



**CORPORATE SOCIAL RESPONSIBILITY
AND HUMAN RESOURCE MANAGEMENT
IN V4 COUNTRIES**

**PROCEEDINGS FROM INTERNATIONAL SCIENTIFIC
CONFERENCE**

JUNE 4 – 5, 2015

NITRA

Proceedings from the international scientific conference Corporate Social Responsibility and Human Resource Management in V4 Countries.

Organised by the Department of Management, Faculty of Economy and Management, **Slovak University of Agriculture**

June 4-5, 2015 Nitra

Partners:

Cracow University of Economics in Cracow, Poland

University of South Bohemia in České Budějovice, Czech Republic

Mendel University in Brno, Czech Republic

Szent István University in Gödöllő, Hungary

University of Agriculture in Cracow, Poland

Slovak University of Agriculture in Nitra, Slovak Republic

University of Novi Sad, Serbia

University of West Bohemia in Pilsen, Czech Republic

Reviewers:

prof. Dr. Andrea Benscik, CSc., Szent István University, Gödöllő (Hungary)

Dr. h.c., doc. Ing. Mária Kadlečíková, CSc., SUA Nitra (Slovak Republic)

prof. Ing. Ľudmila Nagyová, PhD., SUA Nitra (Slovak Republic)

prof. Dr. József Poór, Szent István University, Gödöllő (Hungary)

Dr. hab. Krzysztof Wach, Prof., UEK Cracow University of Economics, Cracow, (Poland)

doc. Ing. Helena Chládková, Ph.D., Mendel University, Brno (Czech Republic)

doc. Ing. Milan Džupina, PhD., University of Constantine the Philosopher, Nitra (Slovak Republic)

doc. Ing. Zuzana Kapsdorferová, PhD., SUA Nitra (Slovak Republic)

doc. Ing. Ružena Krninská, CSc., University of South Bohemia, České Budějovice (Czech Republic)

doc. RNDr. Michal Munk, PhD., University of Constantine the Philosopher, Nitra (Slovak Republic)

doc. Ing. Petr Řehoř, Ph.D., University of South Bohemia, České Budějovice (Czech Republic)

PaedDr. Dana Egerová, Ph.D., University of West Bohemia, Pilsen (Czech Republic)

Ing. Veronika Hrdá, PhD., MBA, SUA Nitra (Slovak Republic)

Ing. Jana Kozáková, PhD., SUA Nitra (Slovak Republic)

PhDr. Milan Jermář, CSc., University of West Bohemia, Pilsen (Czech Republic)

Ing. Milena Jiřincová, Ph.D., University of West Bohemia, Pilsen (Czech Republic)

Ing. Renáta Kučerová, Ph.D., Mendel University, Brno (Czech Republic)

Ing. Alexandra Malejčíková, PhD., SUA Nitra (Slovak Republic)

Ing. Pavel Žiaran, Ph.D., Mendel University, Brno (Czech Republic)

Dr. Jan Brzozowski, Cracow University of Economics, Cracow (Poland)

Dr. János Fehér, Szent István University, Gödöllő (Hungary)

Dr. Małgorzata Kosała, Cracow University of Economics, Cracow (Poland)

Ing. Markéta Lörinczy, Mendel University, Brno (Czech Republic)

Dr. Maria Urbaniec, Cracow University of Economics, Cracow (Poland)

Dr. Agnieszka Zur, Cracow University of Economics, Cracow (Poland)

Dr. Slavica Mitrović, University of Novi Sad, (Serbia)

doc. Ing. Anna Dunay, PhD., Szent István University, Gödöllő (Hungary)

Ing. Sylvie Formánková, Ph.D., Mendel University, Brno (Czech Republic)

Ing. Anna Diačiková, PhD., Catholic University Ružomberok, (Slovakia)

doc. Ing. Ladislav Mura, PhD., University of Saints Cyril and Methodius Trnava (Slovakia)

Ing. Mariana Dúbravská, PhD., University of Prešov (Slovakia)

Editors:

prof. Ing. Iveta Ubrežiová, CSc., Ing. Drahoš Lančarič, PhD., Ing. Ingrida Košičiarová, PhD.

ISBN 978-80-552-1432-0

INTRODUCTION

First decade of the 21st century can be characterized by rapid development of global society as well as by remarkable growth of global issues, both on environmental and social level. These issues have strengthened the necessity to develop and apply more systematic and sustainable approach towards business activities realized on international and local level. Therefore, corporate social responsibility (CSR) has become an important tool, many companies have decided to apply considering their business activities on local as well as global markets.

On the other hand, the obtained results - in relation to corporate social responsibility of enterprises, human resource management and diversity management as well as to the newest approaches in management and business within V4 countries, are presented in the proceedings.

This proceedings deals with theory and practice in the selected problems from the frame and can be recommended for the scientists, academicians, researchers and the representatives of the business sector.

Iveta Ubrežiová
Drahošlav Lančarič

Nitra, November 30, 2015

The publication of proceedings is supported by the Slovak Scientific Agency VEGA - Project VEGA No. 1/0044/13 "Corporate Social Responsibility (CSR) of the Slovak Enterprises in the context of Internationalization in Business" and Project VEGA No. 1/0024/13 "Diversity management in the enterprises in SR".

Content

Exploring McDonald's CSR: Case of the Slovak Republic	9
Iveta Ubrežiová, Andrea Ubrežiová, Kamila Moravčíková	
The Role of Corporate Philanthropy in CSR	19
Sylvie Formánková, Eva Skříčková, Andrea Hrdličková	
Requirements to the Human Resource Management When selecting an Innovation strategy	26
Marco Pister	
Business ethics graduate programmes as a tool of corporate social responsibility approach	35
Hana Stojanová, Markéta Lőrinczy, Petr Račoch	
The Role of HRM in CSR and Sustainable Development: Findings from V4 Countries and Serbia	42
Agneš Slavić, Nemanja Berber	
Economic Education as an Element of the Implementation of the Idea Corporate Social Responsibility in Banks in Poland	51
Monika Szafrńska, Renata Matysik-Pejas, Janusz Żmija	
Global and European trends in the Area of Responsibility and Justice in the Activities of Enterprises - Implications for V4 Countries	60
Wojciech Zysk	
The Methods of CSR Practices Assessment	70
Radosław Wolniak	
The Evaluation of the Strategic Management and Social Responsibility in the Selected Group of Agri-food Companies in the Slovak Republic	78
Zuzana Kapsdorferová, Mária Kadlečiková, Lucia Farkašová, Zuzana Juričková, Davit Babayan	
Corporate Social Responsibility in Slovak Small and Medium Sized Enterprises	86
Michal Pružinský, Jana Tkačiková	
Relationships between Enterprises and Consumers in the Concept of the Corporate Social Responsibility	95
Renata Matysik-Pejas, Monika Szafrńska, Andrzej Krasnodębski	
Age Management in Polish Enterprises: CSR or a Necessity?	103
Jolanta Maj	
Corporate Social Responsibility in the Czech Republic and Slovakia	111
Renata Kučerová, Renata Skýpalová	
RESPECT Index stock Exchanges in Poland as the Corporate Social Responsibility tool	119
Katarzyna Hys	
Equal Opportunities in the Concept of Corporate Social Responsibility A Case Study of Public Sector Entities	127
Liliana Hawrysz	
External Verification as an Important Factor Improving Credibility of CSR Report	134
Hąbek Patrycja	
Social and Citizens' Responsibility for Minimizing the Food Losses	143
Mária Kadlečiková, Zuzana Kapsdorferová, Davit Babayan, Mária Debrecéniová	
Corporate Sustainable Development Based on Principles of Business Social Responsibility	150

Anna Diačiková, Michal L'ach	
International Private Regulation and Corporate Social Responsibility	158
Hamed ALAVI	
Is the Generation Y Looking for the Employer with Higher Purpose?	165
Ludvík Eger, Dana Egerová, Michal Mičík	
Modern Approach in Human Resource Management in Organizations	175
Slavica Mitrovic, Boban Melovic, Ana Nesic	
Knowledge Related Needs of Startups in Hungary	182
Zsuzsanna Marosné Kuna, Andrea Miskolciné Mikáczó	
Talent Management in Human Resource Management	188
Pavel Mikuš	
Human Capital Theories from the Perspective of Education	200
Ildikó Petőné Csuka	
Multidimensional Comparative Analysis of Human Capital of the EU Countries	206
Monika Jaworska, Danuta Bogocz	
The Education in "Learning Organizations"	214
Markéta Adamová, Růžena Krminská	
Applying Pearson Curves for Description of the Distribution of Unemployment Rates in the Regions of Southern Poland	220
Elżbieta Badach, Andrzej Krasnodębski	
Labour-market Preparedness of Participants in Higher Education (based on empirical research)	227
Csilla Czeglédi, Tímea Juhász	
Human Resource Management with Influences of the Knowledge Economy	234
Růžena Krminská, Markéta Adamová	
Creating Knowledge Sharing Culture for Effective Knowledge Management	243
Andrej Miklosik	
Management Work in Relation to Gender Stereotypes	250
Bohuslava Mihalčová	
Incentives to Support the Mastery and Task Involved Approach and their Influence on Talented Employee Loyalty	255
Agnieszka Springer, Alicja Rytelewska	
Degree vs. Trade? The Dilemmas of Prevailing Knowledge	265
Andrea Mikáczó, Erika Varga	
Applicability of Mystery Shopping in Human Development	272
András Durugy, Péter Kollár	
The Personal Aspects of Organizational Commitment	278
Andrea Juhasz Kler	
Gender Equality in the Visegrad Group	286
Tünde Györpál	
Is the Innovation Potential reflected in the Number of Students and Graduates? A Case of SUA Nitra	294
Drahoslav Lančarič	
Innovation Networks in Small and Medium Enterprises Sector	309

Ľubica Lesáková	
Development of Entrepreneurship in Małopolskie Voivodeship after Joining to the European Union ..316	
Witold Trela, Andrzej Krasnodębski, Elzbieta Kornalska	
The Influence and Impact of Floods on Enterprises321	
Petr Válek	
The Sustainable Agriculture Marketing in Slovakia327	
Roman Récky	
Cloud Computing as a New Opportunity in Business334	
Látečková Anna, Gálisová Veronika	
Institutional Model of Marketing-oriented System of Branch Accounting Management and Analysis of Vegetable Growing340	
Natalia H. Tsaruk	
Alternative and Community Economic Models348	
Danka Moravčíková, Izabela Adamičková	
Environmental Aspects of Marketing Management in Food Manufacturing Companies355	
Ľudmila Nagyová, Mária Holienčinová, Ingrida Košičiarová	
Some Aspects of Customer Relationship Management363	
Jaroslav Novotný	
Globalization and Competitiveness in the Slovak Viticulture371	
Mária Šajbidorová, Mária Dobišová, Zuzana Lušňáková, Veronika Hrdá	
The Current Situation in the Slovak Vegetables Production and its Competitiveness376	
Dušan Šimo, Ladislav Mura	
Analysis of Gambia Groundnut Export Competitiveness387	
Alieu Gibba, Jozsef Molnar	

Part 1
Corporate Social Responsibility

Exploring McDonald's CSR: Case of the Slovak Republic

Iveta Ubrežiová¹, Andrea Ubrežiová², Kamila Moravčíková³

Slovak University of Agriculture in Nitra^{1,3}

Faculty of Economics and Management, Department of Management^{1,3}

Tr. A. Hlinku 2, 949 76 Nitra, Slovakia

iveta.ubreziova@uniag.sk¹, kami.moravcikova@gmail.com³

UBM²

de Entreé 73

Toren A, 1101 BH

Amsterdam Netherlands

adi.ubrezi@gmail.com

Abstract

This paper deals with the topic which importance is increasing lately, as many intense debates on the world forums are lead – corporate social responsibility (CSR) and its connection with global number one chain of fast-food restaurants, McDonalds. The era of the 21st century is typical by development of global society as well as by remarkable rise of global problems. Both environmental and social issues have strengthened the need to develop more sustainable and systematic approach towards business activities organized on international and local level. CSR, along with other social issues such as philanthropy and social enterprises, has become one of the key business trends all over the world. Companies have begun to realize certain commitment to society and its values, and have understood the importance of contribution into social, environmental and economic issues on global as well as local markets. The main objective of the paper is to describe CSR of McDonald's with implication on Slovak market. In the Slovak Republic, this concept is relatively new and that is probably the reason, why more than a half of inhabitants still do not know what this term means and represents. However, McDonald's is a food company known by people all over the world and Slovakia is not an exception. Therefore, the paper focuses on analysis how McDonald's CSR policy and activities influence behaviour of its consumers and if this policy has lead consumers towards more responsible consumption.

Keywords: *corporate social responsibility, Slovak market, social and environmental issues, consumer behaviour*

JEL Classification: *M12, M14, N24*

1. Introduction

This paper deals with the topic which importance is increasing lately as many intense debates on the world forums are lead – *Corporate Social Responsibility* and its implication in McDonald's in Slovakia. Since 1990s, there has been a very big change in the relationship between business and society. When speaking about this change, several factors have contributed to it, such as globalization, deregulation, increased size of companies and many others. As a consequence of globalization, the whole world is more interdependent and multinational corporations have become the main drivers of this phenomenon as they support international trade, growth and development. Along with the development of society, several global problems have arisen in environmental as well as social sphere. Existence of such problems has significant impact on diverse areas of human activities, including the economic ones. Increasing frequency and importance on such problems has influenced the changes taking place in economic activities. Most of the changes are related to increased requirements and orientation on more systematic and sustainable approach within business activities in local and international environment. One of the key instruments, through which those changes can be done, is the concept of CSR. The main essence of CSR is not only to focus on profit maximization, but also take into consideration social and environmental aims that are based on internal external needs of the environment the company operates in.

1.1 Increasing Notion of CSR

During the last years, the whole world has witnessed noticeable increase of interest in CSR. (Adams & Frost 2006; Park & Lee 2009; Gulyas 2009) As Sabadoz (2011, p. 1) puts it, CSR has gained “*our collective attention*”. Globally, development and evolution of this concept is more and more visible in both spheres – academic theory and managerial practice. Some people may think of it as a relatively new concept thanks to its “*phenomenal rise*” in the 1990s and 2000s. (Crane et al. 2008, p. 3) On one hand, it is partly true, as CSR is product of the second half of 20th century but on the other hand, Carroll (2008) states that its roots have pretty long history. According to Carroll and Shabana (2010), the basic idea of CSR, that except of making profit, businesses have other responsibilities towards society, has been noticed for centuries. Gurská and Válková (2014) as well as Skýpalová and Kučerová (2014) have been stated that the knowledge and awareness in the field of CSR is compared to the application of the concept of CSR and the fulfilment of its three pillars - social, economic and environmental, in terms of frequency of use of particular activities and engagement in the concept of CSR as a whole. Previously, the main focus was on theoretical contributions but in 2000s, it has finally moved to empirical analysis and research of CSR and its relative concepts. (Carroll 2008) According to Moura-Leite and Padgett (2011), after CSR approving in 1990s, CSR has finally become an important strategic issue. It is possible to say, that previously, literature was dominated by US discourse but since 21st century, it has grown to a more international level. For example, Perrini et al. (2006) studied CSR in Italy, Aaronson (2003) devoted his attention to UK, Maignan and Ralston (2002) were interested in France and Lucas et al. (2001) focused their attention to Australia. Their findings allowed other academics to compare how national perceptions of CSR differ and how the society thinks about the role of business in society. (Thomas & Nowak 2006) Rahman (2011, p. 172) states, that 21st century is the “*era of emerging CSR industry*.” Although the history of the CSR is pretty long, problems with defining the concept starts with the lack of consensus of what the main objective of the business nowadays is. (Suder 2008, Kolk 2010) It is possible to notice significant increase of interest in CSR in recent years. In spite of the increasing number of definitions and growing popularity, CSR has always been (and probably will always be) something like an ambiguous concept.

1.2 McDonald's as an Example of Globalization and McDonaldization

During the 20th century, George Ritzer found out that something new was forming, something what should re-place the model of rationalization. This “something” appeared in a form of fast-food chains, mainly the McDonald's restaurant. It was causing the revolution not only in the restaurant and food services but also in American society and later on in the whole world. Following Quinn (2000, p. 248), it was Ritzer who proposed that many practices and aspects from fast-food industry are “*making way into other areas of society*”. Therefore, Ritzer was the first who entitled this global phenomenon - *McDonaldization*. It is important to mention that the concept is not about the McDonalds's itself but rather than McDonald's acts as the primary example and paradigm of this widespread process. It affects not only food industry but also education, career, travelling, leisure time, catering, policy, family and potentially all of the other sectors of society. (Ritzer 1996; Khondker 2004) According to Ritzer (2010), McDonaldized institutions operate according to four main dimensions: calculability, efficiency, predictability and control. The same opinion have Horská and Krasnodębski (2009).

2. Data and Methods

The basic aim of the paper is to evaluate the level how consumers associate with CSR policy of the company McDonald's within the conditions of the Slovak Republic. The main subject of our research is probably the most famous fast-food restaurant in the world - McDonald's, that

is not only considered as one of the main actors of globalization, but represents the best example of very interesting process called McDonaldization.

Primary information and data were obtained by questionnaire survey and helped us to find out the extent to which the consumers perceive McDonald's CSR policy. Secondary data consist of publications, web page of the company, annual statistical reports and reports concerning CSR. Processing of the data obtained from questionnaire survey and reports from the McDonald's was done by the use of several mathematical and statistical methods. To graphically display the results we used MS Excel and for other statistical processing, the SAS program.

Kruskal-Wallis test, which is non-parametric equivalent to analysis of variance was used to evaluate the significance of differences in mean values for more than two independent sets. To verify the H0 hypothesis, which assumes that there are no differences in mean values (respondents' opinions) within the tested group, we used the following relationship:

$$H = \frac{12}{N(N+1)} \cdot \frac{\sum_{j=1}^n R_j^2}{n_j} - 3(N+1)$$

Where:

R_j^2 = sum of the sequence of each sample;

n_j = the frequency of each sample;

N = sum of frequencies of all samples.

By running the test in SAS program, we received the required test value p-value at the selected level of significance 5% = 0.05. In the case that p-value < 0.05, H0 hypothesis is rejected and we accept the hypothesis H1, which says that there are significant differences at least between one pair of mean values within the sample. In the case that p-value ≥ 0.05, we accept H0 hypothesis. Thus, the differences between each pair of the mean values may be the result of random sampling, and are not statistically significant.

3. Results and Discussion

As it is mentioned above, McDonald's belongs to the most famous fast-food chains in the world. Currently, this restaurant is operating in more than 100 countries, with approximately 35,000 locations. In terms of serving the customers, it is possible to say that over 70 million people visit McDonald's every day. In Slovakia, the first McDonald's restaurant was opened in 1995 in Banská Bystrica and nowadays, there are exactly 30 restaurants in the country.

Activities reflecting CSR have been part of McDonald's since its foundation. However, it has been possible to observe greater activity in this direction particularly during the last two decades of the 20th century. Nowadays, McDonald's as one of the leading global brands that operates within the global community seeks to use its reach and resources to ensure sustainable development in fields which form an integral part of business of McDonald's. Since 2002, the core part of McDonald's business is development of CSR & Sustainability Framework. Its main aim is to support the commitment of the company to create shared value for both business and society. The last published Framework deals with the period 2012 – 2013. As it could be seen from the figure below, it is basically focused on 5 key pillars – Food, Sourcing, Planet, People, and Community. The report consists mainly from data of the top nine markets of McDonald's that are Australia, Brazil, Canada, China, France, Germany, Japan, the United Kingdom and the United States. One may assume why are they called "top markets"? The answer is simple. This label reflects more factors such as operating income, amount of restaurants, sales and other ones. Most important is the fact that their share in total revenues represents approximately 70%.

Table 1: Corporate Social Responsibility & Sustainability Framework for 2012 – 2013

Key Areas	Programs and Activities	Results
Food	Happy Meals	Offered fruits/vegetables/low fat dairy in more than 95% restaurants
Sourcing	Fisheries	100% of suppliers McDonald's sources whitefish from are verified sustainable
Planet	Waste and Recycling	Out of 34,113 restaurants in 2013: - 90% reported recycling used cooking oil - 77% reported recycling corrugated cardboard
People	-	87% managers felt supported in their professional development (Cana, Germany, the U.S., Brazil, Japan)
Community	Ronald McDonald House Charities	Foundation has impact on the lives of 7 million children and their families

Source: Own processing.

However, activities and programs mentioned above create just a small portion of all McDonald's activities. Most of the results are achieved within the area of waste management and renewable resources. The company itself is a member of many global or international initiatives dealing with CSR and sustainable development.

3.1 CSR of McDonald's within the Slovak Republic

Since the existence of McDonald's in the Slovak Republic, the company has been also engaged in the field CSR policy. Its activities were mostly of charitable nature and sports events, or occurred in form of several appeals that served to support children in difficult social situation and to the development of selected hospital wards. All activities were more or less oriented towards the child customer and were mainly carried by support of RMHC (Ronald McDonald's House Charities). The minimum range of CSR programs and activities in Slovakia have been focused on the development of areas such as environmental protection or sustainable development.

When compared to the global market in which McDonald's operates, it is possible to conclude that the distribution and the extent of activities in our research area is significantly uneven in the Slovak market. For better assessment of the situation, we developed a questionnaire survey to evaluate the level to which the consumers consider McDonald's as a socially responsible company, as well as the degree of influence on consumer behaviour and the trend towards socially responsible consumption.

Altogether, out of 110 respondents, the distribution of sample was as following: students created 79.1%; employed people had 16.4% share and the rest (4.5%) was created by respondents that are unemployed, retired, or on maternity leave. Most of the respondents (53.6%) achieved secondary education or tertiary education (46.5%). In terms of age, the most extensive group consisted of respondents between 16 and 24 years, which in relative terms represents 77.3%. Therefore, we came to conclusion that the most extensive group of consumers in McDonald's in Nitra region is created by consumers in the age category 16 to 24 years with secondary education.

3.2 How Do Consumers Perceive CSR of McDonald's in Slovakia?

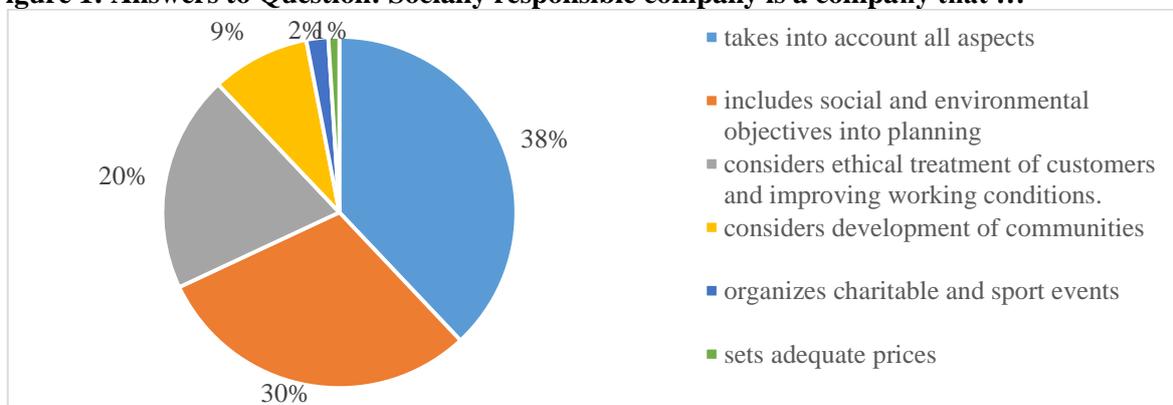
Nowadays, a large number of business activities that take place within companies at local, national and international level, are not carried out without considering the concept of the ethical and social responsibility. Every company dealing with CSR should set the socially responsible policies and activities in a way that it would be possible to ensure long-term positive development of the whole society in all respects and in all locations where it operates through them. To be able to assess the extent and effectiveness of CSR of McDonald's implemented in

Slovakia and its perception of the Slovak consumers in the first place, we determined what they understand under the CSR policy in general.

3.2.1 Are Respondents Familiar With the Concept of CSR?

To the question “Socially responsible company is a company that ...”, 38% of respondents (31 out of 82) answered that CSR policy of company should take into account all aspects (from charitable activities, through the development of local communities, to including social and environmental objectives into its planning). 30% of respondents (25) said that part of the CSR policy should focus mainly on the consideration of social and environmental objectives during the planning and 20% of respondents (16) believed that companies should pay more attention to more ethical treatment of customers and improving the conditions on the workplace. 9% of respondents (7) states that companies should pay more attention to the development of communities and only 2% of respondents (2) considered the organization of charitable and sports events as the main core of CSR policy. Only one respondent chose the other option (setting adequate prices), which represent 1%.

Figure 1: Answers to Question: Socially responsible company is a company that ...”



Source: Own research.

Based on the selected answers, we decided to investigate whether there exist relationship between the level of education and their opinion to the question, what is socially responsible business and what activities should be comprised within CSR policy. We tested the following hypothesis:

H₀: There is no relationship between the level of education of respondents and their opinion on what activities should be comprised within CSR policy.

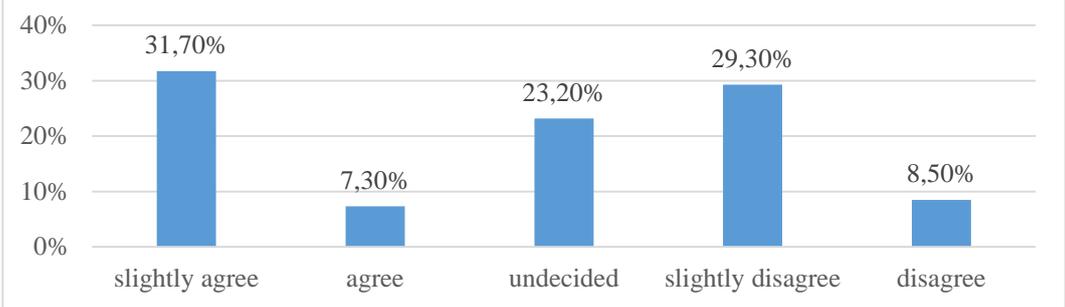
H₁: There is a relationship between the level of education of respondents and their opinion on what activities should be comprised within CSR policy.

Resulting from the χ^2 -square test ($p = 3.86172$), we did not reject hypothesis H₀, which means that there is no relationship between level of education and opinions on what activities should be comprised within CSR policy.

3.2.2 Do Consumers Consider McDonald's as Socially Responsible Company?

Assuming that respondents understand the concept of CSR, we determined to what extent the consumers consider McDonald's as socially responsible company. It was done with the help of Likert scale. The following diagram gives us an overview of the evaluation results.

Figure 2: Answers to the Question: Do you consider McDonald’s as socially responsible company?



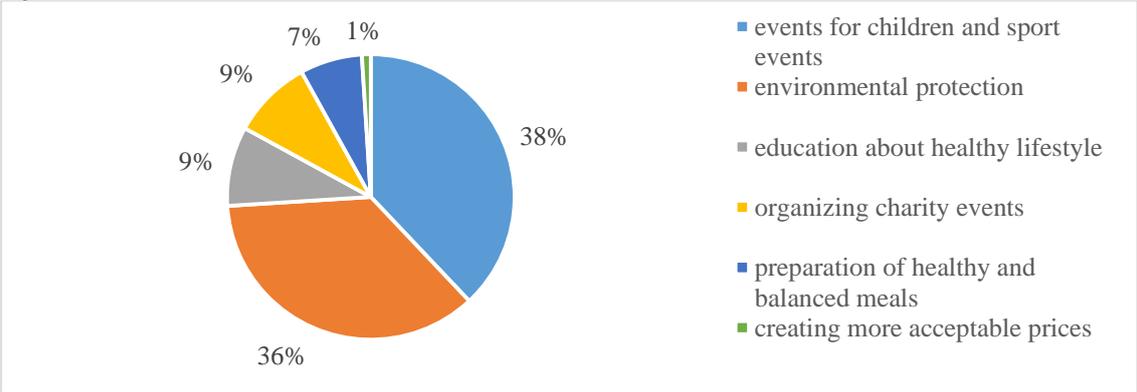
Source: Own research.

The majority of respondents (26), which in relative terms represents 31.7% said they “slightly agree” with the designation of McDonald’s as socially responsible company. On the other hand, only 29.3% of respondents (24) indicated, they do not consider McDonald’s as a socially responsible company and therefore “slightly disagree”. In this case, respondents’ answers were balanced. 23.2% of respondents (19) do not know their opinion to the question, 7 respondents (8.5%) do not think of McDonald’s as a responsible company and “disagree” and 7.3% of respondents (6) agree with this label.

3.2.3 What Do Consumers Consider as a Core Part of McDonald’s CSR?

As a major activities within CSR policy of McDonald’s, 38% of respondents (31) labelled organizing the events for children and sports events. 36% of respondents (30) thought that CSR policy of McDonald’s deals mainly with the activities undertaken in the context of environmental protection. About 9% of respondents (7) considered education about healthy lifestyle as a part of McDonald’s CSR policy. The same percentage of respondents 9% (7) thought that socially responsible activities of McDonald’s consist of organizing charity events. 7% of respondents (6) responded that McDonald’s CSR policy takes into account the preparation of healthy and balanced range of meals in its menu. Only 1 respondent (1%) chose other option (creating more acceptable prices).

Figure 3: Answers to the Question: What do you consider as major part of McDonald’s CSR policy?



Source: Own research.

When comparing the responses to questions 1 and 3, we came to the following conclusions:

- in question 1, only 2% of respondents believed that the core part of CSR policy and activities within it should be the implementation of charitable and sports events;
- in question 3, majority of respondents (38%) responded that socially responsible activities of McDonald’s are mainly associated with organizing the events for children and sports events.

This fact supports our initial findings about the focus of activities under the McDonald's CSR policy in Slovakia, which are mainly oriented on child's customer, sports events and charity events. We can argue that in terms of CSR policy, McDonald's in Slovakia does not realize activities that correspond to the requirements of Slovak consumers in a way it resulted from statistical evaluation of the question 1.

In this question, we also examined whether there exists a relationship between the gender of the respondent and their idea of CSR policy. Respondents had several options to choose from. When verifying this hypothesis, we used the fact that in a long-term, McDonald's follows the trends of increasing consumer interest in more responsible approach to the environment, a healthy lifestyle and healthy diet, which attracts mainly women. We tested the following hypothesis:

H₀: There is no relationship between the gender of the respondents and their idea of CSR policy in McDonald's.

H₁: There is a relationship between the gender of the respondents and their idea of CSR policy in McDonald's.

Resulting from the χ^2 -square test ($p = 15.8829$), we rejected the hypothesis H₀ and accepted H₁. This means that there is a relationship between gender of respondent and his/her idea of CSR policy in McDonald's. This fact is also confirmed by statistics from the questionnaire survey, in which orientation on creating and sale of a healthy, balanced and quality food was preferred only by women. Men chose alternatives as environmental protection and organizing the sports activities.

3.2.4 What is the Level of Awareness of Consumer about McDonald's campaigns?

Responsibly oriented business activity is not just a one-sided effort. To achieve positive and sustainable growth and development of the company, all the components that are part of the business (such as purchasers, suppliers, primary producers, consumers) should contribute to it. Therefore, there is a need for mutual cooperation. One of the ways how to engage consumers into the process of CSR, is effective communication. However, its final effect and influence depends on the selected communication means and channels.

The high level of communication and access to information have both a significant impact on their position in the mind of the consumer and thus, they are affecting the formation of consumers' opinion. If a company wants to build fixed position, strengthen the image of a trusted company and to get consumers to "its side", it should take into account the following points:

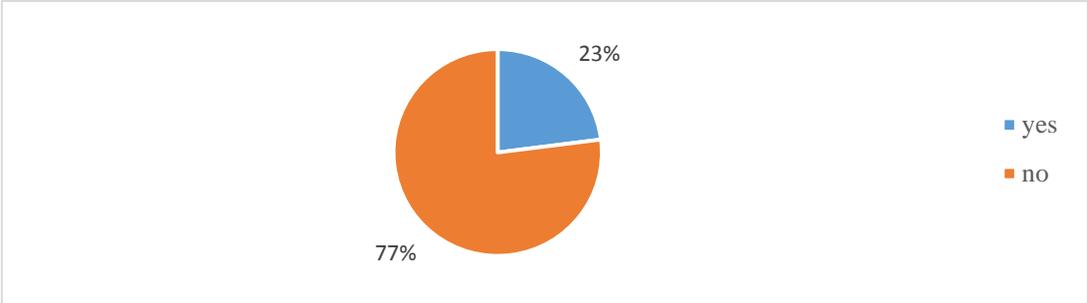
- To select effective forms and means of communication;
- To provide relevant information in sufficient quantity and provide unrestricted access to find them;
- To enable consumers to contribute through their own actions to the growth and development of company (for example, buying products that support the specific objectives, with the option to engage in campaigns, etc.).

Therefore, the main aim of the following part of the survey was find out the level of customer awareness about McDonald's campaigns, strategies and activities implemented under the CSR policy of McDonald's in Slovakia.

As an example to evaluate the knowledge and awareness of McDonald's strategy, we chose the strategy "Best of Green". It is basically a summary of so-called "good case practices" of the individual markets in Europe, where McDonald's operates. This mentioned strategy, available at webpages of McDonald's, includes case studies, taking into account the sustainable growth and development of agriculture, environmental protection, improving conditions for workers, increasing the quality, balance of McDonald's menu and more. Respondents' answers to the

next question: “Have you ever heard about McDonald’s strategy “Best of Green”?, can be seen in the following figure.

Figure 4: Answers to the Question: Have you ever heard about McDonald's strategy “Best of Green”?

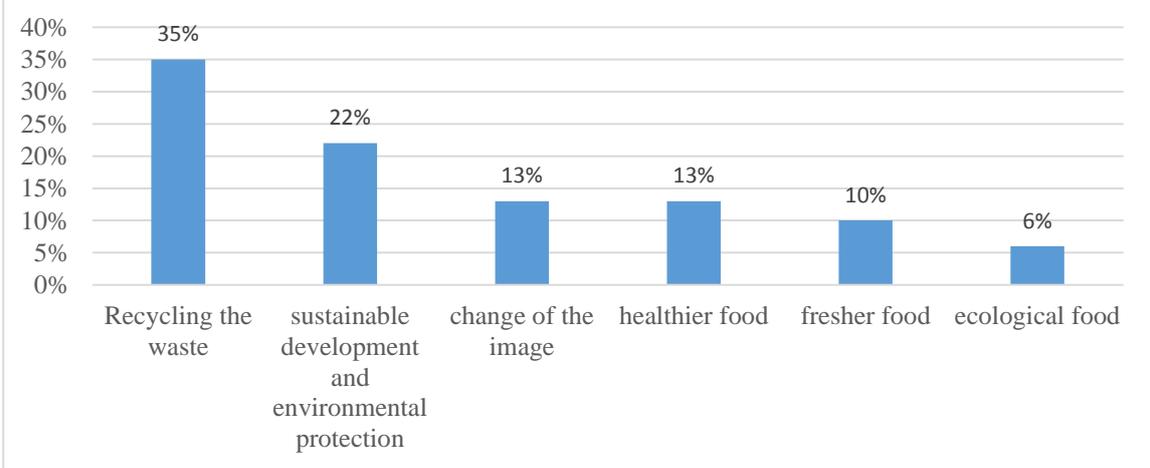


Source: Own research.

More than two thirds of the respondents (77%) answered negatively, what represents 63 respondents from a total of 82. This question was answered positively only by 19 respondents (23%). Respondents who marked “yes” further answered, where they have heard about it. 37% of them stated they knew about the strategy from the Internet. Next, there is a 32% of respondents who read about it on the product package and 26% of respondents indicated friends and family as a source of information. The remaining 5% of the respondents learned about the strategy from the press.

Finally, the respondents were asked what they imagined under the selected strategy. The distribution of answers was as following:

Figure 5: Answers to the Question: What do you think the strategy “Best of Green” represents?



Source: Own processing.

35% of respondents (29) indicated that they think it deals with the activities connected with recycling waste. 22% of respondents (18) believed that it is a plan for sustainable development and environmental protection. The option “to change the image of the company” was chosen by 13% of respondents (11). The same number of respondents thought that is the strategy introducing healthier and more nutritious meals in the menu. Only a small percentage of respondents 10% (8 respondents) answered that the strategy presents introduction of fresher food into menu. The last option “introduction of organically produced and grown foods to menu” was chosen only by 6% of respondents (5).

4. Conclusion

Company that is socially responsible should demonstrate this “responsible approach” within the three pillars of society which are profit, people and planet. It is possible to state that McDonald’s, with the help of its complex CSR policy that includes environmental protection, sustainable business, support and development of employees, communities as well as the increased emphasis on the quality and safety of products being sold and cooperation with international organizations, is fully oriented on all three pillars .

It is possible to say that CSR policies and activities of McDonald’s either in Slovak or in the international market have several common characteristics. This includes for example the providing of the nutrition information (for customers when creating a balanced menu), financial support through the Foundation of Ronald McDonald, strict control and emphasis on quality ingredients, change of the image of restaurants in line with the new strategy of “Go Green” as well as communication with consumers through current international campaigns.

Diversity of McDonald’s CSR policy in international and Slovak market can be observed in the extent of the activities, the level of their effectiveness and impact of such activities on the behaviour of Slovak consumers.

Despite the wide range of CSR activities McDonald’s (particularly in the nine top markets mentioned above), in Slovakia it is only in the form of child, charity and sports events, as also 38% of respondents identified with this opinion. On contrary, only 2% indicated that these activities should be the actual core part of McDonald’s CSR activities on the Slovak market.

Despite the current situation on the Slovak market, the company McDonald’s dispose of many options how to improve the situation in the area of CSR policy. Relatively rapid adaptation of Slovak consumers to new trends, openness and ability to learn, may be the future focus for McDonald’s that will help to build more effective CSR policy. Therefore, this policy could have more significant impact on the particular consumer behaviour and directing them towards a more sustainable and responsible consumption.

Acknowledgements

This paper was created within the research project VEGA supported by the Ministry of Education, Science, Research and Sport of the Slovak Republic VEGA *Corporate Social Responsibility (CSR) of the Slovak Enterprises in the context of Internationalization in Business*. Project registration number 1/0044/13.

References

- Aaronson, S. (2003). Corporate responsibility in the global village: The British role model and the American laggard. In *Business and Society Review*, vol. 108, no. 3, pp. 309-38.
- Adams, C. - Frost, G. - Weber. (2004). Triple bottom line: a review of the literature. In Henriques, A., Richardson, J., (Eds.), *The Triple Bottom Line. Does it All Add Up? Assessing the Sustainability of Business and CSR*, New York: Earthscan Publications, pp. 17-25.
- Carroll, A. (2008). A history of corporate social responsibility: Concepts and practices. In Crane, A., McWilliams, A., Matten, D., Moon, J. and Siegel, D. (eds), *The Oxford Handbook of Corporate Social Responsibility*. Oxford: Oxford University Press, pp. 19–46.
- Carroll, A. B. - Shabana, K. M. (2010). The Business Case for Corporate Social Responsibility: A review of Concepts, Research and Practice. In *International Journal of Management Reviews*, vol. 12, no. 1, pp. 85–105.
- Crane, A. - McWilliams, A. - Matten, D. - Moon, J. and Siegel, D. (2008). *The Oxford Handbook of Corporate Social Responsibility*. Oxford : Oxford University Press.
- Gulyas, A. (2009). Corporate Social Responsibility in the British Media Industries – Preliminary Findings. In *Media, Culture & Society*, vol. 31, no. 4, pp. 657-68.
- Gurská, S. - Válová, A. (2013). Corporate Social Responsibility in Mining Industry. In *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, vol. 61, no. 7, pp. 2163—2170
- Horská, E. - Krasnodębski, Andrzej. (2009). The selected theoretical and practical viewpoints to managing cultural diversity in the international business. In *Agricultural economics*, vol. 55, no. 8, 368-374 pp.

- Khondker, Habibul Haque. (2004) Glocalization as Globalization: Evolution of a Sociological Concept. In Bangladesh e-Journal of Sociology [online]. 2 July 2004, vol. 1, 2, [cit. 2011-02-22]. Available at WWW: <<http://www.bangladeshsociology.org/Habib%20%20ejournal%20Paper%20GlobalizationHHK,%20PDF.pdf>>.
- Kolk, A. (2003). Multinationals and Corporate Social Responsibility. In *Politeia*, vol. 26, no. 98, pp. 138-152.
- Lucas, T. - Wollin, A. - Lafferty, G. (2001). Achieving social responsibility through corporate strategy: a matter of governance. *Governance and Capable Responsibility in the New Millennium*, Canberra.
- Maignan, I. - Ralston, D. (2002). Corporate social responsibility in Europe and the U.S.: Insights from businesses' self-presentations'. In *Journal of International Business Studies*, vol. 33, no. 3, pp. 497-515.
- Moura-Leite, R. – Padgett, R. (2011). Historical background of corporate social responsibility. In *Social Responsibility Journal*, vol. 7, no. 4, pp.528-539.
- Park, S. – Lee, S. (2009). Financial Rewards for Social Responsibility. In *Cornell Hospitality Quarterly*, vol. 50, no. 2, pp. 168-179.
- Perrini, F. - Pogutz, S. - Tencati, A. (2006). Corporate social responsibility in Italy: State of the art. In *Journal of Business Strategies*, vol. 67, no. 1, pp. 65.
- Quinn, B. (2000) The McDonaldization of Academic Libraries? In *College & Research Libraries*, vol. 61 no. 3, pp. 248-261.
- Rahman, S. (2011). Evaluation of Definitions: ten Dimension of Corporate Social Responsibility. In *World Review of Business Research*, vol. 1, no. 1, pp. 166-176.
- Ritzer, G. (1996) *McDonaldizace společnosti : Výzkum měnící se povahy soudobého společenského života*. 1. Český Tešín : Academia. 176 p. ISBN 80-200-1075-0.
- Ritzer, G. (2010) *McDonaldization : The Reader*. 3rd edition. California : Pine Forge Press. 449, ix p.
- Sabadoz, C. (2011). Between Profit-Seeking and Prosociality: Corporate Social Responsibility as Derridean Supplement. In *Journal of Business Ethics*, vol. 104, no. 1, pp. 77-91.
- Skýpalová, R. – Kučerová, R. (2014). Knowledge and Application of Concept of the Corporate Social Responsibility in the Czech Republic. In *NERUDO VÁ, D. 17th International Conference Enterprise And Competitive Environment*. Amsterdam, Netherlands: Elsevier Science Bv, 607-615 pp.
- Suder, G. C. (2008). *International Business Under Adversity: A Role in Corporate Responsibility, Conflict Prevention and Peace*. Cheltenham : Edward Elgar. ISBN 978-1-184720-374-8.
- Thomas, G. - Nowak, M. (2006). *Corporate Social Responsibility: A definition*. Graduate School of Business, Curtin University of Technology, Working Paper Series, no. 62, pp. 1-20.

The Role of Corporate Philanthropy in CSR

Sylvie Formánková¹, Eva Skříčková², Andrea Hrdličková³

Mendel University in Brno^{1, 2, 3}

Department of Management

Zemědělská 1

Brno, Czech Republic

e-mail^{1, 2, 3}: sylvie.formankova@mendelu.cz, xskrick1@node.mendelu.cz,

andrea.hrdlickova@mendelu.cz

Abstract

Corporate philanthropy is a key component of larger concept, Corporate Social Responsibility. Both terms are often interchanged. While 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. This paper deals with the first - more specific- term: "corporate philanthropy". Many companies do not have their own philanthropic strategy or they even do not include philanthropic activities in their business strategy. One of the reasons is their insufficient knowledge of possibilities in this area and wrong surmise that philanthropy is too costly. The results of this paper are supported by the analysis of legislative environment, desk research as well as primary data evaluation in the Czech Republic.

Keywords: *corporate philanthropy, corporate social responsibility, competitive advantage, non-profit sector*

JEL Classification: *Business Administration and Business Economics; Marketing*

1. Introduction

Most people, when their philanthropy goes beyond dropping some coins in a collection tin or sponsoring a friend to run the London marathon dressed as Daffy Duck, make a cash donation to their chosen charity (on a regular basis please, the charity hopes). Most donors will claim a tax benefit for the gift in their annual income tax return (under certain circumstances). (Bishop, Green, 2008) This is the most frequent type of philanthropic activities not only by individuals but mostly by companies. In the western countries this trend starts to go beyond this possibility and the corporations try to find other ways how to support others which need help. It is quite good finding that more and more Czech companies already know the term corporate social responsibility (CSR) – but still their imagination about this concept is a little bit distorted. Most of them still think it is only about giving money to a certain non-profit organization. This is one of the reasons why mostly small and medium sized enterprises don't want to spend their time on doing it. Corporate social responsibility is a very wide concept dealing with areas such as legal responsibility, ethical responsibility, economic responsibility, social responsibility, environmental responsibility and last but not least philanthropic responsibility. Even corporate philanthropy does not mean only financial support. To find the possibilities how to approach corporate philanthropy, Czech donors' forum and Nadace Via published small guides. The forms of corporate philanthropy could be following:

- Direct support of chosen organization
 - The company provides **gift or financial contribution** to one or more chosen NGOs on a certain purpose or support of a concrete project.
- Own corporate foundation or endowment fund
 - The company establishes its **own corporate foundation** or endowment fund and uses them to support public beneficial projects or organizations.
- Long-term partnership (long-term support of a concrete organization)

- The company **supports** those one or more chosen **organizations** they have good experiences with.
- Joint project of a company and non-profit organization
 - The company and NGO work on a joint project. Interesting and good example of this cooperation could be e.g. **cause related marketing** (win-win marketing) or a **matching fund**. (Průvodce firemní filantropií, Dělat dobro dobře)

To these forms belongs also **corporate volunteering**. There exist also online portals (such as www.umsemumtam.cz) where individuals as experts register and answer to the calls of non-profit organizations that need help in the form of an advice or volunteering (short-, medium- or long-term cooperation).

The aim of this paper is to find out which role plays corporate philanthropy as a part of CSR in the business of small and medium sized enterprises.

2. Data and Methods

This paper is based on the results of a complex analysis of corporate philanthropy in small and medium sized enterprises in the Czech Republic. The desk research elaborated data from the external environment in the form of PESTE analysis and EFE matrix. The knowledge from this part of the research is summed up in the conclusion.

Second part of the research is the qualitative and quantitative research. To elaborate qualitative research, method of half-structured questionnaire in form of an interview was used. 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 number of 530 filled questionnaires were received from which 510 answers were valid. 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.

To interpret the data from questionnaire, SPSS Statistics was used.

3. Results and Discussion

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.

3.1. European Legislation

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, no 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).

3.2. Czech Legislation

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 in-come tax allowances according to Act no. 586/92 Coll., on Corporate Income Tax, § 35, article (1).

3.3. Results of the qualitative research

To sum up the results from the qualitative research, 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.

3.4. Results of quantitative research

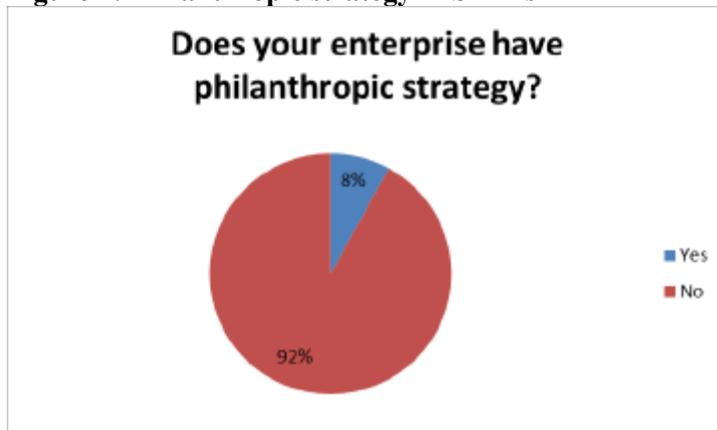
The final number of enterprises which engage in philanthropy is 227, in percentage it is 44,5 %.
Hypothesis 1: More than 70% of SMEs engage in philanthropy in order to strengthen their public relations.

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

This Hypothesis 1 **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 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. In these terms we can state that the Hypothesis 2 **is not valid** either.

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

Figure 1: Philanthropic strategy in SME's



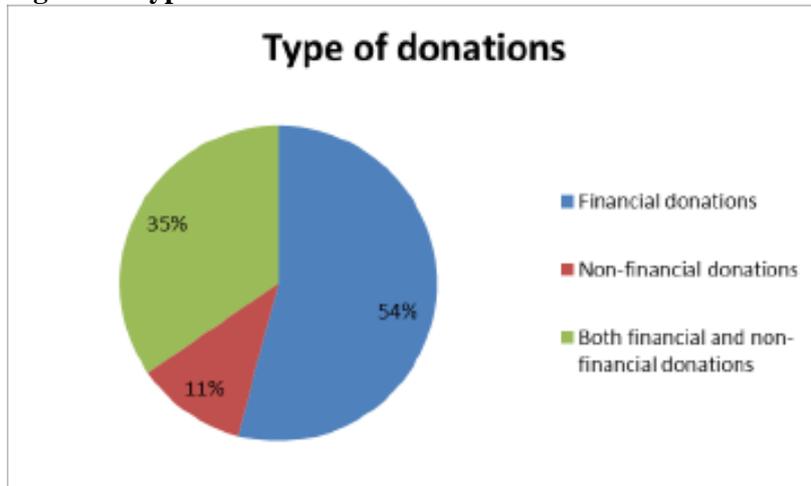
Hypothesis 3 is valid. As the results showed, more than 90% of SMEs do not have philanthropic strategy and only 8% of SMEs have. Considering only the enterprises without philanthropic strategy, majority do not have philanthropic strategy as a part of their business plan (83.5%). The remaining 16.5% of 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.

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

Figure 2: Type of donations in SMEs



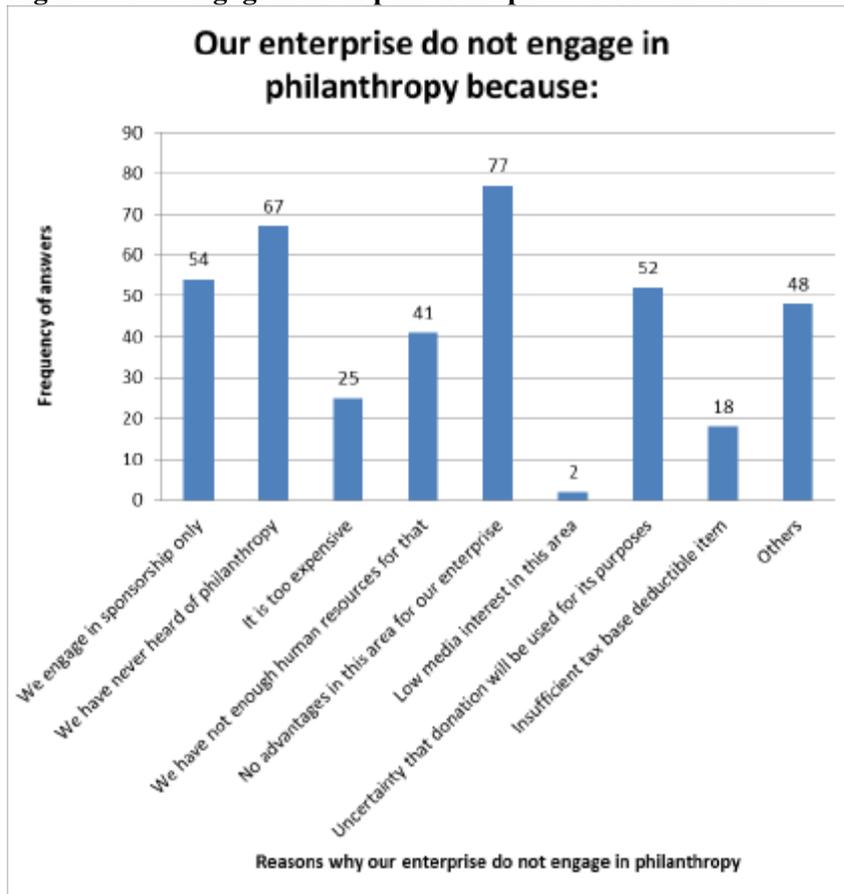
Hypothesis 4 is valid. Since only 11% of SMEs support by means of non-financial donations, the remaining 89% uses either only financial support, or the combination of the two options together.

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.

Figure 3: Not engagement in philanthropic activities in SME's



4. Conclusion

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.

At least these three imperfections should be solved so that the companies and non-profit sector could use opportunities of their common cooperation. Formánková and Mikušová (2014) also mentioned opportunities arising from the usage of CSR principle and corporate philanthropy by enterprises. There belong e.g. the improvement of corporate image, tax relief, cause related marketing, awarding, and differentiation as competitive advantage. To be able to achieve it and find an appropriate way for cooperation not only the attitude of companies has to be changed. Also non-profit organizations have to do many steps. Anheier and Leat (2006) state in their book *Creative Philanthropy* that managing a foundation adopting a creative approach involves tools, strategies, tasks, skills, structures, cultures and processes very different from those required in management a service- or science- oriented foundations. One major difference between creative and other types of foundations is that they work on a complex set of tasks that involve higher levels of uncertainty that in turn require dynamic management styles. Current discussions of the need for a new philanthropy tend to focus on ways and means to capture more private money for the public good, and on using such funds more efficiently. The problem with focusing on capturing and spending more philanthropic money is that it does not speak to the rising crescendo of challenges to the roles and practices of foundations. Such a focus fails to provide any new, robust rationale for the existence of foundations in a democracy, and does not address the question of the effectiveness of existing and potential new, foundations. Rather than simply asking for more philanthropic money, the need is to find ways of making new and existing resources work more effectively.

References

- Act no.586/92 Coll., on Corporate Income Tax, § 20, article (8)
- Act no. 435/2004 Coll., on Employment, § 67 - §
- Act no. 586/92 Coll., on Corporate Income Tax, § 35, article (1)
- Anheier, H.K.- Leat, D. (2006). *Creative Philanthropy*, New York: Routledge, 278 p., ISBN 0-415-37090-6
- Bishop, M. - Green, M. (2008). *Philanthrocapitalism. How the rich can save the world*. New York: Bloomsbury Press, 298 p., ISBN-10: 1-59691-374-6
- CSR EUROPE. The European Business Network for Corporate Social Responsibility [online]. Brussels [cit. 2015-05-18]. Available at: <http://www.csreurope.org>
- European Commission. (2011). What is an SME?: Small and medium sized enterprises (SME) - Enterprise and Industry [online], [cit. 2015-05-09]. Available at: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm
- European Commission. (2013). The European Union explained Europe 2020: Europe's growth strategy. Luxembourg: Publications Office of the European Union. [online]. [cit. 2015-05-07]. ISBN 978-927-9239-724. Available at: http://ec.europa.eu/europe2020/pdf/europe_2020_explained.pdf
- European Commission. (2011). A renewed EU strategy 2011-14 for Corporate Social Responsibility [online]. Brussels. [online]. [cit. 2015-05-18]. Available at: <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:EN:PDF>
- Formánková, S. - Mikušová, J. (2014). Companies' decision making about CSR. In *New Trends in Management in the 21st Century*. Czestochowa: Sekcja Wydawnictw Wydziału Zarządzania Politechniki Czestochowskiej, p. 199-2009, ISBN 978-83-63500-78-8
- Fórum Dárců: *Průvodce firemní filantropií*. (2005). Praha: Fórum dárců, 2005, 38p., ISBN 80-902965-5-6
- Kunz, V.. (2012). *Společenská odpovědnost firem*. issue 1. Praha: Grada, 201 p., Expert (Grada). ISBN 978-80-247-3983-0.
- Nadace Via: *Dělat dobro dobře*. (2008). *Dárcovství jako součást společenské odpovědnosti firem*. VIA, 32p.

Requirements to the Human Resource Management When selecting an Innovation strategy

Marco Pister

Slovak University of Agriculture
Faculty of Economics and Management
Tr. A. Hlinku 2, 949 76 Nitra
Nitra, Slovakia
marco.pister@web.de

Abstract

Many companies, manager and people talk about innovation and innovation strategies. Important is which questions arise with innovation strategy targets for the human resource department in relation to the strategic and operative realization. To be able to answer such question the author will clarify terms related to the areas of strategic management, operative management and special human resource requirements within the scope of the innovations processes. The paper covers in addition specific features within innovative or rather creative project teams. Also included are managerial behaviour or leadership strategies and the different types of employees, which are necessary to make creative and innovative teams successful. Closely connect are promising organizational structures and motivating procedures as well as cultural characteristics which are typical for organization which perform innovative processes.

Keywords: *Innovation, Innovative Organization,*

JEL Classification: *O31, O32, O30*

1. Introduction

Companies of today's world are facing the increase of globalisation stronger than ever before. The technological development especially within the information-, communication- and logistic-industry, as well as the linkage of the international financial markets and the increase of global players generated a world market which comes never to a standstill. This means companies are facing stronger competition than ever before. Therefore innovation or the development of new idea's, which lead's into the development of new products or services, can a very important differentiator. Innovative companies like Apple, Google are Salesforce are a good example for the success and how to differentiate with innovation.

2. Data and Methods

2.1 Methods

Which questions arise to the section Human Resources Management regarding strategic and operative implementation when pursuing strategic goals in innovation? In order to answer this question terms around the fields of strategic and operative management as well as project and innovation management will be clarified and special requirements to human resources within the frame of innovation processes will be described. Distinctive features of innovative project teams will be referred to as well as special requirements to management behaviour and the different types of employees, who are essential in order to make innovative teams successful. Promising organisational structures and motivating processes, which are typical for companies implementing innovation processes, are closely connected with this.

The author has the target with this document to introduce the "Requirements to the Human Resource Management when selecting an Innovation strategy" to the reader. Further is this section are explanations of important terms. The first main part includes contains "Planning areas in organisational management". The second part covers the "Creation of a stable

environment” and the third part “Man and Innovation”. The fourth and last part contains the “Innovation-promotive leadership”.

2.2 Important Terms

Human Resources Management und Organisation Development. All activities connected with recruiting, developing and binding suitable staff to the company comprise the field of Human Resources Management (Friedrich, 2010, p. 14). According to modern management doctrine and, above all, company practice this also includes organisation management, therefore also the creation and maintenance of general organisational conditions, which allow people to perform their tasks.

"In organisation management the formal viewpoints of an organisational structure of human resources assignments are determined by means of a layout of the organisational structure and procedural organisation. Under the aspect of organisation development and organisational learning dynamic elements for the development of the organisational management in human resources take effect." (Huber 2010, p. 44)

The British Department of Trade considers **innovation** to be the successful use of new ideas (Tidd/Bessant, 2013, S. 19). The OECD defines innovation as a product or service introduced to the market which has a significant added value for the user (Weis 2015, p. 38). Weis even expresses this in a formula: "Idea + Invention + Diffusion = Innovation" (Weis 2015, p. 36). According to Schumpeter the dynamic entrepreneur is somebody, who is innovative. He is “creator and destroyer” in one person. "He creates new things by checking the chances on the market and recombining production methods" (Stöger, 2011, p. 12).

Project management is to be understood as the planning, control and supervision of projects, which are in need of an own organisation, have their own defined objectives, have to be completed within a certain time limit and for which a defined budget is available (Blattner, 2010, p. 10).

3. Results and Discussion

3.1 Planning areas in organisational management

In derivation of the vision/mission, the mission statement and the company policy as well as the market requirements and realities, strategic and therefore long-term objectives are defined within the company. These result in long-term objectives for the divisions which assist in achieving the overall objectives and serve as a basis for the development of the operative – therefore implementation-orientated and short-term – objectives. The following diagram illustrates a classical objective pyramid.

Figure 1: Objective pyramid



Source: Illetschko, et al., 2014, p. 72

Innovation objectives can also be defined on different levels (Peritsch; 2000; p. 91):

- Innovation objectives on a normative level are desired conditions which have a positive effect on the cultural atmosphere in the company leading to innovative, performance-oriented thinking and acting.
- Strategic innovation objectives define the orientation to innovation capabilities. Division objectives define the goals of the individual support units within a company (e.g. human resources and administration as well as organisation development), which can be considered as a prerequisite in combination with other division objectives to head for and realize the overall company objectives.
- Operative innovation objectives are objectives in stages with which the capabilities of a company can be used productively and, at best, growth-effectively in order to achieve the overall objectives.

No matter which methods are applied for strategy management and objective definition, human resources management also performs goal-directed work in this first top planning stage. Tidd and Bessant are of the opinion that there is no clear management practice that can be recommended without any ifs and buts. The application of strategy planning measures and the creation of positive settings to promote innovation are, from their point of view however, clearly dependent of certain influencing factors (Tidd/Bessant, 2013, p. 176).

Among others this is ensuring that there is a very open view regarding future trends, depending on whether an innovation strategy or a follower strategy is to be applied. Human resources management takes over a central position here as an “enabler”. To be concrete, objectives are possible here, which go in the direction of improving the knowledge and innovation network with customers and suppliers and also between employees (Dievernich, 2008). The authors mentioned emphasize this, as they consider the increase of "multiple sources of information, debate and scepticism" (Tidd/Bessant, 2013, p. 177) to be a prerequisite for an innovation-driving strategy process.

Furthermore Tidd and Bessant state that integrating as many players as possible in a company should be guaranteed e.g. by encouraging informal communication channels. Human resources management can make it their job to create the positive settings and make the necessary tools available in order to establish a continuous improvement process within the company (Tidd/Bessant, 2013, p. 176).

The flexibility of the strategy process is considered to be especially important by the authors of the work "Managing Innovation" to the effect that, given the necessary occasion, short-term changes must be possible in order to secure the innovation capability of all participants (Tidd/Bessant, 2013, p. 177).

The objectives and tasks of the operative human resources management, in order to promote innovative behaviour, are derived thereof, from the authors' point of view, the following:

- Creating clear structures, which promote open communication and state clear information duties, requirements and rights and also make these claimable
- Elaborating innovation processes with experienced employees
- Appropriate training of employees in the knowledge, understanding and implementation of innovation processes
- Introduction of an active change process, which accompanies specific project implementations as well as acting as a continuous change and improvement process in the company
- Integration of new trends and insights in organisational and management-specific standards resp. promotion and development programs.

Wördenweber, Eggert and Schmitt define 5 principles for innovation, which shall be understood as a guideline for the development of strategies and methods to promote innovation (Wördenweber et al., 2012, p. 13):

- The first definition - Rhythm: A basis must be formed within a company which helps innovation and change to become a good habit. In this connection so-called mentors are essential, who "carry away" and motivate other employees. The objective is to spread innovative thinking throughout the whole company. Old, even though successful routines are to be broken down, new behaviour patterns are to take effect as being promising and modern, rhythms are to be conveyed as standards for approved innovation processes (Wördenweber et al., 2012, p. 14 and 16).
- The second definition - Change levers: Objectives and critical success factors are to be understood by this. The recognition of influencing factors which have a particularly positive effect on the direct success of the division, product or market or on the indirect success of the whole company is here to the fore. The common development of prioritized business activities and action options with employees, therefore relevant "change levers", can be mastered here by means of workshops and (KVP-) process implementation. The result is, for example, strategy matrixes which illustrate understandably for all those involved the different company objectives and their coexistence resp. relationship of dependence and influence between each other. Human resources management experts act here as promoters and presenters of such projects and workshops (Wördenweber et al., 2012, p. 27 and 32).

- The third definition - Interior compass: Which indicators react to the critical success factors? Here special attention must be paid to how a change of success factors leads to an actual effect and how this is perceived (Wördenweber et al., 2012, p. 38). Respective attendance in the field of project marketing by specialists from human resources is often helpful, in order to ensure a positive impression of the development status of the project resp. the initiative (Prieger/Schloß, 2014).
- The fourth definition - Reframing: The company shall offer the possibilities to regard markets, products, procedures and other problem areas from a different perspective and develop a completely new view (Wördenweber et al., 2012, p. 52). New perspectives are mostly developed in comprehensive workshops which offer the possibility, for example, to approach a problem from the point of view of the customer. Human resources management experts pay attention to the fact that, in workshops like this, the composition of the participants is as diverse as possible regarding their selection according to different application areas, training standards, capabilities, traits of character and formal as well as informal roles in the company. Special objectives and resulting task areas for human resources management and organisation development will be the result in the field of motivation. Structures and processes in the company have to be designed in such a way that employees become visionaries resp. have a vision or, under ideal circumstances, show a so-called “sweet-spot” target behaviour. According to the model of the “field of motivation” a certain behaviour of the employee is understood by the term vision, which is influenced by the two dimensions influence and perspective. "Influence describes the possibility to determine one's own destiny. Perspective results from the desire or hope to achieve a goal or a condition" (Wördenweber et al., 2012, p. 49). A visionary is always willing to innovate, however he cannot yet achieve his goal with the given means. An employee with “sweet-spot” target behaviour resp. self-consciousness uses the possibilities that are existant in the company in order to develop and to achieve his personal objectives in alignment with the company objectives (Wördenweber et al., 2012, p. 50).
- The fifth definition - Impulse: It is necessary to recognize and enable the benefit of special motivation. For this particularly open communication structures and possibly reward systems for improvement proposals are a possible method of organisation development (Wördenweber et al., 2012, p. 63).

3.2 Creating a stable environment

Particular demands – concerning the achievement of operative objectives – are also to be made to the human resources and organisation development departments of an innovative company. These are mostly characterized by the following questions relevant to organisation development which convey uncertainty and have to be clarified (de Bes/Kotler, 2011, p. 1-10):

- What is understood by innovation in a company?
- Who is responsible for innovation in a company?
- Is the difference between innovation and creativity clear?
- Are there any stable organisational general conditions?
- Are there any structures that enable efficient coordination procedures?

Besides the establishment of strong structures in the core business of a company – provided there is one next to the development work – clear management processes (in the sense of control processes) and support processes (in the sense of support processes which cause overhead

expenses) are to be set up. These shall ensure stable general conditions next to the core processes – in this case the innovation process.

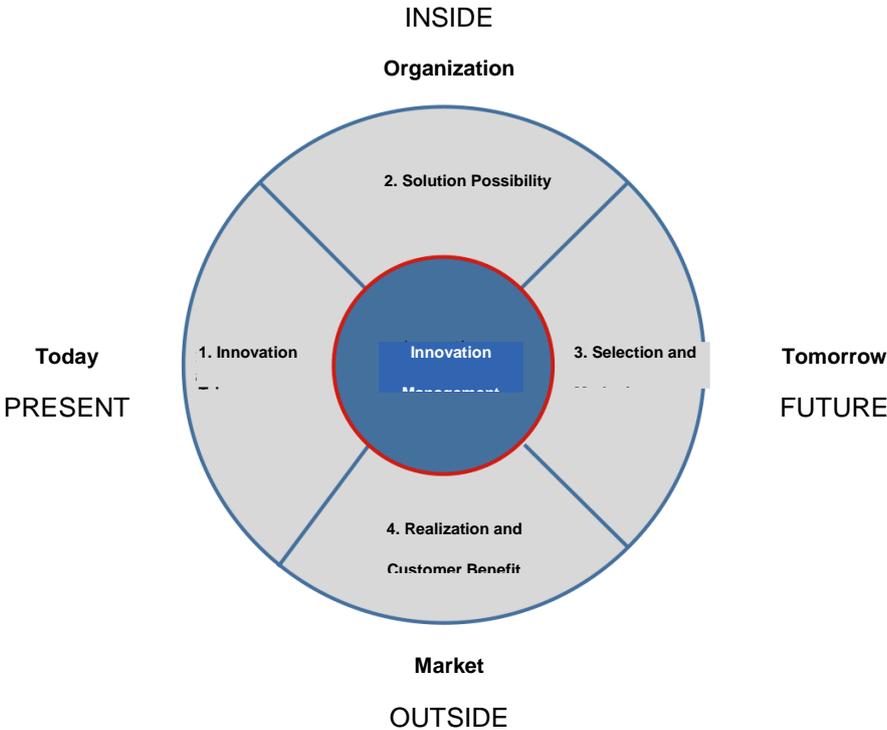
Apart from defined innovation process operations, process manuals can be of assistance concerning the achievement of objectives. In this way business models can be described in detail and can help to „identify the prerequisites for success, supervise progress and make implementation decisions” (Anthony et al., 2011, p. 6).

These will be orientated more or less to the basic model for innovation management which describes all the necessary activities for the achievement of objectives from the innovation trigger in the present over the search and finding of possible solutions and the selection of marketing to the implementation to the benefit of the customer in the future (Stöger, 2011, p. 120).

This especially comprises the requirements to human resources management from the inside view and organisation development (pls. see diagram 2) in view of the creation of structures and processes which are documented comprehensively, are realizable, accepted, known and understood (Illetschko, 2014, p. 66-69).

In order to ensure a functioning coordination between the innovatively working part of a company and the core business, it can be of aid to create matrix structures. Working groups can be formed which are a regular part of the job content, therefore also of the job specification. "The working group consists of employees who carry out innovation activities next to their normal work. The working group is not an own organisation unit” (Stern/Jaberg, 2007, p. 133). To ensure that the working group does not bundle knowledge and experience for opportunistic purposes and that the view of this unit always remains open and innovative, the teams or individual team members can be exchanged at regular intervals according to a rotating system. This requires staff-technical planning and preparation for the task. The participating employees must receive a respective area of freedom from their day-to-day business to be able to do this task.

Figure 1: Basic model of the innovation process (Own Illustration)



Source: Stöger, 2011, p. 120

A precondition for the success of such trans-departmental rotating methods is, among others, the training of the participating employees so that they know the innovation process and understand which innovation techniques there are and how they can be employed (Stern/Jaberg, 2007, p. 134).

The resulting authority to issue directives from only one place speaks in favour of creating independent units which are organized just like staff units. In this way the rights and duties of the role bearers and the necessity to report to only one place can be clearly defined and respective innovation-promotive areas of freedom for decision and research can be guaranteed (Altfeder, 1965, p. 100). "Small groups, which first and foremost concentrate on initiatives for new growth" (Anthony, et al., 2015, p. 10), support this process. Staff units tend to be regarded rather like neutral spots as far as the overall organisation and the core business is concerned (Altfeder, 1965, p. 100). As a result this encourages a disruptive behaviour, which can be seen as a prerequisite of taking innovations into consideration at all.

3.3 Man and Innovation

A key point of human resources management in innovation management is the well-targeted selection of employees who can and want to work in an interdisciplinary team.

In general the filling of key roles is unremitting for the innovation process in an innovative company, no matter under which general structural conditions innovation shall take place. In order to get going and to function, this process requires the staffing of at least three roles with suitable persons (Stern/Jaberg, 2007, p. 233):

- The expert promoter: A so-called champion distinguishes himself by technical competence as well as motivation.
- The achievement promoter: A so-called sponsor has the hearing of decision-makers and investors and lobbies for the innovation project or the innovation process within a company. "For each project there must be a responsible top manager who is absolutely convinced of it" (Anthony, et al., 2015, p. 33).
- The process promoter: A so-called integrator has methodical knowledge of the course of innovation resp. the innovation process and endeavours to coordinate as well as to positively communicate in and about the project.

Not every technically qualified employee is necessarily the right person to work in innovative environments. On selecting staff, it is essential to pay attention to the "innovation personality" of the possible candidate. "These particularly innovative people combine characteristics such as introversion and extroversion, the tendency to be a dreamer and an achiever – so creativity and self-assertion." (Stern/Jaberg, 2007, p. 233-234)

3.4 Innovation-promotive leadership

In principle, structures with a strong hierarchy are not to be seen as being innovation-promotive, as claims to power are easy to defend due to intransparency and inflexible procedures, and new ideas can be quickly inhibited by opportunistic objectives of superiors without dealing with them respectively (objective checking and decision-making). Nandram argues in favour of implementing structures which guarantee the largest possible freedom of self-control for innovative areas. An innovation process is to be observed thereby, as well as project parameters such as times and budgets, however, the scope as regards content has to be kept free of intervention from outside. The "self-managed teams" are supported by stable secondary processes, which, above all, have administration character (Nandram, 2015, p. 68). This leads to "Intrapreneurial Freedom" – as she calls it (Nandram, 2015, p. 86). That means, innovative employees think like entrepreneurs in a company (Nandram, 2015, p. 86).

4. Conclusion

A prerequisite to ensure constant change processes within a company is to make sure that the necessary way of thinking is demanded and promoted. „Disruptive Growth" has to be permitted. Such developments are understood as being disruptive, which cannot enter into direct competition with established products and services, which, however, “are clearly better in a new area.“ (Bracklo, 2014) The matching way of thinking and behaviour have to be transmitted and learnt. Behaviour which impedes, inhibits or contains disruptive growth, shall be detected and avoided. Special training is necessary for this, which project teams in innovative environments as well as top managers, who have set innovative objectives, should complete (Anthony, et al., 2015, p. 3).

The requirements to teams, which are to work innovatively, are very special. Their tasks change constantly, they act in risky projects and they are growth-driven and have to think in an entrepreneurial way. Clear structures, which offer the required flexibility and yet are firm anchors, are to be seen as the essential prerequisites for the success of innovation strategies. A suitable culture has to be created. Innovative thinking has to be promoted. Staff selection and development must always be effected in view of the innovation objective.

These are all requirements to a modern human resources management, which creates the general organisational settings to provide staff with the ideal conditions for innovative behaviour within a company

References (Books & Journals)

- Altfeder, K. (1965). *Stabstellen und Zentralabteilungen als Formen der Organisation der Führung*. Duncker & Humblot: Berlin. ISBN: 978-3428000135
- Anthony, S. D./Duncan D. S./Siren P. M. A (2015). *Ein 90-Tage-Plan für Innovationen. So installieren Sie ein funktionierendes Innovationssystem – schnell und unkompliziert*. Harvard Business Manager. Spiegel Verlag: Hamburg. Issue: März 2015 (S. 24-57)
- Blattner, B (2010). *Projektmanagement*. Diplomica Verlag: Hamburg. ISBN:
- Friedrich, A. (2010). *Grundlagen des Personalmanagements*. Verlag für Sozialwissenschaften Fachverlag GmbH: Wiesbaden.
- Huber, A. (2010). *Personalmanagement*. Vahlen: Berlin.
- Illtetschko, S./Käfer, R./Spatzierer, K. (2014). *Risikomanagement, Praxisleitfaden zur integrativen Umsetzung*. Hanser: München.
- Nandram, S. (2015). *Organizational Innovation by Integrating Simplification. Learning from Burrzorg Nederland*. Springer: Berlin.
- Peritsch, M. (2000). *Wissensbasiertes Innovations management: Analyse – Gestaltung – Implementierung*, Dt. Univ.-Verlag: Wiesbaden.
- Stern, Th./Jaberberg H. (2007). *Erfolgreiches Innovations management, Erfolgsfaktoren – Grundmuster – Fallbeispiele*. Gabler: Wiesbaden.
- Stöger, R. (2001). *Innovationsmanagement in der Praxis, Neues zum Markterfolg führen*. Schäffer Poeschel: Stuttgart.
- Tidd, J./Bessant, J. (2013). *Managing Innovation, Integration Technological, Market and Organizational Change*. Wiley: West Sussex.
- Triás de Bes/Kotler, Ph. (2011). *Winning at Innovation, The A-to-F Model*. Palgrave Macmillan: Hampshire.
- Weis, B. X. (2015). *From Idea to Innovation, A Handbook for Inventors, Decision Makers and Organization*. Springer: Heidelberg.
- Wördenweber, B./Eggert, M./Schmitt, M. (2012). *Verhaltensorientiertes Innovations management, Unternehmerisches Potenzial aktivieren*. Springer: Heidelberg.

References (Web-Pages)

- Bracklo, M. Disruption: Hype oder ultimative Formel des Wandels?
<http://neuwaerts.de/trafo/articles/2014/disruption-hype-oder-ultimative-formel-des-wandels> (12.03.2015)
- Dievernich, F. Corporate Organizational Responsibility, Innovationsmanagement, in Arbeit und Arbeitsrecht – Personal-Profi,
<http://www.dievernich.com/upload/files/Corporate%20Organizational%20Responsibility%20-%20Innovationsmanagement.pdf> (13.03.2015)
- Prieger, C./Schloß B. Projektmarketing, 2014,
<https://www.openpm.info/display/openPM/Projektmarketing> (13.03.2015)

Business Ethics Graduate Programmes as a tool of corporate social responsibility approach

Hana Stojanová¹, Markéta Lőrinczy², Petr Račoch³

Mendel University of Brno^{1,2,3}

Faculty of Business and Economics, Department of Management

Zemědělská 1, 613 00

Brno, Czech Republic

hana.stojanova@mendelu.cz

Abstract:

Present paper focuses on the analysis of graduate programmes provided for graduates from universities of economics and management in the Czech Republic and Austria to connect talented graduates with career. The aim of research was to compare trainee programmes organised by marketing agencies, IT, pharmaceutical and construction companies as their tool to highlight an approach to social responsibility. The compilation of recommendations on the improvement of business ethics graduate programmes was based on the research results. Primary data source of the research is the outcome of a set of interviews made with 12 Czech and 10 Austrian companies operating in four different sectors (marketing agencies, IT, pharmaceutical and construction companies), via face-to-face meetings and online calls. The research was carried out throughout the year 2013. Data from the structured interviews were processed using the statistical method of contingency tables and the importance ration was proved by the chi-squared test method.

Keywords:

Trainee programme – university graduates – labour market – employers – business ethics

JEL Classification: O31, O32, O30

1. Introduction

As labour market is being highly competitive, employers can afford to choose from a wide spectrum of graduates and, of course, they select applicants who have passed a proper type of professional training. The key role of training programmes is to educate and teach potential employees, usually graduates, to become a suitable employee for the company. As a matter of fact, companies put new employees on trial without giving fixed contract. Employers examine graduates from different points of view. The first is monitoring and evaluation according to results at work. The main questions are: Is she/he appropriate for the given work? Are her/his learning abilities sufficient for the given role? Will this person be a good team player? Is the person innovative? Etc. Then comes the ethical aspect, whether this person can bring competitive advantage for the company. The main questions are: Will this person be loyal? Will she/he work for this company long enough? Is the personality suitable for the local company culture? Is she/he ethically correct? Etc.

The authors analyse graduate trainee programmes in the Czech Republic and Austria, two countries with the same historical roots when it comes to cultural, educational and political system, and use the results as an important determinant for General ethical business model.

2. Data and Methods

The main objective of the present research is to propose recommendations how to improve the graduate programmes by comparing trainee programmes and implementing research outputs, helping companies this way to select the suitable employee according to working skills and ethical characteristics. Interviews were carried out in two forms. Structured interviews were made with 12 Czech and 10 Austrian firms operating in four sectors (marketing agencies, IT, pharmaceutical and construction firms), via face-to-face meetings and online calls.

Table 1: List of Austrian and Czech companies

List of respondents	Size	Sector
Austrian companies		
Absolute-IT	> 250 employees	IT
BOSCH	< 250 employees	Marketing/ media
Fabasoft	> 250 employees	IT
IVM Engineering	< 250 employees	IT
MAN Truck & Bus AG	< 250 employees	Engineering/ constructing
Meditrax GmbH	> 50 employees	Pharmaceutics
Red Bull GmbH	< 250 employees	Marketing/ media
STACHER	> 10 employees	Engineering/ constructing
ZKW	< 250 employees	Engineering/ constructing
ZUSER Ressourcenmanag GmbH	> 250 employees	Other
Czech companies		
AutoCont CZ a.s.	< 250 employees	IT
AVE CZ	< 250 employees	Marketing/ media
ČEZ	< 250 employees	Other
ČSOB	< 250 employees	IT
GE Money Bank	< 250 employees	IT
Hirex, s.r.o.	> 10 employees	Engineering/ constructing
NET4GAS	< 250 employees	Other
Nutricia, a.s.	> 250 employees	Marketing/ media
PIERRE FABRE DERMATO, s. r. o.	> 50 employees	Pharmaceutics
Škoda auto	< 250 employees	Engineering/ constructing
Tesco	< 250 employees	Marketing/ media
Unistav	> 250 employees	Engineering/ constructing

Source: Own elaboration based on data obtained from research

The successful school-to-work transition has been influenced by two main drivers of higher education transformation worldwide, the massification and the global knowledge economy [1,7,22,31]. There are researches argue that higher education has *decreased in quality*, as the access to study on universities has been widened to almost all groups of population [13,24,15]. The influence of the knowledge economy and the demand for skills has also led to extension of higher education [27, 12]. Due to this fact, companies cannot select employees only according to their qualifications. Therefore, before the company makes a decision on hiring a person, it should take many factors into account that may influence the whole company [10]. Each prospective employee has a different view on making ethical decisions due to its personal set of values, belief and cultural environment. Therefore individuals with similar ethical values and field of study or working experience are usually attracted to the organizations with similar ethical environment [5]. According to a global study of managers, two-thirds of respondents see investments in corporate social responsibility as a competitive necessity [18] and therefore ethical behaviour becomes a crucial factor for employers. More and more companies communicate their ethical interest openly because they need employees who will adapt their goals, ethical values and beliefs and identify with an ethical organization. The trainee programmes could be one of the key steps of General ethical business model. According to Lőrinczy, the General ethical business model consists of 3 external components (people, external environment and external forces) and 5 internal components (values, virtues and beliefs, internal environment, strategy processes, socialization process and report). According to this model the suitable candidates can be selected through personal interview (assessment centre, interview with HR person, interview with manager, personality test) and integrity – honest test. Another step for right selection could be the aforementioned tailored trainee programmes where the candidates would be tested from many perspectives.

The higher level of education in the Czech Republic is characterized by study programmes transformed into three-stage degrees, the Bachelor study programmes, Master study programmes and the Doctoral studies [8]. The Austrian higher education sector can be classified by two types of institutions. By the Universities act BMBWK adopted in 2002, a new form of higher education was established. Former Colleges of Art and Music were reclassified as universities so currently Universities and Universities of Applied Sciences (Fachhochschulen) are prevailing [16]. The Austrian Federal Ministry of Education, Arts and Culture provides the description of four levels of higher education: the Bachelor programmes (Bakkalaureus), the Magister programmes (Magister, Diplom-Ingenieur), the Doctoral studies (Doktoratstudien – Doctor) and the fourth stage University level, the Habilitation. The Fachhochschulstudiengesetz specifies Fachhochschule study programmes as vocational training on the level of higher education, more focused on the needs of the labour market by offering the education in areas of information science and technologies, engineering sciences, the media and design, social work and the health sector, tourism as well as economics [16, 28, 32].

Trainee programmes as work-based learning are considered to be particularly effective way of promoting the employability of graduates [21, 30, 33]. By these work-based learning students can obtain valuable experience increasing their competitiveness on the labour market [6]. On the other hand, companies can gain loyal and active employees whose contribution to the company's activities was already proved by trainee programme and therefore there is no doubt about giving fixed contract.

3. Results and Discussion

The distribution of sectors in which consulted companies operate was relatively homogenous. With respect to the size of companies asked, most responses were obtained from companies having more than 250 employees. For these companies, running trainee programmes is something self-evident. Trainee programmes provided by mid-sized companies are well-prepared and ensure the trainee gains valuable, high quality experience. The research showed that most of the respondents plan to recruit trainees in the next five years. In the Czech Republic the situation was different from Austria. The proportion of higher education graduates currently employed in Czech companies ranges between 0 and 15 % while in Austria it is between 0 and 35 %. Most commonly, the share of trainees employed in Czech companies ranges from 1 to 5 %. In Austria, the most frequent answer was 0 %, but in the overall view research results show that in Austria the proportion of trainees in a certain company varies between 11 and 20 %.

Table 2: Placement of a trainee into the work process

The equipment provided during the trainee programme	Austria	CR	Austria	CR	Austria	CR	Austria	CR
	Large extend(%)		Usual extend(%)		Small extend(%)		Not at all(%)	
Own working place (table, chair, computer)	70	92	30	8	0	0	0	0
Learning materials	90	58	10	42	0	0	0	0
Educational courses	50	50	50	33	0	17	0	0
Regular feedback	90	100	10	0	0	0	0	0
Mentor	80	58	20	42	0	0	0	0
Clearly defined tasks	100	92	0	8	0	0	0	0
Independence when working on tasks	60	58	40	42	0	0	0	0
Access to required information	50	42	50	50	0	8	0	0
Access to official company's meetings	30	25	60	33	10	42	0	0
Working on real projects	100	92	0	8	0	0	0	0
Opportunity to experience work in all departm.	60	58	20	25	20	17	0	0
Remuneration	80	75	10	25	10	0	0	0

Source: Own elaboration based on data obtained from research

The research showed another discrepancy between Czech trainee programmes and Austrian ones. The duration of trainee programmes is significantly longer in Austria, they usually take from 1 to 2 years. The trainee has enough time to incorporate into the company and gets the possibility to gain expertise. Trainees attending programmes available in the Czech Republic work more hours per week. The share of cooperation with universities is significantly different. For Czech companies, most of the respondents (42%) claimed that their company never cooperates with universities in order to recruit tertiary graduates for trainee programme, while in Austria 40% of respondents claimed their company cooperates very frequently with higher education institutions. Analysis of the recruitment process and company representatives' decision making on employing graduates was also part of the research. Results showed that in case of assessing the suitability of graduate, Austrian employers have higher requirements on attributes graduate should dispose with. Study results, specific characteristics, sector specific knowledge and previous work experience are more frequently required by Austrian companies than by Czech ones. On the contrary, Czech companies attach greater importance to willingness to travel.

During the trainee programme, both Czech and Austrian companies place emphasis on providing regular feedback. Although in Austria trainees usually receive appropriate learning materials, there is also a mentor assigned to them. Learning materials have to include the ethical culture of the company which is then explained by the mentor more in details. Trainee programmes in both countries are set up in a way to have clearly defined tasks, to work on real projects and to provide the trainee certain degree of independence when working on assigned tasks. The trainee should have the opportunity to experience work in all departments at usual extend. The trainee receives certain amount of remuneration in both Czech and Austrian companies. After the trainee programme, all of the companies interviewed provide the trainee with the training certificate. The employment contract is in large extend 80% offered to trainees finishing Austrian trainee programmes. In Czech companies trainees are offered the employment contract in large extend in 58 % of cases. Core differences were evaluated thoroughly and the *proposal for trainee programmes* for Czech Republic was elaborated.

Table 3: Proposals for trainee programmes improvement

	Czech Republic	Austria	Proposal of Trainee Programmes
	Customary Trainee Programmes		
Duration	1 year	2 years	2 years
Working hours per week	40 hours	40 hours	40 hours
Recruiting from universities	27%	73%	70%
Importance of factors (from the base of 100%)			
Study results	38%	62%	80%
Sector specific knowledge	48%	52%	80%
Previous work experience	43%	57%	70%
Willingness to travel for work	51%	49%	55%
Provision of items (from the base of 100%)			
Learning materials	48%	52%	90%
Educational courses	48%	52%	50%
Regular feedback	51%	49%	90%
Mentor	49%	51%	80%

Source: Own elaboration based on data obtained from research

Employers make their decision on the basis of the *similarity of study orientation* and the scope of work as well as *relevant work experience and ethical behaviour of individual*. [11]. Firms are aware of the fact that due to globalisation business ethics is prerequisite for conducting the business. That is why trainee programmes are no longer just about testing the work experience

but also about testing the social responsibility of graduates [2]. To allow graduates successfully finish trainee programme and in the same time to allow companies to achieve suitable employees, can be used General ethical model by Lőrinczy mentioned in the chapter “1. Methods and literature overview”. Trainee programmes can be part of both, the external and internal part of the General ethical model. From external components the people are important factors of company. Trainee programmes can play key role for potential candidates to apply for trainee. On the other hand, companies would have 2 years to evaluate the potential employee. From internal components the internal environment, mainly mentor would be the core person to educate trainee not only work-wise but also as an ethical steward. The trainee would gain overall perception of ethical culture of the company and therefore the adaptation for all processes would be faster.

[14, 29, 12]. The findings show that it is necessary to encourage partnership between professional institutions, research universities, business and high-tech centres [3,26], more of that authors will recommend the higher education institutions to customize their degree programmes by adopting competency profiles designed considering employers’ and labour market needs [17,25,19]. There is still a gap between graduates of higher education institutions and necessities of individuals and organisations [20, 9, 23]. Therefore it is necessary to find a way to strengthen the cooperation between universities and employers [4].

4. Conclusion

Considering the research results verified by Pearson’s chi-squared test and the importance ratio were confirmed that trainee programmes available in Austria would be better designed than the programmes provided in the Czech Republic and at the same time it was considered likely that Austrian employers have greater awareness in trainee programmes. It may be therefore declared that trainee programmes available in the Czech Republic and Austria differ in several aspects. *The most significant differences have been observed in the duration of trainee programmes, the extent of cooperation between companies and universities and in the impact of study results and previous work experience on the trainees’ recruitment decisions.* The programme works on the basis of ethical culture of the company, and teaches it using mentors and learning materials. The researchers believe that business ethics and CSR activities starts to be a very important topic for each company to maintain the competitiveness. Therefore trainee programmes should be added to General ethical model as one step to hire suitable candidate for ethic- minded companies.

References:

- ALTBACH, P. G. (2013). *The International Imperative in Higher Education*. The United States of America, Boston: Boston College: Centre for International Higher Education, 24 p. ISBN 978-94-6209-336-2
- Azmi, Rania Ahmed. (2006). *Business Ethics as Competitive Advantage for Companies In the Globalization Era*. www.researchgate.net. [Online] 2006. [Cited: April 1, 2015.] <file:///C:/Users/Mark%20C3%A9ta/Downloads/SSRN-id1010073.pdf>.
- Bernardi, R. A. (2006). ‘Associations between Hofstede’s Cultural Constructs and Social Desirability Response Bias. *Journal of Business Ethics*. 2006, Vol. 1, 65.
- Bileviciule, E. - Zaleniene, I. (2013). *Reformation of Higher Education in Europe: Essential Benchmarks and Insight in Reforming the National Education System*. Lithuania, Vilnius: MykolasRomeris University, Law Faculty, 16 p. ISBN 1857-7881.
- Blanchflower, D. G. - Freeman, R. B. (2007). *Youth Employment and Joblessness in Advanced Countries*. Canada, Chicago: The University of Chicago Press, 492 p. ISBN 0-226-05658-9.
- Bmbwk (BundesministeriumfürBildung, Wissenschaft und Kultur). (2002). *Aussendung: UniversitätsreformisteinMeilenstein – Universitätsgesetz 2002 alsGrundlagefür die Universität der Zukunft*.
- Bolden, R. - Connor, H. - Duquemin, A. - Hirsh, W. - Petrov, G. (2009). *Employer Engagement with Higher Education: Defining, Sustaining and Supporting Higher Skills Provision*. The United Kingdom: University of

Exeter, 46 p.

