Corporate Social Responsibility in Central and Eastern Europe

1. Introduction

Corporate Social Responsibility (CSR) has only a short past in the former socialist countries of Eastern Europe, but growing demand for CSR can be felt in these states as well. In my paper I would like to give an introduction to the present situation and the attitude of the citizens and the business sphere toward CSR activities in Hungary, Poland, Slovakia and Romania. I’m going to explore the common factors and further possibilities of developing voluntary CSR in these countries with taking their distinctiveness into the consideration.

The examined Central and Eastern European countries need a business environment in which entrepreneurs are appreciated not just for making a good profit but also for making fair contribution to addressing certain societal challenges. This business environment cannot be achieved without developing and spreading CSR in the given member states of the EU such as Hungary, Poland, Slovakia, Romania. “The European Commission strongly believes that CSR matters to each and every European citizen, since it represents an aspect of the European social model. CSR can contribute to sustainable development, while enhancing Europe’s innovative potential and competitiveness, thereby also contributing to employability and job creation.” (Commission of the European Communities, 2006)

The concept of CSR was originally developed in the United States for corporations to strengthen their reputation by the society. According to the definition of CSRwire1 “Corporate Social Responsibility aligns business operations with social values. CSR integrates the interests of stakeholders – all of those affected by a company’s conduct – into the company’s business policies and actions. CSR focuses on the social, environmental, and financial success of a company – the triple bottom line, with the goal being to positively impact society while achieving business success.” By the definition of the European Commission CSR is “a concept whereby companies integrate social and

---

* CSÁFOR, Hajnalka, assistant professor, Eszterházy Károly College, Eger
1 CSRwire is the leading source of corporate social responsibility and sustainability news, reports and information in the USA. CSRwire members are companies and NGOs, agencies and organizations interested in communicating their corporate citizenship, sustainability, and socially responsible initiatives to a global audience through CSRwire’s syndication network and weekly News Alerts. www.csrwire.com
environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Green Paper, 2001).

According to this European concept, the final long-term role of CSR of the corporations and SMEs is to get sustainable economic development by involving all the stakeholders from the governmental institutions through the civil organizations to the local communities. CSR is one of the tools which can help European countries to reach the Lisbon Strategy objective: to become the most competitive and the most dynamic knowledge based economy in the world by 2010. (Szlávik, 2005)

2. Latest CSR Developments in the Former Socialist Countries

In this chapter of my paper I would like to collect the characteristics of current CSR situation and existing CSR activities in the mentioned countries. For giving this overall analysis I use the results of my own research on CSR activities in North-Hungarian Region; the results of the Rhetoric and Realities2 EU research project (RARE, 2005) ; the World Bank Study: What Does Business think about Corporate Social Responsibility? Part II. (World Bank, 2005); and the results of the UNDP-EU research project titled “Baseline study on CSR practices in the new EU member states and candidate countries” (UNDP 2007) completed with the information given by the keynote speakers of the international conference “The Way It Works” – Corporate Social Responsibility in the Carpathian Euroregion held in September 2007 Presov, Slovakia, and some other sources listed among references. I focus on the activity of companies (CSR practices, reporting, standards), the aspect of Civil Sector (NGOs, Media, Education), and the role of public administration in case of each countries of the Region.

2.1. CSR in Hungary

Hungary became the member state of the EU in 2004. The private sector accounts for over 80% of the GDP and foreign ownership and investment in Hungarian firms are widespread (World Bank, 2005)

In Hungary – as in other Eastern European countries – there is only a short past of corporate social responsibility. The concept is not well known by the companies, mainly large corporations and subsidiaries of multinational

---

2 RARE: Rhetoric and Realities – Analyzing Corporate Social Responsibility in Europe funded within the Sixth Framework Program of the EU. The RARE project is researching the extent to which companies’ voluntary activities in corporate social responsibility and related activities really contribute to sustainability and in particular to sustainability goals set by the European Union. 2005-2007 www.rare-eu.net; Baseline Study on CSR Practices in the new EU Member States and Candidate Countries: funded by the European Commission and the United Nations Development Program. 2007 www.acceleratingCSR.eu
companies adopt CSR policies, which are mainly concerned with their reputation and image. They believe that “socially responsible activities” are linked to complying with existing regulations and behaving ethically with the stakeholders (UNDP, 2007) Most of the companies focus on the employee-protection and organize or finance education for them. Environmental protection programs also exist, and recycling programs are widespread as well. Many companies have codes of conduct, but there are no anti-corruption policies at all. (World Bank, 2005)

