

# Corporate philanthropy in small and medium-sized enterprises

Bachelor thesis

Supervisor:

Ing. Sylvie Formánková, Ph.D.

Eva Skříčková

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**Abstract**

The aim of the thesis is to evaluate the current situation of corporate philanthropy in small and medium-sized enterprises in the Czech Republic. Theoretical background of the bachelor thesis is done by using relevant literature. The evaluation of the current situation is accomplished by creation of PESTEL analysis, quantitative and qualitative research and EFE matrix. Based on the results, several recommendations will be suggested in terms of corporate philanthropy.

**Keywords**

Corporate philanthropy, small and medium-sized enterprises, corporate social responsibility

**Abstrakt**

Cílem práce je ohodnotit současnou situaci firemní filantropie malých a středních podniků na území České republiky. Teoretická část bakalářské práce bude zhotovena za pomoci odpovídající literatury. Ohodnocení současné situace je vypracováno pomocí PESTEL analýzy, kvantitativního a kvalitativního průzkumu a EFE matice. Na základě těchto výsledků bude předloženo několik návrhů týkajících se této problematiky.

**Klíčová slova**

Firemní filantropie, malé a střední podniky, společenská odpovědnost firem





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# 1 Introduction

## 1.1 Introduction

In recent years, the role of companies has changed in society. Company is no longer seen only as a subject making profits by providing services or generating products. There are much greater expectation from their customers and stakeholders. Any company, which wants to earn favor of its stakeholders and loyalty of customers and employees, must be able to do more than just to manage business strategies. Such company needs to raise itself in their consciousness by the ability of reflecting broader social aspect. Socially responsible behavior is a real proof of company's stability.

The concept of corporate social responsibility (hereinafter referred to as CSR) has yet gained recognition in many countries and Czech Republic is no exception. These responsibilities involve economic, legal, ethical, and philanthropic areas, and that is why it is impossible to talk about corporate philanthropy without the broader concept of CSR.

Companies are daily challenged to engage in corporate philanthropy and social responsibility. They should improve their environment at the local level or to participate in solutions of global social problems. The idea of the corporate social responsibility is, that company which does nothing more than just making profits, is wrong. Those appeals to social responsibilities are targeting not only large multinational corporations, but more and more attention is placed on companies on national and regional level.

In the Czech Republic, large corporations represent only 0,2 percent of the total number of companies. Small and medium-sized enterprises (hereinafter referred to as SMEs) have 99,8 percent in the total amount of companies. It is obvious that SMEs are important for Czech economy and so the CSR concept, and of course corporate philanthropy, cannot be ignored by them. Even though large corporations may donate a huge amount of money to support whatever publicly beneficial projects, given the large number of SMEs in Czech Republic, if every company contributes just a little, by summing these contributions the final amount would be enormous.

Apart of that, it is not only about the amount of money. It is important to note, that philanthropy is not only giving money. A company can engage in corporate philanthropy in many ways, from financial or non-financial donations to use of company's property and corporate volunteering. The problem is that these smaller companies usually lack information about the different ways of philanthropic activities and they believe that the only way how they can engage in philanthropy is to donate money.

## **1.2 Aim of the thesis**

The aim of the thesis is to evaluate the current situation of corporate philanthropy in small and medium-sized enterprises in the Czech Republic.

To achieve this goal, it is necessary to do a thorough study of the issue of the corporate philanthropy and the corporate social responsibility concept in relevant literature. To evaluate the current situation of corporate philanthropy in small and medium-sized enterprises, quantitative research by means of questionnaire, and qualitative research by means of half-structured interview, will be used. Another important tool, to achieve this goal, will be the creation of modified PESTEL analysis to analyze the main factors influencing these companies in terms of corporate philanthropy. This analysis will be created from the point of view of the small and medium-sized company which engages in corporate philanthropy. Possible opportunities and threats, coming from the implementation of the philanthropic activities into small and medium-sized enterprises, will be identified in the EFE matrix. Based on the results, several recommendations for SMEs and for organizations in the field of non-profit sector will be proposed.

## 2 Methodology

The aim of the thesis is to evaluate the current situation of corporate philanthropy in the Czech Republic. To achieve this goal, various tools are used in the results part of the thesis. The results part consists of three main parts: PESTEL analysis, EFE matrix, and the qualitative and quantitative research.

Modified PESTEL analysis is used to analyze factors influencing companies in terms of corporate philanthropy. The analysis is created from the point of view of a small and medium-sized enterprise, which engages in corporate philanthropy. Since corporate philanthropy belongs inseparably together with the broader concept of corporate social responsibility, some of the most important factors regarding CSR will be taken into account as well. To accomplish the analysis, proper study of relevant literature is required. Since legal factors are one of the crucial parts of the analysis, it is necessary to go through all the relevant documents and acts related to corporate philanthropy from both national and European aspects.

Second part of the results part of the thesis is the qualitative and quantitative research. To elaborate qualitative research, method of half-structured questionnaire in form of an interview was used. The questions were created based on the prior literature research. These interviews were important for the quantitative research as the main goal was to find out the general overview of knowledge on this topic between SMEs representatives.

The quantitative research was accomplished by means of questionnaire. The questionnaire was created using the services of Google Drive.

First of all, it was necessary to get the list of SMEs in Czech Republic and their email addresses. To achieve this problem, the database Amadeus was used. The criteria, when generating the list of SMEs, were:

- Size: Small companies, Medium-sized companies
- Locality: Czech Republic
- Status: Active
- Number of employees: less than 250
- Companies with email addresses

These criteria assured, that really only small and medium-sized enterprises were generated. The number of employees guarantees there are no enterprises with more than 250 employees, because sometimes there are enterprises labeled as SMEs even though there are more than 250 employees. This situation can happen for example when the company is a part of some multinational concern.

The final number of enterprises, that satisfies these criteria, was 216 104. Due to technical reasons, it was not possible to contact all these 216 104 enterprises. The questionnaire was sent by emails together with a covering letter, where the main objectives of the research were introduced together with an explanation what the term “corporate philanthropy” is. Since an ordinary email account allows to send at most 500 emails per day, this was the only way how the research could be done. The data from Amadeus were exported into Microsoft Excel, so there would be an overview of all the enterprises. Every day, 500 companies were chosen randomly, and addressed with an email containing the questionnaire. Those

companies, which have already been addressed, were crossed off the list to prevent from contacting them again. This process went on for more than one month and the final number of sent emails was 19 000. It is important to note, that a lot of emails were not delivered due to various technical problems on the side of the recipient. Nevertheless, majority of emails were delivered properly, and the number of 530 filled questionnaires were received.

Another step was to clear the received data. It was necessary to go through all the data and manually detect all the defective answers. As a defective answer was considered:

- answers containing mutually exclusive options
- answers, that contained an information about not engaging in philanthropy, but the questions regarding philanthropy were filled in
- answers, that contained an information about not engaging neither in philanthropy nor in sponsorship, but in the question regarding the reason why the company does not engage in philanthropy, the answer was „Our enterprise engages only in sponsorship“

The total number of defective answers was 20, which leads to final number of 510 valid answers. Together with the creation of the questionnaire, the hypotheses were stated:

- Hypothesis 1: More than 70% of SMEs engage in philanthropy in order to strengthen their public relations.
- Hypothesis 2: Less than 30 % of SMEs engage in philanthropy because of the moral aspects.
- Hypothesis 3: More than 70% of SMEs do not have philanthropic strategy.
- Hypothesis 4: More than 80% of SMEs support mainly by giving financial gift.
- Hypothesis 5: SMEs do not engage in corporate philanthropy due to lack of financial resources.
- Hypothesis 6: SMEs do not engage in corporate philanthropy due to lack of foreknowledge regarding this matter.

It is important to note, that since many questions were multiple choice, and it was possible to answer more than one option, various combinations of these options were taken into account. This is important piece of information, because in the application part, there are two different types of bar charts used. The first type is the one, where the actual number of respondents is displayed. These charts can be recognized by the legend which says “Number of respondents”. The second chart type, is simplified graph, to demonstrate the frequency of particular options that were ticked. These charts contain the legend which says “Frequency”. The reason, why the simplified graphs were used, is to orient better in the results. The original graphs based on the results from SPSS software were due to large number of combinations quite chaotic. There is one more type of graph in the application part, and it is a pie chart, which is used to emphasize graphically the most important indicators of particular issues.



To interpret the data from questionnaire, SPSS Statistics was used (a software package used for statistical analysis). When the hypotheses were evaluated, the possible combinations of various options were taken into account when dealing with multiple choice questions. Since the research is focused on SMEs as a whole, it was not necessary to distinguish between micro, small, or medium-sized enterprises when testing the hypotheses. Nevertheless, the usual steps for data analysis of questionnaire were followed. Chi-Square test was used to test the hypotheses. In the appendices, there is an example of how the hypotheses were evaluated. Since all the hypotheses were of the same type (and the same methods were used), there will be only one example showed (Appendix – B)

To identify possible opportunities and threats arising from the incorporation of philanthropic activities into business strategy, the EFE matrix is elaborated. To create EFE matrix, it is necessary to put together the external factors which influence the company and divide them into two groups: opportunities and threats. These factors were created based on the previous findings from the research and PESTEL analysis. First step is to assign weights to each factor. The value of each weight is between 0 and 1, where zero means the factor is not important. The sum of all weights must be equal 1. Second step is to assign a rating to each factor. Rating is between 1 and 4 and it indicates how effective the company's current strategies respond to the factor (1 - the response is poor, 2 - below average, 3 - above average, 4 – superior). Next it is necessary to multiply weights by ratings to get the weighted score for each factor. The last step is to sum all weighted scores for each factor and the result is the total weighted score for the company. The evaluation of the final score is always the same (assuming the 1 to 4 rating scale was used). The total weighted score can range from a low of 1.0 to a high of 4.0. The average score is 2,5. Total weighted scores well below 2.5 point to externally weak business. Scores significantly above 2.5 indicate a strong external position (Maxi-Pedia). The matrix was created in Microsoft Excel and the calculations were accomplished by using basic Excel functions.

## 3 Literature review

### 3.1 Corporate philanthropy as a component of CSR

Corporate philanthropy is a key component of larger concept, Corporate Social Responsibility. Both terms are often interchanged. Meanwhile corporate philanthropy focuses more on support of required fields and publicly beneficial projects, CSR is a concept focusing on general impact of company's actions on society, namely both on national and global level. Within the CSR framework it is expected that a company behaves responsibly in the sphere of business decisions and strategies, as well as in the sphere of social impact of company's operations (Bartošová, 2006).

It is expected that companies act responsible when pursuing all its roles – producer, employer, customer, citizen. It means that they have responsibility towards the society, which they are a part of, and it is required to integrate into their business activities also the principles of responsibility towards the environment, community, employees, clients and the whole society where they operate (Bartošová, 2006). These voluntary commitments can be further concentrated into certain areas concerning business, environment and society. These areas are shown in Carrol's pyramid of corporate responsibilities in Figure 1.

Carrol's pyramid of corporate responsibilities is perhaps the most widely cited framework for understanding the different aspects of social responsibility. Carrol identified four areas of responsibility under which “the various actions taken to manage business' relationship with society should fall” (Blowfield and Murray, 2011, p.18). It illustrates individual components that all together compose the whole. Generally, “the total corporate social responsibility of business entails the simultaneous fulfillment of the firm's economic, legal, ethical, and philanthropic responsibilities” (Carrol, 1991, p.8). In other words a socially responsible firm should “strive to make a profit, obey the law, be ethical, and be a good corporate citizen” (Carrol, 1991, p.8).

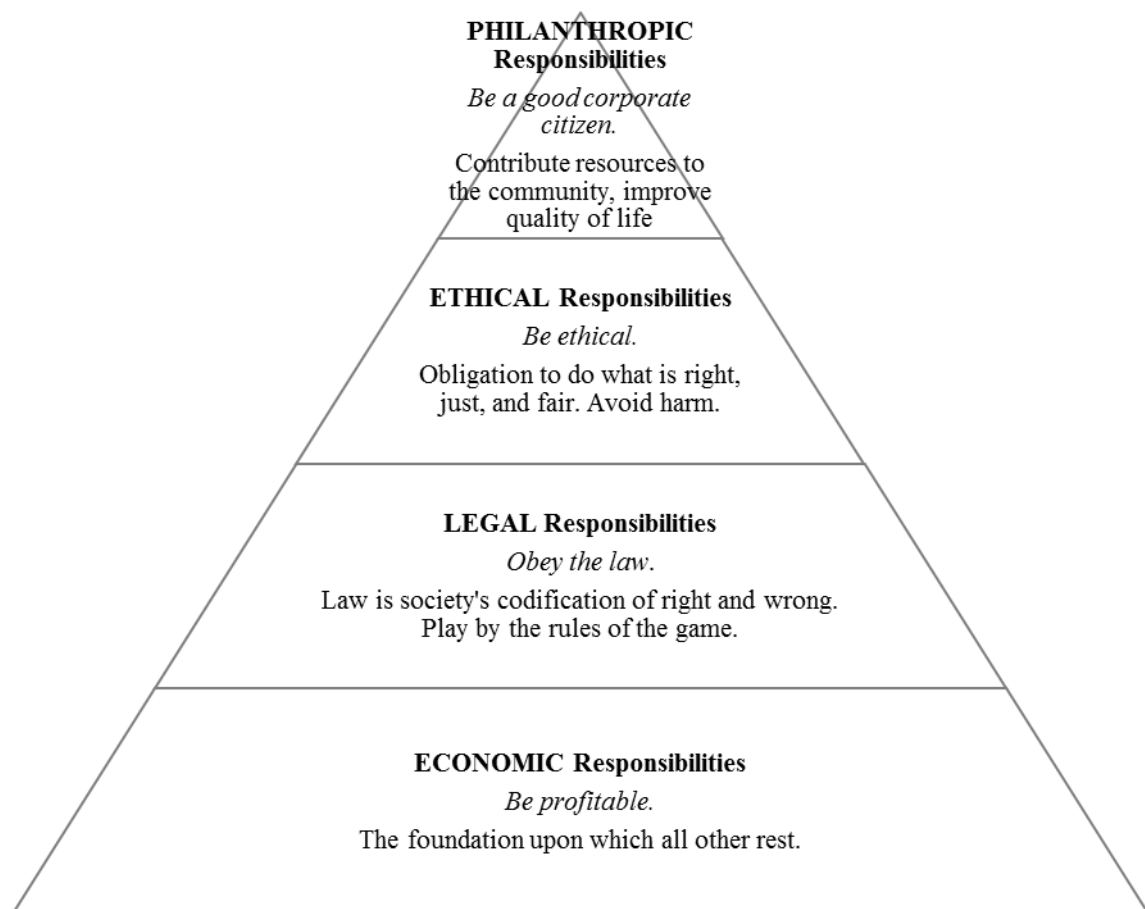


Fig. 1 - Carroll's pyramid of corporate social responsibility  
Source: Blowfield and Murray, 2011. Own creation

### 3.1.1 Economic responsibilities

According to Blowfield and Murray (2011), economic responsibility means basically the responsibility of business to produce such goods and services that society wants, and which are sold at a profit. Economic responsibility is the most important part of the pyramid, without it, other layers could not exist. Bartošová (2006) mentions, that economically responsible company should be transparent in its entrepreneurial activities, it should invoke principles of good-quality management, it should operate in accordance with codex of good behavior of firms or with ethical code and simultaneously create positive relationship with all interest parties (so called stakeholders – shareholders, customers, suppliers, investors, media, representatives of civil service, consumers).

### 3.1.2 Legal responsibilities

Legal responsibility stands for the obligation of business to fulfill its economic mission within the confines of the law. "Local, national, and international law sets out the rules by which corporations play, and, over time, has prescribed what companies can and cannot do with regards to areas such as employment, environmental protection, corruption, human rights, and product safety" (Blowfield and Murray, 2011, p.20). Carrol (1991) has divided those responsibilities into five components

including performing in a manner consistent with the expectations of government and law, complying with various federal, state, and local regulations, being law-abiding corporate citizen, the importance that a successful firm should be defined as one that fulfills its legal obligations, and providing goods and services that at least meet minimal legal requirements.

### **3.1.3 Ethical responsibilities**

The idea behind ethical responsibility is to do what is right, just and fair even when it is not compelled to do so by the legal framework. In other words, “ethical responsibility refers to the responsibilities of companies that go beyond legal compliance, and which are not determined through economic calculations” (Blowfield and Murray, 2011, p.22). According to Carrol (1991), ethical responsibilities “embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders’ moral rights”(Carrol, 1991, p.5).

In Blowfield’s and Murray’s (2011) opinion, this is probably the most interesting part of corporate responsibility for some people, because it discovers what companies are able to do beyond what is demanded by law and economic rationality.

### **3.1.4 Philanthropic (discretionary) responsibilities**

Blowfield and Murray (2011) refer to “discretionary responsibilities” that represents the last layer of the pyramid. He claims that those are “ones, such as philanthropy, which a company can assume even if there are no clear-cut societal expectations” (Blowfield and Murray, 2011, p.24). According to Carrol (1991), who used the term philanthropic responsibilities for the top layer of the pyramid, “philanthropy encompasses those corporate actions that are in response to society’s expectation that businesses be good corporate citizens” (Carrol, 1991, p.6). An important area of discretionary responsibilities is the idea of “giving back” to society through philanthropic donations (Blowfield and Murray, 2011, p.24). To distinguish between philanthropic and ethical responsibilities is according to Carrol (1991) the fact, that “communities desire firms to contribute their money, facilities, and employee time to humanitarian programs or purposes, but they do not regard the firms as unethical if they do not provide the desired level” (Carrol, 1991, p.7). Another reason for making distinction between philanthropic and ethical responsibilities is that “some firms feel they are being socially responsible if they are just good citizens in the community. This distinction brings home the vital point that CSR includes philanthropic contributions but is not limited to them. In fact it would be argued here that philanthropy is highly desired and prized but actually less important than the other three categories of social responsibility. In a sense, philanthropy is icing on the cake – or in the pyramid” (Carrol, 1991, p.7).