- Byrne, M. - Willis, P. - Burke, J. (2012). Influences on School leavers' Career Decisions: Implications for the Accounting Profession. *The International Journal of Management Education*, 10, pp. 101-111.
- Czech National Educational Fund. (2006). *Vzdělávací systém České republiky*. The Czech Republic, Prague: National Information Centre for Consultancy, 2006, 5 p. ISBN 80-86728-29-3.
- De Simone, R. L. - Werner, J. M. (2008). *Human resources development*. The United States of America, Mason: South Western College, 2008, 688 p. ISBN 0-324-57874-1.
- Devonshire-Ellis, Chris, Scott, Andy and Woollard, Sam. (2011). *Issues to Consider When Initially Hiring Staff. Human Resources in China*. 2011.
- Fallows, S. - Steven, C. (2013). *Integrating Key Skills in Higher Education: Employability, Transferable Skills and Learning for Life*. The United Kingdom, London: Kogan Page Limited, 192 p. ISBN 0-7494-3265-9.
- Humburg, M. - Velden, R. - Verhagen, A. (2013). *The Employability of Higher Education Graduates: The Employers' Perspective*. The Netherlands, Maastricht: Research Centre for Education and the Labour Market, 131 p. ISBN 978-92-79-31236-6.
- JACKSON, D. (2009). Undergraduate Management Education: its Place, Purpose and Efforts to Bridge the Skills Gap. *Journal of Management Organisation*, 15(2), 206-223.
- JOHNSON, S. - SAWICKI, S. - PEARSON, C. (2009). *Employee Demand for Skills: A Review of Evidence and Policy*. The United Kingdom, South Yorkshire: UK Commission for Employment and Skills, 2009, 144 p. ISBN 978-1-906597-12-2.
- KILPATRICK, J. - DEAN, K. - KILPATRICK, P. (2008). Philosophical Concerns about Interpreting AACSB Assurance of Learning Standards. *The Journal of Management Inquiry*, 17, 200-212.
- Kiron, D., et al. (2012). Sustainability nears a tipping point. *Sloan Management Review*. 2012, Vol. 2, 53.
- KOTTMANN, A. (2008) *Higher Education in Austria*. The Netherlands, Enschede: Centre for Higher Education Policy Studies, 48 p.
- LITTLE, B. (2001). Reading between the Lines of Graduate Employment. *Quality of Higher Education*, 7(2), 121-129.
- LOWDEN, K. - HALL, S. - ELLIOT, D. D. - LEWIN, J. (2011). *Employers' Perceptions of the Employability Skills of New Graduates*. The United Kingdom, London: Edge Foundation, 42 p. ISBN 978-0-9565604-3-8.
- MACHIN, S.- McNALLY, S. (2007). *Tertiary Education System and Labour Markets*. The United Kingdom: OECD Education Committee, 57 p.
- NICOLESCU, L., PĂUN, C. (2007). *Relating Higher Education with the Labour Market Austria*, Innsbruck: Universität Innsbruck, 12 p.
- NELIS, J., JESTON, J. (2008). *Business Process Management: Practical Guidelines to Successful Implementations*. Hungary: Elsevier, 469 p. ISBN 978-0-75-068656-3.
- PAA, H., MCWHIRTER, E. (2000). Perceived Influences on High School Students' Current Career Expectations. *The Career Development Quarterly*, 49(3), 29-44
- PAVLIN, S. (2011). *Varieties of Professional Domains and Employability Determinants in Higher Education*. Slovenia, Ljubljana: University of Ljubljana, 39 p.
- SOMERS, M. J. - PASSERINI, K. - PARHANKANGAS, A. - CASAL, J. (2014). Using Mind Maps to Study how Business School Students and Faculty Organize and Apply General Business Knowledge. *The International Journal of Management Education*, 12, 1-13.
- STREHL, F. - REISINGER, S. - KALATSCHAN, M. (2006). *Funding Systems and Their Effects on Higher Education Systems*. Austria, Linz: Johannes Kepler University Linz, Institute of Strategic Management, 21 p.
- VANDERFORD, N. L. (2013). Fixing the Broken Graduate Education Experience. *Nature Biotechnology*, 31(12), 1055-1150, ISSN 1087-0156.
- VARGHESE, N. V. (2011). *Globalization and cross-border education: Challenges for the development of higher education in Commonwealth countries*. France, Paris: UNESCO and International Institute for Educational Planning, 30 p.
- WADSACK, I. - KASPAROVSKY, H. (2004). *Higher Education in Austria*. Austria, Vienna: Federal Ministry of Education, Science and Culture, 64 p. ISBN 3-85456-453-8.
- WICKRAMASINGHE, N., VON LUBITZ, D. (2007) *Managing Knowledge Complexity, Knowledge-Based Enterprise: Theories and Fundamentals*. IGI Global, 2007. 187-225. Web. 31 Oct. 2014. doi:10.4018/978-1-59904-237-4.ch008.
- TZINER, A. - FISHER, M. - SENIOR, T. - WEISBERG, J. (2007). *Effects of Trainee Characteristics in Training*

Effectiveness. *International Journal of Selection and Assessment*, 2007, 15(2), 167-174.

ZWAHR, A. (2003). *Der große Brockhaus in einem Band*. Germany, Mannheim: Bibliographisches Institut & F.A. Brockhaus, 2003, 1175 p. ISBN 978-3765331428

The Role of HRM in CSR and Sustainable Development: Findings from V4 Countries and Serbia

Agneš Slavić¹, Nemanja Berber²

University of Novi Sad^{1,2}

Faculty of Economics, Department of Management

Segedinski put no. 9-11

Subotica, Republic of Serbia

e-mail¹: slavica@ef.uns.ac.rs

e-mail²: berber@ef.uns.ac.rs

Abstract

Corporate social responsibility (CSR) is a management concept balancing between economic, social and environmental goals. Today, CSR is accepted as an indicator of the success of the company as a whole, and as a possibility for the achievement of sustainable development. CSR is consisted of its external and internal dimensions. Inside the internal dimension, human resource management (HRM) takes very important part, as it refers to the people who are engaged in the organizations, and who are considered as one of the most important resources in each organization. Based on the HRM as the internal dimension of CSR concept, the aim of study was the exploration of the concepts of CSR and sustainable development in countries of V4 and Serbia, in relation with the HRM practice of the organizations. The authors tried to explore the role of HRM in CSR and sustainable business practice of organizations. The subjects of the research were the concept of CSR, sustainable development and HRM, as well as empirical analysis of data from the V4 countries and Serbia, total of 468 organizations, related to the implementation of CSR in organizations. The methodology of the paper included theoretical analysis of the mentioned concept, and the analysis of the empirical data on CSR, sustainable development and HRM based on CRANET database, obtained in the research period from 2008 to 2010.

Keywords: *corporate social responsibility, environmental matters, HR activities, human resource management, sustainable development*

JEL Classification: *J24, M12, M14, Q1*

1. Introduction

Corporate social responsibility (CSR) is seen as a modern management philosophy and marketing tool to gain success on the market and as a management concept that is balancing between economic, social and environmental goals. It is a type of decision that takes into account the strategic positioning of companies (Vasconcelos, Alves & Pesqueux, 2012). Also, CSR is increasingly seen as an indicator of the business performance and as an opportunity for achieving sustainable development in business and wider environment (Berber, Štangl Šušnjar, Slavić, & Baošić, 2014). CSR is mainly driven by large companies, even though socially responsible practices exist in all types of enterprises, public and private, including SMEs and co-operatives (Commission of the European Communities, 2001).

CSR is consisted of its external and internal dimensions (Commission of the European Communities, 2001). External dimension is consisted of local communities, wide range of stakeholders like business partners and suppliers, customers, public authorities and NGOs representing local communities, as well as the global environmental concerns. Inside the internal dimension CSR take into account the human resource management (HRM), health and safety at work, adaptability to the changes, and management of environmental impacts and natural resources.

Based on the HRM as the internal dimension of CSR concept, the aim of study was the exploration of the CSR and sustainable development in countries of V4 and Serbia, in relation with the HRM practice in organizations. The authors tried to explore the role of HRM in CSR

and sustainable business practice of organizations. The subjects of the research were the concept of CSR, sustainable development and HRM, as well as empirical analysis of data from the V4 countries and Serbia, total of 468 organizations, related to the implementation of CSR in organizations. The methodology of the paper included theoretical analysis of the mentioned concept, and the analysis of the empirical data on CSR, sustainable development and HRM based on CRANET database, obtained in research period from 2008 to 2010.

2. Theoretical Background

Researches on the relations between HRM, CSR and sustainable development are becoming more and more interesting all around the world (Gloet, 2006; Aguilera, Rupp, Williams and Ganapathi, 2007; Jackson et al., 2011; Kim & Scullion, 2011; Buciuniene & Kazlauskaite, 2012; Celma, Martínez-Garcia, & Coenders, 2012; Renwick, Redman, & Maguire, 2013; Berber et al, 2014; Garg, 2014; Ahmad, 2015). In the next part of the paper we presented several researches used in the process of development of our research hypotheses.

The implementation of CSR policies and practices is highly dependent on employees in terms of cooperation, which also emphasizes the critical role of HRM. The HRM could provide an interesting and dynamic support to CSR strategy design as well as implementation and delivery (Jamali1, El Dirani, & Harwood, 2015, p. 125). In order to harmonize the values of the organization, they must select and employ workers with certain moral and environmental principles and values, develop reward systems that will improve the social performance of their employees, reward the employees for the harmonization of the values and provide appropriate training and development for them (Orlitzky & Swanson, 2006). In terms of CSR and HRM it is important to explore the internal dimension of CSR. As stated, the internal dimension is primarily oriented on the workforce of the company, the organizational changes and environmental matters. HRM activities that are socially responsible (Commission of the European Communities, 2001):

- responsible recruitment,
- training and career development,
- flexible management of working time and job rotation,
- communication and information flow,
- better defined training needs,
- profit-sharing and share ownership schemes,
- empowerment of employees,
- look after the health and well-being employees,
- the balance of working and family life and concern for the safety of the workplace.

Lis (2012) states that the perception of people applied for the job and current employees in one company, on the CSR practices, determines the attractiveness of the company. Aguilera et al. (2007) investigated the relationship between communication, HRM practices and CSR since CSR requires the employees' ability to judge the social concerns of their managers and the quality of their relationship with them. They found that the multiple levels exerting pressure on firms to engage in CSR are: transnational (OECD, UN and EU), country-level (non-governmental organizations, corporate interest groups, and governments), organizational level (shareholders, top management, and consumers), and individual-level (employees). Sharma, Sharma, and Devi (2009) explored the involvement of HRM professionals in the implementation of the CSR in organizations and they suggest that human resources should take a leading role in promoting CSR activities at all levels. The authors from Lithuania performed the analysis HRM and CSR in terms of exploring the relationships between HRM, CSR and corporate performances and found that companies with a more developed HRM and better position of HRM managers in the company have a more developed and more successfully implemented CSR (Buciuniene & Kazlauskaite, 2012). The authors from Finland explored the

relations between HRM, human capital management (HCM) and CSR. They found the existence of the strong relationship between mentioned concepts. Two management approaches, HRM and HCM can support each other in improving CSR in corporations (Maksimainen & Saariluoma, 2010).

In relation with sustainable development, the HRM is seen as the key driving force in the development of sustainability of modern organizations. Human resource management should incorporate organizational culture within sustainable business strategy, but also they need to shape organizational system in a way to enable the impact on employees, society and other stakeholders, in line with the vision of sustainable society (Garg, 2014). Gloet (2006) investigated the interrelationships between knowledge management and the HRM in terms of the development of leadership and managerial skills in function of operational sustainability. They noted the importance of knowledge and information in contemporary business, where profit cannot be understood as the only business goal, and where the issues of sustainability and environmental protection are also seen as the goals of business organizations. The knowledge in the function of sustainability involves the development of new skills, acquisition of new information, the development and application of new methods and ways for knowledge management, and as particularly significant, the development of new ways of working to support the entire business process. Knowledge management and HRM in terms of the application of new knowledge and ways of working can be understood as resources to support sustainable development (Gloet, 2006). In the context of human resource management the support for sustainability can be reached through the identification of capabilities specific to sustainability and by seeking to align recruitment and selection practices to these capabilities. "Through supportive development programs and learning support these capabilities can be further developed by identifying key individuals to be fast-tracked into sustainability roles, normally on the basis of their personal values and extensive networks and relationships" (Gloet, 2006, p. 411). Ahmad (2015) points out that the Green Human Resource Management (GHRM) has become one of the key strategies for success and that HR departments play an important role in the "greening" of the workplace in modern organizations. GHRM is "directly responsible in creating green workforce that understands, appreciates, and practices green initiative and maintains its green objectives all throughout the HRM process of recruiting, hiring, training, compensating, developing, and advancing the firms human capital and it refers to the policies, practices, and systems that make employees of the organization green for the benefit of the individual, society, natural environment, and the business" (Opatha & Arulrajah, 2014; Mathapati, 2013, in: Ahmad, 2015, p. 3).

Jackson et al. (2011) pointed out the importance of the "greening" of all HRM functions, from recruitment and selection, performance management, and remuneration of employees, to career development, training and the like. Recruitment in accordance with the Green HRM means that candidates for potential workplaces realize strategic commitment of the organization for protecting the environment and possess similar values and attitudes regarding the environmental protection. Green performance management obtain a development and application of different methods and techniques for measuring environmental performance as an information system for tracking waste, recycling of waste materials, reduction of the waste generated by the organization, the development of the "green audit" and the like. From the aspect of training and development, it is important to create programs that would influence the awareness and knowledge regarding the protection of the environment and engagements in eco-initiatives in order to attain the environmental objectives. In the case of compensation, it is necessary to link rewards (base pay, incentives, and benefits) with the organizational results especially in terms of environmental sustainability and environmental protection. Since the payment based on performance (pay for performance) is an often used approach in stimulating employees, the connection of incentive earnings with environmental objectives and

performances is certainly one of the possible ways for building green human resource management. Paillé, Chen, Boiral, and Jin (2014) investigated the relationship between strategic human resource management, internal environmental concern, organizational citizenship behaviour for the environment, and environmental performances. They found that organizational citizenship behaviour for the environment fully mediates the relationship between strategic human resource management and environmental performance, and that internal environmental concern moderates the effect of strategic human resource management on organizational citizenship behaviour for the environment. Paillé et al. (2014) points that HRM should be focused more on selection, training, and rewarding employees for their environmental friendly practices in order to generate an environmental protection culture beneficial to a firm's environmental performance.

Although there are various options that could be integrated into a system of human resource management, there are several restrictions regarding the implementation of these options. According to Renwick et al. (2013) organizations did not provide sufficient support to the implementation of green human resource management, and this fact can be a limiting factor in improving effectiveness and efficiency of environmental performances.

From the above mentioned concepts, ideas and past researches, we proposed our research hypotheses:

H0: *There are positive correlations between the existence of HR strategy and CSR practice in organizations.*

H1: *There are positive correlations between the existence of socially responsible HRM practice and environmental performances in organizations.*

2. Data and Methods

In this paper Cranet methodology (www.cranet.org) has been used to identify the level of CSR practice in companies from countries of V4 and Serbia. Cranet, as an international research network organizes comparative researches on the policies and practices of human resource management, using a standardized questionnaire. The purpose of the research is to provide high quality data for academics, public and private sector organizations, as well as HRM students, and to create new knowledge about human resource management practice in different countries of the world (Slavic & Berber, 2013). In Cranet research period from 2008 until 2010 there were involved 32 countries, but for this analysis authors decided to explore only 4 countries, where three of them are countries of V4 (Czech Republic, Slovakia, and Hungary) and Serbia. Poland, as fourth country of V4, did not participate in the Cranet, so there were no data on dependent and independent variables. Table 1 presents the sample of countries used in the research.

Table 1: The sample of countries participating in the research

Countries	Frequency	Percent	Valid Percent
Czech Republic	54	11,5	11,5
Hungary	139	29,7	29,7
Slovakia	225	48,1	48,1
Serbia	50	10,7	10,7
Total	468	100,0	100,0

Source: Authors' calculation based on Cranet database

As the dependent variables those HRM activities were used which are seen as socially responsible (based on the EU Green Paper): *recruitment, training and career programs for minority ethnics, older workers, people with disabilities, women and women returners, low skilled labour, and for younger workers (from 0 (if none category of workers is include in the program) to 7 (if all categories of workers are included in the program)); information flow on*

strategy, financial results, and organization of work for managers, professional workers, clericals, and manual workers (from 0 (if none category of workers are informed) to 4 (if all categories of workers are informed)); the extent of the usage of flexi-time (percentage of employees), job rotation (from 0 to 4), profit sharing, share plans, and flexible benefits – different forms of benefits, possibilities for workers to use these benefits according their own plans and wishes (from 0 (if none category of workers are informed) to 4 (if all categories of workers are informed)); and the percentage of annual payroll costs spent on training; and the level of environmental performances (from 1 to 5).

As the independent variables we used *the existence of CSR statement, HRM strategy, and business strategy* in the organization (values: 0=no; 1=yes unwritten; 2=yes written).

3. Results of the Analysis

The analysis of the role of HRM in CSR and SD has been performed on two levels. On the first level we explored the existence of the CSR statement in organizations in the specific context. On the second level we explored the relations between CSR HRM practices and environmental performances.

Table 2: The existence of a CSR statement in organizations

Country	The existence of a CSR statement (%)			Total
	No	Yes, unwritten	Yes written	
Hungary	57.6	22.7	19.7	100.0
Slovakia	50.5	20.6	28.9	100.0
Serbia	53.8	28.2	17.9	100.0
Total	53.2	22.1	24.7	100.0

Source: Authors' calculation based on Cranet database

From the table 2 we can conclude that from the total sample about 47% of organizations possess a CSR statement, while 53% of organizations do not possess these statements. 22% of organizations have these statements but only in unwritten form. Only one quarter of organizations, 25% of them, possess a CSR statement in written form. Only in Slovakia the percentage of organizations with a written CSR statement is 29%, higher than the average. According to Berber, Štangel Šušnjar, Slavić, and Baošić (2014) these results can be explained by the fact that although CSR was explained as the approach focusing the balance between economic, social and environmental goals, the implementation of CSR concept has some limitations because usually it is not well understood and supported business concept. Mentioned authors claim that “while promoting values like social welfare and environmental protection, many companies are afraid that the orientation on the social and environmental objectives will divert their attention from the main economic goal – the profit” (Berber et al., 2014, p. 363).

Table 3: The Spearman's correlation test
 Source: Authors' calculation based on Cranet database

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Existence of business strategy (1)	1.57	.639	1.000															
Existence of HR strategy (2)	1.20	.798	.528**	1.000														
Existence of CSR statement (3)	.77	.854	.298**	.304**	1.000													
CSR recruitment (4)	.86	1.53	.068	.099	.229**	1.000												
CSR training (5)	.8683	1.50	.057	.164*	.183*	.553**	1.000											
CSR development (6)	.6543	1.26	.105	.162*	.232**	.525**	.620**	1.000										
Strategy info (7)	2.6438	1.28	.093	.110	.166*	.025	-.017	.031	1.000									
Financial info (8)	2.5455	1.33	.092	.174*	-.044	-.062	-.024	-.045	.414**	1.000								
Organizational info (9)	3.2212	1.16	.118	.202**	-.058	-.034	.028	.071	.382**	.234**	1.000							
Profit sharing (10)	.4576	1.11	.133*	.036	-.016	.060	.001	.034	.107	-.021	-.019	1.000						
Share plans (11)	.5294	1.25	.236**	.290**	.248**	.059	.066	.123	.138*	.047	.044	.247**	1.000					
Flexible benefits (12)	1.2585	1.69	.081	.186**	.284**	.035	-.018	.086	.117	.051	.097	.036	.101	1.000				
Usage of job rotation (13)	.78	1.01	.012	.136*	.251**	.169*	.239**	.222**	.052	.025	.034	-.085	.052	.117	1.000			
Percentage of annual payroll costs spent on training (14)	3.89	5.61	.179**	.177**	.177*	.144*	.115	.015	-.001	-.146*	-.142*	.089	.130*	.104	.149*	1.000		
Usage of flexi-time (15)	1.76	1.92	-.075	.004	.116	.103	.130*	.029	.056	-.008	-.194**	.033	.055	.231**	.088	.096	1.000	
Level of environmental performances (16)	3.53	.97	.089	.200**	.256**	-.026	-.039	.024	.059	.143*	.041	-.030	-.070	.139*	.162*	.048	.026	1.000
** . Correlation is significant at the 0.01 level (2-tailed).																		
* . Correlation is significant at the 0.05 level (2-tailed).																		

The table 3 presents the results of the Spearman's correlation test. We have used this test since we found that there was no normal distribution in the sample, so the non-parametric test was used to find out the relations between variables. According the data, there are positive correlations between the existence of business strategy, HR strategy, and CSR statements. Positive, statistically significant correlations were found also between CSR statements and recruitment, development, and training plans for special categories of workers (minority ethnics, older workers, people with disabilities, women and women returners, low skilled labor, and for younger workers). More developed CSR statements have positive correlations with the flow of information about strategic issues in the organizations, share plans for employees, the usage of flexible benefits for employees, the usage of job rotation, the percentage of costs spent on training of employees, and the level of environmental performances. We can conclude that the acceptance of CSR in organizations and defining that concept in form of statement in written form has a positive correlation with HRM activities.

The table 3 presents also the results of the Spearman's correlation test for testing the relations between the socially responsible HRM activities and environmental performances. According the data, there are positive correlations between the existence of HR strategy and CSR statements with the level of environmental performances. Positive, statistically significant, correlations were found also between the level of environmental performances and the flow of information on financial results, the usage of flexible benefits, and the usage of job rotation as a method for career development.

Beside these main correlations found, we also pointed to some more interesting results. One of it is the positive correlations between the existence of HR strategy and almost all HR activities in the analysis (CSR training and development plans, flow of organizational and financial information, the usage of share plans and flexible benefits, job rotation, training costs, and the environmental performances). These results are in the line with the past researches, where the SHRM is found as a driving force for the implementation of the CSR in organizations.

4. Discussion and Conclusions

The concept of CSR is modern management approach for organizations which stream to the long-term sustainable development. Based on the results of the analysis performed in this research, we can conclude that more formal and strategic approach to the CSR can contribute to the acceptance of this concept trough the main HR activities, and also to the level of environmental performances. Both research hypotheses are confirmed, and we found that there are positive correlations between the existence of HR strategy and CSR practice in organizations, and between the existence of socially responsible HRM practice and environmental performances in organizations.

Several HRM activities are found to be correlated with the existence of a CSR statement. If organizations possess more developed CSR statement then more specific categories of workers will be include in action plans for training and career development, information about business strategy will be presented to the broader range of employees (managers, professionals, clericals, and manuals), specific incentive compensation such as share plans and flexible benefits will be offered to the broader range of employees. Also, if organizations possess more developed CSR statement then more people will be include in job rotation program and higher percentage of annual payroll cost will be used for training of employees.

One more interesting result was the positive correlation between the level of environmental performances and the existence of CSR statement and other HRM activities. If there are more formalized HR strategy and CSR statement, higher usage of flexible benefits and job rotation, and broader informing of employees on financial performance, organizations will have higher level of environmental performances.

From the past researches, theoretical sources and present research result presented in this paper, the final conclusion is that the HRM is connected with the CSR practice. The elements of compensation, training, and career development are very important HRM functions in relation with the CSR concept. Future researches should explore these, but also some others HRM function, in terms of their correlations and influences on other CSR areas, not only environmental performances.

5. References

- Aguilera, R.V., Rupp, D.E., Williams, C.A. & Ganapathi, J. (2007). Putting the S back in corporate social responsibility: a multilevel theory of social change in organizations. *Academy of Management Review*, 32(3), 836-63. doi:10.5465/AMR.2007.25275678
- Ahmad, S. (2015). Green Human Resource Management: Policies and practices. *Cogent Business & Management*, 2(1). on line first.
- Basu, K., & Palazzo, G. (2008). Corporate social responsibility: A process model of sense making. *Academy of Management Review*, 33(1), 122-136. doi:10.5465/AMR.2008.27745504
- Berber, N., Štangel Šušnjar, G., Slavić, A., & Baošić, M. (2014). Relationship between Corporate Social Responsibility and Human Resource Management-as new management concepts-in Central and Eastern Europe. *Inžinerine Ekonomika-Engineering Economics*, 25(3), 360-369. doi: 10.5755/j01.ee.25.3.4222
- Buciuniene, I., & Kazlauskaitė, R. (2012). The linkage between HRM, CSR and performance outcomes. *Baltic Journal of Management*, 7(1), 5-24. doi: 10.1108/17465261211195856
- Carroll, A. B., & Shabana, K. M. (2010). The business case for corporate social responsibility: a review of concepts, research and practice. *International Journal of Management Reviews*, 12(1), 85-105. doi: 10.1111/j.1468-2370.2009.00275.x
- Celma, D., Martínez-García, E., & Coenders, G. (2012). Corporate social responsibility in human resource management: an analysis of common practices and their determinants in Spain. *Corporate Social Responsibility and Environmental Management*, 21(2), 82-99. doi:10.1002/csr.1301
- Commission of the European Communities, (2001). *Promoting a European framework for corporate social responsibility*. Green paper, 18.7.2001. Brussels: EU Commission. Retrieved from europa.eu/rapid/press-release_DOC-01-9_en.pdf.
- Jackson, S. E., Renwick, D. W. S., Jabbour, C. J. C., & Muller-Camen, M. (2011). State-of-the-art and future directions for green human resource management: Introduction to the special issue. *Zeitschrift für Personalforschung*, 25, 99-116. doi:10.1688/1862-0000_ZfP_2011_02_Jackson
- Jamali, D. R., El Dirani, A. M., & Harwood, I. A. (2015). Exploring human resource management roles in corporate social responsibility: the CSR-HRM co-creation model. *Business Ethics: A European Review*, 24(2), 125-143. doi:10.1111/beer.12085
- Juščius, V., & Jonikas, D. (2013). Integration of CSR into Value Creation Chain: Conceptual Framework. *Inžinerine Ekonomika-Engineering Economics*, 24(1), 63-70. doi: 10.5755/j01.ee.24.1.2016
- Lis, B. (2012). The Relevance of Corporate Social Responsibility for a Sustainable Human Resource Management: An Analysis of Organizational Attractiveness as a Determinant in Employees' Selection of a (Potential) Employer. *Management revue – The International Review of Management Studies*, 23(3), 279-295. doi:10.1688/1861-9908_mrev_2012_03_Lis
- Maksimainen, J., & Saarihuoma, P. (2010). How Human Resource Management and Human Capital Management Influence Corporate Social Responsibility (CSR). *International Journal of Knowledge, Culture and Change Management*, 10(5), 111-126.
- Mathapati, C. M. (2013). Green HRM: A strategic facet. *Tactful Management Research Journal*, 2(2), 1-6.
- Opatha, H. H. D. N. P., & Arulrajah, A. A. (2014). Green Human Resource Management: Simplified general reflections. *International Business Research*, 7(8), 101-112. doi:10.5539/ibr.v7n8p101
- Paillé, P., Chen, Y., Boiral, O., & Jin, J. (2014). The impact of human resource management on environmental performance: An employee-level study. *Journal of Business Ethics*, 121(3), 451-466. doi: 10.1007/s10551-013-1732-0
- Renwick, D. W., Redman, T., & Maguire, S. (2013). Green human resource management: a review and research agenda. *International Journal of Management Reviews*, 15(1), 1-14. doi: 10.1111/j.1468-2370.2011.00328.x
- Sharma, S., Sharma, J., & Devi, A. (2009). Corporate Social Responsibility: The Key Role of Human Resources Management. *Business Intelligence Journal*, 2(1), 205-213.

- Slavic, A. & Berber, N. (2013). The Role of Human Resource Information Systems in EU based on CRANET research. International Conference on Applied Internet and Information Technologies. Zrenjanin: The Technical Faculty "Mihajlo Pupin".
- Taylor, S., Osland, J., & Egri, C.P. (2012). HRM's role in sustainability: Systems, strategies, and practices. *Human Resource Management*, 51(6).doi:10.1002/hrm.21509
- Vasconcelos, I. F. F. G., Alves, M. A., & Pesqueux, Y. (2012). Responsabilidade social corporativa e desenvolvimento sustentável: olhares habermasianos. *Revista de Administração de Empresas*, 52(2), 148-152. doi: 10.1590/S0034-75902012000200002
- Virvilaite, R., & Daubaraite, U. (2011). Corporate Social Responsibility in Forming Corporate Image. *Inzinerine Ekonomika-Engineering Economics*, 22(5), 534-543. doi: 10.5755/j01.ee.22.5.972
- Vountisjarvi, T. (2006). The European context for corporate social responsibility and human resource management: an analysis of the largest Finnish companies. *Business Ethics: A European Review*, 15(3), 271-291. doi: 10.1111/j.1467-8608.2006.00449.x
- Zoogah, D. B. (2011). The Dynamics of Green HRM Behaviors: A Cognitive Social Information Processing Approach. *Zeitschrift für Personalforschung*, 25(2), 117-139. doi: 10.1688/1862-0000_ZfP_2011_02_Zoogah

Economic education as an element of the implementation of the idea corporate social responsibility in banks in Poland

Monika Szafrńska¹, Renata Matysik-Pejas², Janusz Żmija³

University of Agriculture in Krakow ^{1, 2, 3},

Institute of Enterprises Economics and Management

Al. Mickiewicza 21

31-120 Krakow, Poland

e-mail^{1, 2, 3}: m.szafranska@ur.krakow.pl, rmatysi@cyf-kr.edu.pl, rzmija@cyf-kr.edu.pl

Abstract

The aim of the paper is to review and characterise selected educational initiatives in the scope of the economic awareness of consumers, carried out by banks in Poland within the framework of the concept of corporate social responsibility as well as an assessment of these actions by potential recipients. Primary and secondary sources were used for the purposes of the paper. Research was conducted on a group of 400 randomly selected recipients.

As it follows from the conducted analysis, banks operating in the Polish banking sector undertake various actions to increase the economic awareness of the citizens. The main channel for transferring information in the scope of economic education is the Internet, which greatly narrows the circle of potential recipients, especially in conditions of the co-dependency of financial and digital exclusion. Over 80% of the respondents did not meet with the banks' actions, regarding economic education. One out of ten respondents was only able to indicate one initiative. Every ninth respondent was able to indicate two initiatives. In the opinion of vast majority of the respondents, the banks engage in activities on economic education only to a small extent (75% of the responses).

Keywords: bank, CRS, economic education

JEL Classification: M14, D14, D18

1. Introduction

At present, the economic education of the society constitutes a key condition for the development of financial markets. Only economically aware consumers are able to take advantage of the innovations and possibilities which are provided by the modern financial services market. The last financial crisis emphasised the additional need to develop this sphere. Turbulence on the American high risk mortgage loans market on the one hand showed that the insufficient knowledge on the part of consumers and the lack of understanding of the basic rules of economics lead to taking on excessive risk, and on the other hand emphasised the effects for the banks resulting from the lack of a reliable informational policy towards the consumers.

The issue of the economic education of the society is important for several reasons. Firstly in the case of the lack of elementary economic knowledge, consumers practically do not engage themselves in financial matters, which may lead to financial exclusion. Secondly, clients with a low economic awareness take irrational decisions, which results in non-fulfilment of the expectations of the product selected by them or that the products are not suited to fit their needs. Thirdly, taking financial decisions with limited knowledge and with a weak understanding of economic mechanisms can, in the long term, lead to excessive debt and insolvency of households (Pelczar, 2014).

Increasing economic awareness among the society facilitates various actions within the framework of economic education, conducted by these different institutions (Horska et al., 2013). A significant part of the initiatives in Poland, connected with the increase in economic skills of the citizens, is conducted by commercial banks within the framework of the corporate social responsibility strategy.

The aim of the paper is to review and characterise selected educational initiatives in the scope of the economic awareness of consumers, carried out by commercial banks in Poland within the framework of the concept of corporate social responsibility as well as an assessment of these actions by potential recipients. The following research hypothesis was formulated on the basis of the assumed objective: "Actions undertaken by commercial banks in Poland within the framework of corporate social responsibility in the scope of economic education are weakly recognisable among financial services clients".

2. Data and Methods

The presented objective of the work determined the selection of data sources as well as research methods. Primary and secondary sources were used for the purposes of the paper. The main source of primary data was a questionnaire, designated for the conducting of an interview, both with persons who use banking services as well as with those who do not. Research was conducted in 2014 on a group of 400 randomly selected recipients. Literature in the scope of business ethics and social integration as well as information regarding educational activities conducted by banks, included on the websites of financial institutions were also used in this paper (data from 15 February 2015). Education materials for clients, found on the websites of the 15 largest commercial banks in Poland (in terms of their balance sheet sum), were analysed. Structural indicators as well as the *non-parametric Chi Square test* (χ^2) were used in the preparation of the empirical material. In the χ^2 test, the significance level of $\alpha=0.05$ was assumed. The χ^2 formula is presented below.

(1)

$$\chi^2 = \sum_{i=1}^r \sum_{j=1}^k \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

O_{ij} – result of measurement in the i -th line and the j -th column, E_{ij} – expected value in the i -th line of the j -th column, df – degrees of freedom

In order to assess the dependence strength, Pearson's contingency coefficient C and Cramer's coefficient V were used. Pearson's contingency coefficient C assumes a value in the interval of $(0;1)$. When the traits are independent, the coefficient assumes a value of 0. The closer the value is to 1, the higher the strength of the relationship. This coefficient is expressed in the following pattern:

(2)

$$C = \sqrt{\frac{\chi^2}{\chi^2 + n}}$$

χ^2 – empirical value of statistical independence, n – sample size

Cramer's V coefficient in the case of the lack of a relationship between traits assumes the value of 0. Its maximum value amounts to 1. This coefficient is expressed in the following pattern:

(3)

$$V = \sqrt{\frac{\chi^2}{n_{\min}(w-1, k-1)}}$$

χ^2 – empirical value of statistical independence, n- sample size, w - feature X category number, k – feature Y category number

The results of the conducted analysis were presented in a descriptive and graphic format.

3. Characteristics of the concept of corporate social responsibility in banks

The modern social movement of corporate social responsibility (CSR) dates back to the turn of the 1980s-1990s of the previous century. It was then that this concept began being integrated in full with the approach based on the stakeholders' theory, strategic management and sustainable development. In Poland, the CSR concept in enterprises, also in banks, started being implemented after the political transformation in 1989.

Many diverse definitions on the topic of corporate social responsibility can be found in literature. K. Davis and R. L. Blomstrom (1968) believe that corporate social responsibility entails the fact that enterprises bear not only economic and legal responsibility, but are also obligated to undertake such actions which will also contribute to the protection and multiplication of the social well-being.

R.W. Griffin (2002) perceives the role of corporate social responsibility as a set of an organisation's obligations to protect and strengthen the society in which it operates. In turn, A. T. Lawrence and J. Weber emphasise that enterprises should take responsibility for all of the actions impacting people, societies, the natural environment, which implicates owning up to all caused harm and, if possible, to repair it (Roszkowska, 2011).

W. B. Werther and D. B. Chandler (2010) define corporate social responsibility as an idea, which should be integrated with the strategic and operational perspective of an enterprise's operations, since it is connected with long term advantages for the organisation.

In 2011 the European Commission (COM, 2011, p. 681) issued a communique, in which it proposed a new definition of corporate social responsibility. CSR is no longer treated as a voluntary action for the benefit of being shown as an element connected with the functioning of each enterprise and in relation to this, with the need to take responsibility for the influences exerted by the organization.

H. G. Fitch defines corporate social responsibility as a manner of solving problems caused in full or in part by corporations. (Nakonieczna, 2008). While the World Business Council for Sustainable Development defines corporate social responsibility as "*the ethical behaviour of an enterprise towards the society entailing the permanent involvement of business to act ethically and contribute to the economic development with the simultaneous improvement of the lives of employees and their families, as well as the local community and the entire society*" (Word Business Council for Sustainable Development, 2006, p. 6).

In relation to the fact that banks are institutions of public trust, they are, to an even larger extent than other enterprises operating on the market, obligated to carry out the concept of corporate social responsibility. Their objective cannot solely be maximising profits or market share. Responsibility towards the stakeholders for the effects of undertaking or omitting certain actions, which results from the fact that they fulfil a commercial role in the economy (generating benefits for the owners) as well as servitude (the fulfilment of social duties) rests with the banks (Korenik, 2009).

The interest groups (stakeholders) are of significant meaning in the concept of the social responsibility of the banks. The bank's main stakeholders include:

- stockholders (banks organised on the principles of a joint stock company)/shareholders (cooperative banks),
- clients,
- employees,

- the local society,
- the natural environment.

Several areas of activities to the benefit of stakeholders within the framework of CSR can be distinguished in the operations of a banking enterprise. One of the areas of activity is the market surroundings. An expression of the acceptance of CSR is the application of the rules of ethics in contacts with the surroundings, using reliable information and advertising, carrying out relevant regulations in privatisation procedures and mergers. The next are investor relations. In this area, CSR is reliable and complete information for investors, adherence to the right of pre-emption, adherence to promises made.

The next area are the clients. The implementation of the concept of CSR in this domain entails the offering of financial products at reasonable prices, facilitating the achievement of successes from business activities and contributing to the improvement of the standards of living. An example of actions of this nature can be codes of ethics created by the banks. The codes are addressed to bank employees as well as to persons who perform work for the banks (agents, dealers). The aim of the codes is the maintenance of high standards in the performance of the entrusted tasks, maintaining bank secrets, as well as providing clients with clear and legible information on the features and risks of the sold financial products.

The fourth area is bank employees. Human capital and the intellectual capital related with it are the key resources of modern enterprises. The area of employee aspects includes issues connected with the performance of work for a company, CSR within the framework of the recruitment policy, employment, remuneration and promotion.

The final domain is the society. This CSR module covers the banks' ecological operations (*green banking, green initiative*) and financing and supporting endeavours enabling the improvement of the quality of life (protection of health, culture and art. sport, social assistance and education).

Leading a socially responsible operation brings the banks a series of benefits, including:

- increased competitiveness on the market,
- the bank's positive image on the outside,
- increased investor interest,
- increase in stakeholder loyalty,
- improvement in relations with the communities and local authorities,
- low-budget sources of advertising,
- increase in the level of organisational culture (Korpus, 2006).

The above indicated benefits can be additionally examined in the financial and non-financial nature. Benefits of a financial nature include:

- increase in the bank brand's value.
- increase in turnover,
- increase in market share,
- decrease in risk,
- decrease of costs.

The non-financial benefits can be divided into the following benefits:

- qualitative (increase in the involvement and motivation among employees, innovative, new more effective bank services models, better adaptation to the new regulations, improved access to capital, etc.),
- quantitative (improvement of reputation, decrease in the rotation of employees, decrease in employee absenteeism, development of new bank products, increase in distribution effectiveness) (Sznajder, 2013).

In conducting a socially responsible operation, the banks can come across threats, such as:

- lack of visible benefits in the short term, which can discourage the incurring of costs,
- lack of support in the scope of social responsibility on the part of the authorities,
- the threat of forcing very costly actions by the stakeholders,
- large numbers of petitions on co-financing,
- the possibility of charging the company with self-interest (Zapłata & Kaźmierczak 2011).

The social responsibility of banking institutions in Poland is shaped under the influence of many determinants. The factors determining the responsibility of the banks are divided into two groups: negative and positive factors. Determinants of a negative nature are these conditions which lead to lowering the standards of social responsibility of financial institutions. These determinants include:

- the ideology of monetarism and the paradigm of striving towards wealth,
- unprofessional legislative practices of the public authorities,
- ineffective role of good practices and qualification standards for financial institution employees,
- consent to legal aggression of some financial institutions in relation to their clients.

In turn, the positive determinants are conditions which increase the level of the social responsibility of banks. Positive determinants include such conditions as:

- high expectations in the scope of honesty created by the Polish educational system, the family environment and religion,
- rebuilding of the role of the Polish Financial Supervision Authority, as a state government body, protecting the interests of the citizens,
- the social responsibility policy of individual banks,
- the ethos of honest financial institutions,
- the idea of a Friendly Bank for Enterprises, a movement for the good cooperation of banks with clients from the MSE sector (Kulawczuk, 2009).

4. Initiatives in the scope of economic education undertaken by banks in Poland

69 commercial banks and 571 cooperative banks conducting business operations function in the Polish banking system (The development of the financial system in Poland, 2014). The banks in Poland, within the framework of the implementation of corporate social responsibility, are undertaking actions for the education of the society, including the economic education of consumers. From research conducted by R. Kitala, A. Matuszyk i A.K. Nowak (2011), it follows that large commercial banks decidedly engage more in these actions than the small, locally operating banks.

The largest number of initiatives is carried out by various tools, available on the bank's websites. An example of such actions can be financial calculators, enabling the calculation of interest on loans or income from CDs, FAQ fora, expert advice, knowledge platforms, on which publications in the scope of the economy and personal finance, glossaries, links to other websites, where one can find information facilitating an increase in the level of knowledge

regarding the basics of economics. As results from the conducted research, almost 60% of the initiatives conducted by the analysed banks are actions in the scope of economic education, placed on the financial institution's websites. These actions are mainly addresses to persons wanting and who are able to use internet resources. Persons who need this economic education to the greatest degree (persons with no or limited knowledge of banks, financially excluded) at the same time experience the phenomenon of "digital" exclusion.

An important element in the operation of banks on the field of economic education are various courses for selected groups of citizens conducted by bank employees (employee volunteering). The conducted training sessions are adjusted to the needs and requirements of the beneficiaries in this scope. These initiatives are most often conducted for persons with lower incomes, the elderly, women, inhabitants of rural areas, who are characterised by a lower than average level of economic knowledge. During the motivational-educational trainings, which are conducted free of charge, the necessary knowledge on improving financial skills is relayed. Attention is drawn to the phenomenon of risk in the use of banking products in a majority of the conducted programs. In the group of analysed banks, 20% of the institutions conducted such an activity. The next group of actions in the scope of economic education conducted by the banks are initiatives, the recipients of which are children and youths. In the analysed group, 53% of the institutions conducted such an activity. The main aim of the programs in the scope of economic education addressed to children and youth is to familiarize the young generation with various forms of saving as well as forming positive habits in managing the possessed funds and the management of one's own financial means. The banks carry out these aims through radio and television broadcasts, classes conducted at schools by volunteers (bank employees), providing educational materials in the scope of economics for schools, competitions, etc. Practical education in this scope is ensured by bank accounts available for children aged 6-13, offered by some of the Polish banks.

5. Economic education as an element of implementing the idea of corporate social responsibility by banks, in the opinion of clients

In order to verify the recognisability of the banks' actions in the scope of economic education, conducted within the framework of corporate social responsibility, research was conducted on a group of 400 respondents. Among the persons who participated in the research, 54% were women, while 46% were men. Only adults (persons above the age of 18) participated in the research. Almost 45% of the respondents were persons between the ages of 18 to 35, 36% of persons were between the ages of 36 and 55. Every fifth respondent was above the age of 55. The most numerous group of respondents had a higher education (49%). Persons with a secondary education comprised 36% of the total number of respondents. The remaining respondents declared having a vocational education. The high share of persons with a higher education results from the fact that these persons showed a greater willingness to participate in the study. Almost 60% of the respondents lived in large cities, the remainder lived in rural areas. The dominant group of respondents were employed persons (2/3 of the respondents). Pupils and students (19%) as well as senior citizens and pensioners (9%) also participated in the study. The least numerous group of respondents were the unemployed (8%).

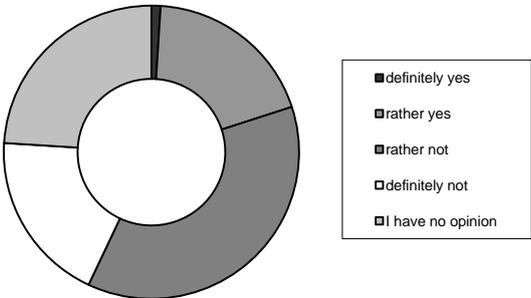
The respondents were asked if they had come across educational programs in the scope of economic education conducted by banks. As it follows from the conducted research, 81% of persons had not come across such programs. The remaining persons provided affirmative responses. Knowledge of these programs is connected with the age of the respondents, their education and professional status. Persons who recognize such actions on the part of the bank are the youngest respondents ($\chi^2=7,67$; $df=2$; $C=0,15$; $V=0,15$), persons with a higher education ($\chi^2=10,37$; $df=2$; $C=0,17$; $V=0,17$), employed persons and students ($\chi^2=37,09$; $df=3$; $C=0,31$; $V=0,33$). The high level of recognisability of these actions among young people and

students stems from the fact that a majority of the programs in the scope of economic education are dedicated to this group of beneficiaries. The elderly, persons with a lower level of education and the unemployed "did not come across" programs in the scope of economic education.

The questionnaire asked respondents to indicate specific actions in the scope of economic education, conducted by the banks, which are known to them (the persons who provided an affirmative response to the previous question n=76, multiple choice, 111 indications). Almost 54% of the persons marked only one response, while the remaining part of the respondents (46%) indicated two actions of the bank within the framework of economic education. The most recognizable area of action in the scope of economic education conducted by the banks was the education of children and youth, which was indicated by almost every second respondent. The high share of recognisability of these actions results from the fact that many young persons participating in the study came across such programs in the course of their school education. The second group of persons are the parents of children, who have participated in such programs in grammar school and junior high school. One out of three respondents indicated a response that the banks provide educational activities through a foundation. One out of four persons indicated a response that they are familiar with actions of the bank in the scope of the education of adults. Actions regarding combating financial exclusion (3%) as well as the bank's cooperation with other institutions, for the purpose of conducting joint activities in the scope of economic education (3%) were indicated the most rarely by the respondents.

The respondents were also asked whether the banks sufficiently engage themselves in actions for the economic education of the citizens. From among the persons asked, 25% responded yes, while 75% of the respondents stated that their engagement is insufficient. Detailed responses are presented on the 1 chart.

Figure 1: The involvement of banks in efforts to economic education in the opinion of respondents [%]



Source: author's calculations, n=400

The response to the question regarding the engagement of banks in economic education was connected with the education level of the respondents ($\chi^2=19.09$; $df=6$; $C=0.22$; $V=0.16$) and their professional status ($\chi^2=42.68$; $df=9$; $C=0.31$; $V=0.2$). Most of the affirmative responses were given by respondents with a vocational education and by the unemployed. The fact that persons who should presumably be the beneficiaries of such programs claimed that the banks are engaged in sufficient manner in actions for economic education may be surprising. Persons who did not have an opinion on this issue were respondents with a secondary and higher education, and also employed persons.

In the researched group, the need for economic education was felt most in the scope of learning about financial instruments facilitating savings in a short time perspective (35% of the responses), the skills of the proper management of the household budget (31%) as well as

learning about financial tools enabling the saving of the largest amount of financial means for retirement (30%). Every tenth respondent was unable to indicate the area in the scope of economic education, in which they would like to deepen their knowledge. The studied persons showed less interest in topics connected with taxes (20%), insurance (18%) and loan taking (14%). The dependencies regarding topics in the scope of economic education, confirmed by the independence test χ^2 , are presented below.

Women were most often interested in saving money in the short term perspective ($\chi^2=5.98$; $df=1$; $C=0.13$) as well as employed persons ($\chi^2=8.28$; $df=3$; $C=0.15$; $V=0.15$). Issues connected with managing the household budget were most often indicated by women ($\chi^2=7.08$; $df=1$; $C=0.14$) and persons over the age of 55 ($\chi^2=11.76$; $df=2$; $C=0.18$). Interest in the topic of savings in the long term perspective was connected with the education level of the respondents ($\chi^2=19.27$; $df=2$; $C=0.22$; $V=0.21$) and their professional status ($\chi^2=33.09$; $df=3$; $C=0.3$; $V=0.32$). The greatest interest in this scope was presented by respondents with a higher and secondary education as well as employed persons. Men were more often interested in taxes ($\chi^2=9.5$; $df=1$; $C=0.14$) as well as employed persons ($\chi^2=52.48$; $df=3$; $C=0.36$; $V=0.39$). The need for education in the scope of insurance was felt by younger persons ($\chi^2=8.21$; $df=2$; $C=0.15$; $V=0.15$) and city inhabitants ($\chi^2=7.39$; $df=2$; $C=0.14$; $V=0.15$). Women were more interested in loan taking ($\chi^2=4.98$; $df=1$; $C=0.2$) as well as the youngest respondents ($\chi^2=11.73$; $df=2$; $C=0.18$).

6. Conclusion

The universality of the rules of corporate social responsibility as well as measurable benefits for enterprises and the society result in increased interest in this idea by banks. The directions of development of the concept of corporate social responsibility of financial institution are varied: social assistance, health care, culture and art, sport, environmental protection, education, including the economic education of the citizens.

As it follows from the conducted analyses, banks operating in the Polish banking sector undertake varied actions in order to increase the society's economic awareness: setting up their own foundations or cooperation with other organizations, conducting courses and trainings, knowledge platforms available on the banks' websites, on-line expert advice, etc. These initiatives are complementary and provide a potential recipient with the possibility of selecting the most relevant source of obtaining information in the scope of the basics of economics.

The recipients of most of the initiatives are children and youths. The actions carried out by the banks in this scope are characterized also by the highest level of recognisability among the group of studied persons. These are very important actions as the increase in financial awareness in the younger generation will allow for many of the problems of households, i.e. the problem of excessive debt or the insolvency of households, to be limited.

The problem is still an insufficient number of initiatives in the scope of economic education of adults, specifically among persons threatened with poverty and financial exclusion. Only 3% of the respondents were able to indicate such initiatives conducted by the bank.

A majority of the initiatives in the scope of economic education is the Internet, which greatly narrows the circle of potential recipients, especially in conditions of the co-dependency of financial and digital exclusion.

As it results from the conducted research, over 80% of the respondents did not meet with the banks' actions, regarding economic education. One out of ten respondents was only able to indicate one initiative. Every ninth respondent was able to indicate two initiatives. In the opinion of vast majority of the respondents, the banks engage in activities on economic education only to a small extent (75% of the responses).

The results of the present research allow for the acceptance of the assumed hypothesis that actions undertaken by commercial banks in Poland within the framework of corporate social

responsibility in the scope of economic education are weakly recognisable among financial services clients.

References

- Davis, K., Blomstrom, Rl. (1968). Business and its environment. *Academy of Management Journal* 11/2, 237-238
- European Commission (2011). A renewed EU strategy 2011-14 for Corporate Social Responsibility. Brussels, 25.10.2011 COM(2011) 681 final
- Griffin, R. W. (2002). *Podstawy zarządzania organizacjami* (Fundamentals of organizational management). Warszawa, Wyd. Nauk. PWN.
- Horska, E., Szafrńska, M., Matysik-Pejas, R. (2013). Knowledge and financial skills as the factor determining the financial exclusion process of rural dwellers in Poland. *Agricultural Economics* 59/2013 (1), 29-37.
- Kitala, R., Matuszyk, A., Nowak, A.K. (2011). Analiza inicjatyw podejmowanych przez podmioty komercyjne. In M. Iwonicz-Drozdowska (Ed.), *Edukacja i świadomość finansowa (Financial education and literacy)* (pp. 265-276). Warszawa, Oficyna Wydawnicza SGH.
- Korenik, D. (2009). *O roli służebnej banków komercyjnych (The role of a servant of commercial banks)*. Wrocław, Wydawnictwo Uniwersytetu Ekonomicznego.
- Korpus, J. (2006). *Spoleczna odpowiedzialność przedsiębiorstw w obszarze kształtowania środowiska pracy (Corporate social responsibility in the formation of the working environment)*. Warszawa, Wydawnictwo Placet.
- Kulawczuk, P. (2009). Determinanty społecznej odpowiedzialności instytucji finansowych w Polsce. In M. Bak & P. Kulawczuk (Eds.), *Spoleczna odpowiedzialność instytucji finansowych (Social responsibility of financial institutions)* (pp. 19-36). Warszawa, IBnDiPP.
- Nakonieczna, J. (2008). *Spoleczna odpowiedzialność przedsiębiorstw międzynarodowych (International Corporate Social Responsibility)*. Warszawa, Difin.
- Pelczar, M. (2014). *Rola edukacji finansowej w ograniczaniu wykluczenia finansowego (The role of financial education in reducing financial exclusion)*. Gdańsk, Instytut Badań nad Gospodarką Rynkową.
- Roszkowska, P. (2011). *Rewolucja w raportowaniu biznesowym. Interesariusz, konkurencyjność, społeczne odpowiedzialność (The revolution in business reporting. Stakeholders, competitiveness, corporate social responsibility)*. Warszawa, Difin,
- Sznajder, M. (2013). *Korzyści z wdrożenia koncepcji społecznej odpowiedzialności biznesu (The benefits of implementing the concept of corporate social responsibility)*. Retrieved April 17, 2015, from http://zneiz.pb.edu.pl/data/magazine/article/297/3.3_sznajder.pdf
- The development of the financial system in Poland* (2014). Retrieved April 17, 2015, from www.nbp.pl
- Werther, W. B. Jr., Chandler, D. (2010). *Strategic Corporate Social Responsibility: Stockholders in a Global Environment*, 2 nd edn. California, SAGE Publications, Inc.
- World Business Council for Sustainable Development. (2006). *Corporate Social Responsibility: Making Good Business Sense*.
- Zapłata, S., Kaźmierczak, M. (2011). *Ryzyko, ciągłość biznesu, odpowiedzialność społeczna (Risk, business continuity, corporate social responsibility)*. Warszawa, Oficyna a Wolters Kluwer business.

Global and European Trends in the Area of Responsibility and Justice in the Activities of Enterprises- Implications for V4 countries

Wojciech Zysk

University of Economics
Foreign Trade Department
Rakowicka 27 st.,
Cracow, Poland
zyskw@uek.krakow.pl

Abstract

In the era of globalization, internationalization of enterprises, liberalization of international trade and the increasing division of the world into countries rich North and the poor South are increasingly present ideas of responsibility and justice in business operations. The purpose of the twenty-first century business becomes a long-term sustainable development of enterprises, build competitive advantage inscribed in the process of social dialogue and the creation of social-economic order. The components of the processes discussed include corporate social responsibility, responsible investment, responsible tourism and the Fair Trade movement. This paper will present the global and European trends and developments in this area, and lessons learned for V4 countries. The study covered the period 2004-2013, which will allow for the analysis of the phenomena, both before and during the economic crisis - when described issues become particularly relevant.

Keywords: Fair Trade, International Trade, Responsible Investment, Social Responsibility, V4 countries

JEL Classification: P45, M14, F23, P33

1. Introduction

In the era of globalization and internationalization of economic activity, the processes of regional integration and trade liberalization increases the division of the world into rich countries of the North and the poor South. The countries of the Visegrad Group (V-4) include the economically developed countries, characterized by a high standard of living, but the demographic problems associated with an aging population. Southern countries are economically underdeveloped countries (developing and least developed countries), often affected by poverty, low and often declining standard of living. Unequal potentials in economic, technological and civilization of the two parts of the world cause an imbalance and a huge disproportion relationship. Also growing criticism of a particular group of companies: international financial institutions, banks and multinational corporations (TNCs), which are organizations considered to be responsible for the current unjust world order (especially since the financial crisis of 2008).

2. Data and Methods

In the face of these developments, tensions and threats in the activities of these entities (especially TNCs) are increasingly present ideas of accountability and justice, including Poland, the Czech Republic, Hungary and Slovakia. The components of the described processes include, among others, Corporate Social Responsibility (CSR), Socially Responsible Investment (SRI), the movement of Fair Trade (FT) and responsible tourism (Zysk & Szymczak, 2009; Zysk, 2011). In the article has been used statistical data available from annual reports of organizations dealing with the problems described here (EUROSIF, USSIF, Fairtrade International, World Tourism Organization), data from UNCTAD and the report of The Fortune Global 500 Companies List in 2014.

The objectives of this study are:

- a) the characteristics of the role of transnational corporations in raising the level of stratification of society in the rich North and the poor South,
- b) the analysis of the above-mentioned four processes related to liability and justice,
- c) attempt to develop recommendations for the V-4 countries, on the development of corporate social responsibility, responsible investment, fair trade and responsible tourism.

3. Results and Discussion

In this part of the article will be discussed the impact of transnational corporations on social inequalities in the world, their position relative to selected countries, including the Visegrad Group countries and European and global trends in terms of the idea of justice and accountability. Then will be presented the results of the study on four phenomena described in the article (Corporate Social Responsibility, Socially Responsible Investment, the movement of Fair Trade and responsible tourism) as well as recommendations for the V-4 countries in these processes.

3.1 The activities of transnational corporations and social inequality

Today's world economy is a system of communicating vessels. Globalization in the economic sense is the integration of markets and system linkages flows of goods, services, capital and people (Stiglitz, 2002). As a result of these processes is increasing the internationalization of production processes, distribution and marketing and implementation of the global strategy of international companies. The activities of major market participants, namely transnational corporations, banks, financial institutions and investment funds brings many positive effects, such as reducing the distance of civilization, the impact on economic development, creating and liberalize international trade, increase competitiveness, the development of techniques and technologies, the creation of jobs, introduction of modern management methods and improving the quality of goods and services.

On the other hand, the above-mentioned groups of companies are in a special way responsible for your interactions with stakeholders, because they have a significant impact on the shape of the reality in which we live. Often companies operate in accordance with the principle of "greed is good", which means, in practice, the multiplication of profit at any cost, guided by short-term benefits, human rights violations, deliberate bad risk assessment or creating fraudulent financial instruments – which in turn leads to a deepening social inequalities, deterioration in the standard of living societies, environmental devastation and destruction of livelihoods of the population (Zysk, 2014).

When we realize the fact that transnational corporations generate approx. 70% of the turnover of world trade (UNCTAD, 2014), often their value (total assets) exceeds the average GDP of countries and banks and financial institutions with hundreds of billions of rotating US \$ per day may affect the level of the exchange rates of many countries in the world – it is impossible not to notice the correlation between the activity and the reality of the entities described economic, political, social and ecological modern world. Table 1 gives a comparison of the amount of revenue the largest transnational corporations and the GDP of selected countries in the world in 2014. As can be seen in the following ranking, the first corporation from the list – Wal-Mart – in the period was only slightly lower revenues than Belgium (US \$476.3 billion compared with US \$508.1 billion). Revenues of this company were almost equal to GDP in Poland – US \$517.5 billion. It is worth noting that the first 13 corporations in the list below have more revenue in 2014 than the amount of GDP in the Czech Republic, Hungary and Slovakia in the same year. Interestingly, the summed GDP of these three countries were lower than the corporate income ranked fourth (China National Petroleum – US \$432 billion compared to the total GDP – US \$429.6 billion).

Table 1: Selected transnational corporation's revenues and GDP of selected countries in 2014 (US \$ billion)

Ranking	Company/country	Revenues/GDP
1	Poland	517.5
2	Belgium	508.1
3	Wal-Mart Stores	476.3
4	Royal Dutch Shell	459.6
5	Sinopec Group	457.2
6	China National Petroleum	432.0
7	Austria	415.8
8	Exxon Mobil	407.6
9	BP	396.2
10	South Africa	350.6
11	State Grid	333.4
12	Denmark	330.8
13	Singapore	297.9
14	Volkswagen	261.5
15	Finland	256.8
16	Toyota Motor	256.4
17	Greece	241.7
18	Glencore	232.7
19	Total	227.8
20	Chevron	220.4
21	Samsung Electronics	208.9
22	Czech Republic	198.5
23	Berkshire Hathaway	182.1
24	Hungary	133.4
25	Slovakia	97.7

Source: author's calculations based on <http://pl.tradingeconomics.com/country-list/gdp>, Retrieved April 6, 2015; *The Fortune Global 500 Companies List 2014*, <http://fortune.com/global500/>, Retrieved April 6, 2015

As already mentioned, the activities of these powerful—as demonstrated above—business entities can lead to inequalities in the world and have an impact on the living standards of societies and living conditions of the population (Stiglitz, 2006).

3.2. The ideas of justice and accountability— global and European trends

Powerful financial crisis that began in 2008 in the United States (the mortgage market, the excessive creation of money by corporations and financial institutions speculation) and spread to other countries in the world in the global balance of prejudice to economic relations, orders to ask for further global economic development (Smith & Lenssen, 2009). Deeper analyses on the role of business operating globally occur most often in times of crisis and recession. Part of transnational corporations realized that with the increase in world market positional so increases their responsibility for the environment and relations with stakeholders.

Taking care of correct relationships and a good image in the arena of local, regional and international companies involved in the promotion of such forms of action as Corporate Social Responsibility(CSR), Socially Responsible Investment (SRI), responsible tourism and in its dealings take into account created by the community international Fair Trade movement (Fair Trade). What is important – consumers have become more aware of the possibility of corporations and their impact on the environment. Consciously began to require economic

operators in a fair, transparent and ethical code of conduct – instead prefer to purchasing goods, using the services and investing in the assets of those companies that take into account the demands discussed in their business strategies.

3.2.1. Corporate Social Responsibility

The phenomenon of social responsibility of business is developing very dynamically. Entities operating in domestic markets and internationally take a variety of activities to care for the principles of accountability to stakeholders and the environment. European Commission Green Paper (“Promoting a European framework for Corporate Social Responsibility”, 2001) defines CSR as a concept, in which companies voluntarily take action to improve the quality of life of society and the environment. Corporate social responsibility is a process that allows you to manage the relationship of various stakeholder groups, affecting the company’s operations. The company must meet the requirements of economic, legal, social and ethical, but accountability is understood as “the responsibility for the impact on society” (Rudnicka, 2012). Table 2 shows the evolution of the phenomenon of CSR.

Table 2: Corporate Social Responsibility – from CSR 1.0 to CSR 3.0 (main features)

CSR 1.0	CSR 2.0	CSR 3.0
<ul style="list-style-type: none"> • “good behaviour, because it is good” • CSR indexes • Premium markets • Ethical consumerism • 63roces standards • Charity projects • Western fashion • local initiatives 	<ul style="list-style-type: none"> • CSR ratings • based on the pyramid markets • global phenomenon • reward-based • social networks (Facebook, Twitter) • performers standards • social enterprise 	<ul style="list-style-type: none"> • global partnership “state – the corporation–NGO” • goals is to create new relationships: financial and social • synergy effect • solve the problems of inequality

Source: W. Visser (2010), The Age of Responsibility: CSR 2.0 and the New DNA of Business. *Journal of Business Systems, Governance and Ethics*, 5(3),7; M. Pohl & N. Tolhurst (2010). *Responsible Business: How to Manage a CSR Strategy Successfully* (pp. 323-324). Padstow: Willey; <http://www.csrinternational.org/tag/csr-1-0/>, Retrieved April 6, 2015

Classic CSR activities (ie. CSR 1.0) with “good behaviour, because it is good” has been replaced with a more conscious. CSR 2.0 has expanded the concept of responsibility for promoting joint with customers and suppliers of complying with legal business. Corporations pay greater attention to the opinions of its stakeholders, in agreement with which they can improve production processes and modify the quality of manufactured goods and services. The latest form of corporate social responsibility is the idea of CSR 3.0. Partnership “state – the corporation – NGO” as a determinant of this idea gives synergies and aims to solve the problems of inequality in the global scale. Taking into account the rapidly changing market, corporations want to create links with few significant customers, who in the future may become an important business partner (Crespin, 2013).

Recommendations for V-4 countries in the common CSR policy

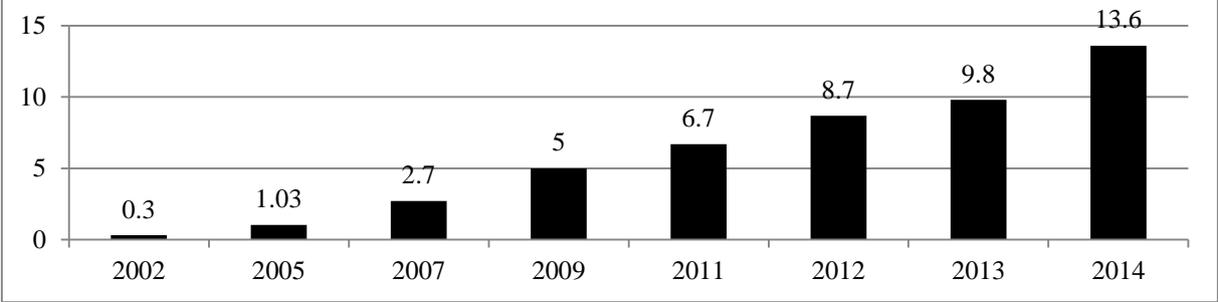
In important for the countries of the Visegrad Group matters representatives of relevant institutions of these countries organize meetings and establish a common position. Examples of such activities may be even meeting of the energy regulators and transmissions system operators of V-4 countries and the Agency for the Cooperation of Energy Regulators (ACER) on gas issue in Prague, February 2015(Energy Regulatory Office, 2015).“Projects of Common Interest” for the gas supply security of supply issues and market integration was discussed. The same action can be taken Visegrad countries in matters of common CSR policy, especially harmonized requirements concerning the presence of foreign capital flows and foreign direct

investment. Currently, the V-4 countries compete with each other to create the conditions the presence of this type of investment, especially in special economic zones. Harmonized CSR policy would allow for a better, free of unhealthy competition, and the reduction of requirements posed businesses adherence responsibility to stakeholders and the environment.

3.2.2. Socially Responsible Investment

Since the nineties the twentieth century socially responsible investing is gaining popularity both in Europe and in the United States and other countries. In 2012 it was estimated that the SRI market in the world is worth approx. EUR 10.8 trillion, of which Europe would fall 67% (EUR 6.7 trillion) and on the United States 29% (EUR 2.9 trillion). Other investments have been recorded in Canada (4.1%), Japan (0.3%) and Australia (0.16%) of the amounts respectively EUR 417 billion, 3 billion and 1.56 billion (Czerwonka, 2013). By analyzing the phenomenon from an economic point of view, it is essential that the occurrence of the financial crisis of 2008-2009 resulted in an increase of socially responsible investment in Europe. Figure 1 illustrates the SRI market size before and after the global financial crisis.

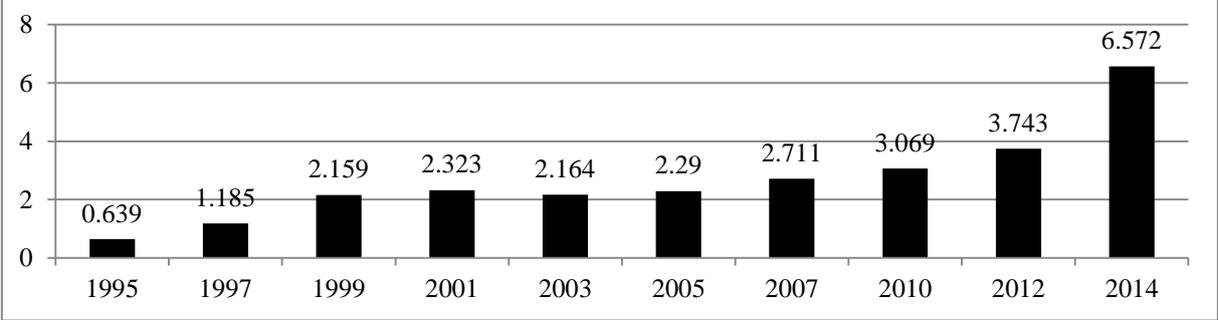
Figure 1: SRI market size in Europe in the years 2002-2014 (trillion EUR)



Source: author’s calculations based on „European SRI Study” Reports, years 2003-2014, EUROSIF, <http://www.eurosif.org>, Retrieved April 6, 2015

Since 2007, the number of social and ethical funds in Europe almost had been constantly growing: from 511 in 2007, in 2008 – 628 funds, 615 in 2009, in 2010 -1558, in 2012, reported the functioning of the funding 1775, and in 2013 – already in 1874 (VIGEO, 2015; KPMG, 2015). Investors from the US after the financial crisis also increased there sources invested in companies operating ethically and responsibly. In 2014, SRI assets almost doubled compared with the data from 2012 (US \$ 3.743 trillion) and reached the amount of US \$ 6.572 trillion. The value of SRI assets in the United States in the years 1995-2014 is presented in Figure2.

Figure 2: The value of SRI assets in the United States in the years1995-2014 (billions of US \$)



Source: author’s calculations based on „Report on US Sustainable, Responsible and Impact Investing Trends 2014”, USSIF, The Forum for Sustainable and Responsible Investment, <http://www.ussif.org/>, Retrieved April 6, 2015

In the US, also was created the Dow Jones Sustainability Index (DJSI, 2015). It is the world's first stock index listing of socially responsible companies. It was created in 1999 and its aim is to enable enterprises managed sustainably and responsibly to achieve the benefits listed. Companies that are on the DJSI are assessed due to the parameters of the economic, environmental and social. Currently, the index is based on a list of 2,500 companies listed on the S & P Global Broad Market Index from 45 countries of the world, which gives about 300 transnational corporations.

Recommendations for V-4 countries in the field of SRI

Eurosif report "European SRI Study" of 2014 contains only one country of the Visegrad Group countries – Poland. Table 3 presents data on socially responsible investment in Europe, according to the report.

Table 3: Social Responsible Investment in Europe, 2014 (millions EUR)

Country	millions EUR
Austria	26 983
Belgium	226 026
Finland	131 540
France	1 728 880
Germany	897 945
Italy	551 931
Netherlands	1 244 576
Norway	798 682
Poland	1 060
Spain	93 202
Sweden	648 965
Switzerland	1 562 027
UK	1 973 148
Europe (13)	9 884 965

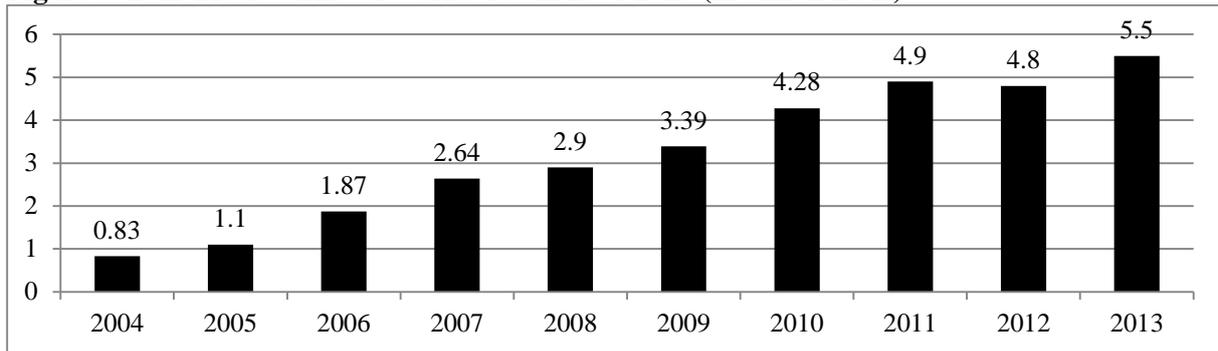
Source: as in Figure 1.

To increase the interest in this type of investment in other countries of V-4 and enlarge the level of SRI in Poland, governments should consider changes in fiscal policy, together with a system of tax benefits for institutional and individual investors. In addition, public institutions such as NGOs, religious associations, business associations having an impact on the choices made by consumers should promote ethical investment.

3.2.3. Fair Trade

The Fair Trade movement promotes the idea of fair rules of the game in the area of international trade (Mohan, 2010). Spurred by the liberalization of access to the markets of the rich countries of the North Fair Trade is now becoming a phenomenon involving its reach more and more countries around the world (Moore, 2004; Dragusanu, Giovannucci& Nunn, 2014). According to a recent report, "*Strong Producers, strong future, Annual Report 2013-2014*," prepared by the organization Fair Trade International (associating several producer networks and 19 national organizations FT) in 2013, customers in 125 countries developed economically spent on Fair Trade products for more than EUR 5.5 billion. This is an increase compared to 2012 by more than 15%. Figure 3 shows the change in sales of goods FT in the world in 2004-2013.

Figure 3: Fair Trade turnover worldwide in 2004-2013 (in billion EUR)



Source: author's calculations based on Fairtrade International Annual Reports, years 2003/2004-2013/2014, <http://www.fairtrade.net/annual-reports.html>, Retrieved April 6, 2015

Turnover of Fair Trade goods in the world from 2004 to the end of 2013 was more than six times larger (from EUR 0.83 billion to 5.5 billion). More than 1.4 million families of small producers and farmers from 74 countries are members of 1210 producer organizations (624 in Latin America and the Caribbean, 404 in Africa and the Middle East and 182 in Asia and Oceania). The range of products from the Fair Trade is now more than 30,000 types of products, and the most important of these include coffee, cocoa, bananas, flowers, sugarcane, tea, juice or wine.

Premium value used for educational projects, health and to make improvements on plantations paid to the producers exceeded 86 million EUR. "Fair" goods offered in nearly 4 thousand World Stores and more than 110 thousand supermarkets. The Fair Trade movement is engaged in a public debate with policy makers of the European institutions (it is worth mentioning the involvement of the European Parliament and the Economic and Social Committee of the EU) and international for a debating the creation of a new world trading system.

Recommendations for V-4 countries in the field of Fair Trade

Annual reports prepared by the Fair Trade International once again publish the data of only one country of the Visegrad Group countries – this time the Czech Republic. The Czech Fair Trade Association (*Asociace Pro Fair Trade*) is one of the first national Fairtrade organizations in Eastern Europe – established in 2004¹. Data on sales of Fair Trade products in the Czech Republic are in the reports from 2009 (EUR 0.5 million). In 2012, it is already EUR 2.7 million, and in 2013 – EUR 6.4 million. To increase sales of Fair Trade products in the Visegrad countries should begin on the effective education of societies, ranging from school children to the academic community. Curricula should accentuate issues of social inequality on a global scale and the role of the Fair Trade movement during parenting classes, lessons of entrepreneurship, ethics, philosophy, economics and foreign trade. In addition, the V-4 countries (at the level of ministries economies) should be involved in the program "Fair Trade Theory of Change". A new Fair Trade's vision is a world in which all small producers and workers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future (Fairtrade International, 2015). "The Theory" could also inform societies in V-4 about Fair Trade and ensure a common understanding about Fairtrade's goals and approach. Involvement in this program will be an expression of solidarity with the poor communities economically underdeveloped countries, may contribute to the development of these countries, the start of the process equalize the level of life and indirectly affect the reduction of illegal immigration to EU countries.

¹In Poland, since 2003, operates Polish Fair Trade Association, <http://www.sprawiedliwyhandel.pl>, in Slovakia since 2003: Fairtrade Slovakia, <http://www.fairtrade.sk>. Author did not find this type of organization in Hungary.

3.2.4. Responsible tourism

Responsible tourism is an activity, which can benefit the inhabitants of the region. What is more, they can express an opinion on the issue of how to share your local area to tourists. In practice this means for foreign tourists staying in the local population (and not in the hotel network, owned by global corporations), regional food dishes, to participate in the life of local communities and learning about local customs. In addition, it is popular as a form of volunteering for local communities to use the services of local guides, learning the local language by purchasing on-site courses. Described the phenomenon of tourism can be defined as giving up the idea of exploiting the world for entertainment purposes only. It is important to give—on the occasion of our trip—the specific benefits to the peoples of the region who want to earn money. We travel - of course –with total respect for the environment.

It is important, that The European Union intends to create a European Charter for Sustainable Tourism and Responsible. The aim of this project would be to encourage responsible tourism and sustainable development and actions across Europe, by providing a common reference point for all tourism stakeholders, reflect the commitment of up public and private stakeholders, mainly destinations, enterprises and tourists, the tourism develop in the EU according To Agreed Objectives and Principles. The European Commission worked together with a group of experts on a first draft text of a dry and Charter. Currently consultations with the public and private tourism stakeholders are held at European, national, regional and local level (European Commission, 2012).

Recommendations for V-4 countries in the field of responsible tourism

In the annual report of the World Tourism Organization, we can find a description of interesting initiatives related to the development of responsible tourism. The Global Observatory on Sustainable Tourism (GOST) initiative was launched by the UNWTO in 2004 in response to the growing demand of tourism Organizations and stakeholders for a more systematic application of monitoring, Evaluating and information management techniques, and dry as the UNWTO Indicators of Sustainable Development for tourism destinations. In 2013, the first Sustainable Tourism Observatory in Europe under the auspices of the UNWTO was inaugurated on the Aegean Islands in Greece. As noted in the report UNWTO Annual Report (2013): “The Monitoring Centre for Sustainable Tourism Observatories will examine the environmental, social and economic impacts of tourism in the archipelago and serve as a model to expand the concept to a national level. Established by the University of the Aegean in collaboration with UNWTO and with the support of the Ministry of Tourism of Greece, the Centre will monitor activities in all is not and future destinations in the North and South Aegean Regions and collect and compile good practices of sustainable tourism development based on the UNWTO’s methodology of sustainable tourism indicators” (p.17).

Visegrad countries— following Greece – would create a quadripartite organization promoting our countries, dedicated to the protection of nature on a transnational scale, attracting appropriate groups of tourists according to the specialization of a country’s tourism and tourist services development strategy and monitoring the phenomenon of responsible tourism. On the other hand, it is supposed to promote the principles of responsible tourism in such a way that tourists from countries V-4 traveling to different countries of the world (especially the economically underdeveloped) should have in mind the aims and objectives of this program.

4. Conclusion

V-4 countries through the process of political transformation joined the group of economically developed countries. Belong to the European Union and developing trade within the customs union 28 countries. At the same time due to the processes of globalization and internationalization of economic activity of enterprises can be developed on an unprecedented

scale in the history. These processes have allowed increasing productivity and maximizing revenue. On the other hand we see the negative effects of these actions: impoverishment of a large part of the world's population, expansion of the disparities between the countries of the rich North and the poor South and the degradation or excessive strain on the environment. Developing social responsibility, responsible investment and tourism and promoting Fair Trade movement in Poland, the Czech Republic, Hungary and Slovakia – especially in times of economic crisis in the world – can contribute to initiate changes to the rules governing the world today and the start of a new era in fairer trade on international level.

It should take into account the global context of the phenomena. Some challenges, such as population migration, aging, efficient trade, rules of capital flows, access to markets, climate change and environmental are beyond the scope of any single country to respond effectively. If the V-4 countries would work together in the international arena to the extent described in this paper, and drew from the experience of other countries – contribute to the flourishing economy of social development-oriented to increase the standard of living and prosperity not only in our part of the world, but also reducing inequalities society on a global scale. This would be an expression of solidarity with countries at a lower stage of economic growth and may contribute to the fight against illegal labour migration, which increasingly takes place in the European Union.

References

- Crespin, R. (2013, July 17). *CSR 3.0: Capitalism with a Twist of Networked Value*. Message posted to <http://www.uschamberfoundation.org/blog/post/csr-30-capitalism-twist-networked-value/31539>
- Czerwonka, M. (2013). *Socially responsible investment*, Warsaw: Difin.
- DJSI. (2015). *DJSI 2014 Review Results*. Retrieved April 3, 2015, from http://www.sustainability-indices.com/images/DJSI_Review_Presentation_09_2014_final.pdf
- Dragusanu, R., Giovannucci D., & Nunn N. (2014). The Economics of Fair Trade. *Journal of Economic Perspectives*, 28(3), 217–236.
- Energy Regulatory Office. (2015). *Conclusions of the meeting of the energy regulators and transmissions operators of V-4 countries and ACER on gas issues*. Retrieved April 12, 2015, from <http://www.ure.gov.pl/en/>
- European commission. (2012). *Summary Report of the consultations on the European charter for sustainable and responsible tourism*. Retrieved April 12, 2015 from http://ec.europa.eu/enterprise/sectors/tourism/sustainable-tourism/charter/index_en.htm
- EUROSIF. (2015). *European SRI Study*. Years 2003-2014. Retrieved April 12, 2015, from <http://www.eurosif.org>
- Fairtrade International. (2015). *Annual Reports*. Years 2003/2004-2013/2014. Retrieved April 12, 2015 from <http://www.fairtrade.net/annual-reports.html>
- Fairtrade International. (2015). *Fair Trade Theory of Change*. Retrieved April 12, 2015 from http://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/140112_Theory_of_Change_and_Indicators_Public.pdf
- Fortune. (2015). *The Fortune Global 500 Companies List 2014*, Retrieved April 2, 2015, from <http://fortune.com/global500/>
- Goliński, M. (2015). GDP – list of countries 2014. <http://pl.tradingeconomics.com/country-list/gdp>
- KPMG. (2015). *European Responsible Investing Fund Survey 2015*. Retrieved April 1, 2015, from www.kpmg.lu
- Mohan, S. (2010). *Fair Trade without the Froth, A Dispassionate Economic Analysis of 'Fair Trade'*, London: The Institute of Economic Affairs.
- Moore, G. (2004). The Fair Trade movement: parameters, issues and future research. *Journal of business ethics*, 53(1-2), 73-86.
- Pohl, M. & Tolhurst, N. (2010). *Responsible Business: How to Manage a CSR Strategy Successfully*, Padstow: Willey.
- Rudnicka, A. (2012). *CSR-improvement of social relations in the company*, Warsaw: Wolters Kluwer.
- Smith, N.C., & Lenssen, G. (2009). *Mainstreaming corporate responsibility*, Chichester: Wiley.
- Stiglitz, J.E. (2002). *Globalization and Its Discontents*. Washington DC: W.W. Norton Company.
- Stiglitz, J.E. (2006). *Making Globalization Work*, New York, London: W.W. Norton & Company, Inc.

- UNCTAD. (2014). *Handbook of Statistics*. Retrieved April 12, 2015, from http://unctad.org/en/PublicationsLibrary/tdstat39_en.pdf
- UNWTO. (2013). *UNWTO Annual Report 2013*. Retrieved April 12, 2015 from http://dtxqtq4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto_annual_report_2013_0.pdf
- USSIF. (2015). *Report on US Sustainable, Responsible and Impact Investing Trends 2014*. Retrieved April 4, 2015, from <http://www.ussif.org/>
- VIGEO. (2015). *Activity Report 2013*. Retrieved April 12, 2015, from http://www.vigeo.com/csr-rating-agency/images/stories/Rapport%20activit%20web_RA%20Vigeo%202013_EN.pdf
- Visser, W. (2010). The Age of Responsibility: CSR 2.0 and the New DNA of Business. *Journal of Business Systems, Governance and Ethics*, 5(3), 7.
- Zysk, W. (2011). Elements of accountability and justice in business operations as a result of globalization. In M. Lasoń (Ed.), *The world economy in a globalized world* (pp.151-158). Cracow, Poland: Krakow Educational Association- Publishing House AFM.
- Zysk, W. (2014). Justice and responsibility in the activities of companies- post-crisis next steps. In J. Filek (Ed.), *Praxeology*, 156 (pp.107-133). Warsaw, Poland: Polish Academy of Sciences – Kozminski University.
- Zysk, W., & Szymczak, A. (2009). Fair Trade as a type of assistance for economically underdeveloped countries. In M. Maciejewski & S. Wydymus (Eds.), *International trade and integration processes in the global economy* (pp. 305-321). Cracow, Poland: Foundation of the University of Economics.

The Methods of CSR Practices Assessment

Radoslaw Wolniak¹,

Silesian University of Technology¹,

Industrial Engineering Institute, Organisation and Management department

Address: ul. Roosvelta 26-28, 41-800

Zabrze, Poland

e-mail^{1,2}: rwolniak@polsl.pl

Abstract

The conception of CSR (Corporate Social responsibility) is widely spread among companies all over Europe. But it need a method to do an assessment of the CSR practices to provide reliability, relevance and comparability of practices among the countries and particular organisations. So in this paper, it is a description of tools possible used in the process of CSR assessment. The tools of CSR assessment are designed to capture both general and industry-specific criteria covering main fields like: economic, environmental and social. There are many benefits from using CSR assessment tools like: get an overview of organisation activities linked to CSR; structured approach to CSR activities measure; achieving the advantage based on identification of strengths of the organisation; attain awareness of potential weak points that can threat the company. The results of assessment by using industry-specific criteria organisations can outperform in the long-run the opponents by accelerating their actions toward sustainability.

Keywords: *assessment, Corporate Social Responsibility, CSR reporting*

JEL Classification: *M14, M42, M48*

1. Introduction

We can define CSR ad a company's environment, social and economic performance and the impacts of the company internal and external stakeholders. CSR refers to the responsibilities enterprises can assume in order to contribute to sustainability development (Carrasco-Monteguardo and Buendia-Martinez 2013; Fifka 2012; Fifka 2013; Hys 2014a; Hys 2014b; Hys 2015).

The conception of CSR is often seen as strategic response to pressure from stakeholders who can be affected by many of companies' practices. Also pro-active attempts conducted by firms may enhance the reputation and value of the corporation (Jamali and all 2009; Jackson and Apostolakou 2010; Kolk and Perego 2010; Freundlieb and Teutberg 2013; Habek and Wolniak 2013; Hąbek 2013a; Hawrysz 2013, Hawrysz and Hys 2013; Knop and all 2014; Wolniak 2013; Wolniak 2014). There is in the literature discussion about meanings of CSR term across various member states in the EU (Lozano et al. 2008; Canto-Lila and Lozano 2009; Hąbek and Wolniak 2014; Zadros 2014; Hąbek and Wolniak 2015). Also corporations developed their own approach to implementation of CSR. CSR nowadays has emerged as an important strategic tool for firms to generate and protect their corporate reputation and improve their performances (Wartick and Cochran 1985; Wood 1991; Tencati et al. 2004; Morhard 2010; Muhammad and all 2013; noronha et all 2013). Based on this situation several approaches have been used to measure CSR in corporations. But the main limitation is that each approach used various indicators. (Maignan and Ferrell 2000; Graafland et al. 2004; Tencati 2004; Marquez and Fombrun 2005; Habek 2013b; Hawrysz and Hys 2014; Pawłowska 2014; Zieliński 2014).

Sustainability-related megatrends are changing and having measurable impact on companies' activity (Brzóska 2014, Brzóska and Jerzok 2014). Long-term challenges such as resource scarcity, demographic shifts and climate change are redefining societal expectations, public policies, regulatory frameworks, and hence business environments and investment outcomes.

There is in the paper the analysis one of the most used in the USA tools to CSR assessment – the RobecoSAM methodology. In the paper we described the tool from the industry points of view and also give the comparison between the GRI assessment guideline and the method. On this methodology also the Dow Jones Sustainability Index is based. The aim of the paper is to describe the RobecoSAM methodology and to compare this tool with GRI guidelines.

2. Data and Methods

One of the used Corporate Social Sustainability Assessment practices is the methodology developed by RobecoSAM. The rules of assessment pursues a best-in-class approach, which allows them to focus on financially material industry-specific sustainability issues that have a link to long-term financial performance. RobecoSAM has been conducting the annual Corporate Sustainability Assessment tool since 1999. This tool serves as the framework for measuring the corporate social responsibility performance and forms the backbone for the construction of the Dow Jones Sustainability Index (DJSI). The methodology is used in many industries – about 59 industries derived from American industry classification system are analysed using industry-specific questionnaires.

Based on major global sustainability challenges identified by RobecoSAM analysts, general criteria relating to standards management practices and performance measures are defined and applied as we say to each of 59 industries. At least 50% of the questionnaire covers industry-specific risk and opportunities that focus on economic, environmental and social challenges and trends that are particularly relevant to companies and trends within that industry. The focus on industry-specific criteria reflects RobecoSAM's conviction that industry-specific sustainable opportunities and risk play a key role in a company's long-term success and allows comparing companies against their own peers in order to identify sustainability leaders (Measuring intangibles 2013).

Companies in this method are evaluated on a very broad range of financially relevant sustainability criteria covering the economic, environmental and social dimension. The top 10% companies within each industry are selected for inclusion in the indicator. The indicator described in the paper identify sustainability leaders across all industries, enabling investors to track their performance and integrate sustainability consideration into their portfolios.

The CSA is designed to capture both general and industry-specific criteria covering fields like (Measuring intangibles 2013):

- economic,
- environmental,
- social.

The relative weights of the economic, environmental and social dimension of the questionnaire vary from industry to industry, reflect industry-specific drivers. Criteria, even when applied to more than one industry can have different weights within assessment tool. For example banking, electric and pharmaceutical industry contain the “occupational health and safety” criterion within the social dimension of the questionnaires, but the relative weight assigned to the criterion is 5% in banking industry, 4% in electric and only 2% in pharmaceutical industry. These differences stem from research analysts' fundamental bottom-up analysis of each industry. Furthermore, the same criterion, when applied to different industries, may contain a slightly different set of questions to reflect industry-specific issues.

There is – in the table 1 the analysis of general and industry-specific criteria's in some of the industries (banks, electric and social) form three dimension of CSR assessment point of view: economic, environmental and social.

Table 1: General and industry-specific weight by their dimension

Industry	Dimension	General	Industry-specific
Banking	Economic	20%	17%
	Environmental	7%	17%
	Social	23%	15%
Electric	Economic	17%	18%
	Environmental	6%	29%
	Social	21%	9%
Pharmaceutical	Economic	18%	22%
	Environmental	5%	5%
	Social	22%	28%

Source: On basis (Measuring intangibles 2013).

In described tool each of the dimension consist on average 6-10 criteria, and each criterion can contain between 2-10 question, totalling about 80-120 question depending on the given industry. Each criterion can have maximally 100 points and is assigned a weight of the total. The criteria within each dimension roll up to the dimension weight. For each company, a Total Sustainability Score up to 100 points is calculated based on pre-defined weight established for each question and criterion.

The criteria vary between specific industries. In the tables 2-4 there is a comparison of the given criteria of CSR assessment in RobecoSAM's methodology on the example on three industries – banking, electric and pharmaceutical.

Table 2: Economic dimension

Dimension	The kind of dimension	Industry		
		Banking	Electric	Pharmaceutical
Anti-crime policy/measures	Industry-specific	X		
Brand management	Industry-specific	X		
Codes of conduct / compliance, corruption and bribery	General	X	X	X
Corporate governance	General	X	X	X
Customer relationship Management	Industry-specific	X	X	X
Innovation Management	Industry-specific			X
Market Opportunities	Industry-specific		X	
Marketing Practices	Industry-specific			X
Price Risk Management	Industry-specific		X	
Research and Development	Industry-specific			X
Risk and Crisis Management	General	X	X	X
Stakeholder Engagement	Industry-specific	X		
Scorecards / measurement systems	Industry-specific		X	
Total weight		38%	30%	40%

Source: On basis (Measuring intangibles 2013).

Table 3: Environmental dimension

Dimension	The kind of dimension	Industry		
		Banking	Electric	Pharmaceutical
Biodiversity	Industry-specific		X	
Business opportunities financial devices / product	Industry-specific	X		
Business risks large projects / export finance	Industry-specific	X		
Climate change governance	Industry-specific	X		
Climate strategy	Industry-specific		X	X
Electricity generation	Industry-specific		X	
Environmental footprint	Industry-specific	X		
Environmental policy / management system	General	X	X	X
Environmental reporting	General	X	X	X
Operational eco-efficiency	Industry-specific		X	
Transmission and distribution	Industry-specific		X	
Water-related risks	Industry-specific		X	
Total weight		24%	35%	10%

Source: On basis (Measuring intangibles 2013).

Table 4: Social dimension

Dimension	The kind of dimension	Industry		
		Banking	Electric	Pharmaceutical
Addressing cost burden	Industry-specific			X
Bioethics	Industry-specific			X
Corporate citizenship and philanthropy	General	X	X	X
Controversial issues, dilemmas in lending / financing	Industry-specific	X		
Financial inclusion, capacity building	Industry-specific	X		
Health outcome contribution	Industry-specific			X
Human capital development	General	X	X	X
Labour practice indicator	General	X	X	X
Occupational health and safety	Industry-specific	X	X	X
Social reporting	General	X	X	X
Stakeholder engagement	Industry-specific		X	X
Standard for suppliers	Industry-specific	X		X
Strategy to improve access to drugs or products	Industry-specific			X
Talent attraction and retention	General	X	X	X
Total weight		38%	30%	50%

Source: On basis (Measuring intangibles 2013).

In the table 5 there is a description on general information about criteria used in the described tool and its scoring methods.

Table 5: General information about scoring in RobecoSAM methodology.

Problem	Description
Question scoring	The maximum score for each question is 100. The various options within a question are scored individually or in combination, with the total sum resulting in a maximum 100 points, As a result, removing or adding options to a question may impact the overall weight of each question component and thus the overall scoring of the question. Therefore, it is important to carefully review each question, as new elements might have been added, or other options removed.
Criteria scoring	Criteria scores are determined by the weight sum of question scores. Adding or removing questions within a criterion will change the weight of the individual question, and therefore impact criteria score. Therefore, it is possible that a criteria score may change, even if the answer provides to the individual question have not changed from one year to the next.
Criteria percentile ranking	In addition to the absolute criterion score, companies receive their percentile ranking for each criterion. The percentile ranking represents the percentage of assessed companies that have received a lower score than the company in question. Considering that the methodology continuously develops and that weightings of questions and criteria may change over time, the percentile ranking is a useful tool to track performance against the industry peers as it shows the relative performance rather than the absolute performance of the company.
Weightings	Disclosed criteria are for all industries. The weightings of both individual questions and criteria are subject to annual review, based on the materiality of each topic to an industry and the introduction or deletion of questions. As a result, criteria scores may change due to a change in the underlying question weight.

Source: On basis (RobecoSam 2014 Corporate Sustainability, 2014).

3. Discussion

The method of assessment presented in this paper is one of the many used in the world, but important and widely used. The method is based on conviction that material non-financial factors contribute to better informed investment decision. Because of that the methodology focuses on long-term sustainability factors that are relevant to each industry.

There are six aims of the methodology given in the paper:

1. Awareness of the importance of factors to its financial success.
2. Determination of the potential financial impact of its exposure to sustainability factors.
3. Implementation of strategies to manage these sustainability risks or to capitalize on related opportunities in a manner that is consistent with its business models.
4. Measurement of results in relation to stated key performances in order to evaluate the effectiveness of its sustainability strategy.
5. Validation or external audit of stated results.
6. Transparent communication of its corporate sustainability strategies and extent to which stated targets have been met.

Also an integral component of the tool is the ongoing monitoring of media and stakeholder commentaries and other public available information's from consumers organizations, NGO's, governments or international organizations to identify companies involvement and response to environmental, economic and social situation that may damage on the reputation of the given business.

We can also cooperate the assessment system used in RobecoSAM and the system used in G3 Guidelines.

The Global reporting Initiative's Sustainability Reporting Guidelines (the G3 guidelines) outline a voluntary framework for annual sustainability reporting that is applicable to all types of organization. The G3 guidelines offer a consistent basis for reporting on general organizational strategy, management techniques and performance indicators. This framework has been developed through international stakeholder consultation with participants from a wide range of stakeholder groups. These performances are grouped into social, economic and environmental categories. You can see, that the groups are the same that in the RobecoSAM approach.

Also if we describe sub-indicators for example in social indicator (table 4) we can see, that the given problems are very similar to those used by RobecoSAM. On this basis we can say, that RobecoSAM methodology of CSR assessment is in concordance with G3 principles.

