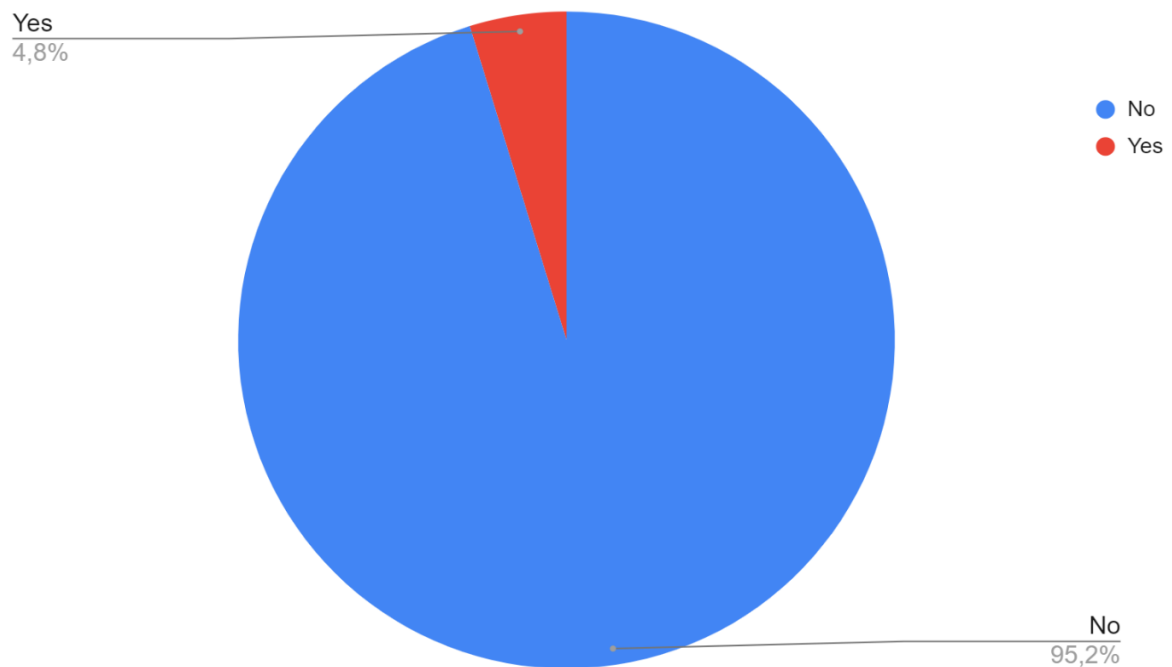
1. “Incomplete and difficult-to-understand information, especially regarding product instructions and other, practical manuals.”
2. “Unrepaired fault sent as repaired.”
3. “As your partner, I would like to welcome more information, but I understand that colleagues in the Czech Representation are doing what they can.”

All these answers indicated the fault from the company’s side. The company should reflect on the information which it provides, and make sure it is all understandable for everyone. If someone has still problem understanding, they can always use the hotline service

and call or write and email directly to the company regarding all necessary questions. The company should also make sure to not make mistakes when repairing products.

*15. Question: Have you ever noticed deceptive or misleading advertisements from Festool?*

The aim of this question was to find out if the respondents had ever experienced any kind of misleading advertisements from the company. Consciously publishing deceptive or misleading advertisements is a kind of greenwashing. The respondents could again choose from the two answers “Yes” or “No”.



*Picture 31: Question 15*  
Source: own processing

80 respondents (95,2%) have no experience with a misleading advertisement from Festool. 4 respondents chose “Yes” which means that they at some point noticed any kind of misleading advertisement coming from the company.

*16. Question: If yes, what was the content of this ad?*

This question is again the follow up for the previous question number 15. Respondents who chose the answer “Yes” and therefore had at some point experienced any kind of misleading advertisements from the company could state what the advertisement was about and why was it misleading. The question was voluntary and the total amount

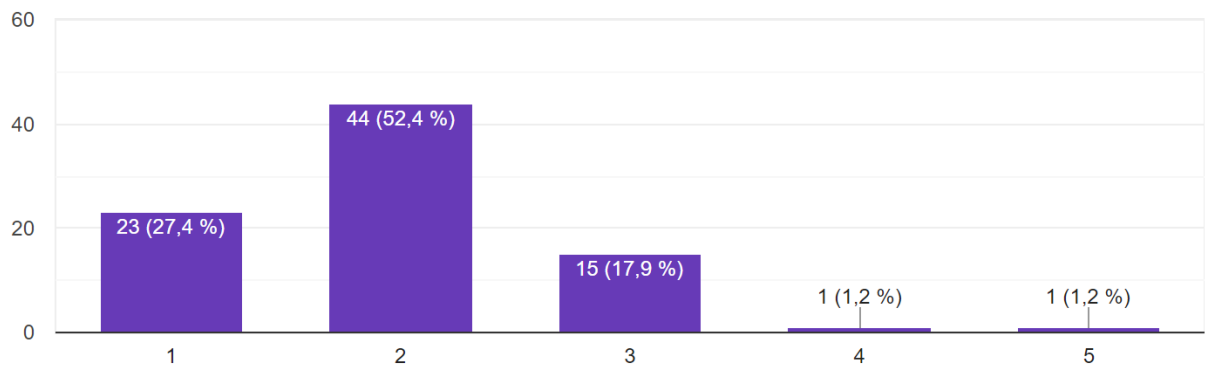
of answers for this question is 2 so not all respondents who chose “Yes” in the previous question answered this one. The answers for this question are as follows:

1. “The launch of a new miter saw with the words "that it is basically a revolution in the segment", while the competition has had products of the same category on the market for several years.”
2. “Exaggerated performance and durability of the product.”