According to these explanations of individual areas of CSR, it becomes clearer the definition of the term corporate philanthropy. The concept of corporate philanthropy is very broad, it involves a variety of different types of donations and investments in the community. It may be financial contribution, in-kind contribution, providing of services, lending of company’s property or product, elaborated strategy of donations, long-term partnership with non-profit organization, volun-

teerism of employees, “lending” companies’ experts, creation of matching fund, and much more other possibilities how to incorporate philanthropy into the business strategy (Fórum dárců, 2010).

There are two basic approaches to corporate philanthropy. Some authors describes these approaches as “reactive” and “proactive” (Bartošová 2006, Nadace VIA 2004), but for example Craig Smith (1994) identifies these two approaches as “old philanthropy” and “new philanthropy”. Reactive approach means, that company does not have philanthropic strategy elaborated. Such company is in passive role and it only waits for incoming applications to support various organizations or individuals. These applications are then considered and company decides whether to support them or not. On the other hand, proactive approach is based on the fact, that company has philanthropic strategy incorporated in its business strategy. It means that company actively searches for subjects, which will be supported. Company focuses on those areas, that have been agreed in advance (public healthcare, education, sports etc.) and these areas are encouraged as a priority. An example of proactive philanthropic approach is long-term partnership with non-profit organization, or establishment of its own foundation or endowment fund (Nadace VIA, 2004).

## **3.2 Sponsorship versus donations**

These two seemingly similar terms are sometimes being interchangeable. Terms like “donation”, “philanthropy”, “charity”, or “patronage” are based on selfless contributions. From the legal point of view it means, that a company provides a donation for no consideration. On the other hand, sponsorship distinguishes itself from donation mainly in terms of company’s expectations and tax impact (Bartošová, 2006). The overview of the most significant differences between sponsorship and donations are shown in Table 1.

### **3.2.1 Sponsorship**

Sponsorship is either financial or non-financial type of support with reciprocity. Sponsorship is regulated by advertising contract or sponsorship contract where recipient proves statement of activities leading up to fulfillment of marketing objectives of a sponsor. Costs of sponsorship are part of firm’s budget and are not related to tax deduction as in case of donations. Sponsorship is most often short-term, one-time action of media character (Bartošová, 2006). In contrast with donations, sponsorship is highly public and is not always cause-related (e.g. sports and cultural activities). Sponsorship gives a material advantage to the company in terms of raising the company’s public profile (i.e. to sell more products and services) and to strengthen positive awareness of the company or its product by associating it with a good cause. Money ordinarily comes from the advertising, marketing or communications budget and is managed by the person in charge of these areas.

### **3.2.2 Donations**

Donations are all tangible and intangible property, that a donor gives and a donee accepts. The donation does not have to be of financial nature, but it can include

also time, know-how, special skill or product. Donations are regulated by deed of gift in accordance with Act no.89/2012 Coll., The Civil Code, § 2055 and following, with donor not demanding any countervailing obligation. From the accounting point of view, a company can deduct the donation from the tax base up to 10% (Act no.586/92 Coll., on Corporate Income Tax, § 20, article (8)). Donation does not need to be used for specified purposes but in certain situations it is better if a donor determines it, e.g. for necessity of taxation (the donor is able to check accuracy of usage of the gift). Not always, but very often, donations are long-term projects for supporting certain activities or organizations and are usually cause-related (i.e. education, diseases and disasters) (Bartošová, 2006). There is very little public interest regarding corporate philanthropy, however the philanthropic donations may increase company's good image in the eyes of stakeholders. Companies are usually thanked in a quiet way.

Tab. 1 - Donation vs. Sponsorship

Donation	Sponsorship
Donation is a combination of either material or non-material estates, that the donor gives and the donee accepts. It is not necessarily a financial contribution, it can be know how etc.	Sponsorship is a communication tool to support certain events, product, or service.
Donations are determined by deed of gift in accordance with Act no.89/2012 Coll., The Civil Code, § 2055 and following. Basic statutory regulations are determined by Law on Corporate Income Tax, Law on Gift Tax, Inheritance Tax, and Real Estate Transfer Tax.	Usually the relationship between sponsor and the recipient is based on the advertising contract. Non-profit organization shows the action which fulfills the marketing objectives of sponsor. Non-profit organization is obliged to pay income tax of legal entity in amount of 19% in certain cases, which are stated in the Act no. 586/92 Coll., on Corporate Income Tax, in § 17a, § 18a and § 20 in article 7.
Donee expects no compensation.	Sponsor provides financial or other form of contribution based on reciprocal service. Sponsorship can be described as "contribution with reciprocity".
Donation does not have to be on a certain purpose, but in some specific cases it is appropriate to define the purpose of a donation, f.e. for tax reasons (donee can check proper usage of the donation).	Sponsorship costs are part of corporate budget and, unlike donation, they are not related to tax deduction.
From the accounting point of view, donation is paid from the profit (up to 10 % could be deducted from the tax base).	From the accounting point of view, sponsorship contributions are included in costs.
Usually, long-term support of a certain activity or organization, based on philanthropic strategy of a company.	Usually short-term, one-off action of media character.
	It can be, but does not have to be, publicly beneficial.

Source: Bartošová, 2006

### Types of donations:

There are many possibilities how to engage in corporate philanthropy. Generally, the most frequently used form of donation is financial support, when a company provides direct financial contribution to support publicly beneficial project. Bartošová (2006) divides donations into three main segments: financial donations, non-financial donations, and connecting philanthropy with other corporate activities

### **3.2.2.1 Financial donations**

Donating money is the easiest and the fastest way of support. Companies may choose from various options how to do that.

#### **Direct financial support**

The most frequently used and the simplest method of donating is direct support by means of financial gift or handout. This type of support means that a company donates resources for supporting publicly beneficial project either once or repeatedly. Repeated support is much more beneficial for donee (but essentially also for donor) because it enables to plan and use the donation more effectively. Also from a company's point of view, long-term support enables the company to monitor the contribution that their support has brought.

#### **Raising money among employees and matching fund**

These collections are usually organized either by company or employees themselves. The collection often takes the form of matching principle. "Matching" is a principle where the company increases – e.g. twice or thrice – the means collected by the employees.

Another method is so called payroll giving, which is very popular especially abroad. This method is based on periodic deducting from employee's salaries by the firm in behalf of certain nonprofit organization. These deductions are then collected together and can be increased again by the company. This form of donating is important for internal communication in the company because it allows active participation of employees in donating activities.

#### **Own corporate foundation or endowment fund**

Foundations are established by companies for their long-term donation programs. Those are independent legal entities operating on the same principle as any other foundation. The founders of these foundations are companies which provide most (or all) of the resources for supporting publicly beneficial projects and operation of the foundation. Foundations in Czech Republic operate in two different ways. Either they annually divide assigned budget of parent company, or they have large foundation property on their own and they annually divide the proceeds. Completely different type of foundations are ones that apart from resources from parent company acquire other resources for example from other companies, or they organize public collections etc.

#### **Charitable auction and exhibitions**

A company organizes various charitable auctions and exhibitions for employees, business partners or customers. Acquired amount is then donated for beneficial purposes.

### **3.2.2.2 Non-financial donations**

Donations of non-monetary nature are becoming more and more common these days. Properly selected form of non-financial support can be beneficial both for nonprofit organization and for the company. Typical example of such win-win situation is when a company provides support by means of their own property and



products. Besides support of nonprofit organization the companies can also promote their brand.

### **Training, educating, and professional assistance**

Many publicly beneficial projects are based on education, increase of expertise, integration of handicapped persons etc. Professional knowledge of a firm can contribute to development of these projects. It can also cut costs of these projects in case a firm offers their know-how or consulting services for free or for better price. This method of increasing of expertise and professionalization has positive impact especially from companies operating in services (for example training granted by financial institutions, graphical design from advertising companies). Although not only companies concerning services use this method. Firms can also donate software or information technology to students, socially disadvantaged or handicapped people.

### **The use of company's property**

Everything that any company needs for its operations is needed by any nonprofit organization as well. That is why companies can help by means of providing space, reimburse rent, lending facilities, providing advertising area (e.g. on the cover of products or in correspondence), lending distribution channels.

### **Corporate volunteering**

Supporting by means of providing company's employees and professionals is also very useful for nonprofit organizations. Companies can provide their experts for one-off projects or for long-term projects such as training and educating of employees. Firm volunteering is also good way how to improve cooperation in local community and how to improve professionalization of nonprofit organization and its employees. From a company's point of view, volunteering is perfect teambuilding instrument, especially when the company deposes several employees together.

Nonprofit organizations can take advantage of these volunteers for purely charitable actions, like direct help to children, elderly, socially disadvantaged people etc. Necessary assistance is also required in the professional field. That is when volunteers help with creation of PR or marketing plan of the nonprofit organization, design of the website or computer network. It is proved that employees who engage in volunteering can adopt plenty of new skills that can be later used in the company.

Volunteering can also appear in a form called secondment when a company allocates its employee to work in nonprofit organization for a period of at least six months. So far it is not frequently used in Czech Republic but it is very popular abroad. For instance it is common part of man's career in Great Britain. It is profitable for both sides: nonprofit organization gets workforce for free and the company gets flexible employee with a lot of new experiences.

### **Participating at boards of directors and grant's commissions of nonprofit organizations**

This form of support is very valuable. Representatives of the company bring new insight to the nonprofit organization. Moreover these representatives increase credibility of the organization in public.

#### **3.2.2.3 Connecting philanthropy with other corporate activities**

A company may render its philanthropic approach by interconnection of company's commercial activities, for example by taking advantage of marketing tools.

#### **Cause-related marketing**

Cause-related marketing is a method where a company interconnects its commercial activities with philanthropic activities and donates certain amount of money from given product for charitable purposes. This product then acquires value added by supporting a good thing and at the same time it provides finances for nonprofit organization by transferring given amount of money from sold products (e.g. every crown from certain product). These activities are beneficial for non-profit organizations not only in terms of financial revenues but also in terms of increasing the public interest about the topic of philanthropy (Bartošová, 2006).

#### **New products using current technologies**

A company can help with creating some new mechanism, which eases the support of publicly beneficial activity that is free from charges for non-profit organizations (Bartošová, 2006). A good example of such mechanism is DMS, or so called "donor's SMS". DMS is joint project of Czech Donors forum and Association of mobile networks operators. The principle is based on gaining financial resources from individuals by means of SMS. This system has been introduced in April 2004 in Czech Republic. Czech Republic is the first country with such service and Slovakia and Bulgaria are other integrated countries. An amendment to the VAT Act entered into force on 1 April 2006 and solved the problem of payment of value added tax concerning DMS. It means that DMS costs 30 CZK and a contribution to non-profit organization is fully exempt from VAT payment. Since 1 August 2013 the contribution to the non-profit organizations has increased from 27 CZK to 28,50 CZK thanks to helpful act among all the mobile operators. The rest of the sum covers technical and organizational backup of the project including services for non-profit organizations and public. Mobile operators provide their services for free (Dárcovská SMS).

#### **3.2.3 Organization of the donations**

Companies are being overwhelmed by various requests for money. In case they do not have any donation strategy they have to decide haphazardly whether to contribute to surgery of an invalid child, publication of a book, or expedition of alpinists to Himalayas. Nevertheless companies respond negatively or do not respond at all to most of the requests. Neither of these approaches is right and it does not increase company's good image. To avoid such problem it is necessary to clearly define donation strategy and procedures. Rejection of some request with reference to the fact that company supports long-term project of another matter is much more

pleasant. Creation of a good-quality donation strategy requires thorough preparation. Company should co-ordinate its donations with corporate values which forms the basis of its entrepreneurship (VIA, 2008). There are several ways how companies can organize their donations:

#### **Integration of donation program into company's structure – i.e. detaching team of people who will be in charge of donations**

This includes designation of the field and target groups that will be supported. Firm's values must be taken in consideration. It is also necessary to map the environment – which companies and non-profit organizations are already engaged in selected area and conversely which areas remain uncovered. Company should prepare proclamation of its donation program, rules of selection procedures, and criteria according to which the requests will be assessed. Company must also count on not only investment into the donation itself but also into the processes connected with donating and with some administrative workload of its employees.

#### **Support of selected non-profit organization**

A company chooses concrete non-profit organization in accordance with its charitable intentions and begins to co-operate with it. This means not only supporting joint project but also investment into organization itself. It is in an interest of the company to choose stable and strong partner. This can be achieved by so called "free money" that company provides to the non-profit organization for its own development. In addition to these free money a company may also provide know how of its employees in several areas such as management, PR, strategic planning, financial administration, or it enables its employees to operate in administrative board of the organization.

#### **Co-operation with existing foundation**

A company in co-operation with a professional partnership foundation determines the field of its interest and target group, and together they create donation strategy. Foundation can identify where it is necessary to help and in which area of beneficence a company may become an important partner. Co-operation with partnership foundation is less expensive than establishing its own foundation. Partnership foundation undertakes all the paperwork of the donation program, and by using its knowledge, the foundation adds the donation extra value.

#### **Establishment of own foundation/ endowment fund**

This is effective method of donation provided that company has enough financial resources – for operating of the foundation, payments to professionals or to train its own employees (Nadace VIA, 2004).

### **3.3 Arguments for CSR and arguments against CSR**

Corporate philanthropy is a key component of a broader concept Corporate Social Responsibility. That is why the following paragraphs will refer to CSR as a whole and further it will be narrowed down to corporate philanthropy.

Related to the growing attention of corporate social responsibility, arguments for CSR and arguments against CSR appear. Simultaneously it is necessary to

emphasize that arguments subscribing and supporting not only this concept, but also its dynamic expansion in everyday practice in business sector, are more numerous than arguments criticizing it (Kunz, 2012).

### 3.3.1 Arguments for corporate social responsibility

Concept of social responsibility has become an essential part of business strategy. CSR is no longer considered a trend of the future, but a part of today's world. CSR merges with culture in the company and it brings many benefits both for the company and for the society. CSR concerns not only the company itself, but mainly it concerns company's outward behavior. Socially responsible behavior reflects in company's image and reputation (Kuldová, 2010).

According to the literature, there are several arguments defending CSR. Werther and Chandler (2006) divide such arguments as moral, rational and economic (Figure 2).

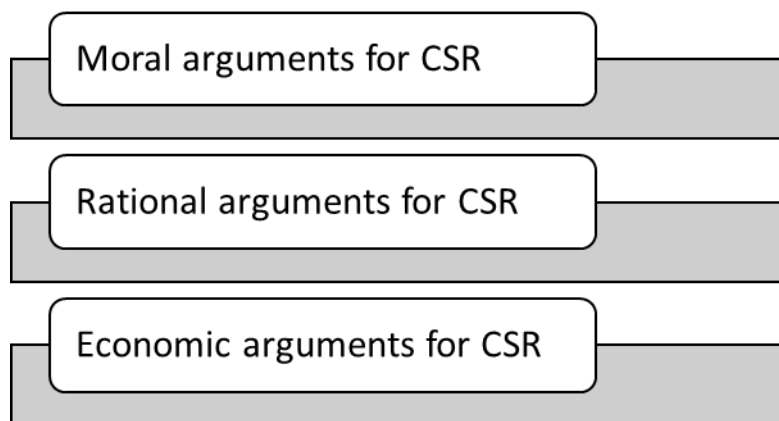


Fig. 2 - Arguments for CSR  
Source: Kuldová, 2010

#### **Moral arguments for CSR**

Although most companies claim that profit is the primary goal of their business, on the other hand, according to the Werther and Chandler (2006), those companies admit that without the existence of a society in which they operate, they would never be able to gain such profits. Thus CSR develops in terms of the interaction and mutually dependent relationships between a company and society. Charles Handy (Werther and Chandler, 2006) inspires companies to do something beyond maximizing the profits by moral argument, where he mentions that the purpose of the business is not only the profit maximization, but creation of profit with added value of something good, which could become the real reason of business itself and it could become moral matter. Since society enables realization of firm's profits, such firms are obliged to return those positive outcomes to the society and to run their business in a way that benefits society (Kuldová, 2010).

#### **Rational arguments for CSR**

Rational argument for social responsibility can be summarized in so called "golden rule of social responsibility" (Werther and Chandler, 2006), which states that in

liberal and democratic society, the social responsibilities abuse can lead all the way to deprivation of the power for those, who wrongly misuse that power (Kuldová, 2010).

### **Economic arguments for CSR**

The economic argument for social responsibility emerges from both above mentioned arguments. Economic argument defines creation of so called added value that enables company's early reaction to needs and expectations of all interest groups or all the stakeholders concerned. Essentially, corporate social responsibility is a way of unification the business activities with society's values in today's fast changing age. CSR offers the possibility of differentiation and competitive advantage which is a good basis for the companies to build on (Kuldová, 2010).

According to Zdražilová (2010), there are three fundamental substantiations why enterprises should deal with social responsibilities: substantiation of etical and moral principles, appeal to sustainable development and substantiation of creating enterprise's goodwill, and good reputation. Robbins and Coulter (2004) present the most important arguments for CSR such as increasing public expectations, ethical commitments, better environment, possibility to reduce another governmental regulations, balance of power, and even shareholder's interests.