Table 5: G3 Guidelines' Framework for Social Performance Indicators

Labour practice and decent work	Employment Labour / management relations Occupational health and safety Training and education Diversity and equal opportunity
Human rights	Investment and procurement practices Non-discrimination Freedom of association and collective bargaining Child labour Security practices Indigenous rights
Society	Community Corruption Public policy Anti-competitive behaviour Compliance
Product responsibility	Customer health and safety Product and service labeling Marketing communications Customer privacy Compliance

Source: On basis (Benoit and Vickery-Niederman 2011)

4. Conclusion

There is in the paper an analysis of RobecoSam methodology of Corporate Social responsibility Assessment system. On the basis of analysis we can say that the system is prepared with concordance with G3 guidelines principles. The system can be used in many industries and it's adjusted to the specific of the particular industry. Every industry has its dimension system consisting with general and industry-specific indicators. In this publication the analysis of the indicators has been conducted on the example of three industries: banking, electric and pharmaceutical.

Acknowledgements

This paper has been prepared under the project funded by the National Science Centre Poland awarded on the basis of a decision number DEC-2011/03/B/HS4/01790.

References

- Benoit C., Vickery-Niederman G. (2011). Social Sustainability Assessment Literature Review, The Sustainability Consortium, Arizona, USA.
- Brzóška J. (2014). Rozwój inteligentnych specjalizacji a wdrażanie regionalnej strategii innowacji

- (na przykładzie województwa śląskiego), *Zeszyty Naukowe Politechniki Śląskiej. Seria Organizacji i Zarządzanie*, z. 70, pp. 67-52.
- Brzóska J., Jertzok I. (2014). Koncepcje i aplikacje modelu biznesu w organizacjach ekonomicznych i społecznych, *Zeszyty Naukowe Politechniki Śląskiej. Seria Organizacji i Zarządzanie*, z. 70, pp. 59-74.
- Canto'-Mila' N., Lozano J. (2009) The Spanish Discourse on Corporate Social Responsibility, *Journal of Business Ethics*, Iss. 87 (Supplement 1), 157-171.
- Carrasco-Montegudo, I., Buendía-Martínez, I. (2013). Corporate social responsibility: a crossroad between changing values, innovation and internationalization. *European Journal of International Management* Vol. 7, No. 3, 295-314.
- Fifka M. S. (2012). The development and state of research on social and environmental reporting in global comparison, *Journal für Betriebswirtschaft*, Iss. 21, 45-84.
- Fifka M. S. (2013). Corporate Responsibility Reporting and its Determinants in Comparative Perspective – a Review of the Empirical Literature and a Meta-analysis. *Business Strategy and Environment*, Iss 22, 1-35. DOI: 10.1002/bse.729
- Freundlieb, M., Teuteberg, F. (2013). Corporate social responsibility reporting – a transnational analysis of online corporate social responsibility reports by market-listed companies: contents and their evolution. *Int. J. Innovation and Sustainable Development* Vol. 7, Iss. 1, pp. 1-26.
- Graafland J. J., Eijffinger S. C. W., Smid H. (2004). Benchmarking of Corporate Social Responsibility: Methodological Problems and Robustness, *Journal of Business Ethics*, Iss. 53, 137-152.
- Hąbek P., Wolniak R. (2013). Analysis of approaches to CSR reporting in selected European Union countries, *International Journal of Economics and Research*, vol 4, iss. 6, 2013, pp. 79-95.
- Hąbek P., Wolniak R. (2014). Sprawozdawczość przedsiębiorstw w zakresie zrównoważonego rozwoju w Polsce – ocean stanu obecnego, *Zeszyty Naukowe Politechniki Śląskiej. Seria Organizacji i Zarządzanie*, z. 73, Gliwice, pp. 225-238.
- Hąbek P., Wolniak R. (2015). Assessing the quality of corporate social responsibility reports: the case of reporting practices in selected European Union member states, *Quality and Quantity*, DOI 10.1007/s11135-014-0155-z.
- Hąbek, P. (2013). Analysis of the European Union Regulatory Requirements with Implications for Sustainability Reporting. *Annals of the University of Bucharest. Economic and Administrative Series* Vol. 7, Iss. 1, 23-42.
- Hąbek, P. (2013). Evaluation of Sustainability Reporting Practices in Poland, *Quality & Quantity*, Vol. 48, Iss.3, 1739-1752, (2014) DOI 10.1007/s11135-013-9871-z.
- Hawrysz L, Hys K. (2013). Process-oriented management in public and private sector, *China-USA Business Review*, No. 9, pp. 903-910.
- Hawrysz L, Hys K. (2014). Communication channels of middle managers and non-managers in public sector organisations in Poland, *International Journal of Contemporary Management*, 13 (2), pp. 72-85.
- Hawrysz L. (2013). Patronage vs. implementation of the Corporate Social Responsibility (CSR) concept in the public sector, *Advanced Research in Scientific Areas, EDIS - Publishing Institution of the University of Zilina*, Vol. 2, Issue 1, pp. 184-187.
- Hys K. (2014). Ewolucja poglądu na społeczną odpowiedzialność biznesu - okres sensoryczno-motoryczny, *Ekonomika i Organizacja Przedsiębiorstwa*, Wydawnictwo Instytut Organizacji i Zarządzania w Przemysle „Orgmasz”, No. 10 (777), pp. 107-114.
- Hys K. (2014). Koncepcja CSR w kompozycjach modelowych, *Marketing i Rynek*, No 5, pp. 365-370.
- Hys K. (2015). Ewolucja poglądu na społeczną odpowiedzialność biznesu - stadium operacji formalnych oraz późne stadium formalne, *Ekonomika i Organizacja Przedsiębiorstwa*, Wydawnictwo Instytut Organizacji i Zarządzania w Przemysle „Orgmasz”, No. 1 (780), pp. 99-108.
- Jackson G., Apostolakou A. (2010). Corporate Social Responsibility in Western Europe: An institutional mirror or substitute? *Journal of Business Ethics*, iss 94, 371-394.
- Jamali D., Sidani Y., El-Asmar K. (2009). A Three Country Comparative Analysis of Managerial CSR Perspectives: Insights from Lebanon, Syria and Jordan, *Journal of Business Ethics*, Iss. 85, 173-192.
- Knop L., Szczepaniak M., Olko S. (2014). Innowacje społeczne w kreatywnej Europie w perspektywie strategii Europa 2020, *Zeszyty Naukowe Politechniki Śląskiej. Seria Organizacji i Zarządzanie*, z. 70, pp. 239-253.
- Kolk A., Perego P. (2010). Determinants of the adoption of sustainability assurance statements: an international investigation, *Bus Strategy Environ*, Iss. 19, 182-198.
- Lozano J., Albareda M. L., Ysa T., Marcuccio M., Roscher H. (2008). Governments and Corporate Social Responsibility, Public Policies Beyond Regulation and Voluntary Compliance, Palgrave

- Macmillan, New York.
- Maignan I., Ferrell O. C. (2000). Measuring Corporate Citizenship in Two Countries: The Case of the United States and France, *Journal of Business Ethics*, Iss. 23, 283–297.
- Marquez A., Fombrun C. J. (2005). Measuring Corporate Social Responsibility, *Corporate Reputation Review*, Iss. 7, 304–308.
- Measuring intangibles. Robecosam's corporate sustainability assessment methodology, (2013). RobecoSAM AG, Zurich, Switzerland.
- Morhardt J. E. (2010). Corporate Social Responsibility and Sustainability Reporting on the Internet, *Business Strategy and the Environment* Iss. 19, pp. 436–452.
- Muhammad, A., Cory, S., Paulo, S., David, K. (2013). A Review of Dutch Corporate Sustainable Development Reports. *Corporate Social Responsibility and Environmental Management* Vol. 20, Iss. 6, 321-339, DOI: 10.1002/csr.1284.
- Noronha, C., Tou, S., Cynthia, M. I., Guan, J. J. (2013). Corporate Social Responsibility Reporting in China: An Overview and Comparison with Major Trends. *Corporate Social Responsibility and Environmental Management* Vol. 20, Iss. 1 29-42, DOI: 10.1002/csr.1276.
- Pawłowska E. (2014). Organizacje pozarządowe a kapitał społeczny, *Zeszyty Naukowe Politechniki Śląskiej. Seria Organizacji Zarządzanie*, z. 77, pp. 167-176.
- RobecoSAM 2014 Corporate Sustainability Assessment, (2014). RobecoSAM, Zurich, Switzerland.
- Tencati A., Perrini F., Pogutz S. (2004). New Tools to Foster Corporate Socially Responsible Behavior, *Journal of Business Ethics*, Iss. 53, 173–190.
- Wartick S. L., Cochran P. L. (1985). The Evolution of the Corporate Social Performance Model, *Academy of Management Review*, Iss. 10, 758–769.
- Wolniak R. (2013). The role of Grenelle II in Corporate Social Responsibility integrated reporting, *Manager*, vol. 17, iss. 1, pp. 7-21.
- Wolniak R. (2014). Relationship between selected lean management tools and innovations, *Zeszyty Naukowe Politechniki Śląskiej. Seria Organizacji Zarządzanie*, z 75, pp. 157-266.
- Wood D. (1991). Corporate Social Performance Revisited, *Academy of Management Review*, Iss. 16, 691–718.
- Zadros K. (2014). Etyczna odpowiedzialność w zarządzaniu podmiotami leczniczymi, *Zeszyty Naukowe Politechniki Śląskiej. Seria Organizacji Zarządzanie*, z. 70, pp. 701-710.
- Zieliński M. (2014). Korzyści z wdrożenia koncepcji CSR w zarządzaniu zasobami ludzkimi, *Zeszyty Naukowe Politechniki Śląskiej. Seria Organizacji Zarządzanie*, vol 74, 2014, pp. 653-667.

The Evaluation of the Strategic Management and Social Responsibility in the Selected Group of Agri-food companies in the Slovak Republic

Zuzana Kapsdorferová¹, Mária Kadlečíková², Lucia Farkašová³, Zuzana Juričková⁴, David Babayan⁵

Slovak University of Agriculture ^{1,2,3,4,5}
Department of Management, Faculty of Economics and Management ^{1,2,3,4,5}
Tr. A. Hlinku 2
Nitra, Slovak Republic

Zuzana.Kapsdorferova@uniag.sk¹, Maria.Kadlecikova@uniag.sk², Lucia.Farkasova@gmail.com³,
zuzana.jurickova@gmail.com⁴, david.babayan@uniag.sk⁵

Abstract

Slovak food industry represents important sector of the national economy. In the submitted article, we deal with evaluation of implementation of strategic management in the conditions of the food industry as well as by its approaches towards of social responsibility in relation to the small retail shops and to the food chains. Into consideration is taken also socially responsible consumer's behavior. For data collection was carried out the questionnaire survey in the 80 food processing companies in the year 2014. The positive trend is the penetration of the phenomena of social responsibility into the food industry, which is even becoming the one of the areas for strategic planning in some food processing companies, especially in relation to the natural environment and to the downsizing the food losses and food waste.

Key words: food processing industry, social responsibility, food chain, food waste, environment.

JEL Classification: M00, M14, Q18

1. Introduction

The Slovak food processing industry represents important sector of the national economy of the Slovak Republic. Its function consists not only from the processing of raw material from agricultural production, but also involves the safe-guarders at the finalization of products for citizens' nutrition in line with food standard's requirements on the high quality and food safety. The problem is that in the Slovak Republic we produce continuously less foodstuffs. In 2012 the food security dropped on 45-47 per cent, what represents the lowest level among the EU-28 states. This kind of situation happened, despite that in one of the Agrarian Concept from 1993 is stated that if the food security would drop below the level of 85 per cent, immediately have to be accepted effective measures by government, which will lead to the stable market development with food products produced by the domestic producers.

As the consequence of the transition process, the accession to the European Union, multiplied economic crisis, volatile price development of the agricultural products and energies, limited investment into the sector, as well as the low competitiveness, (first of all in the primary production) and the arrival of foreign investors, development of supply chains, this everything caused that during the two decades the state of food safety decreased about 40 per cent. Nowadays, more and more foodstuff is imported and the export of Slovak agri - commodities is becoming more complicated. On the other side, in relation to the food processing industry, we more and more emphasize the social responsibility of the companies. This is so to the environment, as well as towards of the retail chains into which is food processing industry directing its products.

The main objective of the submitted article is to map the situation with use of the strategic management in the food processing industry's companies. Furthermore, to evaluate the social

responsibility in this sector, to give an answer that what are the main areas of interest from the side of food processing companies towards of the social responsibility (environment, small retail shops, supply chains), and to find out the conduct of the citizens towards of the responsible foodstuffs' procurement and they interest on the decline of food waste.

1.1 The Recent Status e of the Analysed Topic

As the first representative who dealt with modern approaches towards of the social responsibility we do consider Howard R. Bowen (e.g. Anderson, 1989 and Patterson, 1966). This happened in his book „Social Responsibilities of the Businessman „issued in 1953. Carroll (1999) even proposes to call Bowen “farther of the social responsibility“.

The European Union upon the whole range of definitions defines social responsibility as the concept, in frame of which the companies in voluntary way involve social and environmental aspects into their entrepreneurial activities as a well as into their relations with all stakeholders groups, (European Commission, 2001).

In the EU Declaration is written that in those companies, in which they wish to fulfil their mission in frame of social responsibility, has to be in the progress the integration of social, environmental and ethical aspects and the issue of human rights, in their individual operations and they have to be incorporated into the basic strategy in cooperation with stakeholders.

Carter and Jennings (2002) for example introduced term “social responsibility in the logistics“, and with this they are more specifically focused on the procurement management, transport management and the stocks management.

The implementation of the social responsibility has also its critics and even opposes. Levit (1958), highlights that the basic function of company is the achievement of the highest profit and the absolutely basic task is its survival as the independent economic unit. According of this author the companies have to respect the basic rules of the ethical conduct towards of the society, while it is not their utmost task to take care about the society's well-being. This has to be the task of the individual governments, the public administration and self-governments on the respective level.

According of Henderson (2001), the most serious problem is the fact, that despite with topic of social responsibility of company and its sustainability, dealt and dealing number of the recognized experts during plenty of years, these terms are not yet sufficiently defined and they miss to have clearly indicated desirable objectives towards which have to be oriented the company's endeavours.

2. The Methodological Approaches

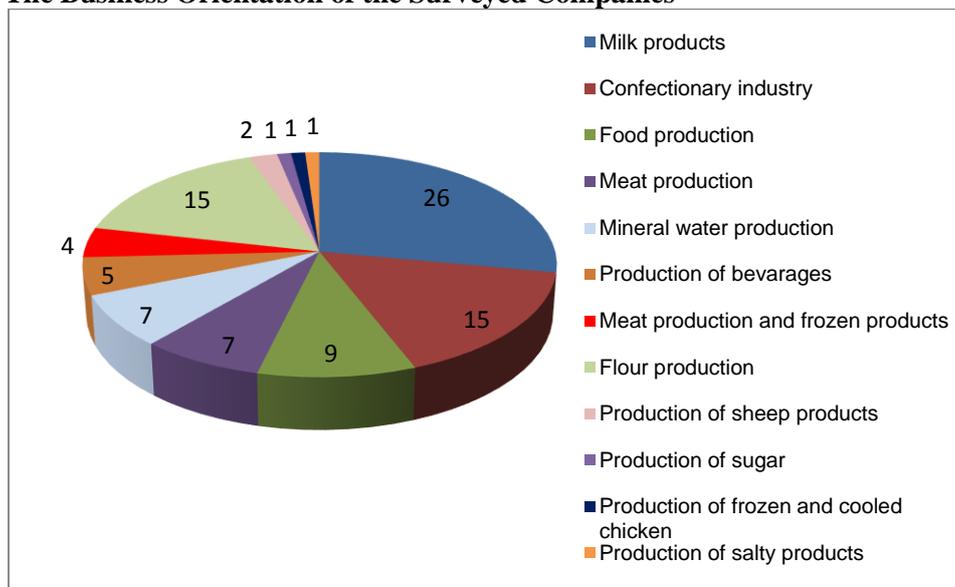
Through utilization of the questionnaire survey we analysed the use of the strategic management and its impact on the economic growth and increase of competitiveness of the agri-food enterprises, also we analysed the approach of food-industry companies to the introduction of social responsibility, and especially, to the small retail chains, whole sale retail chains and to the supermarket chains. In total 80 food processing companies have been addressed. The questionnaire survey was carried out in 2014, so the collection of basic data was undertaken in same year. The basic data had been obtained directly from the food-processing companies. In addition to this another questionnaire survey was carried out in 2014 which was focused on the consumers' responsibility towards of the decline of food waste. In this second survey participated in total 234 respondents. The production orientation of the surveyed companies is different. The structure of owners is mixed, composed both from Slovak, and from foreign owners.

3 The Results

3.1 The Approach of the Surveyed Enterprises towards of the Strategic Management

Into the research had been involved 80 companies of the food-processing industry. 71 companies had the legal status as the limited liability companies, while 9 companies legal status was the share holding company. From limited liability companies 66 consider the strategic management from the point of view of their development as very important, or important. Almost 93 % limited liability companies see the utilization of the individual tools of strategic management as significant. 30 limited liability companies indicate that their economic result is with profit; while in contrary 21 enterprises acknowledge that their economic results are with losses, while 19 companies state that their economic development is volatile. The most frequent business field for the limited liability companies as we can see from figure 1 is confectionary industry, into which are involved 13 companies, 24 companies are oriented on the production of milk products , 4 companies on meat processing, 9 on the other food production, the one company on the sugar production, 4 are focused on production of meat and frozen products, seven are suppliers of the mineral waters, 1 company is from the field of flour production, 1 company is from the field of frozen and cooled chicken meat, 5 enterprises are dealing with production of soft and alcoholic beverages, one enterprise is oriented on sheep products including the sheep milk products and the last one deals with production of salty products.

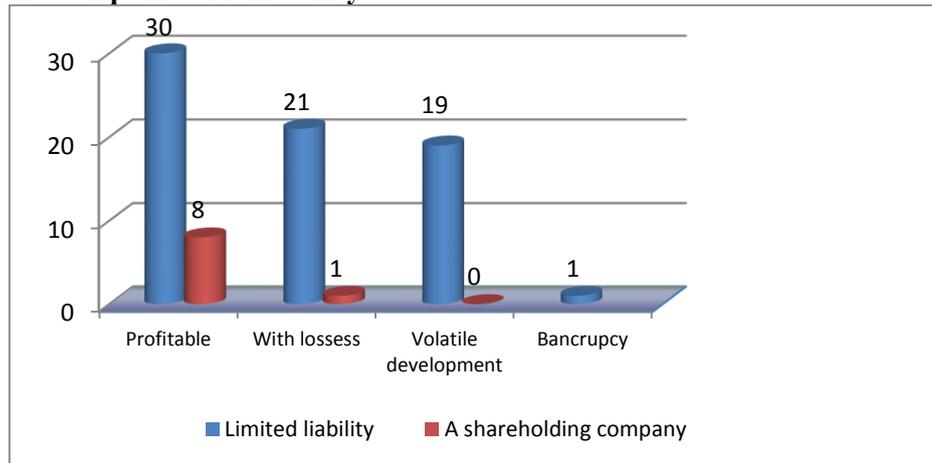
Figure 1: The Business Orientation of the Surveyed Companies



Source: Own results

From the shareholding companies all of them consider strategic management as very important, or important from the view of the company's development. Almost 90 % of them are utilizing the individual tools of strategic management. According of the figure 2 shareholding companies declare that their economic results are positive, while one company operates with losses.

Figure 2: The Companies' Profitability



Source: Own results

From the research stems out that the financial crisis with its consequences had influenced almost the all surveyed companies (77). Despite that the all companies utilized the individual tools of strategic management prior the financial crises started they had been seriously harmed by it. However, what is important that due to strategic approach to the management and respectful know-how of the companies, the almost whole group of companies overcame the most challenging period and nowadays is progressing well with its production and economic results.

3.2 The Social Responsibility in the Small- Retail Chain

First of all at the very outset it has to be underlined that the social responsibility of the food industrial companies started at the beginning of third millennium. From the start it was more oriented on the charity and renovation of cultural heritage. In the last 8 years the approach of industrial companies towards of the social responsibility is widening. Upon the survey carried out, the each of the company involved into the survey is active in certain field of social responsibility. The majority of the food processing companies consider as the main topics in frame of the social responsibility for the food small stores the following approaches (the first two are more characteristic mainly for domestic companies):

- The most important is to support small food stores, in which where will be sold the local products, (in total 8 companies).
- The food processing companies consider as very important their support for local foodstuff's producers, in order to contribute the local food staff production, (in total 8 companies).
- Furthermore, into their interest also falls the support in favour of healthy life style and healthy diets, (in total 41).
- The food processing companies support the organic farming production (in total 71).
- Into their interest also belongs the charity and sponsoring, (in all 80 companies).
- In addition the initiatives which contribute the local communities development, (in total 24 companies).
- Environmentally considerations, (in all companies).

With the growing international trade the volume of the food waste is rapidly growing due to the quickly perishing food products. This is the consequence of the continuing globalization and the abolishment of the international trade barriers. With this the more important is becoming the agenda of food safety. The achievement of the food safety is also the organic part of the social responsibility. The capacity, in appropriate way to control the suppliers in frame of food chains and speedily to react on the arising problems, is becoming also for small retailers the

great challenge, however, according to Buzilă et al(2009), this is also their competitive advantage in comparison with large supermarket chains.

3.3 The Social Responsibility in the Frame of the Supply Chain

The food and food products are the basic condition for the human being's existence. Therefore, the primary objective of the every country is to ensure sufficient food production and the general accessibility to the basic foodstuffs. This stems from the Roma Declaration of the World Food Summit in 1996, which states: „When all people at all times consume food of sufficient quantity and quality in term of variety, diversity, nutrient content and safety to meet their dietary needs and food preferences for an active and healthy life coupled with a sanitary environment and adequate health and care“(1996).

Taking into account the above definition the supply chain with food products has to ensure that the food will be accessible in all times, safe, healthy and will have sufficient quality. This is the utmost task of the supply chain with food.

In the case of foodstuffs, consumer tries to consume only the products which are in best condition. Regardless, whether the food product has a very short, short or very long consumption period, there is always situation that after the certain date for best consumption is impossible to continue with the food product selling, at least not for the human consumption. This situation is a good example for the social responsibility within the supply chain.

The application of social responsibility of the company within the supply chain appeared at the beginning of nineties of the previous century. At the management of the supply chain is important to require socially responsible conduct with regard of the consumption date, at the return of packaging materials and the used products. With regard of the waste economy the biggest consideration is placed to liquidation of the wrappings received from consumers and to the decrease of food waste which is after the expiration date for human consumption not suitable anymore.

3.4 The Social Responsibility of the Consumer towards of the Foodstuffs

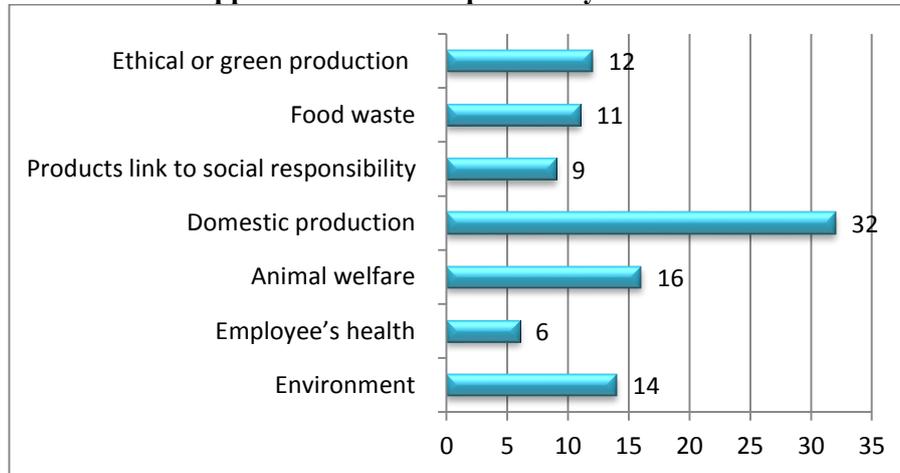
Nowadays, in this overall process, important role plays the consumer who is more demanding on the high quality of products, who is more qualified and expect high responsibility from suppliers involved into the food chain, but also who is paying attention to his/her own social responsibility towards of economical care about the procured foodstuffs and to the minimization of the foods waste.

According of our research and the literature sources as well, the consumers understand the social responsibility in different ways their decision-making during the procurement. Perceived social responsibilities from the side of the consumers involve following aspects:

- the impact on the purchased food product on the environment, (14 per cent - the way how is product produced, or to buy less in order not to create food waste and in this way to avoid the further burden on the environment, etc.),
- the impact on the employees in the countries in which the products are produced (3 per cent - the use of the chemicals which have detrimental effects on the human health),
- the impact on those persons who are producing the raw materials and the final products (3 per cent),
- the animal welfare (16 per cent - the way how the animals are bred, how they are slaughtered, or if there is the forced feeding applied,
- the support for the domestic production, smaller enterprises and shops (32 per cent),
- the buying of the products which are linked to the activities of social responsibility (9 per cent),

- the self - recognition by consumer that his/her consumption is not socially responsible (11 per cent),
- the consumers who are preferring ethical, or green consumption (12 per cent).

Figure 3: The Consumer ‘Support for Social Responsibility in favour of Listed Areas



Source: Own results

While we speak about the consumer, who is taking into account the social responsibility during his/her foodstuffs' purchase, Lecompte and Valette-Florence (2006) recognize consumers with diverse share of application of „sustainable consumption“. The first group in substance is transferring the socially responsible activity on the producers themselves, whose products they prefer to buy, while on the second side they do reject to buy the products from the companies which conduct is in this respect from different reasons not considered as socially responsible.

4. Discussion and Conclusions

In the submitted article we deal with two topics which are interrelated. First is the issue of the strategic approaches to the management of the food industry companies, while the second deals with the matters of the social responsibility in the food industry and also with the consumer behaviour towards of the responsible procurement of the foodstuff and minimization of the food waste. From the carried our research are stemming out following conclusions:

- strategic management is inevitable tool of the management in frame of the market economy;
- owing to the companies' interests about the economic and production development, the food processing companies imply the strategic approaches;
- despite of the financial crisis 38 companies managed to operate with profit, while in the years 2009-2011 22 companies achieved negative economic results;
- the elaboration of strategies helped in meaningful way to overcome the crisis/emergency situations by individual companies especially in the years of economic crises.
- The social responsibility has to be organic part of the food industry companies, since it is overlapping number of the activities in the respective company and it is concerned to the all involved stakeholders.

Therefore, the new important feature is that food industry companies are introducing new strategies oriented on the social responsibility. This refers to the environment, support to the small retail shops, contribution to the small producers, to organic production, to local communities' development.

To deal with social responsibility directed to the supply chain is very demanding topic. Kovács (2008) in his research found out, that the requirements of the customers companies are different for three groups of suppliers:

- The products suppliers (raw material, semi-processed products, components),
- The suppliers of processes (technologies, machine equipment's),
- The other suppliers – this group involves e.g. energy suppliers, so highly important for production process, but also the suppliers of some components, which are not in direct relation either to product, neither to the production process (e.g. stationary).

The companies from different sectors had been surveyed by the scientists Panapanaan and Linnanen (2009). They do consider cooperation of involved partners in the supply chain as meaningful with regard to the social responsibility. However, companies face to the number of the problems:

- They do consider as very challenging to introduce the concept against of the flow of the supply chain behind the borders of their direct consumer.
- The challenging is the fact that the consumers have also their sub - suppliers, who are not directly involved into the supply chain.
- There is high number of products; question is whether the all products can be fully connected to the principles of social responsibility.
- Orientation on social responsibility could be focused differently (implementation of the ethical procurement principles, narrow partnership with suppliers and the respect of the accepted code of conduct, inclusion of the stakeholders into the supplying chain etc.).

In Slovak Republic, the social responsibility's topic in food processing industry started after the transition process of the national economy, after the privatization of food industry and especially with our accession to the European Union. Its strongest appearance is in the small retail chains, however not yet developed as required, and it is starting to be introduced in the supply chains of the large supermarket. In addition to this, the new phenomenon is the consumer's socially responsible behaviour. This has to be evolved into the Consumer Code of Conduct, in order to decrease the food waste and to behave in responsible ways at the procurement of foodstuff towards of the all stakeholders which are involved in to the supply chain. What is so far missing in our circumstances is to more develop the social responsibility on the whole supply chains in the both direction in the line with supply process and against of it.

Acknowledgements

This paper was created within the research project VEGA supported by the Ministry of Education, Science, Research and Sport of the Slovak Republic VEGA *Corporate Social Responsibility (CSR) of the Slovak Enterprises in the context of Internationalization in Business*. Project registration number 1/0044/13.

References

- A renewed EU strategy 2011-14 for Corporate Social Responsibility. (2011). [online] Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Committee of the Regions. Brussels, 25. 10. 2011. [cit. 2011-10-30] WWW: http://ec.europa.eu/enterprise/newsroom/cf/_getdocument.cfm?doc_id=7010
- ANDERSON, J.W. (1989). Corporate social responsibility: guidelines for top management. Westport, Greenwood Press. ISBN 0- 89930-27-6.
- BUZILÁ, N. & COSTEA, S.C. & DRAGOTÁ, G.V. & GORDEAN, R.S. (2009). Trends in Global Retailing. Management Agricol. Vol. 11, No. 2, 2009, Special section. pp. 1-6.
- CARROLL, A.B. (1999). Corporate Social Responsibility. Evolution of a Definitional Construct. Business Society. Vol. 38 No. 3 September 1999. pp. 268-295.
- CARTER, C.R. & JENNINGS, M. M. (2002). Logistics social responsibility: An integrative framework. Journal

- of Business Logistics. Vol. 23, No. 1, 2002. pp. 145-180.
- HENDERSON, D. (2001). The Case Against Social Responsibility. Policy. Vol. 17, No. 2, 2001. pp. 28-32.
- KOVÁCS, G. 2008. Corporate environmental responsibility in the supply chain. Journal of Cleaner Production. Volume 16, No. 15, October 2008. pp. 1571-1578. ISSN 0959-6526.
- LECOMPTE, A. F. & VALETTE-FLORENCE, P. (2006). Mieux connaître le consommateur socialement responsable. Decisions Marketing. No. 41, 2006, pp. 67-79.
- LEVITT, T. (1958). The dangers of social responsibility. Harvard Business Review. vol. 36, No. 5, 1958, pp. 41-50.
- PANAPANANAN, V.M. & LINNANEN, L. Finland. Chapter 4 p. 72-102 in IDOWU, S.O., Leal Filho, W (Eds.) (2009). Global Practices of Corporate Social Responsibility. Berlin Heidelberg: Springer 2009, 508 p. ISBN 978-3-642-08837-7.
- PATTERSON, J.M. (1966). What Are the Social and Ethical Responsibilities of Marketing Executives? The Journal of Marketing. Vol. 30, No. 3, 1966. pp. 12-15.
- Roma Declaration on World Food Security. (1996). www.fao.org/docrep/0003/w3613e00.HTM

Corporate Social Responsibility in Slovak Small and Medium Sized Enterprises

Michal Pružinský¹, Jana Tkačiková²

Ekonomická univerzita v Bratislave¹, Katolícka univerzita v Ružomberku²

Podnikovohospodárska fakulta v Košiciach, Katedra obchodného podnikania¹, Pedagogická fakulta²
Tajovského 13, Tajovského 13, 041 30 Košice, Slovensko¹, Hrabovská cesta 1, 031 04 Ružomberok,
Slovensko²

e-mail¹: michal.pruzinsky@euke.sk, e-mail²: jana.tkacikova@ku.sk

Abstract

We present within this paper current views on corporate social responsibility with a focus on small and medium-sized enterprises. Corporate social responsibility is based on universal ethical principles, which are impartiality, commitment, active cooperation with stakeholders and transparency. They emphasize voluntary, corporate social responsibility should be based on a voluntary commitment of companies and their managements in a manner that in a good way they go beyond legislative provisions and obligations arising from compliance with trade agreements. We evaluate the approach of businesses to corporate social responsibility on the basis of knowledge concentrated within papers from domestic and foreign authors. Surveys have confirmed to us that the activities of SMEs in socially responsible business are fragmental, irregular and informal. Few SMEs see it as part of the business strategy, and are, or feel the need for formal procedures. Environmental responsibility and the need to participate in solving social and community problems are aware of particular companies which are members of associations, business networks and interest groups. These companies are more willing to see the link social engagement with their business success.

Keywords: Corporate Social Responsibility, SMEs, Social Engagement, Stakeholders

JEL Classification: D21, Q58, R12

1. Introduction

Principles of corporate responsibility often associated with evidence of its benefits for customers, employees, communities and shareholders. Proponents of corporate social responsibility do not allege that the company should abandon its primary and legitimate objective of making a profit and instead devote in example to charity. They often refer in particular to the fact that as businesses in order to generate profits also added interest in the overall functioning of society and the environment will benefit not only themselves, but also society. Advocates of CSR argue that "being good is good not only in financial terms. And enhancement of the environment brings businesses through increased employee productivity, reputation and also financial gain. Definitions of CSR are based on general ethical principles, which are impartiality, commitment, active cooperation with stakeholders and transparency. They are universal and apply to all types of business. Corporate social responsibility should be based on a voluntary commitment to their businesses and business management in a manner that in a good way goes beyond the provisions of generally binding regulations and obligations arising from compliance with trade agreements. In this effort, firms must compete for active cooperation with stakeholders. Stakeholders are all persons, institutions and organizations, which may affect the performance of the organization, or vice versa, are influenced by the organization. Quality of life reflects the overall well-being of individuals in the community. Economic growth has long been recognized as the most important indicator of economic progress. Probably the most commonly used indicator of economic growth, GDP, which is contained in the financial value of all goods and services produced in the territory of the country. In addition to goods with positive added value in it included the cost of protection against the negative effects of growth, such as cleaning toxic dumps and environmental accidents. GDP in

this way shows the negative consequences of economic growth that benefits the overall progress of society. Development on the other hand, is related to the sustainability of assets creation. Notes the ecological consequences of the activities of entities doing business, the conditions under which products are produced, as are channelled, which has production impact on different groups and regions. Enterprise does not work in isolation but is part of the environment. According to this perspective, the enterprise carries out its activities with respect to the triple bottom line and it does not focus only on economic growth, but also the social and environmental impact of its activities.

2. The development of social entrepreneurship and its concepts

In the early 20th century scientist utopian Robert Owen of Great Britain made first in research in the field of socially responsible business. Practical works in the field of social business had been conducted by entrepreneurs Andrew Carnegie in the USA, Thomas and Jan Baťa of pre-war Czechoslovakia. They were charismatic and usually philanthropic personalities. From their leadership positions they put their effort of their business mission of thriving social status of people and locations in which undertook. Modern history of corporate social responsibility (CSR) started in the fifties of the last century. Ideas CSR were incorporated in literature for managers. The first definition of corporate social responsibility based on the management model. They praised committed attitude to it. Bowen (1953, 2013) wrote: "Social responsibility is a commitment entrepreneurs seek to have strategies to make such decisions or carry out such activities that are desirable in terms of objectives and values of our society." Bowen is seen as the first theorist of socially responsible business. He said that corporate social responsibility is not a panacea for all the pain of this world, but contains an important truth that must guide the activities of entrepreneurs in the future. Davis & Blomstrom (1966) defined social responsibility as "individual liability" for the impact of their decisions and actions of the entire social system. Entrepreneurs apply social responsibility when considering the needs and interests of other people whose business activities may intervene. As do so: "They can see and the things that are beyond narrowly defined economic and technical interests of their business". At the end of the sixties and seventies were the definitions of socially responsible business under the influence of turbulent social change. Nevertheless, the definitions of this period emphasized personality manager in the corporation, focusing on the interaction between the business and socio-economic system. By Elibert & Parket (1973) the social responsibility has been viewed as a "good neighbourhood". The concept contained two stages. At the beginning it means not doing things that might harm the neighbourhood. The second stage is a voluntary acquisition commitment to help solve problems in the neighbourhood. In the eighties was transferred from the general interest in theorizing about social responsibility on empirical research of corporate responsibility. As a result of efforts of operation of the concept has undergone fragmentation. It began to emerge various alternative concepts. These include (i.e. social business performance, stakeholder theory, business ethics, and public policy). At the turn of the millennium the definitions of corporate social responsibility underlined contribution of voluntary associations doing business responsibly companies, NGOs and the European Union. EU considers social responsibility in business as one of the tools needed to fulfil the Lisbon Strategy. Here are 3 of the most famous definitions of this term. British organization "Business in the Community", bringing together hundreds companies, defines corporate responsibility as managing "the positive impact that the company has on society and the environment, and which reaches its activities, products or services, and through interaction with key stakeholders (i.e. employees, consumers, investors, communities and suppliers). World Business Council for Sustainable Development (1992) defines CSR as a continuous commitment of businesses to behave ethically, contributing to sustainable economic development and improving the quality of life for employees and their families, as well as the local community and society as a whole".

The Green Paper of the European Union (2001) explained how CSR whereby companies integrate social and environmental concerns into everyday business activities and interactions with corporate stakeholders. Corporate social responsibility is the integration of business practices and values so that they are included therein interests of all stakeholders, including consumers, employees, investors and the environment.

Varied though of CSR definitions show it is clear that the concept of corporate social responsibility is not yet clearly defined. According to the Sun (2010) CSR provides room for different interpretations of a wide range of practical use. Current definitions of corporate social responsibility are mainly based on universal ethical principles, which are impartiality, commitment, active cooperation with stakeholders and transparency. Generally characterized by the following common characteristics:

1. They are versatile (valid for all types of business, not just for some).
2. They stress voluntary. Corporate social responsibility should be based on a voluntary commitment of companies and their management business in a manner that in a good way goes beyond the provisions of the general laws and obligations arising from compliance with trade agreements.
3. They focus on active collaboration with stakeholders.
4. They express its commitment to contribute to the development of quality of life. Quality of life reflects the overall well-being of individuals in the community. It represents the welfare of individuals, their ability to control resources, as well as subjective evaluation of their lives.
5. They stress development, not just growth. Economic growth has long been considered the most important indicator of economic progress. It is usually measured by simple and hence robust rates of productivity of the economy, which can distort reality.
6. They are naming three areas in which corporate responsibility concrete terms. Responsible entrepreneurship requires a shift in perspective from the level of “profit only” (orientation solely on profit) to view, which allows you to see the company's business in the wider system of social and ecological relationships. The company does not operate in isolation, but it is direct part of the outside world. In the social area, corporate responsibility manifests monitoring and minimizing the negative effects of the activities of companies on the social system in which they operate. In the area of environmental corporate responsibility manifests monitoring and reducing the negative impacts of the organization on the environment.

2.1 To be or not to be a socially responsible company

More and more businesses are gradually adopting the principles of corporate responsibility. Proportionally between both the company CSR and the growing demands the proof of the benefits of corporate social responsibility. This question is asked by customers, employees, government, and community and, of course, shareholders. Shareholders are most interested in the financial effect of such an approach to business. None of the defenders of corporate social responsibility does not claim that the company should abandon its primary and legitimate objective of making a profit, and instead given to charity. Merely shows that when firms attempt to generate profits also added interest of the overall functioning of society and the environment will benefit not only themselves, but also society. Critics of CSR argue that the only purpose of companies is to produce profits and does not have other objects that may distract them from the main mission. Market economy works when companies are trying to gain the maximum profit for its shareholders. Ultimately, is simply due to the invisible hand of the market, which distributes the profits of profit firm's benefit everyone: shareholders, employees, consumers and government. In general, for the benefits of corporate social responsibility are the following:

1. The possibility of managing risk that helps formulate responsible approach reflected in human resource management, the control of product quality and environmental standards can protect your company from costly lawsuits and the resulting damage to the name of the brand. It can also relieve the government's efforts to regulate the market segment or business.
2. Help raise profits, because consumer behaviour is changing. People often encourage businesses which believe that acting responsibly. Products for businesses in the deployed legal and other disputes are willing to pay more.
3. Help reduce costs. The pressure on the effective use of resources increases, thus promoting energy saving and materials.
4. Promoting innovation that can stimulate innovative thinking and management practices, thereby contributing to increased competitiveness.
5. Help maintain the legitimacy of the company. Corporate Social Responsibility perceived as a member of society, which is composed of numerous groups of stakeholders. Undertaking by all groups should have an open dialogue.
6. Help build trust and brand. Shop more dependent on reputation, trust and brand. Corporate social responsibility helps to increase trust and build goodwill, which in the long term contributes to increased brand value, market share and customer loyalty.
7. To allow better management of human resources, which is one of the most important areas where applicable corporate responsibility. It influences such as access to rewarding work-time, career development, training and education, anti-discrimination policy.
8. Increasing attractiveness to investors who can often choose investment opportunities by a combination of financial, social, environmental and ethical factors as criteria for socially responsible business means to them a guarantee of security and long-term sustainability of the enterprise.

The most frequently mentioned barriers to corporate social responsibility are:

1. Adoption of CSR in corporate strategy is costly initial investments. Requires staff time, and the introduction of new working and management practices are applied may initially have a negative impact on productivity.
2. CSR is characterized by a specific language, and extends to all areas of the company: from product design, through management of all components of the company to external communication. It is difficult to become familiar with the issue. Enterprises trouble finding the right information, resources and skills to be able to CSR principles put into practice.
3. The CSR is based on mutual cooperation of all three sectors of society. Some companies may worry about whether they find credible and appropriate partners with whom they could work together.
4. Unclear rules and mesh codes relating to the various fields of activity may in meeting the objectives of corporate responsibility strategies result in a conflict of priorities.
5. Poor or disorganized support from the public administration institutions, the low level of non-governmental sector and limited opportunities due to lack of cooperation partners are other barriers to the successful introduction of the principles of corporate social responsibility into practice.

1.2 Global context of corporate social responsibility

Corporate social responsibility is not just the amount of axioms, definitions and theorizing. It becomes a vast movement which is actively supported by businesses, governments, but also non-governmental organizations. Globalization is one of the main causes of the increase in the importance of social responsibility in business. World economic integration has reformulated

the importance of borders between states. Increase the intensity of trade relations led to the creation of zones (free trade zones) within and substantially changing the distinction between domestic and foreign transactions. Businesses can expand their activities throughout the world and looking at the comparative advantages of the best conditions that enable them to maximize profits. The headquarters of transnational corporations, whose official residence is indeed important, it may yet be physically in the area where the cost of operating the lowest. New product development is carried out, where it is competent staff. Manufacture is where the lowest cost of raw materials and labour. With the production are also linked the negative consequences of environmental pollution. The decline in the importance of borders between countries and facilitating transport and communications mean that there is a new international market with changed investment conditions. On the demand side are companies looking for low labour costs and the tax burden and the best possible infrastructure. States shall endeavour to expectations of foreign firms (investors) meet and surpass the deals in order to get income-producing investment and lowering unemployment. This market along with other features, such as an aging population also affects the social policies of individual countries and puts pressure on the limited tools strong welfare state. States are gradually abandoning responsibility of care for certain groups. Enterprises are seeking at least some way to meet their needs. CSR is both a response to pleas for protection against the constant changes in economic forces. Another consequence of globalization and the development of low-cost information technology is simplified access to a wealth of information to be made available to consumers in real time. People know more and learn it faster. The widespread availability of information also implies that consumers are more sophisticated, and from the purchased product expect more than its functional properties. The consumers expect that the products of their favourite brands deliver them excellence and uniqueness. Since when buying people take into account, among other factors, ethical criteria, it is difficult to cope with the fact that because of petrol tank into your favourite car, dying people and their daily use of cosmetics is safe only due to torture animals. General Declaration of Human Rights (UDHR) is a universal norm, which regulates relationships between individuals, organizations and institutions. On the other hand, corporations that profit from economic globalization in different countries often do not respect human rights. In recent decades, in post-industrial countries, national production has shifted from mining and manufacturing to service provision and to mediate and manage the flow of information. In developed economies more than 70% of GDP accounted for by the services sector. Human resources are now a much higher value than when prevailed exploration and production of products. There is a difference between the duty cycle of fixed assets (such as cranes, excavators etc.) They employ a large group of employees. In the post-industrial economies tangible assets of companies are no so important. For example, in the case of Coca-Cola they represent only 5% of total assets. The rest is brand equity and human capital. Company revenues often depend on the exploitation of tangible property, but on the skills and motivation of employees. Due to this the importance of human resource management, human capital formation and organization of businesses are increasing. Corporate Social Responsibility is response from people interested in the quality of life and overall impact of business on society.

2. Data and Methods. World and Slovak movements of socially responsible companies

In general, there is growing concern about the practical implementation of CSR into everyday reality of business strategies and practices. And it benefits managers of companies, trade associations, international organizations, scientists, NGOs and journalists. At the global level, the movement now covers the United Nations in 2000 under the direct authority of the Secretary-General Kofi Annan launched the Global Compact. It is an international network bringing together UN agencies, NGOs, representatives of companies and other international

organizations (International Labor Organization, the World Business Council for Sustainable Development).

An important organization promoting the formulation of the basic principles and promoting CSR, is OECD (Organization for Economic Co-operation and Development). In 2000 it published a revised version of the OECD Guidelines for Multinational Enterprises (OECD Guidelines for Multinational Enterprises). These rules contain a series of recommendations formulated by governments relating to corporate social responsibility. OECD Principles are trying to edit a wide range of topics - from the principles of management companies (i.e. transparency and openness, employee relations and the environment, and the competitive fight and the fight against corruption).

In January 1999 the European Parliament adopted a resolution on EU standards for European enterprises operating in developing countries: The European Code of Conduct (Resolution on EU standards for European enterprises operating in developing countries: towards a European Code of Conduct), which calls for an international corporation based in Europe to adopt a code of conduct that takes into account the minimum standards of human and labour rights, on environmental standards and prevent corruption.

In the summer of 2001 the European Commission published a Green Paper entitled “Promoting a European framework for corporate social responsibility”. This document contains the first official definition of corporate social responsibility. The aim of the Green Paper was to initiate a debate on CSR and to identify ways to promote European and global level. Refine be paid to the possibility of using the actual experience of companies, supporting the development of innovative approaches to corporate social responsibility and the manner of a single measurement, evaluation and verification of CSR companies.

In 2002, Multi-stakeholder Forum was announced, which under the auspices of the European Commission brings together representatives of employers, trade unions and NGOs. The aim of the “Forum” is to promote innovation and transparency of corporate social responsibility and orchestrate existing initiatives in this area.

In early March 2005 in Brussels brought together representatives of 300 major European companies. Their common objective was to present the highest representatives of the European Union and other interested parties to its vision of how the corporate sector can contribute to the sustainability and competitiveness of a united Europe. At the meeting, signed a document A European Roadmap for Businesses, which is the result of initiatives by CSR Europe and its 18 partner organizations. Companies subscribing to this document must be owned by the ten goals of corporate responsibility, and integrate them into their corporate culture.

International Business Leaders Forum (IBLF) is an international non-profit educational organization, founded in 1990. The aim of the IBLF is at the international level to promote socially responsible business, and help achieve sustainable development in its social, environmental and economic dimension, especially in new and emerging market economies.

Business in the Community (BITC) is a British organization umbrella movement of more than 700 companies. Like other organizations, and the BITC is most important to raise awareness of corporate social responsibility.

Other organizations that contribute significantly to the formulation, promoting and putting into practice the principles of corporate social responsibility are:

- Business for Social Responsibility with web based: www.bsr.org
- Global Reporting Initiative's web based: www.globalreporting.org
- ILO - International Labour Organization with web based: www.ilo.org
- ISO - International Organization for Standardization with web based: www.iso.org
- The NGO Accountability with web based: www.accountability.co.uk
- NGO Sustainability with web based: www.sustainability.com
- SME Key for small and medium businesses with web based: www.smekey.org

- Socially responsible investment in web based: www.sricompass.org
- The World Bank's web based: www.worldbank.org
- The Copenhagen Centre with web based: www.copenhgcentre.org

2.1 Corporate Social Responsibility for SMEs in Slovakia

The ideas of corporate social responsibility penetrate into the Czech Republic and Slovakia, along with the arrival of multinational corporations in the nineties of the 20th century. In 1992 he founded the Business Leaders Forum. Since 1993 he has been involved only in the Czech Republic. It brings together representatives of Czech and international industry, commerce and major institutions. Their aims is to be a role model and sponsor socially responsible management and help create partnerships between businesses, governments, schools and local communities in order to achieve improvements in social, economic and environmental. Slovakia is building awareness of corporate social responsibility to pay several NGOs. The most important are: Centre for Philanthropy, PANET civic association, Integra Foundation, Pontis Foundation and the Institute for Economic and Social Reforms (INEKO). Parts of their activities are those focused on selected aspects falling into the issue of corporate social responsibility. It is also a number of other organizations, such as:

- Business Leaders Forum with web based: www.blf.sk
- Centre for Philanthropy with web based: www.cpf.sk
- Institute for Economic and Social Reforms (INEKO) with web based: www.ineko.sk
- Foundation Integra with web based: www.integra.sk
- Foundation Pontis with web based: www.nadaciapontis.sk
- PANET civic association with web based: www.panet.sk, www.partnersta.sk
- Slovak Cleaner Production Centre of web based: www.spcp.sk
- Slovak Society for Quality of web based: www.quality-slovakia.sk
- Slovakia's Foreign Policy with web based: www.sfpa.sk, www.businessethics.sk
- Central European Association of Corporate Governance with web based: www.cecga.org.

In 2004, the Foundation Pontis initiated the formal resumption of the Business Leaders Forum, which brings together businesses subscribing to the principles of corporate social responsibility in Slovakia. Its aim is to motivate and inspire companies operating in Slovakia to social responsibility by raising awareness and providing the necessary know-how. Breakpoints in the research of perception of CSR were years 2003 and 2004. In the Czech Republic came first publications dealing with corporate social responsibility in all its complexity. The first was 40 pages booklet titled *Corporate Social Responsibility*. In it the author defines social responsibility in business, the basic concepts are associated with it and the results of the first representative survey of perception CSR inhabitant. The second publication was issued in the year 2004. It is the study of Jana Trnková (2004), which is the first comprehensive analysis of CSR issues in the country.

In the past well-functioning communities that have always been local entrepreneurs, farmers and craftsmen who based the various voluntary organizations, the organizers of cultural events and charity collections. Corporate Social Responsibility is for many SMEs as a new term for something that has already doing. Small businesses often just need help in the process of strategic planning and arrangement of CSR into a more comprehensive whole. SME activities in CSR are fragmented, irregular and informal. Few SMEs sees it as part of business strategy. Environmental responsibility and the need to participate in solving social and community problems are aware particularly those businesses that are members of associations, business networks and interest groups. These companies are more willing to see the link social engagement with their business success.

3. Results and discussion

Unlike large firms, which are motivated by external influences, in the case of small businesses are the internal aspect of personal motivation and the owner of the most important moments involvement in CSR. Basic inner conviction of the owner of the company and its worldview fundamentally affect how formulate values and vision of the company, what strategies will be applied in the management of the company, as the organizing company processes and the like. Personal interest, inner satisfaction, a sense of moral responsibility, the desire to implement modern business practices and trying to give something back to the local community are the main motives that owners of small firms mentioned as reasons for involvement in CSR. Many of the practices of small business in CSR focused on key business processes, respectively. the practical activities easier. Many small businesses dedicated staff (i.e. to increase their skills, responsibility for their health and well-being, respect for balance between work and private life, morale, team building and motivation within the organization).

The main obstacles for SMEs to greater involvement in the CAP were evaluated:

- fear of increased costs,
- lack of time and human resources,
- lack of intrinsic motivation,
- Fear of bureaucracy,
- Lack of knowledge about CSR and ignorance as they are involved.

Another obstacle is the lack of awareness about the CAP. SMEs often underestimate that it is not their "good will", but also an indispensable part of the business. This is a misunderstanding of the fact that CSR can have a positive impact on business. Important catalyst for wider application in SMEs CSR strategies are examples of large businesses that their suppliers are starting to require commitment and evidence of its safety, the safety of employees, the environment, the principle of equality of opportunity and the like. Many SMEs consider this pressure, which entails costs and concerns about the survival of SMEs. Large companies, such as contractors, should proceed with caution. Social and environmental requirements in their tenders may seem simple solution. On the other hand, the SMEs can see them as other bureaucratic restrictions.

Benefits and motivation to implement the CSR

The most important internal benefits of promoting socially responsible activities of companies to support long-term survival in the marketplace (31%), increasing productivity, quality and sales (17%). The most significant external benefits of promoting socially responsible actions to improve the image of the company (37%), and promoting sustainable development of the country (22%), environmental protection (21%).

The development of socially responsible activities, according to business leaders strongly supported tax incentives (79%), derogations which would grant local governments (28%), recognition by the wider society (23%), subsidized interest rates (21%).

4. Conclusion

The functioning of the enterprise in terms of sustainable development requires the incorporation of the principles of corporate social responsibility into its strategy. The priority is awareness of their responsibilities towards all stakeholders (e.g. Shareholders, investors, employees, customers, suppliers, communities, the environment and interest organizations). Despite the varied view of the ZP, recognize that corporate social responsibility is a continuous effort to contribute to the enterprise sustainability by implementing practices that take into account the economic, social and environmental impact on stakeholders while voluntary incorporation of these principles into everyday business.

Acknowledgements

The paper conducts research in area of Sustainable development of higher education in the fields of management in the frame of VEGA project No VEGA č.1/0708/14.

References

- Bowen, H. R. (1953). *Organizational Social Responsibilities of the Businessman*. New York, Harper 1953. 248 p. ISBN 9789160938-196-3.
- Bowen, H. R. (2013). *Organizational Social Responsibilities of the Businessman*. Iowa City: University of Iowa Press, 2013. 266 p. ISBN-13: 9781609381967
- Commission of the European Communities. (2001). Green paper promoting a European framework for Corporate Social Responsibility, Brussel: European Commission, DOC/01/9. 37 p. Retrieved from: http://www.google.sk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&ved=0CDIQFjAB&url=http%3A%2F%2Feuropa.eu%2Frapid%2Fpress-release_DOC-01-9_en.pdf&ei=VpghVdKQNYOqPPvvgNAF&usg=AFQjCNF-ef7j_hp0XUAG_mtQ16dSt6dpOQ&bvm=bv.89947451,d.ZWU
- Davis, K. & Blomstrom, R. L. (1966). *Business and its Environment*. New York: Mc Graw Hill 1966. 403 p. ISBN-10: 0070155208.
- Elibert, H. & Parket, R. I. (1973). The Practice of Business: The Current Status of Corporate Social Responsibility. *Business Horizons* vol.16, no. 4, pp. 5-14.
- Sun, William (2010). How to Govern Corporations So They Serve the Public Good: A Theory of Corporate Governance Emergence. New York: Edwin Mellen. ISBN 978-0-7734-3863-7.
- Trnková J. (2004). *Společenská odpovědnost firem kompletní průvodce tématem & závěry z průzkumu v ČR*. Praha: Business Leaders Forum 2004, 58 p.
- World Business Council for Sustainable Development. (1992). *Corporate Social Responsibility*. Conches-Geneva: World Business Council for Sustainable Development. 38 p. ISBN No. 2-94-0240-03-5.

Relationships between Enterprises and Consumers in the Concept of the Corporate Social Responsibility

Renata Matysik-Pejas¹ – Monika Szafrńska² – Andrzej Krasnodębski³

University of Agriculture in Krakow^{1, 2, 3}

Department of Management and Marketing in Agribusiness

Al. Mickiewicza 21,

Kraków, Poland

e-mail^{1,2,3}: rmatysi@cyf-kr.edu.pl; m.szafranska@ur.krakow.pl; rkrasno@cyf-kr.edu.pl

Abstract

In the article was shown a concept of Corporate Social Responsibility implemented by companies in the context of the interaction with the actors of the market environment, which consumers are. Corporate Social Responsibility is a modern business philosophy, according to which the organization has to pursue their economic goals, and at the same time be responsible for the impact on the environment and quality of society life. One of the direct interaction groups of enterprises, representing an increasingly important area of CSR, are consumers. This is due to the fact that the companies recognize the importance of socially responsible activities for consumers and often regard them as part of their marketing activities. In this aspect a significant cause of taking CSR activities is a conviction of their long-term effectiveness and impact on the degree of the organization's competitiveness. Thanks to the improvement of image associated with them, it is possible to gain the trust and loyalty of consumers, increase market share and, consequently, an advantage over its competitors. Achieving measurable effects of CSR activities is possible under condition that consumers are aware of them, have positive perception of the specific messages and that this raise the credibility of the organization in their opinion. Simultaneously the role and position of consumers, as the subject of enterprise activities is evolving. This can be seen in the new management concepts, included within the idea of CSR, in which the aim is cooperation between the organization and consumers. Consumers are no longer passive participants on the market, receiving only the messages sent by the manufacturers. They start to manifest activity and desire for communication and cooperation. Such consumer behaviour led to the development of the phenomenon, referred to as prosumption.

Keywords: consumer, prosumption, social responsibility

JEL Classification: D19, M14, M15

1. Introduction

Modern concept of the Corporate Social responsibility appeared in the first half of the fifties when the book “Social responsibility of the businessmen” by Bowen was first published (1953). The author formulated the definition of the “social responsibility” stating that it is the “duty of managers to conduct the policy, make decisions and establish the guidelines for business activities, which would be compliant with the aims and values of the society”. For a long time Bowen’s ideas provided a forum for discussion about the phenomenon of social responsibility, yet the CSR concept itself was undergoing many transformations due to historical and economic development. Evolution of this concept was among others presented by Carrol in his paper (1999). Due to a great diversification of businesses, which have adapted CSR concept for their needs, there is no universal model of conducting socially responsible business, therefore there no single obligatory definition exists. The Authors also use many definitions of CSR, which shows the complexity and multidimensional character of the problem and its relationship with the assumed concept of research and area of interest (van Marrewijk, 2003; Dahlsrud, 2008; Malik 2015). The literature of the subject provides a great number of publications addressing both theoretical and practical issues of CSR. The popular areas of interest of the authors addressing this conception comprise among others the issues of the environment and sustainable

development (e.g. Baumgartner, 2014; Balaban, Cicioglu and Okutan, 2012; Yespolov & Horska, 2013), philanthropy (e.g. Marinetto, 1999), human rights (e.g. McCorquodale, 2009; Vidal-Leon, 2013), individual stakeholder groups (e.g. Gangone and Ganescu, 2014; Oeberseder, Schlegelmilch and Murphy, 2013; Wu and Lin, 2014; Trela, Krasnodębski, Kornalska & Galowa, 2013), ethics (e.g. Jindrichovska and Kocmanova, 2014) or implementation CSR in companies (Lušňáková, Kleinová, Šajbidorová & Šajbidorová, 2012; Ubrežiova, Stankovič, Mihalčova & Ubrežiova, 2013). The areas of considerations presented in the literature often interpenetrate, which results from the essence of the social corporate responsibility.

The role and importance of the CSR idea was best demonstrated by the fact that it was presented in the European Commission Green Paper: Promoting framework for Corporate Social Responsibility, where it was presented as a process by means of which enterprises manage relationships with various stakeholders who may really influence their operations. According to Freeman (1984) the stakeholders are each group or entity (institution, but also the natural environment), which may be defined, may affect or remain under the influence of the enterprise activity through its products, strategy, management systems, procedures and manufacturing processes.

In case of the enterprise relationship with the stakeholders, it is also worth to refer to the Stakeholder Engagement Standard AA1000SES. It is the document whose underlying idea is the necessity for activation and forming the stakeholders' involvement in order to create the enterprise values, stimulate its innovation performance and ways of risk management, owing to the awareness of the firm's external environment (Mazur-Wierzbicka, 2012). It is necessary to establish a dialog which may bring some specified benefits, such as improvement of the perception of the activities undertaken by the firm, building confidence, learning the firm's environment and even reduction of risk of potential crisis caused e.g. by negative opinions about the enterprise.

Social Corporate Responsibility has also got its own ISO standard (ISO 26000 Guidance on social responsibility), which very well describes its nature. According to his standard CSR is the obligation of the enterprise to include social and environmental aspects into the decision making process and assume the responsibility for the effect of these decisions and business activities on the society and on the environment (Lotko, 2011). At the same time, the document emphasizes the necessity of enterprises entering into relationships with consumers, basing among others on such rules as honest marketing, health protection and consumer safety, mechanisms supporting consumer services (complaints, resolving disputes), protection of customers' personal data, education and building awareness in customers and consumers.

The enterprises which realise CSR activities, are aware that the endeavours aiming at cooperation with consumer bring good results. More and more frequently firms include consumer involvement in their activities as an important input in the organisation's business strategy (Kaźmierczak, 2011). Consumers no longer want to be only passive recipients of the offer provided by the manufacturer. More and more consumers express their willingness for active participation in various programmes and involvement in the firm's activities.

2. Data and Methods

The paper aims at presentation of the corporate social responsibility concept realised by enterprises in the context of interaction with one of the stakeholder groups, i.e. consumers. The way of perception of selected CRS issues by consumers was presented basing on the analysis of secondary sources; also the attitudes of consumers involved in cooperation with enterprises were shown, perceivable as a phenomenon called prosumption. Analysis of the literature connected with the presented issues was supplemented by conclusions.

3. Results and Discussion

3.1. Consumer reception of CSR activities

The enterprises operating in Poland started to develop CSR policy by the end of the 90-ties. During the initial period these activities only supplemented their basic strategy. Frequently, the coordination between CSR and long-term concept of firm development was absent. However, over the last years, CSR became one of the integral elements of firm management.

In Poland, research has been conducted on the consumer perception of CSR activities but also on their influence on the consumer attitudes and behaviours. Results of the studies conducted in 2011 on the perception and understanding of CSR activities (Panel CRS. Raport z badania , 2011) have shown among others, that the notion of “corporate social responsibility” is known to about ¼ of the consumers and is associated with general understanding of responsibility (e.g. fulfilling the obligations by enterprises), honesty and charitable activities.

The studies provided also the answer concerning the degree of association between the areas of CSR activities and their perception by the respondents as additional activities undertaken by enterprises. Obtained results indicate, that possessing the code of ethics by an enterprise is the fact which the respondents most identify with its social responsibility. The code of ethics is a specific set of rules and principles governing a firm’s operations and allowing for creating its image as a reliable and trustworthy organisation. Firms’ activities in this area are associated by consumers with abandoning everything which provides the basis of its operations, i.e. focusing exclusively on the economic results. Moreover, consumers think, that building partner relationships with local community, i.e. undertaking various activities contributing to its development is also an additional activity, going beyond usual economic activity. The respondents less associated CSR with care about the natural environment (ecology). Unfortunately, the studies revealed the weakest associations of CSR with the relationships between the enterprise and its business partners and relationships between the enterprise and customers, i.e. the areas of the dialogue with the stakeholders (Panel CRS. Raport z badania 2011).

Table 1: Identification of CSR by consumers in the aspect of firm’s activity in the specific area

	Respondents’ indications		
	Yes	Hard to say	No
Code of ethics	60.2	26.8	13.0
Cooperation with local community	59.3	26.9	18.8
Care for the environment	56.3	24.7	19.0
Business relationships	53.9	26.8	19.3
Relationships with customers	53.5	23.7	22.8

Source: own studies on the basis of: Panel CRS. Raport z badania 2011

The results of the studies quoted above demonstrate, that a majority of consumers think that the main reason why enterprises get involved in CSR activities are marketing objectives, i.e. generating direct profit from this kind of activities, including financial benefits. Some of the surveyed persons perceive that CSR fulfils mainly the image objectives, associated with Public Relations activities. They also bring profit, however over a longer perspective. Only every fifth surveyed person was of the opinion, that CSR activities involve a deeper motivation, i.e. common good and consumers may get involved in its creating (Panel CSR. Raport z badania, 2011).

Table 2: Consumer perception of motives for the enterprises' involvement in CSR

	Respondents' indications
Marketing aims	64.5
Image aims	38.2
Common good	18.1
Fashion, trends	2.6
Don't know	9.0
Other	9.4

Source: own studies on the basis of: Panel CRS. Raport z badania 2011

Another study, CSR Barometer (Barometr CSR 2013) yielded very interesting conclusions. They demonstrated that a majority of consumers think that enterprises exist mainly in order to earn money, but they also should undertake some activities for the environment and the society. On the other hand, the main source of consumer knowledge about the activities conducted by enterprises in the CSR area is advertisement, the surveyed acquired it also from the websites and from the reports of various media, such as newspapers, radio or television (Barometr CSR, 2013).

Results of the above quoted studies show that in a majority of respondents, the fact that a firm gets involved in activities for the society or environment, evokes positive feelings. This positive attitude causes that consumers trust the firm more, are ready to purchase its products and are loyal to them, but also willingly share their positive experiences with other consumers. Moreover, more than a half think, that products and services provided by the firms engaged in the CSR activities are of better quality than the products and services supplied by enterprises which do not do it (Barometr CSR, 2013).

These studies also show that in the opinion of most consumers the businesses involved in the activities for the common good should communicate the fact to their environment. On the other hand, consumers are often inconsistent, because more than a half of the surveyed do not believe what firms say about their activities for the social good and care about the natural environment. Moreover, in this respect, consumers show more confidence in the native enterprises than in foreign firms (Barometr CSR, 2013).

Considering the problems of CSR processes reception by consumers, it may be stated that consumer expectations are somehow a moving spirit, forcing enterprises for pro-social activities. At the same time, the enterprises' involvement in the matters of responsibility and ethics or solving important social problems influences the degree to which consumers identify with the enterprise, determines their purchasing decisions and level of loyalty (Czubała, 2011).

3.2. Prosumption as a particular example of enterprise cooperation with consumers

The enterprises, while undertaking activities in the area of corporate social responsibility, must also take into consideration "dialogue with consumers" and "consumer involvement". The dialogue is widely understood and means that firms, which go by ethics recognize the needs and expectations of their customers through regularly conducted studies and acquisition of feedback. Honestly conducted dialogue with consumers is the foundation of business operations and owing to good communication a positive image on the enterprise is created. On the other hand, consumer engagement is a part of the dialogue and denotes the highest level of partnership, i.e. including consumers in the activities and appreciation of their role in the enterprise development (Interesariusze.pl).

As has been mentioned earlier, the CSR idea has been evolving all the time and new concepts of management are created on its basis, aiming at increasingly closer cooperation with consumers, changing their role and position in the contacts with the enterprise (Mitrega and Witczak, 2012). Previously consumers used to be only passive participants of the market. They only received communications sent to them by manufacturers, whereas they themselves did not

show any activity or willingness for communication. Enterprises also used to treat them as a separate set of entities, only creating demand for the offered products. However, dynamic changes led to transformations also in the manufacturer-consumer relationships. Prahalad and Ramaswamy (2004) stated, that relationships among firms, consumers and markets were changing. New relationships form a completely different model of cooperation based on joint creation of values by enterprises and their customers. Nowadays a consumer is not only an active participant of dialogue with the manufacturer, but often its initiator (Domańska, 2009). Enterprises more and more often take into consideration consumers' opinions and include them in the process of developing new products and services (Brzustewicz, 2014). Such consumer behaviour led to a phenomenon called prosumption, which is understood as interpenetration of production and consumption process (Bywalec, 2007).

The term "prosumer" was first introduced by Toffler (1980). A prosumer is an active person, who often takes over an initiative, possesses a wide knowledge about the product or brand and willingly shares the knowledge. He participates in the process of developing new solutions (including the product, quality or logistics), has an easy access to knowledge and necessary information and possesses adequate technical devices to be able to cooperate with the enterprise (Hajduk and Zalega, 2013).

Prosumers are a greatly diversified group, yet there are some features common for all prosumers. In the first place it is their readiness for involvement. Prosumers are characterised by the fact that they are unafraid of experimenting and think independently. They willingly relate their own experiences connected with the products, but are also eager to listen to the others. They are leaders of opinions, while the other consumers value their opinions and advising (Zmierzchno konsumeryzmu, era Prosumentów, 2005).

Domańska (2009) identifies three types of behaviour characterising a prosumer and assumes that showing at least two of them causes the consumer classification to the prosumer group. The above mentioned behaviours include learning the opinions of others before making decision about the purchase, describing the brands and products in the Internet, joint development of products or advertising slogans or campaign by participating in various promotions.

Prosumers, wanting to better adjust a product to their own preferences are willing to start the activities previously reserved for the manufacturer. On the other hand, the manufacturer allows the consumer to participate in the new product development process through the partial realisation of a bigger value creating process (Staniszewski, 2009). The main indications of a development of the prosumer attitudes and behaviours are (Kall and Sojka, 2008):

- changes in the sphere of purchaser's value which is visible as feeling a need for a greater share and activity on the part of consumer in creating the product offer,
- increased consumer criticism of pseudo innovations due to the knowledge they possess,
- growing competition on the market and assimilation of the products which causes that in order to gain competitive advantage, a manufacturer must offer the purchasers unique and often customized advantages,
- popularising technologies allowing the consumer to get involved in creating the offer,
- growing area of media interactivities, which will enable the manufacturer a proper use of competences and experience of the purchasers, which in result favours development of prosumer attitudes and behaviours.

Including purchasers in the process of products and services development enables the manufacturer to gain a number of different benefits, among which a most important is reducing the risk involved in marketing a product which does not match the consumer expectations. Moreover the product development process with active participation of consumers is generally shorter than the traditional one, where the consumer becomes engaged in the process only at the product testing stage. Openness, easy communication, showing interest in a given industry,

i.e. the characteristics of a prosumer cause that such person faster accepts new products and eagerly participates in creating value. Prosumer, who has the knowledge about the products perceives potential for their improvement and shows creative attitude during the product utilisation, therefore being the invaluable source of information and inspiration for the manufacturer (Kall and Sojkin, 2008). The manufacturer including the consumer in the product development process causes, that the latter somehow becomes the co-author and designer of the product meant for him. It leads to the “externalization of the production input”, which in effect means a greater involvement of the consumer at simultaneously lower price and better customization of the product (Staniszewski, 2009).

Obviously, not each consumer has the creative potential allowing to include him in the development process or skills for clear and transparent delivering their expectations to the manufacturer. Therefore, the manufacturer should strive to develop the purchasers’ competences, which is favoured by corporate social responsibility.

4. Conclusion

Corporate social responsibility is an important element of business policy pursued by the company. Its importance highlights the fact, that it has own ISO standard, is presented in the Green Paper of the European Commission, as well as numerous scientific publications have been dedicated to it. Modern concepts of CSR underline the importance of cooperation between the company and its stakeholders. Particular enterprises attention should be focused on consumers, as a source of business value. This results from the fact, that consumers are becoming more educated and aware of market activities of enterprises. They also attach importance to what kinds of activities undertake companies beyond the standard activities associated with running a business, and they know how they are related to CSR. The involvement of enterprises for the society and the environment increases the degree of trust and consumers’ loyalty to the company and its products. It can also be stated, that consumers show a kind of ethnocentrism, because they have more trust to national companies which communicate their CSR activities. Consumers derive knowledge on CSR primarily from formal sources. Companies notice that some consumers do not only receive signals from the manufacturer's, but also are willing to take an active dialogue, creating new values and solutions. New concepts of management, included within the idea of CSR, take into account the cooperation between the organization and consumers. This cooperation leads to the emergence of a new consumer called prosumer. Prosumption is manifested in a variety of consumers’ activity, i.e. through cooperation in the development of products (offers), application their own ideas, assessment and evaluation of products on the community forums. Enterprises which open onto consumers, gain new possibilities thanks to which they better and more fully realize the concept of corporate social responsibility.

References

- Baumgartner, R. J. (2014). Managing Corporate Sustainability and CSR: A Conceptual Framework Combining Values, Strategies and Instruments Contributing to Sustainable Development. *Corporate Social Responsibility and Environmental Management*, 21(5),258-271, doi: 10.1002/csr.1336
- Balaban, O., Cicioglu, F.&Okutan, E. (2012). A Survey Aimed at Role and Importance of NonGovernmental Organizations in the Corporate Social Responsibility (CSR). *Procedia - Social and Behavioral Sciences*, 58,1174-1182, doi:10.1016/j.sbspro.2012.09.1099
- Barometr CRS 2013. Retrieved April 10, 2015, from http://www.doradztwocsr.pl/pdf/BAROMETR_CSR_2013_Broszura_konferencyjna.pdf
- Bowen, H.R. (1953).*Social responsibilities of the businessman*. NewYork: Harper&Row
- Brzustewicz, P. (2014). Marketing 3.0: A new approach to create value.*Marketing i Rynek*, 2, 2-8
- Bywalec, Cz. (2007).*Konsumpcja w teorii i praktyce gospodarowania*, Warszawa : WydawnictwoNaukowe PWN S.A.

- Carrol, A.B. (1999). Corporate Social Responsibility. Evolution of a definitional construct. *Business & Society*, 38(3), 268-295, doi: 10.1177/000765039903800303
- Dahlsrud, A. (2008). How corporate social responsibility is defined: an analysis of 37 definitions. *Corporate Social Responsibility and Environmental Management*, 15(1), 1-13, doi: 10.1002/csr.132
- Domańska, K. (2009). Kim jest prosument. *Marketing w Praktyce*, 2, 35-36
- Freeman, R. E. (1984). *Strategic Management: A stakeholder approach*. Boston: Pitman
- Gangone, A.D. & Ganesu, M.C. (2014). Corporate social responsibility in emerging and developing economies in Central and Eastern Europe - a measurement model from the stakeholder theory perspective. *Economic Research - Ekonomska Istraživanja*, 27(1), 539-558, doi: 10.1080/1331677X.2014.967535
- Green Paper: Promoting framework for Corporate Social Responsibility. Retrieved April 10, 2015, from http://www.csr-in-commerce.eu/data/files/resources/717/com_2001_0366_en.pdf
- Hajduk, M.T. & Zalega T. (2013). Prosumption behaviour of Polish consumers in the food market. *Zarządzanie Innowacyjne w Gospodarce i Biznesie*, 2(17), 41-62
- Interesariusze.pl. Retrieved April 10, 2015, from <http://interesariusze.pl/artykuly/dialog-z-konsumentem/?m=konsument>
- Jindrichovska, I. & Kocmanova, S. (2014). Ethics, morality and corporate social responsibility. *8th International Days of Statistics and Economics, Czech Republic, Prague*, 562-570
- Kall, J. & Sojkin, B. (2008). *Zarządzanie produktem - teoria, praktyka, perspektywy*. Poznań: Akademia Ekonomiczna w Poznaniu
- Kaźmierczak, M. (2011). The Corporate Social Responsibility (CSR) Strategy: the Role of the Stakeholders. *Zeszyty Naukowe, Uniwersytet Ekonomiczny w Poznaniu*, 216, 7-16
- Lotko, M. (2011). Corporate Social Responsibility - Present State of Standardization. *Zeszyty Naukowe Uniwersytetu Szczecińskiego. Ekonomiczne Problemy Usług*, 74, 709-718
- Lušňáková, Z., Kleinová, K., Šajbidorová, M. & Šajbidorová, V. (2012). Implementation of the CSR concept in the enterprises of Slovak dairy industry. *Economics of Agriculture*, 12(2), 78-94
- Malik, M. (2015). Value-Enhancing Capabilities of CSR: A Brief Review of Contemporary Literature. *Journal of Business Ethics*, 127(2), 419-438, doi: 10.1007/s10551-014-2051-9
- Marinetto, M. (1999). The historical development of business philanthropy: Social responsibility in the new corporate economy. *Business History*, 41(4), 1-20, doi: 10.1080/00076799900000342
- McCorquodale, R. (2009). Corporate Social Responsibility and International Human Rights Law. *Journal of Business Ethics*, 87, 385-400, doi: 10.1007/s10551-009-0296-5
- Mazur-Wierzbicka, M. (2012). *CSR w dydaktyce, czyli jak uczyć studentów społecznej odpowiedzialności*. Szczecin: Wydawnictwo Stowarzyszenie Kreatywni dla Szczecina
- Mitrega, M. & Witczak, O. (2012). Prosumption as the reflection of consumer entrepreneurship. *Zeszyty Naukowe Uniwersytetu Szczecińskiego. Ekonomiczne Problemy Usług*, 97, 431-444
- Oeberseder, M., Schlegelmilch, B. & Murphy P. E. (2013). CSR practices and consumer perceptions. *Journal of Business Research*, 66(10), 1839-1851, doi: 10.1016/j.jbusres.2013.02.005
- Panel CRS. Raport z badania 2011. Retrieved April 10, 2015, from: http://www.press.pl/attachments/www-data/Badanie-Panel-CSR-2011_172.pdf
- Prahalad, C.K. & Ramaswamy, V. (2004). *The Future of Competition: Co-Creating Unique Value with Customers*. Harvard: Business School Press
- Ratajczak, M. (2010). Implementation of CSR strategies with regard to the environmental impacts as an important element of strengthening the competitive position of modern enterprises. *Scientific Journal Warsaw University of Life Sciences, Problems of World Agriculture*, 10(4), 74-81
- Staniszewski, M. (2009). Konsumenci z trzeciej fali. *Marketing w Praktyce*, 2, 33-34
- Toffler, A. (1980). *The Third Wave*. New York: William Morrow & Company
- Trela, W., Krasnodębski, A., Kornalska, E. & Galowa, J. (2013). The synergies between Corporate Social Responsibility and employer branding: best practice from Poland (in:) *Sustainability in business and society: global challenges – local solutions*, E. Horska, T.I. Yespolov, Kraków: Episteme
- Ubrežiova, I., Stankovič, L., Mihalčova, B., Ubrežiova, A. (2013). Perception of Corporate Social Responsibility in companies of eastern Slovakia region in 2009 and 2010. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, 61(7), 2903-2910, doi: org/10.11118/actaun201361072903
- van Marrewijk, M. (2003). Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion. *Journal of Business Ethics*, 44(2-3), 95-105, doi: 10.1023/A:1023331212247

- Vidal-Leon, C. (2013). Corporate Social Responsibility, Human Rights, and the World Trade Organization. *Journal of International Economic Law*, 16(4), 893-920, doi: 10.1093/jiel/jgt030
- Visser, W. (2010). CSR 2.0: the evolution and revolution of corporate social responsibility (in:) *Responsible Business: How to Manage a CSR Strategy Successfully*, M. Pohl, N. Tolhurst, Hoboken: Wiley, 311-328
- Wu, S.-I. & Lin H.-F. (2014). The Correlation of CSR and Consumer Behavior: A Study of Convenience Store. *International Journal of Marketing Studies*, 6(6), 66-80, doi:10.5539/ijms.v6n6p66
- Yespolov, T.I., Horska E. (2013). Sustainability and responsibility: from viewpoint of business and customer (in:) *Sustainability in business and society: global challenges – local solutions*, E. Horska, T.I. Yespolov, Kraków: Episteme
- Zmierzchkonsumeryzmu, era Prosumentów (2005). Retrieved April 10, 2015, from <http://www.wirtualnemedi.pl/artykul/zmierzch-konsumeryzmu-era-prosumentow>

Age Management in Polish Enterprises: CSR or a Necessity?

Jolanta Maj

Opole University of Technology
Faculty of Economy and Management
7 Luboszycka Street,
45-036 Opole,
e-mail: j.maj@po.opole.pl

Abstract

The paper presents the outlook of Polish enterprises in the context of the ageing of Poland's population. Presentation of selected demographic indicators and indicators characterizing the labour market and the situation of older people in the labour market shows that an age management strategy, relatively rarely used in Polish companies, should go beyond voluntary corporate social responsibility (CSR) activities, because it is a demographically conditioned necessity. Nevertheless, corporate social responsibility is a way to introduce age management to businesses as a concept more widely known and more often used in Polish enterprises. Next to the presentation and analysis of basic demographic indicators in relation to the Polish society and the labour market, the article presents the basic concepts of age management and the ability to deploy this strategy as part of an enterprises corporate social responsibility strategy.

Keywords: *age management, ageing workforce, corporate social responsibility, diversity management, population ageing*

JEL Classification: *M12, M14, M19, Q56*

1. Introduction

Population ageing is a challenge currently faced by most of the developed economies. In the face of this process it becomes necessary to take action that could alleviate its impact on national economies and individual companies. While for mitigating the effects of population aging from the perspective of the whole economy the State is the responsible actor, the question of consequences of aging from the perspective of enterprises lays in their own responsibility. One of the ways to prepare the company for population aging and the ageing of the workforce is to implement an age management strategy. Age management, in addition to being a response to the challenge posed by population aging is or at least can be a part of the enterprises corporate social responsibility (CSR). Current and potential employees are though one of the stakeholder groups, therefore, measures and instruments addresses to the older workers fit in the area of CSR.

The following paper presents the outlook of Polish enterprises in the context of the ageing of the Polish society. Presentation of selected demographic indicators and indicators characterizing the labour market and the situation of older people in the labour market shows that an age management strategy, relatively rarely used in Polish companies should go beyond voluntary corporate social responsibility (CSR) activities, because it is a demographically conditioned necessity. Nevertheless, corporate social responsibility is a way to introduce age management to businesses as a concept more widely known and more often used in Polish enterprises. The nature of this paper is exploratory and descriptive and aims to provide the basis for further analysis of the issue of age management in Poland.

2. Age management as part of corporate social responsibility

Just as diversity management is indicated as part of CSR (Klimkiewicz, 2010; Maj 2012; Karatas-Ozkan, Nicolopoulou and Ozblilgin, 2014), so age management, which is a part of diversity management, can be defined and recognized as part of corporate social responsibility

(Halme&Moilanen, 2004). The basis of this approach is a focus on the inner aspect of CSR, and the inclusion of workforce in the area of interest of this strategy. Explaining the concept of corporate social responsibility Werthers and Chandlers definition was accepted, according to which CSR can be defined as "a view of the corporation and its role in society that assumes a responsibility among firms to pursue goals in addition to profit maximization and a responsibility among a firm's stakeholders to hold the firm accountable for its actions" (2011). Especially important in the context of age management is the fact that CSR activities not only relate to the company's environment, but also to its inside, in this context primarily to its employees, which are one of the groups of stakeholders (Hys 2014c). CSR can be analysed from different point of views. It can be also implemented in different ways and different scope in the organizations. In addition, it is a concept relating to the functioning of both private companies as public administration (Hawrysz, 2013), which gives a high potential to facilitate the implementation of age management in both kinds of organizations.

Age management is a very broad term and concept and can be analysed from a number of levels. The first level is the one of individual actors, which refers to the capacity and competence of individual employees and potential employees, inactive in the labour market, but with the potential for reintegration into the labour market. The second level refers to the level of organization and human resource management of the organization and processes such as technological change and the need to improve the competence of employees, intergenerational knowledge transfer and the use of age management strategies in the various HR processes such as recruitment, assessment, access to training and promotion, motivation and finally flexible forms of employment. The third and the highest level, in which age management applies, is the macroeconomic level, associated with changes in the labour market policy (Fabisiak & Prokurat, 2012). From the enterprises perspective age management may be defined in a narrower way in which it is referring to older employees and the challenges for managing this group of employees. In a broader sense, age management will also relate to differences between generations, including differences between the generations in terms of their level of competences and related to them age-related stereotypes. Thus, age management will include elements of evaluation of the level of employee's competences in all age groups and will be strongly related to the competence-based management (Hys, 2013a, Hys 2013b, Hys 2014a). In the broadest sense, age management refers to the process of aging of both human resources of the enterprise and the ageing of the society, in which the organization operates. This approach will therefore include the two previous perspectives described above. However, apart from taking into account the current elderly people, their needs and their unique characteristics in the process of human resource management, age management in the broadest sense, gains a long-term strategic nature, which must consider demographic phenomena occurring in a given society in employment planning as well as in defining the enterprises strategy and objectives. This way it should be an element of process management and should be present and considered at all stages of managing an enterprise (Hawrysz & Hys 2013b). Next to the perspective of the enterprise, age management will also address the macroeconomic level. It is the broadest understanding of age management that is the subject of the following analysis.

Corporate social responsibility in the context of age management refers to the maintenance and the attitude of older workers. However it should be noted that the company and society should share this responsibility. As with other CSR activities, or also diversity management, age management should not be considered in the terms of costs or a business expense, but rather as a potential benefit and profit (Halme & Moilanen, 2005; Hys & Hawrysz, 2012). The perception of age management as part of CSR and implementing it as a part of CSR has a number of advantages for an enterprise. In Poland, the concept of age management is relatively new and unknown, both in every day practice as well as in science. In the available studies and guide books age management is presented rather from the perspective of anti-discrimination than the

potential benefits that this strategy can bring (Kędziora, 2010), or as a part of diversity management (Mendryk, 2013). In contrast to age management, CSR is a concept far more accepted and commonly implemented by Polish companies (Hys & Hawrysz; 2013a). It is also a way for some companies to implement some elements of diversity management, reconciliation of professional and private life and inclusion activities. CSR is therefore an excellent way to introduce age management to Polish organization. In addition, CSR activities may coincide with a number of age management actions before the company is willing to implement the whole strategy. Thus, next to a number of age management -specific instruments, CSR enables shaping an organizational culture focused on increasing the sense of belonging, equality and tolerance, open communication, recognition, security, understanding the importance of human resources for the success of the enterprise (Manpower 2008). Implementation of CSR also helps with the preparation of appropriate and effective channels of communication within the organization, which are also crucial for the implementation of an age management strategy (Hawrysz & Hys 2014; Hawrysz, 2014).

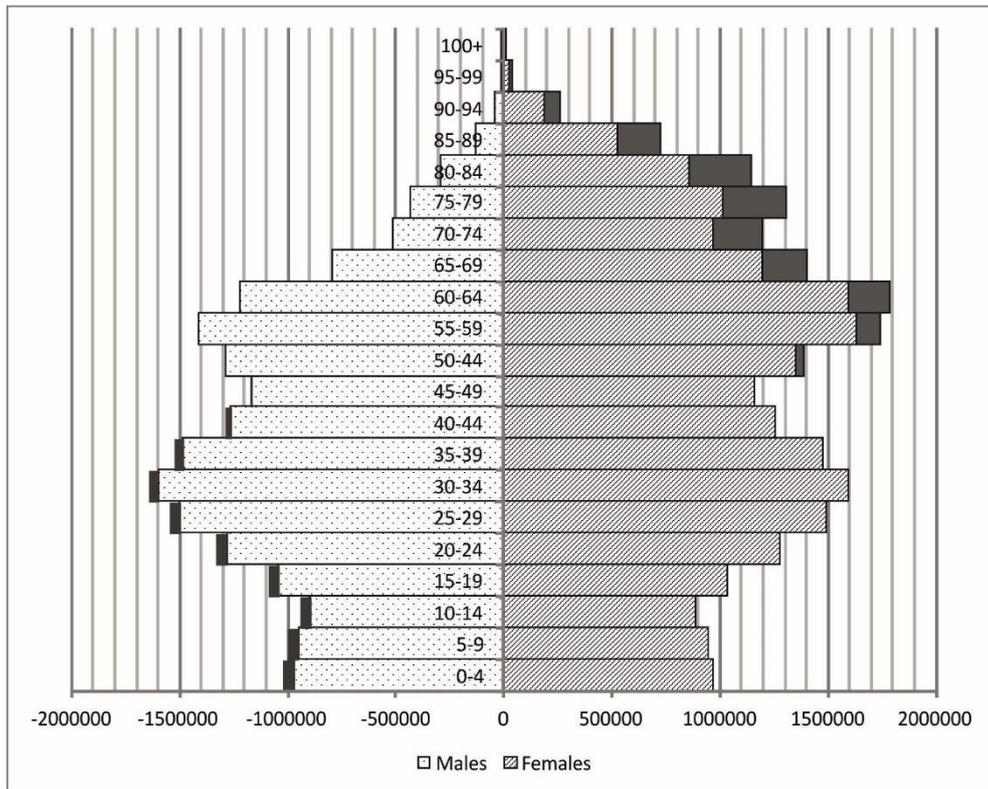
An important feature of CSR is its optionality. Despite many advantages following its implementation (Hawrysz & Hys 2012), the adoption of CSR by companies depends completely on their individual decision. The lack of a CSR strategy does not mean that the company will bear significant costs accept eventually limited potential or the loss of greater profits. The main thesis of this paper, which is supported by the following specific statistical data, is that age management differs in that particular point from CSR, since the adoption of this strategy in the coming years will become necessary for Polish enterprises and a lack of its adoption will mean for them measurable, negative effects.

3. Age management as a demographic necessity

In order to support the chosen thesis, saying that age management is and will even more be a necessity for enterprises operating in the Polish environment and economy, selected demographic indicators reflecting the aging of the Polish population and the consequences that this phenomenon brings to the Polish economy have been presented. The presented data refers to demographic projections reaching 2050. The aging of the population of Poland is easiest to illustrate using a population pyramid, which is presented below in the Figure no. 1 for 2013 and no. 2 for 2050.

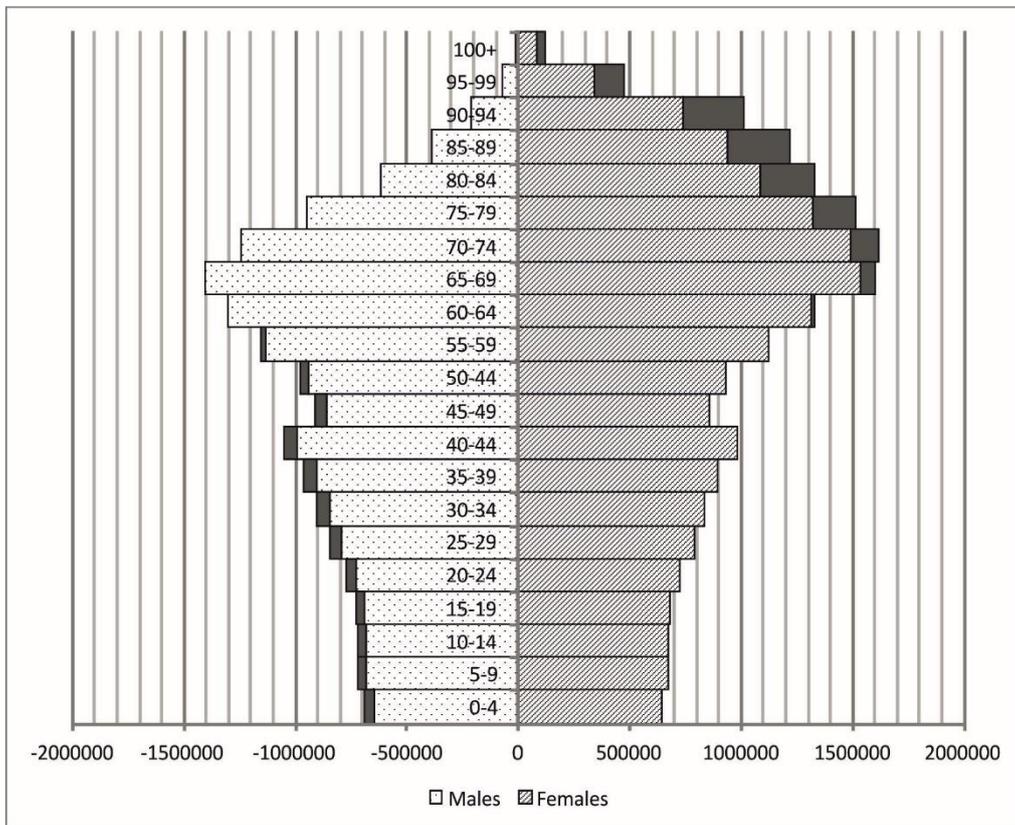
Based on the figures no. 1 and no. 2 it can be stated unequivocally that over the next decades the population of Poland, will significantly become older. Poland deals with natural decrease, which will remain until 2050, when the excess of deaths over births will be around 173 thousand. The median age, which in 2013 was 39.1 in Poland in 2050, will be 52.5 years. While the median age for men in 2013 was 37.4 years and for women 40.9. The Central Statistical Office of Poland forecast for the Polish population says that by the year 2050 the median age in Poland will respectively increase to 50.1 years for men and 54, 8 years for women (Waligórska et al. 2014, p 127). According to the Eurostat forecasts, in 2050 Poland will become one of the fastest aging populations and generally one of the oldest societies in Europe. (Waligórska et al. 2014, p. 165).

Figure 1: Poland's population pyramid in 2013



Source: Own, based on data from the Central Statistical Office of Poland

Figure 2: Poland's population pyramid in 2050.



Source: Own, based on data from the Central Statistical Office of Poland.

In connection with the rising median age, and as a consequence with the increasing proportion of older people in the Polish population, visible on the figures no. 1 and no. 2 also changes the age structure of people on the labour market. Despite the fact that the working-age population is still the largest group, the proportion of older people, or older workers (from 45 years to retirement age) is steadily increasing. By 2050 the number of people aged 15-64 will decrease by about 8.3 million, and those aged 0-14 years will decrease till about 4.1 million by 2050. On the other hand an increase will be recorded in the oldest group of people aged over 65, whose number will increase by 5.4 million till 2050. A dramatic increase will be recorded in 2015, when those born during the baby boom of the 50's of the XX century will complete 65 years. In addition, a significant and continuous decrease in the pre-working population by more than 2 million and in the mobile working-age population (18-44) by 6 million till 2050 is being forecasted. The size of the immobile working – age population will initially grow but from 2035-40 will start to decrease. The size of the post-working population, which has reached the retirement age is projected to systematically increase until 2030, then around 2040 a slight decrease of its size is being forecasted, but after that, the size of this group will start to increase again. At the same time particularly important for the labour market will be the dynamics of change within the working-age population. While in 2013 the size of the mobile working-age population (18-44) was 62.5% of the working-age population, by 2040 this number will decrease to 54.4% (Waligórska et al. 2014. p. 125-151). Despite the declining share of pre-working population, the dependency ratio in subsequent years will increase as a result of the growth of the elderly. According to the Central Statistical Office of Poland data presented in Table no.1, in 2050 the dependency ratio will be 78 per 100 persons of working age (after taking into account changes in the retirement age), with 52 people in post-working age per 100 people of working age.

