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**Czech Retail Firms Attitudes towards  
Corporate Social Responsibility**

Alena Filipová – Jiří Zeman

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## **Czech Retail Firms Attitudes towards Corporate Social Responsibility**

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### **Summary:**

This text brings the results of the primary research of opinions of top managers from Czech retail companies on the CSR problems. The aim of the research was to discover how much these companies include the CSR into their strategies and what kind of activities within these problems they run. The research results were processed with the help of the default mathematical and statistical methods and presented in transparent figures. The results are simultaneously interpreted in the light of the possible causes and also the consequences. Thanks to the possibility of personal discussion with respondents the authors were able to conceive the results more detail than the questionnaire itself would allow them to. The conclusions confirmed the original hypothesis set by the authors.

**Keywords:** corporate social responsibility, retail firm.

## **Přístup českých retailingových firem k společenské odpovědnosti**

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### **Abstrakt:**

Text přináší výsledky základního výzkumu názorů vrcholových manažerů českých retailingových firem na problematiku Corporate Social Responsibility. Cílem výzkumu bylo zjistit, nakolik firmy problematiku CSR zařazují do svých strategií a jaké aktivity v jejím rámci provádějí. Výsledky výzkumu byly zpracovány standardními matematicko-statistickými metodami a prezentovány formou přehledných tabulek. Zároveň jsou výsledky vyhodnoceny z hlediska možných příčin i důsledků. Díky možnosti osobní diskuse s respondenty bylo možné pojmout výsledky ve větší hloubce, než umožňoval vlastní dotazník. Závěry potvrdily původně stanovenou hypotézu, kdy autoři výzkumu byli skeptičtí a usoudili, že problematika CSR není pro české retailové firmy prioritní.

**Klíčová slova:** společenská odpovědnost firem, retailingové firmy.

**JEL:** Q21, P36, O17

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## Introduction

„Most definitions of corporate social responsibility describe it as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis“ (GREEN PAPER 2001).

The European Commission definition of the „green book“ about Corporate Social Responsibility (CSR) from 2001 describes the essence of this concept. Practically it means that a company goes beyond what it has to do (that means legislation framework) and acts ethically and morally within all its activities. Nowadays it is common that companies are judged in the light of their CSR activities; nevertheless this trend is not so far too obvious in the Czech Republic. Considering that the economy of the Czech Republic is open and that Czech companies need competitive advantages we can expect that this situation in the Czech Republic is only temporary. Because of it we were interested if Czech retail companies calculate on the CSR concept in their strategies respectively how they implement this concept in their strategies.

Following the 2007 research (Filipová; Zeman 2007) we have spread the questionnaire among retail companies. Considering that foreign companies were not interested to take part in this survey we decided to reduce the originally planned range of questioned companies and focus only on companies purely financed from Czech funds.

The working hypothesis was set as follows: Czech companies do not consider corporate social responsibility as their priority. From this hypothesis we can also construct an another presumptive conclusions such as that Czech companies will not become involved in activities related to CSR and that they will not have their own individual plans.

The research was methodically performed as a structured questionnaire, the creation of which was also helped by Milan Postler from the Department of Business Enterprise and Commercial Communication at the University of Economics in Prague. In the first phase the questionnaire was distributed electronically but because the rate of return was very low the companies were addressed personally in the second phase.

The questionnaire contained 15 questions from which one question was opened and the rest was closed. Some questions contained fractional subquestions which further developed observed problem. We interpreted the results using default mathematical and statistical methods. Some questions are not included in this text because of their low level of information for this research – they were purposefully included in the questionnaire for needs of CSR problems

education. Following text contains the most important conclusions which were made from results of the research.

## 1. Respondents

Within the performed research the biggest retail companies operating on the Czech market were addressed. We focused especially on companies in TOP 20 and further we have chosen companies from TOP 100 which are dealing mainly with food sale (FMCG). About 50 companies were addressed and roughly about 20 companies from them were under foreign control.

The questionnaire was at first distributed electronically but the rate of return was negligible – only 5 companies actually responded. Because of this fact we had personally addressed some companies during the second phase; the rate of return was a lot higher: at the end we had 5 answered questionnaires from foreign and 15 questionnaires from Czech companies sent back. With regard to the fact that the sample of foreign companies was not completely consistent considering product assortments and company sizes we have decided not to process the questionnaires from these companies in this research and we have focused only on Czech companies.