These are individual opinions and therefore do not apply to all Festool customers. However, the company should always make sure to not use any misleading words and phrases in its advertisements.

*17. Question: According to you, does Festool comply with the principles of social responsibility? (1 - yes, very much; 5 - no, not at all)*

The aim of this question was to find out the overall view of the respondents towards the company’s CSR. The respondents could choose from a scale from 01 to 5, where 1 means the respondents think that the company perfectly accomplishes the CSR activities, and 5 means the opposite.



*Picture 32: Question 17*  
Source: own processing

Most respondents chose “2” on the scale. This means that most of the respondents perceive the company’s CSR to be above average.

18. Question: In your opinion, is the current information which Festool provides about its socially responsible activities sufficient?

The aim of question 18 was to find out how the respondents feel about the current information which Festool provides about its CSR activities. The respondents could choose either “Yes” or “No”.



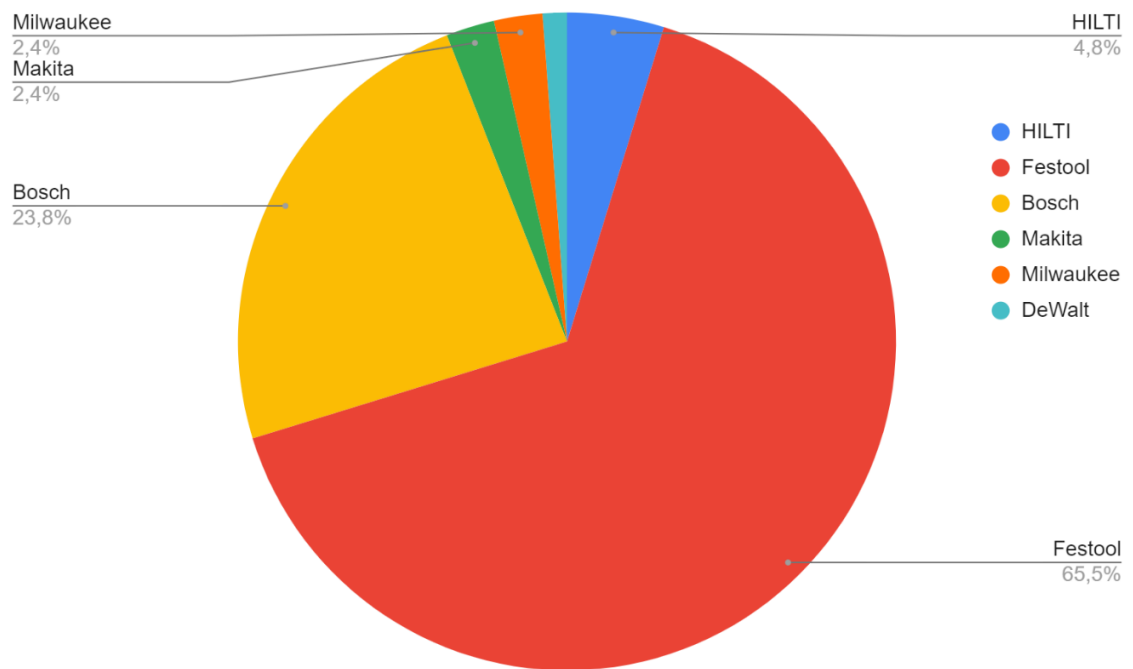
Picture 33: Question 18  
Source: own processing

The results indicate that for almost a half of the respondents, the amount of information about the company’s CSR is not adequate. The result of this question confirms the result of the question number 12 which showed that only 16,7% respondents are sufficiently aware of Festool’s CSR activities. This is a big opportunity for Festool as a significant number of customers would appreciate more CSR data from the company. The most information about Festool’s CSR activities can be found on their websites and catalogues. However, this is not enough.

19. Question: According to you, which company behaves most socially responsibly?

The aim of the last question was to find out which of the selected companies is according to the respondents the most socially responsible. The respondents could choose from 6 companies where one is Festool itself and the other five are competing companies.





Picture 34: Question 19  
Source: own processing

Most respondents perceive Festool as the most socially responsible company. This was expected as the questionnaire is focused on the customers of Festool. The result of this question is satisfactory for Festool as, even if it is possibly not the truth, for the majority of respondents Festool is on the first place concerning CSR.

## **6 CSR of the Competing Company**

Before a company decides to incorporate and communicate CSR activities, it is also necessary to perform an analysis of the competition that exists in the market. Especially when it comes to operating internationally, the company has to deal with a huge competition. This chapter will compare CSR of Festool GmbH with CSR of the company Robert Bosch GmbH which is perceived by the respondents of the survey as the second most socially responsible company. The information for this part was gathered from the company's websites, reports, and other internet sources regarding the competing company.

### **6.1 Robert Bosch GmbH**

Robert Bosch GmbH, often referred to just as Bosch, is part of The Bosch Group which is one of the leading global suppliers of technology and services. It employs more than 400,000 employees worldwide. Its operations are divided into four main business sectors: Mobility Solutions, Industrial Technology, Consumer Goods, and Energy and Building Technology. The Bosch Group includes Robert Bosch GmbH and more than 440 other branches and regional companies in more than 60 countries.

Bosch is one of Festool's biggest competitors. It is a German multinational company, founded in 1886 by Robert Bosch. The company manufactures components and equipment for the automotive industry, household appliances and power tools.