Table 1: Age dependency ratios (according to changes in retirement age)

Burden of population at age	2013	2014	2015	2020	2025	2030	2035	2040	2045	2050
Non-working	57	57	57	60	63	62	62	62	68	78
Pre-working	29	28	28	28	28	26	25	24	25	26
Post- working	28	29	29	32	35	37	37	38	44	52

Source: Table A18.v2 Age de Age dependency ratios (according to changes in retirement age), Population projection 2014-2050 <http://stat.gov.pl/obszary-tematyczne/ludnosc/prognoza-ludnosci/prognoza-ludnosci-nalata-2014-2050-opracowana-2014-r-1,5.html> 19.04.2015.

The aging of the Polish population is therefore the first and the main premise, pointing to the need to implement a strategy of age management in companies, and to consider it from a macroeconomic perspective. The indicators presented above clearly illustrate that in the next few years Poland will face the challenge of shortage of young workers, desirable because of their flexibility, availability and often lower financial requirements. In connection with the alignment for men and women and an increase in the retirement age to 67 years of age (Dz. U. 1998, vol. 162 item. 1118) the proportion of older people in the labour market will additionally steadily increase.

The necessity to implement an age management strategy also results from the low participation of the elderly in the labour market in Poland. According to the Active Ageing Index 2012 which includes such factors as *employment of older workers, social activity and participation of older people; independent and autonomous living of older persons; and capacity and enabling environment for active aging* Poland occupies the 25th place out of 27 EU countries being ahead only of Lithuania and Malta. In the area of employment Poland took the 24th place in the area of social activity and participation the 23rd, in the area of independent / autonomous living the 21st and in the area capacity / enabling environment space the 22nd place (Career and Age, 2012). By 2014, Poland took the penultimate, 27th place, ahead of only Greece (United Nations

Economic Commission for Europe, 2015). Compared to the European Union Poland, Hungary, Lithuania and Malta are in the most vulnerable situation because of the aging of their population and labour force (Wiktorowicz, 2013, p. 159).

Therefore, in the case of Poland particularly problematic issue is the area of employment of older workers. In 2013, the employment rate for the working- age population (15-64) for Poland was 60%, with the rate for the whole European Union (EU 28) at 64.1%. A lower employment rate was recorded only in Slovakia (59.9), Hungary (58.1), Croatia (52.5), and in particular suffering from the economic crisis: Italy (55.5), Greece (48.8) and Spain (54, 8). The situation worsens dramatically when we take into account the economic activity of the elderly. The employment rate for people over 50, that is, the people who have not yet reached retirement age, the employment rate in Poland in 2013 was 31.6%, therein 40.5% for men and only 24.7% for women. In the EU-28 the employment rate of this group was 33.4%, with 39.9% for men and 27.9% for women. Thus, next to a delay in relation to the EU, an additional gap is visible on grounds of gender. Taking into account the employment rate for people aged 65+, which is considered the start of post-working age, the employment rate falls to 4.6% for the Poland and 5.1% for Europe (Eurostat). The average age of withdrawal from the labour market, although increasing in the last decade in 2013 was at the level of 59.5 years, which is way below the retirement age in Poland (Central Statistical Office of Poland, Strateg).

4. Conclusion

The presented data and demographic indicators show clearly that Poland is facing a rapid population aging and the indicators for the labour market and employment show that Polish enterprises and Polish economy are not ready for this process. An age management strategy can be a way and an opportunity for individual companies to prepare for the population ageing and the consequent depletion of the talent pool, the potential loss of organizational knowledge and the question of succession in family enterprises, issues which most organizations will face in the future (Richert, Kazimierska & Stankiewicz, 2014, p.7). Additionally, it is one of the processes that can be considered as a sign of the organizations maturity (Hys, 2014b).

Apart from single examples, Polish research lacks information about the actual implementation of age management strategies in enterprises and the dimension of the implementation. One of the few studies relating to Poland - ASPA research shows that 68% of Polish respondents consider ageing as a process which will generate problems for the economy in the future, while 79% believe that the emigration of highly qualified personnel is and will be the major threat to the Polish economy. The study also shows that employers are reluctant to reach for older workers (15%) and employees are already retired (7%) in the absence of the necessary human resources and competences. Among the age management instruments used by the Polish enterprises dominated following solutions: ergonomic measures, used by 38% of respondents, training plans for older workers (37%) and early retirement schemes (33%). It is noteworthy that early retirement schemes as an instrument related to the management of aging workers is not conducive to prolonging the presence of older people in the labour market and in the context of age management strategy is rather counterproductive. The least frequently and willingly used solutions include: reduction of working time before retirement, reduction in task and salary (4%) and possibilities of extra leave for older workers (3%) (ASPA, 2011). Thus, despite the relatively high awareness of the future problem of an ageing population, the use of instruments to support age management and the activity of the older workers on the labour market is relatively small, which in the context of the presented demographic indicators is alarming.

References

- ASPA (2011). Activating Senior Potential in Ageing Europe: an Employers' Perspective, Author Retrieved from http://www.aspa-eu.com/aspa_deliverables.htm
- Career and Age, (2012). Active Ageing Index 2012. Results for 27 EU Member States, 18 December 2012.

- Retrieved from <http://www.careerandage.eu/prevsite/sites/esfage/files/attachments/Active%20Ageing%20Index%202012.pdf>
- Central Statistical Office of Poland. Strateg. (2015) Średniwiekdezaktywizacjizawodowej [statistics] Available from STRATEG database.
- Eurostat. (2015).Employment [statistics] Available from Eurostat database
- Fabisiak J.& Prokurat S. (2012)., Age management as a tool for the demographic decline in the 21st century: an overview of its characteristics. *Journal of Entrepreneurship, Management and Innovation*, Volume 8, Issue 4. 83-96
- Halme P. & Moilanen R. (2005). Discussions on responsibility: the aging society, organisations and the individual, EBS review. *Business Ethics and Corporate Social Responsibility*. No 19, Winter 2004/Spring 2005.
- Hawrysz, L. (2014). Communication as a determinant of an effectiveness of the implementation of management system based on the quality. *Advanced Research in Scientific Areas*. Zilina, EDIS - Publishing Institution of the University of Zilina, 3(1), 41-44.
- Hawrysz, L. (2013). Patronage vs. implementation of the Corporate Social Responsibility (CSR) concept in the public sector. *Advanced Research in Scientific Areas*, EDIS - Publishing Institution of the University of Zilina, 2(1), 184-187.
- Hawrysz, L &Hys, K. (2014). Communication channels of middle managers and non-managers in public sector organisations in Poland, *International Journal of Contemporary Management*, 13 (2),72-85.
- Hys, K. &Hawrysz L. (2013a). CSR in Poland as a important foundations of modern societies. *Management Study*,1(1), 27-33.
- Hawrysz, L&Hys, K. (2013b). Process-oriented management in public and private sector, *China-USA Business Review*, 9, 903-910.
- Hys, K.&Hawrysz, L. (2012). Corporate Social Responsibility Reporting. *China-USA Business Review*, 11(11), 1515-1524.
- Hys K. (2013a). Semantic profile as a tool for assessment of competence public sector workers, Conference Proceedings, International Masaryk Conference for PhD.Students and Young Researchers 2013 (MMK 2013). Hradec Králové, The CzechRepublic: MAGNANIMITAS. Vol. IV, 126-132.
- Hys K. (2013b). Assessment of selected offices with the use of a Mystery Shopping method. In M. Mokrys, S. Badura, A. Lieskovsky (Eds.), *Advanced Research in Scientific Areas*. p. 87-90. EDIS-Publishing Institution of the university of Zilina, Vol. 2, Issue 1, Slovakia, Zilina.
- Hys K. (2014a). Semantic profile of qualifications. The Client Advisor in the transport sector, The 2nd Virtual Multidisciplinary Conference (QUAESTI 2014), Zilina, Slovakia, December 15-19., 96-100.
- Hys K. (2014b). Selected maturity models in organization in the light the partial theory, The 3rd Virtual International Conference on Advanced Research in Scientific Areas (ARSA-2014) Slovakia, December 1-5, 50-54.
- Hys K. .(2014c) Chapter 5: CSR In The Context Of (Un)Favourable Aspects. InP. Lula, T. Rojek (Eds.), *Knowledge- Economy - Society. Contemporary Tools of Organizational Resources Management*,p. 51-58. Cracow University of Economics - Foundation of theCracow University of Economics, Cracow.
- Karatas-Ozkan M. & Nicolopoulou K. & Özbilgin M.K. (Ed.). (2014). *Corporate Social Responsibility and Human Resource Management. A Diversity Perspective*. Edward Elgar Pub.
- Journal of Laws of the Republic of Poland.(1998).Act of 17 December 1998 on Old-Age and Disability Pensions from the Social Insurance Fund. No 162. Item 1118.
- Kędziora K. (2010), Wprowadzenieprzezpolskichprzedsiębiorcówsystemówzarządzaniawiekim. Możliwościbraki, *Stowarzyszenieinterwencjiprawnej*, No. 7/2010, Author Retrieved from <http://interwencjaprawna.pl/docs/ARE-710-zarzadzanie-wiekim.pdf>
- Klimkiewicz K. (2010). Zarządzanieróżnorodnościąjako element prospołecznej polityki przedsiębiorstwa. *Współczesnezarządzanie* No. 2/2010. 91- 101.
- Manpower, Nowospojrzenienapracowników 50+. Author Retrieved from http://www.mature-project.eu/materials/50_plus_raport_ekspercki_pl.pdf
- Maj J. (2012). Zarządzanie różnorodnością w przedsiębiorstwach a społeczna odpowiedzialność przedsiębiorstw. In Karczewski L.& Kretek H. (ed). *Odpowiedzialny biznes i konsumeryzm wyzwaniem XXI wieku*. Tom I, , Wyd. Państwowej Wyższej Szkoły Zawodowej w Raciborzu, Racibórz, p. 269-285.
- Mendryk I. (2013), Przesłankiwprowadzaniapolitykizarządzaniawiekim w polskichprzedsiębiorstwach, *AnnalesUniversitatisMariae Curie- Skłodowska* Vol. XLVII, 2. Lublin., 103-112.

- Richert-Kaźmierska A. & Stankiewicz K. (Eds.). (2014), Zarządzanie wiekiem w przedsiębiorstwach sektora MSP – wybrane zagadnienia, Gdańsk .
- United Nations Economic Commission for Europe, (2015) Active Ageing Index 2014. Analytical Report. Retrieved from http://www.euro.centre.org/data/1429101500_70294.pdf
- Waligórska M. & Z. Kostrzevska & Potyra M. & Rutkowska L. (2014)., *Prognoza ludności w latach 2014-2015*, Central Statistical Office of Poland, Warszawa. 125- 151.
- Werther W.B. Jr. & Chandler D.B. (2005). Strategic Corporate Social Responsibility: Stakeholders in a Global Environment. Sage Publications, Inc.
- Wiktorowicz J. (2013). Age management – a remedy for population ageing? *European Spatial Research and Policy*. No 2. Vol 20. 157-168.

Corporate Social Responsibility in the Czech Republic and Slovakia

Renata Kučerová¹ – Renata Skýpalová²

Mendel University in Brno^{1,2}

Faculty of Business and Economics, Department of Management
Zemědělská 1

Brno, Czech Republic

e-mail^{1,2}: renata.kucerova@mendelu.cz, skypalova.renata@gmail.com

Abstract

The paper presents the research results in the area of corporate social responsibility. The research was conducted in the Czech Republic in the year 2013/2014. The current level of knowledge of the CSR concept in the Czech Republic is 47%. The level of the concept knowledge increases with the higher size of the organization. The organizations held the largest number of realized activities in the economic pillar. The results are compared with the results of the similar research conducted in Slovakia in 2009/2010. The findings of both surveys show a tendency of organizations in the Czech Republic and also in Slovakia to focus on CSR activities within the organization. The CSR activities outside the organization are less used. These activities are considered by companies to be less important.

Keywords: CSR activity, knowledge, economic pillar, social pillar, environmental pillar

JEL Classification: M14, A13, L29

1. Introduction

Corporate Social Responsibility (CSR) is currently a hot topic worldwide. Organizations from both the private sector and the non-profit sector deal with this topic.

The job of a manager has become challenging because of the fast changes and complexity of the business environment. Higher awareness and expectations of the stakeholders and the uncertainty of the global markets force managers to take actions to create favourable images of their companies, which can be done just through Corporate Social Responsibility (Singh, Narwal, 2012).

CSR is widely discussed also within Member States of the European Union. The European Commission in the framework of a meeting of its members classifies in the agenda the topic of the social responsibility and prepares specific recommendations for Member States. The recommendation aims to systematically develop this concept in each particular country of the European Union.

Also in the Czech Republic there is a growing interest in the field of CSR. In the year 2005 only 35% of Czech managers considered CSR as an important part of the enterprise. Research shows that this number has grown to 96% in 2008. Nowadays, this concept is an integral part of good practices in the management of enterprises (Gurská, 2012). Czech managers understand the importance of CSR. The implementation of the CSR in Czech Republic is still at a lower level when compared with other countries in Western Europe.

Importance of the CSR for the companies nowadays is also backed by many empirical studies. However, a large number of companies still do not behave in line with the CSR principles. The level of engagement in the CSR activities differs significantly inter alia just among the countries.

Developed market economies show a growing interest in Corporate Social Responsibility (CSR), attested by the sizeable theoretical and empirical literature on this issue. There is, however, less evidence of its existence in other geographical areas. (Koleva et al., 2010)

Firms in countries with more cooperating employer-employee relations, higher quality management schools and better macroeconomic environment are more CSR minded (Chih, H. L., Chih, H. H. and Chen, 2010).

The aim of this paper is to identify the current level of the knowledge and use of the CSR activity in the business practice in the Czech Republic and to compare the results with the situation in the Slovakia.

2. Data and Methods

Data for the paper are based on the results from the research realized in the Czech Republic in the period of 2013/2014.

The primary research was conducted in companies throughout the Czech Republic. Respondents of the research were large, medium, small and micro enterprises from the whole Czech Republic. Classification of enterprises was conducted according to Commission Recommendation 2003/361/EC (European Commission, 2006).

- Large enterprise - over 250 employees,
- Medium enterprise - 50 to 249 employees,
- Small enterprise - 10-49 employees,
- Micro enterprise - 0-9 employees.

The data collection was carried out in the period from September 2013 to February 2014. At that time, 1013 companies were involved in the research. The research emphasis was put on the fact that companies were represented in each region of the Czech Republic, at least in the extent that corresponds to 3% of active companies in the region. Moreover, the distribution of respondents among large, medium, small and micro companies was chosen in order to correspond to the representation of these enterprises in the Czech Republic.

For the purpose of spreading the information about the research, the website www.csr-konkurenceschopnost.cz was created. The questionnaire was distributed in the electronic form, enabling direct filling. The respondents were addressed with the help and cooperation of chambers of commerce of each region as well as with the Association of Corporate Social Responsibility and Business Leaders Forum.

For the research the questionnaire was created. The questionnaire is divided into parts which help the respondents to understand the CSR concept, the basic idea of three pillars and activities falling into it (if the respondent does not know the concept of CSR), and to develop their knowledge in the CSR field (if the respondent is acquainted with the concept of CSR).

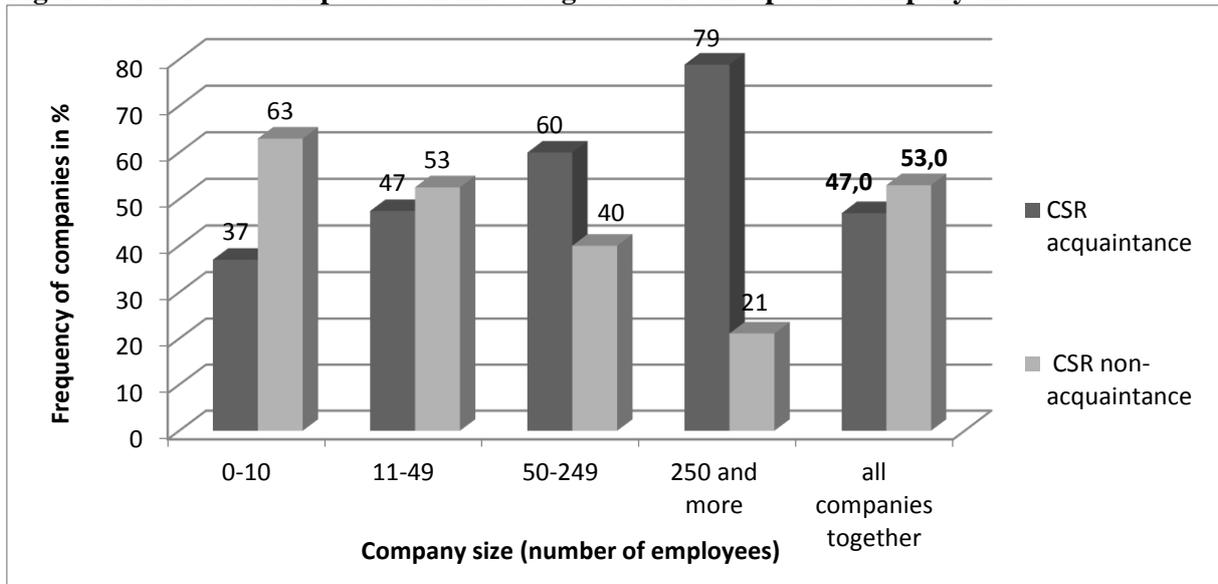
The results of the primary research in the Czech Republic are in the discussion compared to the research results conducted in the Eastern Slovakia in 2009/2010.. Comparison is made according to the research publications Ubřežiová et al. (2013), Bašistová, Olexová, Stankovič (2011).

Due to the considerable terminological inconsistencies of the term CSR, this article uses the definition of the European Union created in 2001, which is stated by Kunz (2012) and accompanied by the aspects of Kuldová (2012) and Elkington (1997). For the needs of the research work there are three important aspects: three pillars of social responsibility, voluntary aspect and activities that go beyond that legal obligations

3. Results and Discussion

The current knowledge of the CSR concept in the Czech Republic is at the rate 47%. 53% of participating enterprises in the research did not know the CSR. In the division into micro, small, medium and large enterprises increasing size of the company leads to the increasing knowledge of the CSR concept can be observed. From companies with more than 250 employees, 79 % of respondents know the CSR concept; only 21 % of them don't know it. On the contrary, among micro-enterprises (number of employees 0-10) 63 % don't know the CSR concept and only 37 % are acquainted with it - see Figure 1.

Figure 1: The relationship between knowledge of CSR concept and company size



Source: own research

Ubrežiová (2013) found similar results. In 2009-2010, a survey named "Perception of CSR by the organizations in the Eastern Slovakia" was realized in the Slovakia (Ubrežiová et al., 2013). Only respondents from companies (i.e., organizations established for the purpose of profit) were involved in the research.

164 companies from the region of the Eastern Slovakia participated in the survey. It was 8 micro enterprises (0-9 employees), small and medium enterprises (employing 10-249), 14 large enterprises (250 and more employees).

Only 34% knew the CSR concept of total respondents of the Eastern Slovakia; 42% did not know CSR and 24% could not answer whether they know social responsibility.

The knowledge of the standards from the CSR area has been proved at 46% of respondents, 56% of respondents did not know the standards, 2% could not answer this question. According to the authors' opinion, Bašistová et al. (2011) companies that know the CSR concept also know the standards and the possibilities of certification in the CSR area, namely the social field.

Slovak research questions related to the field of respondents' opinion on the importance of engaging in the CSR. What activities have the organization currently carrying out? Companies have expressed that it is important for them to engage in those activities that bring them profit.

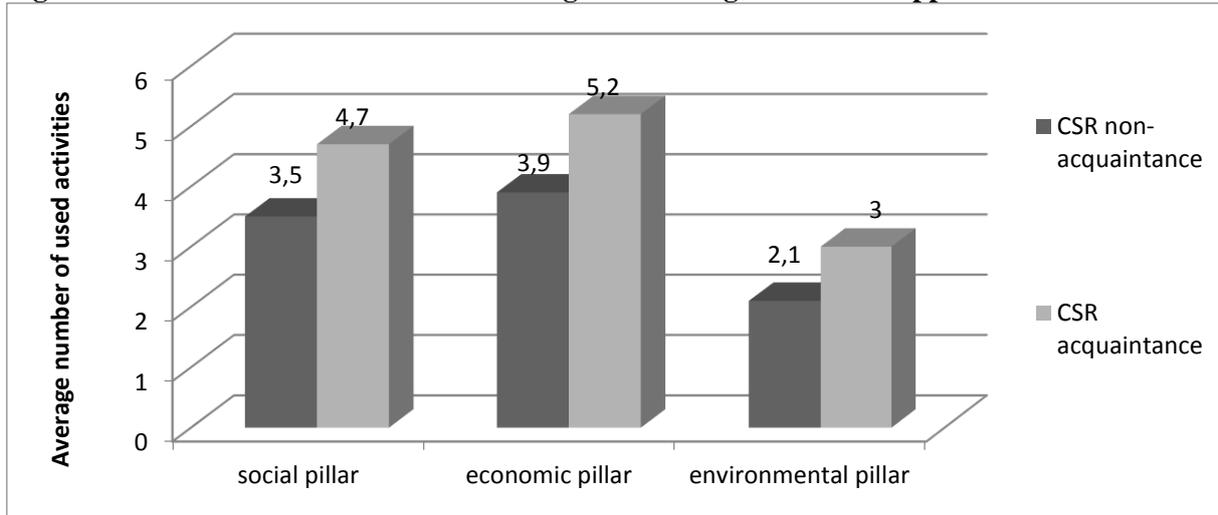
3.1 Number and type of implemented CSR activities in the particular pillars

Skýpalová, Kučerová (2014) indicate that test results of statistical correlation between the knowledge of the CSR concept and number of applied CSR activities show a high level of dependency in all three pillars.

Figure 2 shows differences between the concept knowledge and the number of implemented CSR activities in the particular pillars in the Czech Republic.

It is evident that the concept knowledge leads to the higher number of applied CSR activities in all three pillars of the social responsibility. The organizations realize most activities in the economic pillar, at least in the environmental pillar.

Figure 2: Differences between CSR knowledge and average number of applied activities



Source: own research

3.1.1 Social pillar

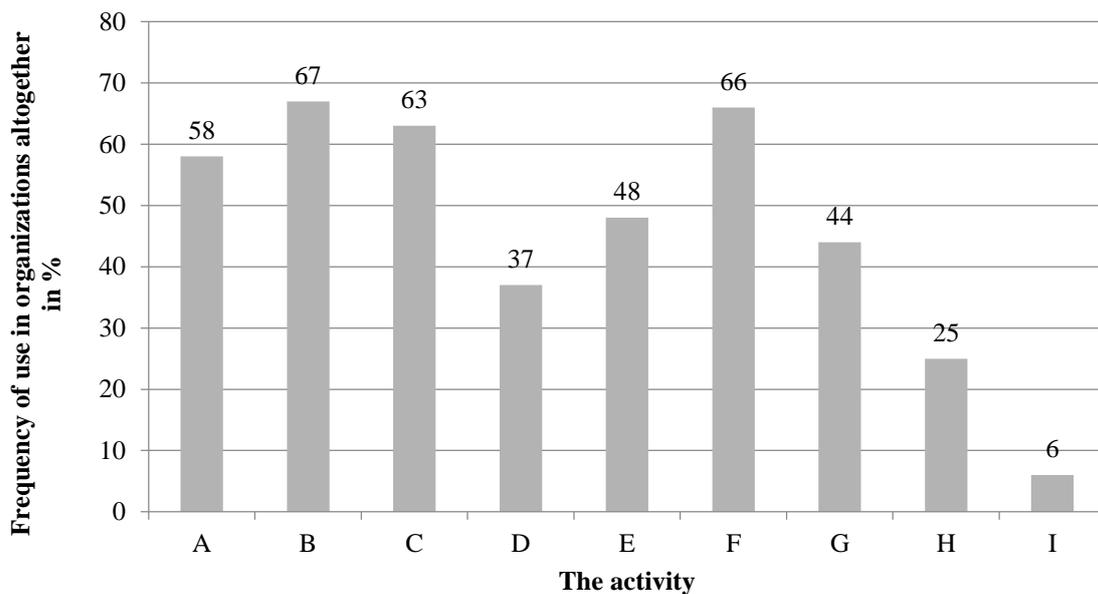
Activities in the social pillar were divided into nine groups:

- A - Compliance of equal opportunities (gender, ethnic minorities, the disabled and the elderly), diversity in the workplace (ethnic minorities, disabled people and older people), B - Business Ethics and Corporate Culture C - Care of the education and retraining of employees
- D - Corporate philanthropy, sponsorship and volunteering, support of volunteer activities of employees
- E- Listening and dialogue with stakeholders and parties (suppliers, customers, banks, creditors, shareholders, etc.)
- F -Health and safety of employees
- G- Support the surrounding community (working with schools and non-profit organizations, local governments)
- H- Balance of work and personal lives of employees - the work-life balance (providing sports and cultural activities for employees, reducing overtime)
- I - Help with finding work for redundant employees, retraining them (outplacement)

Out of 1013 enterprises involved in the research 67% of them realized at least one activity in the social pillar.

Most activities of social pillar are carried out in the area of corporate ethics and corporate culture (B), in the health and safety of employees (F) and in the care of training and retraining of employees (C). The activities that are most often implemented are mainly activities that are well known, widespread, focused inside the organization, supported by laws and that bring back benefits for the company in the social pillar. Conversely, activities such as assistance with further application of redundancies in the labour market (I) and work-life balance (H) were significantly less supported by companies - see Figure 3.

Figure 3: Rate of applied activities in the social pillar



Source: own research

3.1.2 Economic pillar

Activities in the economic pillar were divided into nine groups:

A- Rejection of corruption, fraud and unfair competition

B- Maintaining of good relationships within the supply chains

C- Loyalty to the company, correct relations with the owners of the company

D- Transparency of company activities and results of its business

E - Protection of intellectual property

F - Fair trade

G - Providing information to the stakeholders (customers, suppliers, banks, etc.)

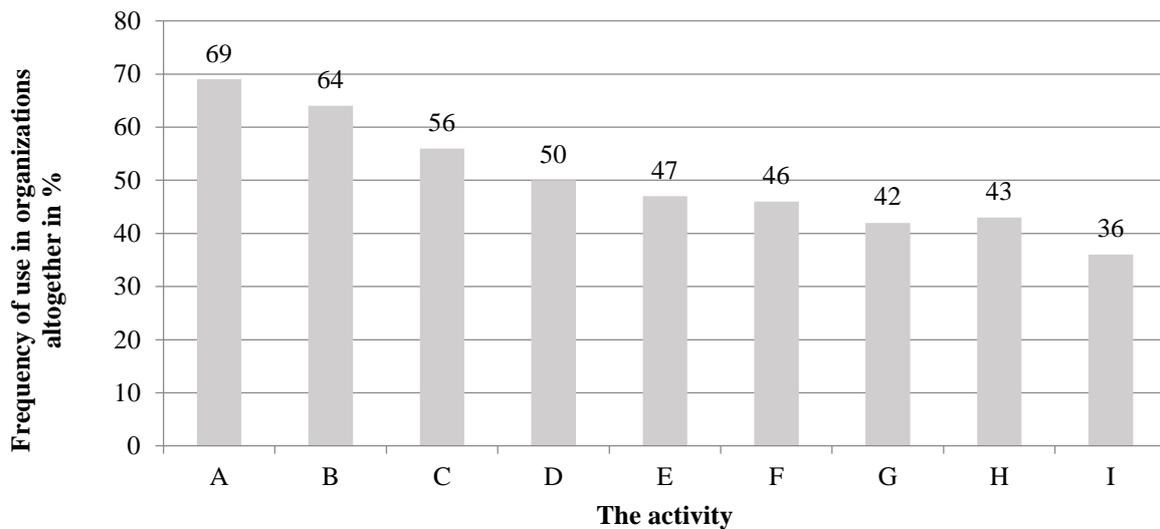
H - After sales service for customers

I - Creation of employment opportunities in the region in which the company operates

In the economic pillar 69% out of all enterprises involved in the research realized at least one activity in the Czech Republic.

The most used activity within this pillar is - Rejection of corruption, fraud and unfair competition (A). Conversely, less than half of the companies perform activity E to I - Protection of intellectual property, Fair trade, Providing information to stakeholders, After-sale customer service and Creation of employment opportunities in the region in which the company operates - see Figure 4.

Figure 4: Rate of applied activities in the economic pillar



Source: own research

3.1.3 Environmental pillar

Activities in the environmental pillar were divided into nine groups:

A - Waste reduction and total waste management, recycling, use of recycled paper

B - Reduction of consumption of materials, energy, water

C - Education of employees in the field of environmental protection

D - Ecological products or services

E - Ecological modes of transport

F - Use of renewable natural resources

G - Reduction of CO₂ emitted into the atmosphere

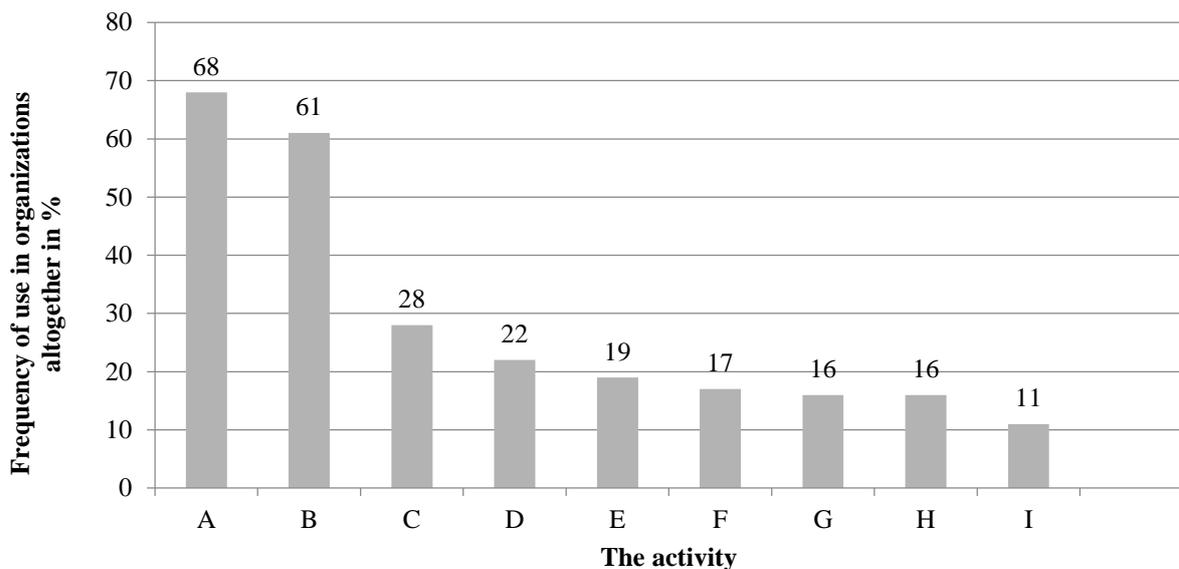
H - Protection of used natural resources

I - Determination of the origin of exploited resources

Within the environmental pillar of social responsibility in the Czech Republic there were 68% out of the total number of enterprises involved in the research which implement at least one activity.

The first two activities of the pillar are the most frequent ones - activity A and activity B - Waste reduction and total waste management, recycling, use of recycled paper waste and Reduction of consumption of materials, energy, and water. These are activities that bring benefits and cost savings to enterprises and are widely used and supported in the society. Other activities of the environmental pillar (C and I) are realized significantly less in practice, compared to the social and economic pillar - less than one third of companies in the Czech Republic carry them out – see Figure 5.

Figure 5: Rate of applied activities in the environmental pillar



Source: own research

In the research conducted in the Slovakia Ubrežiová et al. (2013) found that 73% of enterprises consider as the most important activity, honesty in business, 13% of respondents said employee training, 8% environmental protection, 4% work – life balance.

As the second most important CSR activity, respondents mentioned most frequently -employee training (38%), environmental protection (27%), work – life balance (20%), honesty in business (7%), employee volunteerism (3%) sponsoring (2%), the employment of disadvantaged employees (1%) and retraining employees (1%).

In third place of importance of CSR activities respondents indicated environmental protection (35%), employee training (16%), work – life balance (13%), volunteering employees (13%), honesty in business (7%), sponsoring (6%).

4. Conclusion

In the Czech Republic more than 50% of the organizations in the Czech Republic have not been confronted with the CSR concept (Skýpalová, Kučerová 2014).

According to Skýpalová, Kučerová (2014), the knowledge of the CSR concepts and methods has a significant impact on the engagement of enterprises in particular pillars of CSR. Organizations that were not familiar with the CSR concept were implementing a smaller extent of activities, and these activities were less sophisticated, in some cases, even in the frame that is required by the legislation.

Within the research emphasis was put on mapping the businesses access to all three pillars of CSR. Each pillar was briefly introduced to respondents and more closely analyzed in nine core areas of its operations. The research results in each pillar show that not all activities of the pillars were met by the companies, as well as that some of the activities are completely outside the attention of more than 90 % of respondents.

Based on the research results we can also formulate the following conclusions: (1) The extent the organization engages within the CSR activities grows with its size. (2) Organizations (regardless of their size) perform most activities in the economic pillar. (3) Organizations (regardless of their size) perform the least activities in the environmental pillar.

Authors of the Slovak research (Ubrežiová et al., 2013) concluded that companies in the Eastern Slovakia gradually begin to realize its social responsibility. Increasing motive for the fulfilment of CSR activities is the internal interest of organizations - their own profit. The perception of

the organization as socially responsible by stakeholders, especially customers increases the motivation too. Respondents said that it is necessary in the context of CSR to focus on activities that are directly related to their business or which may be held within the company. The greatest interest is overall by activities: honesty in business (73%), employee education 13%, and work-life balance 4%. There is less interest to focus on activities outside the organization – environmental protection 4%, volunteering 1%. Respondents perceive sponsorship and foundation activities as less important in the context of CSR activities.

The obtained results in the Czech Republic correspond with the results of the research works enacted by Ubrežiová, et al. (2013) in the Eastern Slovakia. The most of the activities that organizations (especially small and medium sized) prefer are activities that have an impact inside the organization. On the other hand, the least used activities are directed outside organizations and enterprises. And thus are considered to be less important. Findings from both surveys prove the tendency to focus on activities inside organizations, which is found beneficial for the enterprises.

References

- Bašistová, A., Olexová, C., & Stankovič, L. (2011). Corporate Social Responsibility with Emphasis on Social Area. *Trendy v podnikání – vědecký časopis Fakulty ekonomické ZČU v Plzni*. 61(2), 5–13
- Elkington, J. (1997). *Cannibals with forks: the triple bottom line of twenty first century business*. Oxford: Capstone Publishing.
- European Commission (2006). *Nová definice malých a středních podniků: Uživatelská příručka a vzor prohlášení*. Luxembourg: Publications Office of the European Union. [available at http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_cs.pdf].
- Gurská, S. (2012). Corporate Social Responsibility as a Challenge for Czech Companies. *Acta Univ. Agric. Silvic. Mendelianae Brun.*, 60(2), 73--78.
- Chih, H.-L., Chih, H.-H., & Chen, T.-Y. (2010). On the Determinants of Corporate Social Responsibility: International Evidence on the Financial Industry. *Journal of Business Ethics*. 93(1), 115-135.
- Koleva P, Rodet-Kroichvili N, David P, & Marasova J. 2010. Is corporate social responsibility the privilege of developed market economies? Some evidence from Central and Eastern Europe. *International Journal Of Human Resource Management*. 21(2), 274-293. DOI: 10.1080/09585190903509597.
- Kuldová, L. (2012). *Nový pohled na společenskou odpovědnost firem: strategická CSR*. 1st Ed. Plzeň: Nava. 176 p.
- Kunz, V. (2012). *Společenská odpovědnost firem*. 1st Ed. Praha: Grada. 208 p.
- Singh, R., & Narwal, M. 2012. Perceptions of Corporate Social Responsibility: A Comparison of Managers in MNCs and Local Companies in India. *Journal of Knowledge Globalization*. 5(2), 25-45.
- Skýpalová, R., & Kučerová, R. (2014). Knowledge and Application of Concept of the Corporate Social Responsibility in the Czech Republic. *Procedia Economics and Finance*. 12, 607--615.
- Ubrežiova, I., Stankovič, L., Mihalčova, B., & Ubrežiova, A.. (2013). Perception of corporate social responsibility in companies of Eastern Slovakia region in 2009 and 2010. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, 61(7), 2903-2910 doi:10.11118/actaun201361072903

RESPECT Index stock exchanges in Poland as the Corporate Social Responsibility tool

Katarzyna Hys

Opole University of Technology
Department of Production Engineering and Logistic
Address: Prószkowska 76, Opole, Poland
e-mail: k.hys@po.opole.pl

Abstract

The aim of this article is to present the idea, conditions and basic statistics in the scope of RESPECT Index used as the Corporate Social Responsibility (CSR) and Socially Responsible Investing (SRI) tool on the Stock Exchange in Warsaw. The preparation of data, their analysis and drawing conclusions have been made on the basis of the desk research method. The data was gathered by means of an analysis of source materials such as, among others: announcements, press releases, reports for industries, publicly available reports of companies and research institutions, information from the Internet. The aim of the analyses is to draw conclusions. The research ought to be continued in the form of detailed analyses of particular companies' reports. The subject of research provided interesting conclusions and at the same time, became an inspiration for defining research issues such as the ex-post analysis of the information available in the scope of RESPECT Index, drawing conclusions and drawing up directions of development.

Keywords: Corporate Social Responsibility (CSR), ESG criteria (Environmental, Social and Governance), RESPECT Index (RI), Socially Responsible Investing (SRI), Warsaw stock exchange.

JEL Classification: E2, F3, M14

1. Introduction

The Corporate Social Responsibility (CSR) concept focuses on the organisation responsibility. This kind of responsibility is seen in many levels of the organisation and it concerns in particular economic, legal and philanthropic reliability (Carroll and Buchholtz 2012; Hąbek and Wolniak, 2015; Hys and Hawrysz, 2013; Maj, 2012, Wolniak, 2013; Wolniak, 2014; Wood, 1991; Jones, 1999; Lantos, 2002; Shellenberger and Nordhaus, 2004; Swanson, 1995). The above-mentioned areas are reference points in relations to which a given organisation works out standards of its functioning in the market and its co-operation principles. At the same time, this organisation is evaluated by all stakeholders as far as its financial result, legitimacy, ethical behaviours and charitable activities standards are concerned (Hys, 2014 a, b, c; Hys, 2015 a, b; Carroll, 1991; Carroll 1999; Fifka, 2009).

The transfer of the principles of social responsibility of business on the area of stock exchange operation is referred to in the Socially Responsible Investing (SRI) idea. SRI is an investment strategy based on the simultaneous achieving financial returns with the achievement of social objectives. Social objectives achieved by the listed companies are evaluated from the point of view of undertaken activities aiming at the fight against climate change, energy use, HR management or the quality of relations with investors (Hys and Hawrysz, 2012). It is assumed that SRI can be achieved at three levels. Among market monitoring organisations it is possible to enumerate (Chamberlain, 2013):

1. Investment in companies and governments that the investor believes best hold to values of importance to the investor. These include the environment, consumer protection, religious beliefs, employees' rights as well as human rights, among others. These areas of concern can be summarized as "Environmental, Social and Governance" and is referred to as ESG investing (Environmental, Social and Governance). In addition, Socially Responsible Investing includes shareholder advocacy and community investing.

2. Shareholder advocacy is exactly what it would seem; socially responsible investors proactively influencing corporate decisions that could otherwise have a large detrimental impact on society (Hawrysz, 2014). The various goals of shareholder advocacy is to pressure those entities into improving practices and policies and acting as a good corporate citizen, while at the same time promoting long-term value and financial performance. The goals are accomplished through various means including dialogue, filing resolutions for shareholders' vote, educating the public and attracting media attention to the issue, which generally garners support and puts additional pressure on the corporation to do the socially responsible thing.
3. Community investing has become the fastest growing segment within SRI, with some \$61.4 billion in managed assets. With community investing, investors' capital is directed to those communities, in the U.S. and abroad, which are under served by more traditional financial lending institutions and gives recipients of low-interest loans access to not just investment capital and income but provides valuable community services that include healthcare, housing, education and child care.

Among market monitoring organisations it is possible to enumerate: US SIF – The Forum for Sustainable and Responsible Investment, Eurosif – Europe-based national Sustainable Investment Forums and ASrIA – The Association for Sustainable & Responsible Investment in Asia. Many CSR indices are applied all over the world, among others (www.odpowiedzialni.gpw.pl):

- Dow Jones Sustainability Index series (DJSI). The basic criterion considered during selection of companies for indices is the analysis of three aspects: economy, environmental protection and social responsibility.
- Calvert Social Index (CSI). When selecting companies for the index they are analysed from the perspective of type of created products, protection and pollution environment, compliance with rules and standards place of work and integrity of business.
- FTSE4GOOD series. The index underlying companies undergo: negative selection (companies that are excluded are those dealing with weapons production, substance production or violating social equality principles) and positive selection (environmental protection activities, development of positive relations with environment, maintenance and development of human rights, combating corruption). These indices are the sole indices that enjoy special status recognized by UNICEF.
- FTSE Johannesburg Stock Exchange Socially Responsible Index (JSE SRI). In addition to running socially responsible business the basic selection criterion for companies is the respect for human rights.
- Sao Paulo Stock Exchange Corporate Sustainability Index (ISE). Index methodology is based on positive selection, in terms of the ESG criteria (Environmental, Social and Governance).
- KLD Global Sustainability Index Series (GSI). Index methodology is based on positive selection, in terms of the ESG criteria (Environmental, Social and Governance).

2. The Idea of RESPECT Index

The Polish Stock Exchange is an important capital market in Europe and the leader in the Middle and Eastern Europe. In 2009, the RESPECT Index was implemented in the scope of the Stock Exchange activities in the scope of Corporate Social Responsibility and Socially Responsible Investing. The index name is an acronym of the following notions: **R**esponsibility, **E**cology, **S**ustainability, **P**articipation, **E**nvironment, **C**ommunity and **T**ransparency.

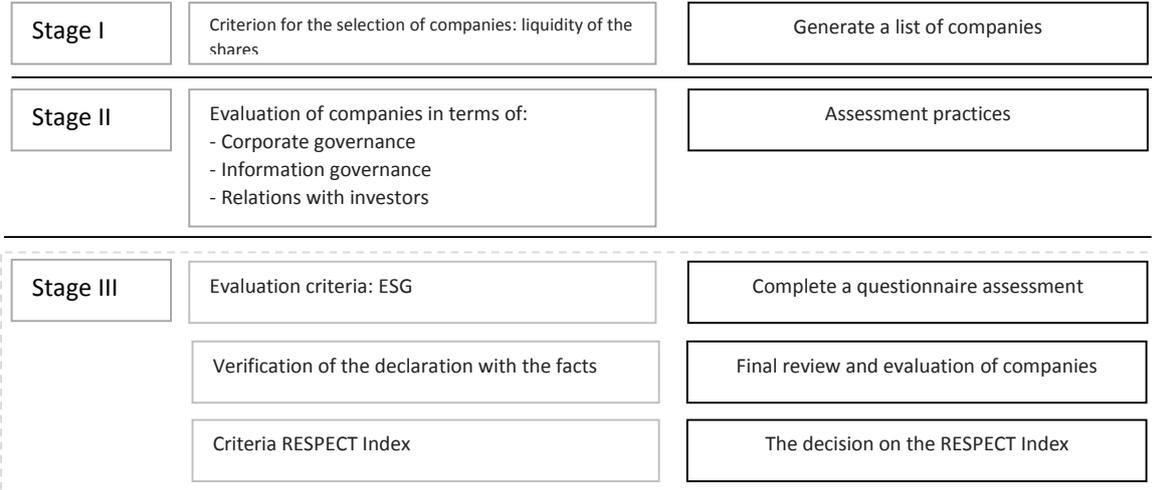
According to the idea - RESPECT Index is the basic identification tool of responsible companies listed at the Stock Exchange in Poland. The evaluated companies get the RESPECT Index if they meet the defined requirements in the scope of the corporate and information

governance, relations with investors and requirements of ESG factors (Environmental, Social and Governance).

1.1 Stages of the selection to RESPECT Index

The RESPECT Index project is targeted at listed companies with the exclusion of the NewConnect market, foreign companies and companies with dual listing. The RESPECT Index structure is revised every six months in three stages (Figure nr. 1).

Figure 1. The stages of the selection of listed companies within the RESPECT Index



The first stage is based on generating a list of listed companies which at the moment of updating the index structure are characterised by the highest level of the liquidity of shares. At present, the list is composed of companies which are in the index portfolio - WIG20, mWIG40 and sWIG80. It is necessary to explain the basic notions (www.odpowiedzialni.gpw.pl):

- WIG20 signifies a stock market index of 20 most important joint-stock companies publicly traded companies on the Stock Exchange. This is the kind of price index, which means that prices of transactions included in it are taken into consideration when it is calculated.
- mWIG40 signifies a price stock exchange index of medium-sized listed companies. It is composed of a stable number of 40 companies. Companies are chosen to the mWIG40 index as 40 subsequent ones following 20 qualified to WIG20.
- sWIG80 signifies a stock exchange index of small listed companies. It is composed of 80 companies. Companies are chosen to the sWIG80 index on the basis of the ranking as 80 subsequent, which were not included in WIG20 and mWIG40.

The second stage of the selection is based on the review of the companies’ activities. The main objective of the review is an evaluation of practices applied by companies in the scope of corporate and information governance and relations with investors. The reference for the evaluation is contained in the document entitled “Good Practices of Companies Quoted at the Warsaw Stock Exchange” and “The Corporate Governance Rules for Supervised Institutions”. The evaluation of the practices applied by the evaluated companies is made by the employees of the Warsaw Stock Exchange in co-operation with the Association of Listed Companies. It is made on the basis of publically available reports of companies and information included on their websites.

The last, third stage of the evaluation of companies nominated to join RESPECT Index is addressed only to these entities which got a positive mark at the second stage. These companies are invited to fill in the questionnaire which contains questions concerning environmental,

social and economic factors. Then, the information included in the questionnaires is subject to verification by the Project Partner – Deloitte Company. The verification takes place each time at the given company's headquarters. Essential source documents are analysed, on the basis of which an evaluation of the declaration compliance with the actual state is made. The results of the evaluation made by Deloitte are the basis for the Warsaw Stock Exchange to make a decision concerning the inclusion of particular companies in the group of RESPECT Index winners.

1.2 Evaluation criteria for RESPECT Index

The basis for the evaluation of the companies at the first stage is the liquidity of shares. The evaluation of the companies at the second stage takes place according to the following criteria:

1. Burdening with sanctions by the Financial Supervision Authority (KNF) and/or the Warsaw Stock Exchange in the scope of fulfilling information obligations (punishments disqualify the participation of the company in further analysis). These obligations concern among others running the website according to the model introduced by the Warsaw Stock Exchange. The functionality of the website, the quality of communication with investors, communication speed and efficacy, the website content (among others information on the structure, professional CVs of the members of its governing bodies, corporate documents, reports, statements, corporate calendar, basic financial indices, references to websites of other institutions of the capital market, the English version of the website).
2. Correct reporting in the scope of Corporate Governance and information governance (among others the quality of current reports, the fact of correcting earlier issued reports, the number of corrections and their importance).

Information included in the evaluation questionnaire declared by a given company at the third stage of evaluation is subject to verification. Employees of the Deloitte Company evaluate the level and degree of the complexity of activities undertaken by the companies. It concerns in particular activities addressed to the group of stakeholders of a given company in the scope of Corporate Social Responsibility and Socially Responsible Investing. The social and investment responsibility is evaluated on the basis of the defined criteria.

For RESPECT Index issues concerning ESG factors (Environmental, Social and Governance) are evaluation criteria. Environmental factors is a group of activities in the scope of environmental management, limitation of harmful effects on the environment, biodiversity and other environmental aspects of products/services. Social factors concern activities undertaken in the scope of safety at work, HR management, relations with stakeholders and social reporting. The last group of factors specifies economic aspects, in particular those concerning strategic and risk management, applied codes of conduct, results of internal audits and applied systems of control and relations with customers (Borkowski and Przybytniowski, 2014; Dudek-Burlikowska, 2010; Kozel et al., 2014; Vilamová et al., 2013).

2. Data and Methods

Preparation of data, their analysis and drawing conclusions was made on the basis of the desk research method. The data was gathered on the basis of an analysis of source materials published by the Warsaw Stock Exchange, the RESPECT Index Programme Partner - Deloitte Company and the companies which gained the RESPECT Index status. These are among others documents such as announcements, press releases, reports for industries, publicly available reports of companies and research institutions, information from the Internet.

3. Results and Discussion

The overall number of companies which won in eight editions of the RESPECT Index project was 164. Companies which have successfully undergone eliminations to the programme represent 15 sectors (table 1).

Table 1: The number of companies in each edition of the RESPECT Index

	Edition I	Edition II	Edition III	Edition IV	Edition V	Edition VI	Edition VII	Edition VIII
Total	16	16	22	23	20	20	23	24
Sector/Industry (number absolute)								
electromechanical industry	1	0	1	1	1	1	2	1
banking	3	5	5	5	5	4	5	5
building materials industry	2	1	2	0	0	0	0	0
chemicals	2	1	1	2	1	1	1	1
building industry	1	2	3	3	2	2	2	2
energetics	0	0	1	2	2	2	3	4
fuel industry	3	3	3	3	3	3	3	3
raw materials industry	1	2	2	2	3	3	2	3
telecommunications	1	1	2	2	2	2	2	1
forest, paper & packaging	1	1	1	1	0	0	0	0
food industry	1	0	0	0	0	0	0	0
insurance	0	0	0	1	1	1	1	1
capital markets	0	0	1	1	0	0	1	1
wholesale trade	0	0	0	0	0	1	1	1
metals	0	0	0	0	0	0	0	1

However, it is worth paying attention to the fact that there are companies which took part in the programme more than once. It means that the same company can win the programme several times. Finally, 39 companies took part in the programme (table nr. 2).

Table 2: The actual number of companies participating in the program

	Editions I-VIII (number absolute)	Editions I-VIII (%)
Total	39	100
Sector/Industry		
electromechanical industry	2	5
banking	9	23
building materials industry	2	5
chemicals	3	8
building industry	3	8
energetics	4	10
fuel industry	3	8
raw materials industry	3	8
telecommunications	3	8
forest, paper & packaging	1	3
food industry	1	3
insurance	1	3
capital markets	2	5
wholesale trade	1	3
metals	1	3

An analysis of data from the point of view of the real number of companies taking part in the programme made it possible to state that mainly large companies, that is companies which have a leading position in a given market, engage in RESPECT Index. Information included in Table 3 make it possible to notice the occurring tendency. Companies representing the banking sector are take the most active part in the RESPECT Index programme. Since the first edition of the programme, banking companies have been the most numerous to join the programme. At the same time, it is important to notice that the largest number of banking companies have successfully undergone all evaluation and verification stages in accordance with the agreed criteria of the programme. It is quite interesting as a question appears why banking companies are so active and willing to engage in the programme the main objective of which is to meet ESG conditions?

The second sector, engaged in the RESPECT Index programme is the fuel industry. Similarly to the case of the banking sector – here since the beginning of the programme – it is possible to notice the process of active participation of companies. Companies take part in the programme systematically, starting from the 1st edition to the 8th one.

Table 3: Percentage of companies in each edition of the RESPECT Index

	Edition I	Edition II	Edition III	Edition IV	Edition V	Edition VI	Edition VII	Edition VIII
Total	16	16	22	23	20	20	23	24
Sector/Industry (%)								
electromechanical industry	6	0	5	4	5	5	9	4
banking	19	31	23	22	25	20	22	21
building materials industry	13	6	9	0	0	0	0	0
chemicals	13	6	5	9	5	5	4	4
building industry	6	13	14	13	10	10	9	8
energetics	0	0	5	9	10	10	13	17
fuel industry	19	19	14	13	15	15	13	13
raw materials industry	6	13	9	9	15	15	9	13
telecommunications	6	6	9	9	10	10	9	4
forest, paper & packaging	6	6	5	4	0	0	0	0
food industry	6	0	0	0	0	0	0	0
insurance	0	0	0	4	5	5	4	4
capital markets	0	0	5	4	0	0	4	4
wholesale trade	0	0	0	0	0	5	4	4
metals	0	0	0	0	0	0	0	4

Similarly, companies of the building and industry sector (building industry, energetic, raw materials industry, telecommunications and electromechanical industry) systematically take part in the programme, although with varied intensity.

Unfortunately, companies of the building industry sector do not take part in the programme any more (building materials industry, forest, paper & packaging and food industry). It seems that this phenomenon is unfavourable as goods offered by companies of these sectors have a key influence on the life quality of a given society.

A reverse situation can be observed in case of sectors: insurance, capital markets, wholesale trade and metals. The companies joined the programme later but they still take part in the programme systematically.

4. Conclusion

The RESPECT Index programme is implemented by the Stock Exchange as a tool which is an investment benchmark. In practice, it means that RESPECT Index is a synthetic evaluation tool for investors in the scope of the evaluation of activities implemented in accordance with the Corporate Social Responsibility and Socially Responsible Investing ideas.

The 8th edition of the programme has just finished. During this time, a list of the programme winners has been announced in the number of 164 companies, out of which 39 different companies took part in this programme during these eight editions.

Eliminations to RESPECT Index consist of three stages. What is important is the fact that companies are evaluated on the basis of agreed evaluation criteria of their activity on the stock exchange by means of data declared by the companies themselves which are eventually verified in the given companies headquarters. An analysis of available information made it possible to draw the following conclusions. Companies representing 15 important sectors of the Polish economy take part in the programme. Companies from the banking sector and the fuel industry the most willingly engage in the programme.

Unfortunately, the companies of the sector building materials industry, forest, paper & packaging and food industry left the programme what is assumed to be exceptionally unfavourable.

The RESPECT Index programme is interesting. The defined evaluation and companies verification criteria were placed at a high level. The criteria concern key areas of the organisation operation, including ESG (Environmental, Social and Governance). Corporate Social Responsibility and Socially Responsible Investing, which were an impulse for defining RESPECT Index play a key role in the development of companies all over the world, thus it can be forecasted that the RESPECT Index programme will also develop in the future.

References

- Borkowski, St., Przybytniowski, J.W. (2014). Insurances as a Method of Reducing the Financial Consequences of Enviromental Disaters, *Journal of US-China Public Administration*, 11(1), January (Serial Number 99), David Publishing Company, 67-75.
- Carroll, A.B., Buchholtz, A.K. (2012). *Business & society: ethics and stakeholder management*, South-Western CENGAGE Learning, 46-47.
- Carroll, A.B. (1991) The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders, *Business Horizons*, July-August, 9-48.
- Carroll, A.B. (1999). Corporate social responsibility, *Business and Society*, 38(3), 268-295.
- Dudek-Burlikowska, M. (2010). Aspects of improving the organization directed to the quality, *Archives of Materials Science and Engineering*, 43(2), 101-108.
- Fifka, M. (2009). Towards a more business-oriented definition of corporate social responsibility: discussing the core controversies of a well-established concept, *Journal of Service Science and Management*, Vol. 2, Nr 4, 312-321.
- Chamberlain, M. (2013). Socially Responsible Investing: What You Need To Know, 4/24/2013 (<http://www.forbes.com>, Retrieved 30.03.2015).
- Hąbek, P., Wolniak, R. (2015). Assessing the quality of corporate social responsibility reports: the case of reporting practices in selected European Union member states, *Quality and Quantity*, doi: 10.1007/s11135-014-0155-z.
- Hawrysz, L. (2014). Communication as a determinant of an effectiveness of the implementation of management system based on the quality. *Advanced Research in Scientific Areas*. Zilina, EDIS - Publishing Institution of the University of Zilina, 3(1), 41-44.
- Hys, K., Hawrysz, L. (2012). Corporate Social Responsibility Reporting. *China-USA Business Review*, 11(11), 1515-1524.
- Hys, K., Hawrysz, L. (2013). CSR in Poland as a important foundations of modern societies, *Management Study*, 1(1), 27-33.
- Hys, K. (2014 a). Ewolucja poglądu na społeczną odpowiedzialność biznesu - okres sensoryczno-motoryczny, *Ekonomika i Organizacja Przedsiębiorstwa*, Wydawnictwo Instytut Organizacji i Zarządzania w Przemysle „Orgmasz”, 10(777), 107-114.
- Hys, K. (2014 b). Ewolucja poglądu na społeczną odpowiedzialność biznesu - okres wyobrażeń przedoperacyjnych, *Ekonomika i Organizacja Przedsiębiorstwa*, Wydawnictwo Instytut Organizacji i Zarządzania w Przemysle „Orgmasz”, 11(778), 111-117.
- Hys, K. (2014 c). Ewolucja poglądu na społeczną odpowiedzialność biznesu - stadium operacji konkretnych, *Ekonomika i Organizacja Przedsiębiorstwa*, Wydawnictwo Instytut Organizacji i Zarządzania w Przemysle „Orgmasz”, 12(77), 100-107.
- Hys, K. (2015 a). Ewolucja poglądu na społeczną odpowiedzialność biznesu - stadium operacji formalnych oraz późne stadium formalne, *Ekonomika i Organizacja Przedsiębiorstwa*, Wydawnictwo Instytut Organizacji i Zarządzania w Przemysle „Orgmasz”, 1(780), 99-108.
- Hys, K. (2015 b). Ewolucja poglądu na społeczną odpowiedzialność biznesu - stadium przeddialektyczne, *Ekonomika i Organizacja Przedsiębiorstwa*, Wydawnictwo Instytut Organizacji i Zarządzania w Przemysle „Orgmasz”, 2(781), 114-123.
- Jones, T.M. (1999). The institutional determinants of social responsibility, *Journal of Business Ethics*, 20(2), 163-179.
- Kozel, R., Vilamová, Š. and Piecha, M. (2014). The Use of Cluster Analysis in B2B Marketing Research. Košice: TU v Košiciach.
- Lantos, G.P. (2002). The ethicality of altruistic corporate social responsibility, *Journal of Consumer Marketing*, 19(3), 205-230.
- Maj, J. (2012). Zarządzanie różnorodnością w przedsiębiorstwach a społeczna odpowiedzialność przedsiębiorstw.

- In Karczewski L.& Kretek H. (Eds.). Odpowiedzialny biznes i konsumeryzm wyzwaniem XXI wieku. Tom I, , Wyd. PWSZ w Raciborzu, Racibórz, 269-285.
- Shellenberger, M., Nordhaus, T. (2004). The Death of Environmentalism. Global Warming Politics in a Post-Environmental World, Copyright by M. Shellenberger & T. Nordhaus.
- Swanson, D.L. (1995). Addressing a theoretical problem by reorienting the corporate social performance field, *Academy of Management Review*, 201, 43-64.
- Vilamová, Š., Janovská, K., Kozel, R., Besta, P., Stoch, M. and Čech, M. (2013). Selected Aspects of Marketing Management of Metallurgical Companies. In: METAL 2013, 22nd International Conference on Metallurgy and Materials, Brno. Ostrava: TANGER, 2043-2049. WOS:000333163100340.
- Wolniak, R. (2013). The role of Grenelle II in Corporate Social Responsibility integrated reporting, *Manager*, 17(1), 7-21.
- Wolniak, R. (2014). Relationship between selected lean management tools and innovations, *Zeszyty Naukowe Politechniki Śląskiej. Seria Organizacja i Zarządzanie*, 75, 157-266.
- Wood, D.J. (1991). Social issue in management: theory and research in Corporate Social Performance, *Journal of Management*, 17(2), 383-406.
- www.odpowiedzialni.gpw.pl (Retrieved 25.02.2015).

Equal Opportunities in the Concept of Corporate Social Responsibility. A case study of public sector entities

Liliana Hawrysz

Opole University of Technology
Faculty of Economy and Management
Department of Organization and Management
Prószkowska 76, 45-758 Opole, Poland
e-mail: l.hawrysz@po.opole.pl

Abstract

Social responsibility is focused on the creation of a social and environmental value as a supplement to the development of economy. It is thus a derivative of three dimensions: human, environmental and economic (Triple P: people, planet, profit) (Grigore, 2008). Business organisations want to bear responsibility for the developmental processes both inside and outside their organisation, whereas the public sector organisation is expected to support them in this scope. Public sector organisations are seldom seen as socially responsible entities. The public sector is an essential element of the national economy. It consists of about 67 thousand entities. This is why, due to the key role of public sector organisations as employers, an attempt has been made in this article in order to verify whether they apply the principle of diversity in recruitment (with taking into consideration gender, age, origin, disability, etc.) and the equality of opportunities. The basis of gathering information in the scope of research was the questionnaire aimed at employees of purposefully chosen public sector organisations located mainly in Europe. The research referred to in the paper was carried out within the years 2012-2013 on the group of 1716 employees employed in 220 public sector organisations.

Keywords: corporate social responsibility, equal opportunities, public sector

JEL Classification: H70, J81, M14

1. Introduction

The significance of the Corporate Social Responsibility of enterprises and public institutions increases each year. These entities notice the importance and benefits resulting from the fact of social engagement and want to build a mutual trust and transparent relations with internal and external environment. This is due to the fact that these relations contribute to perceiving them as responsible partners. The positive image in the eyes of public institutions can lead among others to the creation of an appropriate climate for investing, developing business activity or inhabiting a given area but also to creating a belief that financial means for administration are spent in an effective way, ensuring maximum benefits for the society.

The dynamics of the social responsibility concept development is influenced by initiatives at international level, such as ONZ, OECD or EU, indicating areas which require engagement, in order to adjust the social and economic model to global challenges of the sustainable development (Hys & Hawrysz, 2012), (Hys & Hawrysz, 2013).

According to the standard ISO 26000, published by the International Standardization Organization (ISO) in November 2010, the social responsibility is an undertaking of an organisation to take into consideration social, ethical and ecological aspects of business activity and in contracts with stakeholders (Ministry of Foreign Affairs of the Netherlands, 2013). It means that the behaviour is both transparent and ethical, contributing to the sustainable development, in accordance with the binding law and consistent with international standards (Fox, Ward & Forward, 2002), (Vilamová, Piecha & Kozel, 2014).

Due to the source literature analysis, it is possible to differentiate three basic ways of describing social responsibility as a framework guideline including standards for the market participants,

mobilisation of efforts to support the development and as a trend in the management of organisations (Sahlin-Andersson, 2006), (Mohin, 2012), (Hawrysz, 2013), (Hys, 2014).

1.1 Corporate Social Responsibility

The social responsibility history is as old as trade and business itself. In ancient Mesopotamia about 1700 B.C., the king Hammurabi introduced the Code regulating among others the responsibility of the local authorities for the compliance with the law on their territory (Sztaba, 2013). However, many authors relate the origin of the social responsibility issue to the publication of *The Gospel of Wealth* by Andrew Carnegie in 1899. In 1907 Alfred Marshall put forward the idea of “economic knighthood” formulating a set of standards on the model of medieval knight codes, which would fulfil the role of a code of entrepreneurs. He claimed that entrepreneurs - “knights of the economy” should have a public spirit signifying a kind of entrepreneurs’ loyalty to the society which would be the equivalent of the knight’s loyalty to the prince or country (Dzionek-Kozłowska, 2007), (Borys & Borys, 2011). In 1953 *The Social Responsibility of Businessmen* by Howard R. Bowen was published (Carroll, 2008). This book treats the social responsibility as an entrepreneur’s attribute. Some researchers claim that ideas included in this book were so innovative that they were far ahead of Bowen’s times by at least a decade and they had an important influence on the formulation of the CSR concept (Carroll, 2010). Three basic ideas concerning CSR were created in the 1950s, among them was placing the manager in the role of a person with social confidence, balancing the effects of the company market game with waiting for the support for issues acknowledged to be socially significant (Frederick, 2010). At this time, not much was said about the benefits of CSR but the focus was on the social obligation of organisation. The 1960s were the time of significant social changes in the USA, of a lively academic debate concerning the ethics in business and the creation of theoretical basis of the concept. In the 1970s there were particularly numerous attempts to define CSR. In the next decade, works on practical aspects of the concept and research connected with CSR were dominant. A breakthrough in the development of the CSR issue was the formulation of the so-called iron law (*Davis’ Iron Law of Responsibility*) in 1974 by Keith Davis concerning balancing the responsibility with the power. It is based on the assumption that there is a strong link between the managers’ responsibility and the power given to them by the society (Davis, 1974). What distinguishes this author’s approach is the fact of treating CSR as a kind of responsibility born by the institution-enterprise, the interests of which are represented by the entity/entities-management and not as a sum of duties which the governing body should owe to the society (Borys & Borys, 2011). In the 1990s new trends, concepts and notions appeared, e.g. the sustainable development which connects the development of economy with the respect for the environment and the social development, creating better perspectives for future generations. An in-depth historiography in the scope of social responsibility of business is included in many global publications. The authors of the best known contemporary descriptions are among others Carroll A.B., Buchholtz A.K. (Carroll & Buchholtz, 2012), Lantos, G.P. (Lantos, 2001), Fifka M. (Fifka, 2009), De Bakker F.G.A., Groenewegen P., Hond F.D. (Bakker, Groenewegen & Hond, 2005), Steurer R. (Steurer, 2010), Matten D., Moon J. (Matten & Moon, 2008), Dalhsrud A. (Dalhsrud, 2008) and others (Hąbek & Wolniak, 2013) (Wolniak, 2013), (Hąbek & Wolniak, 2015), (Leja, 2008), (Hys, 2014a).

There are four basic kinds of responsibility mentioned in the source literature:

- legal
- economic and financial
- social
- ecological (Borys & Borys, 2011).

The issue of equal opportunities, to which the paper is devoted, is a part of the social responsibility.

1.1.1 Equal opportunities

The policy of equal opportunities means in practice that there is no discrimination as far as age, marital status, nationality, social origin, race, skin colour, sexual orientation, faith, religion, language, property, family, health, preferences and political affiliation, trade union membership are concerned (Kornfeldova, 2011). However, defining equal opportunities can have a vast character, as it is in the mentioned Kornfeldova's definition or a narrow character and then it takes into consideration only gender, age, ethnic minority and disability (Holton, 2005). However, most researchers of this phenomenon concentrate mainly on the issue of gender (Vuontisjärvi, 2006), (Lauring, & Thomsen 2008), (Maj, 2013). In most European countries, equal opportunities mean that in case of looking for a new employee it is necessary to make an objective and independent review of candidates, seen as "people", people who have a certain level of education, knowledge, skills and experience. Then, it is necessary to compare the candidates with detailed requirements for a given job post. It is not possible to discuss the marital status or the number of children and their age, etc. It is only possible to take into consideration skills, abilities and professional predispositions. The issue of equal opportunities also concerns remuneration, the level of which should be equal in case of all people performing the same work (Kornfeldova, 2011), (Higgins, 1977), (Maj, 2014), (Maj, 2012a), (Maj, 2012b).

2. Equal opportunities in practice

The basis for gathering information in the scope of research was a questionnaire addressed to employees of purposefully chosen organisations of the public sector located mainly in Europe. The research was carried out within the years 2012-2013 on the group of 220 public sector organisations (102 Polish and 118 European). 1716 employees took part in them. The research was carried out among public sector organisations to which among others belong ministries and central offices, voivodship offices, marshal offices, powiat authorities, municipal/communal authorities, tax chambers and offices, customs offices. All public sector organisations included in the EIPA (European Institution of Public Administration) base were invited to join. Only some chosen parts of the research have been presented in the paper. An analysis of relationships between variables was made by means of a chi-square test together with the measure of the relationship strength (contingency coefficient (C), V Cramer's). The significance level was assumed to be as follows: $\alpha=0.05$. Results recognised as being statistically significant were those in case of which the calculated test probability p fulfilled the inequality $p<0.05$ (Vilamová, Janovská, Vozňáková & Kozel, 2011).

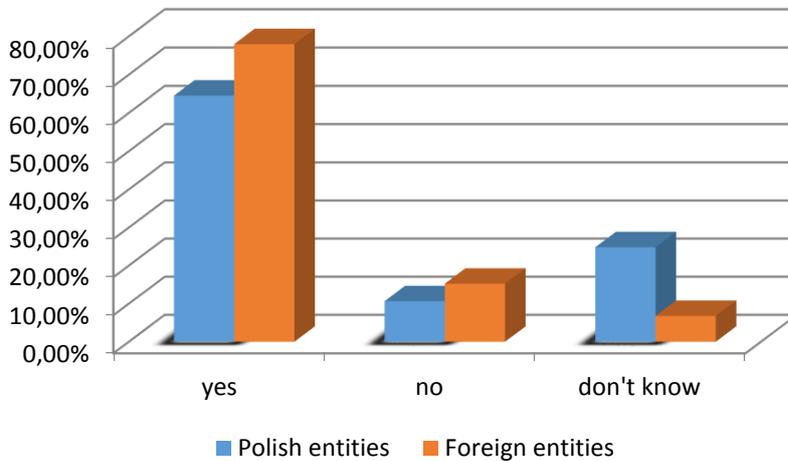
Employees of the analysed organisations were to answer the question whether the organisation in which they are employed introduces the principle of diversity in recruitment (as regards gender, age, origin disability, etc.) and equal opportunities. Answers given to this question were analysed as regards the country of origin (Poland vs. abroad), the organisation size (measured by means of the number of employees, where small organisations employ up to 50 employees, medium-sized from 50 to 250 and large more than 250 employees) and the specificity of the run business activity (the public finance sector organisations).

3. Results and Discussion

65% of employees of organisations located in Poland and 78% of employees of organisations located abroad claim that the organisation in which they work introduced the principle of diversity in recruitment and equal opportunities. There is a significant difference between answers of Polish organisations employees and those of foreign organisations. It can result among others from the fact that the issue of equality in the public sector organisations in Poland is new. In fact, the issue itself is not new but the discussion on its observance in the economic reality, especially in the public sector, is new. The confirmation of these suppositions can be a large percentage of employees who gave the answer "don't know". On the basis of the achieved

results of analyses, it can be assumed that the issue of equal opportunities in the public sector organisations located abroad was discussed earlier and a bigger emphasis was placed on it, what has been presented in the Figure 1.

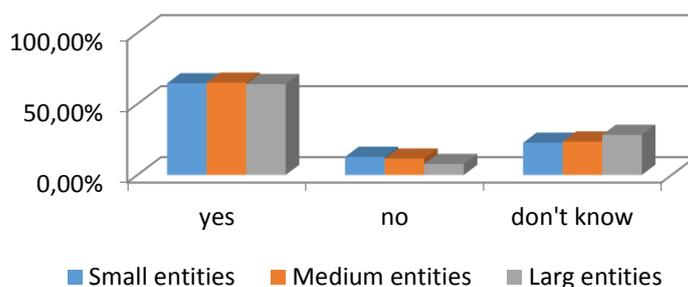
Figure 1: Diversities of the employment and the equality of opportunity in Poland and abroad



Source: own elaboration on the basis of survey results

Organisations located in Poland also differ from one another as far as equal opportunities are concerned. The most sceptical about the diversity in recruitment and equal opportunities are the employees of the smallest organisations. 13% answered that in organisations in which they work, the principles of diversity in recruitment and equal opportunities are not respected. A relatively large percentage of employees who do not know whether the organisation in which they work respects the above-mentioned principles can be a point of particular concern. In the largest organisations, it is 28%, in medium-sized and small ones - 23%. Most probably the lack of knowledge signifies a negative answer or is a result of imperfections of the communication system, both the formal and informal one (see Hawrysz & Hys 2014), (Hawrysz, 2014), (Hys, 2013), (Hys, 2014b), (Kozel, Vilamová & Piecha, 2014). Results of the analysis by means of the chi-square test indicate that there is a statistically significant relationship between the organisation size and respecting the principles of the diversity in recruitment and equal opportunities ($\chi^2=10.53$; $df=4$; $p=0.03228$). A detailed comparison of percentage in relations to the organisation size allows to draw a conclusion that employees of medium-sized organisations (65.04%), more often than employees of the smallest organisations (64.54%) and the largest ones (63.97%), declared that the principle of diversity in recruitment is respected (see Figure 2). However, the strength of the observed relationship is not big ($C=0.08$, $V=0.06$).

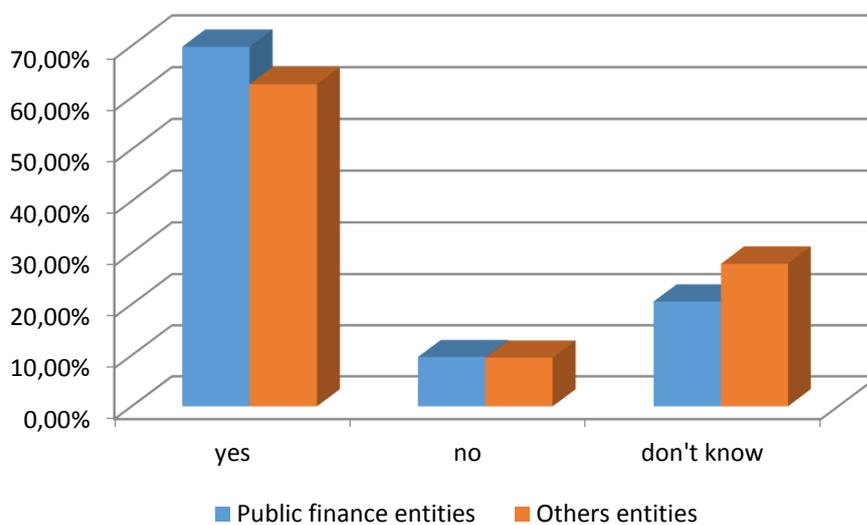
Figure 2: Diversities of the employment and the equality of opportunity in Poland according to size of organization



Source: own elaboration on the basis of survey results

Among all analysed entities, particular attention is to be given to the public finance sector entities. In these entities, 70% of employees declare that the principles of diversity in recruitment and equal opportunities are respected. At the same time, relatively the smallest percentage of employees answered “don’t know” (21%, whereas in other entities there were 28 % of them). Results of the analysis made by means of the chi-square test indicate that there is a statistically significant relationship between the specificity of the run business activity and respecting of the principles of diversity in recruitment and equal opportunities ($\chi^2=8.85$; $df=2$; $p=0.01197$). A detailed comparison of percentage in relation to the specificity of business activity allows to draw a conclusion that employees of the public finance sector organisations (70%), more often than employees of other organisations (63%), declared that the principle of diversity in recruitment is respected (see Figure 3). However, the strength of the observed relationship is not big ($C=0.07$, $V=0.07$).

Figure 3: Diversities of the employment and the equality of opportunity in Poland according to the specificity field of activity



Source: own elaboration on the basis of survey results

4. Conclusion

The principles of diversity in recruitment and the equality of opportunities are respected in most of public sector organisations in Poland. However, in foreign entities they are present more often. The obtained result can be the sign of the lack of a common debate, present in the private sector, concerning the Corporate Social Responsibility in the public sector. It can also be a consequence of problems connected with the information flow in the examined organisations. The issue of the diversity in recruitment and the equality of opportunities in the public sector organisations requires more detailed analyses.

References

- Bakker, F.G.A., Groenewegen, P. & Hond, F.D. (2005). A bibliometric Analysis of 30 Years of Research and Theory on Corporate Social Responsibility and Corporate Social Performance. *Business & Society*, 44, 283-317.
- Borys, G. & Borys, T.(2011). Zintegrowana odpowiedzialność biznesu- geneza i istota. In: *Ekologiczne uwarunkowania rozwoju gospodarki oraz przedsiębiorstw* (pp. 65-79). Kraków, Wydawnictwo Uniwersytetu Ekonomicznego.
- Caroll, A. B. (2008). A history of Corporate Social Responsibility. Concepts and Practices. In A. Crane, A. McWilliams, D. Matten, J. Moon, D. Siegel (Ed.), *The Oxford Handbook of Corporate Social Responsibility*. New York, Oxford University Press.

- Carroll, A. B. & Shabana, K.M. (2010). The Business Case for Corporate Social Responsibility: A Review of Concepts. Research and Practice. *International Journal of Management Reviews*, 12(1), 86.
- Carroll, A.B. & Buchholtz, A.K. (2012). *Business & Society: Ethics and Stakeholder Management* (p.30). Stamford, Cengage Learning.
- Dalhsrud, A. (2008). How Corporate Social Responsibility is Defined: an Analysis of 37 Definitions. *Corporate Social Responsibility and Environmental Management*, 15(1), 1-13.
- Davis, K. (1974). The Meaning and Scope of Social Responsibility. In J.W. McGuire (Ed.) *Contemporary Management: Issues and viewpoints* (p.631), New York, Prentice Hall, Englewood Cliffs.
- Dzionic-Kozłowska, J. (2007), *System ekonomiczno-społeczny Alfreda Marshall*. Warszawa, WN PWN.
- Fifka, M. (2009). Towards a more business-oriented definition of corporate social responsibility: discussing the core controversies of a well-established concept. *Journal of Service Science and Management*, 2, 312-321.
- Fox, T., Ward, H.& Forward, B. (2002). Public sector roles in strengthening corporate social responsibility: a baseline study. *Corporate Responsibility for Environment and Development Program International Institute for Environment and Development (IIED)*, World Bank, 3-7.
- Frederick, W.C. (2006). *Corporation, Be Good! The Story of Corporate Social Responsibility*. Indianapolis, IN: Dogear Publishing.
- Grigore, G.(2002). Corporate Social Responsibility-strategies in European style. *Annals of the University of Oradea, Economic Science Series*.17 (2), 662-665.
- Hąbek, P. & Wolniak, R. (2015). Assessing the quality of corporate social responsibility reports: the case of reporting practices in selected European Union member states, *Quality and Quantity*. DOI 10.1007/s11135-014-0155-z.
- Hąbek, P.& Wolniak ,R. (2013). Analysis of approaches to CSR reporting in selected European Union countries. *International Journal of Economics and Research*, 4(6), 79-95.
- Hawrysz, L. & Hys, K. (2014). Communication channels of middle managers and non-managers in public sector organisations in Poland. *International Journal of Contemporary Management*, 13 (2), 72-85.
- Hawrysz, L. (2013). Patronage vs. implementation of the Corporate Social Responsibility (CSR) concept in the public sector. *Advanced Research in Scientific Areas*. Zilina, EDIS - Publishing Institution of the University of Zilina, 2(1), 184-187.
- Hawrysz, L. (2014). Communication as a determinant of an effectiveness of the implementation of management system based on the quality. *Advanced Research in Scientific Areas*. Zilina, EDIS - Publishing Institution of the University of Zilina, 3(1), 41-44.
- Higgins, J.M. (1977). A social audit of equal employment opportunity programs. *Human Resource Management*, 16(3), 1-7.
- Holton, V. (2005). Diversity reporting: how European business is reporting on diversity and equal opportunities. *Women in Management Review*, 20(1),72-77.
- Kozel, R., Vilamová, Š. & Piecha M. (2014). *The Use of Cluster Analysis in B2B Marketing Research*. Košice: TU v Košiciach, 86.
- Hys, K. & Hawrysz L. (2013). CSR in Poland as a important foundations of modern societies. *Management Study*,1(1), 27-33.
- Hys, K. (2013). *Semantic profile as a tool for assessment of competence public sector workers*. Conference Proceedings of the International Scientific Conference for Ph.D. Students and Young Researchers. Hradec Králové, The Czech Republic, 4, 126-132.
- Hys, K. (2014a). CSR In The Context Of (Un)Favourable Aspects, In: P. Lula & T. Rojek (Eds.) *Knowledge - Economy - Society. Contemporary Tools of Organizational Resources Management* (p. 51-58), Cracow, Cracow University of Economics - Foundation of the Cracow University of Economics.
- Hys, K.& Hawrysz, L. (2012). Corporate Social Responsibility Reporting.*China-USA Business Review*, 11(11), 1515-1524.
- Hys, K.(2014b), *Semantic profile of qualifications. The Client Advisor in the transport sector*, Proceedings in QUAESTI, Zilina, EDIS - Publishing Institution of the University of Zilina, 96-100.
- Kornfeldova, M. (2011). Equal opportunities in the concept of corporate social responsibility. *Scientific Papers of the University of Pardubice. Series D. Faculty of Economics & Administration*, 16(21), 102-109.
- Lantos, G.P. (2001). The boundaries of strategic corporate social responsibility. *Journal of Consumer Marketing*, 18(2), 595-630.
- Lauring, J. & Thomsen, Ch. (2008). Ideals and practices in CSR identity making: the case of equal opportunities.

- Employee Relations*, 31(1), 25-38.
- Leja, K. (2008). Uniwersytet organizacją służącą otoczeniu. In: K. Leja (Ed.) *Spoleczna odpowiedzialność Uczelni* (p. 57), Gdańsk, Wydawnictwo Politechniki Gdańskiej.
- Maj J. (2012a). Elastyczne formy zatrudnienia w kontekście europejskiej polityki równości płci. Analiza skuteczności stosowania elastycznych form zatrudnienia w niwelowaniu nierówności. In D. Kotlorz (Ed.), *Narodowe Rynki pracy w procesie integracji europejskiej*(pp. 129-137). Studia Ekonomiczne. Zeszyty Naukowe Uniwersytetu Ekonomicznego w Katowicach, No. 112, Katowice, Wyd. Uniwersytetu Ekonomicznego w Katowicach.
- Maj J. (2012b). Zarządzanie różnorodnością w przedsiębiorstwach a społeczna odpowiedzialność przedsiębiorstw. In L. Karczewski L.& H. Kretek (Eds.), *Odpowiedzialny biznes i konsumeryzm wyzwaniem XXI wieku*(pp. 269-285). Tom I. Racibórz, Wyd. Państwowej Wyższej Szkoły Zawodowej w Raciborzu.
- Maj J. (2013). Równość płci a innowacyjność w gospodarce. Diagnoza sytuacji kobiet w sferze edukacji w obszarze STEM oraz w sferze przedsiębiorczości. In D. Kotlorz D. (Ed.), *Spoleczno-ekonomiczne problemy rynku pracy*(pp. 184-192). Studia Ekonomiczne. Zeszyty Naukowe Uniwersytetu Ekonomicznego w Katowicach, No.161, Katowice, Wyd. Uniwersytetu Ekonomicznego w Katowicach.
- Maj J. (2014). Rozwój infrastruktury kształcenia wczesnoszkolnego a godzenie życia zawodowego i prywatnego na obszarach wiejskich. In K. Polek-Duraj (Ed.), *Procesy demograficzno-społeczne, zawodowe i agrarne ludności wiejskiej w latach 2002-2012. Wybrane problemy na przykładzie województwa Opolskiego* (pp. 19-28), Opole, Oficyna Wydawnicza Politechniki Opolskiej.
- Matten, D. & Moon, J. (2008). Implicit' and 'Explicit' CSR: A conceptual framework for understanding CSR in Europe. *Academy of Management Review*, 33(2), 404-424.
- Ministry of Foreign Affairs of the Netherlands (2013). *Corporate Social Responsibility: the role of public policy*. Policy and Operations Evaluation Department (IOB) Study, 377, 11.
- Mohin, T. (2012), *The Top 10 trends in CSR for 2012*, Forbes Leadership Forum. Retrieved November 12, 2013 from <http://www.forbes.com/sites/forbesleadershipforum/2012/01/18/the-top-10-trends-in-csr-for-2012/>.
- Sahlin-Andersson, K.(2006). Corporate Social Responsibility: A Trend and a Movement, but of What and for What? *Corporate Governance*, 6(5), 595-608.
- Steurer, R. (2010). The Role of Governments in Corporate Social Responsibility: Characterizing Public Policies on CSR in Europe. *Policy Sciences*, 43(1), 49-72.
- Sztaba, S. (2013). The Code of Hammurabi through the eyes of an economist. *Kwartalnik Kolegium Ekonomiczno-Społecznego Studia i Prace*,1(13), 105-106.
- Vilamová, Š., Janovská K., Vozňáková I. & Kozel R. (2011). Selected Specific Aspects of Marketing Analyses and Management in the Conditions of Metallurgy Firms. In: *METAL 2011: 20th Anniversary International Conference on Metallurgy and Materials: May 18-20, 2011, Brno*. Ostrava: TANGER, 1279-1285.
- Vilamová, Š., Piecha, M. & Kozel R. (2014). *Dynamic Modelling of the Commercial Real Estate Market Focused on the Issue of the Solution of Brownfields*. Košice: TU v Košiciach, 60.
- Vuontisjärvi, T. (2006). The European context for corporate social responsibility and human resource management: an analysis of the largest Finnish companies. *Business Ethics: A European Review*, 15(3), 271-291.
- Wolniak, R. (2013). The role of Grenelle II in Corporate Social Responsibility integrated reporting, *Manager*, 17(1), 7-21.

External Verification as an Important Factor Improving Credibility of CSR Report

Hąbek Patrycja

Silesian University of Technology
Faculty of Organization and Management
Roosevelta Street 26-28
41-800 Zabrze, Poland
e-mail: patrycja.habek@polsl.pl

Abstract

Corporate Social Responsibility (CSR) reporting is becoming increasingly popular practice among companies. The CSR report to be valuable should include reliable and desirable for the reader information. Nowadays we can find companies that regularly report their total CSR results as well as companies that are developing reports limited only to community involvement and philanthropic activities. The problem is that not always real data can be found in such reports, sometimes the documents resemble commercial brochures rather than the CSR report. This happens especially when the motivating factor in developing a CSR report is the opportunity to improve company's image. External verification carried out by an independent organization ensures that the data contained in the report is consistent with the reality. In the paper external verification of CSR reports is discussed and standards relating to assurance engagement. In the second part of the paper the results of the analysis of CSR reports credibility are presented. The study included separate CSR reports as well as annual reports with CSR sections and integrated reports published in 2012 in selected EU Member States.

Keywords: *sustainability report, assurance engagement standards, credibility, independent verification*

JEL Classification: *M14, M41, M42*

1. Introduction

Economic growth in the context of sustainable development becomes the primary challenge of the twenty-first century (Midor, 2012; Kaźmierczak-Piwko, 2012). A business can contribute to sustainable development by implementing the concept of corporate social responsibility (CSR) (COM, 2002). The international standard ISO 26000 (2010) defines the concept as the responsibility of an organization for the impacts of its decision and activities on society and the environment, through transparency and ethical behaviour that: contribute to sustainable development, including health and welfare of society, takes into account the expectation of stakeholders, is in compliance with applicable law and consistent with international norms of behavior, and is integrated throughout the organization and practices in its relationship (Hawrysz, 2013; Hys 2014). While CSR reporting is the practice of providing information to external and internal stakeholders about the economic, environmental and social impacts of business decisions. In recent years, the number of companies publishing sustainability reports has increased significantly in the world. According to statistics, at the global level, this number has increased from almost zero in 1992 to 64,145 today (as at the 17 April 2015 according to international database corporateregister.com). Europe and especially its western part is the most active region in this kind of reporting (Hąbek & Wolniak, 2013).

Assurance on the reliability of corporate social responsibility (CSR) reports can be provided by an external auditor. To date, external assurance of sustainability reports (the author uses the term corporate social responsibility report and sustainability report interchangeably) is mainly a large-company phenomenon. Around half of the world's 250 biggest companies had some form of third-party commentary on their sustainability reports, while 40% utilized formal assurance statements by an independent professional assurance provider. It is likely that the

verification of sustainability data will become more and more popular (IIRC, 2011; Kolk, 2011). For the biggest global companies, the highest number of verified sustainability reports are from traditionally environmentally sensitive manufacturing industries as well as the banking and insurance sector (Kolk & Perego 2010).

For many researchers assurance is related to a desire to improve the credibility of the disclosed information (Choi & Wong, 2007; Simnett et al., 2009). Seeking independent assurance also demonstrates one's commitment to corporate responsibility since the process opens up the company to scrutiny of its management systems. It also provides a mechanism to drive improvements in such systems, and thereby increases their performance (CorporateRegister.com 2008). Social and environmental auditing and verification can create significant legal and operational benefits for organizations. According to Epstein and Wisner (2002) the benefits include:

- ensuring compliance with applicable laws and regulations,
- ensuring compliance with management directives and procedures,
- proactively identifying areas of potential or actual noncompliance
- minimizing the risk of civil and criminal liability to corporations and to its employees,
- ensuring accurate certifications,
- ensuring accurate regulatory disclosures,
- raising employee consciousness about the importance of compliance,
- providing independent verification of a program, which some companies use as public relations or marketing tool,
- assessing the potential impact of new or expected regulation,
- helping to standardize systems and measures in multiple facilities by providing a common framework for assessment.

Assurance statement is the published communication of a process which examines the veracity and completeness of, in that case, a CSR report. If an aim of the assurance process is to enhance the credibility of the report through the published assurance statement, then statements following the 'limited' form offer the external stakeholders less information than 'reasonable' ones. Assurance statements by accountants frequently refer to level of assurance which define the level of work behind an assurance engagement. Generally we can distinguish two assurance levels (CorporateRegister.com 2008):

- Reasonable assurance – the assurers have carried out enough work to be able to make a statements about the report which are framed in a positive manner, e.g. “the reported environmental data accurately reflect XYZ Ltd’s environmental performance during 2007-2008”.
- Limited assurance – the assurers have only carried out enough work to make statements about the report which are framed in a negative manner, e.g. “nothing has come to our attention which causes us to believe that the reported environmental data do not accurately reflect XYZ Ltd’s environmental performance during 2007-2008”.

Studies have found that assurance statements vary a lot in terms of content and the types of assurance. The majority restrict themselves to assurance on specific information or data sets, and fewer cover the full corporate sustainability report (Deegan et al. 2006). An assurance statement to be meaningful should include following elements (CorporateRegister.com 2008):

- I. Reference to standardised approaches and levels of assurance. We currently have no principles or standards for the assurance of non-financial reports which are accepted and used across the spectrum of assurance providers. We have three separate initiatives accepted and used by some providers, sometimes in combination.

- II. Specific declarations (audience, disclaimers, independence, responsibilities). We can only be certain about information concerning the assurance engagement if it is stated explicitly in the statement – we cannot make any assumptions.
- III. Methodology. Setting out how the assurance provider approaches the task is widely recognised as a key element in a ‘meaningful’ assurance statement.
- IV. Provider recommendations and options. Assurance statements which offer insights (e.g. into CSR performance, strengths and weaknesses, challenges) are of value for external stakeholders.
- V. Assurance conclusion. The provider’s conclusion is the most important element of an assurance statement. All statements should include a conclusion. From the viewpoint of the average reader, a conclusion written in a ‘positive’ way would be more expected and more conducive to build a trust than a ‘negative’ formulation.

A full and detailed assurance statement published in a corporate responsibility report should identify areas for improvement and areas of good practice that can be duplicated elsewhere. Improvements could be in underlying management systems, data collection, and content of the report or in the assurance scope, boundaries or approach (CorporateRegister.com, 2008).

As it was mentioned above assurance statements vary, which limits the scope to compare them (Kolk & Perego, 2010). One of the major challenges in auditing social and environmental performance is that there is little standardization of social and environmental management systems, performance measures, and reporting structures. Correspondingly, there are no generally accepted worldwide auditing or reporting standards (Epstein, 2008).

In contrast to financial reports, where measurement, control systems and standards are sophisticated and assurance processes are well established, the assurance of sustainability reports is still developing and is mostly voluntary (ACCA, 2010). Another problem is that in the process of preparing the reports, ethical problems can arise that affect the reliability of the information disclosed (Maruszewska, 2014).

2. Standards relating to assurance engagement of CSR reports

There is, so far, no generally accepted standard for assurance of sustainability reports. Some countries have created their own standards for example in the Netherlands it has been developed COS 3410N “Assurance engagements relating to sustainability reports” standard, and in Sweden standard RevR6 “Independent assurance of voluntary separate sustainability reports” (Wolniak & Hąbek 2013). Two most widely used assurance standards in the CSR area are ISAE 3000 and AA1000 (KPMG 2005).

ISAE 3000 is the International Standard on Assurance Engagements, published in 2005 by the International Auditing and Accounting Standards Board (IAASB) of IFAC (IFAC 2011). Its title is “Assurance engagements other than audits or reviews of historical financial information”. It has been written for professional accountants in public practice. It has two levels of assurance: “limited” and “reasonable”. It should ensure that an assurance engagement is performed with professional rigor and independence (KPMG 2005).

The AA1000AS (assurance standard) was published in 2003 by AccountAbility, the Institute of Social and Ethical AccountAbility. It provides a more specific framework for sustainability assurance and it is also used by non-accountants. AA1000AS provides findings and conclusions on the current status of an organization’s sustainability performance and provides recommendations to encourage continuous improvement (INTOSAI 2013).