All 15 Czech companies (that means companies with purely Czech funds) are consumer cooperatives. We have to say that consumer cooperatives are single Czech retail trade companies which can be categorized as “big companies” according to the European Union classification. Consumer cooperatives belong among so called highly integrated companies that means companies disposing with their own chain of retail units and logistic background. Their history in the Czech countries is relatively long but their natural development was interrupted twice: during the World War II and during the central planning period when the cooperatives were displaced in the countryside. On the other hand this solution had one hidden advantage when – after the transformation of central planning on market economy – the cooperatives disposed with large network of retail units covering whole territory of the Czech Republic. This network had even some more modern calibers of operational units because security of business facilities in the countryside belonged to the priorities of the centrally planned economy. Purely from the economic point of view this network was not sufficiently effective in the conditions of market economy and cooperatives soon understood that they had to focus on penetration into larger cities and modernization of vendor units (including implementation of the modern calibers). Also – because of the need to stand the test in the competitors fight with foreign chains – cooperatives began to create their own purchasing headquarters (under the brand of COOP) which proved to be an important factor of competitive advantage.

In this research the members of top management of individual consumer cooperatives answered the questions on behalf of cooperatives whereas personal contact enabled to explain particular questions in the questionnaire in detail and accomplish more accurate answers. At the same time the authors had the possibility to discuss the surveyed problems with respondents at length so when the answers were interpreted it was able to extend the comment with the information not directly emerging from the questionnaire.

## 2. Corporate Social Responsibility Programmes

At first the respondents were asked if there exists a program in their companies which fulfills the meaning of corporate social responsibility (CSR). Respondents were familiar with the idea of CSR in general but they did not closer specify its meaning.

**Tab. 1: Does your company have a program to fulfill CSR?**

Answer	Absolute	Relative
Yes	0	0,0
No	14	100,0

Source: Authors' own research.

The conclusion is definite: none of the companies does have processed CSR programme (one of the respondents did not answer). With respect to the fact that all respondents with their companies belonged to the COOP headquarters the question was outspread also on programmes which are centrally organized. Even on central level there does not exist unified CSR programme; on the other hand some activities of headquarters in which the companies are involved belong to the CSR fulfillment. It is especially programme of systematical education of workers – managers and implementation of bio products programme. It is therefore possible that respondents did not realize what belongs under the CSR problems.

Respondents should furthermore declare if they think about the CSR programme preparation (if they already do not have this programme implemented in their companies). Regarding that none of companies – according the previous answers – has a CSR programme all the respondents participated on this question.

**Tab. 2: Do you think about the CSR programme preparation (in the case of negative previous answer)?**

<b>Answer</b>	<b>Absolute</b>	<b>Relative</b>
Absolutely yes	0	0,0
More likely yes	3	20,0
I do not know	7	46,7
More likely no	5	33,3
Absolutely no	0	0,0

Source: Authors' own research.

The conclusion is not definite, respondents answered very carefully. None of them has chosen extreme answer where he would absolutely support or reject the CSR programme implementation. Almost half of respondents did not know if their companies consider the programme preparation. Considering that the respondents were top managers of addressed companies we can understand this answer as a negative one and "I do not know" answer can be connected with the activities of headquarters. Otherwise "more likely no" answers slightly outweigh the "more likely yes" ones.

As a supplement to the previous two questions the question about the existence of independent section for the CSR programme management in the company was used. Considering previous answers we would expect clearly negative answers from all respondents.

**Tab. 3: Do you have an independent section for the CSR programme management in your company?**

<b>Answer</b>	<b>Absolute</b>	<b>Relative</b>
Yes	2	13,3
No	13	86,7

Source: Authors' own research.

Surprisingly two respondents confirmed the existence of an independent section for the CSR programme management. By confrontation of answers of particular respondents the existence of the independent section was confirmed by the respondent which had chosen "more likely yes" answer in the CSR programme preparation discussion; the answer can be therefore considered logical. The second respondent which confirmed the existence of independent section had chosen in the same situation the "I do not know" answer; this answer we cannot sufficiently interpret.

### 3. Activities of Corporate Social Responsibility

Another part of questionnaire was dealing with some concrete activities which belong to CSR problems.

Regarding that corporate social responsibility used to be by laic public often identified with ecologic behaviour of companies (eventually with charity), next question was set for this part of CSR.

**Tab. 4: Do you think about the possibility to mark your products with the sign "environment friendly", "product made out of recycling", "product from developing country", "product from renewable source" and so on?**

Answer	Absolute	Relative
Absolutely yes	0	0,0
More likely yes	8	57,1
I do not know	0	0,0
More likely no	5	35,7
Absolutely no	1	7,1

Source: Authors' own research.