The ownership structure of Robert Bosch GmbH ensures the business independence of the Bosch Group. 94% of the shares in Robert Bosch GmbH are owned by Robert Bosch Stiftung GmbH. The Robert Bosch Stiftung is one of the major foundations in Europe that is associated with a private company. The Foundation solely and directly serves charitable purposes. As a main shareholder of Robert Bosch GmbH, the Foundation receives a proportion of the distributed dividends in the company. Given its status as a charitable institution, the Foundation does not engage in any corporate activity. The voting rights associated with its shares in Robert Bosch GmbH have been transferred to a trust, Robert Bosch Industrietreuhand KG. The remaining shares are held by the Bosch family company and Robert Bosch GmbH. Most of the voting rights are owned by Robert Bosch Industrietreuhand KG, an industrial trust that acts as a shareholder.

In the Czech Republic, Bosch is represented by all four of its business areas and employs more than 8.000 people. The Bosch Group includes eight locations with four production

plants, one repair center and one logistics warehouse. They are located in České Budějovice, Jihlava, Brno, Mikulov, Krnov and Bor. (bosch.com, 2022)

## **6.2 Comparison of CSR in Bosch with CSR in Festool**

Bosch, compared to Festool, is a much extensive and larger company with much broader product portfolio, and much more distinct customer groups. For that reason, it is expected that Bosch's CSR would also be on much wider scale. For the purpose of the thesis, primarily key aspects of the company's CSR which are above the legal requirements, and which differ from Festool, will be introduced and highlighted. Certain similarities between both companies' CSR will be briefly mentioned.

Bosch is generally known for its sustainability and charitable activities. Therefore, for the purpose of the thesis, primarily key aspects of the company's CSR which are important for further evaluation of possible recommendations for Festool will be introduced.

### **6.2.1 CSR in a Company**

At Bosch, sustainability is defined as a central task that the various business sectors deal together on the basis of set goals and systematic sustainability management. The highest technical committee for sustainability is the corporate social responsibility steering committee under the aegis of the CEO. The steering committee concerns itself with Bosch's strategic orientation in relation to sustainability, while goal agreements and management review for all sustainability-related issues are the responsibility of the CEO and the board of management member responsible for sustainability. (bosch.com, 2022)

Bosch uses a materiality analysis to determine which aspects of sustainability to focus its activities on.



Picture 35: Materiality matrix  
Source: <https://www.bosch.com/sustainability/>

The materiality matrix was updated at the end of 2019 when more than 1,000 international stakeholders including business partners, representatives of the scientific community, policymakers, the capital market, and relevant nongovernmental organizations, as well as associates and prospective job applicants gave their assessment of the relevance of sustainability issues. The matrix highlights the aspects that Bosch and its stakeholders deem to be of material relevance within the defined fields of activity. (bosch.com, 2022)

This matrix is definitely great approach for analyzing important aspects of CSR. A materiality matrix helps a company visualize the findings of a materiality assessment. It is used to represent what is important and relevant, and therefore helps to assess suitable strategies in the area of CSR.

### 6.2.2 Individual Areas of CSR in a Company

This chapter introduces all individual areas of CSR in the company Bosch, including the economic, social, and environmental area as well as the specific CSR communication.

- *Economic area*

Much like Festool, Bosch takes compliance and the observance of legal requirements and company guidelines very seriously. Bosch has therefore unequivocally defined its position on legal requirements and ethical issues in its globally applicable **Code**

**of Business Conduct.** Also, because responsible and lawful conduct is important beyond company boundaries, Bosch have formulated its expectations of its business partners in a corresponding **code of conduct**. Bosch has a wide global compliance management system headed by a chief compliance officer who reports directly to the board of management. There is also a corporate compliance department and compliance officers in all associated divisions and regions. To support that, the company has **prevention and inspection measures** including the dual-control principle, job rotation in sensitive areas, as well as regular audits. The compliance system also includes a **reporting hotline**, which associates, business partners, and other third parties can use to report irregularities at any time. Bosch has also its own **Basic Principles of Social Responsibility** where its management and employee representatives acknowledge human rights, equal opportunities, fair working conditions and worldwide standards in occupational health and safety. These eleven guidelines are oriented towards core labour standards of the International Labour Organization and are also obligatory for all of the company's suppliers and business partners. (bosch.com, 2022)

Bosch, like Festool, takes the quality and safety of its product as well as the customers' satisfaction very seriously.

- *Social area*

Bosch's social commitment is deeply rooted in the legacy left by Robert Bosch himself. Since its founding, the company has always cared for its surroundings and environment. Ways of helping have evolved over many decades, and today the level of social assistance to people around the world is very high. The largest share in fulfilling the obligations of this pillar of social responsibility has **The Robert Bosch Stiftung**. The Robert Bosch Stiftung supports a huge number of projects around the world. Its activities are divided into 3 main areas: health, education, and global issues. The Foundation also supports individuals, institutions and organizations in many ways, such as providing scholarships, awarding prizes, offering number of programs, and much more. (bosch-stiftung.de, 2022)

## **Employees**

Similar to Festool, Bosch observes the fundamental rights of their employees based on the applicable national labour laws. All the rules are aligned with the International Labour Organization's (ILO), Declaration on Fundamental Principles and Rights at Work. It includes: respecting human rights; employing persons who have reached the minimum

legal age for work; rejecting all forms of forced labour; respecting freedom of association and the right to form interest groups; not tolerating discrimination of any kind; ensuring fair working conditions including appropriate working hours, wages, and social benefits; ensuring maximum healthy and safe workplace. (Bosch Code of Conduct for Business Partners, 2022)

Similar to Festool, Bosch expects all of its employees to know and comply with all necessary laws and regulations applicable in the workplace. Employees must observe all internal guidelines and code of conduct. Much like in Festool, each Bosch employee must receive training on safety and health at work to avoid any possible injuries and other unwanted events in the workplace. Bosch also offers basic employee benefits, such as: flexible and mobile work, health and sport benefits, company medical service, employee discounts, in-house social counselling and care services, company pension scheme, and other. (bosch-softwaretechnologies.com, 2022)