In practice, the use of these two standards by assurance providers tends to result in different types of statements. ISAE 3000, largely focused on the information in the report, places greater emphasis on the company reporting its limitations and weaknesses. AA1000 AS requires assurance providers to report their findings against the three core criteria (participation of stakeholders, materiality, and responsiveness). This results in a narrative statement,

highlighting both strengths and weaknesses in report content as well as underlying management systems and the company's responsiveness to stakeholder concerns” (KPMG 2005).

Further the author briefly discusses two examples of national standards. In 2004 FAR (the Swedish professional institute for authorized public accountants) issued RevR6, “Independent assurance of voluntary separate sustainability reports”, which became the first national assurance standard of sustainability reports in the world. The standard was updated in 2006 to go in line with ISAE 3000 (ACCA, AccountAbility& KPMG, 2009). RevR6 provides recommendations of the performance of assurance that focus on to fulfil stakeholders’ need of information. The aim of the assurance process is to evaluate the adherence with set or relevant criteria (Sonnerfeldt, 2013). Established criteria can be laws, constitutions and guidelines such as the GRI guidelines. The company can also set its own reporting criteria. The characteristics of these criteria should be consistent with the principles stated in ISAE 3000 of: relevance, completeness, reliability, neutrality and understandability. RevR6 complies with IFAC “Handbook of the code of ethics for professional accountants” (Sonnerfeldt, 2013).

The second example is the COS 3410 N, assurance engagements standard relating to sustainability reports, which was issued by Royal Dutch NIVRA in 2007 (NIVRA 2007). This standard is based in on ISAE 3000, but is focused on sustainability reporting. It states that the objectives on an assurance engagement relating to a sustainability report is an examination of the information in the report to determine whether it meets the relevant reporting criteria (PWC 2007). It applies to assurance engagements aiming to provide reasonable assurance (an audit engagement), and those whose objective is to obtain limited assurance (a review engagement), as well as hybrids of these two types. The standard is used in the assurance of private sector reports, but, so far, not in government organizations. The standard points out that the knowledge, experience and skills required for the examination of a sustainability report often require multidisciplinary teamwork (NIVRA, 2007).

3. Methodology

The study refers to sustainability reporting practices in the selected EU Member States. For the study, the author has chosen those countries which have developed mandatory requirements (for certain groups of companies) relating to CSR data disclosure. The Member States selected for analysis are: Denmark, Sweden, France, the United Kingdom and the Netherlands. Poland participated in the study for comparison purposes as the only Member State in the study where mandatory requirements for CSR reporting have not yet been implemented. The study included all reports published in 2012, developed by companies which disclose CSR information on a voluntary as well as a mandatory basis.

The evaluation of the admitted reports was based on an author’s assessment tool. To assess credibility of the CSR reports it has been identified six criteria. A structure and explanations of the credibility assessment criteria are shown in the Table 1.

Table 1: Assessment criteria of CSR report credibility

Credibility criteria	Comments
Readability	<i>The report has a logical structure, uses a graphical presentation of the data, drawings, and explanations where required or uses other tools to help navigate through the document</i>
Basic reporting principles	<i>The reporting period, scope and entity is defined in the report as well as limitations and target audience</i>
Quality of data	<i>The report describes the processes, procedures of collection, aggregation and transformation of data and determines the source of the data</i>
Stakeholder dialogue outcomes	<i>The report contains a description of the stakeholders’ dialogue and the results of this dialogue in relation to aspects of sustainable development (surveys, consultations, focus groups, round tables, programs, engagement, etc.)</i>

Feedback	<i>The report contains a mechanism that allows feedback process (contact point for suggestions or questions, hotline, e-mail, reply card, questionnaire etc.)</i>
Independent verification	<i>The report contains a statement of independent body attesting the authenticity of data presented in the report as well as proposals for future improvements</i>

Source: own study

For the assessment process purpose a five-point scale was applied from 0 to 4. Zero points was given when there was no mention in a report of information concerning individual criteria, one point when there was some, little mention, two points when most important aspects was included, three points when the report covered detailed information, better than average and four points for best practices and creative approach.

The information about CSR reports published in 2012 was obtained from the online directory – corporate register.com. After a preliminary analysis of the reports from the database, the author selected for further study only CSR reports. The environmental reports, UN GC Communication on Progress which contained only general statements, citizenship plans, collective industry reports, occupational safety and health (OHS) reports, and several pages brochures were excluded from the study.

4. Results and Discussion

Five hundred and seven reports from the selected EU Member States were evaluated in the study. Half of the reports in the sample came from the United Kingdom, 13 % from Sweden, 12 % from France, 12 % from the Netherlands, 8 % from Denmark and 5 % from Poland.

Almost all of the examined reports were published by large companies. This situation applies to all countries except Sweden, where among reporters there were five medium-sized and two small enterprises. The largest number of reports in the sample was issued by listed companies; in France as many as 90 % of the reports came from this group. State-owned companies have the smallest share in the sample with only 3 %. In this case, Sweden also stands out, as 13 % of reporters were state-owned companies (see Table 2). This is due to mandatory requirements that came into force in Sweden from 1 January 2008. From that date, all state-owned entities in Sweden are required to present an annual sustainability report based on the guidelines of the Global Reporting Initiative.

Table 2: Company size and type in the sample

Country	Company size			Company type			
	Large	medium	small	listed	private	state-owned	other
Denmark	97%	3%	-	59%	33%	3%	5%
France	97%	3%	-	90%	10%	-	-
Poland	100%	-	-	72%	24%	4%	-
Sweden	89%	8%	3%	75%	10%	13%	2%
United Kingdom	98%	2%	-	61%	38%	1%	-
The Netherlands	100%	-	-	73%	23%	4%	-
Total sample	97%	2%	1%	68%	28%	3%	1%

Source: own study

The vast majority of reports in the sample (80 %) were separate CSR reports. Nineteen percent of reports were represented by annual reports with a section dedicated to CSR issues. Most reports of this type were published in Sweden and the UK, accounting for 28 % of Swedish and 26 % of UK reports. Integrated reports were the least represented in the sample. Only 25% of studied reports were verified by an independent body (see Table 3). Most of the externally verified reports were published in Denmark – 33 % of Danish reports had undergone such verification, followed by the Dutch and Swedish, with 32 % and 30 %, respectively.

Table 3: Characteristic of reports in the sample and in individual member states

Country	Report type			Reports with external verification
	Separate	Annual with CSR section	Integrated	
Denmark	82%	13%	5%	33%
France	94%	5%	1%	27%
Poland	88%	8%	4%	16%
Sweden	69%	28%	3%	30%
United Kingdom	73%	26%	1%	21%
The Netherlands	100%	-	-	32%
Total sample	80%	19%	1%	25%

Source: own study

The assessment of CSR reports' credibility revealed that readability of the report is highest rated criterion (see Table 4). In most of the assessed reports, information is provided clearly, has a logical structure and is illustrated with graphical material. The credibility problems of the assessed reports especially concern the lack of independent verification (0.71) and the feedback process (0.7). It turns out that the assessed reports very rarely contain information that would allow stakeholders to contact the person responsible for the development of the report. The low scoring of this criterion could be related with rare placing in the studied reports results of stakeholder dialogue (stakeholder dialogue outcomes criterion). If the feedback mechanism doesn't work, the dialogue with the reports' audience is not possible as well as improvement of the reporting process. Independent verification is not a popular practice among studied reporters. Only 25% of the reports contained an information that the data was externally verified. Unfortunately not all of these reports have an adequate assurance statement which is reflected in the score obtained by the independent verification criterion. Ensuring credibility is a complex issue, especially bearing in mind the recent global financial crisis. There has been a general sense of distrust regarding companies' ability to self-regulate (Edelman Trust Barometer 2009) and a conviction that information disclosures made by companies are incomplete and do not give an accurate picture of past results and future prospects (e.g., Kaplan and Norton 1992; Simnett, Vanstraelen and Chua 2009).

Table 4: Results of credibility assessment of CSR reports in the sample

Credibility criteria	Values obtained by the individual criteria	Standard deviation
Readability	2,40	0,84
Basic reporting principles	1,54	1,07
Quality of data	1,25	1,25
Stakeholder dialogue outcomes	1,05	1,11
Feedback	0,70	0,84
Independent verification	0,71	1,28

Source: on base of Hąbek P., Wolniak R. (2015). *Assessing the quality of corporate social responsibility reports: the case of reporting practices in selected European Union Member States*, Quality & Quantity, DOI 10.1007/s11135-014-0155-z ; 2015

In order to see how CSR reports' credibility differ in selected EU Member States a credibility indicator for individual country was specified. It was calculated as the arithmetic mean of credibility value of CSR reports (specified as the arithmetic mean of values obtained by six credibility criteria) published in individual country. The table 5 presents the results.

Table 5: Credibility of CSR reports in selected EU Member States

Country	Credibility indicator
Poland (N=25)	1,25
Sweden (N=67)	1,44
Denmark (N=39)	1,28
United Kingdom (N=254)	1,07
France (N=62)	1,57
The Netherlands (N=60)	1,60

Source: on base of Hąbek P., Wolniak R. (2015). *Assessing the quality of corporate social responsibility reports: the case of reporting practices in selected European Union Member States*, Quality & Quantity, DOI 10.1007/s11135-014-0155-z ; 2015

The study indicates that the credibility of the assessed reports is rather low. In a five-point scale those reports did not reach the level of two points. The result may be caused by the least two facts. Firstly, many of the studied reports did not contain information about the external verification of disclosed data. Secondly those reports which was externally verified did not contain satisfactory assurance statements. The most credible CSR reports from the sample are reports from the Netherlands, France and Sweden while the least credible from the United Kingdom (see Table 5). The best country results may be caused by national law applied there. For example in France the Grenelle II Act requires companies to include information in their annual report on the environmental and social impacts of their business activities and on their commitments to sustainable development — and to have an independent third party verification of the published information (Wolniak, 2013). In Sweden from the 1 January 2008 all state owned entities in Sweden are required to present an annual sustainability report based on the Global Reporting Initiative Guidelines. The sustainability report shall be quality assured by independent scrutiny and assurance. Additionally in the Netherlands and in Sweden there were developed national assurance standards concerning sustainability reporting (Hąbek & Wolniak , 2013). The use of assurance engagement standard ensures that the process of assurance is properly conducted and at the same time increases the credibility of the audit.

5. Conclusions

Stakeholder expectations for credible CSR reports grows. To improve stakeholders' confidence the data disclosed in these reports should be independently verified by external auditor. Nowadays, we can observe an increase in CSR reporting practices but the vast majority of CSR reports are not being independently assured. The study also revealed that the assurance statements of externally verified CSR reports vary a lot and not always are adequately prepared. The differences occurs not only among selected countries but also within a country. The author identified six criteria to assess the credibility of CSR reports but in practice it is widely accepted that independently assured report means a credible report. However, we have to bear in mind that external verification improves CSR report credibility but only in case when assurance process is well established and the assurance statement is credible and properly developed. It can be provided when using a standard on assurance engagement.

Acknowledgements

This paper has been prepared under the project funded by the National Science Centre Poland awarded on the basis of a decision number DEC-2011/03/B/HS4/01790.

References

- ACCA (2010). *Sustainability reporting matters. What are national governments doing about it?* The Association of Chartered Certified Accountants. Retrieved from <http://www.accaglobal.com/content/dam/acca/global/PDF-technical/sustainability-reporting/tech-tp-srm.pdf>
- Choi, J.-H., & Wong, T. J. (2007). *Auditors' Governance Functions and Legal Environments: An International*

- Investigation*. Contemporary Accounting Research, 24: 13–46. doi: 10.1506/X478-1075-4PW5-1501
- CIPFA (2010). *Sustainability Reporting. A Public Services Perspective*. The Chartered Institute of Public Finances & Accountancy. London.
- COM (2002). *Corporate Social Responsibility: A business contribution to Sustainable Development*. 2002/347 final, Brussels, Retrieved from <http://eurlex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:52002DC0347&from=PL>
- CorporateRegister.com (2008). *The CSR Assurance Statement Report*. CorporateRegister.com Limited. Retrieved from <http://www.corporateregister.com/pdf/AssureView.pdf>,
- Deegan, C., Cooper, B.J., & Shelly, M. (2006). *An investigation of TBL report assurance statements: UK and European evidence*. Managerial Auditing Journal 21:4, 329-371.
- Epstein, M.J. (2008). *Making Sustainability Work. Best Practices in Managing and Measuring Corporate Social, Environmental, and Economic Impacts*, Greenleaf Publishing limited, Sheffield, UK.
- Epstein, M.J., & Wisner, P.S. (2002). *Measuring and Managing Social and Environmental Impact*, in Handbook of Cost Management, Boston, MA: Research Institute of America/Warren, Gorham & Lamont.
- Hąbek, P., & Wolniak, R. (2013). *Analysis of approaches to CSR reporting in selected European Union countries*, IJER, vol.4/issue 6, 79 – 95.
- Hąbek, P., & Wolniak, R. (2015). *Assessing the quality of corporate social responsibility reports: the case of reporting practices in selected European Union Member States*, Quality & Quantity, DOI 10.1007/s11135-014-0155-z
- Hawrysz, L. (2013). *Patronage vs. implementation of the Corporate Social Responsibility (CSR) concept in the public sector*, Advanced Research in Scientific Areas, EDIS - Publishing Institution of the University of Zilina, Vol. 2, Issue 1, 184-187.
- Hys, K. (2014). *Koncepcja CSR w kompozycjach modelowych*, Marketing i Rynek, Nr 5/2014, 365-370.
- IFAC (2011). *ISAE 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, International Federations of Accountants. Retrieved from http://www.ifac.org/sites/default/files/publications/exposure-drafts/IAASB_ISAE_3000_ED.pdf
- IIRC (2011). *Towards Integrated Reporting: Communicating Value in the 21st century*. Discussion paper. Retrieved from http://theiirc.org/wp-content/uploads/2011/09/IR-Discussion-Paper-2011_spreads.pdf
- International Investigation. Business Strategy and the Environment 19, 182-198.
- INTOSAI (2013). *Sustainability Reporting: Concepts, Frameworks and the Role of Supreme Audit Institutions*. Retrieved from <http://www.environmental auditing.org/LinkClick.aspx?fileticket=vM4hrHIBd0s%3D&tabid=128&mid=568>
- ISO 26000 (2010). *Guidance on social responsibility*. ISO Geneva, p.3
- Kaplan, R. S., Norton, D. P. (1992). *The balanced scorecard - Measures that drive performance*. Harvard Business Review 70 (January/February), 71-79.
- Kaźmierczak-Piwko, L. (2012). *The Development of Instruments of Sustainable Development of the Enterprises Sector*, Management Systems in Production Engineering, No 4(8), 37-39.
- Kolk, A. & Perego, P. (2010). Determinants of the adoption of sustainability assurance statements: an international investigation. Business Strategy and Environment, 19: 182–198. doi: 10.1002/bse.643
- Kolk, A. (2008). *Sustainability, Accountability and Corporate Governance: Exploring Multinationals' Reporting Practices*. Business Strategy and Environment 18, 1-15.
- Kolk, A. (2011). *Trajectories of sustainability reporting by MNCs*. Journal of World Business, 45:4, 367-374.
- KPMG (2005). *KPMG international survey of corporate responsibility reporting 2005*. Amsterdam. Retrieved from https://commdev.org/userfiles/files/1274_file_D2.pdf,
- Maruszewska, E.W. (2014). *Discussion about the importance of ethics in modern accounting*. Conference Proceedings SGEM 2014 International Multidisciplinary Scientific Conferences on Social Sciences and Arts, 217-224.
- Midor, K. (2012). *Ekonomia zrównoważonego rozwoju alternatywą dla współczesnej gospodarki światowej*, Systemy wspomaganie w inżynierii produkcji, Pracownia komputerowa Jacka Skalmierskiego, Gliwice, 56-69.
- NIVRA (2007). *3410N Assurance engagements relating to sustainability reports*. Royal NIVRA 2007. Retrieved from https://besloten.accountweb.nl/Sites/Files/0000026143_COS_3410N_English_pdf_0709.pdf
- PWC (2007). *The Right Combination. Corporate Responsibility reports: the role of assurance providers and stakeholder panels*. Switzerland. Retrieved from <http://www.pwc.com/co/es/responsabilidad->

- corporativa/assets/right-combination.pdf,
- Simnett, R., Vanstraelen, A., & Fong Chua, W. (2009). *Assurance on sustainability reports: an international comparison*. *The Accounting Review*, Vol. 84 No. 3, 937-67.
- Sonnerfeldt, A. (2013). *Regulating third party assurance engagements on sustainability reports in Sweden – issues and challenges*. Retrieved from <http://lup.lub.lu.se/luur/download?func=downloadFile&recordOID=4194880&fileOID=4194887>
- Trustbarometer. Edelman. (2009). Retrieved from <http://www.edelman.com/p/6-a-m/edelman-trust-barometer-2009-paradise-lost/>
- Wolniak, R. (2013). *The role of Grenelle II in Corporate Social Responsibility integrated reporting*. *Manager Journal*, No 18. 109-119.
- Wolniak, R., & Hąbek, P. (2013). *Holenderski standard zaangażowania w zakresie raportowania społecznej odpowiedzialności biznesu*, in: (eds.) J. Brzóska, J. Pyki, „Nowoczesność przemysłu i usług w warunkach kryzysu i nowych wyzwań”, TNOiK, 588-595.

Social and Citizens' Responsibility for Minimizing the Food Losses

Mária Kadlečíková¹, Zuzana Kapsdorferová², Davit Babayan³, Mária Debrecéniová⁴

Slovak University of Agriculture, Faculty of Economics and Management, Department of Management^{1,2,3}

Agroinštitút, Akademická 1, Nitra⁴

University^{1,2,3} Slovak University of Agriculture in Nitra, Department of Management, Tr. A. Hlinku 2, Nitra, Slovak Republic,

e-mail^{1,2,3,4}: Maria.Kadlecikova@uniag.sk, Zuzana.Kapsdorferova@uniag.sk, dv2bab@gmail.com, Debreceniova@agroinstitut.sk

Abstract

The issue of the food losses which are created in the food chain, respectively as the result of the food waste, is becoming the developing agenda of the numerous worldwide initiatives, both from the private and public sectors. According of FAO, if the food losses and food waste would drop by 50 %, then the required increase of the food production for 9, 1 billion people in 2050, will reach the value 25% instead of the projected 60%. The submitted article is dealing with state of this topic, social responsibility of the companies and individuals, as well as by searching the solutions how to decline food losses and food waste in the circumstances of the Slovak Republic. The content of the article is stemming out of the questionnaire surveys into which have been involved 255 participants and 80 food processing companies. The results of both surveys confirm that in our conditions is especially high food waste, furthermore, that the Slovak citizens have the intensive interest about this topic, they do feel responsibility for it, and however, so far they cannot find the effective solutions. The results confirm that in our conditions the food waste is the result of the consumer and traders' behaviour. It was confirmed, that it is important to inform citizens about these questions, in order to achieve the change in consumer's behaviour at the endeavour to minimize the food waste. The question of the food waste and food losses represents complex problem and requires the participation of the all stakeholders of the food chain. The food production and its consumption, as well as the food losses and food waste have the negative impact on the natural environment. This is linked to the exhaustion of the natural resources in such segments as production, processing and distribution channels.

Key words: food losses, food waste, food security, nutrition, food supply chain.

JEL Classification: M00, Q18, Q1

Introduction

The theme for World Food Day 2013 was "Sustainable Food Systems for Food Security and Nutrition." The central theme predominantly inspired discussions of food losses and food waste. Food losses are incurred in the course of all phases of the food supply chain, starting from primary agricultural production through processing to household consumption of foodstuffs. In low-income countries food losses occur mostly in the initial to middle segments of the food supply chain; a much smaller portion of food is wasted. Conversely, food losses in developed countries usually happen at the end of the food supply chain, while the responsibility lies with retailers and consumers themselves. Broadly speaking, food losses and food waste are influenced by production and processing methods, cultural traditions, technology, internal infrastructure and storage capacity, marketing and distribution channels, consumer buying behaviour, habits and practices employed in treating food.

Production and consumption of food as well as food losses and food waste have negative environmental implications. This regards depleting of natural resources in the production segment, in the processing segment, and in the distribution channels. The particular consequences include soil salinization and erosion, excessive depletion of soil and water resources, externalities arising as a result of the use of pesticide and chemical fertilizers, water

and air pollution, health problems experienced by both workers and consumers. These effects leave the environment severely damaged. By the UN, reducing food losses and food waste is seen as an effective instrument to eliminate hunger and to increase the sustainability of food systems. Although the MDG target to halve the proportion of people who suffer from hunger compared to 1990 is partially being met, there are still 805 million suffering from hunger today. The good news is that of 128 developing countries, 62 will have accomplished the goals of the FAO World Food Summit by the end of 2015. To find a solution to the issue of food losses means to improve the social conditions for poor food producers as well as for poor food consumers, which may have a positive effect on whole societies. The growing income of food producers, as well as of the poorer portion of food consumers, means higher income for both groups, as these can afford to buy more food also due to lower food prices. As is often the case though – for cultural reasons, i.e. customs regulating the stocking of food supplies, as well as due to limited knowledge and awareness – consumers buy more food than they actually need or prepare more food than they are able to consume. This results in a degradation of prepared foods which often leads to discarding food. Action is required in order to increase consumer awareness and encourage them to make better choices as for the choice and amount of food they buy and to be able to treat it more carefully. Specifically in countries with a higher standard of living, in which the requirement of systematic access to buying food is met, consumers should be encouraged to buy smaller quantities of food but do so more frequently. Stocking up tends to result in more severe degradation of food.

The aim of this article is to point to the state and development of the issue outlined in the context of the Slovak Republic as well as to refer to potential ways to reduce food waste under present conditions.

1. Outline of Current Research in Food Waste and Food Losses

According to Gustavsson et al. (2010), food waste may be classified as food loss when incurred during the early phases of food supply chain and as food waste within later phases. Hodges et al. (2010) wrote that food waste most commonly refers to edible food products which are intended for the purposes of human consumption but have been discarded, lost, degraded or consumed by pests, and does not include inedible or undesirable portions of foodstuffs. In Europe, 280 kg of household waste is produced per capita, 190 kg whereof is generated during food production and retail and the remaining 90 kg of food loss per capita is incurred by the consumer.

Most of the global food waste is generated in developed countries during the consumption phase, whereas in low- to medium-income countries, the highest proportion of losses is incurred in the processing and post-harvest phase of the food supply chain. Due to the tendency to stock up, the purchase power of the population and consumer preference, approx. 25 % of waste comes from cereals; this rate is chiefly influenced by the behaviour of high-income consumers. An overall rate of food waste below 8.5 % can be found in medium-income countries (including the Slovak Republic). In low-income countries the rate falls under 5 % (FAO, 2013).

According to European Commission DG Health and Consumers (2014) over 40 % of food losses in developing countries occur in harvest phase and processing, whereas in developed countries, a higher portion of food is lost during storage and retail phases and due to rough handling of food by consumers.

FAO and individual (developed) countries began to deal with the food waste issue in greater depth in 2010, prompted by the estimate that roughly one-third of food produced for human consumption is lost or wasted globally, which amounts to about 1.3 billion tons per year (Gustavsson, J. et al, 2011).

According to FAO (2013) if food losses and food waste were halved, the increase rate in production required to provide for 9.1 billion people in 2050 would only amount to 25 % instead

of the currently estimated 60 %. In any case, we can agree that reducing food losses and food waste can be seen as a technologically, economically, environmentally and socially realistic goal.

The overall amount of food which has been produced but has not been consumed is comparable to the annual flow in Europe's longest river, the Volga. Food losses and food waste are also the cause of a further 3.3 billion tons of greenhouse gases released into the atmosphere [FAO, 2014]. Moreover, reducing food losses is also seen as a substantial instrument in reducing GHG emissions which are paradoxically generated by the operations of the food and agriculture industry, whose main role is to ensure food independence and food security.

The European Parliament is at the forefront of fighting against food losses and food waste. The Parliament's agriculture committee approved a resolution on 23 November 2011 that calls for the European Commission and member states to take "radical measures" to reduce waste – "from farm to fork" – by 50 percent before 2025 (FAO, 2014).

Virtually all authors cited above agree that the highest volume of food loss occurs throughout the food supply chain and that the largest portion of food waste is generated in developed countries, while larger proportions of food are lost in the initial stages of the food supply chain.

2. Data and Methods

Department of Management of the Slovak University of Agriculture in Nitra collaborated with Agroinštitút Nitra to conduct a questionnaire survey in order to gather data related to food waste in the Slovak Republic. The aim of this survey was not to achieve representative results pertaining to the number of respondents included in the survey, but was designed to probe into the attitudes of Slovak consumers.

3. Results and Discussion

The average age of breadwinners was 47; monthly household income averaged EUR 1472.13. The lowest income recorded was EUR 400 per household. More than half of respondents live in households shared by 4 members (52.1 %), 31.7% respondents live in three-person households and 16.2% respondents live in two-person households. The majority of respondents live in cities (60.8 %). The survey included respondents from 17 districts in western and central Slovakia.

Table 1 presents data with the highest frequency in respondents' statements and data occurring least frequently.

Table 1: The Results of Total Answer Citations Ranked by Most Cited, Second Cited and Least Cited

	Answers most cited	Second cited answers after most cited	Answers least cited
Do you think about how much food waste do you have in your household	Yes: 185=69.8%	None	No: 79=29.8%
Does your household produce lot food waste?	No: 166=62.6%	Yes: 88=33.2%	Yes, but I don't know what to do with it : 11=4.2%
What is the reason of producing food waste in your household?	It isn't possible to use the food before expiration: 165=62.3%	We overbuy : 111=41.9%	The food changes it's organoleptic attributes before the expiry day: 48=18.1%
What kind of goods is getting at most to waste (at home)?	Bread: 158=59.6%	Potatoes: 100=37.7%	Dairy products: 19=7.2%
Could you assess how much food would be saved if you do not have	to 50EUR : 210=79.2%	51-100EUR : 36=13.6%	151-200EUR: 0=0.0%

food waste in your household (in cash)?			
How can you reuse your food waste?	For animal feeding: 141=53.2%	We do not know how to reuse it : 98=37.0%	For bio-energy production: 0=0.0%
Does the waste separation exist in your place of living?	No : 174=65.7%	None	Yes: 87=32.8%
Do you think about how to cut down production of food waste in your household?	Yes : 139=52.5%	None	No: 122=46.0%
Where are you from?	Town: 161=60.8%	None	Rural area: 102=38.5%
How many members live in your household?	4 : 138=52.1%	2 : 43=16.2%	8 : 0=0.0%

Source: The information gathered by questionnaire the table was constructed by authors.

Within the survey our chief study interest was respondents' interest in food waste in their households. The results confirm the assumption that Slovak consumers are very much interested in food waste (69.8 %), while 29.8 % stated that they had not been concerned about these issues before the survey. Furthermore, the survey showed that 62.6 % are not concerned with whether the food from their households ends up discarded. An overall rate of 33.2 % is aware of the fact that a certain volume of foods is thrown away and 4.2 % are aware of the above-mentioned but see no way out of the situation. The question of what is the cause of wasting food generated interesting answers. Slovak consumers mostly stated that they were unable to use the purchased foods before best-before date or consume the foods that had been cooked quite some time previously. As many as 41.9 % respondents admitted to buying more food than their households are able to consume.

In Slovakia, bread is considered a national cultural symbol. Metaphorically speaking, enough bread means food independence, and a lack of bread implies hunger, undernourishment and poverty. In spite of the high regard for bread it is the most commonly wasted foodstuff, as confirmed by 59.6 % of respondents. The second most-wasted foodstuffs, according of the survey are potatoes (37.7 %). Dairy products are the least frequent among wasted foodstuffs (7.2 %). It is certainly interesting to note that FAO reached very similar results in a survey conducted in 2013 in developed countries. Conversely, less developed countries waste much less bread, or potatoes, or vegetables as well.

According to our respondents, in Slovakia wasting food occurs mainly because it is considered staple food of which a household must never run out, and is therefore bought in larger quantities than can be eaten. These views are shared by higher and lower income groups. Moreover, consumers prefer their bread and bread products fresh and crunchy. Apart from that, the short shelf life of bread is a problem – it often gets mouldy in two or three days. Respondents recommend freezing bread and bread products while still soft and use it to make toast or breadcrumbs or look to the Mediterranean cuisines for inspiration and use bread to make bruschetta or pair it with vegetables and other ingredients to make stuffing etc. The recommendations included one based on experience from western Europe, stating that smaller amounts of bread should be bought, e.g. only a few slices or only in reasonable amounts.

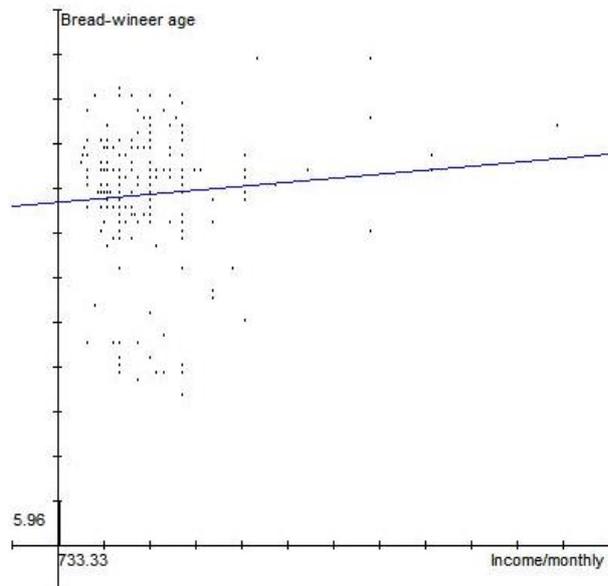
The question „How much money (in EUR) would your household save in a month provided that you could reduce food waste?“ was most frequently answered by „less than EUR 50“ (79.2 % respondents); 13.6 % of respondents stated that they would save food costs between EUR 50 and 100 and 7.2 % of respondents could spend EUR 100 to 150 less.

As many as 53.2 % of Slovak households try to use food waste to feed farm animals or pets; 37 % of respondents find no use for food waste and 9.8 % use food waste for composting.

Further, we were interested in whether respondents make use of recycling bins located near their place of residence. The fact that most of our respondents live in cities explain the 65.7 % recycling rate found in the survey.

There was observed the correlations between income level and bread winner age. According to analysis the figure is following (figure 1).

Figure 1: Correlation between income level and bread winner age



Source: own results

The graph shows 220 points of coordinates income/monthly; Bread-winner age. Dependence is not significant. Regression line equation: Bread-winner age = 0.00 * income/monthly +46.01
Correlation coefficient: +0.08 (income/monthly explains 0% of the variance of Bread-winner age). Standard deviation of regression coefficient: 0.001 (low influence). 45 observations are not taken into account (non-response for at least one criteria). Each observation is represented by a dot.

There was observed the significance between different variables with the level of 95%. According to study there are some variables that have significant relationship between each other, and some other variables that have no significance or they are slightly significant. Specially, variable number 10 has significant relation with variable number one and two. In other words, respondents who were thinking about their food waste they had lower food waste, in contrast to respondents who were not thinking about food waste and they had more food waste χ^2 was determined for variable one 50.77 and for variable two 10.47. Accordingly, for p value for one <0.1% and for two 0.5 %. Another significant relationship was determined between living place and reusing of the food waste $\chi^2=6.33$, p=4.2 %. Rural respondents had the tendency to reuse their food waste rather than urban respondents.

There was observed another relationship between bread-winner age and reason of producing food waste. We have concluded that younger bread winners has the tendency to overbuy. Between these two variable p value is 0.9 % and F =3.11.

4. Conclusions

At present, the topic of food waste is becoming part of the development agenda of worldwide initiatives on the part of the private as well as the government sector.

The results found in our survey research correspond with the results of the works cited above. The largest proportion of food waste in Slovak households occurs in cereals, specifically in wasteful treatment of bread. This corresponds with the findings of FAO-2014, which argue that cereals represent up to 25 % of food losses. Similarly, we found that the quantity of household food waste increases proportionally with the household's income. Again, our findings agree with FAO-2014, in which as many as 59.6 % of respondents consider cereals (specifically bread) the most wasted foodstuff.

Gustavsson et.al. (2011) claim that the global interest in the issue of food waste stems from a conviction that it might prove a substantial instrument to use natural resources responsibly and to reduce emissions. According to our findings, in the Slovak Republic the topic has begun to evolve as innovative development agenda, as confirmed by 69.8 % of respondents included in our survey. Reducing food losses could result in significant positive economic, environmental and social consequences in the Slovak Republic as well as in other parts of the world.

Considering that food waste is mostly an effect of consumer and retailer behavior, in general, it is necessary to increase the sensitivity of the population to these matters and make sure the general public is aware of the far-reaching consequences this situation might entail. This is the only way in which consumer attitudes to discarding and wasting foods might be changed. A turn of thought of this group of consumers is needed – a turn from the attitude that throwing away food is a cheaper and easier way to an attitude that would motivate people to find alternative uses for unused foodstuffs in their households. This can trigger innovative solutions to reducing household food waste. Food losses and food waste must be made a core part of the agenda of agricultural policy-makers. Both private organizations and public institutions should realize that this severe issue can only be tackled in their cooperation. Tailor-made communication strategies and communication channels should be designed for all stakeholders to fit their age, sex and economic status. With a view to solve these important social challenges it is necessary to base the approach on the following four pillars:

1. Support development programs, and investment and awareness projects aimed at reducing food losses and food waste. These activities should mainly involve the private sector and NGOs, which should be encouraged to cooperate with the relevant public institutions.
2. Introduce multi-level consumer information campaigns designed to inform on such topics as what the best-before date really means, what risks are connected to eating certain foods past the best-before date and how household food waste can be minimized by employing proper storage techniques. The abovementioned activities can be further developed and supported by joint initiatives of consumer organizations, public health institutions, food security institutes, and food industry associations.
3. In finding solutions for food losses, the whole of the food supply chain must be taken into consideration, starting from manufacturing, through processing, storage and ending in retail. Technology oriented to gathering and processing household food waste into alternative sources of energy should be developed.
4. Consumers can contribute to reducing food waste greatly. It is advisable to support research into consumer behaviour which would encourage consumers to buy responsibly, and to avoid buying food on impulse by planning their shopping.

The issue of food losses and food waste represents a complex problem and requires the combined attention of all participants of the food supply chain if significant improvements are to be accomplished. We are holding the responsibility for the sustainability of natural resources for the future generations in our hands. There is no need to limit ourselves to radical changes; sometimes it is enough to understand that nature's gifts must be handled carefully and used sparingly so that a sustainable perspective can be maintained for the coming generations.

Acknowledgements

This paper was created within the research project VEGA supported by the Ministry of Education, Science, Research and Sport of the Slovak Republic VEGA *Corporate Social Responsibility (CSR) of the Slovak Enterprises in the context of Internationalization in Business*. Project registration number 1/0044/13.

References

FAO UN.(2013). Sustainable Food Resources Food Systems, Food Security and Nutrition. FAO UN World Food Day 2013, FAO – UN, Rome

FAO UN. (2014). The Food Losses and Food Waste in Europe and in Central Asia, FAO Regional Conference for Europe and Central Asia, 2014, Bucurest, Romania, 2.- 4. April, 2014.

Gustafson, J. et al. (2011). Global Food Losses and Food Waste . The Causes and Prevention. FAO-UN, Rome.

Gustavsson, J. & Cederberg, C. & Sonesson. U. & van Otterdijk, R. & Meybeck, A. (2011). *Global Food Losses and Food Waste*. Gothenburg,SIK & Rome, FAO

Hodges, R. J. & Buzby, J.C. & Benett, B. (2010), *Postharvest losses and waste in developed countries : opportunities and to improve resource use*. Agric, Icl. 143 37–45, Supplement SI (February 2011)

Food –Waste- Europe

http://ec.europa.eu/food/food/sustainability/index_en.htm

Corporate Sustainable Development Based on Principles of Business Social Responsibility

Anna Diačiková¹, Michal Lach

Catholic University in Ružomberok¹

Faculty of Education, Department of Management

Nábrežie Jána Pavla II.

058 01 Poprad, Slovak Republic

anna.diacikova@ku.sk

Chairman of the Board of Directors and former General Director

CHEMOSVIT, a.s.

Štúrova 101

059 34 Svit, Slovak Republic

lach.m@chemosvit.sk

Abstract

Paper deals with the application of the corporate social responsibility in the Slovak holding company based on the Czech family-owned Bata Company in the year 1934, which operates in a highly competitive international business to business market. It briefly describes the history of the company founding and its 80-year successful path, which is directly related to the formation of corporate social responsible business. Contribution contains CSR pillars - economic, social and environmental - and their specific examples. A brief description of a successful company - its products can meet around the world - its principles and values which underpin the competitiveness of the company explains the principles of social responsible business in the practice, there are a prerequisite for long-term business.

Keywords: competitiveness, corporate social responsibility, CSR, enterprise, long-term business

JEL classification: M10, M12, M14

1. Introduction

In the world dominated the view that it is not the government and states that determine the state of society in general, but that this role is slowly but surely taken over by large corporations. This new situation has many serious consequences, e.g., that the companies must consider a much broader context than previously. As the weakening role of the state and its structures, and vice versa increasing influence of global companies, created for prior owners and managers, that have been previously used to think in essence only in economic categories, the need to address issues of philosophical, ethical, sociological and ecological aspects (Kotler, P. & Lee, N., 2005).² In the large global corporations, but also in smaller international or national business or non-business organizations, there are major internal changes. It is not just constantly creating innovative products, but also the overall innovative organization, headed by the excellent management. Such management is not satisfied with the fact that doing things well, but who can manage business processes leading to new values and products (Mikuš, 2010).³

In the second half of the 20th century response to the globalizing organizations, their size (often a corporation employing thousands, or even tens of thousands of employees in many countries) and external changes developed the concept of corporate social responsibility (CSR). The

²Kotler, P. & Lee, N. (2005). *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause*. New York: John Wiley & Sons, 2005. 307 p. ISBN: 978-0-471-47611-5.

³Mikuš, P. (2010). *Manažment zmien – konkurencieschopnosť organizácie*. Ružomberok: Verbum- vydavateľstvo PF KU v Ružomberku. 2010, 152 s. ISBN 978-80-8084-561-2.

European Commission believes that CSR is important for the sustainability, competitiveness, and innovation of EU enterprises and the EU economy. This direct link the EU has long engaged and examined its individual components. The result is a system acceptance solution in the form of ISO26000: Guidance on social responsibility. This international standard has been prepared under the cooperation of a number of stakeholders, including experts from more than 90 countries and 40 international organizations or organizations with a broad regional scale, which deal with different aspects of social responsibility. In preparing of this standard worked particularly those stakeholders: consumers, government, industry, workers, NGOs, services, supporting organizations, research, academics, and others. This standard has been adopted by the professionals quite well, but its use is not currently widely used mainly because of the short period (standard was published in 2011) of its validity (Madzík et al 2014)⁴.

2. The Development of the Concept of Corporate Social Responsibility in Slovakia

The implementation of the concept of corporate social responsibility in Slovakia began to spread with the arrival of multinational corporations in the 90s of the 20th century. After opening the Slovak society and economy to other countries began the process of integrating European and global organizations in our country and in Slovakia was attended by more foreign investments. In this way brought foreign investors with trade policy principles of the concept of corporate social responsibility. In the middle 90s Slovakia as one of the first countries in the world has created legislative framework for the certification of environmental management system under ISO14001. A year later were awarded the first products with labelled "Environmentally friendly product" organized by the Slovak Ministry of Environment (Gallová and Kriglerová, 2007)⁵.

In 1992 created even in the former Czechoslovakia, the Business Leaders Forum. Its mission is to cultivate society by developing and implementing standards of corporate social responsibility, and responsible business vision is to achieve sustainable development and prosperity of the Slovak Republic. The aim of the association is to set standards of corporate social responsibility and management, helping to create partnerships between enterprises, governments, schools and non-governmental organizations, thereby achieving improvements in social, economic and ecological environment. In 1996, the Open Society Foundation, the Foundation for Civil Society, Foundation for Civil Society Development, Children of Slovakia Foundation and the Sasakawa Foundation initiated the creation of an informal platform Donors Forum. Donors Forum in 2000 was officially registered as an association of legal entities. At the Forum Donors profiled in 2006 corporate donors club, which is a prestigious grouping of companies doing business in Slovakia dedicated to corporate philanthropy. In 1998, the Pontis Foundation (even as a Foundation for Civil Society) founded the VIABONA project, which is the most prestigious award for philanthropy on socially responsible companies and entrepreneurs, while in this work actively involved more and more companies.

Building awareness of CSR in Slovakia is dedicated and devoted several non-governmental organizations. Most of them are civic associations, for example PANET, Integra Foundation, Pontis Foundation and the Institute for Economic and Social Reforms (INEKO). An important turning point perception of CSR in Slovakia was in year 2002, when PANET published strategic and action plan for promotion and development of corporate social responsibility, corporate

⁴Madzík, P. & kol. (2014). *Dobrá prax v oblasti spoločenskej zodpovednosti v prostredí vzdelávacej inštitúcie*. Ružomberok: Verbum – vydavateľstvo PF KU v Ružomberku. 2014, 121 s. ISBN 978-80-561-0231-2.

⁵Gallová Kriglerová, E. & kol. (2007). *Východisková štúdia o uplatňovaní spoločensky zodpovedného podnikania na Slovensku*. Bratislava: Regionálne centrum Rozvojového programu OSN pre Európu a Spoločenstvo nezávislých štátov. 2007, 61 s. ISBN 978-92-9504-275-9.

philanthropy and cross-sectoral cooperation in Slovakia in the period 2002-2004 (Madzík et al., 2014)⁶.

The first CSR reports global companies have already started to issue in 1996, when they were at the beginning of 267 mostly U.S. companies. Companies have increasingly begun to realize their multidimensional responsibility and statistics says that in 2006 it were already 2 235 companies and the trend is growing. To the concept of CSR in Slovakia shall be reported e.g. companies: Slovnaft, Holcim, Heineken, Chemosvit, US Steel, Orange, Philip Morris, Tesco, VÚB, Citigroup, Slovak Telekom, T-Mobile and others.

3. Case Study of Corporate Social Responsibility in the Slovak Company - Chemosvit Group

Chemosvit, which is among the most significant companies in the region, is aware of its responsibility not only for the development of the company, but also of the region and its cultural and social life. They support projects in education, health care, social area, sports and culture. And not because it is in fashion. It is a part of a tradition that it want to continue. Company wants to build on the firm grounds established by the company, owned by the family of Tomáš Baťa Senior and Ján Antonín Baťa, in 1934. Philanthropy, Bata's ways of doing business, his humanitarian approach, support of schools, sports and culture, as well as his social awareness (T. Baťa: *We build people who build factories*), have been proven in practice and over many years all over the world and stand as a good example for the current generation and modern corporate management (Diačiková, 2013)⁷.

The designation "reliable entrepreneur" means Chemosvit achieving of economic success with regard to social and environmental aspects, respectively to have satisfied customers, employees, partners, suppliers and related subjects. This is a long-term investment into the overall progress of the company.

Chemosvit Group integrates social and environmental aspects into its business practice, because increasingly its customers prefer products and services from socially and environmentally friendly companies and also because this is its conviction and value, what it finds a matter-of-course. With this, Chemosvit Group adds value to its business.

Customers wish to be supplied by a reliable producer with credibility. Suppliers wish to sell to customers who purchase regularly and pay on time. The community around the firm relies on the company respecting principles of social and environmental responsibility. And employees wish to work for a company they can be proud of and know which values are recognised and enhanced.

3.1 Historical Background of Development of Corporate Social Responsibility in the Chemosvit Group

Important milestones and activities generating environment and conditions for natural formation and development of corporate social responsibility concept in enterprise:

- **Founding the company and establishing the town of Svit.** Experimental station of viscose rayon production began operating in the new Bata plant in September 1934, the year when the history of a successful business and the town of Svit began to write. By the Decree No.

⁶Madzík, P. & kol. (2014). *Dobrá prax v oblasti spoločenskej zodpovednosti v prostredí vzdelávacej inštitúcie*. Ružomberok: Verbum – vydavateľstvo PF KU v Ružomberku. 2014, 121 s. ISBN 978-80-561-0231-2.

⁷Diačiková, A. (2013). *CSR Application in the Real Corporate Practice*. In: International Scientific Conference Marketing Identity, Faculty of Mass Media Communication University of Ss. Cyril and Methodius in Trnava, Smolenice, 4-5 November 2013. Conference Proceedings, 462 p. ISBN 978-80-8105-546-1.

9480/1936 of 6 February 1936, Ministry of Interior of the Czechoslovak Republic, granted, upon the agreement of the Ministry of Trade, Finance and Public Works, a permit to the company Baťa a.s. Zlín and Ján Antonín Baťa, Zlín, to establish a Svit Corporation at Batizovce.

- **Company for the employees.** Bata's care of the employees included housing, catering, leisure time organization, own growing of basic foods (meat, milk, eggs, vegetables, bakery products), medical treatment (polyclinic established already in 1937), department store, temporary cinema in a factory building, and also establishing of a public school and a hotel (Community House, in the original "Spoločenský dom"). The basic policy of Bata was to have employees living as close to the factory as possible, so they don't waste their time travelling, but rather use it to enhance their skills by learning, making sports, recreation and being with their families.

- **People and education.** Bata's business intention was very ambitious: to establish here, under the High Tatras, a Slovak Zlín, with 10 thousand employees. This, however, didn't come true, as the Second World War broke out. Despite this, the factory quickly expanded, along with the number of employees. By the end of 1936, there were 530, in 1942, 2500, and by the end of 1947, 4665 people employed. As the company preferred hiring local people without education and experience, high emphasis was put on bringing them up and educates them. Already in 1937, a Study Institute was established in Svit, offering courses in foreign languages (English, German), chemistry and chemistry-commercial analyses, electrical engineering, knitting, supervising for mechanical engineers, constructing for workers with concrete and asphalt, or for officers to master shorthand. Young people struggled to get knowledge and skills, as "the Batas" have always been at the very top.

- **The concept of social policy.** Social policy has also continued in new conditions. A centralized financial fund was set up to collect financial means for social purposes, e.g. building a Culture house in 1962, a recreational centre in Lopušná dolina in 1965, apartments, nursery and kindergarten in Svit and Poprad, and to building a polyclinic. Attention was paid to providing meals, supporting sports, culture and education. In 1972, a new draft of social programme stressing improving living and working conditions and protecting occupational health was adopted. In 1981, a 600-bed boarding house was built, later reconstructed into Mladost' hotel. In 1989, the department of social-recreational matters administered 542 corporate flats, of which 314 in Poprad.

- **Technical development and the environment.** Post-November political and economic changes created new conditions, and gave way to implementing advanced world technologies and new information-communication means. Hence, the company focused on restructuring the current business line, and shutting down non-perspective and non-effective productions. A new concept of the next company development was defined, including the upgrade of selected technologies to increase the existing manufacturing capacity, to raise the share of converted films, to extend application range of PP fibres and machinery, to upgrade power generation, to strengthen research and development activities, to build up the central analytical laboratory, to set up the goods packaging centre and to adopt measures to improve quality and gain a competitive edge in the supplied products. The main attention in the restructuring process and technical development was paid to environmental protection.

- **Sustainable development and socially responsible business.** The added value to the sustainable development of the companies of the Chemosvit Group is a socially responsible business built on economic, social and environmental pillars. The policy of long-term and

conceptual development of the company relies heavily on corporate culture, in particular, on the correct and honest approaching the employees and business partners. The Chemosvit Foundation, established in 2003, helps the company employees and their families, supports health institutions, social establishments, schools, sports, cultural and spiritual development in the region (Diačiková, Potočná, Kuruc, 2014)⁸.

3.2 Case Study of the Implementation of Corporate Social Responsibility in the Chemosvit Group

Pillars, principles and activities of the Chemosvit Group in social responsibility (CHEMOSVIT – Corporate Social Responsibility)⁹ :

Economic pillar

- provides the company with resources for permanently sustainable development,
- a system of quality management as per the international standard ISO 9001:2008,
- a system of product safety management as per the international standard ISO 22000:2005,
- a system of management and control of effective allocating and use of available sources,
- permanent improvement of the effectiveness of internal processes ensured by process management,
- organisation of training and seminars for the Group's customers,
- transparent selection of suppliers of machinery equipment, technological solutions, raw materials, products and services,
- correct and transparent relations with financial institutions,
- support and appreciation of inventions and other forms of intellectual property protection, pursuant to organisational standards and legislation,
- special international standards for specific products:
 - BRC/Institute of Packaging: 2011 – standard for packaging and packaging materials,
 - KLAP 2010 – Silver certificate of the company complex logistics audit of 2010,
 - Oeko-Tex Standard and Bluesign system partner for polypropylene fibres,
 - EFQM (European Foundation for Quality Management) Excellence Model (National Quality Award 2013) which helps business to: gain competitive advantage, improve its business performance, increase its productivity and profitability, streamline its operations, raise its employee engagement, raise its customer satisfaction, embed continuous improvement, enhance its brand reputation,
 - Ethical audit 2012 – certified member of the Sedex international system (Supplier Ethical Data Exchange), which is an electronic system for the exchange of information within supply - demand chain of the ethics and social responsibility business and it serves to create an image of the company.

Social pillar

- human dimension of the company,
- a system of occupational safety and health protection management as per the British International Standard BSi OHSAS 18 001:2007,
- a Collective Agreement made between the employer and employees, covering internal legislation in the field of labour relations, occupational safety, health care of employees, salaries and the creation and use of a social fund. Any employee can draw an amount specified one year

⁸Diačiková, A., Potočná, E. & Kuruc, J. (2014). *CHEMOSVIT 80 rokov úspešnej cesty*. Svit: Chemosvit, a.s., 2014, 288 s. ISBN 978-80-971804-3-0.

⁹CHEMOSVIT – *Spoločenská zodpovednosť* – *Corporate Social Responsibility*. Dostupné na https://www.chemosvit.sk/pdf/SZF_sk.pdf (15.1.2015).

in advance from the social fund, the so-called selection block, after specifying their target use, e.g. recreation, cultural, social, or sports events, work travel expenses, pharmaceutical and medical products, etc.,

- through the Chemosvit Foundation, the company:

- supports the development and protection of spiritual and cultural values, in particular in the High Tatras region,

- offers individual aid to current and former employees of Chemosvit who have found themselves in difficult living conditions and social needs,

- supports schools, health, social and educational institutions, talented and handicapped children and youth in the High Tatras region,

- supports and develops sports and physical activities of children and youth in the region,

- the companies of the Chemosvit Group also support organisations and individuals directly, not only through the Foundation,

- the company has been awarded the VIA BONA prize, the Family- Friendly Employer, from the Slovak Republic Ministry of Work, Social Affairs and Family three times (the max. number), in particular for their original social programme,

- the company arranges top quality training for their employees in the fields of quality management systems, environmental management, product safety (hygiene), occupational safety and health protection, EU legislation and regulations, language courses, training in management, human resources, economics, finance, long-term development, strategy, marketing, IT technology, purchasing, sales and project management,

- financial and material remuneration for first-aid service and blood donors,

- financial and material aid for the fire brigade,

- the company pays financial benefits and appreciates employees on their work and life anniversaries,

- the company employs only people over 18 years of age,

- the company provides all-day catering services for advantageous prices,

- the company regularly organises a Pensioner's Day, where former employees meet their former colleagues,

- doing activities to improve quality of man's life according to well-being: learning, work, housing, family life, social participation, leisure, health, security, environment, financial security.

Environmental pillar

- provides the company with the attribute of a serious and reliable company,

- a system of environmental protection management as per the international Standard ISO 14001:2004,

- the company has significantly reduced the production of greenhouse gasses by introducing ecological-friendly manufacturing programmes, totally, or gradually shutting down non-ecological production and can boast a small carbon footprint,

- the companies of the Chemosvit Group use plastic waste from the main production and make it into secondary material for the production of agglomerate and regranulate. Then, these intermediate products become the source material for injection moulding, e.g. plastics for construction works, anti-flood boards, etc.,

- the fact that manufacturing processes of the companies of Chemosvit Group are ecological friendly, is shown by:

- protected bird of prey Falco Tinnunculus that nests in the company area,

- fish, like brown trout (Salmon Trutta), grayling (Thymallus Thymallus), Siberian sculpin(Cottus Poecilopus), brook minnow (Phoxinus Phoxinus), lamprey (Eudontomyzon

Planeri), and other protected fish that need top-quality clean water for living, which live in the Poprad river flowing through the company area,

- other animals that have returned to live here, e.g. mallard, river otter,
 - the growing numbers of the above animals is the evidence of sufficient food sources and good conditions for living and reproduction. This statement is really incredible considering Chemosvit was a chemical factory ten years ago,
- as concerns the environment, a very interesting fact is that this 20 km long part of the Popradriver, flowing through the National Park in the High Tatras and ending near the town of Poprad, belongs to the protected system of important biotopes of the European Union, NATURA 2000. NATURA 2000 is the name of the family of protected territories in the EU member states focusing on preserving natural heritage that is important not only for the respective member state, but, in particular, for the whole EU. This family of preserved territories shall provide protection to various scarce and endangered species of wild plants, animals and natural biotopes found on the territories of the EU states. NATURA 2000 shall secure favourable conditions for the population of selected species of plants, animals and biotopes, but does not prevent economic activities in these regions, unless they disturb these favourable conditions,
- from 2006, Chemosvit have been a holder of the Award from the Slovak Republic Minister of the Environment for their contribution to environmental protection,
- Chemosvit participate in the international programme of Responsible Care, the aim of which is to continuously improve the environment, health and safety of production.

4. Conclusion

In Chemosvit the shareholders, managers and staff are confident and identified with socially responsible business that is part of their daily activities. Therefore, even under competitive by means:

- setting up internal processes and management system for monitoring and improving the quality of supplier-customer chain,
- long-term business and long-term market position,
- motivating internal environment within the meaning of the concept of well-being (quality of life index) – building long-term relationships within the company,
- people's enthusiasm, loyalty, identification of employees with its corporate identity and brand → a satisfied employee is an important part of innovative processes,
- innovation, actively creating demand and identify new markets and opportunities → information management and knowledge system,
- relationships with our partners along the lines of win – win,
- socially responsible and ethical business,
- actively creating the future,
- building of innovative environment = long-term building of the company.

Customers wish to be supplied by a reliable producer with credibility. Suppliers wish to sell to customers who purchase regularly and pay on time. The community around the firm relies on the company respecting principles of social and environmental responsibility. And employees wish to work for a company they can be proud of and know which values are recognised and enhanced.

References

- Diačiková, A. (2013) *CSR Application in the Real Corporate Practice*. In: International Scientific Conference Marketing Identity, Faculty of Mass Media Communication University of Ss. Cyril and Methodius in Trnava, Smolenice, 4-5 November 2013. Conference Proceedings, 462 p. ISBN 978-80-8105-546-1.
- Diačiková, A., Potočná, E. & Kuruc, J. (2014). *CHEMOSVIT 80 rokov úspešnej cesty*. Svit: Chemosvit, a.s., 2014,

288 s. ISBN 978-80-971804-3-0.

Gallová Kriglerová, E. & kol. (2007). *Východisková štúdia o uplatňovaní spoločensky zodpovedného podnikania na Slovensku*. Bratislava : Regionálne centrum Rozvojového programu OSN pre Európu a Spoločenstvo nezávislých štátov, 2007. 61 s. ISBN 978-92-9504-275-9.

CHEMOSVIT – *Spoločenská zodpovednosť – Corporate Social Responsibility*. Dostupné na https://www.chemosvit.sk/pdf/SZF_sk.pdf (15.1.2015).

Kotler, P. & Lee, N. (2005). *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause*. New York: John Wiley & Sons, 2005. 307 p. ISBN: 978-0-471-47611-5.

Madzík, P. & kol. (2014). *Dobrá prax v oblasti spoločenskej zodpovednosti v prostredí vzdelávacej inštitúcie*. Ružomberok: Verbum – vydavateľstvo PF KU v Ružomberku. 2014, 121 s. ISBN 978-80-561-0231-2.

Mikuš, P. (2010). *Manažment zmien – konkurencieschopnosť organizácie*. Ružomberok: Verbum-vydavateľstvo PF KU v Ružomberku. 2010, 152 s. ISBN 978-80-8084-561-2.

International Private Regulation and Corporate Social Responsibility

Hamed ALAVI¹

Tallinn Technical University¹

Tallinn School of Law

Ehitajate tee 5

Tallinn, Estonia

email¹: Hamed.alavi@ttu.ee

Abstract

In the field in Corporate Social Responsibility (CSR), international private regulation or self-regulation refers to numerous regulatory frameworks. Soft Law is the other definition which is often used for private regulation. However, some scholars distinguish them from each other. Different examples of International Private Regulations in field of CSR can be mentioned as frameworks for monitoring, codification and certification of firm's complacence with different environmental, labour, human rights and anti-corruption standards. Such frameworks have cross boundary effect and in contrast with treaties are the product of collaboration among enterprises and NGOs. Research shows the increase in turnout towards private regulatory frameworks in field of CSR and decrease of inter-governmental treaties from 2000. This paper will try to compare and contrast numerous aspects of public and private regulations, and provide answers for questions regarding different types of international private regulations, advantages and disadvantages of International Private Regulations in field of Corporate Social Responsibility as well as attempting to find a reason for recent trend in more popularity of international private regulation than treaties in field of CSR.

Key Words: CSR, International Private Regulation, Public Regulations, Assessment

JEL Classification: M10, M12, M14

1. Introduction

International private regulation can be considered as one of the most attractive tools in domain of Corporate Social Responsibility which plays a significant role in formation of regulatory frame work in this area (Scott. C et al, 2011). Academic and business society is facing with growing importance of Private International Regulations in field of CSR in a way that such privately formed regulations have outnumbered international treaties from the dawn of new millennium (Scheltema, M. W, 2014). Their importance is expected to grow even further due to growing trend in number of International Private Regulations which seems to take even faster pace in future.

Additionally, International private regulations are filling regulatory gap in absence of public regulations. Another reason for increasing popularity of International Private Regulation is of possibility for their higher effectiveness in comparison with public regulations. Additionally, inability of states in governing markets in global level is an accepted fact in business society. Even internationally recognized standards are interpreted and implemented in a non-harmonized manner across the globe.

Current research paper intends to define different International Private Regulations and different types of it which are applicable to the practice of CSR, nature of their interaction with public international law, advantages and disadvantages of their application to CSR area and conclude reasons for their popularity. For this reason, first part of research will be allocated to definition and different types of International Private International Regulations in CSR area. Second part will discuss different kinds of interaction between Private and Public international regulations applicable to Corporate Social Responsibility. Third part will analyse advantages and disadvantages of regulating CSR with International Private Regulations while the fourth and last part of the article will be conclusion on proceeding discussions.

2. Definition and Different Types of International Private Regulations in CSR area

2.1. International Private Regulations.

Some scholars consider International Private Regulations in field of Corporate Social Responsibility as equal to self-regulation (Backer, 2007). Therefore, in order to define the International Private Regulation, it is necessary to find meaning of Self-Regulation and its scope of applicability. Self-regulation has very broad meaning and covers numerous types of international private regulatory frameworks. Among different meanings of self-regulation, we can point at set of private rules which in cooperation with others have been formed by people who are bound by them (Overmars, 2011). Another definition for self-regulation can be the framework for establishing and/or enforcing rules within the legal framework by societal actors (Giesen, 2007). Businesses and Non-Governmental Organizations are main players in the game of defining international private regulations. Despite the fact that international private regulations are applicable across national borders, they are different from treaties as a result of absence of states authorities in their establishment process. They are also different from national and domestic form of private regulations due to their cross border application and more general content (Curtin & Senden, 2007). Despite the fact that International Private Regulations and Soft Law have been used interchangeably, they should be differentiated from each other. To be more precise, Soft Law has more public origin as in most of occasions it is elaborated by public regulator while it is not a part of public regulation. Therefore, it lacks the capability of imposing hard sanctions. On the other hand International Private Regulations enjoy capability to impose hard sanctions while being regulated by private entities. Among various kind of existing private international private regulations in CSR, different examples can be ones which codify, monitor or even certify compliance of enterprises with environmental and labour standards, anti-corruption acts and human rights. In addition to CSR related forms of International Private Regulations, such regulations can be increasingly found in all business spheres for example Financial Regulations established by rating agencies and accounting firms.

2.2 Different Types of International Private Regulations.

There are numerous types of international private regulations in practice. Relevant regulations to CSR are either developed by industries or collaboration between industry and NGOs. While industry driven regulations are more focused on the rule making, second type follow different objectives due to involvement of public interests (Cafaggi, 2011). As a result, they involve different levels and types of public interest based on the composition of their governing body. Therefore, it is possible to witness outcome of differences between Industry Driven Regulations with Collaborative Driven Regulations in their models of governance, enforcement mechanisms with emphasize on choice between judicial and non-judicial enforcement. In accordance with criteria of enforcement, it will be possible to define main groups in International Private Regulations in field of CSR as following:

Group 1: International Private Regulations originated by Industry or a defined professional community including codes of conducts and roles of preventing child labour in toys and clothing industry.

Group 2: International Private Regulations which are outcome of multi stakeholder model. While being popular in field of CSR, leadership of Multi-Stakeholder model consists of different stakeholder groups like industry players, NGOs, Consumer Representatives or even government representative. Forest Stewardship council with governing body composed from representatives of social and indigenous groups, environmental organizations and Economic organizations can be a remarkable example of this group of International Private Regulations. Other examples can include: Global Compact and OECD guidelines for multinational enterprises.

Group 3: International Private Regulations which have been initiated with Multi-Stakeholder Model in which governing body has discretion for resource allocation. Examples can be mentioned as guidelines of International Financial Organization which are extensively used in loan agreements and certification schemes which are used in Eco-Labels.

Group 4: International Private Regulations which are used in the format of contractual agreement between stockholders. Example can be Model Mining Agreement with covering CSR norms in sections 22-27 (Cafaggi, 2013). It is worth to mention that contractual model of international private regulations is also popular in CSR area.

From the organizational perspective, first three groups show similarity as in all of them private regulation is the product of an organization (Koppel, 2010). In practice, regulations are created and monitored by using memberships and different types of standards. Meanwhile, Multi-stakeholder Models enjoy the even distribution of power among participants²² which results in collaborative attitude among parties (Zumbansen, 2011). Some cases of Multi-stakeholder Model include key constituencies in their organization. Whereby key constituencies are in charge of setting international private regulations and enforcement mechanism while granting a degree of control.

International private regulations can be found easily out of CSR area. Among most well-known models of them it is possible to point at NGO led Model of standards and their monitoring systems. Examples can be standards set by Oxfam International and Amnesty International. Other type is international private regulation introduced by experts. Example can be ISO set of standards.

3. Relationship between Public and Private International Regulations

Despite the fact that International Private Regulations are distinguished form of regulations from the public ones, there is no doubt that they cannot function in isolation and function without interaction with Public Regulations. From the other hand, states set and run legal frameworks for global market while they are not single governing body of such regulations by any means. As Zumbansen correctly mentions, Markets are not the result of evolving natural rules, but they are subjected to state regulations. Despite the fact that regulating role states cannot be neglected, relations between public and private sectors in terms of regulation setting needs further elaborations. Scheltema defines three types of relationship between public and private rule making institutions:

3.1 Mutual Influence

The interaction of public and private regulations from the perspective of mutual influence can be reviewed in two level format. At the first level, institutions which are setting private international regulations are governed by public regulations. Example can be Dutch Privacy Act which emphasizes on the power of public supervisory board to define whether relevant codes of conduct to privacy protection initiated by particular industries meets necessary requirements of Dutch Privacy Act or not. On the second level, Public Domestic Norms support the application of Private International Regulations to different activities of enterprises. In order to support international private regulations, domestic public regulations might be developed in contract and tort.

In case of Mutual Influence, public actor will set the rules; however, private actors will monitor compliance with rules which creates difficulty in differentiation of public rules from private ones. Particularly, such rules are enforced by national courts system.

3.2 Collaborative Rule Making

While mutual influence of public and private organizations jointly engages in drafting the rules in deliberate format, we can witness collaborative rule making relations. Approval and enforcement of rules initiated via Private International Organizations by public organizations can be considered as a form of Collaborative Rule Making Relations. Such rules can be either enforced in multi-stakeholder organizations (private as well as public) or take the form of agreement or memoranda of understanding:

3.3 Competition

Finally, public and private rule makers can compete in relations with each other. Competition occurs when private organizations improve defined standards by public regulator and take the lead by reducing the legitimacy of public actor. It is possible to notice the competition at vertical level when it exists between transnational private regulators and states and at horizontal level when it can be seen between international organizations and intergovernmental organizations.

4. Advantages and disadvantages of International Private Regulations in CSR.

4.1 Advantages of International Private Regulations

As mentioned earlier, international private regulations are among popular tools in field of CSR and their applicability is constantly increasing. Also European Commission has issued a call for self and co-regulations in CSR area in order to encourage enterprises in meeting their social responsibilities (Communication of Commission on renewed EU Strategy 2011-14 for Corporate Social Responsibility). There are different advantages for popularity of them in relevance to CSR including:

- A) Different national legislations and codes of conduct can impose a high cost on enterprises. Therefore, introduction and application of international private regulations can be a proper response to such diversity for the purpose of increasing harmonization and reduce costs.
- B) There is no doubt about weakness of public international law. In contrary, private international regulations can play a significant role in enhancement of CSR through different types of relations with public sphere as discussed in part two of this article.
- C) New technology has created a new challenge for public law makers as internet has shifted the law making sphere from public to private and from national to international which has direct application to relevant regulations to CSR (Pauwelyn.J et al, 2012)
- D) Introduction of technical standards are mostly done by standardization organizations (which are mostly private) rather than public rule makers. Example can be regulations regarding safety which among others the ones which have been set by private international regulations are more popular. The reason can be intent of private standardization organizations to move from product standards towards process standards which is difficult for states to monitor.
- E) It is accepted that in contrary with public law which creates legal certainty and stability, private regulations provide more flexibility in relations to regulatory design as well as sanctions. It happens that private regulation partially substitute the public regulation due to its more flexibility, lower costs and higher efficiency (Baleisen & Eisner, 2009). However, in some occasions, private international regulations will completely replace public regulations. Example is the area of standards for best practices to targeted stakeholders regarding environmental and climate change policies in which private sector will be asked by public rule makers for defining the best practices and standards which can provide flexibility and adaptability to change in short notice (Expert Panel Report, 2010).

4.2 Disadvantages of Private International Regulations.

Despite the fact that International Private Regulations have popularity due to their advantages, they also show some disadvantages which are expandable to CSR area. First disadvantage is ineffectiveness of international private regulations in protection of certain interests like vulnerable assets and people⁴². However; this is not applicable in CSR as human rights have complete coverage in international private regulations. Second disadvantage of International Private Regulations is absence of legitimacy due to their nature of being set by private organizations instead of state legislative bodies. Third, can be negative effect on market activities as a result of reducing competition. Fourth is voluntary nature of adoption of International Private Regulations, which will result in emergence of free riders who enjoy result of currently applicable international private regulations without becoming manager and undertaking necessary commitments. Finally, lack of enough protection against environmental and human rights violations can be considered as another disadvantage for them.

5. Conclusion

International Private Regulations are more and more accommodated in different areas of business in the wake of public and state regulations. Since their presence has been welcomed in field of CSR, this article tried to provide a brief study on different types of international private regulations applied to CSR, their regulations with public regulations and advantages versus disadvantages of applying them in practice of Corporate Social Responsibility. In conclusion it is possible to mention that according to existing evidences the applicability of private international regulations will increase in field of CSR. However, it is necessary to define their level effectiveness which will be a complicated question. Effectiveness can be approached from different dimensions including economic, legal, social dimensions and studying the effectiveness of international private regulations in above mentioned dimensions can provide a reasonable answer to the question of reasons behind popularity of International private regulations in field of CSR. Therefore, conducting a research on different dimensions of effectiveness of international private regulations in field of CSR is recommended as a topic for future research.

References

- Backer. L.C. (1739). Economic Globalization and the Rise of Efficient Systems of Global Private Law Making: Wal-Mart as Global Regulator, 39 Conn. L.Rev., 1739, 1751-60 (2007).
- Balleisen .E.J&Eisner.M. (2009) The Promise and Pitfalls of Co-Regulation: How Governments Can Draw on Private Governance for Public Purpose, in NEW PERSPECTIVES ON REGULATION 127, 133-34, (D. Moss & J. Cisternino eds., 2009).
- Cafaggi. F. (2013). The Regulatory Functions of Transnational Commercial Contracts: New Architectures, 36 FORDHAM INT'L L.J., 1557, 1582, 1589
- Cafaggi.F. (2011).New Foundations of Transnational Private Regulation, 38 J.L. Soc'y 20, 21 21.
- Communication from the Commission on a renewed EU strategy 2011-14 for Corporate Social Responsibility of October 25th 2011, COM(2011) 681, p. 5, 9, 10, available at new-csr/act en.pdf (last visited April 13th 2015).
- Curtin.D&Senden.L. (2011). Public Accountability of Transnational Privat Regulation: Chimera or Reality?, 38 J.L. &Soc'Y 163, 164
- Giesen.A , (2007). ALTERNATIEVE REGELGEVING IN PRIVAATRECHTELIJKE VCERHOUDINGEN 74-78 (Kluwer, Deventer, the Netherlands 2007)
- Koppel .J.S , (2010). WORLD RULE 144 (The University of Chicago Press 2010).
- LAW OF THE FUTURE FORUM. (2015) <http://www.lawofthefuture.org/237/law-scenarios-to-2030> (last visited April 13th 2015).
- Overmars.A ,Effecten van Gedragcodes: Twee Recente Cases, in Bestuurswetenschappen14, 16 (2011).
- Pauwelyn.J et al., (2012). Informal International Lawmaking: AnAssessment and Template to Keep It Both Effective and Accountable, in INFORMAL INTERNATIONAL LAWMAKING 500, 505 (JoostPauwelyn ed., Oxford University Press 2012).

- Report of the Expert Panel for the Review of the European Standardization System, Standardization for a Competitive and Innovative Europe: A Vision for 2020, at 21 (Feb. 2010) available at INTERNATIONAL FINANCE CORPORATION: ORGANIZATION, corporatesite/about+ife/ organization (last visited April 13, 2015)
- Scheltema, M. W. (2014). Assessing Effectiveness of International Private Regulation in the CSR Arena. *Richmond Journal of Global Law and Business*, 13(2). 1
- Scott.C et al. (2011). The Conceptual and Constitutional Challenge of Transnational Private Regulation, 38 *J.L. & Soc'y* 1, 3 4
- Zumbansen. P. (2011). Neither 'Public' nor 'Private', 'National' nor 'International': Transnational Corporate Governance from a Legal Pluralist Perspective, 38 *J.L. & Soc'y* 50, 51-52

Part 2
Human Resource Management

Is the Generation Y Looking for the Employer with Higher Purpose?

Ludvík EGER¹, Dana EGEROVÁ², Michal MIČÍK³

University of West Bohemia^{1,2,3}

Faculty of Economics

Univerzitní 8

Pilsen, Czech Republic

e-mail¹: leger@kmo.zcu.cz

Abstract

Millennials believe that business needs to pay as much attention to people and purpose as it does to products and profit (Deloitte, 2015). Companies, especially in developed countries, will have to take action and make significant changes if they want to attract, acquire and retain employees of generation Y (Millennials). The research study seeks to answer the question whether the situation in the Czech Republic is the same as in other countries in the world. Based on the research conducted by Universum and Studenta Media among the students of Czech universities, first ten most attractive organizations for students of economics were selected for the analysis. In the research study, presentation of mission and core values of the selected companies were evaluated. In-depth analysis of company's career web pages including communication on Facebook, YouTube and LinkedIn follows. A focus was also given to investigating of company's corporate social responsibility (CSR) communication. Outcomes of the study are useful for an effective implementation of company's communication with Millennials on the Internet and for an increase of the company's attractiveness for talented young people who are looking for their future employer.

Keywords: Companies, recruitment, web pages, social media, mission, corporate culture, corporate social responsibility, generation Y, employment, career

JEL classification: M12, M14, M31

1. Introduction

The issue of recruitment is a traditional human resource (HR) topic. Its newer and evolving challenge is talent acquisition, which has become one of the most critical activities after publishing a well-known study The war for talent (Michaels, Handfield-Jones & Axelrod, 2001). In today's knowledge society acquiring maintaining and developing human resources is crucial for any organizations. It is certain that organisations must invest in talent management to attract and retain skilled employees.

To better attract and reach talented and motivated employees the various communication channels need to be used in personnel management and recruitment need to be approached from the perspective of personnel marketing.

Furthermore, requirements for individual job positions are very diverse nowadays. That being said, even the same positions in similar organizations might be very different. Thus, human resource professionals must pay a close attention to communication with employees and especially to those with key competencies. For that reason companies should not to use only traditional communication channels and tools, but they need to adopt social media and other Internet based tools. Especially social networks such as Facebook and LinkedIn and communication channels such Skype are considered to be flexible and suitable for recruiting employees with specific knowledge, skills and experience. Online phase has become an effective pre-selection or initial phase of recruiting process, after which a selection with F2F activities follows.

In addition, to attract talented young people and skilled employees it is important for companies to take into consideration their needs and demands concerning organization of work, company culture and employees benefits. It is evident that especially Millennials often evaluate

companies through the Internet before they apply for a job; they want to be sure before they connect their professional lives with them. (Jobvite, 2013; Deloitte, 2015)

One of the new trend is that some specialists prefer to work only part time. They are looking for quality of work life and work life balance. Moreover, some of them are doing two or more part time jobs. This situation can create problems with recruiting and with retaining key employees.

2. Requirements of the generation Y for a future employer

Millennials overwhelmingly believe that business needs a reset in terms of paying as much attention to people and purpose as it does to products and profit. Seventy-five percent of Millennials believe businesses are too fixated on their own agendas and not focused enough on helping to improve society (Deloitte, 2015).

The study conducted by Deloitte (2015) collected the views of more than 7,800 Millennials representing 29 countries around the globe. All participants were born after 1982, have obtained a college or university degree, are employed fulltime, and most of them work in the large (100+ employees), private-sector organizations. According to the study the most Millennials believe businesses have a positive impact on wider society. On the other hand they think business can do much more to address society's challenges such as resource scarcity, climate change and income equality. It seems that CSR (Kuldová, 2010) is for a lot of Millennials an important topic. The results indicate the Millennials expect that leading companies provide employees opportunities for learning and personal grow. The company culture, positive leadership focused on team support and development are important for them. In addition the study finds that Millennials place less emphasis on personal income and long-term financial goals. They prioritize wellbeing, employee growth and development and the long-term future of the organization. Experts by Deloitte (2015) argue: "These findings should be viewed as a valuable alarm to the business community, particularly in developed markets, that they need to change the way they engage millennial talent or risk being left behind."

The most successful organizations have already implemented changes in communication with young people and in recruiting of new generation of workers.

Experts (Madia, 2011, PwC, 2011, Mičík, Eger, 2015) recommend to pay attention to the following points:

- Companies should be develop, support and communicate positive company culture.
- Talented people are usually looking for flexible jobs. Millennials are able to work everywhere but they also prefer personal life (wellbeing).
- Millennials observe the long-term future of the organization, however, almost half of them plans to stay at a company for less than three years.

3. The best employers in the Czech Republic from the students' point of view

The ČeSU & ASA research (2015) specifies for the Czech Republic a survey of students' requirements from their future employers. It shows what the university students will demand from their future employers.

The research has been conducted by the Czech student union (ČeSU) and ASA under the guidance of the GfK since 2012. In 2015, 8.530 Czech university students participated in the prestigious survey about employers. Out of 8.530 students, 51.9 % were male and 48.1 female respondents. As for the level of education, 58.3 % were bachelor's degree students, 35.4 % were master's degree students and 6.3 % were Ph.D. students. The results are as follow:

Table 1: Selected results of the research ‘Top employers 2015’

Where do students get information on job offers?	
Job boards (job opportunities portals)	58%
Advice from friends, schoolmates or acquaintances	56,2%
E-mail (from university, student organization, company)	53,6%
Company’s website	50,9%
Selection of media connected with the Internet	
Facebook	38,9%
University website	18,6%
Google, Twitter, YouTube	8,7%

Source: ČeSU & ASA. (2015) Almanach Top zaměstnavatelé 2015. Praha: ASA.

Following information is necessary when taking behaviour and demands of the so called Millennials under consideration.

What are the Czech students looking for at their potential employers?

- Future graduates want an employer who will provide them with job security and stability.
- Enables creative approach in friendly work environment.
- Enables to acquire working experience.
- The opinion of steady income and work-life balance among students prevails.

Almost 65 % of students would be willing to move for a better job within the Czech Republic and almost one third is willing to move abroad if opportunity of a better job occurs. Knowledge of the English language is improving. But only 45 % of the respondents consider staying with their first employer less than 3 years.

In last 3 years (2013-2015), almost 45 % of the respondents expressed the wish to contact an employer via social networking sites. If we also take under consideration the influence of companies’ and universities websites, and e-mails it is obvious that communication with the use of the Internet has become a communication channel number one not only for employers, but also for students and graduates.

4. Methodology

4.1 Purpose and objective of the study

The purpose of this study is to investigate the current state of the recruitment process when using websites of selected companies in the Czech Republic. The attention is paid to the communication with generation Y that has specific demands on their future employers.

4.2 Instruments and procedures

The study involved the use of a structured heuristic analysis of HR and recruitment websites of selected companies. The heuristic website review was conducted by two Internet marketing experts and one HR expert while respecting recommendation for talent recruitment.

Heuristic evaluation is a good method for identifying problems in communication with job seekers and talented people during the recruiting process on the Internet (Mičík, Eger, 2015).

For the research study the companies were selected that university students in the Czech Republic labelled as the most desired employer for 2015 in categories:

- Information technologies
- Business
- Automotive and engineering industry

Three independent experts from the West Bohemia University in Pilsen evaluated selected websites according to key principles of Internet marketing (Todaro, 2007; Janouch, 2011; Eger et al, 2012; Strauss, Frost, 2012) and talent management (Cappelli, 2008; Scullion, Collings,

2010, Schuler; Jackson, Tarique, 2011; Sojka, 2013; Springer, 2013; Egerová, 2015) in May 2015.

With respect to the current situation in talent management in the Czech Republic (Egerová et al, 2013), the evaluation was focused on: corporate websites and career sites of each company, on two key job portals in the Czech Republic and on social media represented by Facebook, LinkedIn, Google+ and YouTube (Twitter is not suitable in the Czech Republic). Special attention was paid to company websites regarding information about company's culture and CSR, employee benefits, possibilities of personnel development and information about recruiting processes.

5. Findings

Table 2: Companies' career sites features - IT

	Companies				
	Google	Microsoft	IBM	HP	Tieto
Existing career website	Yes	Yes	Yes	Yes	Yes
Link from main page	Yes	Yes	Yes	Yes	Yes
Job feeds	Yes	Yes	Yes	Yes	Yes
Profile registration	Yes	Yes	Yes	Yes	Yes
Personnel department contact	No	No	No	No	Yes
Communication of company culture	Yes	Yes	Yes	Yes	No
Information on CSR	Yes	Yes	Yes	Yes	Yes
Presentation of long-term development	Yes	Yes	Yes	No	Yes
Presentation of the development of employees	Yes	Yes	No	Yes	No
Wellbeing	Yes	Yes	Yes	Yes	No
Information for graduates	Yes	Yes	Yes	No	Yes
Information on the selection process	Yes	No	No	No	Yes

Source: own

As expected, the IT companies have high quality websites where provide useful information searched by the target group. In the following text interesting findings resulting from the research are presented.

Google strives to provide its employees with the maximum comfort. They have perfectly equipped workplace including facilities supporting comfort and creativity. In the company, continuing education is expected. Support of a family and time spent with children are presented too. Among other benefits, health care allowance, travel allowance, more days off, etc. appear. Microsoft is intended to help primary non-profit organizations and communities. The donation programme TechSoup for a start of entrepreneurship should be also highlighted.

IBM supports company voluntariness, education of employees, investments in educational programmes. IBM also motivates women for IT studies and concentrates on ecology and energy consumption.

HP supports fight against forced labour and fight for human rights. HP also supports ecology and new environment friendly technologies. The company prefers to acquire talent internally, they also focus on graduates. The employees can discover their weak and strong points, what they like, they can set their goals, create a plan how to achieve them and build meaningful career.

Tieto company focuses within CSR on the reduction of CO₂, paper recycling, they support also nests for falcons and kestrels on their buildings. From the point of view of this study, open presentation of questions and answers concerning selection procedure is interesting.

Table 3: Use of social media for purposes of employees' acquisition - IT

	Companies				
	Google	Microsoft	IBM	HP	Tieto
FACEBOOK					
Primary focus on recruitment	No	No	No	No	No
Link to career website	No	No	No	No	No
Frequency of posts	Day	Day	Twice a week	Day	Day
Information on CSR	Yes	Yes	Yes	Yes	No
GOOGLE+					
Primary focus on recruitment	No	No	No	No	No
Link to career website	No	No	No	No	No
Frequency of posts	Day	Week/2 weeks	Month	Day	Month
Information on CSR	No	No	Yes	Yes	No
LinkedIn					
Job feeds	Yes	Yes	Yes	Yes	Yes
Link to career website	Yes	No	Yes	Yes	Yes
Personnel department contact	No	No	No	No	No
Youtube					
Frequency of posts	Week/month	Week	Week	Week	Week
focus also on recruitment	No	No	No	No	No
Information on CSR	No	No	No	No	No

Source: own

Note: a week means also several times within a week, a day means really every day or even several times within a day. Similarly a month, it presents rather more posts within a month, not only one.

IT companies respect the world current trends in the use of social media. It is an interesting finding, that they understand the tone of social media sites and edit messages to that tone. For example, Facebook serves as a casual social channel, where company discusses its products, news and experience. Users can also share their ideas and talk to each other. LinkedIn, on the other hand is considered to be a very professional channel, where companies offer not only job opportunities, but also present latest trends in particular area and give advices to illustrate to potential clients that the company is an expert in the field of IT.

Table 4: Companies' career sites features - trade

	Companies				
	IKEA	Ahold / Abert	Lidl	Globus	MAKRO Cash & Carry
Existing career website	Yes	Yes	Yes	Yes	Yes
Link from main page	Yes	Yes	Yes	Yes	Yes
Job feeds	Yes	Yes	Yes	Yes	Yes
Profile registration	Yes	No	No	Yes	No
Personnel department contact	No	No	No	No	No
Communication of company culture	No	No	No	Yes	Yes
Information on CSR	No	Yes	Yes	Yes	Yes
Presentation of long-term development	Yes	Yes	Yes	Yes	No
Presentation of the development of employees	No	No	Yes	Yes	Yes
Wellbeing	Yes	No	No	Yes	Yes
Information for graduates	No	Yes	Yes	Yes	No
Information on the selection process	No	No	No	No	No

Source: own

The approach of the companies in the area of business is not exactly the same as at the companies from the IT area. Especially on companies' websites the preference of their own

business (product offer) is often seen and the career information is not in the first place. It is evident at IKEA.

It is often paid less attention to the communication of company culture (except Globus), but also to wellbeing and sometimes to benefits.

Table 5: Use of social media for purposes of employees' acquisition - trade

	Companies				
	IKEA	Ahold / Abert	Lidl	Globus	MAKRO Cash & Carry
FACEBOOK				No	
Primary focus on recruitment	No	No	No		ne
Link to career website	No	No	No		No
Frequency of posts	Day	Day	Day		Day
Information on CSR	No	No	No		Yes
GOOGLE+			Yes, only in German		
Primary focus on recruitment	No	No		No	
Link to career website	No	No		No	
Frequency of posts	Do not post	Week		Do not post since 2012	Do not post
Information on CSR	Ne	Ne		Ne	
LinkedIn	Only in English	Only in English	Only in German	Only in English	Only in English
Job feeds					
Link to career website					
Personnel department contact					
Youtube	Yes	Yes	Yes	Yes	Yes
Frequency of posts	Month	Week	Month	Month	Month
focus also on recruitment	No	No	No	No	No
Information on CSR	No	No	No	No	No

Source: own

The use of social media in personnel marketing is distinctively weaker compared to IT companies. Some companies do not use Google+ and their information on LinkedIn is not in Czech, but only in English or (for instance IKEA, Ahold) or in German (Lidl). Within CSR they often emphasize their range of products and the responsibility for foodstuff. Far weaker activity on Youtube is also interesting. In the area of a presentation of CRS, there are interesting projects focusing on the support of communities (Ahold) or region (MAKRO), or Bariéry account (Globus).

Table 6: Companies' career sites features - automotive and engineering

	Companies				
	Škoda	Hyundai	Siemens	ABB	Honeywell
Existing career website	Yes	Yes	Yes	Yes	Yes
Link from main page	Yes	Yes	Yes	Yes	Yes
Job feeds	Yes	Yes	Yes	Yes	Yes
Profile registration	Yes	Yes	No	Yes	Yes
Personnel department contact	Yes	Yes	No	No	No
Communication of company culture	Yes	Yes	Yes	Yes	No
Information on CSR	Yes	Yes	Yes	Yes	Not in Czech
Presentation of long-term development	Ano	Yes	Yes	Yes	No

Presentation of the development of employees	Yes	Yes	Yes	Yes	Not in Czech
Wellbeing	No – error on their page	Yes	Yes	Yes	Not in Czech
Information for graduates	Yes	No	Yes	Yes	Yes
Information on the selection process	Yes	No	No	No	no

Source: own

It is necessary to mention, that from the point of view of personnel marketing, the presentation of Škoda Auto is on a high level and could serve as an example of good practice also for other companies. It is though interesting that during the research the site with benefits was not working.

They offer trainee programmes, study stays, but also competitions of diploma theses etc. Car factories have very open contact, even and with HR employers. On the other hand, the Honeywell Company has some information only in English.

Table 7: Use of social media for purposes of employees' acquisition - automotive and engineering

	Companies				
	Škoda	Hyundai	Siemens	ABB	Honeywell
FACEBOOK					
Primary focus on recruitment	Yes	No	No	No	Yes
Link to career website	No	No	No	No	No
Frequency of posts	Week	Week	Week	Week	Day
Information on CSR	No	No	Yes	No	no
GOOGLE+					
Primary focus on recruitment	No	No	No	No	No
Link to career website	No	No	No	No	Ne
Frequency of posts	do not post since 2012	Week	Do not post since 2012	Month	Day
Information on CSR	No	Yes	No	No	No
LinkedIn					
Job feeds	Yes	Yes	Not in Czech	Yes	Yes
Link to career website	Yes	Yes		Yes	Yes
Personnel department contact	ANO	No	No	No	No
Youtube					
Frequency of posts	Week	Week	Not in Czech	Week	Not in Czech
focus also on recruitment	No	No		No	
Information on CSR	Yes	Yes		No	

Source: own

Some companies do not have update website on Google+, but they have website on Twitter or other networks. However, to have website on social networks with the last post from 2012 is a mistake.

Some multinational companies such as Siemens or Honeywell have information on LinkedIn or Youtube especially in English.

By selected companies, other interesting things were found.

- Škoda Auto: Škoda Challenge – funny game, an interesting marketing instrument how to contact young generation.
- Hyundai has an Endowment fund, supports many activities including blood donation and care for traffic safety. The activity Dobrý soused (Good neighbour) is focused on the support of cultural and social activities in surroundings.

- Siemens devotes itself not only to technologies and ecology, but also to helping homeless people. The cooperation with suppliers is significantly communicated.
- Honeywell focuses on innovations and presents the programme Honeywell Innovators Scholarship.

5. Conclusion

According to Strauss and Frost (2012, p. 7) “e-marketing is the use of information technology for the marketing activity, and the process for creating, communicating, delivering, and exchanging offerings, that have value for customers, clients, partners and society at large.” Findings from research (e.g. Deloitte, 2015, ČeSU & ASA, 2015) indicate that especially Millennials search information about their future employers via Internet and expect active and open communication about company mission, about company culture and about company’s career opportunities and development possibilities.

Human resource managers and experts already use Internet for electronic recruiting process, but they should to use company web pages and social media in an efficient way. The purpose of social media is to attract potential employees and to acquire talented people. This can be achieved by using of useful communication tools and by the delivering of required content (inbound marketing). It is also necessary to understand that company web pages cannot be static; it cannot be as “shop window” as it was in times of Web 1.0. Currently the architecture of Web 2.0 and new communication channels (including social media) open and support two-way interactive communication with those who are interested in working in the company (Mičík, Eger, 2015).

To reach the generation Y (Millennials) the companies have to communicate with them via the Internet channels that are the most appropriate for this target group. Moreover, the process has to consider the characteristics and demands of this generation. According to Deloitte research (2015) and Top employers 2015 research (ČeSU & ASA, 2015) the generation Y looks for information not only on salary or wage but also on the mission of a company, its culture, social responsibility and on developing programmes or on wellbeing.

How successful are the selected companies at the communication on the Internet when meeting the requirements of the generation Y?

The findings of our study indicate that the companies are now placing priority to the personnel marketing on the Internet. Among notable examples could be mentioned a range of activities presented by Google, Microsoft, IBM, Škoda Auto, Hyundai, Siemens, ABB, etc.

Our study proves that companies searching for talents offer the students and graduates some opportunities to cooperate and undertake internships (table 2, 4, 6). Most of them support students to write bachelor and diploma theses. Some companies offer special programmes, e.g. programme for innovators (Honeywell), some of them offer trainee programmes or specific education for future managers (Škoda Auto, Siemens, Globus, etc.).

The interesting finding for discussion is the fact that some companies communicate via LinkedIn only in English (table 3, 5, 7). On the other hand, in many knowledge companies the English language has become a corporate language, and then, the recruitment, especially of knowledge workers in English is a logical way. In addition, multinational companies offer the work position not only in the Czech Republic, but anywhere in the global world where the company operates or intends to operate.

In tables 2-7, areas which are related to motivation of talented people were evaluated. It is evident companies communicate their corporate culture and pay attention to CSR (cf. Bersin, 2007; Jobvite, 2013; Barry, Bogar King, Bourke, Bowman, 2013). They also consider the importance to present information concerning to further development and to recruitment process of the company which are important for potential employees. In the all analyzed items, Škoda Auto, Google and Tieto were the best; these companies are examples of good practices

for other firms in the area of talent acquisition and of how the communication on the Internet should be used.

YouTube offers opportunity for future, because this network is already use by young people as a search portal. A good example of well-done YouTube presentation is represented by Siemens and IBM.

Personal marketing is already a part of human resource management, i.e. it is also a part of talent management. At a time of talent shortage companies need to communicate actively with perspective employees. The study indicates that companies anticipate the growing emphasis on talent recruiting and pay needed attention to their career websites.

The presented paper is not only a descriptive study about online personnel marketing of leading companies in the Czech Republic in 2015 on the Internet, but it also comes up with suggestions for the application of successful examples in practice. The study contributes to the development of personnel management and personnel marketing.

References

- Cappelli, P. (2008). Talent management for the twenty-first century. *Harvard Business Review*. 86, 74–81.
- ČeSU & ASA. (2015) *Almanach Top zaměstnavatelé 2015*. Praha: ASA.
- Barry, L., Bogar King, E., Bourke, J., Bowman, K. et al. (2013). *Reseting Horizons: Human Capital Trends 2013*. Deloitte. Available at: <http://www2.deloitte.com/global/en/pages/human-capital/articles/global-human-capital-trends-2013.html> [accessed 19 November 2014].
- Bersin, J. (2013). *The 9 Hottest Trends In HR Technology ... And Many Are Disruptive*. *Forbes*. Available at: <http://www.forbes.com/sites/joshbersin/2013/10/21/the-9-hottest-trends-in-hr-technology-and-many-are-disruptive/> [accessed 19 November 2014].
- Deloitte (2015). Mind the gaps. The 2015 Deloitte Millennial survey. Available at: <http://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html> [accessed 01May 2015].
- Eger, L., Baslová, T., Divišová, M. & Rudolfová, E. (2012). Marketing na sociálních sítích jako inovace marketingu na internetu. *Trendy v podnikání*, 2012, 2(1), 20-32.
- Egerová, D., Eger, L., Jiřincová, M., Lančarič, D., Savov, R., Sojka, L., Ali Taha, V., Sirková, M., Kaščáková, Z., Czeglédi, C., Hajós, L., Marosné, Z. K., Leczykiewicz, T., Springer, A., Szypuła, K. (2013). *Integrated Talent Management - Challenge and Future for Organizations in Visegrad Countries*. Plzeň: Nava.
- Janouch, V. (2011). 333 tipů a triků pro internetový marketing. Brno: Computer Press.
- Jobvite. (2013). 2013 Social recruiting survey results. Available at: http://web.jobvite.com/rs/jobvite/images/Jobvite_2013_SocialRecruitingSurveyResulSo.pdf [accessed 19 November 2014].
- Kuldová, L. (2010). *Společenská odpovědnost firem: etické podnikání a sociální odpovědnost v praxi*. Plzeň: Kanina OPS.
- Madia, A. S. (2011). Best practices for using social media as a recruitment strategy. *Strategic HR Review*. 10(6), 19–24.
- Mičík, M. & Eger, L. (2015). Recruiting talents with social media. *Actual Problems of Economics*. 165(3), 266-274.
- Michaels, E., Handfield-Jones, H. & Axelrod, B. (2001). *The War for Talent*. Boston: Harvard Business School Press.
- PwC – PricewaterhouseCoopers. (2011). *Millenials at work. Reshaping the workplace*. Available at: https://www.pwc.com/en_M1/m1/services/consulting/documents/millennials-at-work.pdf [accessed 01May 2015].
- Sojka, L. (2013) Analytický pohľad na problematiku manažmentu talentov a návrh integrovaného modelu manažmentu talentov. *Trendy v podnikání*. 3(2), 3–11.
- Schuler R. S., Jackson S. E. & Tarique I. (2011). Global talent management and global talent challenges: Strategic opportunities for IHRM. *Journal of World business*. 46, 506–516.
- Scullion, H. & Collings D. G. (2010). Global talent management. *Journal of World business*. 45, 105–108.
- Springer, A. (2013) Building strategy of talent retention on basis of achievement goal theory of motivation - theoretical assumptions. *Trendy v podnikání*. 3(2), 12–18.