Hungarian SMEs are not familiar with CSR philosophy at all. The majority of the entrepreneurs have never heard about even the expression of CSR. However in spite of this fact a growing number of SMEs occasionally carry out socially and environmentally responsible activities related to their business strategy, without knowing that is CSR. Mostly those CSR instruments are used among Hungarian SMEs, which do not cost anything for them and with which they are able to reduce their risks and costs, and are able to manage their reputation. (RARE, 2005)

Hungarian companies don’t report their CSR activities; only 15 CSR reports were released in 2006. (UNDP, 2007) Only 35 Hungarian corporations made environmental or sustainability reports – including CSR – at least once in the last 5 years. The first sustainability report was made in Hungary in 2002. (DEMOS, 2006) ISO 14001 Standard is widespread in Hungary, but the Global Compact is not so popular.

Among Hungarian Society there is a low level of consumer awareness. The good examples of Western European countries also show that spreading corporate social responsibility cannot be achieved without the pressure of consumers. CSR activities of the companies don’t play a significant role in decision making of the Hungarian consumers. The other characteristic feature of the Hungarian society is lack of commitment to the global social and environmental problems. There is a growing demand for CSR in Hungary as well. The Hungarian citizens are open to the problems of society and environment, but mostly just in mind and not in action. They are dealing with only those problems which endanger directly their local community and environment. (Csafor, 2006)

Civil Sector in Hungary is not really developed; most of the NGO’s are funded by the state. The other thing which makes it more difficult to get information about CSR activities of the corporations in Hungary is the problem of Media. According to the current Media Act, the corporations have to pay the rate of the commercial advertisement even for the public-purpose announcement or news. If a broadcasting company reports – among the news as factual report – some CSR activity (for example a charitable event) mentioning the name of the responsible company, it can calculate on 20-30 thousand Euro fine from the National Radio and Television Commission, because the announcement is identified as a hidden advertisement (Üzleti Etika, 2006). Because of this
regulation – which doesn’t meet the EU directive of media regulation – the responsible companies have no chance to publicize their CSR activity without paying the high rate of commercial advertisement. On the other hand there are a growing number of articles in connection with CSR on websites and in newsletters.

Almost all the universities have business ethic courses, but the number of research projects on CSR is relatively low. Besides the adaptation of EU directives there are also Hungarian legislative initiatives and proposals in connection with corporate responsibility concerning the Hungarian Public Procurement Act. (Csáfor, 2006)

The role of the national government in developing CSR has been limited in Hungary, but recently, a growing number of companies recognize its importance in governmental decision-making to promote CSR, in giving rate and tax allowances, in labor law reform, in supporting national CSR research projects or in establishment of CSR-awards and reconcilements. The governmental emphasis is on providing incentives for responsible production and responsible business behavior without any interventions to preserve its voluntary nature. The Minister of Economy and Transport appointed a CSR director in 2006. Governmental encouragement helps Hungarian corporations in shaping partnership relations in order to make their social responsibility more successful and more targeted. (DEMOS, 2006)

2.2. CSR in Poland

Poland is a good example of how to change from state-directed economy to a privately owned market economy. Today the country has modern economy and globalized commercial activities. Poland joined to the EU in 2004.

Majority of Polish companies believes that corporate social responsibility means ethical and transparent business behavior mainly with the shareholders, customers and employees which are the most significant stakeholders for the Polish companies. Polish companies don’t think that addressing stakeholder concerns, conducting public relations, and correcting social inequalities can be considered CSR. Polish companies consider complying with the legal framework and avoiding child labor the most important social roles of a company. A majority of Polish companies have codes of conduct, and anti-corruption policies are also widespread. (World Bank, 2005)

Most of the Polish companies are engaged with environmental projects, but half of them have no environmental certificate. 20% of the companies are certified to ISO 14001 standard and some of the largest companies are signatories to Global Compact. Only 10 companies issued a CSR report in 2006. (UNDP, 2007)