One of the company's significant approaches in the field of women's equality was the creation of special programs and various types of working times targeted specifically for women, young mothers on maternity leave or mature women. In 1995, the company launched the "**woman @ bosch**" women's platform, where women in all company positions can exchange their experiences, discuss important topics or propose potential changes to business processes. (bosch.com, 2022)

Robert Bosch GmbH also offers its employees special "**Gender Talk**" seminars. Women and men learn to perceive each other, including the differences in business management strategies, differences in the behaviour of men and women in teams or different procedures in planning for the future. (bosch-career.de, 2022)

### **Other examples of social activities**

Other interesting activities which contribute to the field of women's equality are the so-called "**Girls-Day**" and "**Girls-Campus**". The aim of these special days is to show that women can also be successful students of technical fields, and therefore also good managers in a company. Women can visit the company on a selected day, ask everything they are interested in and meet HR staff, who will give them tips for successfully managing the job interview.

(bosch-career.de, 2022)

An important part of caring young talents is the opportunity to develop knowledge at the company's own "**UWC Robert Bosch College**" university. The lecturers at this corporate university are representatives of research centers, institutes, universities and, above all, the company's own employees. Robert Bosch College offers opportunities to acquire qualifications and skills in fields such as general corporate management, project manager qualifications, innovation management, software development and more. The university also places great emphasis on environmental sustainability. A key area of investigation is how technology can contribute to sustainable and ecologically responsible development. The establishment of the university was a project jointly undertaken by the Deutsche Stiftung UWC and Robert Bosch Stiftung GmbH on the occasion of Robert Bosch's 150th birthday in 2014. (uwcrobertboschcollege.de, 2022)

The Bosch Group has also established the **Carnegie Bosch Institute**, which works closely with Carnegie Mellon University in Pittsburgh (USA). The institute organizes seminars for not only Bosch managers, but also top managers of companies from all fields of business. (carnegiebosch.cmu.edu, 2022)

- *Environmental area*

Since 2020, the Bosch has been climate neutral. Climate neutrality refers to the energy the company generates itself and the volume the company purchases for manufacturing, development, and administration (scopes 1 and 2 of the Greenhouse Gas Protocol, GHG). Bosch has defined four levers to enable climate neutrality: firstly, to increase energy efficiency; secondly, to expand the supply of renewable energy; thirdly, to purchase more green electricity; and fourthly, to offset unavoidable CO<sub>2</sub> emissions with carbon credits. (bosch.com, 2022)

- *Communicating CSR*

Bosh is overall very open about its CSR activities. The company regularly releases two publications about sustainability-related activities. The comprehensive sustainability report called the **factbook** which introduces to facts and figures according to the standards of the Global Reporting Initiative, and the **spotlights magazine** which presents selected topics of the reporting year. These can be found on the company's website together with much more information about the company's sustainability efforts. As Festool, Bosch also

publishes certain information about its sustainability on its website and social media. (bosch.com, 2022)

For a better comparison, important aspects of CSR of both companies are listed in the table below.

*Table 2: Bosch and Festool comparison*

	<b>Bosch</b>	<b>Festool</b>
Compliance management system	<ul style="list-style-type: none"> <li>- Code of Business Conduct</li> <li>Code of Conduct</li> <li>- Basic Principles of Social Responsibility</li> <li>- Prevention and inspection measures</li> <li>- Reporting hotline</li> </ul>	<ul style="list-style-type: none"> <li>- Code of Conduct</li> <li>- Preventative and regulatory measures</li> <li>- Reporting system</li> </ul>
Sustainability reporting	<ul style="list-style-type: none"> <li>- Factbook (sustainability report)</li> <li>- Spotlights magazine</li> </ul>	<ul style="list-style-type: none"> <li>- No public reports focused specifically on sustainability</li> </ul>
Corporate website focused on CSR	<ul style="list-style-type: none"> <li>- Yes</li> <li>- Well designed</li> <li>- Can be confusing, too much text</li> <li>- Graphs included</li> </ul>	<ul style="list-style-type: none"> <li>- Yes</li> <li>- Clear and simple layout</li> <li>- Not enough information about CSR</li> </ul>
Employee care	<ul style="list-style-type: none"> <li>- Observing the fundamental rights based on the applicable national labour laws</li> <li>- Trainings on safety and health at work</li> <li>- Basic benefits</li> <li>- Skills development support</li> <li>- Active gender equality support (Woman @ bosch; Gender Talk)</li> </ul>	<ul style="list-style-type: none"> <li>- Observing the fundamental rights based on the applicable national labour laws</li> <li>- Trainings on safety and health at work</li> <li>- Basic benefits</li> <li>- Skills development support</li> </ul>



Social relationships and help to the community and the public	<ul style="list-style-type: none"> <li>- The Robert Bosch Stiftung</li> <li>- Volunteering</li> <li>- Philanthropy</li> <li>- Sponsoring</li> <li>- Number of social and charity programmes</li> </ul>	<ul style="list-style-type: none"> <li>- Cooperation with schools</li> <li>- Active and personal communication with customers</li> <li>- Support for absolvents and potential future employees</li> </ul>
Environmental management	<ul style="list-style-type: none"> <li>- ISO 14 001</li> <li>- Active emission reduction</li> <li>- Carbon neutral since 2020</li> <li>- Recycling</li> <li>- Specific targets</li> <li>- Sustainable product development</li> </ul>	<ul style="list-style-type: none"> <li>- ISO 14 001</li> <li>- FSC certification</li> <li>- Active emission reduction</li> <li>- Recycling</li> <li>- Sustainable product development</li> </ul>

Source: own processing

### 7.3 Conclusion

It is obvious that both companies are to a certain level engaged in CSR. Both companies take very seriously their compliance with all necessary laws and regulations and both have its own code of conduct to help manage their compliance system. Both companies care about its employees, offer them number of benefits, and help them grow. Both companies have taken specific action for environmental protection.