Strauss, J. & Frost, R. (2012). *E-marketing*. New Jersey: Pearson Education.

Todaro, M. (2007). *Internet Marketing Methods*. Ocala: Atlantic Publishing Group.

Modern Approach in Human Resource Management in Organizations

Slavica Mitrovic¹, Boban Melovic², Ana Nestic³

^{1,3} University of Novi Sad, Faculty of technical sciences, Trg D.Obradovica 6, Novi Sad, Serbia

² University of Montenegro, Faculty of economics, Jovana Tomasevica 37, Podgorica, Montenegro

¹e-mail: m Slavica@uns.ac.rs

²e-mail: boban@ac.me

³e-mail: nesic.ana.88@gmail.com

Abstract

In nowadays dynamic environment the basis of development are developmental strategies of human resources, which involve rapid technological development, globalization and information revolution, merciless competition of organizations that intend to survive in the market. People, their individual and collective skills and experience, as well as their ability to apply knowledge for the benefit of the organization, are considered to be primary actors in organizational success and competitive advantage. Humanities rather than economic value are in the forefront of the modern concept of human resource management, creating prospects for further humanization of business relations, with adequate remuneration policy and stimulation. The concept of human resource management is both strategic and practical, but also procedural and functional for organization. This approach contributes to employee satisfaction and motivates towards increased engagement in the process of performance, which is one of the most important objectives of human resource management and their potential. Human resources is a category of strategic importance for any modern business system in the contemporary business development, because it directly affects business results: increases revenues, reduces operating costs, increases market share, as well as reduces the absence of employees and their fluctuations, diminishes accidents on work, decreases job dissatisfaction, conflict and lack of work acceptance. The most notable advantages of the modern concept of human resources in the organization are: creativity, innovation, self-renewal capacity and development. Human resources largely differ from other resources of the organization by developing personal potential, while trying to respond to the demands of the business system in terms of constant update of the overall competence of employees.

Keywords: human resource management, modern approach, strategy, competence of employees

JEL Classification: M54, M12, M31

1. Introduction

The changes that took place in the mid-twentieth in terms of technology, globalization, manufacturing and sales opportunities have created conditions for the emergence of new management styles. Taking into account the experiences of all known management styles, the new style, which is based on leadership, is completely different from the previous ones. The necessity for introducing changes to the management system stems from the requirements related to the company's organizational functions. Traditionally, organizations were created on the concept of location or place where business activities were performed. In the today's era of high technology, information, learning and changes, traditional organizations alter when transformed into virtual organizations, which are based on the concept of activities rather than on the concept of location where the activities are performed (Mitrovic & Grubic-Nestic, 2014). Operating in the environment of constant changes imposes specific requirements to organizations regarding their structure and culture, and primarily human resource management, based on which organizations can show their readiness for acceptable response and opportunities for sustainable development. Indeed, the way organizations manage their human

resources becomes a decisive factor of their competitiveness, development and survival. It is a comprehensive, systematic approach to human resource management on what the organization's performance largely depends.

Modern organizations are increasingly using strategic management of human resources in determining the objectives arising from the changes in the environment and affecting the achievements of its members. The strategy of human resource management makes an approach to the development and implementation of human resources which are integrated into the overall business strategy, which enables the organization to achieve its objectives. Policies and practice of human resource management are defined by the existing cultural, ideological or institutional factors in different national systems. Managing people as a resource is based on a tendency to align the management of the company's human potential with the management of its other business resources, both in terms of cost and in terms of its functional relation with the working process. Human resources possess the knowledge necessary for doing the job and developing the company; with their intellectual, biological and physiological potentials they create the basis of the establishment of new value. Acquiring and hiring this resource is a key managerial task in the company. Turbulent changes in the environment require revolutionary changes of organizations in terms of seeking different approaches to the employees, different employees, as well as different structures.

However, to be efficient and effective human resource management should also take into account the interests of the people rather than only the goals of the company. The truth is that the company uses human potentials as a tool for achieving its goals, but people also use the company to realize their personal interests. To make their work more efficient and deliver the desired results, people should be satisfied. Taking into account all the above, it follows that managing the work and developing the human resources are closely related to managing and developing the company itself. Hence, in addition to technological, organizational and economic components, the new managerial concept should involve the basic social and psychological components to a much greater extent. This is the only way to ensure a suitable balance between the company's business resources, which is a prerequisite for its successful operation and harmonious development.

2. Strategic function of human resource management

As one of the most important business functions in the organization, human resource management unifies a whole range of activities, and the organization's performance depends on the quality of their implementation. Activities applied by the organization depend on its characteristics, vision, mission, strategy and objectives, as well as the environment in which it operates. In modern business conditions which are characterized by frequent changes and the accelerated process of globalization, planning and implementing human resource management in the organization needs to be specifically focused on external factors (Wright and McMahan, 1992; Wright, Dunford and Snell, 2001).

There are a number of authors trying to define human resource management, and they all agree that human resource management is a scientific discipline and one of the most important business and managerial function in the organization. It is focused on managing the most valuable but at the same time most problematic resource, which are people, in such a way to contribute to the achievement of the employees' individual interests by achieving business efficiency and organizational goals. Human resource management consists of a series of activities that provide both people and the organization using their skills with opportunities to reach an agreement on the objectives and nature of the employment relationship and put this agreement into practice. Human resource management is an executive function in the organization, the purpose of which is treating employees as efficiently as possible in order to achieve organizational and individual goals.

Human resource management is based on theoretical and practical knowledge in the fields of psychology, sociology, economics, management, and organization. This accent in this concept is on the relation between the organization's strategy and the way human resources ensure its implementation. In addition to changing the previous name of the scientific discipline and the control function, the new term also implies a new qualitative stage in their development and a change in the organization's business philosophy. The focus is shifted from controlling the labour costs to understanding the employees and their abilities as an important resource, and providing management of these resources with strategic importance and role in the organization (Francis, & Keegan, 2006).

The two basic roles of human resource management are *operational* and *strategic*. The operational role is mostly related to the daily administrative activities described as staff or personnel functions which are used as a mediating function between employees and management, or the labour market. In fact, human resource management appeared as a combination of the development strategy and personnel management.

Human resource management achieves its objectives based on its various activities in the organization, with a constructive cooperation between all levels of management and employees being the basic measure for its success.

The business function of human resource management in the organization can be structured in a number of ways. The specific organizational solution depends on the size of the organization, but also the level to which human resource management has been developed.

The choice of strategy has no specific meaning if it fails to be transformed into a strategic plan, which is then put into practice, with the realization of the chosen strategy being monitored and controlled. The need for developing human resources strategy is indeed a modern tendency and a step forward in line with economic growth of society and community as well, and hence the idea and the desire for such concepts. Hamald and Prahalad (1989) have defined strategic plan as a means of bringing the organization into a leadership position and defining clear criteria for progressing towards the goal. Strategic plan can also be defined as a written model of vision or mission of the organization. The organization's strategic capabilities depend on the strategic abilities of its managers. People with high levels of strategic abilities know where they are going and know how to get there. Strategic management are the initiator of present actions for the future, including the change-oriented integration and institutionalization.

Defines strategic management as a whole range of organizational activities, including corporate goals and organizational limits, comparing the activities of the organization and the environment in which it operates to enable the organization to accomplish its objectives by means of internal structures, practice and procedures, comparing the activities of the organization with available resources, collecting and relocating resources, and translating the organization's complex and dynamic set of internal and external variables into a set of future goals. The focus is on identifying the organizational mission and strategies, but also on resources required for their realization. Strategically oriented managers will have a wide range of options to which they aspire. Also, managers should be aware of the fact that they are responsible (1) for planning the transformation of resources into opportunities that lead to the implementation of the strategy, and (2) for managing these opportunities that will add a value to the results achieved by the company. The process of strategic management involves defining the organizational mission, analyzing the internal and external environment, strategic choices, formulating corporate and functional strategies and objectives, implementing strategies, and monitoring and evaluating the progress towards the achievement of objectives. The core premise of the theory of human resource management strategy is that successful organizational performance depends on the close relation between a well-defined business strategy and human resources strategy. Strategic coherence refers to two dimensions of human resource management:

- Vertical - relating the human resource management practice with processes of the organization's strategic management.
- Horizontal - coordination or consistency between different practices of human resource management (Wright & McMahan, 1992).

On the other hand, strategic flexibility is the ability of the organization to adapt to the changes in the environment. In a stable, predictable environment strategy may imply developing people with a narrow range of skills and a low number of responsibilities. In unpredictable dynamic environment, organizations can develop an organic system of human resource management which produces human capital with a wide range of skills able to take responsibilities at any level of organization (Wright, Danford and Snell, 2001).

The purpose of human resource management strategies is to clarify what the organization intends to do with the rules and procedures of human resource management, both now and in the long term. As all organizations are different, so human resource management strategies are also different. There is no standard strategy; in fact, as indicated by studies, there are several strategy variations. However, there are two basic types of strategies: strategies focused on high performances and strategies focused on learning, development and rewards. Caldwell (2008) defines twelve goals:

1. managing people as assets fundamental for developing the competitive advantage;
2. aligning policies of human resource management with business policies and corporate strategies;
3. aligning the policies, procedures and process of the human resource management;
4. designing a more flexible organization, capable of responding quickly to changes;
5. supporting teamwork;
6. developing a customer first philosophy across the organization;
7. enabling employees to develop their skills;
8. developing compensation strategies;
9. supporting employee involvement through better internal communication;
10. building greater employee loyalty to the organization;
11. increasing management responsibility for the implementation of HR policies;
12. developing awareness among managers that they are facilitators in the organization

The high performance strategy is characterized by the intent of achieving competitive advantage by improving performance through people. The aim is to support the achievement of organizational strategic objectives. This goal is achievable by activating the high-performing operating systems. These systems are introduced with the purpose to improve the organizational, financial and operational performances. They are also defined as high-performing labour organizations investing in the employees' skills and abilities, designing the work in a way that enables employees to collaborate in problem solving and provide incentives for their motivation. Strategies of organizational development are focused on how to resolve issues and how they are resolved. Plans of organizational development are based on systematic analysis and diagnosis of strategies, situation of the organization and changes and problems by which it is affected, and are focused on the implementation of business strategies and human resource management strategies.

3. New competencies of human resources

Competencies of human resources required by modern business refer to general, technical and behavioural (personal) competencies. Technical competencies are directly job-related, while behavioural competencies are key personal and interpersonal skills and abilities needed for specific jobs (Prahalad and Hamel, 1990). Boyatzis defined competency as a underlying

characteristic of an employee, like a motive, trait, skill, aspect of self-image, social role, or a body of knowledge which results in superior performance (Boyatzis, 2008).

Components of competency as a skills capabilities acquired through practice, knowledge-understanding acquired through learning, personal attributes like a characteristics which are brought to the job and finally behaviour- observable demonstration of some competency, skill, knowledge and personal attributes (Ulrich, Brockbank, Yeung, 1995). Competencies required of employees are primarily related to communication, teamwork, creative problem solving and decision making (Delamare Le Deist and Winterton, 2005).

Key to the success of organizational communication systems is the extent to which they are able to replace one-way communication with two-way or three-way communication. It is also necessary to take informal communication channels into account because they affect the ways formal channels are interpreted and understood. Communication competencies include knowledge of feedback mechanisms, employee motivation and commitment, as well as contribution to organizational progress and job satisfaction.

Team competencies include knowledge and skills of working in teams which enables achieving a synergetic effect, team responsibility and orientation towards shared values. Also, team communication can help overcoming the obstacles related to the fear of conflict, lack of engagement and commitment, and harmonizing self-image and the team image.

Competencies related to creative problem solving are aimed at developing creative thinking, relating the creation with the adequate execution in reality, as well as openness to further development and changes (Guest and King, 2004). Creativity is manifested in different ways: generating something completely new, combining ideas in new ways, finding new ways of using the existing ideas, applying the existing ideas to other people, combining the previous ways.

Developing creative problem solving implies increasing ability to generate a large number of ideas and competing solutions to a specific problem. Ideas that a person generates should be interpretable, meaning-saturated, and relevant for a given framework. In addition to recalling to the previously acquired information, fluency also includes their understanding and proper use. Creative problem solving also leads to increased productivity and innovation. Individuals characterized by creative problem solving are also characterized by openness to new ways of understanding things, intuition, unconventional ways of thinking that allows the formation of new combinations, willingness for taking risks, daring to create something new, non-conformism, strong super-ego (conscientiousness, firmness, seriousness), strong ego (which includes emotional stability, composure and maturity), self-orientation, high levels of curiosity, courage, spontaneity, well integrated manager personality and high levels of self-confidence, high need for achievements, patience, tolerance, and perseverance.

Competencies enabling high quality and functional decision-making are of great importance for bearers of the teaching process because they are associated with a number of personality traits to be acquired and developed, which affects the quality of work in each of its segments (Shanteau, 1988; Parker, Bruin, and Fischhoff, 2007).

4. Conclusion

The business world today is in the process of very rapid and numerous changes (globalization of the economy, the swift growth of electronic commerce, the increasing pace of business operations, rapid obsolescence of technological novelties, the rapid expansion of new companies in the world market), which inevitably imposes the need for the development of new models and forms of leadership (Mitrovic et al., 2014).

The strategy of human resources management is a form of art and skill of leading people in an organization and scooping the finest of its parts, including the long-term goals of the respective activity; it also determines the directions, ways and means of their realization. The importance

of people as economic factors of any labour organization and any state in general is reflected by the fact that in Western countries labour costs account for 20-30% (sometimes even as much as 50%) of total costs. In transition countries, due to lower labour costs, this percentage is somewhat lower, but still not negligible. Human resources possess knowledge, innovation potential, and intellectual and physical capacities. People are the ones who create the products and services, control the quality, sell the products, manage the process of production and finances, and determine the strategy and goals of the company. Without this resource, any operation would be impossible.

Effective human resources management requires specific theoretical knowledge, as well as specific methods and strategies to take full advantage of the human potential. The use and development of human resources is primarily focused on the realization of organizational goals, but achieving human effectiveness and efficiency is impossible without taking into account their motives such as affirmation, experience, and work in itself, achievement, self-actualization, social needs and the like. The fact that people's satisfaction with their job and organization is crucial for the interests of the company has long been understood, by psychologists Abraham Maslow and Douglas McGregor, whose names appear in the theory and practice of human resource management, being among the first to pointed it out.

Investing in human resources will be the basis of success in the 21st century. Therefore, the strategy of human resource development should be relying on organizational strategy and goals, and also includes the recognition of abilities and competences necessary for its realization, both now and in the future.

Acknowledgements

This paper was created within the project CEEPUS CIII-SK-0044 Applied Economics and Management.

References

- Boyatzis, R. (2008). Competencies in the 21st century. *Journal of Management Development*, 27(1), 5-12.
- Caldwell ,R. (2010). Are HR Business Partner Competency Models Effective? *Applied H.R.M. Research*, 12 (1), 40-58.
- Caldwell, R. (2008). HR business partner competencies models: Re-contextualising effectiveness. *Human Resource Management Journal* 18(3): 275-294.
- Delamare Le Deist, F. & Winterton, J. (2005). What is competence? *Human Resource Development International*, 8(1), 27-46.
- Francis, H. & Keegan, A. (2006). The changing face of HRM: In search of balance. *Human Resource Management Journal*, 16(3), 231-249.
- Guest D. and King Z. (2004). Power, Innovation and Problem solving: the personnel managers three steps to Heaven? *Journal of Management Studies* 41 (3), 401-423.
- Hamald, G. and Prahalad, C. (1989). Strategic Intent. *Harvard Business Review*. May-June: 63-76.
- Mitrović, S., Grubić-Nešić, L ., Melović, B. Milisavljević, S. Zuzana Babinkova (2014). Manager's Assessment of Organizational Culture. *E+M Ekonomie a Management*, 3(17), 35-49. Doi: dx.doi.org/10.15240/tul/001/2014-3-004.
- Mitrović, S., Grubić-Nešić, L. (2014). Changes in the management system as a basis for corporate restructuring. *The third international conference Employment, Education and Entrepreneurship. Faculty of Business Economics and Entrepreneurship*, Belgrade, pp. 13-24.
- Parker, M., Bruin, W. and Fischhoff, B. (2007). Maximizers versus satis.cers: Decision-making styles, competence, and outcomes. *Judgment and Decision Making*, 2(6), 342-350.
- Prahalad C.K. & Hamel G. (1990). The core competence of the corporation. *Harvard Business Review*, 68 (3), 79-93.
- Shanteau, J. (1988). Psychological characteristics and strategies of expert decision makers. *Acta Psychologica*, 68, 203-215.
- Ulrich, D., Brockbank, W., Yeung, A., & Lake, D. (1995). Human resource competencies: An empirical

- assessment. *Human Resource Management*, 34(4), 473-496.
- Wright, P. M., & McMahan, G. C. (1992). Theoretical perspectives for strategic human resource management. *Journal of Management*, 18(2), 295-320.
- Wright, P., Dunford, B., Snell, S., (2001). Human resources and the resource based view of the firm. *Journal of Management*, 27, 701-721.

Knowledge Related Needs of Start-ups in Hungary

Zsuzsanna Marosné Kuna¹ – Andrea Miskolciné Mikáczó²

SzentIstván University^{1, 2}

Business Studies Institute

Páter K. u. 1.

Gödöllő, Hungary

e-mail^{1, 2}: kuna.zsuzsa1968@gmail.com, Mikaczo.Andrea@gtk.szie.hu

Abstract

The high rate of youth unemployment demands particular attention from higher education. In this paper we focus on the knowledge related needs (from a practical point of view) of entrepreneurs with special focus on the start-ups, what kind of knowledge students can use as entrepreneurs and in what ways. We also point out the shortcomings by looking into the fact how entrepreneurs are satisfied with the results of higher education taking into account the accreditation process of Hungary and the policies of the EU and ILO concerning this topic. By pointing out the special Hungarian aspect of the subject, cultural factors are also considered. In-depth interviews, as method of analysis, were used to find out about these important issues and support the development of the practice-oriented activity in higher education.

Keywords: education, entrepreneurship, youth

JEL Classification: I250, M12, M14

1. Introduction (First-level heading, Times New Roman 12pt, Bold)

“The youth unemployment affected 23.3% of people under 25 years old in Europe. It is more than twice of the unemployment rate of the whole population.”¹⁰

One of the possibility to be employed is the entrepreneurship. “Europe needs more entrepreneurs, more innovation and more high-growth SMEs. This is why it is necessary to stimulate the entrepreneurial mind-sets of young people. The important role of education in promoting more entrepreneurial attitudes and behaviours is now widely recognised.

Entrepreneurship refers to an individual's ability to turn ideas into action. It includes creativity, sense of initiative, innovation and risk-taking, as well as the ability to plan and manage projects in order to achieve objectives. The entrepreneurship competence includes therefore transversal skills and attitudes as well as more specialised knowledge and business skills. In a broad sense, entrepreneurship should be considered as a mind-set that supports everyone in day-to-day life at home and in society, and provides a foundation for entrepreneurs establishing a social or commercial activity. Entrepreneurship is a key competence for lifelong learning, as defined in the 2006 European Framework for Key Competences.

Education for entrepreneurship is already high on the agenda in most EU Member States. A wide variety of programmes and activities exist across Europe. However, there is a need of promoting these initiatives more systematically. The European Commission is committed to promoting education for entrepreneurship at all levels, from primary school to university and beyond.^{11”}

2. Data and Methods

We looked into the EU and ILO related polices, which we compared with the requirement, experience of entrepreneurs and an expert. We wanted to analyse if the requirements meet the high level policies. The entrepreneurs (7) and the expert (1) were interviewed (with different

¹⁰<http://eur-lex.europa.eu/legal-content/HU/TXT/PDF/?uri=CELEX:52013DC0447&from=EN>

¹¹Education & Training for Entrepreneurship, http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/education-training-entrepreneurship/index_en.htm.

Age, gender and working area) on their experience and the received education, their proposal to improve the education quality.

3. Results and Discussion

3.1. EU related policies

Definition of Entrepreneurship Education is as following : “A broad definition of entrepreneurship education: «All activities aiming to foster entrepreneurial mind-sets, attitudes and skills and covering a range of aspects such as idea generation, start-up, growth and innovation”.

Key Dimensions to Develop Entrepreneurship Education at HEI¹²

- Strategy(commitment of top-management, written policies, level of integration)
- Infrastructures (department/ centre, chairs, professorships, cross-disciplines structures or activities, etc.)
- Resources(budget, types of funding, internal/ external lecturers, etc.)
- Teaching and Learning (courses, degrees, pedagogical methods, part of curriculum, etc.)
- Outreach(alumni, stakeholders, community engagement, networks, etc.)
- Development(evaluation, improvements, research, etc.)

Strategy

- The goals of entrepreneurship education are mainly to foster entrepreneurial mindsets, skills and behaviours
- The embeddedness of entrepreneurship in the HEI’s strategy is more and more perceived as an important aspect
- Few European universities have developed entrepreneurial policies for all of their faculties

Institutional Infrastructures

- Many HEIs in Europe have one type of infrastructure: entrepreneurship chair or entrepreneurship centre
- Few have several infrastructures including teaching, practice-oriented and research activities
- Researching entrepreneurship and entrepreneurship education are weakly developed

Resources

- Most part of HEIs generate income through entrepreneurial activities
- But to sustain entrepreneurship education there is an important need to get external funding (public or private)
- Lack of funding appears as the most important obstacle to development and continuation of entrepreneurship education

Teaching and Learning

- Entrepreneurship teaching is offered all levels of education(bachelor, master, PhD)
- Entrepreneurship tends to be offered in stand-alone courses rather than being integrated across the curriculum
- Entrepreneurship remains primarily elective
- Lecture is the most used teaching method while the active pedagogies appear as being the most efficient to teach entrepreneurship
- Heavy focus on start-up phase
- A greater critical mass of entrepreneurship faculty, research and pedagogical material is needed

Outreach

¹²Higher Education Institutions

- Since the beginning entrepreneurship education benefits from alumni, entrepreneurs and professional engagement
- Teaching entrepreneurship is not seen as only an academic activity

Development

- Lack of qualified faculty members to teach entrepreneurship
- Lack of teaching staff management and development
- Lack of entrepreneurship education evaluation to measure the effects and impact of entrepreneurship programmes on learning, attitudes and behaviours

Challenges and Recommendations

A key challenge: “Why educate young people to become entrepreneurs if the system send them the message that the ultimate goal is to work for the state and that job security is what the majority of young people, and particularly graduates aspire to?”

At the HEI level Entrepreneurship is still in an immature phase:

- Development of entrepreneurial culture within HEIs
- Quantitative and qualitative development of faculty members engaged in entrepreneurship education

Entrepreneurship education development needs:

- Cultural changes at European countries and HEIs levels
- Structural changes such as dedicated
 - Academic networks and associations at the national level
 - Resource centres (teaching educators; sharing pedagogical material and best practices, etc.)
 - Departments and research units at the HEI’s level

Entrepreneurship education in Europe is facing the same problems start-ups systematically have:

- The liability of newness and
- The lack of legitimacy

3.2. ILO related policies

ILO Department of Enterprises aims promoting sustainable enterprises is about strengthening the institutions and governance systems which nurture enterprises – strong and efficient markets need strong and effective institutions. It is also about ensuring that human, financial and natural resources are combined equitably and efficiently in order to achieve innovation and enhanced productivity. This calls for new forms of cooperation between government, business, labour and society at large to ensure that the quality of present and future life and employment is maximized whilst safeguarding the sustainability of the planet.

The ILO estimates that some 88 million young women and men throughout the world are unemployed, accounting for 47 per cent of 186 million unemployed persons globally.¹³

The Know About Business (KAB) programme is designed to promote awareness among young people aged 15 to 25 years of the opportunities and challenges of entrepreneurship and self-employment. Since 2004, KAB has trained over 1,100 teachers in 20 countries and reached out to more than 40,000 students through pilot activities.¹⁴

Know About Business means to understand the role of business in the society, its contribution to the wealth of nations and its social responsibility.

KAB is a training programme for trainers and teachers in vocational education, secondary education and also higher education designed for a 80 - 120 hours course for young students between 15 to 18 years.

¹³<http://www.ilo.org/global/lang--en/index.htm>

¹⁴<http://ilo.org/empent/areas/youth-entrepreneurship/lang--en/index.htm>

KAB's general objective is to contribute towards the creation of an enterprise culture in a country or society, by promoting awareness among young people of the opportunities and challenges of entrepreneurship and self-employment, and of their role in shaping their future and that of their country's economic and social development.

The specific objectives of the KAB package are to:

- Develop positive attitudes towards enterprises and self-employment among the population, by targeting youth but also stakeholders for enterprise development.
- Create awareness of enterprises and self-employment as a career option for young people in secondary and vocational education.
- Provide knowledge and practice of the desirable attributes for and challenges in starting and operating a successful enterprise.
- Facilitate the school-work transition as a result of a better understanding of functions and operations of enterprises.

The KAB package is directed towards teachers and instructors in public and private vocational and technical training institutions and general secondary education. It can also be used for higher technical education and for professionals involved in enterprise promotion.

The Beneficiaries of KAB training are students in secondary education and trainees/students in vocational and technical training institutions whose learning curricula does not include these components. The typical age group would be 15 to 18 years. However, it can be adapted for tertiary education and non-formal education and training as well.

Young people educated with KAB will have a positive approach to entrepreneurship and will be more inclined to create their own business. In a long run entrepreneurship education like KAB will change attitudes in the society toward a positive enterprise culture.

KAB is part of the national curriculum for vocational training in Kazakhstan and Kyrgyzstan. It is under introduction and pilot testing in more than 20 countries in Central Asia, Africa and Latin America.

Know About Business (KAB) Modules are:¹⁵

Module 1: What is Enterprising?

Module 2: Why Entrepreneurship?

Module 3: Who are entrepreneurs?

Module 4: How do I become an entrepreneur?

Module 5: How do I find a good business idea?

Module 6: How do I organize an enterprise?

Module 7: How do I operate an enterprise?

Module 8: What are the next steps to become an entrepreneur?

Module 9: How to develop one's own business plan?

Module 10: How do I become a social entrepreneur?

Teaching Method: Learner-centered, participatory

KAB has global reach

The KAB programme has been introduced in more than 55 countries in Latin America, Africa, the Arab states, and Central, East and South-East Asia. In 18 countries, KAB has been integrated into the national curricula, while in others it is being taught in selected schools and institutions. Pilot testing in selected institutions normally precedes any government decision to introduce entrepreneurship education and the KAB programme into the national educational curricula. As of 2010, more than 14,000 teachers from over 5,700 educational institutions had been trained to deliver entrepreneurship education, and more than one million young people

¹⁵http://ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_175469.pdf (Fostering Future Entrepreneurs, Sustainable enterprises programmes, ILO, Geneva)

had taken a KAB course. This number is expected to rise exponentially over the coming years as countries integrate KAB into their education curricula and continue to roll out the programme in the education system. The programme is delivered by a team of international, regional and national key facilitators accredited by the ILO.

KAB achieves its objectives¹⁶

In 2009 and 2010, the ILO carried out tracer studies of former KAB students. Findings included

- In Syria, 89% of former KAB students found the programme to be useful or very useful in preparing them to start a business, and over 80% found it useful in preparing them to enter the labour market.
- In China, a sample survey of former KAB participants found that over 90% of business owners rated it as useful or very useful for starting a business, while former KAB students had fewer objections to employment in a small business than non KAB students, indicating that the programme had changed attitudes.
- In Kyrgyzstan, 35% of former KAB students who were now employees said they had tried starting a business, compared with 17% in a control group. Lack of financial resources was the main reason cited for not remaining in business. Former KAB students were also eight times more likely to have developed business plans compared to the control group.
- In Peru, three out of four former KAB students questioned said they intended to open a business compared to one out of four of the control group. One third of those interviewed said they had drawn up a business plan, compared to one out of four from the control group.
- In focus group discussions, former KAB students said the programme had helped them develop key communication skills and self-confidence.

With many young women and men unable to secure formal employment opportunities, encouraging entrepreneurship is an ever more important way of harnessing their enthusiasm, energy and ambition to contribute to economic development. The majority of the world's young people are in developing economies, where formal jobs are scarce and even informal jobs may be hard to find.

Micro, small and medium-sized businesses are the drivers of new jobs and behind every enterprise lies the spirit and imagination of an entrepreneur. Entrepreneurship strengthens economic growth, speeds up modernization and can play a crucial role in spurring sustainable development and generating decent jobs. However, adopting policies conducive to the development of small businesses will only work if women and men are ready and equipped to seize the entrepreneurship challenge. Entrepreneurship education is essential in raising awareness about business among young women and men so that those who so choose can take the difficult but rewarding steps needed to transform their business dreams into reality. Some of the basic skills and attributes required to be a successful entrepreneur, such as confidence, presentation skills, networking, motivation and drive, are best developed early through the formal education system

The ILO Sustainable Enterprise Programme helps create more and better jobs through enterprise development. It connects business growth and competitiveness with the needs of people to make a decent living in a healthy environment - today and in the future. Anchored in the ILO's mission to create decent work for all women and men, this programme is centred on three pillars:

- An enabling environment for enterprises - Creating the right framework that enables businesses to start, grow and create decent jobs;
- Entrepreneurship and business development - Helping entrepreneurs, in particular youth, women and marginalized groups, to start and build successful enterprises;

¹⁶http://ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_175469.pdf (Fostering Future Entrepreneurs, Sustainable enterprises programmes, ILO, Geneva)

• Sustainable and responsible workplaces - Demonstrating the link between productivity gains and improved working conditions, good industrial relations and good environmental practices. The programme combines evidence-based policy development with capacity building and enterprise support services, delivered at the international and country levels, through advisory services and a large portfolio of technical cooperation. It works with governments, employers' and workers' organizations, in partnership with other UN agencies, financial and academic institutions, donors and others.¹⁷

4. Conclusion

- ▶ Surprisingly, there is little difference of opinion between entrepreneurs and experts
- ▶ Most entrepreneurs are not satisfied with the legal background in Hungary except the youngest one. The expert and one of the entrepreneurs do not regard the attitude of market players proper.
- ▶ Main reasons for starting a business: independence, self-realization and better payment.
- ▶ Most of them prioritized managerial skills-initial capital was not considered essential unanimously.
- ▶ The majority started their business in the area of their qualification.
- ▶ They are ready to learn marketing, communication, HR, accounting, finance-they miss the theory in education.
- ▶ Mostly they miss practice in education
- ▶ Everyone agrees about implementing best practices in education but they do not prefer shadowing as it can misappropriate trade secrets.

Acknowledgements

This paper was created within the Visegrad Fund research project “Innovative entrepreneurship education - necessary precondition for future prosperity of V4 region“ on its preliminary results.

References

<http://eur-lex.europa.eu/legal-content/HU/TXT/PDF/?uri=CELEX:52013DC0447&from=EN>

Education & Training for Entrepreneurship, http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/education-training-entrepreneurship/index_en.htm

<http://www.ilo.org/global/lang--en/index.htm>

<http://ilo.org/empent/areas/youth-entrepreneurship/lang--en/index.htm>

http://ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_175469.pdf
(Fostering Future Entrepreneurs, Sustainable enterprises programmes, ILO, Geneva)

¹⁷http://ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_175469.pdf(FosteringFutureEntrepreneurs, Sustainableenterprisesprogrammes, ILO, Geneva)

Talent Management in Human Resource Management

Pavel Mikuš

Catholic University in Ruzomberok,
Faculty of Education, Department of Management,
Nábřežie Jána Pavla II.
Poprad, Slovak Republic
pavel.mikus@ku.sk

Abstract

The quality of the performance of human resources is one of the critical parameters for the successful functioning of any organization. The contribution is focused on the issue of human resource management, talent management system for use in some organizations. Talent management is introduced as system for the retention, development and acquisition of talents. The aim is to provide insight into the challenges and opportunities of talent management in the management of human resources in the organization. On the basis of current theoretical knowledge and practical experience of the application of talent management in the management of the organization to determine the status of the selected organizations.

Keywords: *talent, talent management, talent development, support talent, retaining talent*

JEL classification: *M12, M14, M31*

1. Introduction

Human resources are becoming an increasingly pivotal factor for organizations faced with the increasing pressures of competition and globalization in the current business environment. Organizations that want to survive, expand, outperform their present rivals, and considerably increase their added value in such an environment and thus gain competitive advantage, have to attract, cultivate, and maintain talented employees.

Issue of human resources management, especially aspects of talent management system, attitude that should be an inseparable part of human resource management in every organization, is the basic condition for successful operation of every organization. Basis for this statement is an assumption that one of critical parameters of successful operation of any organization is high-quality performance of human resources. For that reason, it is necessary to devote maximum attention to human potential and attempt for specific management with the aim to reach maximum efficiency of its use in favor of organization. Applied system of talent management is a tool of efficient human resources management in organization.

Talent, as the main tool of talent management, in connection with human resources management and efficiency, is a sum of activities, tools and processes for identification, motivation, stabilization and development of talents and assurance of their potential with the aim to efficiently perform its tasks in compliance with future needs and trends.

1.1. Talent and talented individual

Talent, from the human capital point of view, is considered in different ways. In general, talent is seen as combination of abilities, personal characteristics and qualifying skills of employee, enriched by potential of their future development. There are several definitions of talent in literature, but none of them has been generally accepted. In general, talent might be defined as periodically repeated way of thinking, feeling and behaviour that could be used for creation of values in organization. The most popular and possibly the most pertinent definition is given by research report of CIPD in 2007. (CIPD= Chartered Institute of Personal and Development). Based on the report „talented individuals are those who can make a difference to organizational

performance either through their immediate contribution or, in the longer-term, by demonstrating the highest levels of potential. “ Given definition if the most accepted in theory and practice” (Sojka, 2013).

The term talent could be explained differently within different organizations, as for each organization talent would represent different values, in relation to its activities, direction and environment. Therefore it’s important that each organization has its own definition of talent.

Horváthová (2011) offers exact definition of talent will allow organization:

- a) to ensure that it sets out exactly what talent management is aiming to achieve
- b) to focus on allocation of resources
- c) to help prioritize development of employees
- d) to provide clarity for employees so they can assess themselves
- e) to enable organizations to classify staff accurately
- f) to keep the competitiveness of the organization.

The exact definition of talents helps the organization to approach the work with talents systematically and thus reach strategic targets.

To define talented individual, it is necessary to consider several factors, including measurement of current performance, outputs and results, and in some cases also the measurement of potential. Different authors define talented individual as follows (Goffee and Gareth, n.d.)

- a) Has enough experience, intelligence and will
- b) Exceptionally able individual with high performance, shows high potential and his abilities are not possible to be limited easily
- c) Is dependent on performance, perspective and respect
- d) Is organizationally savvy
- e) Is not impressed by corporate hierarchy
- f) Knows his worth
- g) Asks difficult questions
- h) Wants to be connected with other talented people
- i) Expects instant access
- j) Is able to differentiate the organization and thus increase its competitiveness.

In general, there are several types of tasks. But if definition of talent states that talented individual is someone who has abilities exceeding others and could to use them, then we can say that talented individual is any employee who meets the above criteria.

1.2. Talent management

In general, talent management is a way of attraction, retention and development of talents. However, specifically it’s a process by which an organization identifies, manages and develops its people now and for the future. Following Cannon and McGee (2007) it is concerned with:

- a) Developing a strategy to determine what organization needs to meet the current and future demands of the business plan,
- b) Establishing processes to measure competence – required and available,
- c) Creating a range of developmental tools and processes to provide tailored approaches depending on the individual needs of employees,
- d) Identifying ways to obtain and retain those who are critical to success,
- e) Establishing suitable approaches to deal with those who no longer fit organization requirements,
- f) Measuring the impact these strategies have so that policy can be continually updated and refined to deliver high performance, now and in years to come.

Talent management has a bias towards focusing on individual needs to bring out the potential of each and recognizes the necessity of retaining key personnel in a competitive labour market. The mind-set of talent management is based on the assumption that there is potential in each

and every one, and any approach should be to try to release that and so that organization is able to develop this potential and use of it.

Based on server Talent management forum, first server solely dedicated to talent management and its influence on business, talent management is defined as follows „globally the most current theme for perspective operation of organization and priority for managers is the investment of time into development and of human resource management.” (Horváthová, 2011) Main asset provided by correctly set and applied system of talent management is the fact that talented employees contribute to overall strategy and economical aims of organization more, they help to decrease the costs on fluctuation and recruitment of new employees, and thus organization becomes attractive for talents and attractive employees, talents are easily identified and retained and succession planning is more efficient as well as internal employees recruitment and their motivation. Talented employees are suitably placed in positions where their potential could be used efficiently and losses connected to unoccupied positions are minimized. However, we need to realize that „nowadays it’s difficult to talk about life long carrier. Because of influence of changes, new trends in technologies and management methods“ (Horváthová, 2011)

1.3. Key competence in talent management

Based on Cannona and McGeea (2007), very important step that organization needs to take in the field of talent management is to identify key competences of the organization. Key competences are the combination of factors leading to assurance of constant success of the organization on the market. Specification of competences enables organizations to identify in which direction the talent of individual employees should be formed so that it can bring a benefit for the organization and at the same it allows a better measuring to what extent the set expectations are fulfilled. Detailed description of key competences is given in a table no. 1.

Table 1: Overview of key competences

Competences	Competence definition
Orientation on activity	<ol style="list-style-type: none"> 1. Aims on lack of results 2. Gets over difficulties 3. Accepts responsibility 4. Sets standards and commitments 5. Creates environment focused on results 6. Motivates other by his engagement
Communication	<ol style="list-style-type: none"> 1. Communicates well verbally and in writing 2. Efficiently communicates information and ideas to others 3. Listens to them carefully and understands various standpoints 4. Presents ideas clearly and aptly
Creativity/innovation	<ol style="list-style-type: none"> 1. Proposes new ideas 2. Develops or improves already existing procedures 3. Supports innovations
Critical judgment	<ol style="list-style-type: none"> 1. Precisely defines problems 2. Focuses on solutions 3. Always works consistently
Orientation to a customer	<ol style="list-style-type: none"> 1. Asks about customer needs 2. Defines and understands specific requirements of customers 3. Builds trust with customer 4. Tries to meet the obligations towards customer early
Interpersonal skills	<ol style="list-style-type: none"> 1. Engages others into activity 2. Builds confidence and reliability 3. Self-confident in front of others

Leadership	<ol style="list-style-type: none"> 1. Motivates, authorizes, inspires and encourages others to achieve targets 2. Creates company culture identical to organization targets 3. Tries to achieve consensus 4. Aims the attention of team members to common tasks
Team work	<ol style="list-style-type: none"> 1. Knows when and how to motivate team to achieve optimal results 2. Develops and encourages team members 3. Builds confidence and enthusiasm 4. Solves conflicts 5. Puts together a well-working team
Technical qualification	<ol style="list-style-type: none"> 1. Is professionally adept 2. Has knowledge in given areas 3. Perfectly knows organization, its strategy, is familiar with finances 4. Knows planning, is aware of its potential and functioning of entire organization

Source: BERGER, L. A., BERGER, D. R. (2003) *Talent Management Handbook: Creating Organizational Excellence by Identifying, Developing & Promoting Your Best People*. 1st ed. New York: McGraw- Hill, 2003. 450 s. ISBN 978-0071414340.

1.4. Performance appraisal and potential forecast

Performance appraisal is measurement of actually achieved results within those areas for which the specified individual is responsible, and competencies understood as critical for the success of the entire organization.

Following Horváthová (2011), measuring scale most often used in organizations is as follows:

1. Considerably exceeds expectations (5),
2. Exceeds expectations (4),
3. Meets expectations (3),
4. Below expectations (2),
5. Deep below expectations (1).”

Obviously, each organization can suggest its own evaluation scale, based on its specific parameters. High performance employee could be characterized as individual who:

1. “Steadily achieves measurable results exceeding, or considerably exceeding expectations,
2. His self-management supports learning and high performance,
3. Makes sure team targets are achieved within ethical and cultural rules,
4. Manages and leads teams what demonstrate their sense of loyalty and community,
5. Meets customer needs, even exceeds their requirements,
6. Works efficiently with organization resources,
7. Has high stamina.” (Cannon and McGee, 2007)

Each organization should be able to characterize high performance employees, as only those help to maintain competitiveness on the market. “Quality of high performance employees is proportional to motivating internal environment within the meaning of the concept of well-being (quality of life index)”.

”Prediction of potential is in fact a prognosis by how many levels within the organization an employee can advance on the basis of their performance appraisal, training and development, preferences in their careers. Cannon and McGee says that a scale most often used by organizations is as follows:

A high potential (5) – it is possible to promote by two levels or even more,

1. Higher potential (4) – it is possible to promote by maximum two levels,
2. Average potential (3) – it is possible to promote by one level,
3. Limited potential (2) – ready for a lateral redeployment,
4. No potential (1) – it is not possible to promote at the moment.”

Same as appraisal scale, each organization could suggest its own scale of potential measurement, based on own specific parameters.

According to Cannon and McGee (2007), "Employee with high potential is characterized as individual who:

1. Has respect and confidence of individuals at the same level, super-ordinates and subordinates,
2. Achieves and maintains high level of competence in his/her job position,
3. Is interested in innovations and is active changes holder,
4. Thinks creatively and solves problems,
5. Is open to constructive criticism and feedback,
6. Uses critical judgment,
7. Has wide knowledge of organization strategies and processes used to achieve organization targets,
8. Has big capacity to learn new things.

Results of performance appraisals, as well as potential forecast of each individual, need to be recorded. Table no. 2 gives an example how to record them.

Table 2: Performance appraisal and forecast of potential

Evaluated by: Ján Novák Evaluated: Karol Čierny		
	Potential: 1	Total performance: 2
Key competences:	Point score:	Appraisal of performance at the current position :
Orientation to activity	2	Below expectation
Communication	1	Deep below expectation
Creativity/ innovation	2	Below expectation
Critical judgment	2	Below expectation
Orientation to a customer	3	Meets expectations
Interpersonal skills	3	Meets expectations
Leadership	3	Meets expectations
Team work	3	Meets expectations
Technical qualification	1	Deep below expectation
Total	20	

Source: BERGER, L. A., BERGER, D. R., (2003) *Talent Management Handbook: Creating Organizational Excellence by Identifying, Developing & Promoting Your Best People*. 1st ed., McGraw- Hill, New York; 2003; str. 450; ISBN 978-0071414340.

Following Cannon and McGee (2007): "Key competences which are the basis of performance appraisal and predictions of the current employees' potential and thus the basis of acquiring talents from the internal resources may be used in the process of talents acquisition from the external resources. While the measuring scale for a potential forecast may remain unchanged, Cannon and McGee (2007) describes the measuring scale for performance appraisal should be adjusted in the following way:

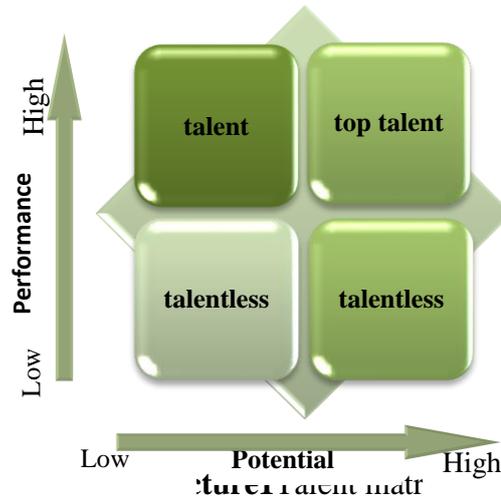
1. Considerably exceeds other candidates (5),
2. Exceeds other candidates (4).
3. Equals to other candidates (3),
4. Below the level of other candidates (2),
5. Far below the level of other candidates (1)."

Naturally, a choice of the measuring scales for assessment of external employees' recruitment always depends on a given organization.

1.5. Creation of talent- pool

After performance appraisal and a potential prediction, the very group of talented employees is identified - a talent-pool is being shaped. A possible version of talents classification based on their performance and potential is a talent matrix shown in picture no.1.

Figure 1: talent management and succession planning



Source: CANNON, J. A., McGEE, R. (2007) *Talent Management and Succession Planning*. 1. sted. London: CIPD, 2007. 406 s. ISBN 978- 1843981732.

According to Cannon and McGee (2007), 1: "Top talents are those employees who are both high-performers and highly promotable. Talents are those employees whose performance is sufficient but their potential is limited. Employees with high potential but with limited performance are known as possible talents."¹⁸

There is no information about the use of talent management within business environment. Therefore, a research was done, how talent management is used in human resources management in organizations.

2. Data and Methods

With the use of questionnaire for managers of selected companies within one district, we have tried to find factual state of talent management. Research has been focused on small and middle sized companies. No special requirements of business environment were specified for their selection. Research was focused mainly on different industrial fields, companies of different sizes and with different amount of employees or location of companies within selected district. In total, we have examined the use of talent management within thirty organizations. Questionnaire was handed out during personal meetings with company representatives, what means that 100% of questionnaires were returned. Results were processed in the form of contingency table.

The aim of the research was to find out the following information in the organizations:

1. Extent, content, importance and benefits of talent management use in organizations,
2. Reasons why talent management was not used in organizations.

Questionnaire contained of 18 questions, 14 dealt with our problematic, 4 questions were identifying. Based on the results, recommendations and suggestions were done. The results are processed in the following text.

3. Results and Discussion

As already found out during informal meetings with management of selected companies, the state of talent management use is very poor, or not existing at all, what has been confirmed also after processing of data acquired from questionnaires. Out of total number of 30 examined organizations that were willing to participate, 27 managers confirmed that talent management

is not used in their organization and only 3 of them confirmed that the talent management is applied.

In next part, we will deal only with organizations that don't use talent management.

The reasons why talent management is not used are given in the following table (table no. 3)

Table 3: Reasons why the talent management is not used within organizations

Response	No of respondents	Percentage
I am not familiar with it	23	82, 10 %
I am familiar with it, but consider it too demanding for organization	1	3, 60 %
I am familiar with it, but the sources are not available - personnel	1	3, 60 %
I am familiar with it, but the sources are not available - financial	4	14, 30 %
I am familiar with it, but I do not consider it appropriate for our organization	0	0, 00 %
Total	27	100, 00 %

The main reason, why organizations do not use talent management is that they are not familiar with it. This was true for up to 82.1% of organizations which do not use talent management. Some organizations know talent management, but do not use it due to lack of resources, either financial, stated by 14.3% of organizations, or personnel, stated by 3.6% of organizations. 3.6% of organizations stated they know talent management, but consider it too demanding as regards their organization. Other reasons why talent management is not used in organizations were not present.

Regarding tools for human resources management in the field of job performance assessment within organizations that do not use talent management (table no. 4) 24.42% of organizations stated they use the system of regular assessment. 7.15% of organizations stated they use assessment centre for assessment of their employees and the remaining 71.42% of organizations stated they use fitting tests for their employees assessment. Other tools for human resources management in the field of job performance assessment within organizations that do not use talent management were not present.

Table 3: Tools for human resources management in the field of job performance assessment within organizations that do not use talent management

Response	No of respondents	Percentage
System of regular assessment	6	21, 42 %
Management by Objectives (MBO)	0	0, 00 %
Assessment centre	2	7, 15 %
360° feedback	0	0, 00 %
Fitting tests	20	71, 42%
Behavioral (competence) interview	0	0, 00 %
Total	28	100, 00 %

Regarding tools of human resource management in the field of employee development and education within organizations that do not use talent management (table no. 5), 22.2% of organizations stated they use a system of coaching. 18.5% of organizations stated they use lectures and education through fulfilment of important tasks. 14.81% of organizations stated they use a method of jobs rotation and involvement of employees into project tasks. 11.11% of organizations use a method of mentoring. Other tools for human resources management in the

field of development and education within organizations that do not use talent management were not present.

Table 4: Tools for human resources management in the field of development and education within organizations that do not use talent management

Response	No. of respondents	Percentage
Coaching	6	22, 22 %
Mentoring	3	11, 11 %
Job rotation	4	14, 81 %
Project work	4	14, 81 %
Fulfillment of important tasks	5	18, 52 %
Lecture	5	18, 52 %
Workshop	0	0, 00 %
Development centre	0	0, 00 %
Outdoor training	0	0, 00 %
E - learning	0	0, 00 %
Total	27	100, 00 %

Regarding activities for employee career planning within organizations, that do not use talent management (table 6), up to 84.48% of organizations stated, they do not do any career planning or succession planning.11.11% of organizations stated they focus only on career planning. 7.40% of organizations stated they focus on succession planning only. Other activities for career planning within organizations that do not use talent management were not present.

Table 5: Activities for career planning within organizations that do not use talent management

Response	No. of respondents	Percentage
Career and succession planning	0	0, 00 %
Career planning only	3	11, 11 %
Succession planning only	2	7, 40 %
Either	22	81, 48 %
Total	27	100, 00 %

Consequently, the question was, in what industry organizations that do not have talent management, work. Results are given in table no. 7.

Table 6: Prevailing industry of organizations that do not use talent management

Response	No. of respondents	Percentage
Automotive	2	7, 41 %
Transport	4	14, 81 %
Travelling and accommodation	1	3, 70 %
Finances and law	1	3, 70 %
Culture and entertainment	0	0, 00 %
Retail and wholesale	5	18, 52 %
Computers, telecommunication	0	0, 00 %
Agriculture and forestry	2	7, 41 %
Industry and manufacturing	6	22, 22 %
Restaurants and catering	0	0, 00 %
Services and trade	6	22, 22 %
Total	27	100, 00 %

From the total amount of twenty seven organizations that do not use talent management, 22,22% of organizations stated identically they work in the field of industry and manufacturing and in

the field of services and trade. 18.52% of organizations work in the field of retail and wholesale, 14.81% of organizations work in the field of transport, 7,41% of organizations stated identically they work in the field of automotive and in the field of agriculture and forestry. 3.70% of organizations stated identically they work in the field of travelling and accommodation and in the field of finances and law. Other fields of industry were not present. Up to 51.84% of organizations that do not use talent management specified their legal form as a commercial company, 44.44% of organizations stated their legal form is private entrepreneurs and 3.70% of organizations specified their legal form as cooperative. Other legal form within organizations that do not use talent management was not present (table no. 8).

Table 7: Legal form of organization that do not use talent management

Response	No. of respondents	Percentage
Commercial company	14	51, 85 %
Private entrepreneur	12	44, 44 %
Cooperative	1	3, 70 %
State-owned company	0	0, 00 %
Total	27	100, 00 %

33.33% of organizations not using talent management stated that they have been on the market for more than 15 years, 25.93% stated they have been on the market for 10 to 15 years. 22.22% of organizations stated they have been on the market for 5 to 10 years, 11.11% have been on the market for 2 to 5 years and 7.40% stated they have been on the market less than 2 years. Results are stated in table no. 9.

Table 8: Existence of organization not using talent management in years

Response	No. of respondents	Percentage
Less than 2 years	2	7, 40 %
2 to 5 years	3	11, 11 %
5 to 10 years	6	22, 22 %
10 to 15 years	7	25, 93 %
More than 15 years	9	33, 33 %
Total	27	100, 00 %

Up to 81.48% of organizations that do not use talent management stated that current number of employees within their organization is less than 50 employees, 18.52% stated that number of employees is from 50 to 100. Any other number of employees within organizations not using talent management was not stated (table no. 10).

Table 9: Current number of employees within organizations that do not use talent management

Response	No. of respondents	Percentage
Up to 50 employees	22	81, 48 %
50 – 100 employees	5	18, 52 %
Over 100 employees	0	0,00 %
Total	27	100, 00 %

Based on assessment of results it was found out that the rate of talent management use in human resources management within organizations is very low. Just 10% of organizations use this approach, i.e. just 3 out of 30 organizations that participated in our research. Organizations that apply talent management consider it to be successful and beneficial not only for organization development, but also for development of employees. However, majority of organizations do not use talent management, due to several reasons. Apart from lack of financial and personnel resources, or too much demand for organization, the main reason why the talent management

is not used within organizations district is the lack of familiarity with talent management in human resource management.

3.1. Discussion and solution proposal

Based on summary and summarization of knowledge about talent management, assessment of its benefits and deficits, acquaintance with foreign practice and processing and assessment of data from questionnaire survey within organizations district, we recommend that organizations that are already using talent management continue to do so, improve the approach in case of any deficits and become an example of successful application of this systematic, complex and advance approach for the others.

We recommend to organizations not using this beneficial approach already supported foreign practice and great amount of studies:

To apply talent management in practice, it is necessary to create a thought map of talent management that becomes a basis for creation and application of talent management within organization.

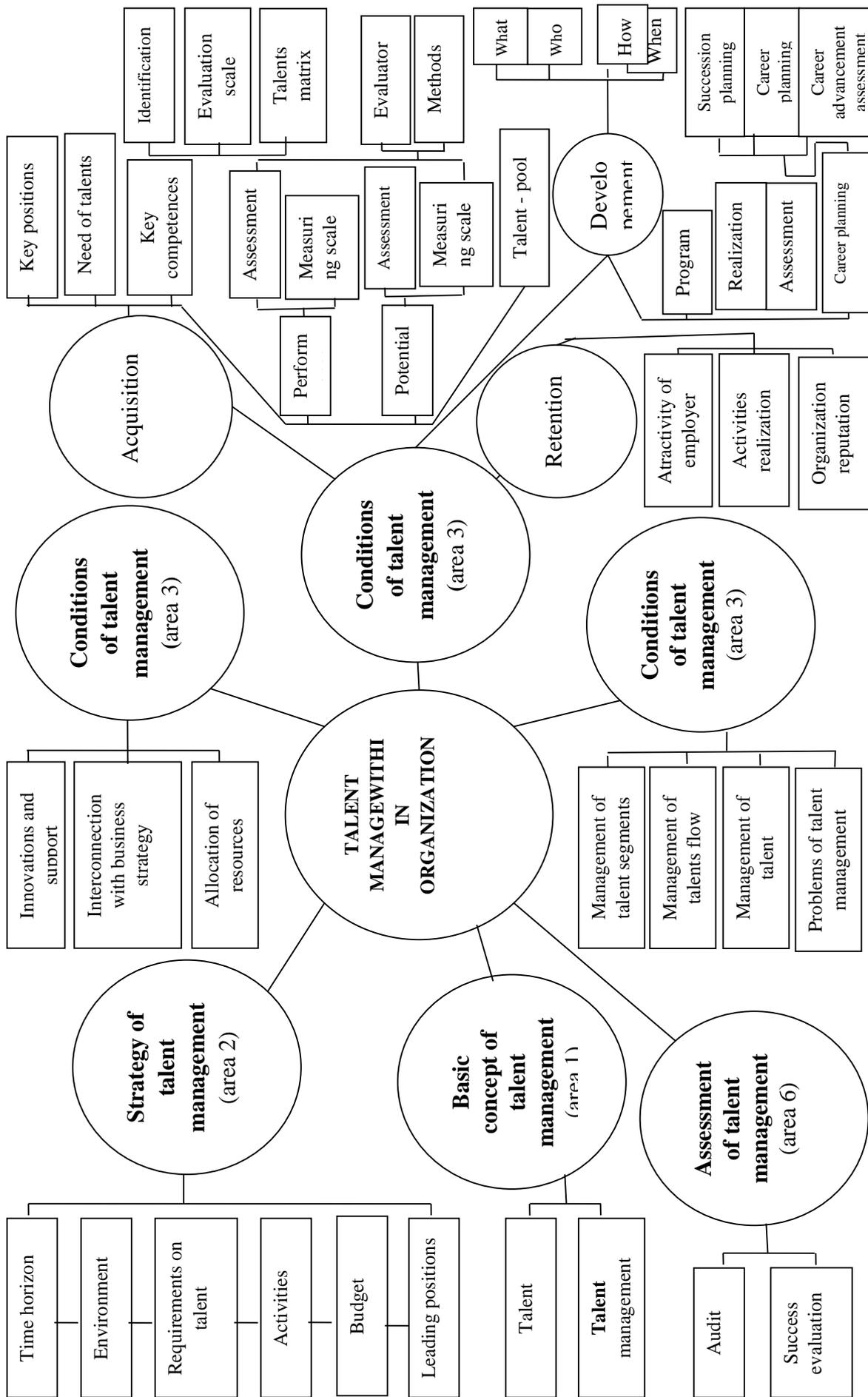
An example of thought map of talent management is graphically represented by the following scheme.

Thought map of talent management within organization allows see the talent management from all angles, know its structure and visualize not only individual areas and activities of this systematic approach, but also realization procedures and mutual interconnection of individual activities. Individual areas of talent management within organization are in logical sequence. It's the following areas:

1. Area – Basic concept of talent management,
2. Area – Strategy of talent management,
3. Area – Conditions of talent management,
4. Area – Processes of talent management,
5. Area – Management of talent management,
6. Area – Assessment of talent management.

Each area is split into activates, where individual activates of, for instance, areas of “basic concept of talent management“ are “talent“ and “talent management“. Just in one case, related to area of “processes of talent management“ is area split into sub-areas and further to activities. Similar methodology of application and use of talent management is based on a talent management thought map structure, where specific steps “copy” the logical sequence of areas and sub–areas of the approach as well as their related activities.

Figure 1: Talent within management organizations



4. Conclusion

To achieve its targets, organization needs to use of its resources, either material, technical or financial, maximally efficiently. The core and main area of organization operation are human resources. And one of possible instruments for efficient human resource management is system of talent management or system of talented employee's management. In this bachelor work, talent management is introduced as a system of recruitment, retain and development of talents. Within main benefits of this approach is quality identification and retention of talents within organization, what helps to meets strategic and economic targets.

Efficient work with talents is based on building a talent management strategy. Talent management strategy is aimed at creation of a pool of highly talented, competent, committed, and loyal individuals able to contribute to achieving current as well as future organization requirements—a talent–pool. The results of talent management are three groups of processes, i.e. acquisition, development, and retention of talents, while each of these processes involves many other activities. The organization has to identify key positions and to assess whether there are employees available who hold key competencies and who will be needed in the future depending on the business strategy. If the organization lacks sufficient existing resources it has to find the needed talents from in–house sources or from external sources. In the area of organization development, talents should be offered a chance to improve their strong points, individual overall performance, and facilitate advances in their careers. Inseparable parts of talent management are activities ensuring the retention and stabilization of talents in the organization. Complexness and interconnection of individual activities merge into though map of talent management. Thought map is the basis of methodology for the introduction and application of talent management for the organization in practice.

References

- BERGER, L. A., BERGER, D. R. (2003) Talent Management Handbook: Creating Organizational Excellence by Identifying, Developing & Promoting Your Best People. 1st ed. New York: McGraw- Hill, 450 s. ISBN 978-0071414340.
- CANNON, J. A., McGEE, R. (2007) Talent Management and Succession Planning. 1. sted. London: CIPD., 406 s. ISBN 978- 1843981732.
- DIAČIKOVÁ, A. (2013) CSR Application in the Real Corporate Practice. In: International Scientific Conference Marketing Identity, Faculty of Mass Media Communication University of Ss. Cyril and Methodius in Trnava, Smolenice, 4-5 November 2013. Conference Proceedings, 462 p. ISBN 978-80-8105-546-1. p. 383.
- DROPPA, M. (2008) Riadenie ľudských zdrojov 1. Ružomberok, Edičné stredisko pedagogickej fakulty. 2008, ISBN 978-80-8084-295-6.
- GOFFEE, R., GARETH, J. 9 ways to harness the special talents of clever people. [online]. [cit. 2009- 09- 01]. Dostupné na internete: <<http://www.managementtoday.co.uk/news/929304/9-ways-harness-special-talents-clever-people/>>
- HORNÍK, F. (2006) Rozvoj a vzdelávanie zamestnancov. 1.vyd. Praha: Garda Publishing, 128 s. ISBN 978-80-247-1457-8.
- HORVÁTHOVÁ, P. (2011) Talent management. 1 vyd. Praha: WoltersKluwer, 252 s. ISBN 978-80-7357-665-3.
- KOUBEK, J. (2007) Řízení lidských zdrojů. Základy moderní personalistiky. 4.rozš. a dopl. Vyd. Praha: Management Press, 399 s. ISBN 978-80-7261-168-3.
- SOJKA, L. [Analytický pohľad na problematiku manažmentu talentov a návrh integrovaného modelu manažmentu talentov](#). [online]. Dostupné na internete: <<http://www.fek.zcu.cz/tvp/doc/akt/tvp-2-2013-clanek-1.pdf>>
- THOMSON, R. (2007) Řízení lidí. Prel. J. Koubek. 3. Vyd. Praha: ASPI, a. s., 249 s. ISBN 978-80-7357-267-9.

Human Capital Theories from the Perspective of Education

Ildikó Petóné Csuka

Óbudai University, Keleti Faculty of Business and Management
1084 Budapest, Tavaszmező u. 15-17. C ép. 212.
Budapest, Hungary
e-mail: csukilka@gmail.com

Abstract

The knowledge based economy of our age calls for a workforce with special knowledge. The sources of acquiring knowledge, its intermediators are the educational institutions. The empirical researches of human capital theory have confirmed that education has a favourable effect on economic development since it increases ‘the value creating ability of human effort (work)’. The author tries to approach the human capital theories from the education point of view. In this work human capital theories are analysed through the human capital investments into the education. Theories/thoughts of world famous experts noted for their human capital theories are compared mainly on the basis of return on educational investment. The impact of human capital investments are different, leastwise these investments are approached from different point of view by the fathers of human capital theories. The author compares the disparate opinions, theories and draws the inference.

Keywords: education, human capital, human capital investment

JEL Classification: I2, O4, J3

1. Introduction

The knowledge based economy of our age calls for a workforce with special knowledge. The sources of acquiring knowledge, its intermediators are the educational institutions. The empirical researches of human capital theory have confirmed that education has a favourable effect on economic development since it increases ‘the value creating ability of human effort (work)’ (Schultz, 1983 – p. 59.). Therefore, the productivity of labour indicates people’s expertise, knowledge and skill. For this reason it is important to create a higher (education) system that can give actual answers to the current economic turndown, challenges of globalization while taking into consideration the national economy and the social environment to contribute to the economic growth of the country through its appropriately trained teachers, motivated tutors, students, assets and well-constructed strategies at the beginning of the 21st century.

I concentrate on university education and its major interested parties the students, their human capital investments. As a teacher working in university education I take an active part in the process of the creation of human capital so the choice of my subject was partly influenced by being affected from the human capital’s side on the one hand and as a teacher working in university education on the other hand. Through my experience as a teacher, I have gained experience of the higher education sector and its features. The topic of the scientific investigation is how the human capital investments are related to university education. I tried to approach this question mainly from the students’ point of view.

2. Human capital and human capital investments

Thematic and comparative analysis of the specialized literature helped me thoroughly understand the theoretical and economic history background of the notion of human capital. The analyses of the international specialized literature are based on the works of big classics like Smith, Machlup, Engel, etc. In international relations the works of Schultz and Becker are the most outstanding in the field of modern, great human capital theories.

Classic economists who promoted the development of human capital theory: Sir W. Petty (1623-1687) used first time the expression of human capital and determined first the value of human capital. A. Smith (1723-1790) put the human capital into the permanent assets. (Smith, 1992 – 322.o.) In his famous work (Book of the Wealth of Nations) he wrote about the key role of education in economic growth, he revealed that wages (at individual level) and domestic product (at the national level) are impressed by the qualification and knowledge.

T. R. Malthus (1766-1834) education promotes the social mobility and is a good depopulator. The source of growth is the education because the learned, educated people can be less misled. The expansion of education is a way of enlightening of people, therefore he urged implement of compulsory education because it could put a stop to child labor and could push later the point of wedding. F. List (1789-1846) writes that the nation must offer up and miss material goods to acquire mentalistic and social power, must offer up present advantages to provide future ones. (List, 1940).

According to J. H. Von Thünen (1783-1850) the higher educated nations have got more capital which returns in the higher productiveness of work (Von Thünen, 1875). The higher educated nations create more domestic product by expending material assets as many as lower educated ones. E. Engel (1821-1896) calculated first the economic value of people applying approach of production costs which are equal to upbringing costs. He supposed that upbringing costs increase by a constant amount per year, so he could calculate upbringing costs from birth until 27 years old, he thought that upbringing is finished until this age. W. Farr (1807-1883) applied first the approach of earnings: the value of a person is her/his future net earnings corrected by the cost-of-living.

The modern human capital theory derive from the neoclassic economists of the 1940th (Friedman) and improved notably in the 1960th during the work of Th. W. Schultz and G. S. Becker. The human capital theory supposes that the investment in education has got return. This supposition was analysed by fathers of human capital theories and found that the different types of investments has got different return rates according as male or female, acc. to region, ethnic and the level of education. F. Harbison and C. A. Myers (1966) conducted a correlation analysis on data of 75 countries to determine the resource-index numbers being bound up with which number of economic standard of living. According their research the improvement of economy and society are closely bound up with the accumulation and there are the following ways of improvement of human resources:

1. Education and upbringing of children and youth. (It is the most important way.)
2. On the job experimental learning
3. Self-learning and self-civilization
4. Improvement of hygiene and nutrition. (It effects indirectly on the knowledge and qualification.)

G. S. Becker dealt with the quantification of human capital investments and the efficiency of these investments. He analysed the return of secondary school and college in the United States. He researched the relationships among earning, return rate and the invested amount.

The most important person of the human capital theory is Th. W. Schultz who got Nobel-prize in 1979 for his work. In his paper he found that the increase in human capital is higher than the increase of not-human capital. According to estimates the domestic product are increasing with higher rate than the resources used to the production. If the increase in human abilities, competences can't keep step with the physical capital, it embarrasses the economic growth. He searched answer to the question: to what extent the human capital changes cause the increase of the output.

The human capital theory caused the advancement of economic wrapt by analysing human capital with the same method as in the case of physical capital, by improvement of analysis of

human economic role, by doing innovation in the analysis of the correlation between human capital and wages.

What can we regard as human capital investment? According to T. W. Schultz (1983) - the father of human capital theories - the human capital investment involves:

- educational costs after initial education
- research
- health expenses
- migration expenses.

Health and upbringing costs from birth until employment by an organization and all costs incurred for the sake of becoming employee can be considered as human capital investment. Human knowledge evolves as the result of a long, costly process, which is like an investment process. According to Schultz which is considered as consumption (or the most part of it) means rather human capital investment (Schultz, 1983). In his book Becker (1993- l.o.) determines human capital through human capital investments. Human capital investments are activities which increase the sources in human hereby effecting on the future monetary and psychical earnings. Machlup applied also an investment approach for determining of human capital: human capital is so human capital investment which is a resignation from present consumption to be able to consume more the future. He emphasizes that the improvement of human capital can't be separated from the human body, brain and spirit. (Machlup, in Schmidt – Kemenes, 1982)

Human capital consists of individual knowledge and experience, inborn and improved abilities also wealth emotion (or at worst lack of emotion) and partially of motivation (propose doing sg). (Laáb, 1999)¹⁹ Broad interpretation in terms of economic operators: “Nowadays employees are generally expected to be sufficiently trained professionally, creative, performing, adaptive, motivated, and they should show interest and flexibility as well. In a parallel way the expectations of employees change toward their workplace, for they consider development and promotional possibilities, continuous learning and training, and self-expression extremely as vitally important.” (Bianka Horváth, 2010), *The Role of HR in the Crisis – HR strategy of today is the success of tomorrow*, Kheops Conference, Mór, 2010. pp. 303.)

The longer life-time encourages human to invest more into the education and training in order to increase earnings. Also the productivity of work rises as a result of the better state of health and vital-force. The quantity of human capital investments depends on the future expectable earnings and consumptions. Further influential factor is the decision maker's mentality and willingness to take risks.

3. Data and Method

I carried out an empiric research regarding the background conditions of further economic studies of Bsc students. I analysed the students' consideration of whether to continue their studies in a higher education institution or to start working; as well as *the factors influencing the selection of different types of institutions*. In my experimental primary research I aimed to examine how much the students consider the expenses of their further studies and what they think about the return of their investments in education or *how far the economic relations of human capital theory influence their decisions*. I assumed that the students reckon that their *additional income* resulting from the continuation of their studies *would cover the expenses of human capital investments*: the sacrificed income and the expenses of their studies. The fundamental question of the research was to find out to what extent they do so.

¹⁹ Laáb mentions - beyond the knowledge, experience and abilities – also the range of emotions and internal motivation as important factors of human capital.

Through the empiric research of the students and lecturers' sides, I tried to find reliable and confirmed answers to numerous special questions like:

1. How strong factor is the human capital theory in the decision making process of the students concerning their participation in higher education?
 - the expenses of their studies
 - "lost income"
 - and the consideration of their future income's compensation
2. What do the students consider as the most important advantage of earning a college or university degree?

Table 1: Composition of the sample by institutions

Institutions of higher education	sample (number of students)
Budapest Business School (BGF) – public college	184
Kodolanyi Janos University College (KJF) – private college	269
Szechenyi Istvan University (SZE) – public university	197
Total:	650

Source: Author's editing

I analysed the human capital investment decisions of students taking part in basic economic trainings at different educational institutions.

Education plays one of the most emphatic roles in the formation of human capital. I explored from what respect and how far should education be considered as "consumption",- that is cost and investment. The return on education greatly depends on what portion of the costs spent on education we consider consumption and what portion we consider as investment. In countries with higher human capital the consumption of education is higher. In those countries, a higher percentage of the individuals extend their knowledge within the frameworks of organized education for their own pleasure to extend their fields of interest. Education is a quasi-public goods since its advantages include public goods and a private component as well. The individual rate of return exceeds the public rate of return to a great extent at the level of higher education. The individuals enjoy most of the advantages offered by higher education. Consequently education is far more a private than public goods. Beside its advantages enjoyed by private participants (and their families) its quasi-public goods feature is further strengthened by offering external (indivisible) advantages for every individual of the society or at least for its bigger groups. Since the increase of human capital reduces crime, the number of prisoners, the number of illnesses and the ratio of unemployment. Furthermore the increase of human capital raises the inclination to active participation in public life and raises the number of social, political relations.

I analysed how much the students consider the expenses of their further studies and what they think about the return of their investments in education as well as *how far the economic relations of human capital theory influence their decisions*. The continuation of studies means extra costs (tuition fee, books, travel expenses, etc.) for the individual as well, therefore they have to reduce their actual consumption in the hope of some extra income in the future. The individual has to examine whether the extra income would cover his or her expenses spent on human capital investments. The individual chooses the institution he or she would like to study and decides how long the academic specialization will take. The individuals generally have accurate information on incomes achievable with different occupations requiring different types of higher education. Based on the theory on human capital I suppose that their decisions regarding institution to choose and length of their studies, is an investment decision. In this

process they compare the expected expenditures with the expected incomes and they calculate return rates unconsciously. In my practical primer research I aimed to examine how far the students considered the expenses of their further studies and the profit of their investments into education, or in other words how far the economic relations of the human capital theory influenced their decisions.

4. Results

The BSc. students of economic studies *shared a similar opinion on the advantages of completing higher education studies* irrespective of the type of institution. *On the first two places, the students mentioned the improved income opportunities and the wider selection of job opportunities.* This latter one took the first place according to the opinion of college students while the students attending BSc. trainings at university found that the improved income opportunity was a more important advantage over the wider selection of job opportunities. In connection with the above, the BGF students expect far the most (70%) the improvement of their financial conditions after earning a degree, while the confidence in the significant improvement of financial conditions is half as big (35-35%) in case of the other two types of institutions. Generally, the students of the latter two types of institutions (KJF, SZE) also expect improvement of their conditions after earning a degree but to a less extent.

The findings of the investigation of the influence of human capital theory on the decisions of the students show similarities with the above statement. The students of the *public college thought most positively about the extent of the compensation effect of their future earnings*, and did not consider the sacrifice of their “lost income” so much, and they did not consider the expenses of their studies to the option of getting a job in the labour market without an academic degree. The importance of the human capital theory (tuition fee, education expenses) was considered to be bigger in the investment decisions on further studies in the other two types of institutions but the students at these two institutions attributed less importance to the expense compensation ability of their future earnings than the students at the public college. The researches of Czeglédi-Juhász (2013) also confirm the fact that the skills, the vocational training and the computer skills support the employment of entrants.

5. Conclusion

I revealed that the participation in tertiary education has to be considered as a serious human capital investment. The return of this investment is a serious expectation among the students, since generally, they are the major decision makers of undertaking tertiary studies, and the other members of the family have a strong influence on them. The students admitted the significant contribution of tertiary qualification to getting a job, improving career opportunities and financial perspectives. They have also expressed increased optimism towards the chosen professional field.

The students recognised that the employers use the qualifications as a means of screening (Spence, 1973), so they take into consideration this factor, when making a decision on their tertiary educations. This is also certified by their opinions formed on the usefulness of different types of tertiary institutions. It is not an irrelevant factor for them where to acquire their qualifications: in a public or private institution, university or college, this also attests the existence of the screening theory in the thinking of students. According to my opinion it would be worth to carry out further investigations in this field by extending the research to the employers applying the graduates, and examine, whether the employers use the qualifications earned at different types of institutions as an accented means to indicate skills. What prejudices and opinions they have concerning the qualifications earned at college-university and in public or private institutions, whether they use the qualifications as a means for screening, that indicates future work performance and most important attributes of the individual.

References

- Becker, G. S. (1993): *Human Capital, A Theoretical and Empirical Analysis with Special Reference to Education*, The University of Chicago Press.
- Czeglédi Csilla - Juhász Tímea (2013): Labour market nesting of entrants from the entrants' viewpoint Conference of Kaposvár 13.10.2013. Taylor VI. 3-4.szám No:16-17 pp. 91-97.
- Petőné Csuka Ildikó: Human Capital in the higher education 'Searching for the get-out from the crisis' V. KHEOPS Scientific Conference Mór, 19th of May 2010 Conference volume: KHEOPS Automobil-Research Institute, Mór, 2010. pp. 111-121.
- Csuka Ildikó – Somogyi Ferenc: Social and economic consequences of the uncontrolled innovation, Central Europe: Transfer and Dialog International Conference Austria, Fürstenfeld 30ies of September 2006. Published: Kodolányi János University of Applied Sciences, Székesfehérvár, 2009. p. 194-200.
- Friedman, M (1955): *The Role of Government in Education*. in: Szalai (2005)
- Harbison F. – Myers C. A. (1966): *Theories about human resources development*, Textbook Publisher Budapest.
- Horváth, B. (2010): *The Role of HR in the Crisis – HR strategy of today is the success of tomorrow*, Kheops Conference, Mór, 2010. pp. 303.)
- Laáb Ágnes (1994): *The Value of human capital* *Vezetéstudomány (Budapest Management Review)*, 12. sz. pp. 35-40.
- List F. (1940): *National system of political economy* Hungarian Economic Society, Budapest.
- Machlup, F. (1982): *Investment in human resources and productive knowledge* Published in: Schmidt Ádám – Kemenes Egon: *Changes, Exchanges and Crises Economic and Legal Publisher, Budapest*.
- Malthus T. R.(1902): *Essay on the Principle of Population* MTA, Budapest.
- Mincer Jacob – Polachek Solomon (1974): *Family Investments in Human Capital: Earnings of Women*. The Journal of Political Economy 82. évf. number 76.
- Mincer, J. (1974): *Schooling, Experience and Earnings*. National Bureau of Economic Research. Columbia University Press, New York.
- Schultz, T. W. (1961): *Investment in Human Capital*. The American Economic Review, Vol 51., number 1. pp. 1-17.
- Schultz, T. W. (1983): *Investment in Human Capital* Economic and Legal Publisher, Budapest.
- Smith, A. (1992): *The Wealth of Nations* Economic and Legal Publisher, Budapest.
- Spence (1973): *Job Market Signaling*. Quarterly Journal of Economics, Vol. 87. pp. 355-374.
- Stiglitz J. E. (1975): *The Theory of Screening, Education and the Distribution of Income*. American Economic Review, Vol. 65. pp. 283-300.
- Thünen von,H. (1875): *Costs of Education as Formation of Human Capital*. 1875. Published in: Bowman,M.J.(ed.): *Readings in the Economic Education*. UNESCO, Paris

Multidimensional Comparative Analysis of Human Capital of the EU Countries

Monika Jaworska¹, Danuta Bogocz²

University of Krakow
Department of Statistics and Econometrics
Krakow, Al. Mickiewicza 21
Poland^{1,2}
rbbogocz@cyf-kr.edu.pl

Abstract

The purpose of this article is to compare the level of human capital and intellectual resources of the European Union (EU) countries and the definition of the Polish position in the ranking. Based on selected statistical indicators characterizing the human capital and intellectual resources, synthetic measures were selected and EU countries were ordered from most to least developed. The analysis was carried out by the two selected methods of linear arrangement of objects – one based on Hellwig formula the other- constructed on the median formula. The results obtained in the form of ranking arrangement of the EU countries with respect to the level of human capital are convergent.

Key words: *human capital, Hellwig method, intellectual resources, median based method, ranking arrangement, synthetic measure*

JEL classification: *I2, O4, J3*

1. Introduction

Human capital resources and their impact on economic growth seem to be more and more popular among researchers for the last few decades. Parallel to the well-known concepts of human or intellectual capital new ideas came up for example such as “knowledge economy.” No unequivocal definition of human capital exists in literature. According to Leszek Balcerowicz (1999), it should be understood as the total intellectual potential of the participants of economic life as well as their experience and capabilities that give them or could be the source of economic benefits. In turn, Stanisław R. Domański refers to the concept of human capital as the resource of knowledge and capabilities, health, vital energy that is embedded in the society or nation as a whole. He writes: *Human capital is the source of capacity to work, service, satisfaction and wages. This resource is not given to a certain population once and forever because of its genetic features, but it can be augmented by the way of investment.* From this definition it follows that the quality of human capital is influenced by investments on education, scientific research and health care. The importance of human capital and investments directed on human being welfare was also noticed by Nobelists, for example G. Becker (1975) and T. W. Schulz (1980). Becker introduced the term of investment directed on human being welfare and proved the worthwhileness of the education of the unemployed (that is the level up capital quality). Schulz emphasised that the well-being of the nations depends on *capabilities achieved by people – their education, experience, skills and health.* He indicated that *Few countries - if any at all, started the path of quick sustainable growth without significant investments directed towards human being welfare.* He expressed the opinion that the decisive factor on the way of economic development is the active human being by the way of proper breeding, self-education, professional career experience, skills development and health care. At last, Thomas A. Stewart defines the intellectual capital as intellectual material that is formalised and forced to action in order to create the assets of higher value. Without the regard of the influence of intellectual capital on economic growth the development of many worldwide economies could not be explained. It also seems to be important – especially after the

enlargement of European Union countries – to compare the human and intellectual capital in the EU countries and distinguishing groups of its similar level.

2. Data and Methods

The research is dedicated to the EU countries that are treated as the objects characterized by chosen features describing the quality of human capital. Statistical data come from Central Statistical Office in Warsaw and Eurostat. The research was based on the taxonomic measure of development proposed by Z. Hellwig (1989) and the aggregate measure with the median, each of which – leaning on the synthetic measure - allow for linear arrangement of the countries under research with respect to the level of the phenomenon being investigated.

The first step in the research procedure based on the synthetic variable is the determination of the initial (potential) set of diagnostic features. The features are then verified both by substantial and formal criteria. From substantial point of view chosen variables should represent all of the aspects of human capital. On the other hand, statistical verification demands significant differentiation of the variables and low correlation level between each two of them. One should bear in mind that this stage of investigation, where the final set of variables describing the phenomena investigated is determined is of great importance because it has a decisive influence on final results of the investigation. (Nowak 1990)

In order to estimate the level of changeability of variables the following well known formula was applied:

$$V(X) = \frac{S(X)}{\bar{x}} \quad (1)$$

Where:

\bar{x} — the average of the feature X ,

$S(X)$ — standard deviation of the feature X

The variables for which the changeability coefficient took values below 0.1 were excluded from the initial set of diagnostic variables.

2.1 Construction of synthetic measure with the application of the Hellwig check-parcel method

In order to determine the synthetic variable that would allow for object evaluation variables must be normalized.

For the need of the analysis the variables were normalized by the way of standardization that is by the application of the following formula:

$$z_{ij} = \frac{x_{ij} - \bar{x}_j}{S_j}, \quad \begin{matrix} i = 1, 2, \dots, n \\ j = 1, 2, \dots, s \end{matrix} \quad (2)$$

Where:

$$\bar{x} = \frac{\sum_{i=1}^m x_{ij}}{m} \quad S_j = \sqrt{\frac{\sum_{i=1}^m (x_{ij} - \bar{x})^2}{m}} \quad (3)$$

As a result of the standardization of values of all features from the final set for all of the objects being investigated the two-dimensional matrix of normalized values of features was obtained. On this basis the abstract object P_0 , called development pattern of coordinates:

$$Z_{ij} = \begin{cases} \max Z_{ij}, & gdy \quad j \in S (j = 1, 2, \dots, n) \\ \min Z_{ij}, & gdy \quad j \in D \end{cases} \quad (4)$$

Where:

S – stimulant set,

D – destimulant set,

z_{ij} - normalized value of the variable j in the object i .

The distances between particular objects and the object P_0 denoted by C_{i0} , are computed according to the formula:

$$C_{i0} = \sqrt{\sum_{j=1}^n (z_{ij} - z_{0j})^2} \quad i = (1, 2, \dots, n) \quad (5)$$

then the development measure is computed:

$$d_i = 1 - \frac{C_{i0}}{C_0} \quad (6)$$

Where:

$$C_0 = \bar{C}_0 + 2S_0 \quad (7)$$

and

$$\bar{C}_0 = \frac{\sum_{i=1}^m C_{i0}}{m} \quad S_0 = \sqrt{\frac{\sum_{i=1}^m (C_{i0} - \bar{C}_0)^2}{m}} \quad (8)$$

Higher value of the development measure means that the object is closer to the pattern²⁰. Synthetic measures replace the description of the objects by the usage of many diagnostic variables described with the help of a single value. By this way it is possible to get the numerical description of complex phenomena that cannot be measured directly. (Berbeka, 2006, p. 4). On the basis of the synthetic measure computed linear arrangement of objects was obtained.

2.2 Construction of the synthetic measure with the application of the median based method

The aggregate measure seems to be useful in the context of regional research as the additional tool supporting standard measure. It may be very helpful within the field of regional research concerning development, especially in cases of high differentiation of the features chosen for description of this development. An advantage of this measure is the fact that it cumulates sensitivity for differentiation of variables in each region and at the same time it takes into account positional values of features in particular regions²¹.

Steps of the procedure based on the aggregate measure with the median are the following: the starting point is the observation matrix that is the values of features X_j ($j = 1, 2, \dots, m$) corresponding with particular objects O_i ($i = 1, 2, \dots, n$).

Normalization of values of variables is conducted according to the formulas:

$$z_{ij} = \frac{x_{ij}}{\max_i x_{ij}} \quad \text{for stimulants} \quad (9)$$

$$z_{ij} = \frac{\min_i x_{ij}}{x_{ij}} \quad \text{for destimulants} \quad (10)$$

Then median and standard deviation are computed for each object (country) described by normalized values of each feature. Median values are computed from the following formulas:

²⁰ Development pattern can be defined as an abstract object of standardized coordinates that are the optimum values of diagnostic variables.

²¹ Metody... (2006) s. 186 i 187

$$Me = \frac{1}{2} \left(x_{\left(\frac{m}{2}\right)_i} + x_{\left(\frac{m+1}{2}\right)_i} \right) \text{ when the observation number is even} \quad (11)$$

oraz

$$Me = x_{\left(\frac{m+1}{2}\right)_i} \text{ when the observation number is odd,} \quad (12)$$

where

$z_i(j)$ — order statistics j for the vector $(z_{i1}, z_{i2}, \dots, z_{im})$, $i = 1, 2, \dots, n$; $j = 1, 2, \dots, m$.

Standard deviation is derived from equation:

$$s_i = \sqrt{\frac{1}{m} \sum_{j=1}^m (z_{ij} - \bar{z})^2} \quad (13)$$

where \bar{z} is the average of the normalized values of features.

The last step of the computing procedure is to calculate the aggregate measure according to the formula:

$$w_i = Me_i(1 - s_i) \quad (14)$$

The value of the measure that is closer to unity corresponds with the higher level of development of the object. This measure prefers objects of higher value of the median of features and lower differentiation of variable values for this object.

The final stage of the research is the construction of linear arrangement of the objects.

3. Results and Discussion

The basis for the evaluation of human capital are chosen measures that are used and recommended for application by the OECD, the European Union and the ONZ. For the description of the phenomenon under investigation features from many dimensions were taken into account – quality of life, professional activity, education, health care. The final set of features accepted for the research was also due to the availability of the statistical data and the conditions that should be fulfilled by the variables for proper application of taxonomic procedures (significant differentiation and low correlation coefficient). Finally, for further analysis the following set of variables was assumed:

X_1 - Gross Domestic Product per capita, (S)

X_2 - percentage of population professionally active in total country population (S)

X_3 - population taking part in recurrent education in % of total population at the age of 25-64 years (S),

X_4 - unemployment rate (D),

X_5 - graduates of high schools per 1000 inhabitants (S),

X_6 - internet users per 1000 inhabitants (S),

X_7 - students per 1000 inhabitants (S),

X_8 - infant deaths per 1000 births (D),

X_9 - average number of years of further life at the birth time (S).

The S and D symbols denotes respectively stimulants and de-stimulants taken into account in the evaluation of the level of human capital.

Table 1. Characteristics of the indices of the level of human capital

<i>Statistical features</i>	<i>Maximum value</i>	<i>Minimum value</i>	<i>Average</i>	<i>Median</i>	<i>Variability coefficient</i>	<i>Asymmetry coefficient</i>
-----------------------------	----------------------	----------------------	----------------	---------------	--------------------------------	------------------------------

X_1	Luxembourg - 86899	Bulgaria - 13780	30826,57	29448,5	0,45	-0,064
X_2	Netherlands – 53,6	Croatia – 41,3	48,64	49,9	0,17	-0,380
X_3	Denmark – 32,8	Bulgaria – 1,2	9,60	7,0	0,80	0,496
X_4	Grece – 27,3	Austria – 4,9	11,21	10,1	0,48	0,035
X_5	United Kingdom- 674	Malta - 3	159,63	8,6	1,25	0,224
X_6	Sweden - 948	Romania – 497,6	751,86	746,7	0,17	-0,019
X_7	Lithuania - 594	Luxemburg – 66	430,54	429,5	0,25	0,121
X_8	Romania – 9,0	Slovenia – 1,6	3,96	3,5	0,40	0,234
X_9	Spain – 82,5	Lithuania – 74,1	79,21	80,7	0,15	-0,795

Source: Based on individual study

Linear arrangement of the EU countries according to the level of human capital

The table contains the values of synthetic measures for the EU countries obtained by the two methods described in the article.

Table 2: Values of the synthetic measures of the human capital level for the EU countries according to the chosen methods

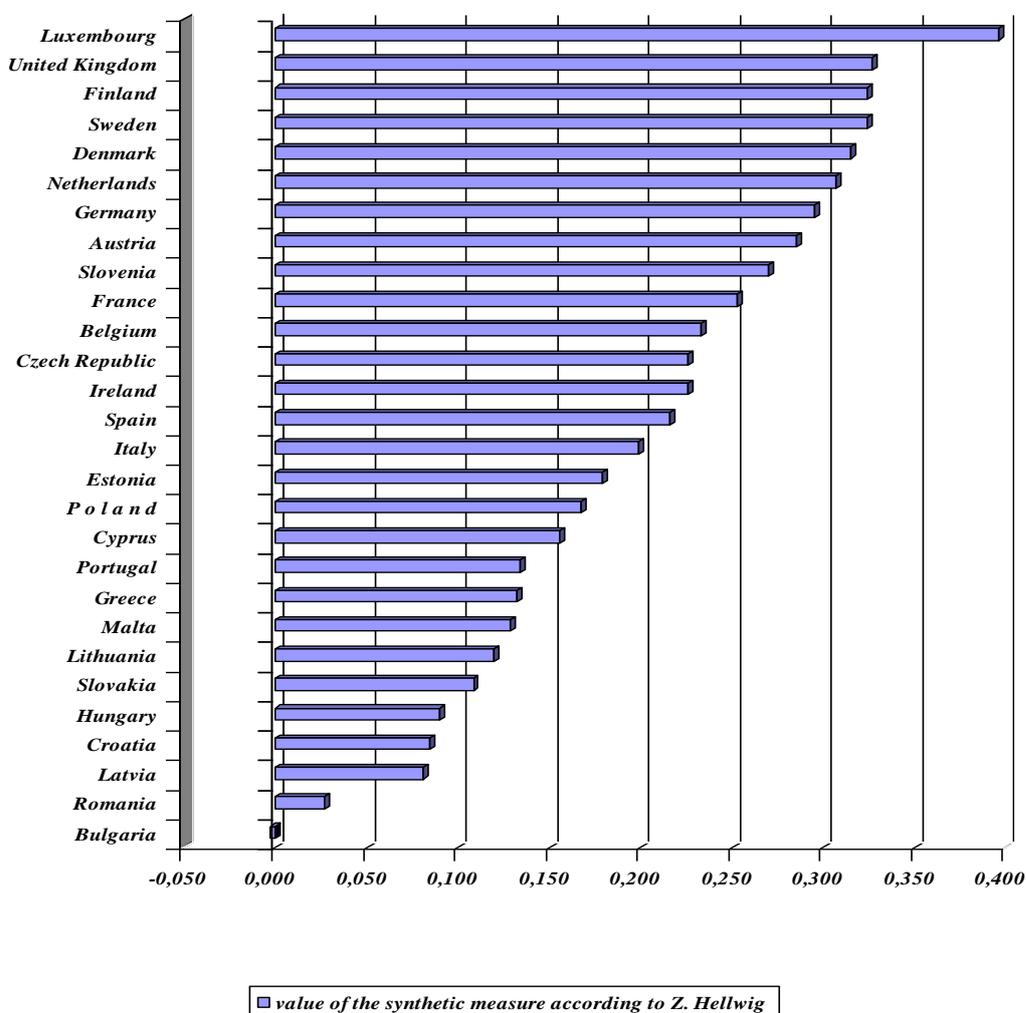
Countries	Synthetic measure obtained by			
	Hellwig method		Metod with the median	
	value	position	value	position
<i>Austria</i>	0,286	8	0,369	23
<i>Belgium</i>	0,233	11	0,369	24
<i>Bulgaria</i>	-0,003	28	0,205	28
<i>Croatia</i>	0,084	25	0,388	22
<i>Cyprus</i>	0,156	18	0,414	20
<i>Czech Republic</i>	0,226	12	0,639	1
<i>Denmark</i>	0,315	5	0,627	3
<i>Estonia</i>	0,179	16	0,521	9
<i>Finland</i>	0,324	3	0,565	7
<i>France</i>	0,253	10	0,462	12
<i>Greece</i>	0,132	20	0,457	13
<i>Spain</i>	0,216	14	0,454	14
<i>Netherlands</i>	0,307	6	0,628	2
<i>Ireland</i>	0,226	13	0,439	15
<i>Lithuania</i>	0,119	22	0,361	26
<i>Luxembourg</i>	0,396	1	0,472	11
<i>Latria</i>	0,081	26	0,364	25
<i>Malta</i>	0,128	21	0,425	18
<i>Germany</i>	0,296	7	0,523	8
<i>P o l a n d</i>	0,167	17	0,428	17
<i>Portugal</i>	0,134	19	0,418	19
<i>Romania</i>	0,027	27	0,399	21

<i>Slovakia</i>	0,108	23	0,305	27
<i>Slovenia</i>	0,270	9	0,612	4
<i>Sweden</i>	0,324	4	0,603	5
<i>Hungary</i>	0,090	24	0,432	16
<i>United Kingdom</i>	0,326	2	0,567	6
<i>Italy</i>	0,199	15	0,493	10

Source: Based on individual study

In the ranking of the EU countries with respect to the level of human capital obtained by the Hellwig method first positions were taken by Luxembourg, Great Britain and Finland while the last positions – Latria, Romania and Bulgaria. Poland took 17 position (Figure 1).