It is becoming clearer that socially responsible behavior of enterprises is worthwhile not only for society, but it is beneficial for enterprises as well. Here is a list of some of these benefits of socially responsible companies, with an emphasis on philanthropic activities:

### **Higher loyalty of customers**

It was proved that customers are willing to pay more money for product (or service) from a company that is acting socially responsible. For example 74% of people in Czech Republic are willing to pay 10% higher price for a product that is friendly to the environment (Jeřábková, Hartl, 2005). 79% of American people claims, that when they are making a decision whether to purchase the product or not, it is important for them to know how the producer is engaged in philanthropy (Cone Corporate Citizenship Study, 2004). According to Bartošová (2006), 44% of customers are willing to pay higher price for a product of a company that acts socially responsible. Bartošová (2006) also states, that 70% of European consumers consider a firm's reputation as important, 66% of Czech people believe that firm's prosperity is connected with their social responsibility and 71% of young Britons claim that companies which want to be successful must engage more in publicly beneficial projects.

### **Relationships in a region**

Supporting people in need or some problematic spheres in certain locality helps to create good mutual relationships in the region. Also a socially responsible company participates in building better, economically stronger communities which increases its reputation in the community. In case the company cooperates with non-profit organization or public authorities, the company is then more "pulled in" into social affairs and captures better overview about their needs (Bartošová, 2006).

### **Enhanced brand image and increase of public awareness of the company**

Philanthropy is generally considered as highly effective tool of public relations and it positively creates firm's identity. Philanthropy offers more communications opportunities for building good reputation – image of the stability, responsibility, ability of innovation and understanding of the bigger picture.

### **Human resources**

Philanthropic activities of a company are positively evaluated by employees. Not only that those employees are proud of working for socially responsible company, but also 78% of employees would rather work for an ethical and reputable company than receive a higher salary (CSR Europe). A company's dedication to philanthropy (and other parts of CSR) can help to attract new employees and assuring higher loyalty of company's current employees.

### **Tax allowances**

Last but not least, corporate giving brings the possibility for donors (legal entities) to deduct up to 10% from their tax base, given that the amount of the donation is at least 2000 CZK (Act No 586/92 Coll., on Income Taxes, article (8))

### **3.3.2 Arguments against corporate social responsibility**

The concept of CSR has gained during its evolution process not only many supporters, but many critics as well. One of the greatest critics of CSR is Milton Friedman.

Friedman published many books and reports regarding criticism of CSR. One of the most memorable statements was published in *The New York Times Magazine* in 1970. The main thought was revealed in the title of the article *The Social Responsibility of Business is to Increase Its Profits*. In other words, Friedman claims that the only responsibility of the company is to increase the profit. Friedman believes that involvement into socially responsible activities distracts the company from the main goal fulfillment, it triturates the basic mission of the company and increases costs (Kunz, 2012). Later on, in the same article, Friedman develops his statement by claiming that there is only one social responsibility of business, and that is to use its resources and engage in activities designed to increase its profits as long as it stays within the rules of the game, in other words, business engages in open and free competition without deception or fraud. Friedman's critic is based on the fundamental pillar of CSR, the stakeholders, where he analyses the behavior of the primary stakeholder of a company. According to Friedman, the primary stakeholder has to perform so that his behavior is not in violation of other stakeholders. In case that the primary stakeholder acts within the social responsibility in public interest, he decreases profits of shareholders or he splurges money of his customers and thus triturates the basic objective of the company (Kuldová, 2010).

Even though it has been more than forty years since the publication of Friedman's article, it is still widely used as a source by present-day critics who often quote Friedman's arguments (Kunz, 2012).

Another argument against the CSR concept comes from one of the contemporary critics, Robert Reich. In Reich's opinion, CSR is a dangerous distraction which undermines democracy (Reich, 2007). According to Reich, businessmen should not engage in CSR in the extent as they are doing it now or they should refrain from CSR entirely. According to Reich, activists of CSR are distracted from the main goal, which is to make the government to solve the social problems. He believes that government is obliged to determine such principles that would preserve free market for corporations focusing on profit maximization. In Reich's view by adopting CSR companies indirectly substitute the function of the state. Especially large corporations engage in social responsible activities so enthusiastically to avoid new governmental regulations. CSR is becoming a tool for public relations in the hands of managers and PR experts who uses CSR "language" to manipulate other stakeholders and general public (Kunz, 2012). Petr Čaník (2007) in his report *Where does the CSR begins and where does it ends?* supports this idea of manipulation the stakeholders. According to Čaník (2007), most of the companies are not such socially responsible and fair as they claim they are. Many companies just put themselves on the track of "pinkwashing" or "greenwashing" – deceptional creation of socially responsible company.

According to the literature (Kunz, 2012), there are many theoreticians that have many different views on the critics of CSR and sometimes their arguments are quite dissimilar. Peter Ferdinand Drucker mentions in his publication *The age of discontinuity*, that companies should not deal with social problems which are beyond their focus and capabilities. In turn, companies are the most responsible in those situations when they turn the social needs in their own success (Drucker, 1992). David Vogel believes that for CSR acceptance it is crucial to prove the relationship to different aspects of CSR and the successful business (Crane, 2009). Another important critic of CSR mentioned by Kunz (2012) is Aneek Karnani, a professor from Harvard University, who follows Milton Friedman's ideas. Karnani in his newest publication *The Case Against CSR* (Karnani, 2010) introduces three main arguments against CSR:

- CSR is an illusion: companies use CSR only as a tool for public relations
- CSR is either ineffective or irrelevant
- There is a risk of lack of expertise leadership

Capaldi mentions the black passenger questions, resp. competitive disadvantage for those companies dealing with CSR and so having higher costs and thus losing their competitiveness (Capaldi, 2005!?!?!?!).

Coulter and Robins state six main arguments against corporate social responsibility:

- Limits for profit maximization
- Higher costs
- Lack of competences
- Comminution of business purpose
- Lack of transparency
- Too much power in the businessmen's hands

Blowfield and Murray (2011) consider the statements of various corporate responsibility theorists and practitioners over the past years and divide the criticism of CSR into four types of accusation.

1. Corporate responsibility suppresses the primary purpose of business and finally limits the free market functioning.
2. Corporate responsibility favors the business interests over the interests arising in law and public expectation.
3. Corporate responsibility is too specialized on a certain area and does not deal with questions of key business aspects in current society.
4. Corporate responsibility fails in achieving its goals and needs to adopt new approaches if it is to succeed.

Regarding corporate philanthropy, critics usually argues that there should be no such thing as corporate giving and if someone wants to do philanthropy, it should be done individually, not by using the company's resources. Milton Friedman states in his book *Capitalism and Freedom*, that if charitable donations are to be made, they should be made by individual stockholders (or employees themselves) and not by the corporation (Porter and Kramer, 2002). Friedman highlighted individual philanthropy especially at the great age of individualism in the 19<sup>th</sup> century in the United States. He rhapsodized about that period when the first nonprofit community hospital was established, when many colleges were founded across the country, when the Society for Prevention of Cruelty to Animals was established. Friedman also pointed out that there was no income tax at that time, no deductibility of contributions, so what individuals spent on charitable activities came out of their pocket and not, as now, out of taxes which they would have to pay anyway (Meyerson, 2006).

It is worthy to note, that Friedman was not against all corporate giving. Corporate philanthropy was alright if it served a business objective, for instance strengthening the marketing of a company's brand, increasing loyalty of customers, or improving employee teamwork. Giving by privately held companies was also justified, because in that case the owners would voluntarily spend their own money. But in regard to publicly held companies, giving in the name of "social responsibility" was according to Friedman a form of theft. Friedman saw this as an open invitation for outsiders to decide for the corporation how it should be socially responsible (Meyerson, 2006).

Sometimes the arguments against corporate philanthropy contradict each other. As Friedman believes that corporate giving is fine if it serves business objectives such as strengthening the marketing of company's brand and image, according to Porter and Kramer (2002), this is a misuse of philanthropy. Porter and Kramer mention, that in the last few years, philanthropy is being used as a form of public relations, advertising, and promoting company's brand image, and so there is no goodwill in such giving. For instance Tobacco giant Phillip Morris spent \$ 75 million on its charitable contributions in 1999 and then launched a \$ 100 million advertising campaign to publicize them (Porter and Kramer, 2002).



## 4 Results

### 4.1 Corporate philanthropy the in Czech Republic

Applying the principles of socially responsible behavior has been introduced a long time ago, but only in the recent years it came to be discussed more than ever before. The concept of corporate social responsibility, including corporate philanthropy, is growing in the Czech Republic and it is on its way to further development.

From the historical point of view, apart from Tomáš Baťa, the most frequently used name in the philanthropic field, there are other important personalities in Czech Republic who were trying to help to improve the life in their environment. Already in the early 19<sup>th</sup> century, there were some important philanthropic pioneers, for example Hugo František Salm, later at the end of the 19<sup>th</sup> century and the beginning of the 20<sup>th</sup> century other important philanthropists like Jindřich Waldes and Josef Jan Frič (Kunz, 2012).

One of the most significant Czech philanthropists was Josef Hlávka, who was not only famous architect, but also passionate patron of Czech science and art. In his late 30s, Hlávka's legs were paralyzed due to an illness, and he lost his eyesight. This disaster made him to go to Lužany castle, where he began his treatment and his philanthropic activities as well. Apart of large reconstruction of the castle, he contributed to the society by many donations, for example a donation of 15 000 gold coins for Myslbek's statue of Wenceslaus I, financing of first complete translation of Shakesper's masterpiece, establishment of student's dormitory in 1904, or establishment of Foundation of Josef, Marie and Zdena Hláva in 1902 (Kunz, 2012).

Tomáš Baťa is probably the best known personality regarding the concept of social responsibility. By establishment of his shoemaking company, he managed the prestige of Zlín city and he made a great contribution to the whole region as well. Socially responsible approach of Baťa company was based on three pillars: economic, social and environmental. Economical pillar covered practices such as creation of own bank system, fight against corruption, focus on research and innovations, etc. The social pillar includes good relationships between Baťa and employees, support of education, high salaries, working week 40 hours (instead of the usual 48 at that time), safety at a workplace, healthcare – establishment of Baťa's hospital, support of cultural and sports life of employees, support of the region and much more. The environmental pillar assured treating of waste material, establishment of biological laboratory, or construction of the factory in such way so that employees were protected against harmful pollutants. During his life, Tomáš Baťa donated a lot of financial resources to charitable organizations and in 1997 he founded a Tomáš Baťa Foundation that operates up to the present day (Kunz, 2012).

#### 4.1.1 Organizations in the field of corporate philanthropy

##### 4.1.1.1 Czech Donors Forum

Czech Donors Forum has been encouraging the development of philanthropy in Czech Republic since 1999. During this time, Czech Donors Forum expanded the

co-operation with a lot of important companies in Czech Republic, which some of them became members of prestigious club of corporate donors DONATOR. Czech Donors Forum long-term co-operates with many international partners, for example International association of promoters of grant organizations (WINGS), European foundation center (EFC), or Central and Eastern European Network for Responsible Giving. Czech Donors Forum, together with Czech TOP 100, annually award TOP responsible company (Fórum dárců, 2010).

Apart of that, Czech Donors Forum moves towards strengthening the position of foundations and endowment funds in Czech Republic. An important feat in this area was an establishment of Association of Foundations of Czech Donors Forum in 1999. This association tries to promote and defend the interests of foundations and to cultivate foundation environment in Czech Republic. At the moment the association has nearly forty members of prominent foundations (Foundation VIA, Foundation BONA etc.) (Kunz, 2012).

A very important activity of Czech Donors Forum and Association of Mobile Networks Operators is the project called Donor's SMS, or "Donors Message Service" (DMS). This service runs on the basis of non-commercial principle and since its implementation it has endeared in public. First DMS appeared in the spring 2004 as one of the options how to contribute on raising the money for "Pomozte dětem" (Dárcovská SMS).

Czech Donors Forum also provides counseling and consulting services in the area of philanthropy and CSR, by which it helps to innovate and professionalize corporate philanthropy in Czech Republic (Kunz, 2012).

#### **4.1.1.2 Business Leaders Forum**

Business Leaders Forum (BLF) is an association of both international and Czech corporations and enterprises which try to push forward the idea of responsible entrepreneurship, including respect for ethical principles in entrepreneurship practice. BLF also supports the co-operation between corporate, public, and non-profit sector. Business Leaders Forum is one of national partners of Brussels organization CSR Europe which pursues systematic presentation of the main principles of CSR in business society of Czech Republic and thus, to help to expand and promote socially responsible business in our country. The connection with other important international CSR organizations helps to mediate all the actual information and findings concerning this issue (Kunz, 2012).

#### **4.1.1.3 Other significant organizations in the field of corporate philanthropy**

There are two other organizations in corporate philanthropic field in Czech Republic worth mentioning. First of them is Nadace Via, which is an independent Czech foundation since 1997. The mission of Nadace VIA is to support and strengthen the active participation of public in development of democratic society in Czech Republic. It also strives to develop corporate philanthropy in Czech Republic in a long-term. This development is accomplished by provision of full service in area of corporate giving for companies and by professional interconnection of donors with high-quality charitable projects (Kunz, 2012).

Another important organization is HESTIA – The National volunteering center. This organization tries to encourage a development of volunteering in Czech

Republic. HESTIA co-operates with state administration, volunteering centers, or other partners not only in Czech Republic, but also abroad (Kunz, 2012).

#### **4.1.2 Important awards for socially responsible corporations in the Czech Republic**

Companies, which act socially responsible, deserve an acknowledgement of their customers, stakeholders, and the whole society. That is why there are several initiatives in the Czech Republic which monitors and appraise these companies for their responsible activities in various fields.

In 2004, Czech Donors Forum has announced the first winners of TOP responsible company (at that time under the name TOP philanthropist) in order to award the greatest philanthropists in Czech Republic. There are four strategic categories: TOP responsible large enterprise, TOP responsible small enterprise, Responsible leader, and Public award TOP responsible company. The category for small companies respects the criteria for SMEs according to European Commission. There are several other categories, including a special award called "Bearer of the award TOP responsible small enterprise". This price is awarded to the winners of previous years, in case that the special commission confirms the ongoing quality and complexity of CSR strategy. At present, this award is heard by enterprises První Chodská s.r.o. and Galvamet spol. s.r.o. (TOP odpovědná firma).

Another important initiative, which award socially responsible companies in the Czech Republic, are for instance National Award for Corporate Social Responsibility, or Ethic Friendly. Initiative referring to philanthropy is award VIA Bona which has been granted by VIA foundation since 2006 (Kunz, 2012).

It is important to mention recent initiatives in the field of social responsibility in the Czech Republic. On 2 April 2014, National Action Plan of Corporate Social Responsibility was issued by Ministry of Industry and Trade in Czech Republic. A year later, on 2 April 2015, national network of UN Global Compact came into Czech Republic. It is a voluntary initiative under the auspices of the United Nations to encourage businesses across the world to adopt sustainable and socially responsible policies, and to report on their implementation. Both of these initiatives will be introduced more in detail in the PESTEL analysis.

#### **4.2 PESTEL analysis**

Generally, PESTEL analysis is a framework used to examine the organization's external macro environment (Oxford Learning Lab). Also, it is used as a tool by firms to observe the environment in which they are operating or are planning to launch a new product, project or service etc. PESTEL is an abbreviation for each of the factor: P stands for Political factors, E for Economical, S for Socio-Cultural, T for Technological, L for Legal and E for Environmental. There are plenty of variations of the basic PEST analysis, as it is dynamic tool, other components can be added, for example PESTELI (where I stands for Industry analysis), STEEP (PEST + Ethical) and many others (Jurevicius, 2013).

### 4.2.1 Political factors

Czech Republic is from political point of view a parliamentary democracy characterized by relatively high formal stability of institutions. This formal stability is based on rigid Constitution. Nevertheless, these formal characteristics of a stable system are in sharp contrast to its content and value instability. The main source of this instability is given by current electoral system of proportional representation, which in its current form clearly favors the principle of representativeness (that relates to existence of many parties represented in Parliament) over the principle of governmental stability. Any fundamental change in this area, relative to expectable attitudes of the players in the Czech political scene, is quite improbable. However, problems associated with promotion of direct election of the president, implementation of institute of national referendum etc. indicates deeper causes of instability of Czech political scene.

The role of the public, due to insufficient development of elements of direct democracy, is basically limited to electoral process, and between individual elections only to some form of force or lobbying. As a result, there is low public confidence both in political parties and in institutions of state powers. This low confidence can be proved by low turnout at the elections.

In the short-term, there are no changes expected in the current political system. Electoral system will probably remain the same in its basic parameters, thus the causes of overall instability of political environment will be maintained.

It is important to note the importance of SMEs sector. Currently, SMEs create 99,84 percent from total number of enterprises in Czech Republic. SMEs all together provide up to 2 million working places and employ 61 percent of people working in private sector. The government realizes the importance of SMEs and that is why The Small and Medium Enterprises Support Strategy 2014-2020 (hereinafter referred to as the - SME Strategy 2014+) was approved on October 2013. This document was issued by Ministry of Industry and Trade of the Czech Republic and the aim is "to support small and medium-sized enterprises operating in regions with lower or declining economic activity and high unemployment, or affected by natural disasters" (Matys, 2013). Regarding global objectives of SME Strategy 2014+, it includes primarily boosting of competitiveness between SMEs and preserving their economic performance (Ministry of Industry and trade, 2012).