There are only a few universities with research programs in the topic of CSR, and the Media doesn’t report social responsible activities of the
companies. The CSR and sustainable consultancy have no active market. NGOs are largely or wholly reliant on company or direct state financial support. The political environment is underdeveloped in Poland in connection with CSR; there is no governmental department dealing with CSR issue. The Sustainable Development national strategy has been published and that is the main strength of this domain. The government doesn’t build partnership relations with the private sector or NGOs in order to raise awareness and understanding the social and environmental problems and ethical issues. (UNDP, 2007)

2.3. CSR in Slovakia

Slovakia also had undergone a difficult transition from socialist economy to market economy. Slovak government made progress in 2001 in macroeconomic stabilization, but they pay the cost of increasing unemployment. In the last few years macroeconomic developments are favorable and with rapid growth, the decline of unemployment and easing inflation (UNDP, 2007) Slovakia became the member of the EU in 2004.

In Slovakia most companies consider shareholders, customers and employees as well as top management to their most important stakeholders. Generally they don’t consider the local communities to be stakeholders. According to their opinion the social responsible behavior of a company means to address the needs and concerns of the stakeholders, to behave ethically in business, to operate transparently and to comply with the regulations. Most of them are avoiding the child labor – as in other European countries – and they consider protection of employee health and the environment to be important problems. Some Slovak companies are also engaged in social projects, and they are also active in building local community relations. They support mainly health care institutions, education, and local community. (World Bank, 2005)

In 2006, less than 10 companies issued CSR reports in Slovakia, and these are not regular structured CSR reports. Slovak companies have not yet been reported by independent assurance companies. The 20% of the companies are independently certified to the ISO 14001 standard, but less than 10 to the Global Compact. (UNDP, 2007)

The campaigning NGOs are not independently funded, but there are a large number of international and national organizations promoting CSR. They concentrate on networking and exchanging information among companies. Universities of the country offer specific courses in the field of CSR, and a large number of academic researches are available. National Media is active in publishing CSR articles and news. The national government has published a Sustainable Development Strategy, and there is also a wide range of legislation to promote CSR in Slovakia. There is no any CSR related governmental department in Slovakia.
2.4. CSR in Romania

Mainly on the basis of the information of the Country Report about Romanian CSR situation\(^3\), an essay written by Romanian university lecturers and CSR researchers (Vuta, et. al. 2007), the CSR activity in Romania can be summarized as follows.

Romania joined the EU in 2007, and the Romanian economy is one of the fastest growing ones in the Union. The national currency is strong and the development of the economy is regarded by the analysts to be sustainable. In 2006 the GDP growth was 8.3% and the amount of foreign investments reached 8 billion Euros. (Euractive, 2006) On the other hand corruption, bureaucracy and the large differences among salaries are still serious problems of the Romanian economy. (ITD, 2005)

Companies – mainly multinationals – are more and more inclined to trying CSR programs, mostly corporate community investment programs. In Romania, the CSR concept was imported through international companies that operate locally. Multinationals have the capacity to generate community interest for community projects through large visible initiatives. Most of all corporate community initiatives are even-based in Romania. At local level CSR practice is defined by individual values of the decision makers, and the way they perceive the role of the company as social change factor. (Brasovean, 2007)

The total investment of the firms in CSR activities in 2006 were over 10 million Euros. In Romania the most frequented fields of CSR are programs of social assistance, supporting relief agencies, corporate events, financing research projects in CSR, supporting disfavored persons, educational programs, programs for protecting environment and supporting sport clubs and events. Target Groups are primarily children or persons with special needs, churches and monasteries, NGOs, employees and local communities as well. (Brasovean, 2007)

The communication of CSR practices depends on the internal motivation of the companies. In 2006 23 firms issued their CSR reports (programs) without signing the budgets. The implementation of standards as ISO 14001, or Global Compact is not widespread. (Vuta, et. al., 2007)

Sustainable development – including the CSR concept – is mainly promoted by elites and NGOs with a weak feedback of the great majority of the society, whose goal is still to reach income level that would allow a more decent way of living.

NGOs are primarily beneficiaries of the companies, and perceive themselves as partners trying to transmit the needs to the decision makers. There are many visible national events related to CSR concept: conferences, Galas, PR-Awards,

---

\(^3\) Ioana Bresovan – Association for Community Relations Romania: Country Report about Romanian CSR, presented on conference „The Way It Works” 25–27th September, Presov Slovakia
and thematic homepages, but the mass media reaction to the social initiatives is not positive and cooperative. (Brasovean, 2007)

The are deficiencies in the interaction with public authorities, for example the national government has not yet named a governmental department leading on CSR issues, that make difficult spreading CSR in Romania.