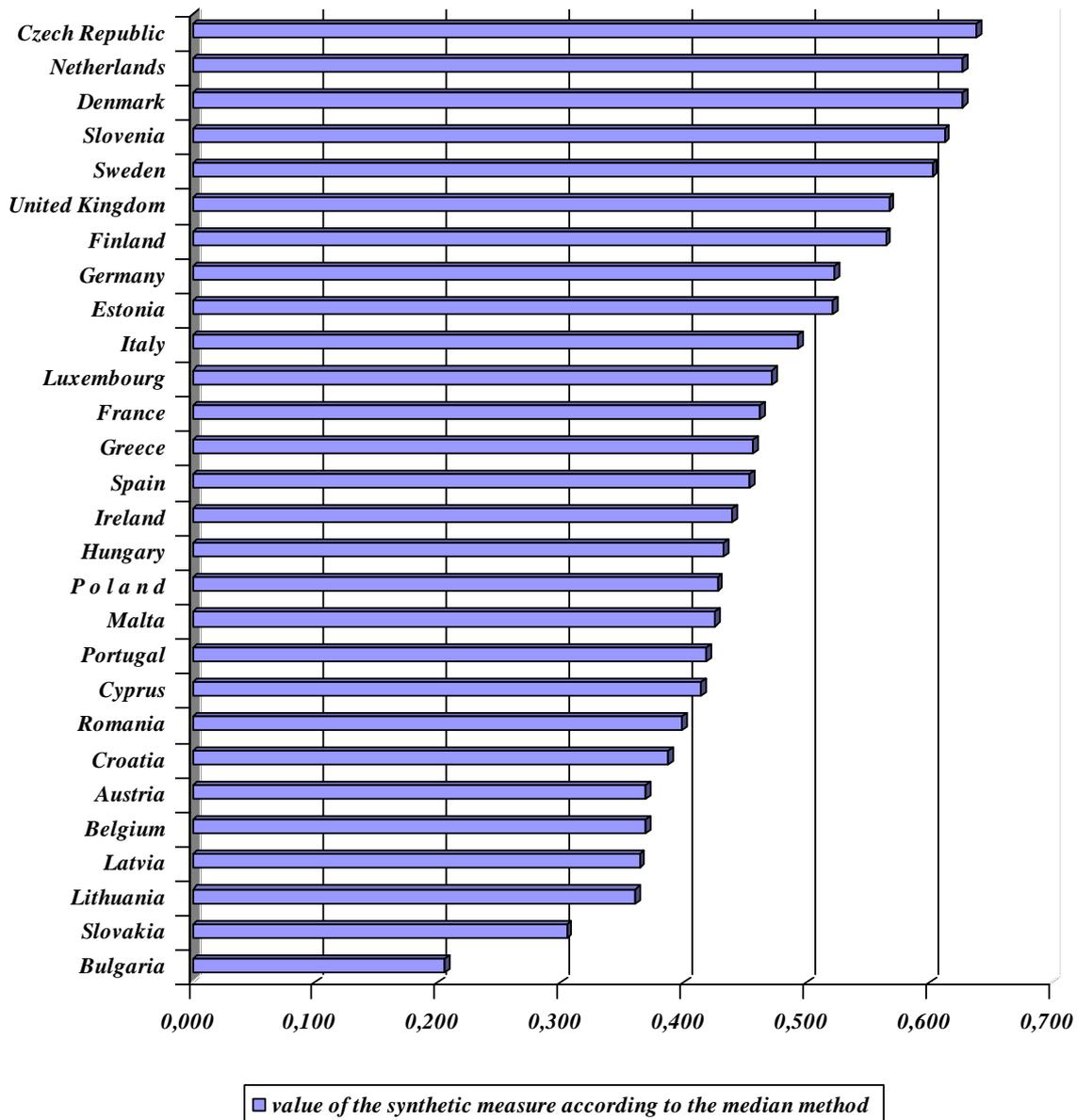
Figure 1: Ranking of the EU countries according to the level of human capital obtained by the Hellwigmethod



Source: Based on individual study

In the ranking obtained by the method with the median three first positions were taken by Czech Republic, Netherlands and Denmark while the last three – by Lithuania, Slovakia and Bulgaria. Similarly to the previous method, Poland took the 17th position (Figure 2).

Figure 2. Ranking of the EU countries according to the level of human capital obtained by the method with the median



Source: Based on individual study

The analysis of the results produced by the two methods one can notice that only in the case of the four countries (Bulgaria, Spain, Poland, Portugal) the positions corresponding with the two relevant synthetic measures are the same. The results for Latria, Germany and Sweden were different by one position. The most significant differences occurred in positions taken in the two rankings of the EU countries occurred in case of Austria (8th position in Hellwig method and 23rd position in the median method), Belgium (11 and 24 respectively), Czech (12 and 1 respectively) and Luxembourg (1 and 11 respectively).

In order to verify the conformance of the results obtained by the two methods of linear ordering Spearman rank correlation coefficient was calculated. The obtained value - $r_s = 0,732$ indicates high conformance of the results obtained by the two chosen methods.

4. Conclusions

The investigation carried out in the paper allows for the following remarks and conclusions:

1. Human capital and intellectual resources are the foundation for further sustainable development of societies, nations, regions and countries.
2. The basis for proper scientific study regarding some complex phenomenon is careful choice of diagnostic variables used for its description.
3. The choice of method has significant influence on research results, especially with respect to classification and ranking arrangement of objects.
4. The EU countries display differentiation with respect to the level of human capital.
5. The two ranking arrangements obtained in the research indicate high degree of convergence, although they differ in case of some countries.
6. Poland takes 17th position both in case of Hellwig method and median based method application.
7. Synthetic measures seem to be a precious tool in multivariate comparative analyses applied to human capital and intellectual resources evaluation.

References

- L. Balcerowicz. (1999). Państwo w przebudowie, Wydawnictwo Znak, Kraków .
- G. S. Becker. (1975). Human capital: A Theoretical and Empirical Analysis, with Special Reference to Education. 2d ed. New York: Columbia University for NBER.
- Berbeka J. (2006), Poziom życia ludności a wzrost gospodarczy w krajach Unii Europejskiej, Akademia Ekonomiczna, Krakow.
- Młodak A. (2006), Analiza taksonomiczna w statystyce regionalnej, Difin, Warszawa.
- T.W. Schultz, Investing in People. The Economics of Population Quality, 1981
- Zeliaś A. (1989). Metody taksonomii numerycznej w modelowaniu zjawisk społeczno-gospodarczych (red.), PWN, Warszawa.
- E. Nowak. (1990) Metody taksonomiczne w klasyfikacji obiektów społeczno-gospodarczych, PWE, Warszawa.

The Education in "Learning Organizations"

Markéta Adamová¹, Růžena Krninská²

¹University of South Bohemia in České Budějovice, Faculty of Economics, Department of Management, Studentská 13, 370 05 České Budějovice, Czech Republic,
e-mail: marketadamova@gmail.com

²University of South Bohemia in České Budějovice, Faculty of Economics, Department of Management, Studentská 13, 370 05 České Budějovice, Czech Republic,
e-mail: krninska@ef.jcu.cz

Abstract

In a global environment, enterprises have to deal with new problems and challenges, it begins to speak about the "New Economy" - the "knowledge economy". In the knowledge economy a product formation is related to the factor of education as an assumption of innovative approaches. Knowledge, which are needed to understand the amount of information, are the basic building block of the knowledge economy. The sharing of knowledge is an important factor for transformation of enterprises to an ideal of the knowledge economy - "learning organizations". In the new economy (the knowledge economy) it will be given emphasis: to the flexibility of the employees, it can say to their ability to accept global changes; then to the sustainability and thus the long-term investment; to the human capital development, co-operation and teamwork. It all relates to the field of education. Thus, the factor of education will be decisive for the transformation of enterprises into the knowledge economy. The aim of this paper is the analysis of education (in the context of the transformation of enterprises into "learning organizations") in small and medium-sized enterprises of the South Bohemian region. The research was conducted through the questionnaire: "Human Resource management of small and medium-sized enterprises". The paper is based on research project of the Grant Agency of the University of South Bohemia „Human Resource management of small and medium-sized enterprises“ [039/2013/S].

Keywords: education, knowledge economy, learning organization, small and medium-sized enterprises.

JEL Classification: M12, M53, M19

1. Introduction

End of the 20th century is associated with global flows of capital, goods, but also discontinuous changes and information that are classified in traditional production factors. In these conditions, it starts talking about "new" economy. According to Kislingerová (2011) in recent years there have been many adjectives, which are assigned to the term of economics. They probably emphasize changes, which have occurred. The term "new" economy is only one possible connection. In addition to the adjective "new" even more is used the phrase "knowledge economy". The knowledge economy has the ambition to indicate the status of social cooperation, where the formation of product depends on capital and labor, in addition to capital, labor and natural resources (technical progress) on other factors like education, which is often confused with innovation abilities in this context. The basic competitive advantage of economics (within the meaning of the national economy) is becoming "the innovation potential". That is the ability of the economic system continuously comes with such modifications of social cooperation that bring the product more marketable, than the product of other countries (enterprises, communities, regions).

Education is process whereby an individual acquires a set of knowledge and activities, which reshapes into knowledge, skills and habits by internal process - learning (Veteška, 2010).

According to Barták (2007) success in the market is conditioned by "intelligent manufacturing", which is linked with the development of knowledge, searching and finding innovative solutions,

thus creating "corporate intelligence". Motivated and energized employees (equipment necessary knowledge) are the most important resource of enterprises.

Knowledge, which are needed to understand the amount of information, are the basic building block of the knowledge economy. The sharing of knowledge is an important factor for transformation of enterprises into an ideal of the knowledge economy - "learning organization". According to Antalová and Rievajová (2010), the current period is a specific phase of the socio-economic development, consisting in the implementation of the knowledge economy. Where knowledge, skills and learning are becoming more important factor than it was in previous historical periods. The development requires to individuals, companies and even the entire national economy create conditions for learning.

1.1 Learning organization

Senge in Wilson (2005) defines a "learning organization" as an organization, where people continuously expand their capacity for creating the desired results; where they are supported new and expansive patterns of thinking and where a collective aspiration is set and people are continuously learning how to learn together.

Burgoyne & Boydell in Tichá (2005) summarized definitions and say that "learning organization" is an organization that promotes learning of all its members and which is gradually transformed through learning.

Characteristics of "learning organization" are: learning as part of corporate strategy, participative approach, informatics, formative accounting, internal exchange, flexible systems of remuneration, supporting structures, collecting information about the external environment, inter-organizational learning, atmosphere for learning, opportunity of personal development for everybody (Tichá, 2005).

2. Data and Methods

The aim of this paper is the analysis of education (in the context of the transformation of enterprises into "learning organization") in small and medium-sized enterprises of the South Bohemian region.

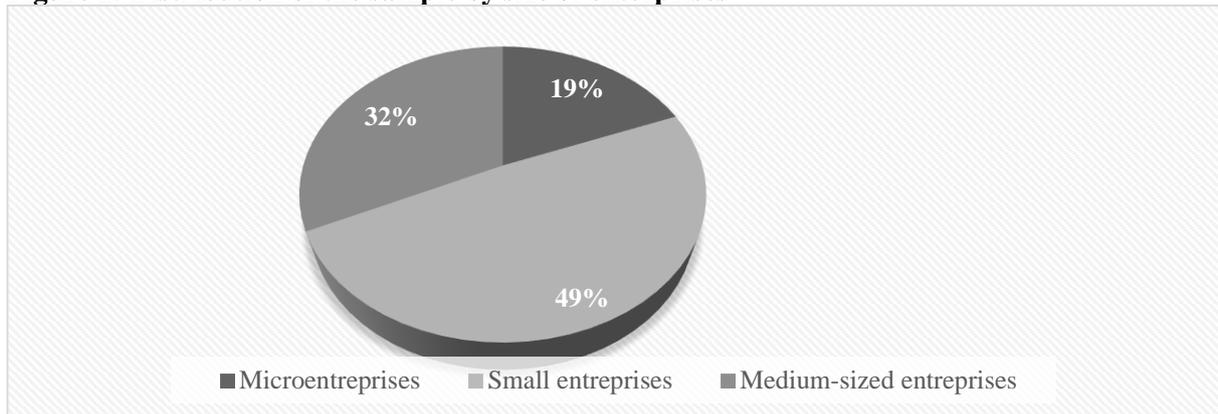
The paper is based on data acquired through questionnaires within the Grant Agency of University of South Bohemia in ČeskéBudějovice GAJU 039/2013/S „Human resources management in small and medium-sized enterprises“, which is focused on human resources management and its detailed aspects.

A structured questionnaire „Human resources management in small and medium-sized enterprises“ (hereinafter referred to as the questionnaire) was filled in both employees and managers of small and medium-sized enterprises in the South Bohemian region. The questionnaire included identification of the business, such as company name, identification number, sales area of products and services, participation in a chain store, foreign connections, outsourcing etc. It included questions on human resources management, for example whether a company creates a strategy in the field of management of human resources, whether it has a spokesman, and how many employees it has (including the number of managers or the number of women employed in the business). Enterprises also had to evaluate the process of human resource management compared to other processes (e.g. marketing, sales, production, quality control, etc.). In the questionnaire there were also questions about financial and non-financial benefits, internal and external communication, strengths and weaknesses and problematic areas of human resource management. In the paper there was evaluated **human resource management** according to importance and described the result of field **Development and education**, including the indicator - Number of trained employees.

The research sample included 1 075 enterprises selected on the basis of economic data traceability. Each of these companies (1 075) received a questionnaire in electronic format.

Of the 325 questionnaires returned, 23 were excluded because of incomplete answers. Enterprises were divided into microenterprises (0-9 employees), small enterprises (10-49 employees), medium-sized enterprises (50-249 employees). These categories of enterprise sizes defined by the number of employees were determined by Commission Regulation No. 800/2008. The distribution of companies in the survey sample (Figure 1) is as follows: 19% of microenterprises, 49% of small enterprises and 19% of medium-sized businesses. In the examined sample, the following sectors are represented: trade 20%, transport 6%, services 26%, construction 10%, manufacturing 30% and agriculture 8%.

Figure 1: Distribution of the sample by size of enterprises

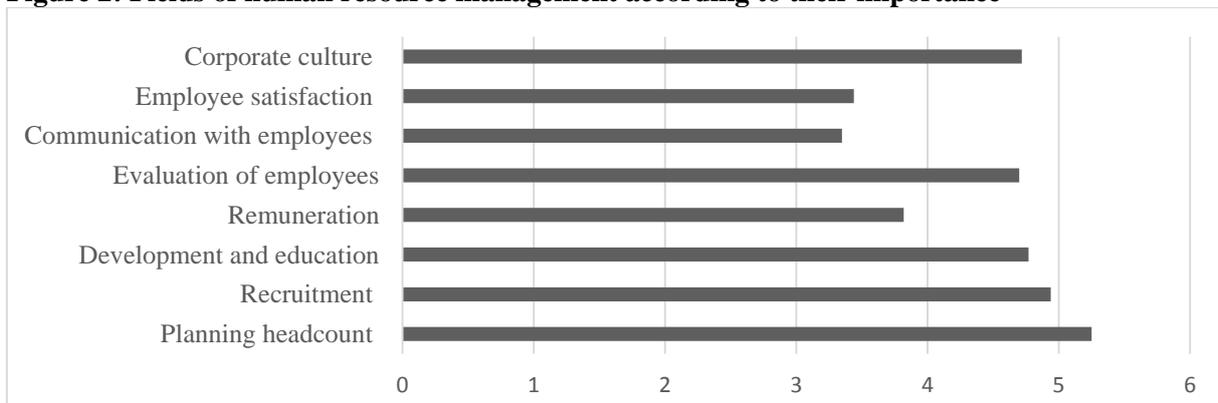


Source: elaborated by the authors

3. Results and Discussion

Corporate education is part of human resource management. Surveyed respondents were supposed to assess the importance of each field of human resource management. It was used to value from 1 to 8, where 1 denoted the most important field of human resource management and 8 the least important one. For the surveyed small and medium-sized enterprises key fields of human resource management are (Figure 2): as follows Communication with employees (3.35) was evaluated as the most important field of human resource management; then Employee satisfaction (3.44); Remuneration (3.82); Evaluation of employees (4.7); Corporate culture (4.72); Development and education (4.77); Recruitment and finally Planning headcount.

Figure 2: Fields of human resource management according to their importance



Source: elaborated by the authors

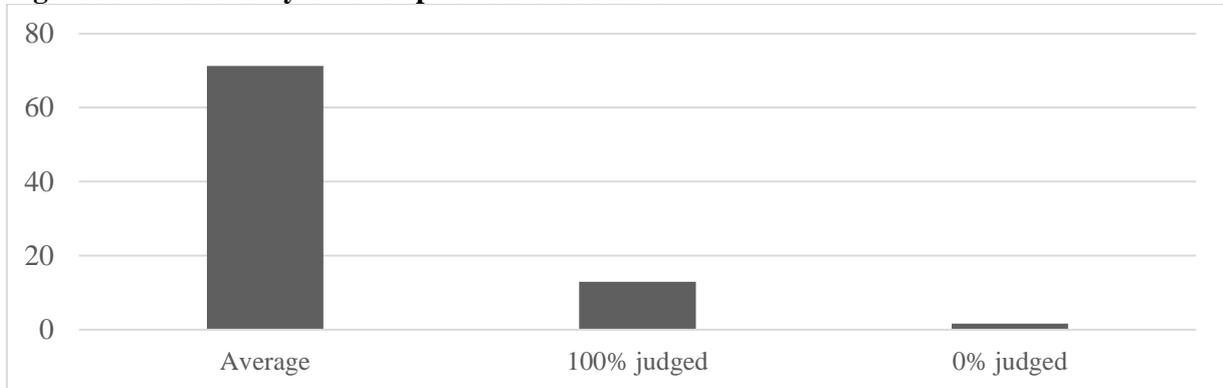
3.1 Development and education

10% of surveyed enterprises considered this field as the most important and 11% of surveyed enterprises as the least important. Respondents then evaluated the functionality of the

field, which takes values range from 0 to 100%, where 0 means a malfunction of field and 100% means correct functioning.

As can be seen from Figure 3 functionality of Development and education were assessed averaged 71.27%. 12.91% of respondents judged 100% the field, and 0% was chosen merely 1.66% of respondents. This fact is very positive, because it highlights the fact that the minimum of enterprises neglects this field.

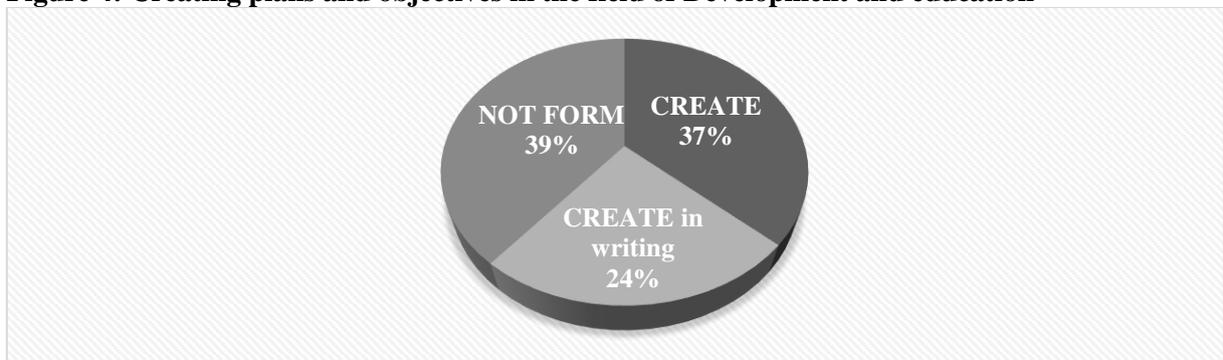
Figure 3: Functionality of Development and education



Source: elaborated by the authors

Education should not be random activities and entirely unplanned. In the field of Development and education plans are create 37% of surveyed enterprises, then 24% of surveyed companies in writing and 39% of respondents do not form plans and objectives.

Figure 4: Creating plans and objectives in the field of Development and education

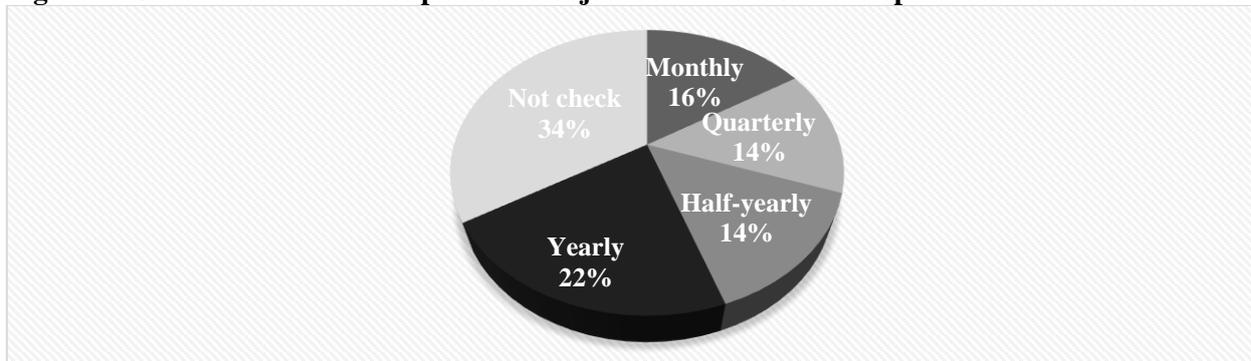


Source: elaborated by the authors

Check the fulfilment of plans and objectives (Figure 5) is carried out most often Yearly (22%); Monthly (16%), and with the same value Quarterly and Half-yearly (14%). Worryingly, 34%

of surveyed enterprises were not checked this field. It may be caused by the fact that 39% of surveyed companies do not form plans.

Figure 5: Check the fulfilment of plans and objectives in field of Development and education

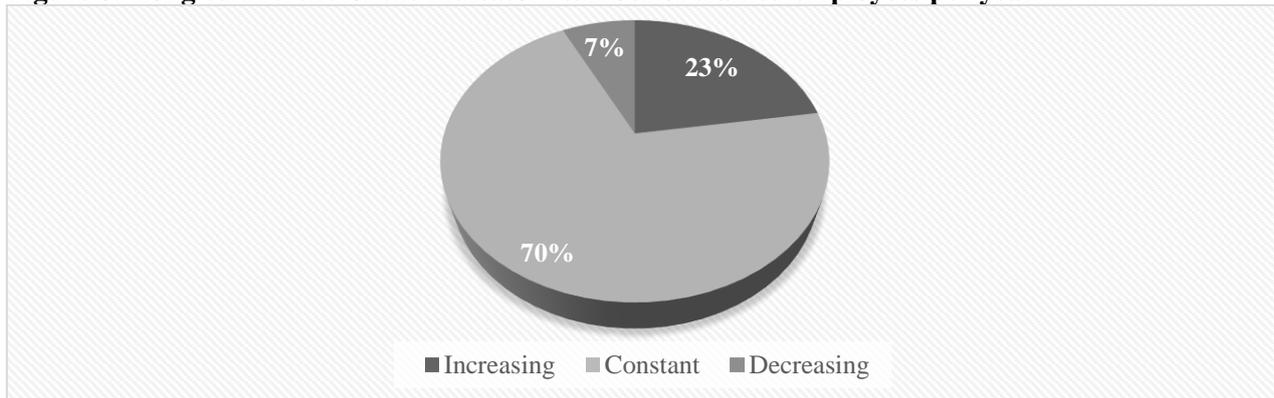


Source: elaborated by the authors

Number of trained employees

Indicator Number of trained employees (data refer to the year 2012) is monitored by 69% of surveyed companies. Average number of trained employees is 61.42 employees per year. This average is determined by a wide range of trained employees (0 – 3540). Important indicator is how the given indicator (Number of trained employees) behaves in the long term (Figure 6).

Figure 6: Long-term trend of the indicator Number of trained employees per year



Source: elaborated by the authors

As shown, the indicator has constant trend (70%) or increasing (23%). Only for 7% of enterprises the indicator has downward trend.

4. Conclusion

Human resource management is important for surveyed businesses of South Bohemian region. The most significant field is Communication with employees for enterprises. However, the other fields of human resource management (Employee satisfaction, Remuneration, etc.) are not insignificant for enterprises.

The paper is focused on Development and education. Functionality of this field was evaluated 71.26%. It can be concluded that respondents of the research are quite satisfied with the field. 61% of surveyed companies create plans of education and development of employees. Plans are not formed by 39% enterprises, it can be due to the size of enterprises (68% of companies are micro- or small enterprises).

Companies, which generate plans, most frequently check fulfilment of plans per year (22%) and monthly (16%).

69% of enterprises monitor the Number of trained employees that is 61.42 employees per year. This indicator has the constant trend (70%).

Acknowledgements

The paper is based on research project of the Grant Agency of the University of South Bohemia „*Human Resource management of small and medium-sized enterprises*“ [039/2013/S].

References

- Antalová, M., & Rievajová, E. (2010). Učiaci sa organizácia – výzva pre znalostnú ekonomiku. *Journal of Economics*. 58 (7). 742 – 760.
- Barták, J. (2007). *Vzdělávání ve firmě: nejnovější trendy a postupy*. Praha: Alfa Publishing,
- Kislingerová, E. (2011). *Nová ekonomika: Nové příležitosti?* Praha: C. H. Beck.
- Wilson, J. P. (2005). *Human resource development: Learning & Training for Individuals & Organizations*. Sterling, VA: Kogan Page Limited.
- Tichá, I. (2005). *Učíci se organizace*. Praha: Alfa Publishing.
- Veteška, J. (2010). *Kompetence ve vzdělávání dospělých: pedagogické, andragogické a sociální aspekty*. Praha: Univerzita Jana Amose Komenského.

Applying Pearson curves for description of the distribution of unemployment rates in the regions of Southern Poland

Elżbieta Badach¹ – Andrzej Krasnodębski²

University of Agriculture in Krakow^{1,2}

Department of Statistics and Econometrics¹, Institute of Enterprises and Management²

Al. Mickiewicza 21

Krakow, Poland

e-mail^{1,2}: rbadach@cyf-kr.edu.pl rrkrasno@cyf-kr.edu.pl

Abstract

Based on the observation of unemployment rates in the districts of Southern Poland in the period 2011 – 2014, parameter values characteristic for variable distribution were determined. Subsequently, each month during the studied period, an estimation of the density function of distribution in the form of one of the twelve types belonging to the Pearson family of distributions was conducted. A correspondence between the empirical and theoretical distribution was verified using the compatibility test λ Kolmogorov. For the sake of comparison an approximation of empirical distribution was also conducted using the gamma distribution.

Keywords: *distribution of probability variable, Pearson curves; the unemployment rate*

JEL Classification: *C12, C13, C14*

1. Introduction

Much attention is being paid in the economics to the problems of fitting theoretical distributions to observed variable values, such as e.g. the unemployment rate or incomes of the population. Theoretical distributions describing empirical distributions may be used in the modelling of economic phenomena, but also – which is usually related - in developing the forecast of these phenomena. Learning the density function of a given distribution (its analytical form and related parameters) also makes possible smoothing irregularities in the observed distribution, formed due to some tendencies which occurred at the data collection (Kordos, 1973). The density function fitting to the observed variable values may also contribute to detecting the mechanisms shaping the level of this variable. Due to a wide range of potential applications of the theoretical distribution, undertaking this kind of research seems justified.

Owing to developing computational techniques, theoretical distribution density fit to the observed values became relatively accessible and generally fast attainable. Usually, these techniques allow also to compare the results of estimation of density curves of different distribution types and choosing the one best meeting the researcher's expectations and fulfilling the most important criteria established during conducted investigations, however, it does not denote that it is regarded as the best one, because such generally does not exist (Goc, 2007). Usually it required that the estimated function could be derived from sufficiently feasible theoretical assumptions, would be relatively easy to use for further mathematical analysis, whereas the theoretical values obtained on the basis of this function would be possibly compliant with the ones obtained in the experiment (Ostasiewicz, 2012).

Presented paper aims at testing the usefulness of the Pearson curves to describe the changes in the development of the unemployment rate. The experimental data were the unemployment rate measurements conducted in 101 districts of the Southern Poland in 2011-2013

2. Methods

Starting from the differential equation of the form:

$$\frac{dp(x)}{dx} = -\frac{a+x}{c_0+c_1x+c_2x^2} p(x) \quad (1)$$

Karl Pearson obtained as a solution certain family of functions.

Values of the parameters a, c_0, c_1, c_2 condition the shape of curves from this family. These parameters may be expressed through the values of the first four moments of distribution. Pearson family of curves comprises twelve types, however the types I-VII are the most frequently used.

In order to match a curve of a distribution to an appropriate type, κ coefficient should be computed basing on the values of central moments of the 2nd, 3rd and 4th order (Stuart & Ord, 1994), i.e

$$\kappa = \frac{\beta_1(\beta_2+3)^2}{4(4\beta_2-3)(2\beta_2-3\beta_1-6)} \quad (2)$$

where $\beta_1 = \frac{\mu_3^2}{\mu_2^3}$ denotes the square of skewness coefficient

whereas $\beta_2 = \frac{\mu_4^2}{\mu_2^2}$ is the square of the kurtosis coefficient.

and $\mu_k = \sum_{i=1}^n (x_i - \bar{x})^k$ denotes the central moment of the k -th order.

The value of κ parameter determines the belonging to a determined type of distribution from the analysed family.

The basic types comprise:

- type I, when $\kappa < 0$,
- type IV, when $0 < \kappa < 1$,
- type VI, when $\kappa > 1$.

The following belong to transitional types:

- type II, when $\kappa = 0$,
- type III, when $\kappa = \pm\infty$ (in practice it is applied when $\kappa = 4$),
- type V, when $\kappa = 1$,
- type VI, when $\kappa = 0$.

If both trinomial roots a_1, a_2 are real numbers with different characters, we have a curve of type I. The density function is then described by the following formula:

$$f(x) = K(x-a_1)^{m_1}(a_2-x)^{m_2} \text{ for } x \in (a_1; a_2) \quad (3)$$

$$\text{whereas } m_1 = \frac{a+a_1}{c_2(a_2-a_1)} \quad m_2 = -\frac{a+a_2}{c_2(a_2-a_1)}. \quad (4)$$

In case when both exponentials are negative, the distribution is U-shaped, whereas if they are of different characters, the distribution becomes J-shaped. This type is a general beta distribution form.

Assuming that $a_1 = -a_2$, then equality $m_1 = m_2$ occurs for the exponential and this particular case is determined as type II Pearson distribution, it is a symmetrical distribution.

Its density function is expressed by the following formula:

$$f(x) = K(x^2 - a_1^2)^{\frac{-1}{2c_2}} \text{ for } x \in (-a_1; a_1). \quad (5)$$

A particular case of type II, when the exponential assumes value approximate to zero, is a rectangular distribution.

If $c_2 = 0$ (and at the same time $c_1 \neq 0$) we have type III distribution with the following density:

$$f(x) = K(c_0 + c_1x)^m e^{-\frac{x}{c_1}} \quad (6)$$

$$x > -\frac{c_0}{c_1} \text{ for } c_1 > 0 \text{ i } x < -\frac{c_0}{c_1} \text{ dla } c_1 < 0,$$

$$\text{whereas } m = \frac{1}{c_1} \left(\frac{c_0}{c_1} - a \right). \quad (7)$$

A particular case of this type are gamma distribution and χ^2 distribution.

Type IV of the distribution from the discussed family is obtained when the $c_0 + c_1x + c_2x^2$ trinomial has no real roots.

Then the density function is expressed by the following formula:

$$f(x) = K e^{\frac{(c_1 - 2ac_2) \operatorname{arctg} \frac{c_1 + 2c_2x}{4c_0c_2 - c_1^2}}{c_2 \sqrt{4c_0c_2 - c_1^2}}} (c_0 + x(c_1 + c_2x))^{-\frac{1}{2c_2}} \quad (8)$$

for $x \in (-\infty; +\infty)$

In case when the $c_0 + c_1x + c_2x^2$ trinomial has exactly one root, we obtain type V with the density expressed by the following formula:

$$f(x) = K e^{\frac{2ac_2 - c_1}{c_2(c_1 + 2c_2x)}} (c_1 + 2c_2x)^{-\frac{1}{c_2}} \quad x \in (-\infty; +\infty). \quad (9)$$

The inverse normal distribution is the special case of this type.

When function root values $y = c_0 + c_1x + c_2x^2$ are real and have the same characters, we deal with type VII of Pearson distribution.

It density is described by the following formula:

$$f(x) = K (x - a_1)^{m_1} (x - a_2)^{m_2}, \quad x > a_2 \text{ for } a_1 < a_2 < 0 \text{ and } x < a_1 \text{ for } a_2 > a_1 > 0. \quad (10)$$

Type VII is a particular case of the previous type VI, obtained in the situation when c_1 and a parameters assume zero values, while c_0 is positive.

Density function for this distribution is expressed by the following formula:

$$f(x) = K (c_0 + c_2x^2)^{-\frac{1}{2c_2}}, \text{ when } x \in (-\infty; +\infty). \quad (11)$$

A particular case of this type is Student distribution - popular and frequently used in papers.

For the approximation of the empirical distribution, the density function of the gamma distribution given in a formula will be also used (Stanisz 2007):

$$f(x) = \begin{cases} 0 & \text{for } x \leq 0 \\ \frac{\mu^\nu}{\Gamma(\nu)} x^{\nu-1} e^{-\mu x} & \text{for } x > 0 \end{cases} \quad (12)$$

where $\Gamma(\nu)$ -function gamma Euler

μ, ν - shape parameters.

3. Results and discussion

Measurements of the unemployment rate, conducted in monthly intervals in 101 districts of the Southern Poland grouped in the south-western, southern and partly in the south-eastern regions, were compiled. In order to identify the type of Pearson curve, appropriate for a given set of empirical variables, values of β_1 , β_2 and κ parameters were determined. Table 1 contains the results. Negative values of κ parameter in each of the discussed cases indicate curve of type I

as appropriate for the theoretical description of the unemployment rate in the investigated moments (months).

At the subsequent stage, Pearson curves of type I were approximated and parameters of each function were determined (Elderton & Jonson, 1969).

In order to test the goodness of fit between a theoretical and an empirical distribution, a goodness of fit hypothesis was verified using λ Kolmogorov test. . No case of discordance between the theoretical and empirical distribution was observed. The results have been shown in Table 2.

Basing on the same sets of empirical variables, approximants of theoretical gamma distribution describing changes in the level of the unemployment rate at each of the investigated moments, were determined.

Table 2 shows values of the test statistics used for verification of the goodness of fit between a gamma distribution and an empirical distribution.

Table 1: Values of parameters enabling allocation of Pearson curve type to an empirical distribution

Year	Month	β_1	β_1	κ	Pearson curve type
2011	Jan	0.105271	2.641969	-0.10728	I
	Feb	0.08601	2.632874	-0.09129	I
	Mar	0.075578	2.638216	-0.08368	I
	Apr	0.079789	2.614681	-0.08347	I
	May	0.103494	2.652983	-0.10813	I
	Jun	0.10079	2.603789	-0.09747	I
	Jul	0.104714	2.617675	-0.10251	I
	Aug	0.102628	2.565096	-0.09293	I
	Sept	0.117051	2.580096	-0.10451	I
	Oct	0.104425	2.547044	-0.09166	I
	Nov	0.115975	2.566869	-0.10183	I
	Dec	0.115244	2.585389	-0.10420	I
2012	Jan	0.080869	2.57262	-0.07848	I
	Feb	0.062792	2.552456	-0.06196	I
	Mar	0.054858	2.565326	-0.05658	I
	Apr	0.050917	2.556492	-0.05231	I
	May	0.05268	2.555274	-0.05373	I
	Jun	0.070126	2.589639	-0.07219	I
	Jul	0.069317	2.54929	-0.06684	I
	Aug	0.074907	2.591751	-0.07633	I
	Sept	0.066455	2.576262	-0.06755	I
	Oct	0.077426	2.542632	-0.07230	I
	Nov	0.077257	2.548817	-0.07287	I
	Dec	0.107902	2.628255	-0.10658	I
2013	Jan	0.084191	2.619843	-0.08775	I
	Feb	0.058979	2.632936	-0.06818	I
	Mar	0.057998	2.648915	-0.06952	I
	Apr	0.050222	2.699926	-0.06966	I
	May	0.048208	2.677804	-0.06386	I
	Jun	0.063601	2.705716	-0.08490	I

2014	Jul	0.070469	2.675211	-0.08558	I
	Aug	0.090041	2.671365	-0.10158	I
	Sept	0.103673	2.694432	-0.11718	I
	Oct	0.125681	2.712031	-0.13707	I
	Nov	0.126696	2.678931	-0.12951	I
	Dec	0.143606	2.763312	-0.16377	I
	Jan	0.123232	2.747779	-0.14571	I
	Feb	0.103973	2.708406	-0.12080	I
	Mar	0.108342	2.76365	-0.14003	I
	Apr	0.114259	2.778264	-0.14951	I
	May	0.132051	2.887438	-0.21542	I
	Jun	0.141246	2.817451	-0.18319	I
2014	Jul	0.133915	2.8272	-0.18308	I
	Aug	0.133316	2.791352	-0.16751	I
	Sept	0.148529	2.886326	-0.22374	I
	Oct	0.141974	2.823355	-0.18625	I
	Nov	0.152932	2.786295	-0.17734	I
	Dec	0.164254	2.77457	-0.17919	I

Source: own computations on the basis of CSO data (Główny Urząd Statystyczny, 2015)

Table 2: Results of testing goodness of fit of the unemployment rate empirical distributions with type I of Pearson distribution and gamma distribution

Year	Month	Gamma distribution	Type I of Pearson distribution
		λ_{emp}	λ_{emp}
2011	Jan	0,05292	0,047864
	Feb	0,04223	0,051389
	Mar	0,05131	0,046857
	Apr	0,05675	0,048569
	May	0,05376	0,053592
	Jun	0,04349	0,042272
	Jul	0,03592	0,043591
	Aug	0,03561	0,044045
	Sept	0,03742	0,047361
	Oct	0,04637	0,044224
	Nov	0,04872	0,040631
	Dec	0,05963	0,055037
2012	Jan	0,05265	0,053034
	Feb	0,04273	0,040617
	Mar	0,04772	0,041850
	Apr	0,06574	0,044866
	May	0,05955	0,052047
	Jun	0,04755	0,037496
	Jul	0,04354	0,034390
	Aug	0,04650	0,041444
	Sept	0,04998	0,050245
	Oct	0,06304	0,045054
	Nov	0,03963	0,048533

	Dec	0,04499	0,041940
2013	Jan	0,04553	0,048241
	Feb	0,04836	0,051827
	Mar	0,04595	0,048296
	Apr	0,04512	0,037202
	May	0,05323	0,040964
	Jun	0,05465	0,043045
	Jul	0,05816,	0,044346
	Aug	0,04958	0,052473
	Sept	0,04541	0,046197
	Oct	0,04123	0,048422
	Nov	0,05079	0,057158
	Dec	0,92496	0,052348
2014	Jan	0,03866	0,044113
	Feb	0,04836	0,047698
	Mar	0,03976	0,040287
	Apr	0,04176	0,033230
	May	0,04070	0,033493
	Jun	0,05465	0,039139
	Jul	0,04425	0,051723
	Aug	0,03744	0,039081
	Sept	0,03714	0,034832
	Oct	0,04823	0,038818
	Nov	0,05405	0,057158
	Dec	0,03674	0,042256

Source: own computations on the basis of CSO data (Główny Urząd Statystyczny , 2015).

4. Conclusion

On the basis of the conducted computations it may be stated that evaluations of λ - Kolmogorov empirical statistics for type I of Pearson distribution are lower than evaluation of gamma statistics in 60% of cases.

Therefore, this distribution seems more appropriate, better for the description of changes in the unemployment rate than gamma distribution. However, lower evaluation of λ - Kolmogorov statistics for Pearson distribution denote lower differences of maximum differences of density functions, thus the word “better” should be understood in this context.

Obtaining homogenous distributions for all months will allow to construct the distribution of forecasts. Therefore, the usefulness of Pearson curves for the description of changes in the unemployment rate has been confirmed.

References

- Elderton W.P. & Jonson N. L. (1969) *Systems of Frequency curves*. Cambridge
- Goc M. (2010) *Modelowanie rozkładów stopy bezrobocia za pomocą krzywych Pearsona*. Folia pomeranae universitatis technologiae stetinsensis Oeconomica 280 (59), 45–52
- Główny Urząd Statystyczny (2015) Retrieved April 6, 2015, Retrieved from <http://stat.gov.pl/bdl/app/>
- Kordos J. (1973) *Metody analizy i prognozowania rozkładów płac i dochodów ludności*. Warszawa, Państwowe Wydawnictwo Ekonomiczne.
- Ostasiewicz W. (2012). *Myślenie statystyczne*. Warszawa, Wolters Kluwer Polska Sp. z o.o.
- Stanisz A. (2007). *Przystępny kurs statystyki na przykładach z medycyny z zastosowaniem Statistica.pl*, Kraków, Statsoft
- Stuart A. & Ord K. (1994). *Kendall's advanced theory of statistics, vol. I. Distribution theory*. New York, Hodder

Arnold.

Labour-market Preparedness of Participants in Higher Education (based on empirical research)

Csilla Czeglédi ¹, Tímea Juhász ²

SzentIstvan University¹, freelancer²
Department of Management Science
PáterKárolyutca 1.
2100 Gödöllő, Hungary
e-mail^{1,2}: czegledi.csilla@gtk.szie.hu, juhasz.timi@hotmail.com

Abstract

The study presents some results of the questionnaire carried out with students in higher education who step into labour market as entrants. The paper basically examines how students see their labour-market preparedness, to what extent they think they can manage to meet their employers' expectations and what strengths and weaknesses they have. The research justified that in several cases the requirements of employers and the knowledge provided by the entrants are not compatible with each other; moreover the freshly graduates mainly lack the knowledge, that employers want and expect.

Key words: *Entrants, labour-market preparedness, employees, knowledge, experience*

JEL Classification: J24, M54,

1. Introduction

Employing entrants has become a rather highlighted issue nowadays as the active labour-market participation of this social group raises several questions and tasks both from the side of employers and from the side of employees. Last year a very extensive research was initiated in order to get to know –from the labour-market participants' point of view- whether there is existing or latent, positive or negative prejudice against entrants from the side of employers and employees. The research was carried out both by qualitative and quantitative methods.

The present study shows some results of the questionnaire carried out with students in higher education who step into labour market as entrants. This paper basically focuses on how students see their labour-market preparedness and to what extent they consider their employees' expectations relevant or irrelevant towards themselves on entering labour-market.

2. Introduction in the light of professional literature

Education has become one of the largest sub-categories of modern societies in the previous century. At present its role is fulfilled not only by handing over culture, knowledge and values, but it also contributes to the development of economy and to the creation of social integration to a great extent (Csehné & Hajós, 2014). Due to the expansion of educational system, the selection was shifted to labour-market (Tóth I. Gy., 2009). Therefore, it is not true anymore that if one gets his diploma, he will surely find job on the labour-market. As a consequence of mass-education, more and more people with higher education enter labour-market and these results in bigger competition. However, this competition is not the only, which encumbers the situation of the entrants; it is the speed of economic life, which also affects the prosperity of them. Thus labour-market is influenced by the rapidly changing, diverse environment. 'The organizational structure has started to flatten and moving the structure prompts us to take new actions – says Peter Fröhlich, the managing director of P & Bert group. Furthermore, different skills are required from the individuals.' (Sebők O., 2002, 28.p.) That is to say, in a flatter organization, completely different ways of carrier are waiting for the youngsters.

At the same time, the results of previous researches justify that the changing expectations lead to insecurity, depreciation and injustice (Grajczjár et al, 2011). Neither the entrants, nor the higher educational organizations know what they should expect, how they should prepare their students. The distortion of information, which at present is due to time factor and to the inflexible operation of the institutions (it does not rank the attitude of the institution, but it refers to the disadvantage of being controlled) causes that higher educational institutions can react to the expectations of labour-market only with time lag. Therefore, the first step of carrier, the first year in work really becomes more emphasized.

The European Centre for the Development of Vocational Training (Cedefop) has been preparing middle-term prognosis regarding European labour-market since 2008. It phrases estimations and suggestions concerning skills necessary for prosperity on labour-market and concerning the expected tendencies of labour-force supply. Their study, the 'Skills supply and demand in Europe' /Methodological framework/- which was published in 2012 frames that educational and training systems should create new skills, with the help of which the employee will be able to meet the requirements of his new workplace. This is also supported by the 'New skills' (NSN) net cooperation established in 2009, within the framework of which practicing professionals and decision-makers debate their experiences.

One important conclusion of the researches of DPR-system (Diplomás Pályakövetési Rendszer= Carrier Monitoring of Graduates) is that professional practice and the ability to shift theoretical knowledge to practice is an indispensable condition of labour-market success.

The up-to-date European study, titled 'Bridging the gap between business and education' shows that the managers of the companies in competition sphere miss the so-called 'soft-skills' from the entrants, which cover good communication skills, team-work skills, self-confidence and creativity. These skills are necessary for everyday life; they can be developed, but their presence or lack originates from the personality of the entrant. Therefore, the role of education has to be emphasized again, which is too theoretical and does not put enough attention on teaching and developing soft skills. This would also require the modification of educational methods, forms, which would take us too far, but it can be the reason why education and labour-market do not approach each other.

The essential conditions of a more successful entrance for the youngsters to the labour-market are: access to trainings, orientation in professions and carriers, recognition of the market and self-recognition. Educational systems have to create the base, which will make it possible for the citizens of a nation to become competitive and successful on the labour-market (Czeglédi, 2012).

The state has essential role in choosing the trainings in higher educational institutions. The role of administration regulating the capacity of labour-market is of high importance in setting the tendencies. The educational policies of the government and more precisely the regulations, which form higher education (Stepchange in higher education, 2014) have direct effect on increasing qualification and on forming placement chances (significantly in case of graduates). In addition, career masters and career consultants can also contribute with their professional work to improve entrants' preparedness.

3. Methodology of the research

Although the research consisted of a qualitative and a quantitative part, the present study demonstrates the quantitative research and summarizes the results of the qualitative research very briefly.

The qualitative research consisted of in-depth interviews, where 19 full-time students were basically asked about career, family-planning ideas and the role of higher education in these plans. The results of the research are the following:

Not more than half of the participants thought that one diploma is an essential condition for a successful employment on the labour-market and now employers also take account of the educational institution where the employee received his diploma. At the same time there were respondents who stated that the diploma is not a secure guarantee for getting employment; their confidence is supported by the fact that Hungary lacks skilled specialists (e.g.: electrician, painter, shop assistant, cook, etc.). However respondents emphasized that they lack professional experience as higher educational institutions do not or just partly provide opportunities for gaining that. Even though, their theoretical knowledge is rather strong, the lack of practice sets back their chances for employment. The questioned youngsters do not necessarily imagine their future job on the Hungarian labour-market.

Based on the results of the qualitative research, the quantitative research pointed out some thought-provoking connections.

The questionnaire basically consisted of closed questions and the respondents had to answer only 3 open questions. The questions were mainly built on nominal and metric scales, and the evaluation of the results happened with one-and more-variable statistical methods, thus among others cross-table analysis, F-test and t-test. The snowball method was used in the sampling and although the survey cannot be considered representative, it is able to provide information about the opinion of the entrants. The respondents voluntarily and anonymously participated in the research.

4. Results and Discussion

159 students took part in the survey of 2013-2014, but 2 filled questionnaires could not be evaluated, thus 157 pieces is the number of the samples. There were 118 females and 39 males in the test.

As regards regional division, the majority (43.3%) of the samples were from Central-Hungary, while the least samples (2.5%) came from Southern-Hungary. With regard to the highest qualification of the respondents, 79% had high school graduation, 15.3% had diplomas and the others had lower than secondary school degree.

Questions were asked about why students study in the given institutions. The respondents explained their decision mostly (in 31.2%) with the fact that they are interested in the given discipline, but quite a lot of students (14%) said that they can get good salary and it is rather easy (12.2%) to find job in that field. The research examined whether there are significant differences to be found between female and male respondents with regard to the given motivating factors. The analysis showed that there was only one question, where the view of females and males was rather different. The statement was the following: ‘According to my knowledge, I can get good salary in this field’. It was chosen by 29.7% of the female respondents, and by 48.7% of the male respondents (Pearson’s Chi-square test: 4.718 df: 1 sign.: .030 $p < 0.05$) as motivation factors.

The participants of the research reported also about the factors, which influenced their higher educational studies. The students had to evaluate the enumerated possibilities, whether they had positive, negative or neutral effects on their decision. The evaluation of the factors is summarized in the following table:

Table 1: Impacts on school education (%)

Factors	Positive	Negative	Neutral
Family	85.4	1.9	12.7
Distance from school	35.0	16.6	48.4
Tuition fee	10.2	34.4	55.4
Private lessons	21.7	12.1	66.2

Class mates/Group mates	65.5	4.5	29.9
Transport between residence and school	47.1	21	31.8
Traineeship	41.4	8.9	49.7
Professional relations	44.6	7.0	48.4
Previous studies	51.0	5.7	43.3
Job opportunities nearby	29.3	15.9	54.8
Educational and training opportunities	45.2	8.3	46.5

Source: Own figure

Based on the data of the table it can be stated that basically emotional and social relations, such as family, class-mates and group-mates had positive impacts on the study of students. Tuition fee and the transport facilities between school and home had the most significant negative impact. It was interesting to see that the majority of students reported that private lessons had no special impact on the success of their studies.

The research wanted to know whether the opinion of female respondents varied from the opinion of the males with regard to the given impacts, but the results show that there is no significant difference between the opinions of the two sexes. The research also wanted to reveal which are the skills that students will be able to use the most in their future career. The students trusted their communication skills, their steadiness, their loadability and their team-work spirit the most, which means that they viewed themselves as future employees who are flexible and able to fit in easily. At the same time they considered their low level of professional experience and knowledge as disadvantage, independent of the fact that they are freshly graduates.

The students reported that they need improvement mainly in acquiring professional practice (18.7%) and language skills (18.7%) in order to get the job, while quite a lot of respondents mentioned the importance of emotional support, the improvement of self-confidence (9.6%), and the participation at job-interviews (8.9%).

During the process of finding job, some valued their CV as advantageous (10.9%), their age (10%), and their willingness to travel (10%). They viewed themselves as flexible and able to develop, which may positively discriminate them from the other job-seekers. The results of the research show that women and men asked for nearly the same type of help in order to get the job. The only difference that can be observed between the two sexes is in the field of labour law knowledge, where women were more informed (83.9% of women; while this ratio was 66.7% in case of men). (Pearson's Chi-square test: 5,363 df: 1 sign.: .021 $p < 0.05$).

The questioned students would like to find job with the help of their acquaintances (45.9%), with the help of internet (30.6%) or head-hunting companies (7%). Only a small percent of students thought that they would find job on the labour-market with the help of their schools (1.9%), or with job-centres (2.5%). Nearly 90.4% of the participants of the research would like to get to know more about the employer or the employing company before sending the CV and application to them.

On their own admission, the majority of students are familiar with the legal aspect of employment. Thus 53.5% of the respondents was familiar with the legal regulations, 59.2% knew everything about state insurance, while 43.3% was aware of information regarding retirement. During their studies, students mainly acquired labour law knowledge (53.5%), and received less knowledge in the field of state insurance (35.7%) and retirement (28.7%).

The students were asked how will the fact that they are entrants influence certain workplace and career factors. They had to give their answers on a 5-grade Likert-scale, where the total rejection was marked by 1 and total influence was marked by 5. The following table shows results with regard to some factors:

Table 1: Affectedness of workplace and career –factors of entrants

Factors	Position	Tasks to fulfil	Salary	Bonuses besides salary	Training opportunity	Career opportunity
Answers	%	%	%	%	%	%
Not at all	1.3	1.9	1.3	1.3	3.2	7.0
Partly no	2.5	3.8	1.3	5.1	14.6	8.9
Yes and no at the same time	12.1	17.2	10.8	17.8	27.4	22.9
Partly yes	27.4	36.9	33.1	40.8	31.2	40.1
Absolutely yes	56.7	40.1	53.5	35.0	23.6	21.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Own table

It can clearly be seen from the results that students are convinced that if they are entrants, it will mainly determine what tasks they will be given, what position they will have and how much salary they will receive at their workplaces. The independent two-sample t-test showed that there is no significant difference in case of any factors in this question between the two sexes. Although it was quite interesting when the research asked the students about the factors they considered important in choosing a workplace, the top 3 factors were: salary, professional career and good workplace environment, which means that the most important factors (such as salary) is highly determined whether you are an entrant or not. It is a fact that the salary of Hungarian entrants –based on Hungarian statistics (KSH) - shows rather strong spreading. Based on the latest summary of the fizetesek.hu site operated by Workania job-site, the three most underpaid fields in case of entrants are education-training-research, tourism-catering and medical and social service. At the same time the questioned students in the present study stated that entrants can be motivated by salary (16.9%), career (10.9%) and by challenging work (10.6%) the most, while working in an acknowledged workplace was the least important for them (7.8%). Challenging work was more important for men (71.8%) than for women (49.2%) (Pearson's Chi-square test: 6.066 df: 1 sign.: .014 p<0.05) while in case of the other factors no significant difference could be observed between the opinion of men and women. 90.4% of the students thought that companies should employ entrants. 93.2% of the female respondents, while 82.1% of the male respondents said that. Some of their answers are summarized in the following table:

Table 2: Why should companies employ entrants?

‘Entrants should also get the chance and they will represent a new wave in the company with their more up-to-date knowledge.’
‘Loyalty towards employers can be developed more easily in entrants.’
‘Younger employees are more loadable and more flexible than the elder ones.’
‘An entrant can bring juvenile drive and new way of thinking into the organization.’
‘Entrants can be employed for much lower salary.’

Source: Own table

It was surprising that 40.8% of the respondents thought that companies may have drawbacks if they employ entrants. 38.1% of the female and 48.7% of the male respondents shared that idea. The following table shows some of their statements for explaining their decision:

Table 3: Can it be a drawback for the company if they employ entrants?

‘It is not advantageous because of parenthood and because of lack of experience.’
‘Entrants are rather insecure as they do not have enough experience. Consequently they keep asking questions.’
‘If it is about a field, where there is great responsibility, it really matters how experienced the employee is.’
‘It takes a lot of time until entrants are trained how to do their tasks.’
‘Entrants are not as confident in their work as those who are already experts.’

Source: Own table

It can clearly be seen from the explanations that students consider the fact ‘being inexperienced’ the most disadvantageous in case of entrants. They also view the costs of training and responsibility as drawbacks.

5. Conclusion

The study showed some partial results of a research dealing with entrants, which basically wanted to get to know the workplace expectations and employment possibilities of this social group.

It can clearly be seen from the results of the research that the situation of entrants on labour-market is not easy at all. Their chances are largely made difficult by the fact that they mainly lack knowledge, which act as requirements from the side of employers. The continuous competency-and knowledge development is not empty words now, but rather strong expectations of labour-market.

One competition-factor of the youngsters is that they can renew better, quicker and in a more flexible way. In the concept of LLL (lifelong learning), entrants will have the chance to refresh their skills, their knowledge in their later period of life; thus they will be able to adapt to the changes of the labour-market more. As it was already mentioned in the article, one acquired diploma does not necessary mean a secure workplace or subsistence on the labour-market.

One result of the research is the statement that companies should employ entrants because they can get innovative employees with up-to-date knowledge. These entrants can be body-tailored to the profile of the company, and also they are cheap workforce as well.

It is obvious that a question may arise regarding to what extent employers are influenced in their decisions about employing entrants by the facts regarding shortcomings of students, such as workplace experience and passive language knowledge. The so-called under-evaluating tendency and the influence of in-school experiences may play a role in this, where students consider the marks received in schools as starting-points in the process of evaluating themselves. Moreover, the career-maturity has changed due to prolonging the time in education. A more aligned cooperation of education and practice would be required in order to have entrants who are more career-mature and have competencies appropriate for the present market demands.

References

- Czeglédi, Cs. (2012).The relation between and the most important tendencies of degree and labour-market situation in Visegrád countries /Az iskolai végzettség és a munkaerő-piaci helyzet összefüggései és legfontosabb tendenciái a Visegrádi országokban./*A Virtuális Intézet Közép-Európa Kutatására Közleményei*, 2:(8) pp. 140-148.
- Csehné, P. I.- Hajós L. (2014). Education and working life in Hungary.*Acta Technica Corviniensis – Bulletin of Engineering*, 2: pp. 105-110.
- Young employees - Facts and data. The employment of youngsters /Fiatal munkavállalók – Tények és adatok A fiatalok foglalkoztatása/ (2013).Retrieved from: <https://osha.europa.eu/hu/publications/factsheets/69>

- Freid, M. (szerk.) (2012). Hungary /Magyarország, 2011. Central Statistical Office /*Központi Statisztikai Hivatal*. /Retrieved from: www.ksh.hu/docs/hun/xftp/idoszaki/mo/mo2011.pdf
- Grajczár, I., Tóth, F. E. & Ádám, Zs. (2011). Neofordismus brevi manu. *Közélet*, 2011/2, 24.p.
- Sebők, O. (2002). Classic career is already in the past /A klasszikus karrier a múlté/. Az új gazdaságban a sokoldalú emberek lesznek sikeresek. *Piac & Profit*, 6. évf. 6. sz. / 2002 pp.28-31. Retrieved from: <http://www.piacprofit.hu/egyeb-cikkek/a-klasszikus-karrier-a-multe/>
- Tóth, I. Gy. (2009). The development of social-economical background of education in Hungary in the 90s/Az oktatástársadalmi-gazdaságkörnyezetének alakulása a kilencvenes évek Magyarországon/Retrieved from: <http://www.ofi.hu/tudastar/magyar-kozoktatas-2001/oktatas-tarsadalmi>
- Várhalmi, Z. (2012). Graduate entrants in competitive sector /Diplomaspályakezdők a versenyszektorban/ – 2011. *MKIK GVI*. Budapest. Retrieved from: http://www.gvi.hu/data/papers/diploma_2011_osszefoglalo_120130_.pdf
- <http://www.fizetesek.hu/>
- http://www.ksh.hu/docs/hun/xftp/idoszaki/pdf/ifjusag_munkaero_piac.pdf

Human Resource Management with Influences of the Knowledge Economy

Růžena Krninská¹, Markéta Adamová²

^{1,2}University of South Bohemia in České Budějovice, Faculty of Economics, Department of Management, Studentská 13, 370 05 České Budějovice, Czech Republic,

¹e-mail: krninska@ef.jcu.cz

²e-mail: marketadamova@gmail.com

Abstract

The forthcoming transformation materialistically based paradigm, which is growing into post-materialist paradigm, is associated with new approaches in economics and management. The focus on human resources, the development of their potential and thus the human and subsequently intellectual capital, which is related to the care of knowledge, is decisive. The new approach to the human resource management is linked to the entry into the knowledge economy. The most effective using the knowledge in an enterprise is associated with desirable dimensions of the corporate culture. The aim of the paper is found between the cultural dimensions of G. Hofstede those, which are assumptions of the entry into the knowledge economy. The result is an accentuation of cultural dimensions that are required for the most effective using the knowledge in an enterprise and for the development of human capital. Among the desirable dimensions of corporate culture the small power distance supporting the transfer of knowledge and coherence between subordinates and superiors includes. Collectivism, which is related to synergies in leading teams as well as the using of tacit knowledge. Femininity with an atmosphere of trust, allowing the development of human potential and care about quality of life and the environment conducive to corporate social responsibility. And the acceptance of changes arising from discontinuous flows of the globalization. And the long-term orientation, which is associated with investment in human capital.

Keywords: corporate culture, cultural dimensions, human and intellectual capital, knowledge economy.

JEL Classification: M14, M12, M10

1. Introduction

There is a gradual transformation materialistically based paradigm, called the positivist-scientific paradigm, which has reached to the tops of "industrial" world from the economic point of view. It is beginning to take shape a paradigm of new post-materialistic or "post-industrial" world. The paradigm is associated with new approaches in economics and management. The basis for the economy probably will not be founded on only land, money and resources, but it will give an importance to intellectual capital (Holátová & Krninská, 2012). Armstrong (2010) indicates that in the process of globalization, the importance of human potential and the development of "human capital" is increasing. The development and use of full human potential with its knowledge and skills emphasizes the creative way much needed for the solution of discontinuous changes, which the globalizing world of the third millennium presents.

Gibson (2007) states that the world is entering a "new economy" – "the knowledge economy" – associated with the use of human and intellectual capital, which emphasizes the ability to put knowledge into a new context, together with understanding and skills as the driving forces of changes, innovation and competitiveness. According to Kislingerová (2011) in recent years there have been many adjectives, which are assigned to the term of economics. They probably emphasize changes, which have occurred. The term "new" economy is only one possible connection. In addition to the adjective "new" even more is used the phrase "knowledge economy". The knowledge economy has the ambition to indicate the status of social cooperation, where the formation of product depends on capital and labor, in addition to capital,

labour and natural resources (technical progress) on other factors like education, which is often confused with innovation abilities in this context. The basic competitive advantage of economics (within the meaning of the national economy) is becoming "the innovation potential". That is the ability of the economic system continuously comes with such modifications of social cooperation that bring the product more marketable, than the product of other countries (enterprises, communities, regions).

Antalová & Rievajová (2010) assume that the current period is a specific phase of the socio-economic development, consisting in the implementation of the knowledge economy. Where knowledge, skills and learning are becoming more important factor than it was in previous historical periods.

A new approach to human resource management is linked with the entry into the knowledge economy and that is necessary to ensure the most effective transfer and application of knowledge. To do this is necessary to ensure desirable cultural dimensions of organizational culture leading to the knowledge-based economy.

Corporate culture and its management in today's society is becoming a global trend, which helps maintain the competitiveness not only in the local market, but in the global environment. Desirable corporate culture is a crucial factor in the successful development of the enterprise and, according to Krninská (2002a). Corporate culture will be a primary element of modern management for the future knowledge society, contributing to control and motivating employees to the process of self-knowledge, self-development and self-realization. By this developmental stage the individuals spontaneously enter into the process of lifelong learning (both professional and personal), developing their creative skills necessary for the knowledge economy. The corporate culture is a model of basic and crucial ideas that were found or created, exposed and developed, within which it was possible to cope with problems of external adaptation and internal integration and which proved that they are seen as generally valid (Bedrnová & Nový, 2007).

According to Hofstede & Hofstede (2005) we perceive values as a general trend to differ some facts from other states, and thus it is possible to define the heart of the culture. Values are associated with feelings that have a specific direction, a positive or negative aspect, and indicate what surrounds a human in the categories of "good or bad, true or false, beautiful or ugly, rational or irrational,..."; they provide the possibility of orientation in the world by the fact that the social reality is structured in terms of importance and corresponding hierarchy. Cultural dimensions according to Hofstede (1999), Hofstede & Hofstede (2005), based on similar contradictions, will be described in detail in this study.

For an easier understanding of the different indexes and cultural dimensions that are included in these indexes, the authors present a simple overview, taking the bold dimensions, which are, according to the authors, desirable for corporate culture in the knowledge economy.

Table 1: Overview of the indexes of contrasting cultural dimensions with relevant values

Name of index	Value of dimension	
	Lower than 50	Higher than 50
Power distance (PDI)	Small distance	Big distance
Individualism vs. Collectivism (IDV)	Collectivism	Individualism
Masculinity vs. Femininity (MAS)	Femininity	Masculinity
Uncertainty avoidance (UAI)	Acceptance of risk	Uncertainty avoidance
Long-term vs. Short-term orientation (LOT)	Short-term orientation	Long-term orientation

Resource: Krninská & Duspivová (2013, p. 143)

Power distance (PDI)

1. With large power distances (the value of the index is close to 100), superiors and subordinates consider one another as existentially unequal. It is felt that the hierarchy of power is based on this existential inequality. Enterprises centralize power as much as possible and in the smallest number of hands (Hofstede & Hofstede, 2006).

In a situation of small power distance (index value = 0), the subordinates and superiors are viewed as existentially equal. The hierarchical system just means inequality of created roles, because it is necessary. These roles may change, so the person who was a subordinate yesterday may be the boss tomorrow (Hofstede & Hofstede, 2005).

The small power distance is desirable cultural dimensions on the way towards the knowledge economy. It can express a cohesion between subordinates and superiors, and enables the development of the human capital in the direction of the process of self-realization. It generally allows contributing ideas to the development of the company and working with an innovative potential of the company to all employees. It also supports the transfer of information and it is a prerequisite for their better utilization. (Krninská, 2014).

Individualism versus Collectivism (IDV)

2. The employees in individualistic society (the index value for strong individualism = 100) are assumed that they are acting in accordance with their own interest, and that the work should be organized so that their interest and the interest of the employer match.

In collectivist culture (value of index IDV = 0) the employer never accepts only the individual, but a person belonging to a certain group of "we." The employee shall act in accordance with the interests of this group, and they may not always agree with his (her) individual interests: self-denial is normally expected in this society (Hofstede & Hofstede, 2006).

Collectivism is the desirable cultural dimensions of corporate culture in the knowledge economy, which is opening the way to cooperation and teamwork. Since the individual is encouraged to give their unique individual abilities for the benefit of the society (Krninská & Duspivová, 2014). The teamwork opens new ways to working together not only with explicit but especially with tacit knowledge and therefore with the development of human potential in a new way and the possibility of innovative approaches. (Krninská, 2014).

Masculinity versus Femininity (MAS)

Enterprises in masculine societies (the value of index MAS = 100) emphasize results and try to reward fairly, i.e., to each employee according to his or her results. Organizations in feminine societies prefer to reward people on the basis of equality, i.e., to each person according to his or her needs (Hofstede & Hofstede, 2006). In a masculine society men are socialized in the direction of assertiveness, ambition and competition. When they grow up, it is expected that they will seek to advance a career. Women in a masculine society are divided into those who want a career, and the majority who do not want this (Hofstede & Hofstede, 2005).

In a feminine society (value of index MAS = 0) gender roles overlap and from both men and women are expected moderation, solidarity, concern and care for the quality of environment and of life generally (Nový, 1996).

Femininity is the desirable cultural dimensions of organizational culture for knowledge economy, opening the care of mutual interpersonal relationships guaranteeing an openness and trust as a precondition for self-knowledge and self-development processes. It is therefore an essential precondition for the development of the human capital. An atmosphere of openness and trust are the strongest factors that ensure continuity and transfer of knowledge. And thus they have influence on the performance of the organization. Caring for the quality of the environment is

also associated with a responsible attitude towards the concept of corporate social responsibility. (Krninská, 2014).

Uncertainty avoidance (UAI)

In an environment in which people avoid uncertainty (value of index UAI = 100) there are a number of formal laws and informal conventions that determine the rights and obligations of employers and employees (Hofstede & Hofstede, 2006).

Having small uncertainty avoidance (value of index UAI = 0), the enterprises are more likely to cope with the opposite of that, the horror of the formal rules. The rules are implemented only in cases of absolute necessity. Small fear of the uncertain, acceptance of changes and risk is a desirable state of the knowledge economy, as it allows for easier dealing with the discontinuous changes of global society (Nový, 1996).

The small uncertainty avoidance, change management and risk are a desirable state of the cultural dimension of the knowledge economy, allowing easier dealing with discontinuous changes in a global society (Krninská, 2014).

Long-term versus Short-term orientation (LTO)

In the short-term orientation (LTO = 0), if exaggerated, the personal peace and stability can discourage from initiative, risk-taking and willingness to change, which rapidly changing market conditions require upon the businessman (Hofstede & Hofstede, 2006).

In an environment with a long-term orientation the family and the work are not separated. The values of the LTO pole (LTO = 100) support business activity. Endurance and reliability in monitoring any targets are significant advantages (Hofstede & Hofstede, 2006).

Considering short-term orientation (LTO = 0), extreme personal peace and stability can discourage from initiative, exploration risk and willingness to change, which requires from the entrepreneur to rapidly change market conditions (Hofstede & Hofstede, 2005).

Long-term orientation is the desirable cultural dimension of corporate culture for the knowledge economy, fulfilling the principles of sustainability (replacement of immediate profit by optimal profit) and related with objectives and long-term perspective of business, which is based primarily on invest to the human capital development and its potential (Krninská, 2014).

2. Data and Methods

The aim of this paper is the application of the new method based on the cultural dimensions of G. Hofstede for finding out the state of transformation of enterprises into the knowledge economy and finding between the cultural dimensions of G. Hofstede those, which are assumptions of the entry into the knowledge economy.

The paper is based on data acquired through questionnaires within the Grant Agency of University of South Bohemia in České Budějovice GAJU 039/2013 / S „Human resources management in small and medium-sized enterprises“, which is focused on human resources management and its detailed aspects, including corporate culture. And also from data, which was gained from cooperation with students and their thesis, which include questionnaire VSM 94 (Hofstede, 1994).

A structured questionnaire „Human resources management in small and medium-sized enterprises“ (hereinafter referred to as the questionnaire) was filled in both employees and managers of small and medium-sized enterprises. The questionnaire included identification of the business, such as company name, identification number, sales area of products and services, participation in a chain store, foreign connections, outsourcing etc. It included questions on human resources management, for example whether a company creates a strategy in the field of management of human resources (including the number of managers or the number of women employed in the business). Enterprises also had to evaluate the process of human

resource management compared to other processes. In the questionnaire there were also questions about cultural dimensions of the corporate culture. In these matters, it was checked how important for managers are building the corporate culture, comments of ordinary employees concerning management and business operations, employee relationships based on trust and openness, and employee satisfaction.

The structured VSM 94 questionnaire (hereinafter referred to as VSM 94) was filled both with executives and employees of the same small and medium-sized enterprises. VSM 94 was evaluated according to the methodology for data processing of VSM 94 (Hofstede, 1994). According to this methodology, individual indices of the dimensions take values from 0 to 100, but it is not an exception that it takes lower or higher values. Individual indices imply two contradictory cultural dimensions; the first one is achieved when the results range from 0 to 50 and the second dimension is achieved when the results range from 50 to 100, see Table 1. According to the authors the middle values (about 50) are in a grey zone, also called the transition zone, where it is not clear which dimension the company adheres to. For this reason, the intervals of evaluation are distributed as follows: $(-\infty, 40)$ for the first cultural dimension, $(41, 60)$ for the so-called grey or transition zone and $(61, \infty)$ for the second, opposite cultural dimension. The above mentioned questionnaires were completed in 105 small and medium-sized enterprises of the South Bohemian Region.

Next, the managers had to choose one of the two words that would express their conception of corporate culture. These terms have been selected according to the opposing cultural dimensions of G. Hofstede (Hofstede, 1994).

The entire sample of businesses was composed of 32% of micro-enterprises (enterprises with 1-9 employees), 40% of small businesses (businesses with 10-49 employees) and 28% of medium-sized enterprises (enterprises with 50-249 employees). (These categories of enterprise sizes defined by the number of employees were determined by Commission Regulation No. 800/2008).

3. Results and Discussion

As can be seen from Table 2, for the majority of enterprises the questions concerning corporate culture are significant. Building a corporate culture is the most important and very important for 55% of corporations, while a little important and unimportant for 11% of corporations. 61% of companies consider the comments of ordinary employees relating to management and company operation to be the most important and very important, suggesting a small power distance. 89% of executives of surveyed small and medium-sized enterprises find relationships between employees based on trust and openness important, which suggests a tendency to the desired cultural dimension of femininity, while it is considered a little important or not important only by 2% of them. The same number of companies considers employee satisfaction to be important as in the previous issue.

Table 2: Percentage distribution of SMEs in assigning importance

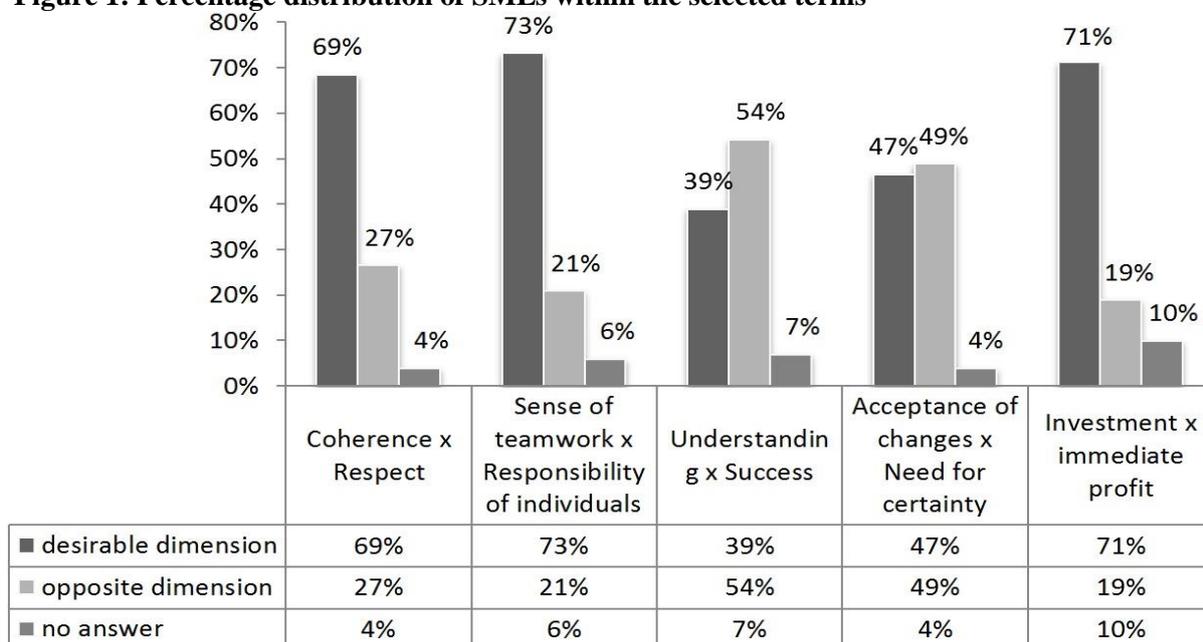
Verdict	Answers				
	The most important	Very important	Slightly important	A little important	Not important
Building a corporate culture is for our company ...	14%	41%	34%	9%	2%
Comments of ordinary employees to management and running of the company are ...	10%	51%	29%	8%	2%
Relationships between employees based on trust and openness are ...	30%	59%	9%	1%	1%

We consider employee satisfaction ...	30%	59%	9%	1%	1%
---------------------------------------	-----	-----	----	----	----

Source: elaborated by the authors

The surveyed SMEs (via their managers) were supposed to tick one of the two options, which would characterize their opinion about what the corporate culture in their company should be like. These options were carefully chosen, while one of the options expressed a desirable cultural dimension and the other one the opposite. For the power distance were chosen "coherence" for the small power distance and "respect" for the large power distance. Next, it was a "sense of teamwork" for collectivism and "responsibility of individuals" for individualism. The other desirable dimension includes femininity, for which the term "understanding" was chosen and its opposite was "success". For the desired dimension of weak certainty avoidance the term "acceptance of changes" was chosen and for the strong certainty avoidance the term "need for certainty" was chosen. For the important long-term orientation the word "investment" and the word "immediate profit" was chosen for the short-term orientation.

Figure 1: Percentage distribution of SMEs within the selected terms



Source: elaborated by the authors

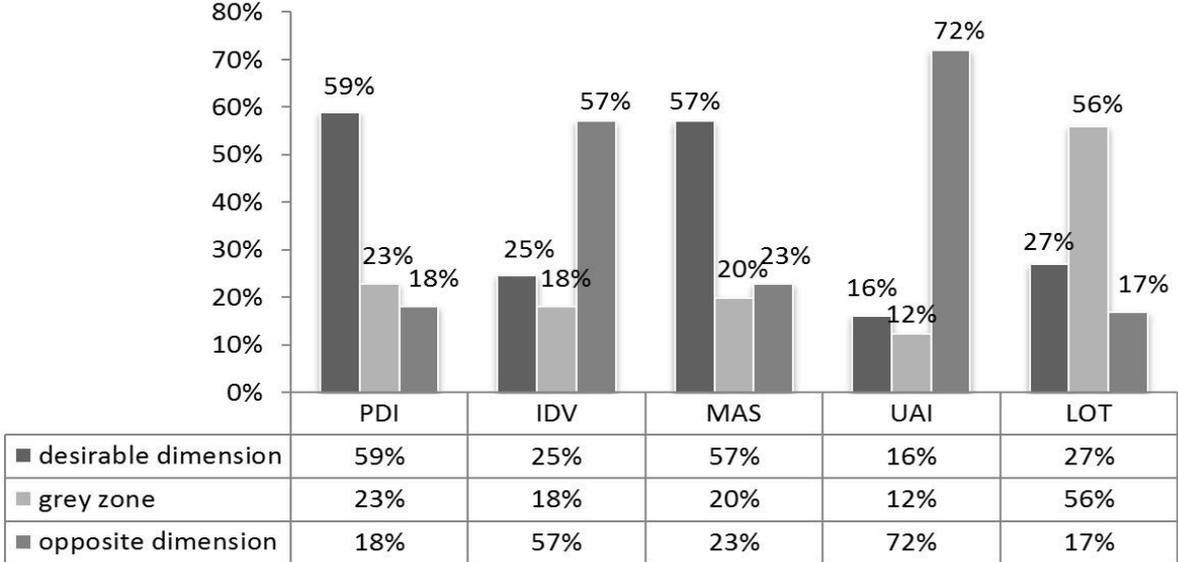
As can be seen from Figure 1, 4-10% of surveyed SMEs weren't able to choose from the list of possible answers. Having to decide to which extreme to incline to, these businesses were not able to choose in one case of the five (out of five pairs of opposite terms they did not tick one answer of the two presented in a pair, but they ticked the other four), therefore it is possible that the company representatives weren't able to choose one of two characteristics of the corporate culture, as both the meanings were significant for them. For this reason such businesses could be classified in the transition (grey) zone, in between the cultural dimensions.

The results also show that **the majority of surveyed SMEs prefer the consistency to respect, the teamwork to responsibility of individuals, the investments to immediate profit. These preferred terms may be considered as the desirable cultural dimensions of shifting to the knowledge economy.** As regards the other two cases, most businesses prefer the terms included in the opposite cultural dimensions, specifically they prefer success to the understanding and certainty to the acceptance of changes. Here the differences are not as striking as in the previous cases.

The selection of these statements does not exactly reflect the cultural dimensions appearing in firms since there exist many aspects of cultural dimensions and within this research it was possible to choose only one, so these results are considered only as a kind of probe into the attitudes and preferred values of business representatives and a future direction of possible extension of this research.

Figure 2 shows the results obtained using the VSM 94, which show the current condition of small and medium-sized enterprises. Here it is noticeable that in this research sample clearly prevails the cultural dimension of small power distance (59%), femininity (57%). Long-term orientation (56%) is in grey zone. Within the power distance comes to consensus between attitudes of leaders of the small and medium-sized enterprises and the real situation in the company. In contrast, companies more incline to individualism in real state, although the question of whether the company inclines to collaboration was responded positively by 85% of their representatives. Absolutely clear is the inclination to the cultural dimension of uncertainty avoidance, to which 72% of surveyed small and medium-sized enterprises incline and which is related to problems with adapting to changes of the globalized society, avoiding the uncertainty and fear of risk-taking, but also blocking the path to the knowledge economy.

Figure 2: Percentage distribution of SMEs in particular cultural dimensions and their interval



Source: elaborated by the authors

4. Conclusion

The shift of the global community to the knowledge economy and the transformation of enterprises in this direction in the interests of maintaining their own competitiveness will be associated with the transformation of human resource management. It will be related to the change of the corporate culture ensuring the development of human and intellectual capital, starting with the development of human potential and innovative capabilities. Further the corporate culture should promote the using and the transfer of knowledge, inclusive tacit knowledge.

State of the transformation is not easy to diagnose in the knowledge society. That is what you can use the method of identifying of state of cultural dimensions according to Hofstede (1994). These dimensions are embodied in the corporate culture and the managers can use them for the right direction management for the business transformation into a knowledge society.

These desirable cultural dimensions are: **small power distance, femininity, collectivism, accepting changes and taking the risks, and long-term orientation.** The surveyed small and

medium-sized enterprises tend to the desired cultural dimensions only partially, this affiliation never being perfect.

The strongest inclination evidently belongs to the cultural dimension of small power distance, where the absolute majority (59%) of all economic activities tend to this desired dimension. Furthermore, all economic activities incline more to the desirable femininity (57%) than the opposite masculinity (23%). The other preferences include the long-term orientation. Unfortunately only a small percentage of all businesses of the surveyed economic activities tend to it (27%), most of them are situated in the transition (grey) zone (56%) and do not clearly prefer neither the short term (17%) nor the long-term orientation. However, a possibility appears, looming in the minds and values of responsible executives, how to step on the path of investing rather than prioritizing the profit and thus switch to the knowledge economy.

The cultural dimension of collectivism is acknowledged by exactly one quarter of the surveyed companies, and more than a double incline to the individualism (57%). One could say that, although in ascertaining the real state of corporate culture the majority of enterprises tend to individualism. However managers are already aware of the positive effects of teamwork and 73% of executives in the imagination prefers teamwork over the duty of the individual. Assuming that the old cultural Czech traditions are associated with the collective spirit should occur relatively quickly directing this dimension to the knowledge economy (Krninská, 2002b). The longest path of enterprises to the knowledge economy is determined by the cultural dimension of accepting changes and risk perception. Only a small number of surveyed enterprises (16%) are willing to accept the changes with all the risks that these changes bring along. The need for certainty is nowadays absolutely prevalent. It may be due to recent and to some extent ongoing crisis in the economy. But it is more than obvious that in today's global, turbulent society full of rapid changes, companies must orientate themselves in these changes. It can be concluded that in most cases the companies incline to two desirable cultural dimensions (small power distance and femininity). The executives tend to prefer them in their perceptions and values. The two desirable cultural dimensions are primarily supported by values and perceptions of managers, while the current condition is not yet corresponding to these values (long-term orientation and collectivism). As regards the last desirable cultural dimension, a stronger preference has been found (acceptance of changes and risk perception) neither in the current state of the corporate culture in the companies nor in the perception of values and ideas of responsible executives in the surveyed small and medium-sized enterprises. The current state of cultural dimensions in enterprises determines the management and the development of human capital, and thus the transfer toward knowledge economy.

Acknowledgements

The paper is based on research project of the Grant Agency of the University of South Bohemia „*Human Resource management of small and medium-sized enterprises*“ [039/2013/S].

References

- Antalová, M., & Rievajová, E. (2010). Učiaca sa organizacia – výzva pre znalostnú ekonomiku. *Ekonomický časopis*, 58 (7), 742-760.
- Armstrong, M. (2010). *Essential Human Resources Management Practice: A Guide to People Management*. London: Kogan Page.
- Bedrnová, E., & Nový, I. (2007). *Psychologie a sociologie řízení*. Praha: Management Press.
- Gibson, R. (2007). *Nový obraz budoucnosti: přední osobnosti světového managementu a sociálního myšlení o budoucnosti podnikání, konkurence, řízení a trhu*. Praha: Management Press.
- Holátová, D., & Krninská, R. (2012). *Lidské zdroje v rozvoji venkova*. Praha: Alfa nakladatelství.
- Hofstede, G. (1994). *VSM 94 – manual*. [Online]. Available at: <http://feweb.uvt.nl/center/hofstede/manual.html>. [Accessed 2013 August 16].
- Hofstede, G. (1999.) Problems remain, but theories will change: The universal and the specific in 21st-century

- global management. *Organizational Dynamics*, 28 (1), 34-44.
- Hofstede, G., & Hofstede, G. J. (2005). *Cultures and organizations: software of the mind*. New York: McGraw-Hill.
- Hofstede, G., & Hofstede, G. J. (2006). *Kultury a organizace: software lidské mysli (Spolupráce mezi kulturami a její důležitost pro přežití)*. Praha: Linde.
- Kislingerová, E. (2011). *Nová ekonomika: Nové příležitosti?* Praha: C. H. Beck.
- Krninská, R. (2002a). *Kulturologické aspekty řízení lidských zdrojů*. České Budějovice: Jihočeská univerzita v Českých Budějovicích, Zemědělská fakulta.
- Krninská, R. (2002b). *Řízení lidských zdrojů v dimenzi třetího tisíciletí*. Nitra: Slovenská poľnohospodárska univerzita.
- Krninská, R. (2014). Kulturní dimenze znalostní ekonomiky determinující rozvoj lidského kapitálu. In *RELIK 2014*. (pp. 231- 244). Praha.
- Krninská, R., & Duspivová, M. (2013). Corporate Culture in Management of Small and Medium-sized Enterprises. In *Global Business Conference Opatija*. (pp. 140-153). Zagreb: Innovation Institute.
- Krninská, R., & Duspivová, M. (2014). Selected cultural dimensions determining a shift to the knowledge economy in small and medium-sized enterprises. In *International Institute of Social and Economic Sciences*. (pp. 718-736). Praha.
- Nový, I. (1996). *Interkulturální management: Lidé, kultura a management*. Praha: Grada Publishing.

Creating knowledge sharing culture for effective knowledge management

Andrej Miklosik¹

University of Economics in Bratislava¹
Faculty of Commerce, Marketing Department
Dolnozemska cesta 1
852 35 Bratislava, Slovakia
e-mail¹: miklosik@euba.sk

Abstract

Implementing knowledge management into company processes is a long-term and demanding task. There are many barriers that occur while creating and deploying a new system of handling with knowledge. People are the most important link in this chain. Employees are affecting the results of this process by their attitude, ability and motivation to create, transfer and apply knowledge in their everyday decision making and operations. In this situation, a knowledge sharing culture is a decisive factor of success of knowledge management implementation. Only motivated people will sustain on track with set procedures and remain loyal to the introduced programme. In this article, the author introduces a framework for enabling the creation of a knowledge sharing culture, supporting the initiative of knowledge management implementation. He identifies factors affecting the success of its implementation and introduces results of research aiming at determining their importance both for number and quality of produced outputs.

Keywords: *Competitive advantage, Human capital, Knowledge, Knowledge management, Knowledge sharing culture*

JEL Classification: *J24, M12, M4*

1. Introduction

Nowadays, companies are competing hard to retain or improve their market positions. Markets are saturated and there are many options for consumer to select from. In this situation, companies are looking for ways of increasing their competitiveness to improve their future standings. Knowledge management is considered as one of the most important new sources of competitive advantage. Effective implementation of knowledge management opens new avenues for company development via created innovation potential and improved flow of information and knowledge for both strategic and operational decision making. Making informed decisions in the right time enables these companies to be one step ahead of competition and to discover new market opportunities. Knowledge base and knowledge sharing culture can then become an integral part of holistic decision making, as the current of modern management thinking of the 21st century (Toth, 2012).

In this article we aim at introducing a framework for enabling the creation of a knowledge sharing culture, supporting the initiative of knowledge management implementation. This will be achieved by looking at the factors determining the willingness of employees to share knowledge and introducing countermeasures to most frequent blockers hindering creation of positive knowledge sharing culture.

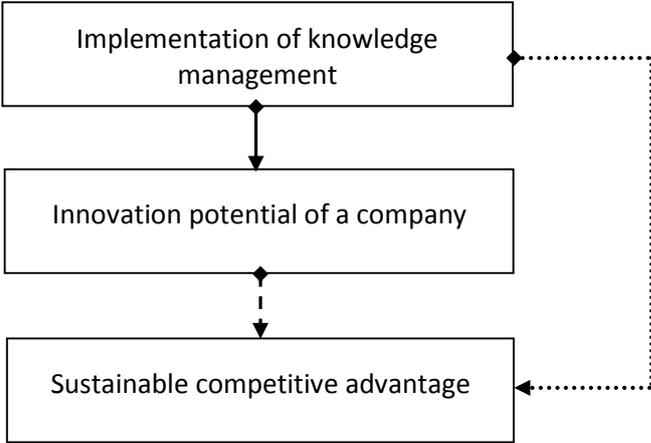
2. Theoretical background

Knowledge management can be defined as a systematic approach to creation, preservation and application of knowledge in business processes and decision making. The increased automation of processes and production has caused that outputs are being generated with less people. This has given rise to knowledge oriented organisations that can benefit from unique knowledge, generated within the company. As Dalkir (2013) notes, organisational knowledge is not intended to replace individual knowledge but to complement it by making it stronger, more

coherent, and more broadly applicative. According to him, knowledge management represent a deliberate and systematic approach to ensure the full utilisation of the organisation’s knowledge base, coupled with the potential of individual skills, competencies, thoughts, innovations, and ideas to create a more efficient and effective organisation (Dalkir, 2013).

Over the past few years, knowledge management is considered being one of the most attractive and beneficial managerial disciplines. Companies looking for new sources of competitive advantage have started implementing knowledge management into their internal processes. Authors Miklosik, Hvizdova and Zak (2012) have confirmed the value and importance of knowledge management for companies. Along with other two factors, knowledge management was identified as an important new source of sustainable competitive advantage. Moreover, a relationship between knowledge management and innovation potential of a company was demonstrated. Existing connections are depicted at Figure 1.

Figure 1: Relationship between knowledge management, innovation potential and sustainable competitive advantage



- Legend:*
- ◆————> Causality of A – B was confirmed by an empirical study
 - ◆ - - - -> Causality between B – C was confirmed by providing relevant evidence
 - ◆ ······> Causality between A – C was determined by confirming the causality of A – B.

Source: Processed by the author according to: (Miklosik et al., 2012)

Table 1: Traditional and new sources of competitive advantage

Traditional sources of competitive advantage	New sources of competitive advantage
Productivity <ul style="list-style-type: none"> • costs • performance of employees • effective management 	Knowledge management <ul style="list-style-type: none"> • innovation • innovation of processes • innovation of products • continual innovation
Portfolio and quality of products <ul style="list-style-type: none"> • width of product portfolio • product quality, certification • brand 	Optimised business processes <ul style="list-style-type: none"> • effective processes • costs optimisation • improved customer satisfaction
Orientation towards costumers <ul style="list-style-type: none"> • sales point • level of customer service • collaborative marketing 	Corporate social responsibility <ul style="list-style-type: none"> • responsible approach to sources and environment • harmony between business targets and approach to environment

Source: Processed by the author according to: (Miklosik et al., 2012)

Three major components of a systematic implementation of knowledge management can be identified:

- Creation of knowledge sharing culture,
- Implementation of internal knowledge management processes,
- Implementation of knowledge management information system (designated as KMS or KMIS).

All of these components need to be developed in parallel to create an efficient and integrated knowledge management system. Hvizdova, Miklosik and Meciár (2012) introduce four steps of knowledge management implementation in the company:

1. Analysis of the environment,
2. Specification of the responsibilities in the area of the knowledge management,
3. Preparation, creation and implementation of the knowledge strategy,
4. Monitoring of the impact of the implementation of the knowledge management.

3. Data and Methods

To achieve defined objectives, the following methodology was applied. As the first step, the framework affecting origination and preserving of knowledge sharing culture was created. For this purpose, available research studies were studied, data analysed, compared, synchronised and categorised. From this secondary research, an output in form of different views on knowledge sharing motivation and implementation was generated. Following this, a primary research was performed using the qualitative research method of creating case studies. We discussed the situation regarding creating knowledge sharing culture and constraints to its efficient implementation primarily with three top managers of selected ICT companies operating in Slovakia. Using this qualitative research method enabled us to analyse each constraint deeply with people, who are responsible for each of the areas, including different stakeholders affected by the activity. We performed one case study per month to get deep insight into all processes. As independent observers with necessary professional experience and research tools we were able to identify roots of many occurring problems. By constructing the case study, we used several methods of roots analysis, deduction, correlation, on premise audit, etc. Finally, we discussed the problems and their causes with line and top managers to find

possible countermeasures to these problems. The process of creating and developing case studies was performed in 4Q 2014.