In this case all the respondents have had an opinion of some sort, none of them has chosen the answer „I do not know“. Slightly over half of them tend to use signs to mark the products although they are still careful and they have chosen “more likely yes” answer. Absolutely positive answer did not appear. At the same time a great deal of respondents have chosen the negative answers in both forms (more likely no, absolutely no). These answers are caused by the fear of additional costs connected with implementing of signs for products in the companies. Simultaneously the respondents opined that this signs are not important for their customers because they are especially price oriented. However our opinion is that this situation is not tenable for the future because in the Czech Republic the segment of “conscious” customers is growing and for them the price is not anymore the single criterion when choosing the product (respectively choosing the company selling products). It is important to point out that this segment of customers has higher income, is able to pay higher price for a better quality (where belong the factors mentioned above). Also for this reason the headquarters COOP is implementing the bio programme which satisfies the segment of customers mentioned above.

Following the previous question the respondents were asked about their company's approach to wrapping materials which they provide when customers are purchasing.

**Tab. 5: Does your company intend to exchange polyvinyl chloride (PVC) bags for the paper ones?**

Answer	Absolute	Relative
Yes	5	35,7
No	9	64,3

Source: Authors' own research.

Almost two thirds of respondents have chosen the distinct answer in favour of PVC materials even when they occasionally mentioned that a customer can choose from both alternatives. According to their experiences most of customers prefer cheaper “nonecological” alternative, that means PVC bags. The exchange of PVC bags for purely paper wrappings means that a company would have to subsidize these wrappings so the price stays the same because the price sensitive customer would understand the higher price of wrappings as deterioration of quality of services. Theoretically we can accept the thought that nonecological wrappings could be encumbered by an “ecological” tax on the part of state so that their purchase price would be inconvenient for the company.

One of the questions discussed within the CSR is the support of healthy nourishment and healthy lifestyle of consumers. The problem is especially improper nourishment of children which contains mainly caloric but nutritionally poor foods (junk foods). Because of it some chains in the cooperation with their suppliers started special programmes which are focused especially on children from kindergartens and primary schools. The aim is to educate children towards healthier nourishing (for example the “healthy 5” programme of the Ahold company).

**Tab. 6: Do you prepare in cooperation with your suppliers a programme "healthy nourishment for children"?**

Answer	Absolute	Relative
Yes	6	40,0
No	9	60,0

Source: Authors' own research.

We can declare that two fifths of respondents are thinking or preparing a similar programme. Nevertheless when we browse on web sides of companies we cannot find any relevant link leading to this activity.

Correct dealing with customers is one of the pillars of corporate social responsibility. In spite of that none of companies can avoid the situation that some of consumers will not be satisfied. The rules of dispute settlements with customers is clearly set by legislation, nevertheless companies applying their own CSR programmes shift legislative limitation in favour of consumers. One

of the possibilities of similar helpful steps could be the creation of company's ombudsman.

**Tab. 7: Does your company think about the possibility to cooperate more intensively with consumers for example by creating an ombudsman within your management?**

Answer	Absolute	Relative
Absolutely yes	0	0,0
More likely yes	5	33,3
I do not know	1	6,7
More likely no	8	53,3
Absolutely no	1	6,7

Source: Authors' own source.

Only one third of respondents considers this idea as helpful and has chosen "more likely yes" answer. Nonetheless from verbal comments there was some perplexity present because the respondents had not thought about the creation of company's ombudsman before and nobody remembered a similar example.

Another of pillars of CSR is the relationships to employees. The key category of employees in retail companies is sales personnel. It represents the CSR programme of the company that means especially toward customers. Because of this fact the education of sales personnel is very important.

**Tab. 8: Does your company have an educational programme about the CSR importance for your sales personnel?**

Answer	Absolute	Relative
Yes	4	26,7
No	11	73,3

Source: Authors' own research.

Only one fourth of the respondents answered that their company has an educational programme about the CSR importance for their sales personnel. It is important to point out that this educational programme did not include only CSR but was focused more on sales acquirements and communication with customers. The CSR was mentioned rather marginally, especially in relation to customer rights. Absence of educational programme for sales personnel focused on general meaning of CSR is not necessary a problem. Nevertheless the personnel should be well informed about all activities within a company in this field, should identify itself with them and be able to represent them towards customers.