3. Distinctiveness of CSR of the Central and Eastern European Countries

Each country has different characteristics in national and cultural context, which they should take into the consideration in creating their national CSR strategy. Central and Eastern Europe is a specific area with significantly different economic, cultural, social, demographic and ethic characteristics. But there are also common factors which are similar in the four countries in connection with CSR. In the following I try to give a list of these common factors in order to give overall recommendations for developing CSR:

- All of the countries have strong economic dependencies on different business sectors which are dominant. The development of CSR in these countries primarily depends on the contribution of these dominant companies.
- Corporations don’t use the wide range of CSR practices, ad hoc philanthropic activities are typical.
- CSR practices are common among large corporations in almost all the countries. However SMEs play important role in the economy of these countries. They are the biggest employers, and the joint impact of their operation is also considerable.
- During the socialism in all of the countries there were generous social benefits. As a heritage of welfare economy there is funded by skepticism from the side of the business sector regarding the efficiency of public services as tax revenue allocation.
- Many of the corporations apply CSR only for marketing and PR purposes, and long-term thinking is missing from their CSR activity.
- NGOs don’t use efficiently their capacity to play a role in social dialogue between society and the business sector.
- Only a few companies report their CSR activity, and the issued reports rarely are structured CSR reports.
- Only Hungary has a governmental department with responsibility for CSR issues.
- Planning an economy without taking the needs of the society and the environment into the consideration has the result of serious inefficiencies.

4 wwwcsr-romania.ro; wwwresponsibilitatesociala.ro; wwwdonatiionline.ro; wwwdezvoltaredurabila.ro etc.
The attitude of the media to CSR issues in the countries is not satisfying and positive.

The awareness of society is at a rather low level. While the consumers and the business partners don’t force business actors to reduce or compensate for negative effects of their economic activity, we cannot expect self-restrictive business operation from them. The CSR practices of Western-European countries also show that spreading corporate social responsibility cannot be achieved without the pressure of consumers.

The issues of CSR don’t appear as separate subjects in educational programs, but in most of the countries environmental, sustainable development, and other business ethics related issues are built into the programs of grammar schools and higher educational institutions.

The national governments of the countries issued Sustainable Development Strategies, but the governmental decision making and the legal system of the countries don’t give incentives to CSR actions.

The number of the companies that are certified ISO 14001 or Global Compact standards is low.

The rapid political changes in the countries in the 90s created a strong distinction between the “dark communism” and the “sunny capitalism”, which led to negative image of the Trade Unions, public works, or even the older generation.

4. Proposals for Developing CSR in the Former Socialist Countries

In this chapter of my paper I collected some important ones from the recommendations resulting from the discussions of the thematic working groups of “The Way It Works” international conference for developing CSR in the countries. These recommendations are addressed to the business sector, to civil society organizations, to public administration, to media and to the education systems of each country.

4.1. Proposals for the Business Sector

One of the most important tasks of the business sector is to understand the real needs in the community, and working for creative and innovative solutions to build up partnership relations with NGOs in order to make their CSR activity more effective. The role of large corporations is to promote SMEs’ involvement in CSR with relevant information (good practices, research, media). They should spread CSR concept via donor company events as well, like open doors day where lots of people and the media visit the company premises.

The companies should conduct quantitative research projects of their CSR activity to demonstrate its benefits to the other businesses, and they should also
monitor the impacts of their CSR events beyond just the quantitative aspects. They should develop a thorough follow-up system for supported projects.

The members of the business sector should also share their experiences on CSR with other businesses, e.g., within business associations. They should engage media, make an effort to publicize the achievements of CSR activities and use arguments of competitive advantage and reputation building (mitigating reputation risk) to make the business case for CSR. Besides giving financial support, the companies’ managements should involve employees in CSR activities whenever it is possible.

Finally the most important thing in the CSR activity of the business sector is the authenticity, which should be put high priority in each case.

4.2. Proposals for the Civil Society Organizations

Civil society organizations also should build up creative and innovative partnerships with the business sector. NGOs with understanding of the real needs of the society can be those actors in economy that transmit these needs to the decision makers of the companies. They should consider not to ask solely for money, but to offer some kind of service for the company. NGOs should also guarantee visibility of the projects they run, and to present the results of their work. Citizen groups should build their accountability to be trustworthy for the business sector.