Concerning public institutions in the Czech Republic, the quality and transparency is relatively poor, and that remains a barrier to the country's growth performance. In the Country Report Czech Republic 2015, the corruption problem is highlighted (European Commission, 2015). Transparency International is non-governmental organization which maps the current situation of corruption in Czech Republic, and it strives to call attention to dangerous consequences of corruption. Corruption Perceptions Index from the year 2014 shows, that Czech Republic filled 53<sup>rd</sup> position in the world ranking and 25<sup>th</sup> position between 31 Western European countries. This result places Czech Republic on the same position as for example Malaysia, Georgia, or Slovakia. New Zealand and Denmark has achieved the best results, conversely, countries with the highest level of corruption are North Korea and Somalia (Transparency International, 2014). There were several actions to solve the problem of corruption in recent years in Czech Republic. Since 1999, five anti-corruption action plans were issued, the most recent one in

November 2014. The goal of this new action plan is to identify the risk areas within government institutions and reinforce transparency and relevant control mechanisms (European Commission, 2015).

Another governmental step towards CSR is National Action Plan of Corporate Social Responsibility in the Czech Republic. This document was issued by Ministry of Industry and Trade in Czech Republic and approved on 2 April 2014. This document is based on strengthening of stimulus function, only in case of endangerment the quality of life of Czech citizens, it will come for regulatory function. Significant activities focus on implementation of created national informational portal, which strives to provide maximum relevant information for organizations and public. These information include national and international activities, standards, important platforms of interested parties, and awards in the CSR field. This Action plan should in the future focus on public procurement, social integration, strengthening ombudsman's competences, or greater involvement of public administration into realization of CSR concept (Plášková, 2014).

#### **4.2.2 Economic factors**

The economy of the Czech Republic returned to growth in 2014, following two years of contraction, and it is expected to grow further in this year and in 2016. Unemployment is declining back towards its average. The return to growth has been mainly driven by domestic demand, with strong growth in investments and household consumption picking up. Inflation has remained low. Regarding general government deficit, it has improved in recent years, and it is planned to increase slightly during 2015 due to stronger investment activity (European Commission, 2015).

Although there is an overall high level of employment, there are certain disadvantaged groups remaining unemployed. These groups include mainly parents with young children, low-skilled workers, disabled people and Roma. Due to poor functioning of public employment services, there is no good chance to turn from unemployment to employment for these groups. There is a persistent scarcity of quality and affordable childcare services, which makes it more difficult for mothers with young children to remain on the labor market (European Commission, 2015).

A poor efficiency and transparency of Czech public institutions is a barrier to stronger investment and growth. The Czech Republic scores unsatisfactorily when comparing to international rankings of the quality of public-sector institutions, especially as regards corruption, which has been mentioned above in political factors.

An important initiative in the area of CSR is Global Compact, which came into Czech Republic on 2 April 2015. The patronage of Global Compact is the UN and Czech Republic has joined other 165 countries participating in this platform. The host organization of national network Global Compact has become Association of social responsibility. Nowadays, more enterprises realize that for long-term success and long-term financial profits it is necessary to integrate all three pillars of CSR. Enterprises which want to join this platform are obliged to take their social responsibilities seriously. UN Global Compact has ten principles of social responsibility, which must be followed by all the member enterprises. Moreover, all the members have to present a document "Communication on Progress", public list of

stakeholders, and to present how the enterprise fulfills the ten principles, otherwise the enterprise will be expelled from the platform. The national network of UN Global Compact brings the chance for sharing and transferring international know-how, exchange of experiences, valuable contacts, and gaining the overall prestige. Czech national network will both support local enterprises and branch offices of foreign companies in implementation of the ten principles in the area of human rights, working conditions, environment, and corruption. Between the first member enterprises, which joined the platform, there are representatives of both large enterprises and of small and medium-sized enterprises as well. Examples of representatives from SMEs sector are enterprises like KOH-I-NOOR Ponas, Josef Skrkon – Techplast, Rosni a Technické služby Opava (Šmídová, 2015).

Concerning other economic factors, in case that enterprise engages in philanthropy, there are several benefits in the accounting point of view. According to the Act no.586/92 Coll., on Corporate Income Tax, § 20, article (8), a company can deduct the donation up to 10% from the tax base, in case, that the value of the donation is at least 2000 CZK.

With regard to employment of disabled people, it is obligatory for companies with more than 25 employees. Disabled employee's portion must be at least 4% of all employees. This obligation can be fulfilled in three ways:

- To employ relevant number of disabled employees (Table 2)
- Facultative compensation by subscribing products or services from disabled people, who either work as self-employed people, or from enterprises which employ more than 50% of disabled employees
- Levy to the state budget (per each person, for whom the employer did not fulfill the obligatory portion, amount of 2,5 multiple of the annual average income will have to be paid)
- Combination of the previous options

Tab. 2 - Obligatory employment of disabled people

<b>Number of employees</b>	<b>Obligatory number of disabled employees</b>	<b>Levy to the state budget</b>	<b>Facultative compensation (without VAT)</b>
50	2	118 326 CZK	343 000 CZK
200	8	473 304 CZK	1 372 000 CZK
1000	40	2 366 520 CZK	6 860 000 CZK
5000	200	11 832 600 CZK	34 300 000 CZK

Source: Legislativa: Zaměstnávání postižených, 2011

Apart of that, companies which decide to employ disabled people are entitled to particular corporate income tax allowances (Act no. 586/92 Coll., on Corporate Income Taxes) These allowances are:

- 60 000 CZK/ employee with 3<sup>rd</sup> level of disabilities
- 18 000 CZK/ employee with other - 1<sup>st</sup> and 2<sup>nd</sup> level - of disabilities
- 50% of corporate income tax for enterprises which have more than 25 employees and which employ more than 50% of disabled employees

### 4.2.3 Socio-cultural factors

Socio-cultural factors are one of the most influential when talking about corporate philanthropy. The culture, society, family relationships, values, beliefs, religion, or education differ from country to country and really influence the behavior of individuals. Companies may have the money, enough human resources or available spaces to provide for a publicly beneficial project, but if those companies are led by people without a desire to help other, less fortunate ones, then all this wealth is useless.

Regarding current lifestyle and values in Czech society, in the last twenty years the evolution of societal values has been similar to other European countries with few dissimilarities. These dissimilarities relate to the decrease of family values, religion, and politics, and increase of leisure time values. Other typical and highly represented values in Czech Republic are for instance values connected to low openness to changes, or individualism (Jihomoravský kraj, 2011).

Using the Hofstede's five dimensions, a good overview of the drivers of the Czech culture can be introduced. These five dimensions include: power distance, individualism/ collectivism, masculinity, uncertainty avoidance, long-term/ short-term orientation. Sometimes a sixth dimension is being used, indulgence. To begin with, power distance represents the extent to which the less powerful members of institutions and organizations in a country expect and accept that power is distributed unevenly. The Czech Republic has rather high score on this dimension (57). This signifies that people accept a hierarchical order in which everybody has a place and which needs no further justification. To compare with other countries, for instance in China the PDI (Power Distance index) is 80 which signifies a society which believes that inequalities amongst people are acceptable. Concerning individualism, The Czech Republic with a score of 58 is an individualistic society, which means that there is a high preference for a loosely-knit social framework in which individuals should take care of themselves and their families only. Dimension masculinity stands for what motivates people, wanting to be the best (masculine) or liking what they do (feminine). The Czech Republic has score 57 on the masculinity dimension which means that it is rather masculine society. This value system starts already at school and continue in the workplace. In such society, people live in order to work. For example in Thailand, the masculinity score is 34, which signifies that prevailing values in society are caring for others and quality of life. Another dimension is uncertainty avoidance which stands for the extent to which individuals of a culture feel threatened by unknown situations and have created beliefs and institutions which try to avoid these. Czechs have high preference for avoiding uncertainty. Countries with high scores on this dimension (Czech Republic has 74, Portugal scores 99) maintain strict codes of belief and behavior. There is an emotional need for rules, people have an inner urge to be busy and hard-working and they obey the "rule" time is money. The fifth dimension is long-term orientation. It can be described as the ability of maintaining some links with its own past while dealing with the present or future challenges. Czech culture is more pragmatic-oriented. People believe that truth hinge on the given situation, context and time. Ability to adapt traditions easily to changed conditions is typical for pragmatic cultures. For comparison, Czech Republic scores 70 on this dimension whilst for example Australia scores 21 which stands for normative culture.

People in normative cultures have a great respect for traditions, rather small tendency to save for the future, and a focus on achieving quick outcomes (The Hofstede Centre).

The fall of Communism in 1989 has brought many changes in the education area in Czech Republic. Education ceased to be a tool for strengthening the communist ideology and strengthening the regime. Opening the borders to the West has brought new inspiration for setting up the education system. Although since the 90's there has been an increase in the number of people with complete tertiary education, this number is still far from the European Union average. The number of universities has more than tripled in the recent years, mainly due to the fact, that from the year 2000 the operating of private universities is possible (Buchtíová, 2014).

There are few incidents, which can raise the philanthropic behavior of people. A good example of such incident may be any natural disaster. In case of natural disaster in any part of Czech Republic or elsewhere in the world, outburst of solidarity is usually enormous. Humanitarian workers mention that it is easier to raise money for removing the consequences of natural disasters than to raise money for aiding victims of military conflicts (Česká televize, 2014).

#### **4.2.4 Technological factors**

Although Czech Republic is often being commended for its scientific, research, and technologic progresses, the truth is that in comparison with other European countries, Czech Republic remains deep under European average. Particularly, Czech Republic does not follow the European progress in technology in the intensity of innovative activities at business level, technology transfer, corporate expenditures on research, development and innovation, and many others (Jihomoravský kraj, 2011).

Nonetheless, with regard to corporate philanthropy, Czech Republic is ahead of Europe in terms of technological development of philanthropic activities. Czech Republic is an inventor of DMS, in other words, donor's SMS. This system has been introduced in April 2004 and apart of Czech Republic, Slovakia and Bulgaria are other countries using this system. The principle is based on raising money from individuals by means of SMS. This way of support has become very popular in Czech Republic, and together with the use of internet banking and the possibility to send contributions to accounts of various organizations, it has become the most popular method of giving (Česká televize, 2014).

As it was already mentioned, an important technological development that influences corporate philanthropy is large expansion of bank accounts. In these days, 88% of people in the Czech Republic use bank services. There has been a significant increase in the services of electronic banking and its usage has doubled in the last five years. The most widespread banking service is internet banking. Applications for smartphones have become very popular as well (investujeme.cz, 2013). These innovations can be also applied by companies when it comes to philanthropic donations. Thanks to the ease of use, it takes less than two minutes to create a new payment order. The use of internet banking is suitable for long-term contributions as well. It is possible to create a standing order and to support certain organization on a long-term basis.



#### 4.2.5 Environmental factors

Although it might seem that in recent years, people are more aware of the problems regarding nature and environment, especially since the global warming has become widely discussed issue more than ever before, people in Czech Republic do not care about it too much. In 2011, Factum Invenio Association examined relation of Czech people to environment, compared to other aspects of life such as safety or employment. The results showed that Czech people are satisfied with the current situation of nature in their region, especially people in smaller cities. The most serious issue for Czech people is the economic situation and unemployment (Procházková, 2011).

Even though majority of people in Czech Republic are satisfied with the current situation of environment, it does not mean that they should not care about it. It is necessary to preserve the current environmental conditions in the country, and if possible, to improve them.

Regarding corporate responsibility, companies must do their business activities in a way that they do not violate any environmental codes and regulations. Socially responsible companies respect the community and environment in which they operate and care about the global environment as well. Although the law regulation in this area is rather preventive in the meaning of limiting undesirable behavior, many companies go beyond and actively participate in protecting the environment (Formánková, Mikušová, 2014).

Currently, there are many organizations dealing with environment and ecological education in Czech Republic. Regarding corporate philanthropy, not only that companies may support these organizations by means of donations, but even more effective activity in this field is volunteering. Here is a list of some of these organizations where a company is welcomed to volunteer.

Czech Union for Nature Conservation associates more than 350 organizations dealing with preservation of nature, landscape and environment, ecological education and support of sustainable life. Voluntary activities are focusing on long-term care about naturally precious areas, preservation of species richness, care about disabled animals, and work with children.

Another significant organization in the environmental field is Hnutí DUHA - Friends of the Earth Czech Republic. It is one of the largest and best-known Czech non-governmental environmental organizations. Hnutí DUHA has more than 30 employees and cooperates with dozens of volunteers. Hnutí DUHA strives to better environmental policies, works with the public, policy makers, experts and journalists. It actively motivates people to make changes which limit pollution and preserve nature. Hnutí DUHA focuses mainly on the fields of energy and climate protection, resources and nature protection (Hnutí DUHA).

Other organizations in the environmental field in Czech Republic are for example Čmelák – Společnost přátel přírody, or Hnutí Brontosaurus. Concerning international organizations, the most important is Greenpeace Czech Republic. It is independent multinational organization which operates in more than 40 countries across the world. The main goal of Greenpeace is to preserve the environment and by means of non-violent tools to alert to environmental damage.

#### 4.2.6 Legal factors

Generally, every company is obliged to do its business within the confines of the law. In case that company violates any law, they could face serious fines and a possible shut down by government agencies. Socially responsible companies respect these laws and even go beyond and act actively in obeying these laws.

##### European Legislation

Since Czech Republic is a member state of EU, it is important for Czech enterprises to take into account not only Czech legislation and initiatives, but initiatives from EU as well. Corporate philanthropy as such is not legally forced. The high representatives of the enterprises decide on their own, whether to integrate philanthropy into their corporate strategy or not. The same situation occurs when considering corporate social responsibility. There is no act which states that CSR is obligatory. Nevertheless, European Union is not passive in this issue and thus since the 90's, many important initiatives has emerged. The most important initiatives will be listed and briefly introduced.

To begin with, it is important to note, that there is a new EU definition of CSR from the year 2011. CSR is defined by the European Commission as "the responsibility of enterprises for their impacts on society" (European Commission, 2011, p.6). The Commission encourages that enterprises "should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders" (European Commission, 2011, p.6).

The Europe 2020 Strategy is worth mentioning as well. Europe 2020 is the EU's growth strategy for the coming decade. The main mission is to create the EU with a smart, sustainable and inclusive economy. These three priorities should help the EU and the Member States deliver high levels of employment, productivity and social cohesion. Concretely, the Union has set five ambitious objectives - on employment, innovation, education, social inclusion and climate/energy - to be reached by 2020. Each Member State has adopted its own national targets in each of these areas (European Commission, 2013).

One of the most important organizations in the field of CSR field is CSR Europe. It is an organization with the seat in Brussels which associates more than 3000 corporations including seventy significant multinational corporations. In every member country it has partnership organizations which help to realize its main goals and mission (in Czech Republic, this partnership organization is Business Leaders Forum). The mission of CSR Europe is to associate companies to share best practices on CSR and innovate with peers to shape the business and political agenda on sustainability and competitiveness in Europe. CSR Europe's mission is to connect companies to share best practices on CSR and innovate with peers to shape the business and political agenda on sustainability and competitiveness in Europe (CSR Europe). CSR Europe supports corporations in creating sustainable competitiveness by providing a platform for innovation, fosters tight co-operation between corporations and their stakeholders by exploring new methods of working together to create a sustainable future, and strengthens Europe's global leadership on CSR by engaging with EU institutions and a broader range of international players (CSR Europe).

In 2001, the Commission issued the Green Paper on CSR. This document gave an outline of what Corporate Social Responsibility is, presenting its internal and external aspects. It was also one of the first initiatives from EU regarding this issue. The Green Paper on CSR has unleashed large debate in this issue between the representatives of governments, corporations, non-profit organizations, and public. This document reveals, that the representatives of businesses and European Union itself support voluntary, not obligatorily forced scope of corporate social responsibility. The Green Paper also highlights that CSR is an issue not only for large corporations, but also small and medium-sized enterprises have to incorporate this concept into their business in order to assure competitiveness of future Europe (Kunz, 2012).

### **Czech Legislation:**

As it was already mentioned, corporate philanthropy is not legally forced, it is a voluntary act performed by companies. Since all the important regulations have been already mentioned in the foregoing parts of PESTEL analysis, in the following paragraphs there will be only a brief recapitulation of these regulations.

In regard to donations, basic statutory regulations are determined by Law on Corporate Income Tax, Law on Gift Tax, Inheritance Tax, and Real Estate Transfer Tax. Concretely, donations are determined by gift contract according to Civil Code, § 2055 and following. From the accounting point of view, donations are paid from the profit. According to Act no.586/92 Coll., on Corporate Income Tax, § 20, article (8), a company can deduct the donation from the tax base up to 10% given the condition, that the minimum amount of the donation is 2000 CZK.

Concerning the employment of disabled people, it is regulated by Act no. 435/2004 Coll., on Employment, § 67 - § 84. From the accounting point of view, companies which employ disabled people are entitled to relevant corporate income tax allowances according to Act no. 586/92 Coll., on Corporate Income Tax, § 35, article (1).

### **4.3 Qualitative and quantitative research**

To analyze the current situation of corporate philanthropy in the Czech Republic, methods of quantitative and qualitative research were used. Qualitative research was made through half-structured questionnaire as a part of interview with representatives of SMEs, and for quantitative research the questionnaire was sent off by email to several SMEs in Czech Republic.

Firstly, it is important to clarify the term small and medium-sized enterprise. A general overview is available in Table 3. Czech Republic, as a member state of European Union, follows the classification that is set by EU law, specifically by EU recommendation 2003/361. There are two main factors determining whether a company is or is not an SME: the number of employees, and turnover or balance sheet total (European Commission, 2011). It is necessary to note that while it is compulsory to respect the number of employees, a SME can choose to meet either the turnover or balance sheet ceiling. It is not necessary to satisfy both and it may exceed one of them without losing its status (The new SME definition, 2005).