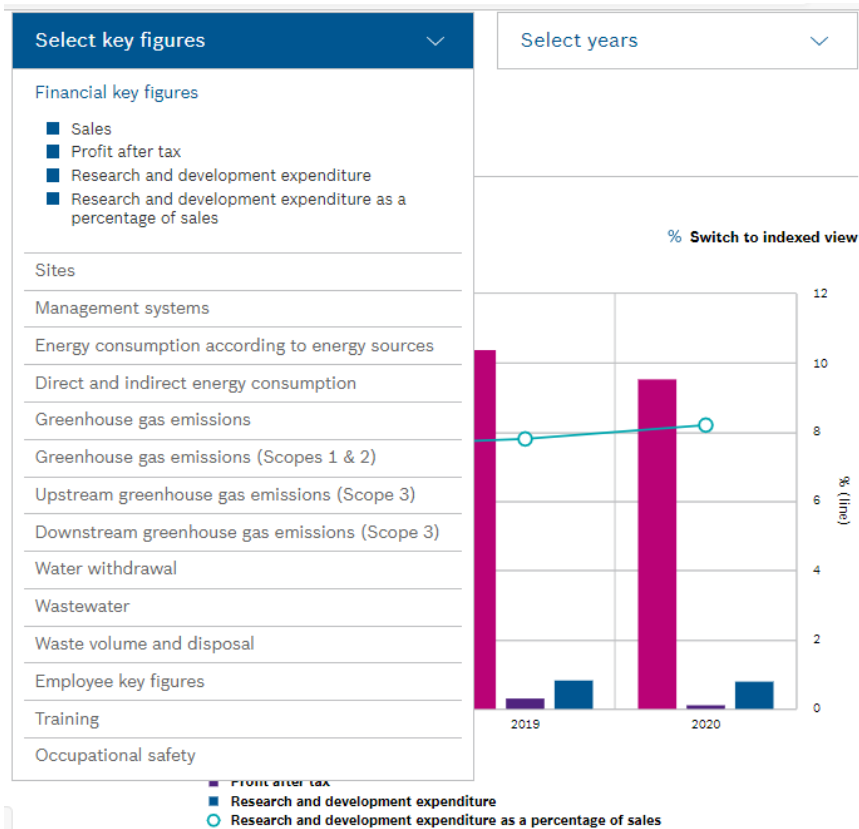
For the purpose of the thesis, it is important to look at the issue from both the perspective of both companies. Festool is much smaller company with much narrower customer groups. It is therefore understandable for Festool to focus more on its products and customer service than CSR. Bosch on the other hand, being much larger company, is expected to be more involved in the CSR activities.

The main aim of the comparison was to find out how Bosch handles its CSR, and what specific aspects could potentially help Festool improve its CSR. Festool, compared to Bosch, is overall more private about its CSR activities, including not only the sustainability actions and environmental protection activities, but also certain legal aspects. All involved parties including customers, investors, and other business partners can therefore find much more information about Bosch outside of the company

for example on their websites, published reports and other documents. All published reports and documents are very broad, and detailed.

Regarding the companies' websites, Bosch's website is very well designed, and compared to Festool includes much more information. This is a good thing for someone who wants to search information about the company; however, sometimes less is more. Bosch's website can feel overwhelming at times. Too much information with too much unnecessary detail makes it very easy to get lost on the website. Festool's website is much clearer and simpler.

Bosch also publishes graphs on its website which show number of key figures like financial figures, energy consumption, greenhouse gas emissions, and other figures illustrated on the picture below. All these individual figures can be selected together with a certain year.



Picture 36: Bosch's graphs and key figures  
 Source: <https://www.bosch.com/sustainability>

This is a great example of how Bosh is open about its sustainability figures. These figures offer a great way for customers and other stakeholders to find out more about the company's CSR, and also compare it to other years to see the company's progress or specific changes. Festool currently leaves these specific figures mostly private.

## **8 Evaluation and Future Recommendations**

The ground principle of sustainability lies on the so-called triple bottom line of economic, social, and environmental performance. As Carroll (2016) mentioned in one of his works: economic and legal responsibilities are required; and the ethical and environmental parts are expected and desired. All these parts of CSR are connected. Appropriate CSR strategy therefore must include as well as balance all of them without forgetting a proper CSR communication.

As mentioned earlier, although Festool is not as large as some of its competitors including Bosch, its quality is unparalleled. For that reason, Festool is often highly regarded by industry professionals. Festool's overall strengths therefore lay in the quality of its products, and personal customer approach. Festool's weaknesses on the other hand are primarily the lack of CSR communication, and overall lack of CSR activities.

Based on all the gathered and analyzed information, feasible improvements and recommendations for the company Festool in the field of CSR are the following:

- better CSR communication;
- more CSR activities.

For the purpose of the thesis, economic impacts together with basic benefits of the proposed recommendations are also introduced.

### **Better CSR communication**

Communication is a key and very important activity in the field of CSR. A company can have perfect, over the top CSR that exceed all the expectation but without a proper communication to the customers and other stakeholders, it will not bring a proper competitive advantage that it should. As Hameed (2016) mentioned, proper company communication should be done internally as well as externally. Festool's internal communication which is a communication towards employees includes primarily code of conduct, regular meetings, intranet site, e-mails, internal workshops, staff training and coaching, preventative and regulatory measures, and reporting system. When it comes to external communication, Festool informs the public through its websites, social medial, certain reports, magazines, newspapers, leaflets, external workshops, and other public events.