#### 4. The corporate social responsibility vision

Programmes of sustainable consumption are included in the government policy independently on the political leanings. Nonetheless there are mainly proclaimed declarations and real activities in this field are not satisfying. But it is also true that a state is not almighty and consumers altogether with companies must be involved. Programmes of sustainable consumption on company`s level are integral part of CSR. Because of that it is useful to find out opinions of managers from the biggest Czech retail trade companies; they are especially retail trade companies which generally influence the consumption a lot.

**Tab. 9: Is it possible to launch the "sustainable consumption" programme in the Czech Republic?**

Answer	Absolute	Relative
Absolutely yes	3	20,0
More likely yes	7	46,7
I do not know	1	6,7
More likely no	4	26,7
Absolutely no	0	0,0

Source: Authors´ own research.

The majority of respondents think that it is possible to launch the sustainable consumption programme in the Czech Republic even if they have certain reservations ("more likely yes" answers). On the other hand the respondents do not realize the direct connection between similar programmes launch and their own activities. It is interesting to confront the managers` opinions with the opinions of students (Filipová; Zeman 2007) when almost three fourths of respondents from students` ranks thought of constantly sustainable consumption programme realization as possible. They declared that exactly retail companies play a significant part: "great possibilities mainly at the side of trade and retail trade companies are seen by respondents. After all, retail trans companies define consumer offer. Companies should therefore not only behave "in responsible way, mainly ecologically", but retail trade companies should make it advantageous for clean and ecological products to get to customers by larger space in advertising presentations, by better placement in shops and so on. In other words, respondents consider present situation in which retail trade companies prefer quantity over quality (as a consequence of a low price) as unsustainable. On the other hand, respondents acknowledge that companies are determined by consumer preferences and therefore they lack sufficient motivation for bigger changes" (Filipová, Zeman 2007).

Appraising of the best companies in the field of CSR is nowadays common around the world. In the Czech Republic the retail trade companies are given different awards nevertheless none of them is relevant in the field of corporate

social responsibility. The question therefore was if a similar award would be interesting for companies.

**Tab. 10: Would it be interesting for your company if the awards in the field of CSR take place every year?**

<b>Answer</b>	<b>Absolute</b>	<b>Relative</b>
Absolutely yes	3	20,0
More likely yes	10	66,7
I do not know	2	13,6
More likely no	0	0,0
Absolutely no	0	0,0

Source: Authors' own research.

The answers of respondents were not expected. In regard to their relatively few activities in given field and nonexistence of companies' programmes we did not expect that they would be interesting in this kind of awards. Nonetheless is the interest from the respondents' answers very explicit. In order to secure the predicative character of awards it is essential that an independent institution judges the CSR of companies. The fact that similar awards would be interesting for companies necessarily has to be evaluated positively because it says that the field of corporate social responsibility is not completely indifferent for these companies.

## **Conclusion**

The research was made in the cooperation with retail trade companies and surveyed their participation in the Corporate Social Responsibility (CSR) concept respectively their concrete activities within the CSR. The companies' top managers were the respondents.

The fact that all the managers can define the term of CSR in its complexity (that means that they do not reduce it only on the ecological behavior of companies) represents positive findings. The managers clearly include ethical behaviour of their companies towards customers, employees and suppliers into the CSR concept. They often emphasize also the connection to the region. The respondents are interested in given problems nevertheless in concrete activities they are not very aware of connections to CSR.

Interviewed companies do not have individual programmes of CSR concept, one fifth of them admitted thoughts about their implementation. It is interrelated with the nonexistence of independent sections managing CSR within the company. As to particular activities the companies leaned more to labeling their products with specific symbols such as "regardful to the environment", "product made out of recycling" and so on. The other activities -

such as education of employees in given field, creating of ombudsman for dispute settings with customers or programme “healthy nutrition for children” realization – were sceptically by the companies seen. In the discussions with the managers of interviewed companies the opinion that participation in similar activities means especially higher costs which the companies cannot afford prevailed. Managers did not see any comparative advantage in the CSR implementation and their opinion was that their customers do not appreciate similar activities. Therefore we consider the hypothesis set in introduction – that Czech companies do not consider corporate social responsibility as their priority – in principle confirmed.

We assume that this situation is on the other hand not sustainable in the future. Czech customer and his behaviour are developing as time goes by and the segment of customers who consider the CSR problems as significant is already forming. Foreign consumer chains have a lot of experience in this field and therefore they are ahead of us. They were in their homelands forced (under the pressure of public respectively stakeholders) to implement CSR into their strategies as an integral part. If Czech retail trade companies (within their size categories) will like to play dignified roles and to be equivalent competitors with foreign retail trade companies they must deal with the CSR problems.

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