Tab. 3 - Definition of SMEs

Company category	Employees	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m	-	≤ € 43 m
Small	< 50	≤ € 10 m	-	≤ € 10 m
Micro	< 10	≤ € 2 m	-	≤ € 2 m

Source: European Commission, 2011

### 4.3.1 Qualitative research

Six companies which fall into category of SMEs located in Brno were visited, and the representatives of these companies were interviewed. Since the interviews were given the condition, that the results will be anonymous, the names of these companies will not be revealed. The size and the field in which they run their business will be specified.

First company falls into category of micro-enterprise and runs its business in services sector. It is Czech company with Czech investor only and it deals with philanthropy only. The company financially supports a church on a long-term basis and occasionally gives money to public collections of money. The primary motive for supporting the church is to support partnership entity. Concerning philanthropic strategy, the company has no strategy in this field, and when dealing with incoming requests for money, the owner himself decides, whether to contribute or not. The resources for philanthropic activities come from company budget and from accounting point of view, the company uses the possibility to deduct up to 10% from the tax base.

Second company also falls into the category of micro-enterprise and it runs the business in services sector. The company has Czech investor, and it is not involved neither in philanthropic activities nor sponsorship activities. The main reason why the company does not engage in philanthropy is the lack of financial resources and lack of human resources. The manager of this company also explained, that he has not thought about philanthropy so far, because the company started to run its business only three years ago. He also mentioned that in the future, when the company will be financially stable, he would like to engage in some charitable project.

The third company is an only representative of medium-sized enterprises in the qualitative research. The company has only Czech investor, and it operates in manufacturing sector. Its main activities are devoted to sponsorship. The company supports local sports club based on reciprocal service, in practice it means that the company provides financial support to the sports club and the sports club displays the company's logo on club's kit or in the sports ground. With regard to philanthropy, the company is not active in this area and in the future there are no plans to begin with any philanthropic activities. The representative of this company explained, that it is not beneficial for the company to engage in any charitable activi-

ty. Moreover, he mentioned that there is no guarantee that the donation will be used for its purpose.

Another company that took part in the qualitative research falls into small-enterprises category. It operates in services sector and it is also fully Czech company. This company engages in philanthropic activities only, no sponsorship. The motive for these activities is a desire to help other, less fortunate people in the region, especially children. The company supports a child's home on a long-term basis by means of financial donations. These financial donations include not only money as such, but also in-kind contributions. The company's approach to acquiring the resources for those philanthropic activities is very interesting. The company engages not only its employees, but also the customers themselves. These charitable collections and events became very popular between both employees and customers, and it strengthened good relationships in the company. Regarding philanthropic strategy, there is no strategy elaborated in the company, but there is a reference to company's recent philanthropic activities in their website. The company uses the possibility to deduct up to 10% from the tax base.

The fifth company also falls into small-enterprises category and it operates in trade sector. The investor is both Czech and partially foreign. The company does not engage in neither philanthropy nor sponsorship. The reason is that there are no benefits for the company arising from philanthropic activities. The manager also mentioned, that although there is no corporate philanthropy, there are several individual donations made by employees themselves. When the interviewer mentioned the possibility to deduct up to 10% from the tax base and listed some of the benefits that corporate philanthropy may bring into the company, the manager responded that there is no time to establish so complicated action in his company.

The last company that took part in the qualitative research is a representative of micro-enterprise. It runs its business activity in services sector and it has Czech investor. Regarding philanthropic activity, there is no initiative on the side of the company, but when a request comes, the manager considers it and together with the owner of the company decides, whether to support it or not. It logically follows that there is no strategy elaborated in the company and that there is no support on long-term basis. Usually the owner encourages projects in the field of sports or education by certain amount of money that come from the company's budget. The key motive for this support is owner's goodwill and a desire to help other people. The manager also notes that the possibility to deduct 10% from the tax base is agreeable, but it is not the reason why his company engages in philanthropy.

### **Summary**

To sum up, the biggest problem is the term "corporate philanthropy". Four out of these six representatives of researched companies have never heard of the term. After explaining the term and introducing the different areas of corporate philanthropy, the interview usually took from ten to twenty minutes. Most of the companies have a reactive approach to philanthropy, which means that those companies are passive and waits for incoming applications. Only one company has proactive approach to philanthropy. Proactive approach is usually connected to elaborated philanthropic strategy, but in this case it is not true, because none of these six

companies have strategy in the philanthropic field. Another problem is, that even after initial introduction of different areas of corporate philanthropy, majority of the company representatives confuse corporate philanthropy with corporate giving.

### 4.3.2 Quantitative research

To accomplish the quantitative research, I created a questionnaire containing 17 questions. This questionnaire was sent to 19 000 enterprises, which fulfil the criteria of SMEs, and it was filled in by 530 companies. Although 20 answers were detected as a defective, so the final number of respondents was 510.

Questions at the beginning were of a categorizing character. The fourth question was a turning point, because it divided the respondents into two groups – the ones that engage in philanthropy and the others that does not. Companies, which does not engage in philanthropy, they could move to the last question. Companies which engage in philanthropy were asked to answer the questions regarding corporate philanthropy in their enterprise. The hypotheses will be either accepted or rejected in the research results.

#### Categorization of the respondents

First part of the questionnaire was dedicated to general information about respondents and their categorization. These questions were focused on:

- size of the company
- business sector
- structure of the capital

These questions were a part of the questionnaire to assure, that really only SMEs in Czech Republic will participate in this research. In the research results, this categorization will not be taken into account as the goal of the research is to examine SMEs as a whole (not individually).

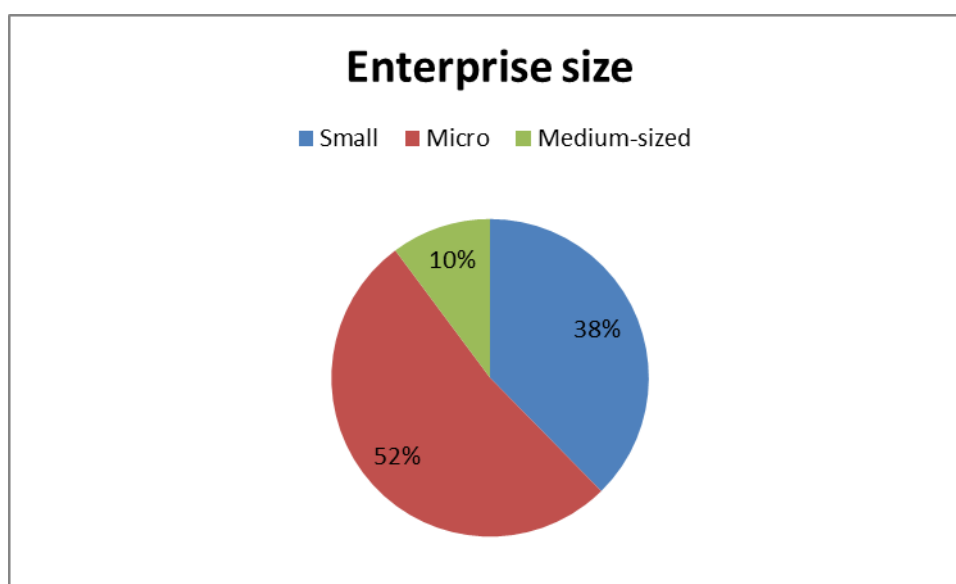


Fig. 3 - Selective sample according to the enterprise size

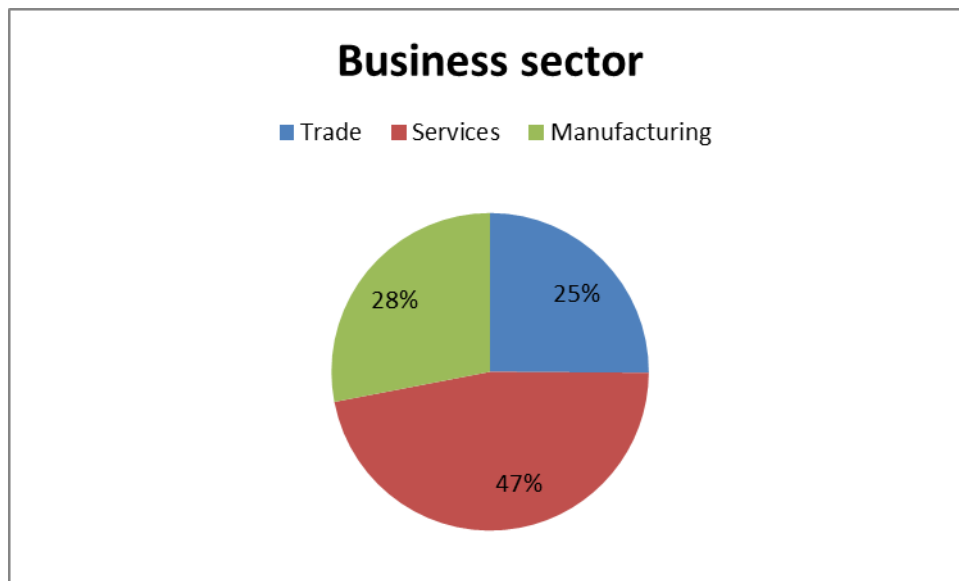


Fig. 4 - Selective sample according to business sector

Tab. 4 - Structure of capital

Structure of capital	Number of respondents
Czech investor (Czech enterprise)	446
Predominantly Czech investor	23
Predominantly foreign investor	13
Foreign investor	28

### The research results

In the following part of the thesis, the results of the research will be interpreted individually. The order of the questions is the same as it was in the original questionnaire, so the hypothesis will be interpreted respectively.

First of all, the most important question of the research will be introduced. It is a turning point where it is decided, whether the company engages in philanthropy or not.

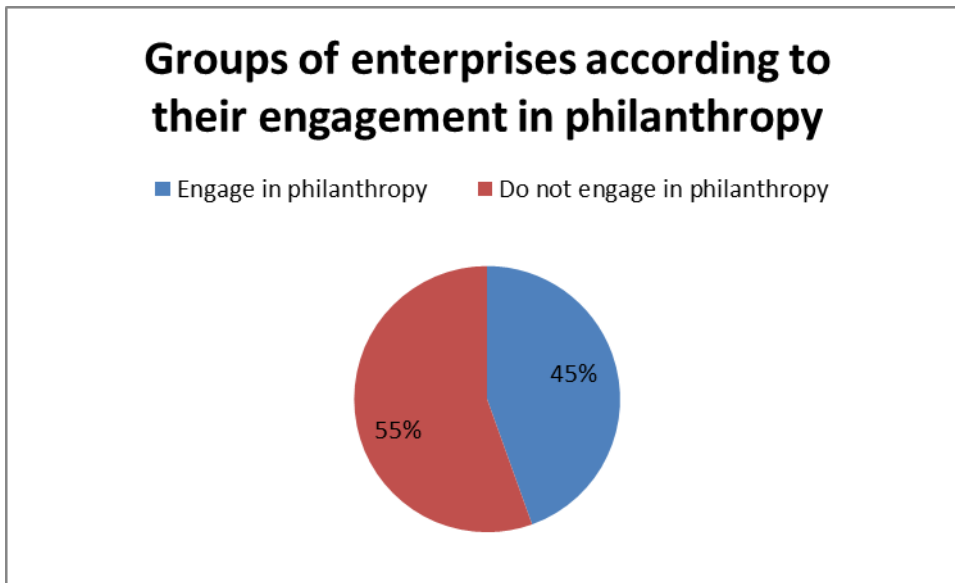


Fig. 5 - Groups of enterprises according to their engagement in philanthropy

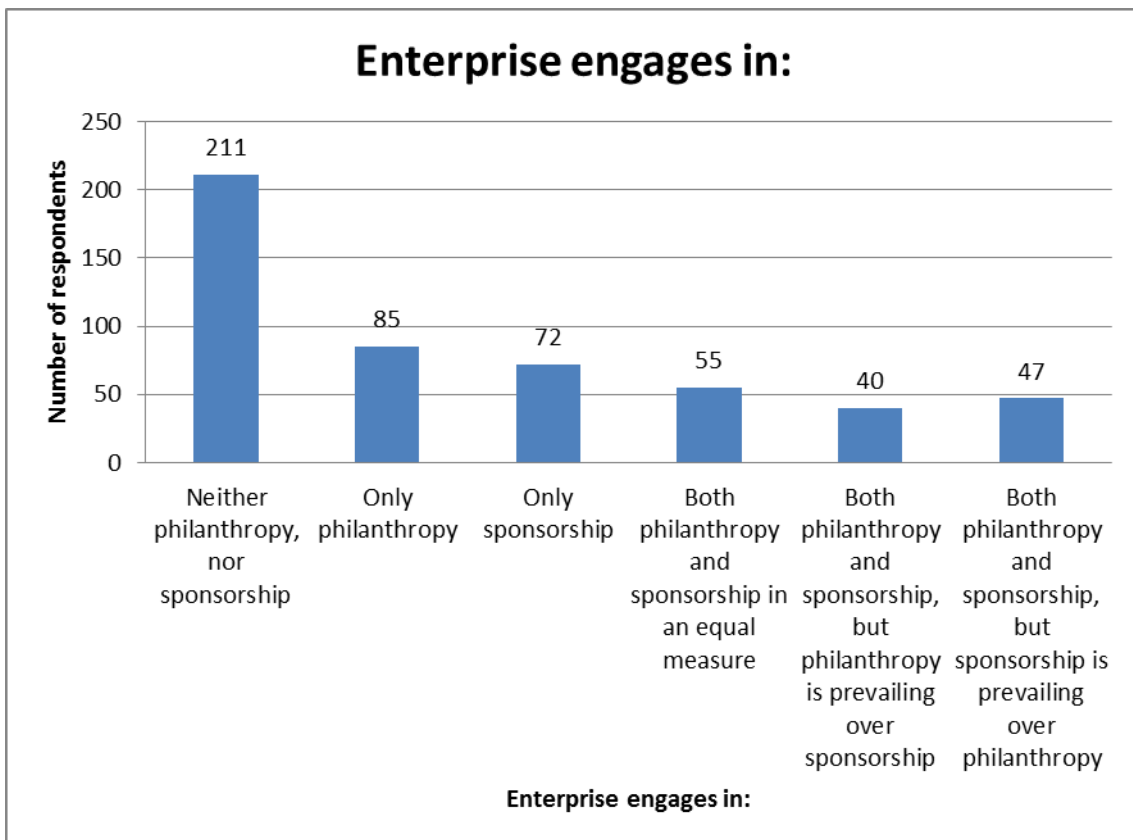


Fig. 6 - Enterprise engages in:

This question divided the respondents into two groups, the ones who engage in philanthropy and the ones who do not.



Answers “Neither philanthropy, nor sponsorship“, and “Only sponsorship“, were evaluated as the group of enterprises which do not engage in philanthropy. The remaining options were evaluated as a group of enterprises which engage in philanthropy. This group division is represented in Figure 5. The final number of enterprises which engage in philanthropy is 227, in percentage it is 44,5%.

The two terms, philanthropy and sponsorship, were used in this question on purpose, so that it would be clear, whether SMEs rather engage in sponsorship than in philanthropy. Both terms were shortly explained in the questionnaire to avoid confusion. The particular options and the percentage representation are depicted in Figure 6.

The following results will regard only to the group of enterprises which engage in philanthropy. It means that the total number of respondents in this section is not 510, but only 227.

### What is the biggest motive for philanthropy in your enterprise?

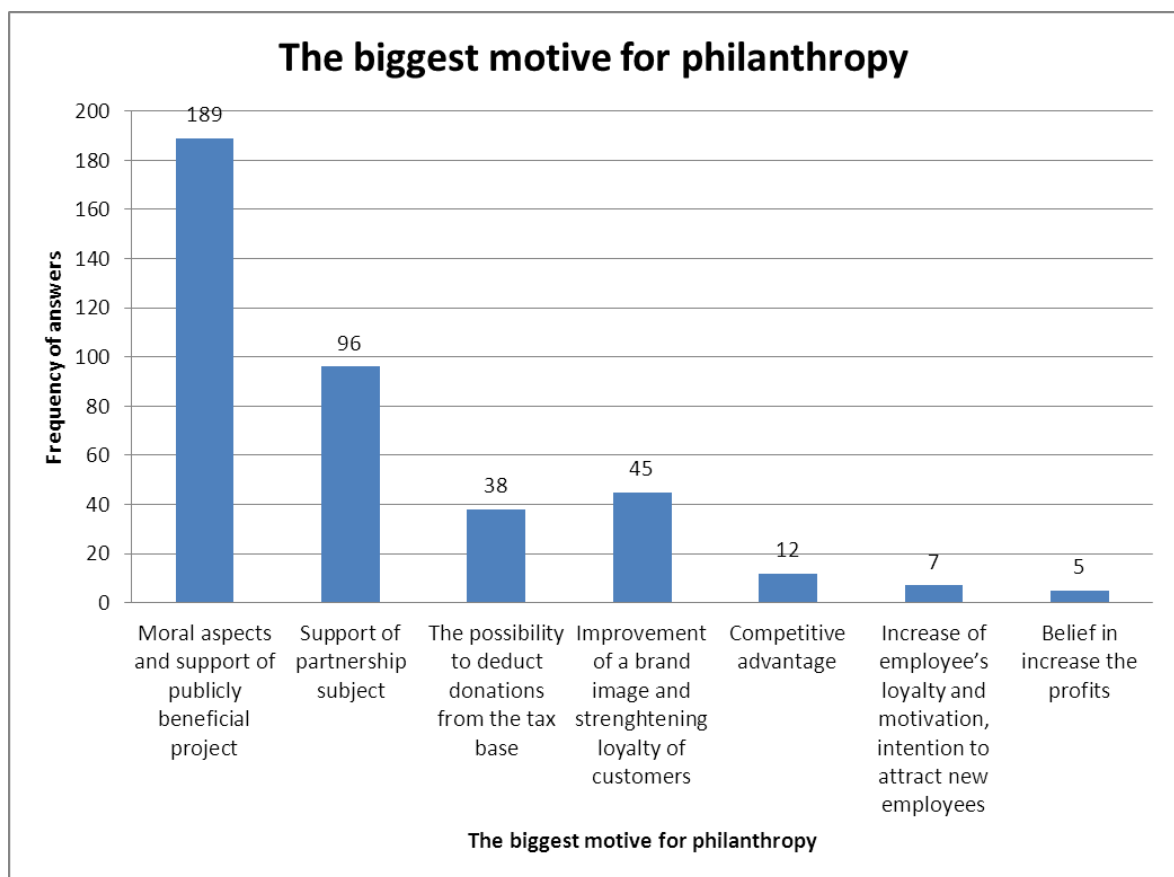


Fig. 7 - The biggest motive for philanthropy

Since this question was multiple choice and it was possible to mark more than one option, the simplified graph was used to demonstrate the most frequent answers for the biggest motive for philanthropy.