Festool should mainly focus on the external part of CSR communication as this part lacks the most. Regarding the results of the questionnaire, most of the people who participated in the research have certain knowledge about CSR and it is more or less important to them. It is also important to mention that most of them know about the CSR of the company very little and almost half of the respondents believe the company's current CSR communication is not sufficient. For that reason Festool should take some actions to improve the communication and potentially attract more customers who are interested in CSR.

Festool currently publishes most of its CSR efforts on its website. On other platforms like social or printed media can be found only brief information about the company's certified products. For the communication to be more sufficient, more information should be added especially on the website, and also on the social media, specifically on Facebook, since the company does not have its own Instagram account for Czech Republic. Regarding the company's YouTube channel, although, the activity from the followers side on the company's YouTube channel appears to be quiet high, there is not much potential in posting videos about CSR activities. This specific information is much efficient to promote separately by written posts. Festool at this time publishes on its website information that relates primarily to the environmental aspect of CSR. More efficient would be to also add certain graphs, similar to Bosh, about for example the water, electricity, or gas consumption. Festool should also add more future goals and projects, for example about the photovoltaic panels. On Facebook would be then added posts about specific CSR activity including links which would redirect a customer to the specific website page for more information. It is important to communicate also on social media because on Facebook specifically, efficiency can be easily measured here. The focus should be mainly on the number of comments below the posts, or the content of the comments, whether they are positive or negative. In addition, the number of shares or "likes" should also be monitored. There are many other advantages of using social media as a communication tool. It is not only a low cost, quick, and easy to measure way of communication but it also offers two-way communication between the company and customers. Companies can therefore convey their CSR activities to their stakeholders and receive instant feedback and generate a dialogue with its stakeholders to build better relationship.

To attract more people to these specific posts, design is very important. People usually do not like reading texts which are too long and complicated. Very detailed information should be left to the specific reports but on websites and social media should only be the most interesting and important information. Adding pictures or animations will also enhance these texts and potentially more people will read it.

Concerning the CSR reporting, because Festool operates on the basis of a holding policy all the specific reports comes from the holding company which in this case is the TTS Tooltechnic Systems. Currently, there are no reports published focused specifically on sustainability which is another huge missed opportunity for sufficient CSR communication. Although reports are generally very long and therefore customers usually do not read all the information it includes, they still represent an important part of CSR communication as they show the whole picture of the company's CSR engagement.

### **More CSR activities**

Regarding again the questionnaire which showed that for the majority of the respondents CSR is actually more or less important for them; Festool should also consider engaging more into certain CSR activities. For Festool it would be beneficial to focus more on the social area of CSR. Social area of corporate social responsibility focuses on ensuring that all stakeholders in a business receive fair treatment, from employees and customers to wider surrounding community. Festool treatment of its employees and customers is on a sufficient level, however, the approach to local communities and surroundings could be improved. It does not need to be on the scale at which it is done by Bosch, but including for example some charitable activities, foundations or financial and non-financial support of the non-profit sector, sports or cultural events, would possibly be valuable, especially if properly and adequately communicated to the public. Regarding the results of the questionnaire, specifically question number 7 where the respondents expressed which of the illustrated CSR activities are the most important to them; donations, charitable activities, and foundations came as the least important for the majority of respondents. This, however, does not mean they do not bring number of benefits or are not important at all, especially in today's society, and especially for an international company as Festool. It is understandable that for customers of every company, the quality and safety of products together with clear and truthful information and advertisements comes first. This is what is expected of every company and therefore will not bring much of a competitive advantage.

## **Economic aspects**

These recommendations are aimed to increase the efficiency of the company's CSR. If CSR activities are properly communicated to customers, it can influence positively on their behavior towards the company, including increased loyalty and dissemination of positive information about the company. This will bring more positive attention and brand recognition to the company, which will eventually lead to increased sales and enhanced business performance. Increased CSR communication can also attract more potential employees to the company or retain staff.

When it comes to the individual CSR activities, companies should first focus on operating in ways that assure long-term economic performance by avoiding short-term behavior that is socially harmful or environmentally wasteful. Only after that companies can start engaging in activities which will increase the benefits for society and the environment. By for example reductions in energy use, or waste and water reductions, the company can decrease some operational costs and save significant amount of financial resources. Doing these business decisions is therefore beneficial for the company as well as for the environment. Furthermore, the company can focus on specific programs, charitable activities, foundations, which will enhance the current basic CSR activities. These activities usually require higher amount of investments. As was mentioned in the chapter "CSR and competitive advantage", Husted and Allen (2010) pointed out that CSR strategy must be cautiously designed including plans, investments, and actions taken to achieve sustainable competitive advantage and superior business performance. CSR strategy should therefore be handled also with respect to social issues in order to achieve long-term social objectives and create competitive advantage. That is why specific charitable activities, donations, volunteering or foundations focused on certain social issues, like education, poverty, healthcare, international relations, culture, etc. are an important part of CSR, and adding them to Festool's current CSR activities would enhance its overall CSR strategy.

These specific activities usually bring the most positive feedback from customers, and together with increased CSR communication will bring more customers to the company and strengthen the relationships with current customers. Sponsoring

for example certain sports or cultural events can introduce the brand to new audience groups, donating to national charities could boost the company's visibility on a national level and volunteering for charitable initiatives introduces local and regional charities to the company. Seeing the company they work for support charitable causes increases positivity amongst employees. Feeling proud to work for a philanthropic company also increases employee loyalty and retention. Charity stories on the company's website and social media let visitors know about the charitable presence in the community. It can show clients that the company is committed to charitable causes. If managed well, successful relationships with charities can positively impact the company's reputation. Also, one of the most important aspects of businesses working with charities that should not be forgotten by the company— it makes a positive impact to the charity's cause. By supporting charities, the company is actively helping people, organisations and communities that need it. All this significantly enhances the chance of increasing competitive advantage and business performance.