NGOs also have important role in engaging media by building good relationship with them on the local level. They should promote and disseminate feedback of CSR projects mentioning both good and bad experiences.

By promoting specific issues, the civil society organizations make it possible for companies to join in. They can also help create CSR partnerships with long-term sustainability. NGOs can have an important role in organizing and contributing to public debate about CSR at all levels, and in promoting dialogue on CSR related issues – everything should be agreed through the dialogue.

NGOs should always be care for not to make business feel to as if it is forced to do something, business must feel free in promoting them.

4.3. Proposals for Public Administration

The most important role of the public administration (national and local governments) in the five countries is to provide endorsement or even legislative support to CSR activities while preserving CSR’s voluntary nature. Local governments also can help to make better dialogue between all actors under the umbrella of local administration. They should organize cross-sector groups to conduct community needs assessment and they should organize and contribute to public debate about CSR concept at all – especially at political – levels as well.
Local governments also have a role to play in raising awareness, namely transmitting CSR campaigns of the European Commission to the citizens and also to the companies with even the help of the local media. They should enlighten and promote feedback of projects, promote good examples, ideas, benefits of CSR for business while operating in a socially responsible way.

4.4. Proposals for the Media

The most important role of the media is in communicating the right message about the CSR initiatives generated by the three partners (business, NGOs, national and local governments) and sustaining the concept in the community. The media has also a very important task in raising awareness of CSR by giving publicity to good examples and benefits of being responsible.

The media should promote the value of volunteering as an important aspect of CSR beyond philanthropy. Above all, the media has role to play in organizing public debate about CSR at all levels, and in publicizing good and bad experiences of CSR projects while emphasizing the benefits of CSR activities especially for business and all the society.

4.5. Proposals for the Education Systems

Finally there are recommendations for the educational systems of the countries. Their most important role is in implementing CSR concept according to the specificity of Eastern European Countries, and developing proper education in this regard at high school and university level as well. They have also a leading role in managing scientific research projects on CSR, and creating measurements (qualitative and quantitative ones) for evaluating CSR performance. They should also continuously disseminate the results of their CSR research in order to demonstrate its benefits to all parties involved. They should publicize more information about CSR, especially about CSR activity of SMEs by mentioning the good examples of the neighboring countries that are on higher level in implementing CSR. The comparison of legislation systems (taxes and law reforms, etc.) given by researchers would provide useful information especially to the public administrations, but to all parties as well.

Besides the scientific research, the education system has an important role in raising awareness of the young generation by building sustainability and responsible thinking into various subjects of their curricula.

5. Conclusion

The purpose of fostering corporations and also SMEs to integrate CSR activities into their operations cannot be achieved without raising the awareness of society and without effective governmental support, but the most crucial
question concerning the expansion of corporate social responsibility is whether players of the Economy of the five countries will recognize those forms of CSR that can be beneficial and easily harmonized with their business interests.

The citizens have a significant role with making the companies do voluntary actions, because the companies become responsible just in that business environment where this behavior is appreciated by the local community. This is the field where changes are required first. The behavior of the customers is the most important barrier of spreading CSR. While the man in the street doesn’t know the meaning of CSR and while he thinks that charity is the only tool of CSR he won’t understand its contribution to Sustainable Development and he won’t be able to pressure the companies in the fields of green and social inventions, product quality, resource efficiency, and ecological production as well.

References


Declaration of Participants of the International Conference: „The Way It Works” organized by the Carpathian Foundation 26-27th September 2007, Presov Slovakia


Dr. Feketéné Csáfor Hajnalka: Hungarian distinctiveness of CSR in comparison with EU practices, CORE Conference, 22-23. July 2006 Milano Italy


Ioana Bresovan – Association for Community Relations Romania: Country Report about Romanian CSR, presented on conference „The Way It Works” 25-27th September, Presov Slovakia

Magyar Kereskedelmi Iroda (ITD Hungary): Románia gazdasága: összefoglaló tájékoztató 2005. Source:


Rhetoric and Realities: Analyzing Corporate Social Responsibility in Europe (RARE) research project funded within the Sixth Framework of the EU: Survey of SMEs 2005


Üzleti Éтика: *CSR és média-konferencia a Pannon szervezésében 2006*,