- Hypothesis 1: More than 70% of SMEs engage in philanthropy in order to strengthen their public relations.

The strengthening of public relations corresponds to answers: "Improvement of a brand image and strengthening loyalty of customers", "Competitive advantage", "Increase of employee's loyalty and motivation, intention to attract new employees", and "Belief in increase the profits". This hypothesis is not valid, because 42,7% of answers were for "Moral reasons" which means that there are 57,3% remaining for all the other answers, including answers corresponding to strengthening public relations. This score was not expected at all, the assumption was, that majority of enterprises are using philanthropic activities as a tool of public relations. This score indicates that the main reason for corporate philanthropy is the goodwill of the donors. It also rejects one of the critics of corporate philanthropy, which is that philanthropy is being misused as marketing instrument.

- Hypothesis 2: Less than 30 % of SMEs engage in philanthropy because of the moral aspects.

Hypothesis 2 is not valid, because according to the results, 42,7% of answers were for "Moral aspects and support of publicly beneficial project" without any combinations of other options, and 66,1% of answers were for moral aspects including the combinations of other options. Result of this hypothesis also confirms the statement from the previous one, that majority of SMEs do their philanthropic activities because of the goodwill and the desire to help in areas, where it is necessary.

### Does your enterprise have philanthropic strategy?

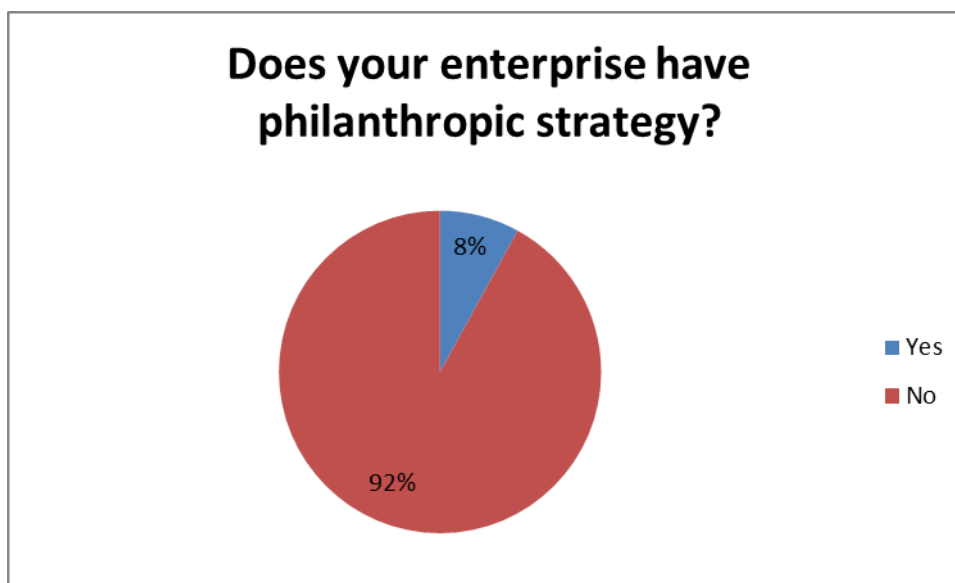


Fig. 8 - Does your enterprise have philanthropic strategy?

- Hypothesis 3: More than 70% of SMEs do not have philanthropic strategy.

Hypothesis 3 is valid. As the results showed, more than 90% of SMEs do not have philanthropic strategy and only 8% of SMEs have. Considering only the enterprises without philanthropic strategy, majority do not have philanthropic strategy as a part of their business plan (83,5%). The remaining 16,5% of SMEs albeit do not have philanthropic strategy, however philanthropy is part of their business plan.

Following question applied to whether it is advantageous to have the philanthropic strategy in SMEs or not. Most respondents (36,9%) do not know about the advantages of philanthropic strategy due to lack of information in this field. Answers "More likely yes" (10,4%) and "More likely no" (12,4%) were second most frequent and answers "Definitely yes" (3,5%) and "Definitely no" (3,5%) were in the minority. These answers clarify, why SMEs do not have philanthropic strategies. Assuming that answers "more likely", are based on uncertainty of the respondents, and summing them up with the large amount of respondents who "do not know", it can be generalized and concluded, that there is lack of awareness of the issue. If the enterprises had more information about the advantages of philanthropic strategy, they might elaborate those strategies into their business plans.

### What subjects does your enterprise support?

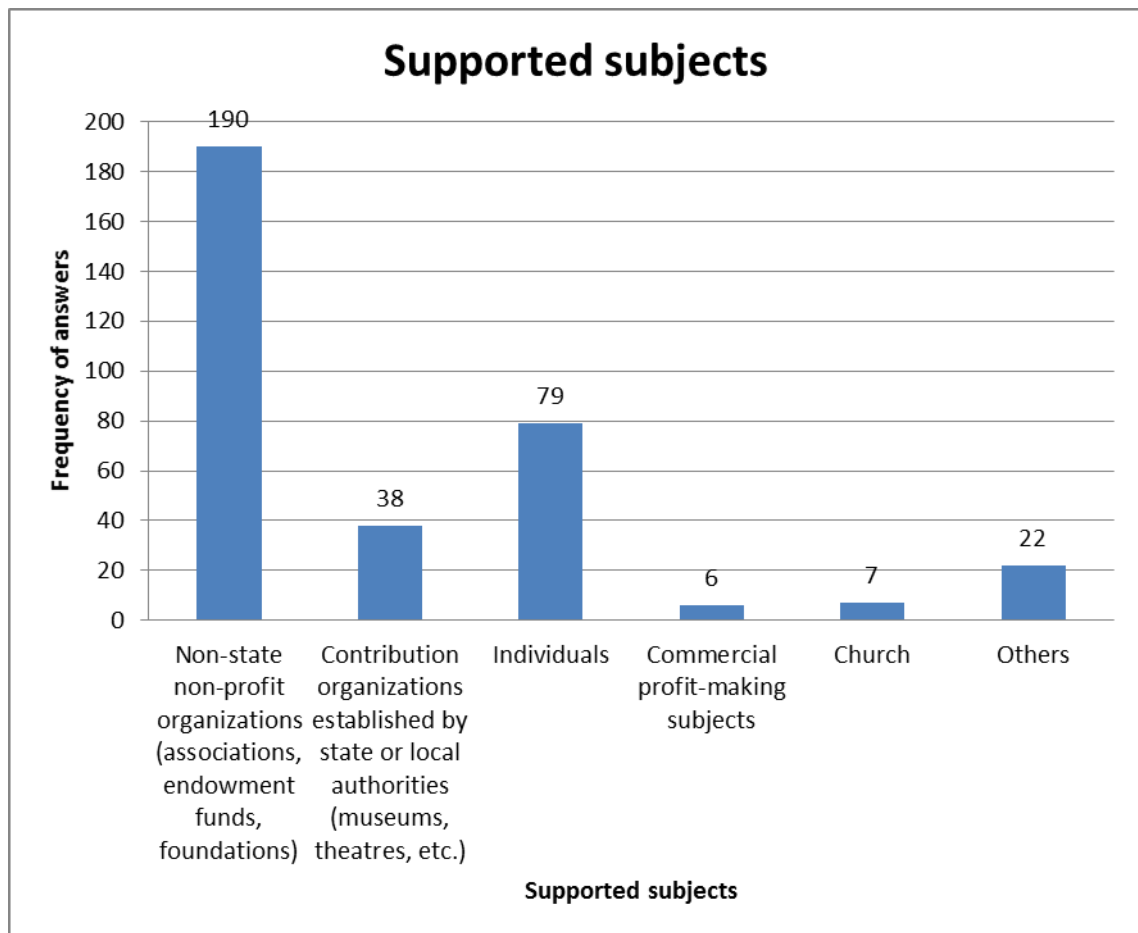


Fig. 9 - What subjects does your enterprise support?

To answer this question, possibility of multiple choice was used. The simplified graph shows the most frequent answers. The option “Others”, comprise all the options that were different from the five basic ones in the questionnaire. As an example, hospitals, schools, sports team, cattery, or political parties can be mentioned. A most frequent combination was option “Non-state non-profit organizations”, together with “Individuals”. This exact combination was chosen 47 times.

**What field does your enterprise support the most?**

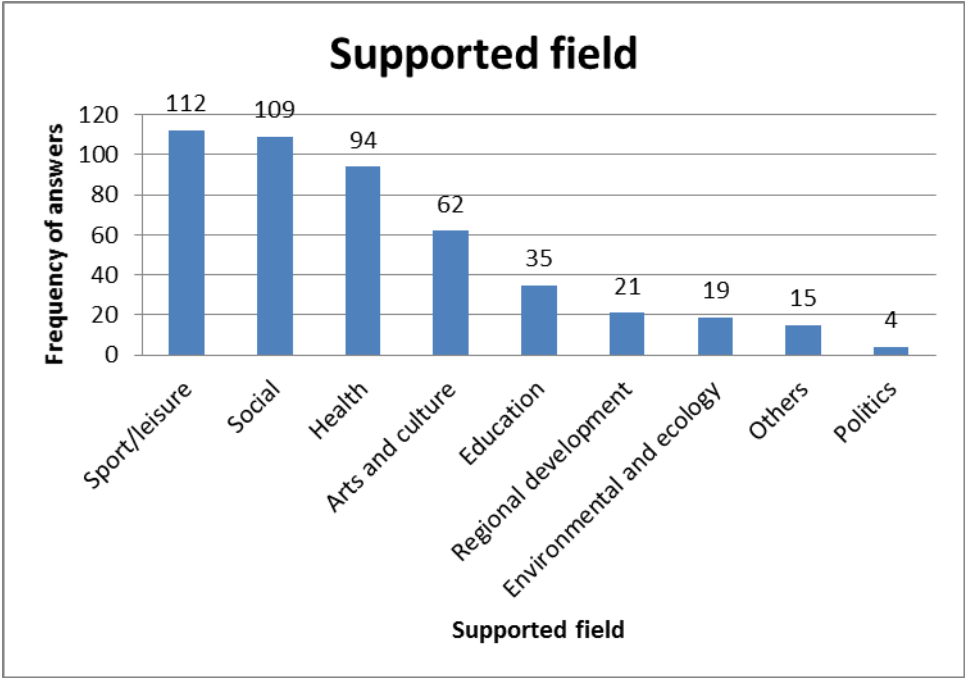


Fig. 10 - Supported field

### What target groups does your enterprise support?

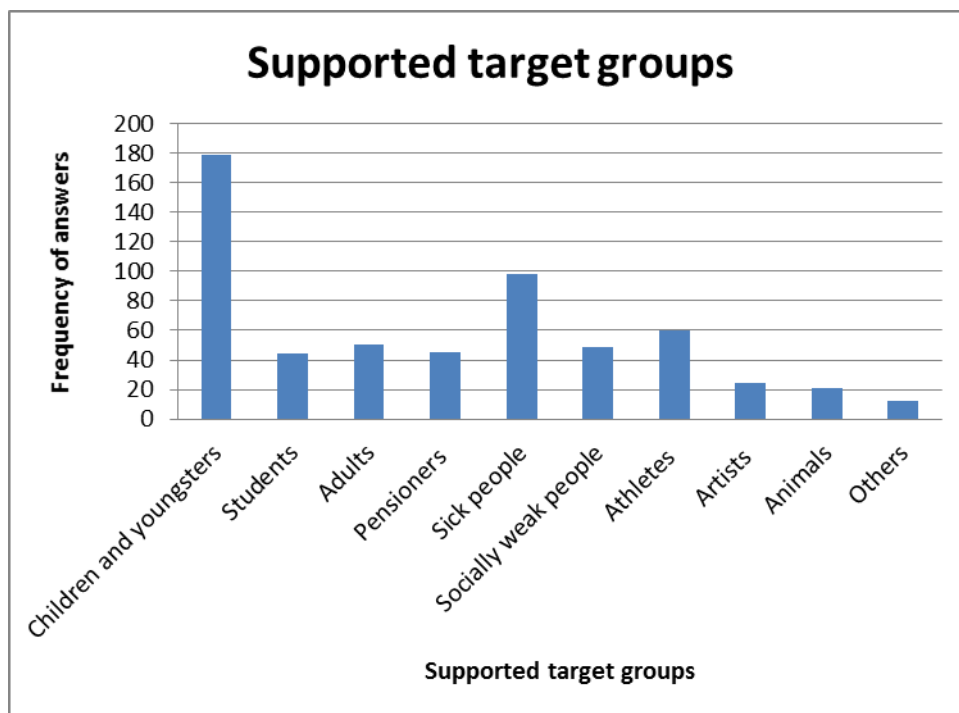


Fig. 11 - What target groups does your enterprise support the most?

Figure 10 and Figure 11 demonstrate the frequencies of the fields and target groups which are supported the most by SMEs. Multiple choice type of these questions enabled to pick more than just one option, thus simplified graphs were used. It is important to note, that option "Others" included more or less the same answers as were mentioned in the previous question, i.e. church, cattery, but also for example historical sights, disabled people, or cowmen.

### What form of support does your enterprise prefer?

Tab. 5 - Type of support

Type of support	Frequency of answers
Regular	79
Irregular	82
Occasional	87

According to the results, occasional support is the most popular type of support (Tab. 5). Even though the differences between these three options are not significant, concerning regular type of support, it is the least frequent option. We can divide these three categories into two groups, on the one hand there would be regular support, and on the other hand irregular and occasional (Figure 12).

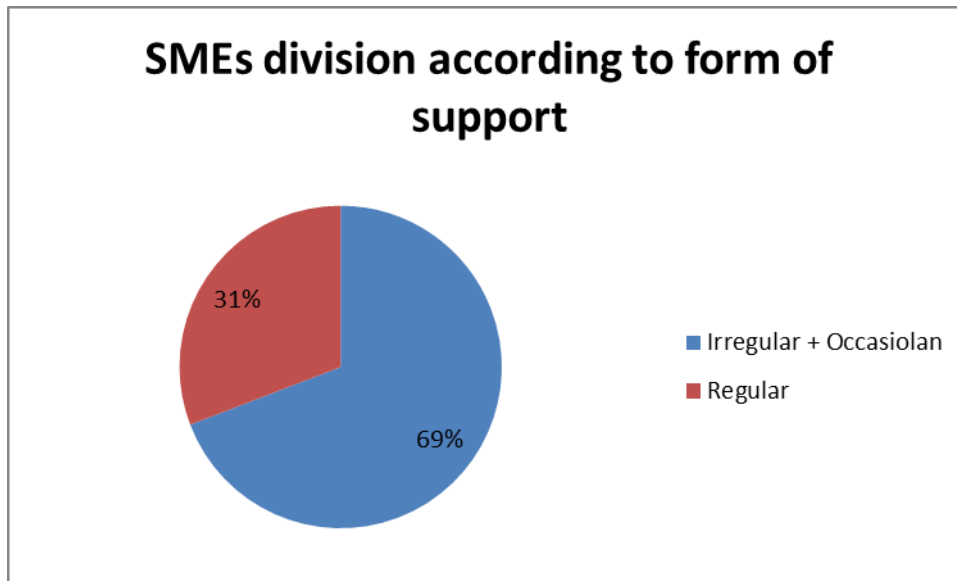


Fig. 12 - SMEs division according to form of support

Based on this result, it can be assumed that majority of SMEs have reactive approach to philanthropy, because they are in a passive role and they just waiting until the request for support will come. On the other hand, for proactive approach, long-term partnerships with organizations or long-term support of certain projects are typical.

#### What type of donation does your enterprise use the most?

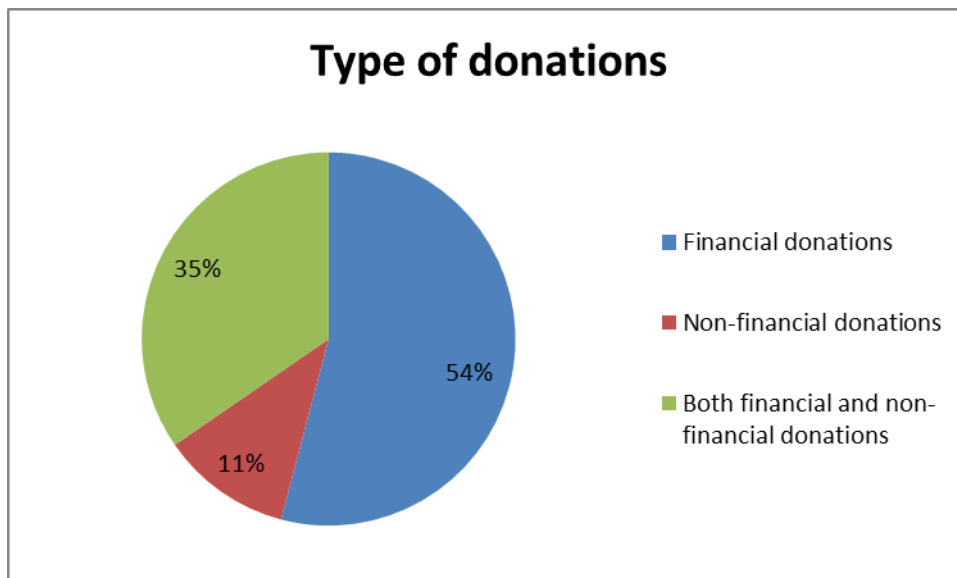


Fig. 13 - Type of donations in SMEs

In Figure 13, there is an overview of which type of donation prevails between SMEs. According to this result, the fourth hypothesis can be evaluated.