## **Assessment of the Thesis**

The aim of the thesis was to find out if and how the CSR can affect the company's business performance and with that even its competitive advantage. Corporate social responsibility is a growing phenomenon worldwide. Nowadays many organizations are increasing their effort in supporting activities in the society and environmental protection, and many of them also incorporating the aspect of CSR in their organizational policies. For a company, especially the one operating in an international environment is therefore very important to take its part in the CSR agenda in order to survive, and if handled correctly, even increase its competitive advantage.

The concept of CSR has gone into debate due its complex and conflicting nature. For example, as was mentions in the chapter "Critics of CSR", Friedman (1970) opposed the idea of CSR by arguing that companies neither meant for social activities nor they have expertise in social interventions. They should only focus on maximization of profits, and fulfillment of their legal obligations. This implies that companies should only focus on the economic goals and not the social and environmental goals. However, in real life the practice is quite different as the economic decisions have social outcomes and opposite.

According to Porter and Kramer (2006), to advance CSR, we must root it in a broad understanding of the interrelationship between a corporation and society while at the same time anchoring it in the strategies and activities of specific companies. Simply said, we must realize that business and society need each other. This will pull companies out of the muddle that their current corporate-responsibility thinking has created.

In general, when choosing a brand, most customers look at the price or quality of a product first, while CSR usually comes after that. However that does not mean the company should not prioritize CSR at all. Although Festool is known for its high quality specialized products, the significance of CSR should not be forgotten. Festool's overall approach to CSR has a very promising baseline. It is clear that the company is aware of the increasing importance and popularity of CSR. Its economic and environmental areas are on an adequate level. However, there are certain shortcomings which the company should focus on, such as the communication of CSR or the depth of CSR engagement specifically within the social area. The thesis could therefore assist the company with reflecting on its CSR agenda and improve it in a way to enhance its business performance and competitive advantage.



The future holds strong prospects for corporate social responsibility, as today's trends and innovations suggest that CSR will play an increasingly important role in how companies approach business and engage communities.

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## **List of Attachments**

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## Attachment A Questionnaire (original)

# Společenská odpovědnost firem

Dobrý den,

Jsem studentkou magisterského oboru Mezinárodní management na Technické univerzitě v Liberci. Pro svou diplomovou práci provádím výzkum zaměřený na to, jak společenská odpovědnost firem ovlivňuje zákazníky společnosti Festool, a obecně i postavení k tomuto tématu. Společenská odpovědnost podniků (někdy také označována jako CSR - Corporate Social Responsibility) představuje dobrovolný závazek firem chovat se dobře ke svému okolí i ke všem zájmovým skupinám, které svou činností ovlivňuje.

Toto téma jsem zvolila z toho důvodu, že v dnešní době je tento pojem stále více diskutovanější a důležitější, a to nejen proto, že může pomoci samotné firmě, ale i přispět k lepšímu stavu naší planety.

Tímto bych Vás chtěla požádat o vyplnění tohoto anonymního dotazníku a předem děkuji za Vaše odpovědi.

**\*Povinné pole**

1. Jaký je Váš věk? \*

11-20  
21-30  
31-40  
41-50  
51-60  
61 a více

2. Jaké je Vaše pohlaví? \*

Muž  
Žena  
Jiné

3. Jaká je Vaše hlavní činnost? \*

Student  
Zaměstnanec  
Podnikatel  
Nezaměstnaný/á  
Důchodce/invalidní důchodce  
Materská/rodičovská dovolená

4. Víte co znamená pojem "společenská odpovědnost"? \*

Ano, velmi dobře  
Spíše ano  
Spíše ne  
Vůbec nevím

5. Uveďte prosím, jak byste ve stručnosti společenskou odpovědnost podniku charakterizoval/a?

Vaše odpověď

6. Účastníte se Vy osobně některé z následujících aktivit, které by se daly označit jako „společensky odpovědné“? \*

- Třídění, recyklace odpadu
- Minimalizace odpadu (např. nákup v bezobalových prodejnách, používání znovupoužitelný sáčků apod.)
- Obecné ekologické chování (šetření přírodními zdroji, zamezení plýtvání vodou a energiemi)
- Podpora neziskových organizací (finanční i nefinanční)
- Jiné
- Neúčastním se žádné z těchto aktivit

7. Jak důležité jsou pro Vás jednotlivé faktory pro to, aby jste považoval/a firmu za společensky odpovědnou? (oznámkujte každou činnost čísly 1 až 5; 1 - velmi důležité, 2 - celkem důležité, 3 - středně důležité, 4 - téměř nedůležité, 5 - zcela nedůležité) \*

Ochrana životního prostředí (třídění odpadů, šetrnější výroba apod.)

Kvalita a bezpečnost produktů při odpovídající ceně

Jasně a pravdivé informace o produktech či službách

Pravdivá a čestná reklama

Zákaznický servis (věrnostní programy, poprodejní servis, přístupnost webových stránek apod.)

Dárcovství, charitativní činnost

Firemní nadace či nadační fondy (finanční podpora obecně prospěšných činností)

Péče o zaměstnance (podpora vzdělávání, ochrana zdraví při práci, férové jednání, bonusy apod.)