- Hypothesis 4: More than 80% of SMEs support mainly by giving financial gift.

Hypothesis 4 is valid. Since only 11% of SMEs support by means of non-financial donations, the remaining 89% uses either only financial support, or the combination of the two options together.

**In case, that financial type of donations prevails, which of these following options do you prefer?**

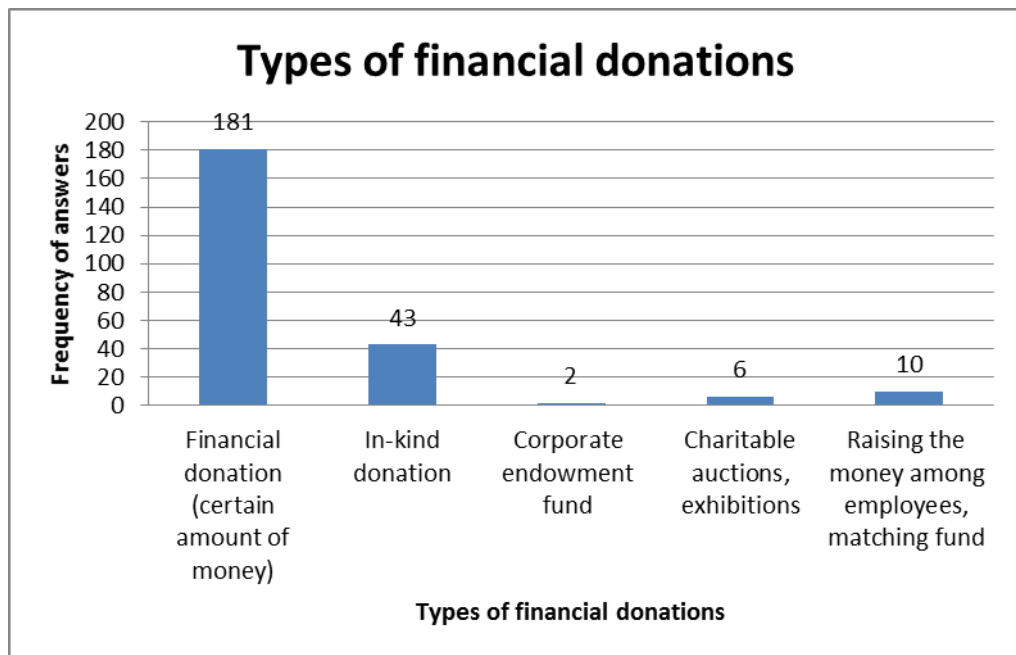


Fig. 14 – Types of financial donations

**In case, that the non-financial type of donation prevails, which of these following options do you prefer?**

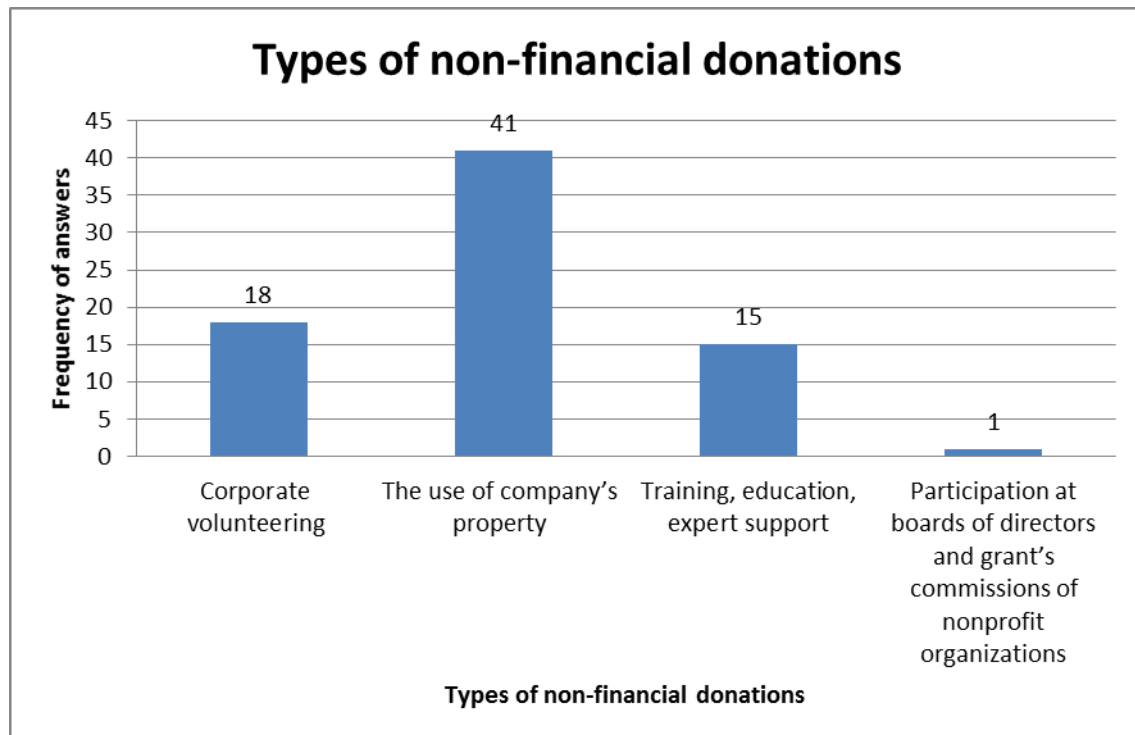


Fig. 15 - Non-financial donations

Considering the most frequently selected types of either financial or non-financial donations, one might say, that the least time-consuming options were chosen. In case of financial donations, the easiest way how to contribute is to give certain amount of money away. It is definitely not something that should be criticized, financial support is valuable and delightedly accepted. But when considering arguments against corporate philanthropy, an excessive financial burden is frequently mentioned. This relates to the lack of awareness in the issue of corporate philanthropy, because many people are convinced that philanthropy means to give away money. There are plenty of other options how enterprises can engage in philanthropy, for example corporate volunteering is worth mentioning because it does not require any expenses and it can be advantageous for the enterprise itself.

The following question relates to this problematic as it regards to resources for philanthropic activities. The most frequently used resource is a company's budget (87,8%), the other options including matching fund, auctions, or using a part of profit from sold products/ services are not really popular in SMEs.

The last question for enterprises which engage in philanthropy was about the possibility to deduct up to 10% from the tax base. 59% of SMEs deducts its donations from their tax base, the remaining 41% of SMEs do not.



The last part of the questionnaire was addressed to the enterprises, which do not engage in philanthropy. In this part of the research, the different reasons for not engaging in philanthropic activities will be exposed. As it was mentioned before, the total number of SMEs which participated in the research was 510, out of which 55% do not engage in philanthropy.

It is important to note, that since this question was multiple choice, a simplified graph is being used in figure 16 in order to show the most frequently answered options, why SMEs do not engage in corporate philanthropy. The hypotheses tests were calculated based on the total number of respondents for this question, which was 277. Various combinations of the options were taken into account.

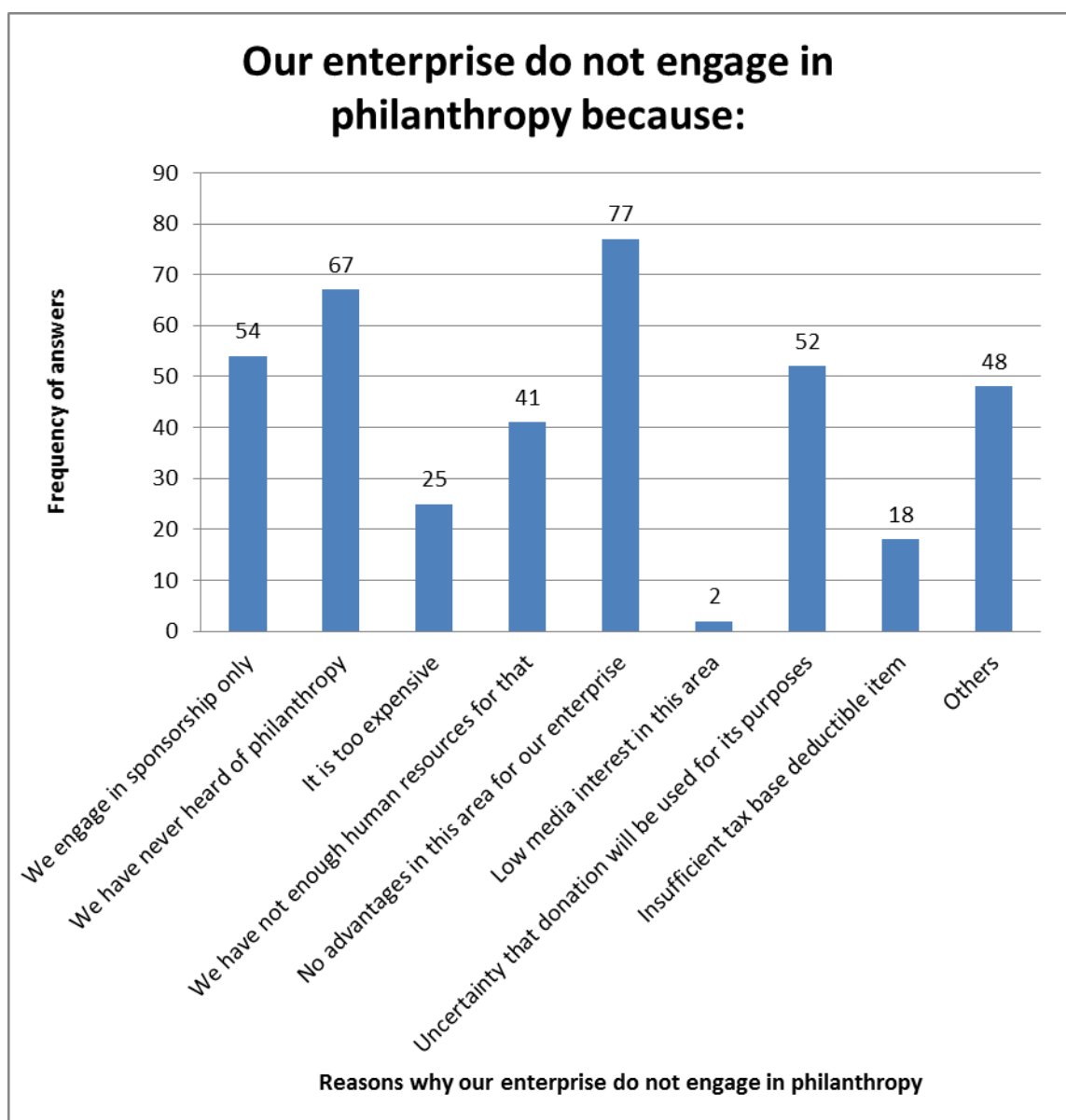


Fig. 16 - Our enterprise do not engage in philanthropy because:

- Hypothesis 5: SMEs do not engage in corporate philanthropy due to lack of financial resources.

The hypothesis 5 is not valid because only 9% of answers were for the option “It is too expensive“, when answers with combinations of other options are taken into account. Considering the fact, that majority of SMEs do their philanthropic activities by means of financial donation, and another fact, that only 9% of SMEs do not engage in philanthropy due to lack of financial resources, we can reject the misplaced argument against corporate philanthropy which is the belief that it is too expensive.

- Hypothesis 6: SMEs do not engage in corporate philanthropy due to lack of foreknowledge regarding this matter.

Hypothesis 6 is valid. Almost 24,2% of answers were for the option “We have never heard of philanthropy“, where answers including combination of other options were taken into account.

Considering answers without combination of other options, the most frequently answered option was “It is too expensive” with 53 respondents. Two other very frequent options were “No advantages in this area for our enterprise” (44 respondents), and “We engage in sponsorship only” (41 respondents). An option “Others” was also highly represented. In many cases, a lack of time was mentioned, as was the low interest in this field. Another interesting opinion was that donations deprave morality and humiliate the donee.

#### 4.4 EFE matrix

Based on the previous analysis and research of the corporate philanthropy issue, the modified EFE matrix was created. It applies to any small or medium-sized enterprise which engages in corporate philanthropy, so the result can be generalized. The external factors were taken into account from the economic, legal, and social point of view.

Tab. 6 - EFE matrix

<b>Opportunities</b>	<b>Weight</b>	<b>Rating</b>	<b>Weighted score</b>
Improvement of corporate image	0,07	4	0,28
Tax benefits	0,03	2	0,06
Competitive Advantage	0,12	3	0,36
Human resources management	0,04	2	0,08
Initiatives and awards in CSR field	0,05	3	0,15
Public interest in CSR activities of companies	0,13	3	0,39
<b>Threats</b>			
Increasing awareness of CSR concept in companies	0,08	2	0,16
Low transparency of public institutions	0,13	4	0,52
Economic crisis	0,05	2	0,1
Low foreknowledge regarding corporate philanthropy	0,19	4	0,76
Low media interest	0,02	1	0,02
Low confidence in non-profit organizations	0,09	3	0,27
<b>Total weighted score</b>	<b>1</b>		<b>3,15</b>

The total weighted score is 3,15 which indicates, that business has more than average ability to respond to external factors. With regard to external factors, the most relevant ones were chosen and the ratings were assigned properly. Each of these factors is influencing company in terms of corporate philanthropy either in a positive way or in a negative way.

With respect to the positive external factors, six opportunities were listed and evaluated in the matrix. Improvement of corporate image refers to the importance of company's good reputation and position in the market. In these days, when the concept of CSR is becoming more discussed than ever, companies which have integrated social responsibilities into their business strategies have higher status and better reputation than companies which have not. That is why the weight is relatively high. On the other hand, as regards tax benefits, according to the results of the quantitative research in this thesis (chapter XY), majority of enterprises (59%) choose not to deduct donations from their tax base. That is why the weight is quite low. Competitive advantage and public interest in CSR activities of companies are other two positive external factors stated in the matrix. Since these two factors are quite important, their weights are high as well. By human resources management it is meant higher loyalty of employees and higher possibil-

ity to attract new employees. Philanthropic activities are positively evaluated by employees and according to CSR Europe, almost 80% of employees would rather work for an ethical and reputable company than receive a higher salary. Initiatives and awards in CSR activities of companies are also very influential factor regarding enterprises engaged in philanthropy. Even though there is quite large foreknowledge regarding this topic, various initiatives in the Czech Republic strive to encourage companies in their philanthropic activities and to provide necessary information (for instance national network of UN Global Compact). Awards in the field of CSR are also an opportunity for companies with philanthropic activities. If such companies do philanthropy right, as a reward, not only that it makes them feel good, but they can obtain award for their effort. This award is very valuable and company with this award has good reputation and very high status both in public and business society.

On the other hand, not only positive things come from implementing philanthropic activities into the business strategy. There are several external factors affecting enterprises engaged in philanthropy, which cannot be controlled by a company. One of these factors is the increasing awareness of CSR concept in companies. On one hand, this can be seen as a positive thing in terms of corporate responsibility, but on the other hand, for companies which decide to implement this concept into their business strategies, it is a threat because it does not make them any special. This would diminish their competitive advantage. Low transparency of public institutions is a significant problem that cannot be controlled by companies. Economic crisis, for purpose of this matrix, is an unexpected decrease of financial resources in a company. In case that company suddenly finds itself in a financial crisis, the first item which is cut down is philanthropic activity. Low foreknowledge regarding corporate philanthropy represents another factor which might endanger a company. Based on the results of the quantitative research in this thesis, majority of enterprises do not have philanthropic strategy, which means that their philanthropic activities are not properly organized and in many cases these activities are inefficient. Concerning media interest in this topic, it is relatively low. This fact may discourage companies from doing philanthropic activities, because public will not learn about it. The last factor included in the matrix regards low confidence in non-profit organizations. People do not trust the organizations that their donation will be used as it should be.

## **4.5 Evaluation of the results and recommendations**

### **4.5.1 Evaluation of the results**

Based on the results of PESTEL analysis, quantitative and qualitative research, and EFE matrix, the three main conclusions can be stated:

- There is a significant lack of information in the field of corporate philanthropy in Czech Republic.
- The most frequently used form of philanthropic activities by SMEs is financial support.
- Philanthropic activities of SMEs are not properly organized.

One of the most important findings is the insufficient information regarding corporate philanthropy. This problem has been detected during the half-structured interviews and later in the questionnaire as well. There is not enough information about the benefits and different types of philanthropic activities which would motivate companies to implement this concept into their business strategy. Concerning enterprises which engage in philanthropy, they lack the foreknowledge regarding philanthropic strategy.

Another significant conclusion from the results is the fact, that the most frequently used form of philanthropic activities in SMEs are financial donations. In essence, this fact is not wrong. It is better to do philanthropy by means of financial contributions than not to do it at all. On the bright side, financial donation is the simplest and the fastest way, how to engage in philanthropy. Current technological development enables the usage of internet banking, so few seconds suffice and the contribution can be done. But in case that any unexpected financial crisis occurs in a company, the first expenses which are cut off are the philanthropic contributions.

One more important discovery that was revealed by the research is that SMEs, which engage in philanthropy, do not have philanthropic strategy. This finding also relates to the low foreknowledge in this topic. Poor organization of firm's philanthropic activities may lead to negative effects on such firm. For example, a company supports one particular project on a long-term basis. Nevertheless, there are still new incoming requests asking for support. Such company either responds negatively or do not respond at all. Both approaches are wrong and it makes the company look bad. If the company had proper strategy, the response could be referring to the strategy which would explain the main target fields of support and the corporate image of such company would remain good.

## **4.5.2 Recommendations**

Based on these findings, few recommendations will be suggested in order to cope with these matters. These recommendations will be further divided into two parts: first part will be dedicated to recommendations for association of non-profit organizations and foundations, second part will focus on recommendations for SMEs which engage in philanthropy.

### **4.5.2.1 Recommendations for the association of non-profit organizations**

In this part of the thesis, several suggestions for the non-profit organizations will be introduced. Since the results revealed significant lack of information regarding corporate philanthropy, there should be higher initiative on the side of existing non-profit organizations and foundations. Czech Donors Forum associates majority of the important foundations and organizations in the Czech Republic, so the initiative should be carried out by Forum itself. The suggestion for the Donors Forum is to create new online information portal regarding corporate philanthropy, which would deal with all three conclusions of the research.

The creation of new online information portal concerning the matter of corporate philanthropy should provide all the necessary information. This information portal should provide information both for enterprises who engage in philanthropy and for enterprises which do not and would like to start.

For the enterprises which are already involved in philanthropic activities, the portal should offer clear information regarding different areas of corporate philanthropy, relevant legal sources in terms of corporate philanthropy. A special emphasis should be dedicated to information regarding philanthropic strategy. The benefits of strategic approach to philanthropy should be introduced and an example of how to incorporate such strategy into business plan as well.

Concerning enterprises which do not engage in philanthropy, the portal should provide clear and brief overview of what is necessary to do in case an enterprise wants to engage in philanthropy. To prevent from expansion of enterprises without strategic approach to philanthropy, the portal should support the creation of such strategy right from the beginning.

From the technical point of view, it is necessary to create portal which is user-friendly, well-organized and easy to find. To assure that this portal will be the first website which will appear when searching for “corporate philanthropy”, the services of Google AdWords should be used. Professional IT specialist should design and create high-quality website.

The costs connected with the creation of this portal are shown in Table 8. The assumption is that the creation will take four working weeks, where one working week has 5 days, and there are 8 working hours per day. The salary for IT specialist is 500 CZK/ hour, salaries for two professionals from the philanthropic field are 300 CZK/ hour per each. Last expense connected to the creation of the portal is Google AdWords. Since the goal is to assure that this portal will be the first one which will appear when searching for “corporate philanthropy, this expense has a permanent character. In the table there is price for Google AdWords per one month, but this expense will have to be paid constantly each month.

Tab. 7 - Expenditures on informational portal

Item	Costs (in CZK)
IT specialist	24 000
Two professionals from the philanthropic field	19 200
Google AdWords	6 000
<b>Total</b>	<b>49 200</b>

### 1.5.2.2 Recommendations for SMEs which engage in philanthropy

From the point of view of SMEs, it is necessary to remain active when concerning their philanthropic activities. SMEs should be aware of new initiatives regarding this topic and follow the current trends.

The recommendation for SMEs which engage in philanthropy is, to elaborate philanthropic strategy and to incorporate it into their business strategy. Presently there is very little information regarding the strategic approach to philanthropy which may be serious obstacle when creating the strategy. Nevertheless, there exist SMEs which are successful in being socially responsible and who have already implemented the philanthropic strategy into their business strategy. Such companies can serve as an example and inspiration for the others. Even though there is lack of information related to corporate philanthropy, several existing ini-

tiatives and organizations offer help with establishment of CSR in companies. By using their services, companies may get the basic knowledge and guidelines how to create their own strategy (CSR online, Go CSR).

Second recommendation for SMEs is to participate in corporate volunteering. There are many reasons why companies should do so. In case of sudden financial crisis, philanthropic activities (in terms of financial donations) are the first ones which are cut off. If companies were engaged in other types of philanthropic activities, such as corporate volunteering, they would not have to give up on corporate philanthropy. Apart of that, activities other than financial donations are advantageous for the company as well. In case of corporate volunteering, when more employees are involved in one project, is a great tool for team-building and creation of good relationships in the workplace. Employers should support such activities and participate as well. Corporate volunteering is not only planting trees and scavenging. If employees do not want to take off their suit and go dig holes in the forest, there are other ways how to engage in volunteering. There exists online project called *Um sem Um tam*, which connects professionals from business with professionals from non-profit sector based on short-term voluntary co-operation on various projects. The idea is to engage volunteers in projects which they can work on from their home or office. Apart of that, they can work in the field they are good at. It is not easy to find available projects to volunteer in. This portal offers various challenges posted by the non-profit organizations so volunteers can choose. There is an interesting point system, where particular volunteers, either individuals or corporations, can obtain points for their volunteer activity. There are no awards for the volunteers with the most points, but the system can be used as a challenge and motivator for companies to participate even more.

## 5 Discussion

There is no doubt that corporate philanthropy is highly controversial topic. There are many different views on this issue. There are arguments which promote corporate philanthropy and there are arguments that condemn it. These arguments divide business society into two groups with different opinion. It is difficult to convince one group to start thinking otherwise and vice versa.

In certain situations the critics are right. In case that a company donates some symbolic amount of money to any organization or project in order to be able to brag about it on its website later, then this “philanthropy” should be object of criticism. This case also relates to aforementioned “pinkwashing” and “greenwashing” that refers to deceptiveal creation of socially responsible company (Reich, 2007). If the corporate philanthropy should be done, it should be done well.

Another questionable issue is whether philanthropy should be done by corporations at all. There are arguments which disapprove corporate philanthropy and states that philanthropy should be done only by individuals. On one hand this argument might be true. It is up to every individual, whether to contribute to a good cause or not, and it should not be responsibility of the corporations. On the other hand, in case that a company voluntarily decides to engage in philanthropy, it should not be an object of criticism. Apart of that, if such company elaborates philanthropic strategy and organizes its donations, this way of support is much more effective than individual giving.

The objective of this thesis was to evaluate the current situation of corporate philanthropy in Czech SMEs. Since one of the methods used to achieve this goal was quantitative research, based on the previous study of relevant literature six hypotheses were stated and later, based on the results, evaluated. The initial assumption was that most of the SMEs do not engage in philanthropy due to lack of financial resources. Another prediction was that majority of SMEs do not have their philanthropic activities properly organized. Surprisingly, the initial prediction regarding insufficient financial resources was not supported by the results. It was revealed that the main barrier which stands in the way to corporate philanthropy is not lack of finances but lack of information regarding corporate philanthropy. The prediction related to poor organization of philanthropic activities in SMEs was verified by the results. It was also discovered that the reason is again low foreknowledge related to the topic of corporate philanthropy.

The results also point out the small diversity in philanthropic activities in SMEs. Since financial support is the most widely used type of support, in case of unexpected financial crisis this philanthropic activity is cut off.

Since there are several prejudices regarding the sense of corporate philanthropy in SMEs, given the fact that SMEs create 99,8% of the total number of enterprises in the Czech Republic, these prejudices can be dispelled. Even though large corporations may donate a huge amount of money to support whatever publicly beneficial project, if every SME engaged in any project just a little, by summing them up the final influence would be enormous. Apart of that, philanthropy is not about the money, it is about the moral aspect, which was proved by the results of the thesis as well.



## 6 Conclusion

The aim of the thesis was to evaluate the current situation of corporate philanthropy in small and medium-sized enterprises in the Czech Republic. To fulfill this goal, the thesis was divided into two main sections: the literature overview and results part.

The first part was developed with the help of scientific literature relevant to the topic of corporate philanthropy and corporate social responsibility. This part of the thesis was devoted to the interpretation of the term corporate philanthropy and its relation with the concept of CSR. Then it was necessary to distinguish between the terms donation and sponsorship. The list of different types of donations was mentioned, introducing other than financial option of philanthropic activities. Another part of the theoretical section was devoted to the organization of the donations and the strategic approach to corporate philanthropy was introduced. Since there are many different views on CSR concept, the most significant arguments for and arguments against CSR were mentioned. The last part of the literature survey was dedicated to corporate philanthropy in Czech Republic. A brief historical introduction was followed by list of the most significant organizations in the field of corporate philanthropy and CSR. Important awards for socially responsible companies in Czech Republic were mentioned as well.

The results part of the thesis focused on small and medium-sized enterprises in Czech Republic and their approach to corporate philanthropy. By creation of PESTEL analysis, the main factors influencing SMEs in terms of corporate philanthropy were introduced. To analyze the current situation of philanthropic activities in Czech SMEs, the methods of qualitative and quantitative research were used. Qualitative research based on half-structured interview was performed in six representatives of SMEs. By means of questionnaire, the quantitative research in SMEs was accomplished across the country. Before the research was done, six hypotheses were stated. Based on the findings in PESTEL analysis and research, the most important external factors were evaluated in EFE matrix and possible opportunities and threats were stated.

The assumption was that companies which engage in corporate philanthropy do so because they want to strengthen their public relations, improve their corporate image, to gain competitive advantage, etc. The results of the research proved that this assumption is not correct. Majority of the companies which participated in the research stated that moral aspects are the most important ones which drive them into their philanthropic activities. Another conjecture was based on the study of scientific literature. The conjecture was that SMEs which engage in philanthropy do not have their activities organized. This hypothesis was proved as was the hypothesis regarding financial type of support. Small and medium-sized enterprises fail in organization of their donations. There is very small percentage of companies which have philanthropic strategy. Financial donations prevail in most SMEs. This finding reveals that companies choose financial contributions over other types of philanthropic activities such as volunteering or professional assistance. This hypothesis that relates to the prevailing financial donations is encouraged by the rejection of another hypothesis about enterprises which do not engage in phi-

lanthropy because of the lack of financial resources. One more assumption that has been transformed into hypothesis was that SMEs do not engage in philanthropy activities due to low foreknowledge regarding this topic. This hypothesis was validated. Last part of the thesis deals with proposal of several recommendations from the point of view of non-profit organizations and from the point of view of SMEs.

To sum up, there is still a lack of information regarding the topic of corporate philanthropy in Czech Republic. These information relate both to the companies which engage in philanthropy and those which does not. In case of the SMEs which have integrated corporate philanthropy into their business strategies, there is an informational gap regarding the philanthropic strategy. There is insufficient information source for philanthropy - active enterprises. Concerning the companies which do not engage in philanthropy, there is much bigger problem in terms of corporate philanthropy because these companies do not even know what philanthropy is. There is very common confusion with the term corporate philanthropy and corporate giving. These two terms are mixed up and in many cases this confusion may lead to low engagement of SMEs in philanthropy. Nonetheless, this concept is still relatively new in Czech business society and it is obvious that it will continue to develop.

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## **List of abbreviations**

EU – European Union

EFE – External factor evaluation

CSR – Corporate Social Responsibility

CZK – Czech crown

SMEs – small and medium-sized enterprises

# Appendices



## A Appendix 1: Questionnaire – corporate philanthropy

1. Your enterprise falls into category:
  - a) Medium-sized enterprise – number of employees < 250; turnover  $\leq$  50 mil. EUR, or balance sheet total  $\leq$  43 mil. EUR
  - b) Small enterprise – number of employees < 50; turnover  $\leq$  10 mil. EUR, or balance sheet total  $\leq$  10 mil. EUR
  - c) Micro enterprise – number of employees < 10; turnover  $\leq$  2 mil. EUR, or balance sheet total  $\leq$  2 mil. EUR
  
2. What is the business sector of your enterprise?
  - a) Manufacturing
  - b) Trade
  - c) Services
  
3. What is the structure of capital in your enterprise?
  - a) Czech investor (Czech enterprise)
  - b) Predominantly Czech investor
  - c) Predominantly foreign investor
  - d) Foreign investor (foreign enterprise)
  
4. Your enterprise engages in:
  - a) Sponsorship only (contribution with reciprocity)
  - b) Philanthropy only
  - c) Both philanthropy and sponsorship in an equal measure
  - d) Both philanthropy and sponsorship, but philanthropy is prevailing over sponsorship
  - e) Both philanthropy and sponsorship, but sponsorship is prevailing over philanthropy
  - f) Neither philanthropy nor sponsorship

*In case, your answer in question no. 4 was either a) or f), in other words if your enterprise do not engage in philanthropy, skip to the last question.*
  
- 5 What is the biggest motive for philanthropy in your enterprise?
  - a) Moral aspects and support of publicly beneficial project
  - b) Support of partnership subject
  - c) The possibility to deduct donations from the tax base

- d) Improvement of a brand image and strengthening loyalty of customers
- e) Competitive advantage
- f) Increase of employee's loyalty and motivation, intention to attract new employees
- g) Belief in increase the profits

6 Does your enterprise have philanthropic strategy?

- a) Yes, our enterprise have philanthropic strategy
- b) No, but corporate philanthropy is a part of business strategy
- c) No, our enterprise do not have philanthropic strategy and corporate philanthropy is not a part of business strategy either

7 Do you think, that it is advantageous to have a philanthropic strategy for SMEs?

- a) Definitely yes
- b) More likely yes
- c) More likely no
- d) Definitely no
- e) I do not know, our enterprise does not have enough information about the advantages of philanthropic strategy

8 What subjects does your enterprise support?

- a) Non-state non-profit organizations (associations, endowment funds, foundations)
- b) Contribution organizations established by state or local authorities (museums, theatres, etc.)
- c) Individuals
- d) Commercial profit-making subjects
- e) Church
- f) Others

9 What field does your enterprise support the most?

- a) Health
- b) Sport/leisure
- c) Arts and culture
- d) Social
- e) Education
- f) Environment and ecology
- g) Politics
- h) Regional development

10 What target groups does your enterprise support?

- a) Children and youngsters
- b) Students
- c) Adults
- d) Pensioners
- e) Sick people

- f) Socially weak people
- g) Athletes
- h) Artists
- i) Animals
- j) Others

11 What form of support does your enterprise prefer?

- a) Regular
- b) Irregular
- c) Occasional

12 What type of donation does your enterprise use the most?

- a) Financial donations
- b) Non-financial donations
- c) Both financial and non-financial donations

13 In case, that in your enterprise prevails financial type of donations, which of these following options do you prefer?

*If you chose an option of non-financial donations in question no. 12, do not answer this question.*

- a) Financial donation (certain amount of money)
- b) In-kind donation
- c) Corporate endowment fund
- d) Charitable auctions, exhibitions
- e) Raising the money among employees, matching fund (company increases, usually doubles, the amount of money that has been collected by employees)

14 In case, that in your enterprise prevails non-financial type of donations, which of these following options do you prefer?

*If you chose an option of financial donations in question no. 12, do not answer this question.*

- a) Corporate volunteering (company offers its employees to the subject which is being supported for agreed work or certain time period)
- b) The use of company's property (use of company's facilities, lend of technology, advertising support)
- c) Training, education, expert support
- d) Participation at boards of directors and grant's commissions of nonprofit organizations

15 From what resources does your enterprise get means for philanthropic activities?

- a) Company's budget
- b) Raising the money among employees, matching fund
- c) By means of auctions
- d) By taking a part of the profit from sold products/ services
- e) From other resource

16 Does your enterprise use the possibility to deduct up to 10% from the tax base?

- a) Yes
- b) No

*In case, your enterprise engages in philanthropy, do not answer the following question.*

17 Our enterprise does not engage in philanthropy because:

- a) We engage in sponsorship only
- b) We have never heard of philanthropy
- c) It is too expensive
- d) We have not enough human resources for that
- e) We do not see many advantages in this area for our enterprise
- f) Low media interest in this area
- g) We do not have the certainty that the donation will be used for its purposes
- h) Insufficient tax base deductible item
- i) Others

## B Appendix 2: Hypothesis test

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Your_enterprise_falls_into_category * Does_your_enterprise_have_philanthropic_strategy	238	46,7%	272	53,3%	510	100,0%

		Your enterprise falls into category * Does your enterprise have philanthropic strategy Crossstabulation			Total
		Does your enterprise have philanthropic strategy			
		Yes, our enterprise have philanthropic strategy	No, but corporate philanthropy is a part of business strategy	No, our enterprise do not have philanthropic strategy and corporate philanthropy is not a part of business strategy either	
Small enterprise	Count	4	16	71	91
	Expected Count	7,3	13,8	70,0	91,0
	% within Your_enterprise_falls_into_category	4,4%	17,6%	78,0%	100,0%
Micro enterprise	Count	11	10	95	116
	Expected Count	9,3	17,5	89,2	116,0
	% within Your_enterprise_falls_into_category	9,5%	8,6%	81,9%	100,0%
Medium-sized enterprise	Count	4	10	17	31
	Expected Count	2,5	4,7	23,8	31,0
	% within Your_enterprise_falls_into_category	12,9%	32,3%	54,8%	100,0%
Total	Count	19	36	183	238
	Expected Count	19,0	36,0	183,0	238,0
	% within Your_enterprise_falls_into_category	8,0%	15,1%	76,9%	100,0%

□

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14,711 <sup>a</sup>	4	,005
Likelihood Ratio	14,137	4	,007
N of Valid Cases	238		

a. 2 cells (22,2%) have expected count less than 5. The minimum expected count is 2,47.

**Symmetric Measures**

	Value	Approx. Sig.
Nominal by Nominal		
Phi	,249	,005
Cramer's V	,176	,005
Contingency Coefficient	,241	,005
N of Valid Cases	238	

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.