8. Do jaké míry je pro Vás důležité, aby se firma, u které nakupujete, chovala podle zásad společenské odpovědnosti? \*

Velmi důležité

Celkem důležité

Středně důležité

Téměř nedůležité

Zcela nedůležité

9. Pokud byste se dozvěděl/a, že firma u které běžně nakupujete se chová "společensky neodpovědně" (např. znečišťování životního prostředí, diskriminace zaměstnanců, klamavé reklamy, apod.), přestal/a byste u této firmy nakupovat? \*

Ano

Spíše ano

Spíše ne

Ne

10. Myslíte si, že může firma svým zapojením do společenské odpovědnosti přilákat více zákazníků? \*

Ano  
Ne  
Nevím

11. Jaká média navštěvujete jako zdroje informací o firmě Festool, jejích produktech a novinkách? \*

Tištěná média (noviny, časopisy, letáky, katalogy)  
Firemní reporty  
Webové stránky  
Sociální sítě (Facebook, Instagram, YouTube)  
Aplikace Festool  
Jiné

12. Jste si vědom/a jaké aktivity provádí firma Festool v rámci společenské odpovědnosti firem? \*

Ano  
Jen trochu  
Ne

13. Jste spokojený/á se zákaznickým servisem firmy Festool? (poskytování informací, řešení problémů či reklamací, záruky, opravy apod.) \*

Ano  
Ne

14. Pokud ne, z jakého důvodu?

Vaše odpověď

15. Všiml/a jste si někdy klamavé či zavádějící reklamy od firmy Festool? \*

Ano  
Ne

16. Pokud ano, jaký byl obsah této reklamy?

Vaše odpověď

17. Z Vašeho pohledu, splňuje firma Festool zásady společenské odpovědnosti? (1 - ano, velmi; 5 - ne, vůbec) \*

- 1
- 2
- 3
- 4
- 5

18. Dle Vašeho názoru, je současná informovanost o společensky odpovědných aktivitách firmy Festool dostačující? \*

- Ano
- Ne

19. Z Vašeho pohledu, která firma se chová nejvíce společensky odpovědně? \*

- Festool
- Bosch
- Makita
- DeWalt
- Milwaukee
- HILTI

## Attachment B Questionnaire (English version)

# Corporate Social Responsibility

Hello,

I am a student of the Master's degree in International Management at the Technical University of Liberec. For my dissertation, I am conducting research focused on how corporate social responsibility affects Festool's customers, and also their position towards the subject. Corporate Social Responsibility (CSR) is a voluntary commitment of companies to appropriately treat their surroundings and all interest groups that they influence through their activities.

I chose this topic because especially nowadays this concept is more and more discussed and important, not only because it can help the company itself, but also contribute to the better condition of our planet.

I would like to ask you to fill in this anonymous questionnaire. Thank you in advance for your answers.

**\*Require field**

1. What is your age? \*

11-20  
21-30  
31-40  
41-50  
51-60  
61 and more

2. What is your gender? \*

Men  
Woman  
Other

3. What is your main position? \*

Student  
Employee  
Entrepreneur  
Unemployed  
Pensioner / disabled pensioner  
Maternity / parental leave

4. Do you know what the term "social responsibility" means? \*

Yes, very well  
Rather yes  
Rather no  
I do not know

5. Please indicate how you would briefly characterize corporate social responsibility?

Your answer

6. Do you personally participate in any of the following activities that could be described as “socially responsible”? \*

- Sorting, waste recycling
- Waste minimization (for ex. shopping in no packaging stores, use of reusable bags, etc.)
- General ecological behaviour (saving natural resources, avoiding waste of water and energy)
- Support for non-profit organizations (financial and non-financial)
- Other
- I do not participate in any of these activities

7. How important are the individual factors for you to consider a company as socially responsible? (mark each activity with numbers 1 to 5; 1 - very important, 2 - quite important, 3 - medium, 4 - almost unimportant, 5 - completely unimportant)\*

Environmental protection (waste sorting, more environmentally friendly production, etc.)

Product quality and safety at the appropriate price

Clear and truthful information about products or services

True and fair advertising

Customer service (loyalty programs, after-sales service, website accessibility, etc.)

Donations, charitable activities

Corporate foundations (financial support for charitable activities)

Employee care (training support, occupational health, fair dealing, bonuses, etc.)

8. To what extent is it important for you that the company you are buying from behaves according to the principles of social responsibility? \*

Very important

Rather important

Moderately important

Rather unimportant

Completely unimportant

9. If you found out that the company you usually buy products or services from behaves "socially irresponsibly" (environmental pollution, employee discrimination, misleading advertisements, etc.), would you stop buying from this company? \*

Yes

Rather yes

Rather no

No

10. Do you think that a company can attract more customers through its involvement in social responsibility? \*

Yes

No

I do not know



11. What media do you visit as a source of information about Festool, its products and news?\*

Printed media (newspapers, magazines, leaflets, catalogs)  
Company reports  
Websites  
Social media (Facebook, Instagram, YouTube)  
Festool apps  
Other

12. Are you aware of Festool's corporate social responsibility activities?\*

Yes  
Just a little  
No

13. Are you satisfied with Festool customer service? (providing information, solving problems or complaints, warranties, repairs, etc.) \*

Yes  
No

14. If not, for what reason?

Your answer

15. Have you ever noticed deceptive or misleading advertisements from Festool? \*

Yes  
No

16. If yes, what was the content of this ad?

Vaše odpověď

17. According to you, does Festool comply with the principles of social responsibility? (1 - yes, very much; 5 - no, not at all) \*

1  
2  
3  
4  
5

18. In your opinion, is the current information which Festool provides about its socially responsible activities sufficient? \*

Yes

No

19 According to you, which company behaves most socially responsibly? \*

Festool

Bosch

Makita

DeWalt

Milwaukee

HILTI