4. Results and Discussion

In all of the defined four steps of knowledge management implementation, the creation and preservation of knowledge sharing culture has to be taken into account. Knowledge sharing culture can be characterised as an environment that actively supports generation and sharing of knowledge. As the basis for constructing the framework for knowledge sharing culture, latest studies from the area of knowledge sharing have been taken into account. Wang and Noe (2010) emphasise that there are five areas influencing knowledge sharing: organisational context, interpersonal and team characteristics, cultural characteristics, individual characteristics, and motivational factors. Oliveira, Curado, Maçada, and Nodari (2015) note that tacit knowledge tends to be wide more shared than explicit knowledge. Moreover, results of the study showed that employees seem to engage more in knowledge sharing participation than in knowledge sharing conduction. King and Marks (2008) studied the impacts on knowledge sharing in the governmental sector. Results of their study confirmed that supervisory control has significant impact on both frequency of knowledge sharing and on effort of employees as well. Their results provide greater support for economic-agency-theory motivators of knowledge sharing and lesser support for organizational support motivators than has been previously believed. A study of Jiacheng et al. (2010) explores individual cognitive mechanisms of knowledge-sharing motivation and intends to provide more effective measures to judge and influence individual inclinations toward knowledge-sharing in a cross-cultural context. First, it investigates four cognitive processes based on an individual's commitment toward knowledge-sharing and studies through these processes how an individual's intrinsic motivation derived from social norms and personal norms, and extrinsic motivation derived from reward and punishment make concerted efforts to shape the ultimate intention to knowledge-sharing. Then, Hofstede's cultural framework is integrated to theorize cross-cultural differences in these processes. Finally, through a survey conducted in China and the US, the aforementioned theoretical analysis is confirmed. The results indicate that intrinsic motivation operates through affective commitment: internalization, identification and conformity; rewards have little direct effects on final intentions but they will influence attitude indirectly via identification; punishment for not sharing splits on cultural lines: Chinese tend to comply to avoid opposing their group and Americans tend to follow a more individualistic path; Chinese have more tendencies to conform to teams' opinions and tend to favour knowledge-sharing as a means of achieving harmonious relationships, while Americans engage in KS because self-worth is viewed as the manifestation of their individual determinations (Jiacheng et al., 2010). Pitra and Zauskova(2013) assessed the importance of leadership in management. Their study confirms cornerstone of effective team management, building confidence, knowledge, increasing performance, and quality of outputs generated by the team. Carnicky and Mesaros(2006) stress the benefits of building knowledge-intensive culture by encouraging behaviours such as knowledge sharing, seeking and offering knowledge and to build the knowledge infrastructure. The research study from Gagne (2009) proposes a process model of knowledge-sharing motivation based on the combination of two prominent theories of motivation: the theory of planned behaviour, or TPB, and self-determination theory, or SDT. Previous models of knowledge-sharing motivation discuss motivation only in terms of level or amount. SDT proposes that motivation varies not only in terms of level, but also in terms of quality. Autonomous motivation has been shown to lead to better behavioural and attitudinal outcomes than controlled motivation. The proposed model therefore builds on previous knowledge-sharing motivation models by taking into account the motivation quality. Finally, the study of Brunet-Thornton and Bures(2013) has proven that the

democratisation of managerial style is highly valued and beneficial in a company and positively affects knowledge generation.

Following the latest research outputs presented above and results of primary research we have identified that the environment of knowledge sharing culture is determined by four main factors:

- Leadership of line and top management, along with organisational support,
- Supervisory control,
- Motivation sources for knowledge sharing,
- Behaviour and attitudes of colleagues from own department and cooperating offices.

These factors create the knowledge sharing culture and influence willingness of employees to participate in knowledge management processes. From the data available we can expect that their order reflects their relevancy in terms of intensity of influence. While composing the case studies, we have discussed the character and impacts of all these factors with top managers. In line with recent scientific knowledge on this topic, we have analysed the influence of these factors both on amount of knowledge generated and quality of outputs as well. All together 35 line managers were asked to assess the importance of positive influence of each factor on these two groups of results. We applied Likert scale (1 – no influence, 5 – maximal influence) to determine final share of each factor on the overall knowledge sharing performance. Results are listed in Table 2.

Table 2: Influence of parts of the knowledge sharing culture environment on the performance of knowledge management

Factor	Importance for number of outputs	Importance for quality of outputs	Average	Difference
Leadership of line and top management	4.06	4.43	4.24	9.2%
Motivation sources for knowledge sharing	3.20	3.86	3.53	20.5%
Supervisory control	4.00	2.71	3.36	47.4%
Behaviour and attitudes of colleagues	2.43	3.57	3.00	47.1%

Source: Processed by the author

Interpretation of results: From these data it can be seen, that the most important factor for creating knowledge culture is leadership of management, with the average of 4.24 points. Here, no big disparity between its influence on quantity and quality of outputs can be observed. The second most important factor is creation of motivation sources for knowledge sharing. In case of number of outputs, this factor scored as third behind supervisory control, however, its importance for quality of outputs is enormous. Supervisory control plays an important role in quality of outputs. People, if monitored closely, tend to create, what is required from them. However, we can observe the limited effect of this control on quality of outputs. The motivation can come from colleagues as well. The atmosphere in the department, however, does not significantly affect quantity of outputs. On the other hand, with the score 3.57 we can confirm that these relationships and behaviour patterns affect the quality of outputs reasonably. Except of these factors, preference of knowledge form influences the knowledge sharing culture. It was proven that in most cases, tacit knowledge is shared more intensively than explicit knowledge.

After the analysis of results we can identify these main recommendations for supporting the creation and sustainability of positive knowledge sharing culture:

- Members of management must lead by example. They cannot expect that employees will intensively work on creating knowledge base or transformation of knowledge if they will see that their supervisor does not do so. Factor of leadership is the most important component of creation of knowledge sharing culture.
- Employees need to be confronted with various sources of additional motivation. Many people are able to utilise the intrinsic motivation to achieve excellent performance, however, most people will need benefits that will help them increase the interest in knowledge management activities. These motivators can be non-financial and financial as well. Sometimes, people just need to be recognised publicly, receive compliment or gratitude.
- For line managers, it is important to supervise his team members. However, if they want to see an increase in the quality of outputs, they should prefer more soft approach, enabling the employees to get some free space for their self-realisation.
- Atmosphere in the team plays an important role in building knowledge sharing culture, despite its lowest impact score. The whole team must share the same enthusiasm and attitude towards knowledge management. It is crucial that each team member not only contributes to generating knowledge base but is able to draw benefits that will simplify and speed up execution of common tasks.

5. Conclusion

Employees need to be aware of the importance and positive effects of knowledge sharing. Building knowledge culture is a long-term and demanding activity. It requires a lot of commitment from top and line managers that are responsible for setting up the knowledge management strategy and perform its fulfilment. It is hoped that many companies will be able to discover and utilise the great positive effect of knowledge sharing culture. It will enable them to accumulate knowledge from various areas, transform it efficiently to explicit knowledge (to some extent required) and use the increasing knowledge base by decision making. Such knowledge intensive company will be able to compete on highly saturated markets, become a recognised and trusted partner for B2B cooperation and build a base of satisfied and loyal customers.

References

- Brunet-Thornton, R., & Bures, V. (2013). Interpreting the Czech knowledge management experience. *Ekonomický časopis*, 61(5), 468-481.
- Carnicky, S., & Mesaros, P. (2006). Necessity of implementation of knowledge management in Slovak enterprises. *Ekonomický časopis*, 54(4), 386-402.
- Dalkir, K. (2013). *Knowledge Management in Theory and Practice*. USA: Taylor & Francis.
- Gagné, M. (2009). A model of knowledge-sharing motivation. *Human Resource Management*, 48(4), 571-589. doi: 10.1002/hrm.20298
- Hvizdova, E., Miklosik, A., & Meciar, R. (2012). The measurement of impacts and effects of knowledge management in an enterprise. *Studia commercialia Bratislavensia*, 5(19), 369-378.
- Jiacheng, W., Lu, L., & Francesco, C. A. (2010). A cognitive model of intra-organizational knowledge-sharing motivations in the view of cross-culture. *International Journal of Information Management*, 30(3), 220-230. doi: <http://dx.doi.org/10.1016/j.ijinfomgt.2009.08.007>
- King, W. R., & Marks Jr, P. V. (2008). Motivating knowledge sharing through a knowledge management system. *Omega*, 36(1), 131-146. doi: 10.1016/j.omega.2005.10.006
- Miklosik, A., Hvizdova, E., & Zak, S. (2012). Knowledge management as a significant determinant of competitive advantage sustainability. *Ekonomický časopis*, 60(10), 1041-1058.

- Oliveira, M., Curado, C. M. M., Maçada, A. C. G., & Nodari, F. (2015). Using alternative scales to measure knowledge sharing behavior: Are there any differences? *Computers in Human Behavior*, 44(0), 132-140. doi: <http://dx.doi.org/10.1016/j.chb.2014.11.042>
- Pitra, Z., & Zauskova, A. (2013). Leadership in the 21st century society. *Communication Today*, 4(2), 48-65.
- Toth, E. (2012). Trends, Methods And Thinking In Contemporary Management – Analysis And Benefits For Improving The Effectiveness Of Management. *Communication Today*(2), 40-62.
- Wang, S., & Noe, R. A. (2010). Knowledge sharing: A review and directions for future research. *Human Resource Management Review*, 20(2), 115-131. doi: <http://dx.doi.org/10.1016/j.hrmmr.2009.10.001>

Management work in relation to gender stereotypes

Bohuslava Mihalčová¹

Ekonomická univerzita v Bratislave¹, Podnikovohospodárska fakulta v Košiciach, Katedra obchodného podnikania¹, Tajovského 13, 041 30 Košice, Slovensko¹, e-mail¹:mihalcova.b@seznam.cz

Abstract

The goal of any organization is to acquire a leading position in the market to make a profit and the increased competition strive for continuous improvement and development. Number of newly established enterprises, as well as fiercely have growing. This growing adequately requires comprehensive management of the organization and the quality of their management, represented by both sexes. Despite some progress, and the various measures that have been previously introduced, gender inequality is still an important factor affecting the status of men and women in society. Still we observe a different view of the two sexes and their respective roles, the cause of „lower status” of women in the labour market. This is reflected in the fact that certain occupations and industries are regarded as typically female, others as typically male. We are seeing real wage inequality, while women are in a disadvantaged position. The ambition of this paper is based on the comparison of knowledge of literature, as well as personal research shows gender inequality, lack of use of the skills and potential of women in relation to their ambition to apply for the position of managers.

Keywords: Gender stereotypes, competition, gender inequality, the ambitions of women managers.

JEL Classification: M12, D21, R12, M50

1. Introduction

The goal of any organization is to acquire a leading position in the market to make a profit and the increased competition strive for continuous improvement and development. It requires the successful work of managers and management activities as a whole in order to achieve these and other objectives, inter alia. One of the definitions of management (control) is that it is a process carried out by selected individuals (mostly by managers at various levels of leadership) who are seeking various instruments, methods and activities achieve their business goals through other people. Managers are needed in any organization, regardless of size and line of business. It is these elements that hold together the enterprise, enabling its operation. Therefore, recruitment should take into account the actual ability of potential employees, assess their contribution to the organization, or excluded from the assessment elements of discrimination.

2. Theoretical assumptions

2.1 Sex and Gender

The concept of gender comes from English. If we would like to translate into Slovak, we would get the word genus, which does not reflect its importance in the English language. In fact identifies sex, but not in the biological sense, but in the cultural and social. Males and females differ in two ways. The first relates to the biological and physiological differences of the human genetic patrimony. This is the sex differences that do not change, we are predetermined. Sex so can be characterized as biological givenness of man, i.e. whether the anatomical terms woman or man (Cviková, Debrecéniová& Cobs, 2006.)

The second is the view of a man and a woman affected by social and cultural factors. They are created by people themselves, not the fixed but variable. In this case we are talking about gender. Gender is a social category formed between people in society, which helps to distinguish between men and women worldwide. On the grounds of gender, we have to have a

different view. We attach those different roles, rights, actions, appropriate dress, behaviour, position in society; we determine what is appropriate and what is not. Such a difference in treatment affects their future direction, personal life and the chance of success.

Already at the first contact with a person, her unconsciously and automatically assign the male or female gender. Rod is regarded as the most important social characteristics (Výrost & Slaměnik, 2008). As in the course of generations changing social, cultural and political environment are changing the attitudes and perceptions of men, women and relationships between them. Options women have historically been very limited. They had the right to vote, or was unacceptable that a woman studying at the university, which is now no longer a common occurrence. Also, it was not common to see a woman working elsewhere than at home, and if so, what work was typical for a woman – teacher, maid, nurse. By contrast, today has more women still find themselves in a typically „male positions” - in politics, industry, important decision-making positions.

It can therefore be stated that the inclusion of a human at birth, but often even before him, into one of two categories - a girl or a boy, not only their designation on biological predisposition, but also talks about the social role, that means gender roles.

2.2 The gender and leadership wars

But still managerial functions are dominated by men and women have to use more energy as men while building up their careers. Various research studies have produced lists of barriers, which are either the results of stereotypes dominating the society or form the part of the labour market, which, as a rule, generates more suitable working conditions for men than women. High levels of demand on time and proficiency are typical for functions of a manager, posing more restraints for women than men. How is to be perceived? There are lots of companies still lagging behind in establishing equal opportunities for women, who are also simultaneously required to meet the role of a mother taking care of her child, household. Under the weight of the circumstances they are forced decline such professions, which could substantially limit them. Mostly, women have to choose from a typically family, or career-bound, option, or adapt to a typically “the males” way of work. And if, despite of all the facts mentioned earlier, women ultimately manage to take the position, their work is much less appreciated than those of the men and are offered posts in lower levels of management (Gazdagová&Fischlová, 2006).

The New York Times in 2011 published an interview with Carol Smith, a top executive at the Elle Group, a media company, about her views on leadership. In the interview, Smith said: „In my experience, female bosses tend to be better managers, better advisors, mentors, rational thinkers. Men love to hear themselves talk.” She added that she intentionally arrives late for meetings with men to miss their inevitable, boring conversations about golf and football before the meeting actually starts (Powell, 2011). After the interview triggered an outpouring of comments posted to its Web site, the Times invited six people to participate in an online debate one week later on what research says about the question:”Do women make better bosses?” I was one of the participants in this debate; the other five participants, all women, included researchers, consultants, and executives. As before, readers were invited to comment on the debate. Over 500 responses were received. The results of interview were different. Some of them told that male is a better leader than a female, the others wanted to give females a better chance for their leadership positions. According to Powell, (2011) evidence increasingly suggests that women tend to be better suited than men to serve as leaders in the ways required in the global economy. However, this is not to say that organizations should choose women for leader roles on the basis of their sex. The challenge for organizations is to take advantage of and develop the capabilities of all individuals in leader roles and then create conditions that give leaders of both sexes an equal chance to succeed. The proper goal for leadership training programs is not to teach men how to behave more like women, nor to teach women how to

behave more like men. No matter what the linkage between gender and leadership may be, the goal should be to enhance the likelihood that all people, women and men, will be effective in leader roles. In accordance with Johnson, Murphy, Zewdie & Reichard (2008) also Forsyth, Heiney & Wright (1997) female leaders who exhibited a „task-oriented” style were perceived as more effective than those who exhibited a „relationship – oriented” style, but they were also liked less by subordinates. Similarly, Eagly, Makhijani & Klonsky (1992) found that male leaders were evaluated somewhat more favorably than female leaders, but that this was particularly true when female leaders were described as using a masculine leadership style. Moreover, dominant women and women who use more assertive speech (Carli, 1990; Wiley & Eskilson, 1985) are less influential to men than less dominant and assertive women. Similarly, research demonstrates that females are evaluated more negatively than males when they express anger (Glomb& Hulin, 1997; Lewis, 2000).

3. Aim and methodology

We (Mihalčová, Pružinský & Gontkovičová) as co-authors of this article have presented a serial papers (i.e. Youth unemployment - current trend in the labour market?; The consequences of gender stereotypes in the work of managers) dealing with the topic of this article during BEMTUR 2014 conference 2014 in Prague. The papers were supported by results of a range of results from own research conducted in recent years. Our aim was to analyze managerial positions in relation to gender stereotypes and documenting higher representation of men in top management compared to women. The research part was focused on the analysis of the data obtained from the questionnaires.

The sample of respondents was represented by managers of Slovak companies active in various branches and was chosen randomly. The number of respondents willing to answer the questions in the questionnaire was 51, of which 22 men represented 43.14% and 29 women making up 56.86% of the group. The questionnaire was divided in three parts. Part one was related to demographical data. Part two of the questionnaire was oriented on questions regarding information on the issue of research. Part three involved open-ended questions, to which managers, men and women, were expressing their ideas regarding the positive and negative factors influencing their decision to accept the offer of holding a managerial position. They also expressed views and suggestions for solving the issue of gender stereotypes. When conducting the research, the following methods have been applied: analysis, synthesis, abstraction, induction, education, comparison and off the statistical methods the one of testing hypotheses applying the Chi-square test of independence and finding the rate of dependence by way of the Cramer’s contingency coefficient.

4. Results and discussion

As assumed, the research has proven that women are holders of positions at lower levels of managements. In the middle management they are represented by as high as 65.52%, whereas top-level management is dominated mostly by men – in our case 40.91% men against 10.34 % of women. The question is why is it so? Why do women hold lower-level positions? Compared to men, they have the same ambitions to be in higher positions, in the top-management (such was the conclusion of the research conducted by McKinsaey & Company in 2013). Why do women hold lower-level positions, when in view of the 45.10% of respondents (39.25% of them declare: I do not know) ideas of women could be contribution for the economy? And, thirdly, why do women hold lower-level managerial positions? As much as 96% of the respondents agreed that women have the necessary qualities and capabilities for achieving managerial positions. The majority of the respondents presuppose that the reason for inequality is in the traditional role of women – as mothers – and the consequent responsibilities regarding their families and households. As confirmed by 80.39% of managers, family is

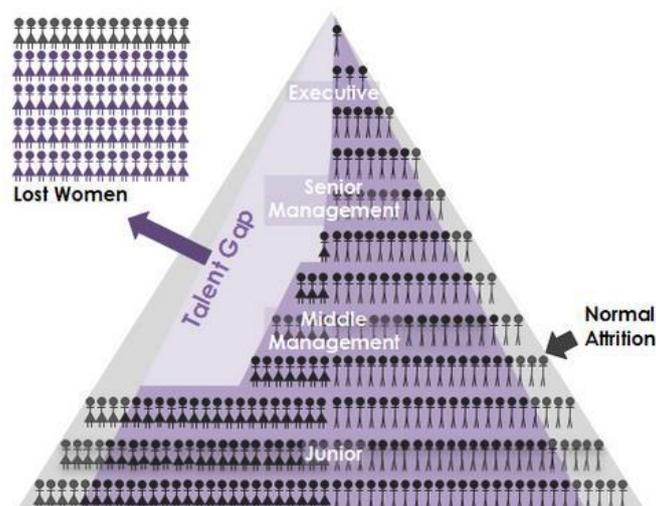
neglected to larger extent when a managerial post is held by women than by a man. For example, a maternity leave resulting in a loss of experiences during the given period of time makes it more difficult for a woman to resume her previous working routines. Apart from it, women themselves become less interested in such positions, for similar reasons. On a global scale, many research findings share almost the same point of view regarding the issue of a harmonization work with family, i.e. women loaded by the traditional role of mother.

Two thirds of Europeans who represent 68 % of the population agree with statement that females have less freedom because of their responsibility for their families (European Commission, 2012). Females spent on average 26 hours per week taking care of their families and home in comparison with 9 hours per week spent by males. They carry a double burden working first being employed and paid for that and then working at home for free. In the case that female in spite of everything is able to manage her private and working life, might face the opinions that she is just a go-getter who does not care for the family. In addition, problems in her private life affect her efficiency and effectiveness of her work. One of the solutions of this situation is to set up an organization which would provide conditions for managing both family and working life through flexible forms of labour or providing other benefits.

Respondents who took part in the project Gender management consider employment of females on managerial positions as positive. Their contribution lies in the so-called approach to doing things is focused on other aspects than it is with males which results in the fact that the decision making process of the management is based on a more comprehensive assessment of the problem when possible impacts of their decisions, mainly on their employees, are taking into account (Gazdagová & Fischlová, 2006). The results of the research prove that companies with a higher number of females in managerial positions have higher productivity and better economic results. In spite of these positive features many employers are still influenced by stereotypes and thus the potential of qualified human resources remains not used to its fullest. This fact is shown in figure 1 in the „triangle of the natural reduction in labour force”, which represents the numbers of females and males leaving the company from different levels of management.

There is visualized the difference between the number of people who leave the enterprise standard (typically, men) and non-standard number, which is mainly women. While the lower staff levels, the situation of leave of work both sexes balanced at senior levels, it is clear that leaving mostly males, because in the highest positions, females appear sporadically.

Figure 1: Triangle of the natural reduction in labour force



Source: 1 Your Loss – The Book. *The „Attrition Triangle“*. Retrieved from: <http://yourlossbook.com/the-attrition-triangle-model-diagram/>

5. Conclusion

Gender stereotypes are prejudices or fixed ideas about features and social roles of males and females. These are certain models of behaviour. Someone may think that they are biologically given which is wrong because they are formed in children at early age when they are taught activities and properties typical for males and females which are thus learned. They have influence on their behaviour and to a great extent affect their lives. The existence of gender stereotypes leads to discrimination, especially to discrimination of females which can be seen in the dividing of the labour market into typically female and male professions – segregation, in the different approach to remuneration of females and males, in different level of unemployment and in general in different perception of these two genders both in private and working sphere. Discrimination is forbidden by law. Economics and society are also influenced by gender roles and stereotypes. Therefore, it is essential especially for organizations to offer equal opportunities for females and males in various periods of their lives. Many companies realise that human capital is the most important. That is why they should remove barriers and provide equal conditions for females and males. This way they can avoid losing highly qualified employees who could be beneficial for the company.

Acknowledgements

The paper conducts research in area of Sustainable development of higher education in the fields of management in the frame of VEGA project No VEGA č.1/0708/14.

References

- Cviková, J., Debrecéniová, J. & Kobová, J. (2006). *Rodová rovnosť*. [online]. Bratislava: Občan a demokracia, 2006. [cit. 2015-4-01]. s. 6. Retrieved from: <<http://prison-education.oad.sk/sk/text4.swf>>. ISBN 80-89140-10-6.
- Carli, L. L. (1990). Gender, language, and influence. *Journal of Personality and Social Psychology*, 59, 941–951.
- Eagly, A. H., Makhijani, M. G., & Klonsky, B. G. (1992). Gender and the evaluation of leaders: A meta-analysis. *Psychological Bulletin*, 111, 3–22.
- EUROPEAN COMMISSION. (2012). *Specialeurobarometer 376 : Women in decision-making positions*. [online]. EUROPEAN COMMISSION, 2012. [cit. 2015.04.20]. Retrieved from: <http://ec.europa.eu/public_opinion/archives/ebs/ebs_376_sum_en.pdf>. p. 9.
- EUROPEAN COMMISSION. (2014). *Rodová rovnosť : opatrenia EÚ impulzom plynulého pokroku*. [online]. Brusel, 2014. [cit. 2015.04.10]. Retrieved from: <http://europa.eu/rapid/press-release_IP-14-423_sk.htm>.
- Forsyth, D. R., Heiney, M. M., & Wright, S. S. (1997). Biases in appraisal of women leaders. *Group Dynamics: Theory, Research and Practice*, 1, 98–103.
- Gazdagová, M. – Fischlová, D. (2006). *Sondáž postojú zamestnávateľú k uplatneniu v managementu a zkušenosti s nimi*. [Online]. Prague: VÚPSV, 2006. [Cit. 2015.03.14]. p. 15. Retrieved from http://praha.vupsv.cz/Fulltext/vz_206.pdf.
- Glomb, T. M., & Hulin, C. L. (1997). Anger and gender effects in observed supervisor–subordinate dyadic interactions. *Organizational Behavior and Human Decision Processes*, 72, 281–307.
- Ioannidis, C. & Walther, (2010). *Your Loss How to win back your female talent*. 158 s. ISBN 978-0-956-7666-1-8. Aquitude Press – The Book. [cit. 2015.04.07]. Retrieved from: <<http://yourlossbook.com/the-attribution-triangle-model-diagram/>>
- Johnson, S., K. & Murphy, S., E. & Zewdie S. & Reichard, R., J. (2008). In: *Organizational Behavior and Human Decision Processes* 106 (2008) 39–60
- Lewis, K. M. (2000). When leaders display emotion: How followers respond to negative emotional expressions of male and female leaders. *Journal of Organizational Behavior*, 21, 221–234.
- Výrost, J. & Slaměnik, I. (2008). *Sociální psychologie : 2., přepracované a rozšířené vydání*. 1. vyd. Praha : Grada Publishing, a.s., 2008. s. 170. ISBN 978-80-247-1428-8.
- Wiley, M. G., & Eskilson, A. (1985). Speech style, gender stereotypes, and corporate success: What if women talk more like men? *Sex Roles*, 12, 993–1007.

Incentives to Support the Mastery and Task Involved Approach and Their Influence on Talented Employee Loyalty

Agnieszka Springer¹, Alicja Rytelewska²

Poznan School of Banking^{1,2}

Institute of Economic Sciences

Al Niepodległości 2

Poznań, Poland

agnieszak.springer@wsb.poznan.pl¹; alicja.rytelewska@wsb.poznan.pl²

Abstract

The aim of the article is to identify how motivational activities matching the internal needs of workers affect their loyalty. The analysis used a variable showing the difference between talented and average employees. The theoretical part of the article discussed how actions conducive to effective employee motivation in organizations affect the loyalty of employees. The first part includes an analysis of the literature on the approach of employees to complete their tasks. When writing the paper, the discoveries in the field of achieving the objectives (Achievement Goal Theory) have been taken into consideration, showing the importance of intrinsic motivation dominant in shaping attitudes in the workplace. The article pinpoints the particularly difficult aspect of keeping a talented employee in the organization. The empirical part of the paper describes the results of tests carried out on a group of 160 people. The analysis proved the assumptions posed in the introduction that there is a visible impact of motivation activities on employee loyalty. The conclusion states that there is a difference between how talented people and other employees approach their tasks.

Keywords: motivation, talent management, loyalty, mastery approach, performance approach

JEL Classification: M50, M51, M53

1. Introduction

The issues concerning loyalty and talent management are considered to be one of the major challenges of human capital management in current times. According to C. Zatzick et al. (2009) economic crisis together with associated organizational problems resulted in employment reduction and key employees' job resignation. Moreover, the phenomenon of job-hopping has started to play a more and more important role. This led to employees changing their jobs more and more often (Majewska, 2011). That is why, strengthening employees' loyalty towards their organization has become such a significant element of human resource management, including talented workers, as those who contribute most to the company's economic results. (Sveiby, 1997).

All the mentioned above issues are problems of modern organizations and require a skilful application and implementation of motivational techniques tailored to the individual needs of workers contributing simultaneously to building a better relationship between the enterprise and those participating in it.

Therefore, the purpose of the following study is the empirical attempt of verifying the influence of motivational activities onto the employees' loyalty. This analysis was conducted while taking into consideration dominating approach towards achieving goals by the given worker. The study focused on talented workers.

2. Mastery approach and performance approach of talented workers

According to the Achievement Goal Theory²² people have different approaches towards the tasks that they realize. The first approach assumes that they are driven by the willingness of self-development, developing skills and acquiring new knowledge, what is so-called *mastery approach*. For those people the reference point is themselves. The second approach assumes that people pursue the best possible accomplishment of the assigned tasks and achieving the best possible results, they pursue success and undertake challenging and difficult tasks, what is so called *performance approach* (Harackiewicz 2002). For those workers the reference point is the environment – they want to be better than other members of the organization. According to the assumptions of C. Midgley et al. (2001) there might exist some interactions between the approach in which workers pursue mastery and those who aim at achieving high results. Nevertheless, these interactions are only one of the ways of disclosing benefits stemming from attaining multidimensional assumptions. The simultaneous analysis of a significant number of results from different perspectives requires the use of more detailed methodology.

Apart from the mentioned above two approaches there is the third, additional one called *performance-avoidance*, which consists in avoiding failure. The workers strive not to be the worst at the workplace, they get engaged into performing tasks or compete with each other quite severely. According to the study by L.E Baranik (2013) *performance-avoidance* is one of the major approaches in the Achievement Goal Theory, as it is of key significance for the development of the organization.

Moreover, a purely theoretical approach called *mastery-avoidance* (Elliot & Conroy, 2005) can be found in the literature. This approach is connected with deliberate avoidance of development. The authors, however, claim that employers should consider ways of preventing such solution due to the fact that in modern organizations workers, especially talented workers, should develop their skills continuously. C. Senko (2011) claims that so called multi approach towards goal achievement should be used with reference to people with high potential. That is joint mastery and performance approach. It needs to be stressed that it is both the people with mastery approach and those with performance approach who tend to select more difficult tasks when compared with the workers characterized by performance avoidance (Jagacinski et al, 2008).

According to the literature talented people are both mastery and performance oriented (Michaels 2001, Listwan 2005, Poczowski 2008). Therefore, while managing talented people who achieve extraordinary results and have high development potential one needs to implement well-tailored motivational methods. Then, the workers will feel appreciated and will realize assigned goals.

Despite the fact that the Achievement Goal Theory is usually used in the theory of education, it might be as well applied in the analysis of the organizational behaviour. In the following paper two basic task perceptions were taken into consideration: mastery approach and performance approach. Additionally, talented workers were differentiated from average workers.

Research hypothesis was formulated on the basis of the mentioned above theoretical assumptions:

H1: a talented worker is characterized by higher levels of both mastery approach and performance approach in comparison with an average worker.

2. Motivation versus workers' loyalty

Motivating employees is a key element of the human capital management strategy. At the organizational level it is performed by means of a system as a deliberately created scheme being

²²Achievement Goal Theory was presented by A. J. Elliot and J.M. Harackiewicz (1996) in the mid nineties. Two major approaches were distinguished: mastery approach and performance approach. Two other approaches were also described: mastery avoidance and performance avoidance. (Linnenbrink-Garcia, at al., 2012. pp 281-301).

the combination of various motivational tools and resources and conditions which are intended to encourage workers to get engaged in their work and duties in the way that is most beneficiary for the organization and simultaneously gives them personal satisfaction (Penc, 2000). Payroll and non-payroll motivational factors are used in organizations. In most cases employers decide to use the former ones (remuneration and fringe benefits of material character), however, they take effect for a short time only (Rytelewska & Springer 2014). Much better results can be obtained with the use of non-payroll motivational tools aimed at satisfying higher level needs. Such actions are especially useful in the case of talented workers²³, who have high development needs, want to increase the level of their skills and qualifications. Unfortunately, as research shows, many companies are totally unprepared to satisfy their workers' needs (Rytelewska & Springer 2014), and motivational activities are not in line with the workers' expectations and needs (Vroom, 1964; Schwab & Cummings, 1970; Chan 1996; Livingstone et al., 1997), which results in the lack of their involvement, low job satisfaction and low efficiency (Becker et al., 1996; Meyer et al. 2004)

Studies conducted by scientists (Tris & Feij, 2001; Autry & Daugherty, 2003) prove that there is a relationship between adjusting employer's activities to the employees' needs and job satisfaction. In papers by R. Tris and A.J. Feij, the satisfaction was connected with the willingness or unwillingness to resign from work. The authors observed relations between satisfying workers' needs and the variables under study. Job satisfaction rose directly proportionally to the intensity of satisfying workers' needs. The willingness to resign from the job was much lower in those employees whose needs were realized. Additional conclusion that could be drawn for the study was the statement that the resources offered by the organization are not really supposed to satisfy the needs but to anticipate them (Czarnota-Bojarska, 2013). Similar theses were formulated also by C.W. Autry and P.J Daugherty, who assumed that the reason for absenteeism and leaving work was the fact that the workers' internal needs were not satisfied in the suitable way. Employers did not meet the expectations of their workers, which resulted in their negative attitude towards performed work.

The notion of adjustment is tightly connected with the issue of loyalty,²⁴ that is the willingness to cooperate with the organization for a longer period of time. It is a behavioral source of the organizational value due to the fact that it can generate higher income than the lack of loyalty (Lipka et. al.). This problem is becoming more and more significant in present times as workers' loyalty is much lower than it used to be (Torrington & Hill 2005), and job mobility is at the level of 101 points²⁵. People change jobs more and more often and they seek offers more suited to their internal needs which stem from the willingness to increase one's earnings and also from the better opportunity of development or achieving better results.

²³One can find numerous definitions of talent in the literature. According to T. Ingram, a talented worker is a worker with a high potential who achieves the highest possible results. (Ingram 2011, pp 13-21), according to T. Listwan's definition, a talented worker is an ambitious person who has intrinsic motivation to achieve his/her business goals (Listwan 2005, p 24.). M.A. Carre (2011), on the other hand thinks that such a person manifests skills and willingness to create new ideas. All the definitions, however formulate one joint hypothesis, in accordance with A. Robertson, that a talented worker is a person who is expected to achieve extraordinary results. (Robertson & Abbey, 2010, p. 34).

²⁴Loyalty is unconditioned faithfulness and deep attachment (Kłosińska, et al. 2005, p. 426); it is also honesty and diligence in the relationship with other people, it is also, according to W. Smid honorable conduct in the honest way and respecting the commonly accepted rules (Smid 2003 pp. 141-142). in The organization there is so called worker loyalty which could be defined as the probability to continue working for a given organization, or, in other words, not seeking another job (Reichheld & Teal 2007, pp. 152-158).

²⁵ The study of workers mobility conducted by Randstad agency was conducted in August 2014 on the sample of 405 respondents. The results show that 33% of people were afraid of losing their job in the third quarter of 2014, 25% of whom described the risk as "moderate" and 8% as "high".

That is why modern organizations appreciate their workers' loyalty and attachment more and more often (NG, et al. 2005; Abel & Wiese 2008). They try to meet the workers' requirements in order to retain them within the organization for as long as possible. They realize that workers, especially talented workers, can guarantee competitive advantage for the organization. Moreover, it is extremely difficult to obtain a new talented worker who wants to develop and achieve high results. Additionally, recruitment of a new person is always connected with unplanned spending of time and financial resources. Therefore, a key element of human capital management in the organization is the identification of talented workers and the introduction of special management schemes in terms of motivational activities. These efforts on one hand will enhance workers' loyalty, and, on the other will exhibit the interdependence between effective talent management and the benefits for the whole enterprise (Lawer, 2008).

The following research hypotheses have been formulated on the basis of the above theoretical discussion:

H2: Adjustment of motivational activities to the worker's internal orientation contributes to his or her loyalty.

H3: The influence of motivational activities adjustment onto the worker's loyalty will be higher among talented workers than among average workers.

4. Data and Methods

Research tool

In order to diagnose the dominant goal achievement orientation a tool based on the prepared by Duda (2001) questionnaire of athlete's motivation (Task and Ego Orientation in Sport Questionnaire), which was then adapted to the work context by VanYperen and Jansen (2002) was used. Based on the questionnaire published in the work entitled "*Fatigued and dissatisfied or fatigued but satisfied? Goal orientations and responses to high Job demands*" by VanYperen and Jansen (2002) a Polish version of the questionnaire was prepared. It consisted of 9 questions referring to mastery approach and 10 questions pertaining to performance approach²⁶. The conducted confirmatory factor analysis proved allocating the questions according to the used scales. Cronbach's alpha coefficient was 0.904 for the mastery approach scale and 0.916 for performance approach scale, which is a satisfactory result.

Simultaneously, the assessment of the perception of the motivational system in a given organization was performed. On the basis of six questions on Likert scale the level of the organization's activities aimed at supporting the development needs and the activities aimed at verification of the results achieved by the workers was assessed.

Research sample

Purposive sample selection was used in the study. Two groups of workers (study group and control group) were selected. Study group comprised talented workers and control group - average workers. It was the employer who decided on the assigning the person to one of the groups on the basis of two criteria: achieved results and developmental potential. Eventually, after the elimination of faulty or incomplete questionnaires the talented workers group (T) comprised 84 people, while the average workers group (NT) comprised 76 people. Due to a relatively small research sample the obtained results need to be treated as the preliminary analysis.

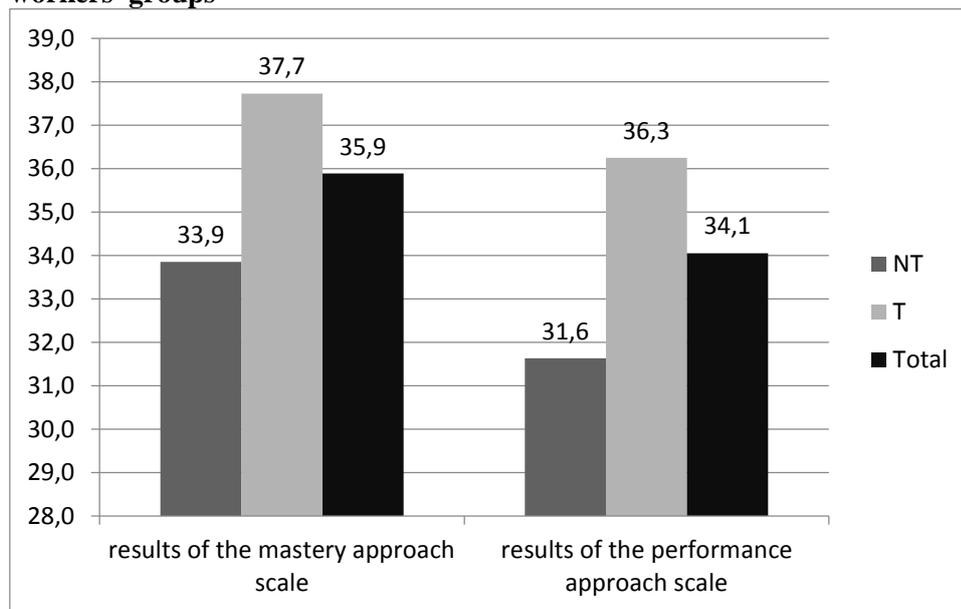
²⁶ Each question started with the statement: "I feel most fulfilled at work when.... Please choose the value from 1 to 5 where 1 indicates - I totally disagree and 5 - I totally agree"

3. Results and Discussion

Mastery approach and performance approach among Polish workers

The conducted research indicates that the workers under study are characterized by a relatively higher mastery approach and relatively lower performance approach. Simultaneously the obtained results unambiguously indicate that there are differences between the talented workers group and the remaining workers, who according to both scales achieved higher results. Talented people obtained an average result at the level of 38 points (with 45 maximum) on the mastery approach scale and 36 points on the performance approach scale (with 50 maximum). The other group on both scales achieved the results lower by 4 points on average (see Figure 1)

Figure 1: Average results of mastery approach and performance approach in the examined workers' groups



Source: based on own study

It needs to be stressed that with reference to both examined scales, the difference between the control group and the study group was statistically significant (see Table 1)

Table 1: Results of Student's t-test for the assessment of the statistical difference between the averages in independent groups

	t	df	Significance (two-tailed)	mean difference	difference standard error	95% confidence interval for the mean difference	
mastery approach scale results	3.6	153.86	0.000	3.871	1.050	1.796	5.946
performance approach scale results	3.4	153.92	0.001	4.618	1.323	2.006	7.231

Source: based on own study

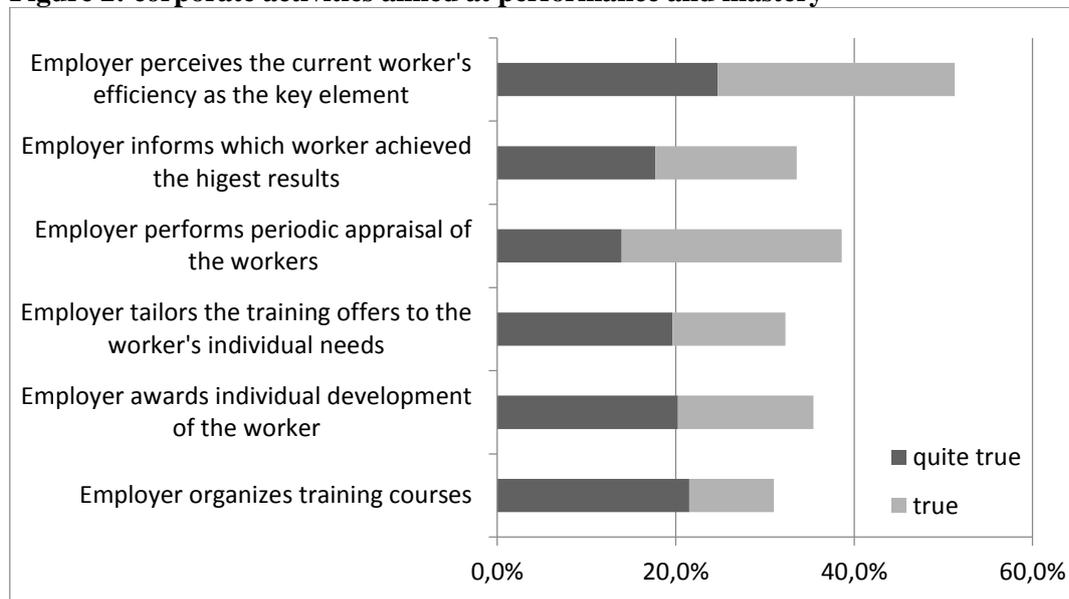
While comparing the results for both groups one may notice that the difference concerns not only the average but also the result distribution. People perceived in the organization as talented achieved the very low result on the mastery approach scale twice as rarely as other workers and they achieved a very high result on the mastery approach scale twice as often (when compared with the other group). The mentioned above results confirm the characteristics of a talented

person that is presented in the literature (Michaels, 2001; Listwan, 2005; Poczowski, 2008) and make it possible to verify the first research hypothesis positively.

Mastery approach and performance approach in the examined organizations

Apart from the level of mastery approach and performance approach among the examined workers the identification of activities undertaken by organizations was also conducted. The assessment whether and to what extent the organizations under study concentrate in their activities on supporting their workers' development and what is their approach towards workers' efficiency was conducted. The assessment was performed on the basis of the workers' declarations. In their opinion employers most often concentrate on current efficiency of the workers and perform a systematic periodic performance appraisal. The activities aimed at the workers' development are undertaken to a smaller extent (see Figure 2).

Figure 2: corporate activities aimed at performance and mastery



Source: own study

While taking into consideration key concepts of motivating workers it is important not only what the organization is doing but also whether these activities are in line with the needs and expectations of the workers (Vroom 1964, Schwab & Cummings 1970, Chan 1996, Livingstone, et al. 1997). Therefore, a research hypothesis on the influence of motivational activities adjustment onto the worker's loyalty was formulated.

Influence of adjusting employer's activities to the workers' needs onto the level of declared loyalty.

In order to verify the formulated hypothesis the analysis of the level of the adjustment of the organizational activities to the worker's needs in two areas: performance approach and mastery approach. The measurement of the adjustment was the difference between the average worker's result on a given scale and the average assessment of the organizational activities in a given area. The calculated differences were the measure of the level of the adjustment of pro developmental activities (ProD) and the measure of the activities supporting achievements (ProP).

While conducting the analysis the comparison of ProD and ProP was performed between the group who wanted to stay in the company and those who wanted to change jobs. The distinctive variable in the study was assigning the worker to the talented workers group.

Table 2: Results of the Student's t-test for the assessment of the statistical difference between the means in the independent groups

		worker's loyalty - average		difference significance*
		not loyal	loyal	
adjustment level of pro development activities (ProD)	NT	1.15	.89	.322
	T	1.67	.99	.013
	ALL	1.46	.94	.006
adjustment level of performance support activities (ProP)	NT	.36	.03	.316
	T	1.22	-.05	.000
	ALL	.87	-.01	.000

* measured by means of the Student's t-test

Source: own study

The conducted Student's t-test indicates that people who declared the willingness to change the current employer perceived a greater difference between their own preferences and the employer's activities. This difference turned out to be statistically significant and it concerned both the mastery approach and the performance approach. Simultaneously, it should be emphasized that when a separate analysis was conducted for the control group and the study group the difference was statistically significant only in the case of talented workers.

In order to identify the interdependence between the adjustment of organizational activities to the worker's goal orientation and loyalty logistics regression in which the dependent variable was declared worker's loyalty (0- not loyal 1- loyal) and predictors were the levels DR and DW was performed; (see Table 3 and Table 4).

Table 3: Collective test of model coefficients

Talent			Chi-square	df	significance
NT	Step 1	Step	1.629	2	.443
		Block	1.629	2	.443
		Model	1.629	2	.443
T	Step 1	Step	23.638	2	.000
		Block	23.638	2	.000
		Model	23.638	2	.000

Source: own study

Table 4: Variables in the model – for talented workers group

		B	standard error	Wald	df	significance	Exp(B)
Step 1 ^a	(ProD)	-.143	.243	.349	1	.555	.866
	(ProP)	-1.019	.289	12.464	1	.000	.361
	constant	.887	.411	4.661	1	.031	2.427

a. Variables introduced in step 1: ProD level of adjustment of pro mastery activities, ProP level of adjustment of performance support activities

Chi squared test for the model coefficients enables to conduct the analysis of the introduced variables with reference to only talented workers group. The conducted statistical analysis indicates that it is the performance approach that is the key element in loyalty of a talented worker. Thus, such workers are especially prone to the situation in which their high performance approach is not supported by the organizations. The interpretation of the

parameters achieved in the model indicates that the increase in the lack of adjustment in this area by 1 point only increases the willingness to leave the organization by over 36%.

4. Conclusion

The solution to the managerial problem resulting from the difficulty of retaining key workers in the organization requires the introduction of the motivational system aimed at the internal needs of a worker. It is stressed in the literature that highly talented people are characterized by high development potential and achieve result highly above the average (Michaels 2001, Listwan, 2005; Poczowski, 2008). Conducted empirical studies confirm the mentioned above assumptions and make it possible to verify positively the first hypothesis according to which a talented worker is characterized by a higher mastery approach and performance approach in comparison with an ordinary worker. One needs to bear in mind that the difference between a talented worker and the average worker proved to be statistically significant with reference to both mentioned approaches. In the case of mastery approach a talented worker was characterized by very high results on the examined scale while the average worker's score was around the middle of the scale. The obtained results might become the basis for more efficient human capital management in the organization contributing to a better adjustment of motivational activities aimed at keeping the worker in the organization.

Since Vroom's concept (1964) the significance of taking into account workers' expectations in motivational systems has been noticed. Moreover, the interdependence between absenteeism and staff turnover and the lack of adjustment of organizational activities to internal needs of the employees have been recognized (Autry & Daugherty, 2003). On the basis of theoretical discussion the following hypotheses were formulated:

- the first one assuming that the adjustment of motivational activities to the internal orientation of the worker contributes to his or her loyalty;
- the second one assuming that the influence of the adjustment of motivational activities on worker's loyalty will be higher among talented workers when compared with the group of ordinary workers.

The conducted empirical study enabled to verify the formulated hypotheses only partially. Although the influence of the adjustment of motivational activities onto the workers' loyalty has been proved, this relationship is much more visible with reference to performance approach. Simultaneously, the results indicate that the talented worker is more sensitive to the lack of the adjustment of motivational activities, which might result in the risk of leaving the organization by this group of workers. Such situation is extremely unfavourable as the replacement of a talented person generates significant costs for the organization.

On the basis of the conducted analysis the authors recommend that one of the elements of the talent management strategy should be the diagnosis of the dominating internal orientation of a worker. The condition of shaping loyalty in this group will be adjusting the motivational system to the level of mastery approach and performance approach.

References

- Abele, A., & Wiese B. (2008). The nomological network of self-management strategies and career success. *Journal of Occupational and Organizational Psychology*, 81(4), 733-749.
- Autry, C.W., & Daugherty, P.J. (2003). Warehouse operations employees: Linking person – organization fit, job satisfaction and coping responses. *Journal of Business Logistics*, 24(1), 171-197.
- Baranik, L.E, Lau, A.R., Stanley, L.J., Barron, K.E., & Lance, C.E. (2013). Achievement Goals in Organizations: Is there Support for Mastery-Avoidance? *Journal of Managerial Issues*, 25(1), 46-61.
- Becker, B., & Gerhart, B. (1996). The impact of human resource management on organizational performance: Progress and prospects. *Academy of Management Journal* 39 (4), 779-801.
- Carree, M.A., & Thurik, A.R. (2011). The impact of entrepreneurship on economic growth. In T. Ingram (p.14). *Zarządzanie talentami*, PWE, Warszawa.

- Chan, D. (1996). Cognitive misfit of problem-solving style at work: A facet of person-organization fit. *Organizational Behaviour and Human Decision Processes*, 68(3), 194-207.
- Czarnota-Bojarska, J. (2010). *Dopasowanie człowiek-organizacja i tożsamość organizacyjna*. Wydawnictwo Naukowe Scholar, 39.
- Elliot, A. J., & Conroy, D. E. (2005). Beyond the dichotomous model of achievement goals in sport and exercise psychology. *Sport and Exercise Psychology Review*, 1, 17–25.
- Elliot, A. J., & Harackiewicz, J. M. (1996). Approach and avoidance achievement goals and intrinsic motivation: A mediational analysis. *Journal of Personality and Social Psychology*, 70, 461–475.
- Harackiewicz, J.M., Baron, E.K., & Eliot, A.J. (2002). Revision of Achievement Goal Theory: necessary and Illuminating, *Journal of Educational Psychology*, 94 (3), 638-645.
- Ingram T. (2011). *Zarządzanie talentami*, PWE, 13-21.
- Jagacinski, C.M., Kumar, S., & Kokkinou, I. (2008). Challenge seeking: The relationship of achievement goals to choice of task difficulty level in ego-involving and neutral conditions, *Motivation and Emotion*, 32(4), 310-322.
- Kłosińska, A., Sobol, E., & Stankiewicz A. (2005). *Wielki słownik frazeologiczny PWN z przysłowiami*, PWN, Warszawa, 426.
- Lawer III, E.E. (2008, May). Strategic talent management: Lessons from the corporate world. *Strategic management of Human Capital*, No 5, 1-35.
- Linnenbrink-Garcia, L., Middleton, M.J., Ciani, K.D., Easter, M.A., O’Keefe, P.A., & Zusho A. (2012). The Strength of the Relation Between Performance-Approach and Performance-Avoidance Goal. Orientations: Theoretical, American Psychological Association Methodological, and Instructional Implications, *Educational Psychologist*, 47(4), 281-301.
- Lipka, A., Winnicka-Wejs, A., & Acedański, J. (2012). *Lojalność pracownicza*, Difin, Warszawa.
- Listwan, T. (2005). Zarządzanie talentami – wyzwanie współczesnych organizacji. In S. Borkowska, *Zarządzanie talentami*, IPISS, Warszawa.
- Livingstone, L.P., Nelson, D.L., & Barr, S.H. (1997). Person- environment fit and creativity: An examination of supply-value and demand-ability version of fit. *Journal of Management*, 23(2), 119-146.
- Majewska, M. (2011). Job hopping – w pogoni za nową lepszą pracą, *Personelplus* 08(45), 57.
- Meyer, J. P., Becker, T.E., & Vandenberghe, C. (2004). Employee commitment and motivation: A conceptual analysis and integrative model. *Journal of Applied Psychology*, 89 (6), 991-1008.
- Midgley, C., Kaplan, A., & Middleton, M. (2001). Performance-approach goals: Good for what, for whom, under what circumstances, and at what cost? *Journal of Educational Psychology*, 93, 77–86.
- Michaels, E., Handfield-Jones, H., & Axelrod, B. (2001). *The War For Talent*. Harvard Business School Press, Boston.
- NG, T.W.H., Eby, L.T., Sergersen, K.L., & Feldmann, D.C. (2005). Predictors of objective and subjective career success: A meta-analysis. *Personnel Psychology*, 58(2), 367-408.
- Penc, J. (2000). *Motywowanie w zarządzaniu*, Profesjonalna Szkoła Biznesu, Kraków, 203.
- Pocztowski, A. (ed.), (2008). *Zarządzanie talentami w organizacji*, Oficyna Wolters Kluwer Polska, Warszawa.
- Reichheld, F.F., & Teal, T. (2007). *Efekt lojalności, Ukryta siła rozwojowa Twojej firmy*, Helion, Gliwice, 152-158.
- Robertson, A., & Abbey, G. (2010). *Zarządzanie talentami*, Oficyna Wydawnicza, Warszawa, 34.
- Rytelewska, A., & Spriger, A. (2014). Działania przedsiębiorstw na rzecz rozwoju pracowników jako podstawa motywowania osób utalentowanych, *Zeszyty Naukowe WSB Poznań*, 145-157.
- Schwab, D. P., & Cummings, L.L. (1970). Theories of performance and satisfaction: A review, *Industrial Relations* 9, 408-430.
- Senko, C., Hulleman, C.S., & Harackiewicz, J.M. (2011). Achievement Goal Theory at the Crossroads: Old Controversies, Current Challenges, and New Directions, *Educational Psychologist, American Psychological Association* 46(1), 26–47.
- Smid, W. (2003), *Psychologia i Socjologia zarządzania*, Wyższa Szkoła Zarządzania i Marketingu w Sosnowcu, Sosnowiec, 141-142.
- Sveiby, K. (1997). *The New Organizational Wealth: Managing & Measuring Knowledge-Based Assets*, Berrett-Koehler, San Francisco, 10-11.
- Taris, R., & Feij, J.A. (2001). Longitudinal examination of relationship between suppliers-values fit and work

- outcomes. *Applied Psychology: An International Review*, 50(1), 52-80.
- Torrington, D., & Hill, L. (2005). *Human Resource Management*, Prentice Hall, London.
- Zatzick, C., & Marks, M.L., & Iverson R.D. (2009). Which way should you downsize in a crisis?, *MIT Sloan Management Review*, No. 51, 79-86.
- VanYperen, N.W., & Jansen, O. (2002). Fatigued and dissatisfied Or fatigued but satisfied? Goal orientations and responses to high Job demands, *Academy of Management Journal*, 45(6), 1161-1171.
- Vroom, V. H. (1964). *Work and Motivation*. Wiley, New York.

Degree vs. Trade? The Dilemmas of Prevailing Knowledge

Andrea Mikáczó¹ – Erika Varga²

¹associate professor, ²assistant professor

Szent István University, Faculty of Economic and Social Sciences

¹Institute of Business Sciences – ²Institute of Social Sciences and Teacher Training

H-2100 Gödöllő, Páter Károly u. 1.

Abstract

Our paper is aimed at highlighting and trying to find answers to the questions what methods, instruments and possibilities there are at the disposal of the young in order to gain the best result possible when entering the labour market and wishing to be successful there.

The significance attributed to studying/knowledge by society shows a varied picture although it is evident that the opportunities hidden in lifelong learning (LLL) either in Hungary or all over the world can mean the key to dynamizing education and training as well as being competitive.

Key words: *educational policy, higher education, special (vocational) higher education training, dual training, labour market, human capital.*

JEL Classification: *J24, M54, M53*

1. Introduction

What do parents, secondary school students, and the young without a general certificate of secondary education, the graduates and the current university students see and perceive in connection with Hungarian higher education?

In a certain sense it goes without saying that they have a positive picture as it can be connected to such traditional values like knowledge, intelligence and culture. For many people studies in higher education also mean a chance for social break-through. The attractive picture is justified by the enormous number of applications and for the intelligentsia having a degree in higher education is natural. No doctors, lawyers, teachers or engineers can be successful without a degree in higher education.

However, the downsides of the picture about higher education is that graduating in some of the programmes does not guarantee a decent living, a fast and easy success on the labour market for the young and also the curricula of the programmes have been heavily criticised. But it is true that although a tertiary degree is not an automatic success in the labour market, people with some form of diploma are still at a more advantageous position than those without one (Czeglédi – Juhász, 2013).

Nowadays knowledge has been reassessed and in the era of getting information radically and fast the studies for a long period do not seem to be natural and practical but also the length and also the type/nature of studies also raise economical questions (Bálint – Polónyi – Siklós, 2013). The individual and communal benefits of participating in higher education cannot be doubted and obtaining a degree does not only have a significantly positive impact on the individual's career but also knowledge, i.e. training in human capital, is one of the key factors for sustainable growth.

The paper focuses on presenting what the new dimensions of investing in human capital are (special trainings in higher education, dual training) in addition to the structure offered by the Bologna training system and how the current goals of the national educational policy can contribute to this.

2. Materials and methods

The present paper is predominantly based on the empirical analysis of the descriptive and regulative documents on higher education activities and it also gives an overview of specialist literature on the topic that also deal with the secondary analysis of some statistical data.

3. Results

The necessity of transforming Hungarian higher education

During the past 25 years Hungary managed to pay off all the debts of higher education complied for long decades by the society and families. In the past quarter of the century access to higher education was made wider and the marginalised and disadvantaged groups could also have a share in trainings by obtaining the desired qualification. The unified institutional system of the Hungarian higher education and the training structure were formed, the unity of research and education was restored and there was a need for developing the quality of higher education.

Access to higher education was improved both economically and socially. In 1990 the elite higher education of 106 thousand students started to open up. Fifteen years later there were four times as many students. These days there is no geographical point in Hungary from where a higher education institution could not be reached within one hour, which can be regarded an exceptional result by a European standard.

In addition to the benefits listed above, this transformation process contained such elements and took place in such a way (e.g. the implementation of the Bologna system without any criticism, supporting mass education without sufficient control, distance from labour market needs, the misinterpretation of higher education autonomy, the hasty creation of institutional integration and training structure) that led to the creation of the higher education system operating with low level of efficiency regarding all its elements (Topár, 2008).

Messy professional structure which is not transparent and run uneconomically, some worthless degrees, wasteful institutional system, decreasing student, teacher and researcher performance, systems with a wide range of rights and few responsibilities characterise both the management of the institutions and the students.

The national higher education should keep pace with the global world so that a performance-oriented system of services should be created that meets the needs of the economic players and provides higher quality by exploiting the opportunities of the system, preserving values and making new ones as well as making use of resources effectively.

Meeting labour market needs mean that institutions perform their tasks properly if the knowledge imparted to the students is relevant and useful for both the society and the national economy and there is a sufficient number of properly qualified professionals available in all the regions of the country. To this end, the training and educational structure should be transformed and efficiency should also be increased.

The maintenance team of higher education started rationalisation processes as a result of which trainings that do not assist finding a job are continuously phased out (e.g. social sciences, some bachelor courses, technical management BSC) and they are no longer funded by the state. At the same time, new training forms are going to be introduced and better conditions of transition from higher education to professional training are to be created. According to the presently envisaged scenario the number of professional qualifications in higher education might decrease by 10-15 percent from 2016 so instead of the currently run 658 training programmes offered since 2005 this number can decrease to approximately 550 in the future. Table 1 summarises the most important changes.

Table 1: Changes in Hungarian higher education

PERFORMANCE INDICATOR	BASE VALUE (2013)	TARGET (2020)
The number of trainings will decrease by 15% nationwide while keeping the capacity concerned	10 732	9 122
The rate of dropping out will decrease by 10% taking the average of bachelor and undivided trainings into account	35%	25%
Number of international students	23 000	40 000
Proportion of first year students in dual training in the relevant training areas	0%	8%
Proportion of graduates with a higher education degree or its equivalent in the age group between 30 and 34	29.9% (2012)	35% (2023)
Proportion of students taking part in part time trainings abroad for at least 3 months or a study trip abroad for minimum 15 credits	10.41%. (2012)	20% (2023)

Source: <http://www.kormany.hu/download/d/90/30000/felsoktatasikonceptcio.pdf>; own compilation, 2015

In order to ensure the smooth transition from education to labour market the project-based educational form requiring individual student work will be prioritised in the future. Skills and abilities demanded by the labour market will be included in the curricula, dual higher education trainings will be wider, special courses in higher education will be reformed and presumably cooperation centres between higher education institutions and the industry will be created (Anwar M., 2011):

Higher education institutions can feel and accept the fact that it was high time. The objective is to increase the proportion of the graduates from 23 percent to 35 percent but admission will also be changed: from 2020 onwards an intermediate level language exam must be presented. On the basis of a national study, in which job advertisements were analysed, researchers found that the concerned companies expected certain personal, habitual characteristics and special proficiencies from applicants (Cseh Papp-Csapóné, 2014).

For the forthcoming 3-5 years companies see the shortage of engineers as the biggest obstacle of development in higher education. There is lack of transportation engineers, electrical engineers, automotive engineers, mechanical engineers and also chemical engineers, agricultural specialists and in some areas financial specialists are also in demand in the labour market. These jobs shows the way for taking a turn in national higher education. However, shortage is qualitative rather than quantitative. The biggest problem is that the graduates lack practice and they cannot implement their theoretical knowledge gained. The dual training model that has been in operation in Germany since the 1970's can offer a solution that is also proved by the results of regular international comparisons.

Dual training is such a practice oriented form during which the university student can obtain information about the world of work, socialises and later on they can be get acquainted with and be part of labour processes during their internship in connection with corporate and organisational tasks and, in addition, an opportunity is also given to practise professional competencies (Hrubos, 2012):.

Dual training is such a form of practice-oriented bachelor training that can enhance the students' professional competencies, business administration knowledge and organisational culture due to its curriculum content of practice-oriented trainings spent at accredited companies and increased number of lessons spent at enterprises.

Higher education institutions make contract with companies about the cooperation in training participation. The company and the student, however, make a students' labour contract according to which the students must receive full payment for the entire training period by the company (both for the period spent at the company and at the institution). The fee must reach 15 percent of the mandatory smallest amount per week (the minimal wage) (so it amount to about 60% of the minimal wage a month).

Application for dual training forms consists of two simultaneous phases in 2015: a general state application process (which does not differ from the application for non-dual courses) and a corporate application process.

By making the dual training system more popular in the forthcoming period such graduates will leave higher education institutions who are able to enter the labour market immediately without several years of further trainings and investment. By applying this training model the proportion of dropouts is expected to decrease, practice-oriented trainings will be promoted and degrees tailored to labour market needs will be issued.

In the academic year 2015/2016 dual training forms are offered in 79 bachelor courses of 21 higher education institutions. Altogether the institutions offer 30 different types of bachelor courses in dual forms, e.g. in technology, IT, agriculture, natural sciences and economics. Corvinus University in Budapest is launching a pilot master course in addition to its bachelor courses in the dual form. As a result, from September 2015 even 1000 students can start their studies in dual higher education trainings. The institutions made contracts with more than 350 partners (economic organisations) of which 248 are small and medium-sized enterprises that students can apply for.

Till the launch of the courses in September the Dual Training Council decides on the requirements that can be set by the companies and organisations functioning as a place for internship in dual higher education training as well as by the experts who take part in practical training.

The quality assurance of these training centres is of vital importance as the task of the external economic organisations in the dual training is not only to ensure internship but also to train the students formally.

In order to ensure the smooth running of this model and make it more popular, the Government makes it possible for the participating companies to write off the training costs from their vocational contribution and also the contracts made between the students and the companies are free from fees and other contributions and also further benefits are envisaged.

From the autumn of 2015 the following institutions can start dual higher education trainings.

- 1. Corvinus University, Budapest
- 2. Budapest Business School
- 3. Budapest Communication and Business College
- 4. University of Debrecen
- 5. College of Dunaújváros
- 6. Eötvös József College
- 7. Gábor Dénes College

- 8. University of Kaposvár
- 9. Károly Róbert College
- 10. College of Kecskemét
- 11. University of Miskolc
- 12. College of Nyíregyháza
- 13. Univeristy of West Hungary
- 14. Óbuda University
- 15. Pannon University
- 16. University of Pécs
- 17. Széchenyi István University
- 18. University of Szeged
- 19. Szent István University
- 20. College of Szolnok
- 21. Tomori Pál College

Till the launch of the programmes in September EU grants are available for the higher education institutions to improve dual trainings. The Government launched TÁMOP 4.1.1.F-15/1/Konv application which is available for improving educational cooperation between the institution and its partners and also for improving trainings, teaching materials and coursebooks.

The budget of this application is 200 000 000 HUF that can be used in convergence regions; the minimum fund required is 200 000 000 HUF and the maximum is 400 000 000 HUF.

One of the major objectives of the application is to make dual training more popular in bachelor courses and special, vocational higher education courses. Other aims include enhancing practice orientation in training content (curriculum) and methods, improving labour market oriented entrepreneurial competencies within the framework of higher education trainings and also transforming higher education trainings into cooperative dual ones.

The general features of special (vocational) higher education

According to Par. 113 (4) of Act CCIV in 2011 on national higher education:

„On the basis of the 2005 act on higher education registered special (vocational) higher education courses cannot be launched after September 2012. Courses will gradually be phased out and must be completed by the academic year 2015/2016.”

To sum up, special (vocational) higher education has been abolished and instead, dual trainings have been introduced. The former one provides the students with a certificate but no further qualification. Seventy-five percent of the credits outlined in the training and qualification requirement and accumulated in a special higher education training must be acknowledged in the case of further trainings (continuation of studies), e.g. for a 120-credit special higher education training it means 90 credits to be transferred into the bachelor course. The length of the training is minimum 4 semesters except if stipulated otherwise by the EU law including one semester for internship tailored to the programme.

The objective of special higher education training is to train practice-oriented experts with special knowledge tailored to the labour market needs. The proportion of theory and practice is 40%-60%, respectively.

Benefits of special (vocational) higher education

- special higher education certificate can be obtained within 2 years;
- offers jobs and gathering first-hand work experience;
- part of the studies (credits) is acknowledged in the case of further studies;
- students have the same rights as bachelor students including student cards and loan.

4. Conclusion

By all means, attention must be paid on the problem of the number of students accepted in higher education when transforming its structure. In the past years the decreasing number of students deriving from the one-time drastic reduction of births demographically has also affected higher education. According to the data of the Statistical Office the number of students under 18 in 2010 was 126 000 and by 2015 it decreased to 105 000, which means a decrease of approximately 20%. This trend has significantly decreased demand for Hungarian higher education, at least for this generation.

However, the likely decrease in students' number also means an asset: free capacities can be utilised in the qualitative transformation of higher education very well.

When ensuring human resources as the basis of internationally competitive economy, Hungary has to face a very serious problem. The further-and re-training of labour force take place in the different forms of lifelong learning and in this respect our country has very favourable indicators. It can be illustrated by the data of participation in non-formal training.

In our country 10% of those aged between 25 and 34 and 2% of those between 55 and 64 take part in non-formal trainings, which accounts for only one-quarter of OECD average (37% and 23%, respectively) (Báangi-Magyar A. et. al., 2009):. Solving the problem of *lifelong learning* is not primarily the task of higher education but during the structural changes this challenge must be tackled by higher education, too.

The objective is restructuring training programmes so that each student could obtain knowledge that is valuable on the labour market and tailored to their skills, abilities and opportunities. It is necessary to ensure the transition from the special vocational system to higher education, create a new training system and bachelor course type (such as economic and industrial engineers), that can be adapted to labour market participation easier.

Actions to be taken include providing students with the opportunity to join a lower level course from a higher level one, launching dual trainings and further- as well as re-trainings for shorter terms by clarifying the profile of special (vocational) higher education trainings. In addition to raising the professional standards of the current higher education training programmes, these practice-oriented forms must also ensure a degree in higher education. Moreover, there is a need for such 2-4 semester long practice-oriented master courses whose objective is not the preparation for PhD courses, rather they are aimed at preparation for performing work of higher standard.

References

- Anwar M. (2011): A felsőoktatás minősége európai dimenzióban In: Minőség és Megbízhatóság 2011/3
- Bálint J. - Polónyi I. Siklós B. (2013): A felsőoktatás minősége, Felsőoktatási Kutatóintézet, Budapest
- Báangi-Magyar A. et. al. (2009): AVIR kézikönyv, Educatio Társadalmi Szolgáltató Nonprofit Kft., Budapest
- Cseh Papp I. - Csapóné Riskó T. (2014): Agricultural vocational training and the labour market in Hungary, *Economic Affairs*
- Czeglédi Csilla - Juhász Tímea (2013): Role of Tertiary Education in Career and Life-long Learning Among Day-time Students (Based on Empirical Findings) megjelent: 2013. október 14-17. The Journal of Education Culture and Society ISSN 2081-1640 2013/01 pp. 190-198 Wroslaw Lengyelország
- Hrubos I. (2012): Felsőoktatás-politika, Budapesti Corvinus Egyetem, Budapest
- Topár J. (2008): Felsőoktatási intézmények minőségbiztosítása In: Educatio 17. évf. 1. sz.
2011. évi CCIV. törvény a nemzeti felsőoktatásról
- 19/2012. (II. 22.) Korm. rendelet a felsőoktatási minőségértékelés és -fejlesztés egyes kérdéseiről

Internet:

<http://www.mab.hu/web/index.php?lang=hu>

http://europa.eu/legislation_summaries/education_training_youth/lifelong_learning/c11067_hu.htm

http://europa.eu/legislation_summaries/education_training_youth/youth/ef0024_hu.htm

<http://ec.europa.eu/social/main.jsp?langId=hu&catId=950>

<http://www.kormany.hu/hu/emberi-eroforrasok-miniszteriuma/felsooktatasi-felelos-allamtitkarsag>

<http://www.kormany.hu/download/d/90/30000/felsoktatasi-koncepcio.pdf>

Applicability of mystery shopping in human development

András DURUGY¹, Péter KOLLÁR²

Szent István University
Department of Management
H-2100, Páter Károly 1.
Gödöllő, Hungary

e-mail^{1,2}: durugy.andras@europatrening.hu; kollar.peter@gtk.szie.hu

Abstract

The customer service is the most valued personal contact and communication “tool”. The focus has been shifting from quantity to quality of service. Mystery shopping is a research technic used to measure the quality of customer service or personal selling. The aim of this paper is to explore the opportunities and measurement methods of mystery shopping. We would like to answer the question how to apply the mystery shopping in human development. This paper aims to investigate some specific features of requirement and competency of customer service and personal selling job profiles and its aspects of employee development within certain segments of Hungarian organizations. This contribution is based on an empirical-analysis. To investigate employee competencies we have developed 5 competencies (service, problem management, communication I, II, and orderliness.) scales. This instrument contains 14 items and asks mystery shoppers to indicate their acceptance of items. The results have been analyzed with statistical methods.

Keywords: *mystery shopping, HRM, human development, competency*

JEL Classification: *C18, M10, J20*

1. Introduction

Various types of customer service and personal selling are necessary in several aspects of business. According to Fehér (2011) client centric business methods are spreading. From counselor to salesperson we can find such employees as whose tasks are attendance, complaint handling, contact or manage relationship. These employees have to meet lot of requirements in aspects of competencies.

These requirements depend on type of sales, situation, type of customer, etc. Requirements could be describable with behavioral rules. Salesperson or customer service officer has to be polite, helpful, patient, considerate, good judge of human. Excellent intra and interpersonal skills are also desirable.

2. Customer centric culture

According to Armstrong (2009, p.195) “A customer-centric culture is one in which everyone in the organization is aware of the importance of delighting customers by providing high levels of service to them, and works cooperatively with colleagues to achieve and exceed customer service standards.”

Armstrong summarized criteria of customer centric culture: (Armstrong, 2009, p.197)

1. Articulate the core values for service excellence that will be adopted by the organization.
2. Communicate those values to all staff.
3. Live the values at top management level – how they lead is how others serve.
4. Implement programmes of continuous improvement that provide for incremental but significant enhancements to service levels.
5. Implement total quality management programmes, which provide for the achievement of high levels of product and service quality.
6. Focus on internal as well as external customers.

7. Define the attitudes and behaviors expected of all those dealing with external and internal customers.
8. Select people with the right attitudes, train them in the customer service skills they need and empower them to provide them with greater autonomy in relating to customers.
9. Monitor performance by reference to core customer service values and expected attitudes and behavior.
10. Recognize and reward high levels of customer service achieved by individuals and teams.

In this paper we are studying these requirements in relations of competencies. We have asked the question, how we can create a valid and reliable instrument to measure relevant competencies. We have found the answer in technique mystery shopping. Traditionally mystery shopping is a market research technique that measure organizational standards. But during an observation we can explore several aspects of human behavior. These results can be used for competency measure.

3. Sample and methods

Toward measurability we have itemized the sales assistants' behavior to observable particles. The observability was a critical requirement. We have determined the next mosaics:

- farewell
- smiling
- attention
- greeting
- emotion management
- helpfulness
- problem exploration
- problem solving
- solidarity (attitude to customer's problem)
- volume of speaking
- articulation
- direction of communication
- eye contact
- orderliness of workplace

Depending on necessary plus effort we have supplied the items with five-point ordinal scale. To filter out subjective impacts all scale values were described with explanation. For example extreme values of greeting 1 means the seller does not greet and 5 means seller says hello and inquires how she or he can help.

After scaling we have trained mystery shoppers. Mystery shoppers got the list of behavior mosaics. They had to evaluate a hypothetical shopping situation with a seller and a buyer. We repeated the various shopping situations again and again until 85% of evaluations of mystery shoppers were agreed.

In summary 214 mystery shopping acts were done. All of them were served at ticket offices of Hungarian public transport suppliers on every day. Mystery shoppers had to ask inform about travel condition, transfer, ticket prices or reduced rates. Mystery shoppers got the list of Table 1 shows the characteristics of sample according to days.

Table 1: Sample of research

	Day							Total
	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	
Total	41	33	19	28	42	24	27	214

Source: authors' calculations

4. Results and discussion

Our first goal was to investigate variable structure towards explore predictors of competencies. To explore the latent variable structure between the attributes we have used principal component based factor analysis. In the aggregate 14 variables were selected.

To measure sampling adequacy we have used the Kaiser-Meyer-Olkin value. "The KMO can be calculated for individual and multiple variables and represents the ratio of squared correlation between variables to squared partial correlation between variables" (Field, 2014 p.684) The KMO measure of sampling adequacy is 0,898, that can be acceptable. The Bartlett test's significance level is less than 1 %. According to results the variable structure is suitable to the factor analysis.

Table 2 shows eigenvalues of selected principal components. We have selected as many components as explain 75% of total variance.

Table 2: Total variance explained (the table shows so much components explain 75% of total variance)

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6,247	44,623	44,623	6,247	44,623	44,623	3,689	26,349	26,349
2	1,442	10,301	54,924	1,442	10,301	54,924	2,304	16,458	42,807
3	1,072	7,656	62,580	1,072	7,656	62,580	1,733	12,376	55,183
4	,875	6,246	68,826	,875	6,246	68,826	1,673	11,949	67,132
5	,811	5,795	74,621	,811	5,795	74,621	1,048	7,489	74,621

Source: authors' calculations

To improve interpretability of factors we used varimax rotation. The table 3. shows the rotated component matrix of variables and the factor weights. We have used the results to grouping the original variables to latent variables.

Table 3: Component matrix

	Component				
	customer focus	problem management	communication I.	communication II.	orderliness
Farewell	,790				
Smiling	,751				
Attention	,711				
Greeting	,696				
emotion management	,684				
helpfulness	,551				
problem solving		,870			
problem exploration		,857			
solidarity (attitude to customer's problem)		,601			
volume of speaking			,875		
articulation			,871		

direction of communication				,870	
eye contact				,647	
orderliness of workplace					,972

Source: authors' calculations

According to results in summary five competencies were created. We can read the descriptions of competencies below.

Customer focus

Salesperson or customer service officer is able and motivate to serve customers according to needs of them. Besides she/he behaves polite, helpful, and considerate.

Problem management

Salesperson or customer service officer is able and motivate to recognize, explore and solve a problem situation. Besides she/he behaves empathic.

Communication I. II.

Salesperson or customer service officer is able and motivate to use adequate communication techniques

Orderliness

Salesperson or customer service officer is able and motivate to order her work environment.

Table 4 shows the results of predictors of customer focus competency. According to results we can note ticket office assistants greet customers but remain silent, do not ask how she or he can help to customers. They smile slightly but behave dispassionately.

Table 4: Results of predictors of customer focus competency

items	Median	First quartile	Third quartile	Interquartile range
greeting	3	2	3,5	1,5
smiling	2	2	3	1
helpfulness	3	2	3	1
attention	3	2	3	1
emotion management	3	3	3	0

Source: authors' calculations

Table 5 shows the results of predictors of problem management competency. According to results research ticket office assistants ask only one or two less significant questions, do not make effort to solve problems of customer. They do not identify themselves with customers.

Table 5: Results of predictors of problem management competency

Items	Median	First quartile	Third quartile	Interquartile range
problem solving	3	2	3	1
orderliness of workplace	3	3	4	1
solidarity (attitude to customer's problem)	3	2	4	2

Source: authors' calculations

Table 6 and 7 show the results of predictors of communication I. and II. According to results considering the circumstances ticket office assistants speak audibly and articulated. They do not hold eye contact but speak towards customers.

Table 6: Results of predictors of communication I. competency

Items	Median	First quartile	Third quartile	Interquartile range
volume of speaking	4	3	4	1
articulation	3	3	4	1

Table 7: Results of predictors of communication II. competency

Items	Median	First quartile	Third quartile	Interquartile range
eye contact	2	2	3,5	1,5
direction of communication	4	2	4	2

Source: authors' calculations

Table 8 shows the results of predictors of orderliness competency. According to results research ticket office assistants organize structurally their work environment but we can meet with objects that are not necessary to working.

Table 8: Results of predictors of orderliness competency

Items	Median	First quartile	Third quartile	Interquartile range
orderliness of workplace	3	3	4	1

Source: authors' calculations

According to results we can make the following suggestion for areas of training programs:

- Basics of communication
- Self-knowledge
- Communication style
 - Basics of verbal and non-verbal communication
 - Building trust in the communication situations
 - Effective communication in case of several situations
- Impact blocks, credibility
 - The communication with customers
 - Customer-psychology, easy and difficult to treat customers typing
 - Liaison with customers
 - Feed-back / feedback to the customer
- Assertive communication
 - The concept of assertiveness
 - Use assertive terms, process of problem solving
- Sales techniques
 - Sales and areas of responsibility
- Determination of the potential customer target groups - Customer typology
 - The needs of the target groups, the customer's fears and expectations
- Analysis of the product depend on type of customer
- Personal selling
- Verbal communication and meta-communication
- Persuasion
- Handling of complaints - handling "difficult" customers

5. Conclusion

The transformation of business processes requires a different way of thinking. The competition calls for the permanent development of efficiency, working methods and views. Weight of customer centric culture is gained. This is the reason for not only focusing on traditional fields and units of training and development. To use mystery shopping in human development is an opportunity to meet challenges.

We have to note our results are not representative. Our future goals are to develop the instrument among others to create an interval scale to measure competencies, reliability and validity analysis.

References

- Armstrong M. (2009): *Armstrong's Handbook of Management and Leadership*, Kogan Page; London UK
Fehér J. (2011): *Emberi erőforrás menedzsment rendszerek és módszerek*, Szent István Egyetem, Gödöllő
Field A. (2014): *Discovering statistics using IBM SPSS Statistics*, SAGE Publications Inc., London

The personal Aspects of Organizational Commitment

Andrea Juhasz Kler

SzentIstván University, Faculty of Economic and Social Sciences

Institute of Social Sciences and Teacher Training

H-2100 Gödöllő, PáterKároly u. 1.

e-mail: Kler.Andrea@gtk.szie.hu

Abstract

In the last few decades the question of what the cognitive and personal characteristics are that determine personal commitment to an organisation has become to the centre of attention of research in organisational psychology. In addition to the description of the necessary professional competencies, research carried out in the special features of fitting to an organisation and the definition of the most important personal competencies playing the function of a predictor have appeared as basic requirements. With regards to the fact that the HR specialists are involved in planning this process our pilot study examines the extent of similarities between the surveys conducted in an international business environment and the nature of commitment in the case of the Hungarian employees. According to the results of our questionnaires person-job fit under national conditions is also regarded as a guideline to long-term commitment together with the nature of cognitive style, conscientiousness or perceiving supporting organisational culture. Our research experience can justify the need for elaborated internship, socialising and talent management programmes as well as their role in organisational success.

Keywords: *cognitive style, commitment, organisational requirements, personality traits*

JEL Classification: *J24, J28, D23*

1. Introduction

On the basis of a national study in which job advertisements were analysed, researchers found that the concerned companies expected certain personal, habitual characteristics and special proficiencies from applicants. (Cseh Papp.-CsapónéRiskó, 2014.) The measures taken in order to increase organisational efficiency often pose serious challenges for the specialists of human resource management. How can it be realised that the radical changes of the traditional, old organisational environment preferred by many employees should not be accompanied by diminishing their commitment to the organisation and motivation at work? Facing the economic crisis and the conflicts deriving from the generation gap of employees only intensify the need for some empirical studies carried out in the Central European countries that can assist in identifying the personal sources of employee engagement. Our paper presents the conclusions of such a pilot study in order to draft what personal features are worth considering so as to ensure the optimal running of the organisation from the aspects of both selection and socialising processes. Human capital and knowledge capital are the biggest value of a company (Bencsik-Juhász-Machova, 2014) so the key role of employees regarding organisational efficiency cannot be disregarded as their competencies (Budavári-Takács and Suhajda, 2014) motivation and engagement play a decisive role in the company's competitiveness. (Wright et al. 1994; 2001). In the past few years several studies in Hungary have also analysed the significance of employees' personal resources in organisational success (Gyökér-Krajcsák 2009).

1.1 Theoretical background

According to the approach of social cognitive psychological theories it is necessary to analyse the relationship of three factors, namely, people, situation and behaviour. The different organisational psychology researches in the past decades have mainly concentrated on people and wanted to define what different attributes can be used to describe certain employee groups.

Fewer examinations have analysed the impacts of situation from the aspect of behaviour at work including the example of what personality traits make us able to meet environmental challenges and the ever-changing situations.

These experiments have primarily monitored ideal conditions alongside the forms of managerial behaviour and they have also been searching the motivation bases of behaviour at work. (Mitchell, 1997) In order to analyse behaviour and the personality traits in its background it is necessary to analyse the individual's cognitive processes as they can serve as the basis of important points. Davis and Luthans (1980) identify cognitive processes as a kind of mediator. While studying them it can become easy to understand how differences in personality traits are transformed into different behavioural responses during an interaction with certain situational factors.

A great part of organisational psychology researches are built on the so-called Big Five model when interpreting personality that consists of EXTRAVERSION, NEUROTICISM, CONSCIENTIOUSNESS, AGREEABLENESS AND OPENNESS TO EXPERIENCE. They are the personality traits on the basis of which the expected patterns of behaviour of the respondents can be described the best. The group of researchers who accept the Big Five concept have carried out several meta-analytic examinations in order to point out the impact of certain personality traits on work performance. According to their findings conscientiousness and emotional stability have a high level of predictability in many jobs regarding work performance while the other three personality traits show relatedness to changes in personality traits only in the case of certain jobs or under specific circumstances. For instance, the impact of extraversion led to higher work performance in such cases where tasks had to be performed under challenging environmental conditions, e.g. for managers or in sales. In contrast, agreeableness was preferred in jobs to reach a better performance where there was a high need for cooperation and performing tasks required a strong interaction between colleagues, e.g. group decision making. Openness to experience primarily appears as an openness to study acting as a personality trait that can have a value both as adaptation and work performance.

Empirical studies also analysed the role of certain efforts in the relation between personality traits and performance. (Lucas et al., 2000) Both performance-related efforts and status as well as community ones embodied in social interactions were identified as mediators that can have a role in how the single personality traits can affect work performance. Conscientious individuals set goals for themselves more frequently and they are more persistent. Moreover, the efforts made to reach their goal are even greater. They can be characterised by being motivated to work and fighting for reaching results. However, the individuals who are emotionally more stable and have slight self-esteem, are less satisfied with their job and other parts of life and they were not too motivated, either. At the same time, agreeableness as a personality trait has an impact on performance through community achievements during which the sense of belonging and agreeable, friendly behaviour also come to the front. Extraversion and agreeableness are the most sensitive personality traits to social situations. A typical extravert is looking for situations full of excitement and adventure, which, at the same time, offer an opportunity for them to be assertive or domineering. Based on the findings of Barrick and Mount (1991) as well as Stewart (1996) the work performance of the extraverts was more advantageous in such competitive labour situations where managers and those in sales could push their own ideas through others by enhancing their own success. In contrast, agreeable persons prefer situations that call for cooperation where people are helpful, trust their partners and can work together with others well. Individuals who score high in agreeableness tend to be more successful in situations that require cooperation, social relationships and interpersonal harmony with their partners especially where task management calls for a greater interactivity between group members. At the same time, however, research results show that the level of autonomy that prevails in the situation also has a role as all the personality traits proved to be a

better predictor in work performance where individuals are given autonomous decision making possibilities. So, in a certain job a person who could be described as an extravert was given an autonomous decision making possibility under competitive environment, the personality traits for predicting current performance seemed to be much higher. A similar correlation was explored in the case of agreeableness as a personality trait as when individuals worked in a cooperative environment at a higher level of autonomy a certain personality trait had a higher predictive value on performance.(Mount, Barrick, Stewart, 1998) To sum up the role of situations in the impact of personality traits that are related to work performance, we can conclude that the behaviour patterns related to both extraversion and agreeableness and also performance level can only be realised if the expectations and hidden opportunities in the situation correlate with the type of job to a great extent. The Big Five factors' power of predicting work performance was analysed by Barrick and Mount (1991) in a meta-analysis using the data of 117 studies. According to their analysis in the case of many employee groups it is conscientiousness that has a high predicting value in work experience, ability for studying and other personnel data such as salary or promotion. (Juhász, 2002.)In Europe Salgado carried out research on similar methodological bases to examine the correlation between the five personality traits and work performance. His results including overseas data are consistent only in the case of conscientiousness as this personality dimension seemed to be a predictor of performance in all jobs and from the aspect of all the examined criteria.

According to the control place expectancy theory (Rotter, 1966) people differ from the point of view to what extent they expect a cause-effect relationship between their own behaviour and its following impacts. Those who can see a correlation between their behaviour and the impact are termed to be of internal control expectancy while those who regard impacts are random-like are called to be of external control. Individuals with internal control perceive that consequences are under the control of their own acts while those with an external control believe in the power of others as well as the circumstances. Different aspects of control place as a personality construction prevail in the attitudes, judges and values of the individual. At the same time, the role of internal control is significant in the emotional adaptation of the personality as it helps manage stress both at work and at home. Wallhagen (1998) manages control as a motivation variable that helps people actively participate in controlling and forming events by enhancing their independence and sense of responsibility. Individuals with internal control are at a more advantageous situation when practising various consulting activities as in their case their efficiency as a consultant is proved empirically. They are characterised by emotional well-being and they have better relationships with the others as a consequence of which they are more effective as a consultant with a wider range of clients. The nature of control attitude has an impact on various aspects of work according to several international research such as the characterisation of jobs (e.g. work motivation, work control), life satisfaction, coping and work satisfaction (Spector, 1997) or organisational commitment. Luthans et al. explain the role of the place of control in the emotional engagement to the organisation by three modes of action. On the one hand, persons with a higher internal control think they are able to take control over the different factors of work environment. As for them it means ideal work conditions and an external environment which is coherent with their personal needs, so they tend to feel committed to the single organisation even for a longer term. On the other hand, as individuals with internal control attitude typically see more alternatives than their counterparts with external control in a situation, as a result of their own decision making they are more adapt to a deeper emotional engagement to their selected alternative. Third, those with internal control are more able to actively change their position in a not too agreeable situation (even by leaving their current job) we expect that only those with an internal control attitude and engaged to the organisation emotionally will stay there longer.

2. Data and Methods

The objective of the examination part presented (which was only part of a complex pilot study) was to explore the role of certain personality traits in career and organisational loyalty. All the participants of the examination were active in human consulting as employees of an organisation. Although the number of elements is not too high in the sample, data were collected from all the regions of Hungary and from the employees of several company forms. The questionnaires and tests were returned from 116 persons so these data were statistically processed in the analysis. The respondents were between 21 and 59 years old 27.6% started work in the past five years while 19.8% spent an average of 5-1 years at work, 45.7% had 11-20 years and 6.9% of the consultants worked for more than 20 years.

Personality tests used successfully in international research were also applied as a means of measurement in addition to questionnaires that were compiled individually. In the case of the latter, of course, validity and reliability were checked. (The scale for organisational fit: KMO=.855, Cronbach α =.899, while the other for engagement: KMO=.861, Cronbach α =.729 and .851 on two scales.) Data were processed by using SPSS 19 statistical programme package.

3. Results and Discussion

While analysing the demographical data of the respondents it can be concluded that none of the factors such as age, gender or job satisfaction, work and social support or the extent of stress at work have a significant impact so its value is made up by other environmental factors and personality traits.

According to the results of the pilot study there was a significant correlation between the experts' CONSCIENTIOUSNESS and commitment to organisation as the Pearson's correlation coefficient was $r=.29$, $p\leq 0.05$. So the human consulting experts who are more reliable by their personality traits are also more considerate and conscientious at work and also are likely to plan their future with the company in the long term and human consulting is seen as an inspiring opportunity in their career plans and professional aspirations. The fact that who are the most conscientious colleagues of the current consultant are the most loyal too, is obviously favourable as far as the future of the profession is regarded as such people are more likely to work as a consultant who really regard their professional activity as a real profession. In addition to CONSCIENTIOUSNESS as a basic important professional requirement it is also favourable for the future of the profession that the employees with INTERNAL CONTROL are typical so the collateral of their career success is seen in their own efforts so they also belong to those who are the most loyal to their organisations ($r=.259$, where $p\leq 0.01$). Regarding the fact that the role play of the expert in consulting often has a significant impact on the interpersonal features and efficiency of working with partners so the autonomy of the consultant is an important asset. While cooperating with a partner the self-presentation of the consultant by all means has an impact on the partner's interpretation of their role so in case the role model represented by the consultant reflects a mature, autonomous personality, the partner in the role play is also offered a suitable opportunity to be on a level-playing ground, i.e. as real partners in good cooperation.

Table 1 : Correlation between Conscientiousness, Internal control at work and Organizational commitment

		Organizational commitment	Conscientiousness	Internal control at work
Organizational commitment	Pearson Corr.	1	,229*	,259**
	Sig. (2-tailed)		,013	,005
	N	116	116	116
Conscientiousness	Pearson Corr.	,229*	1	,080
	Sig. (2-tailed)	,013		,393
	N	116	116	116
Internal control at work	Pearson Corr.	,259**	,080	1
	Sig. (2-tailed)	,005	,393	
	N	116	116	116

*. Correlation is significant at the 0.05 level (2-tailed).

** . Correlation is significant at the 0.01 level (2-tailed).

The extent of the consultant-organisation fit in organisational loyalty was also checked by carrying out Pearson's correlation calculations. Based on its results engagement to the organisation and the extent of fit perceived by the consultant show a very tight correlation in the sample as the value of Pearson's correlation coefficient was $r=.596$, where $p \leq 0.01$. So the consultant who live the fit of their personality and requirements to their career needs and job opportunities more intensively are more loyal to their workplace in the long term and this profession is also present in their future career plans. This correlation, supplemented by the previous results about the professionals' needs for internal control show that the consultants who are currently loyal to their workplace and career also see the criteria required by this job highly suitable and see themselves as capable of the right performance due to their personality traits.

Table 2: Correlation between Consultant-Organization FIT and Organizational commitment

		FIT	Organizational commitment
FIT	Pearson Corr.	1	,596**
	Sig. (2-tailed)		,000
	elemszám	116	116
Organizational commitment	Pearson Corr.	,596**	1
	Sig. (2-tailed)	,000	
	elemszám	116	116

** . Correlation is significant at the 0.01 level (2-tailed).

In addition to organizational commitment, some other personality traits were also examined to detect which factors the key features and social environmental impacts such as internal control or social support at work correlate with. It can be seen that the colleagues who were characterised by lower level of external work control attitude ($r=-.246$, $p=001$) and preference of using connections ($r=.191$, $p=005$) had a higher level of satisfaction with life. However, they are characterised by internal control attitude at work ($r=.252$, $p=001$). Employees more satisfied with the general standard of their life realised a higher level of collegial ($r=.299$ $p=001$) and social support ($r=.338$ $p=001$) at work. At the same time, their extent of satisfaction was not correlated with the extent of stress perceived at work. To sum up, the way how several types of social support are realised and judged in the individual's subjective life satisfaction has a vital role and their impact can even be called significant in coping with stress at work. It is supported by the fact that stress perceived at work and social support perceived at work are inversely related ($r=-.223$, $p=0.01$) so the higher importance one puts on collegial support in an

individual's professional environment, the less stress can be noticed or perceived every day at work.

In order to test the role of certain personality traits in the organisation and career commitment together with the other factors examined in the research a logistic regression calculation was carried out. This method provides an opportunity how an explanatory variable in the model (for example, the level of EMOTIONAL INSTABILITY on the respondent's part) affect the extent of loyalty while controlling the effect of other variables. Commitment was regarded as the binary dependent variable of the logistic regression model where the value of the dichotome variable is 1 if the person is loyal and 0 if not. Analysis was carried out on the individuals' level where the data of everybody with valid data in the sample was involved. Setting the dichotome variable was suited to the mean of the responses to the questions concerned as a cross-section. (Those with a higher than average value were placed into the group of '1', i.e. commitment while those characterised by lower points than the average were termed as 'not commitment'.) The objective of using logistic regression was to estimate the likelihood that a person with a specific set of personality traits fits in the group of commitment. Data collected during the analysis are summarised and illustrated by a table where the statistical indicators that describe the role played in the difference generation between the two groups are also displayed in addition to the list of traits affecting commitment.

114 cases were involved in logistic regression analysis. During the analysis three variables were identified that can influence loyalty to a statistically significant extent. Fit to the organisation (FIT) had the strongest impact of 1.64 so those who see their personality fit better to the requirements and opportunities are more than one and a half time more likely to be commitment in the long term. The second strongest of the examined variables is the value of INTERNAL CONTROL AT WORK with a significant impact, i.e. the consultants who think that employees are able to take control over situations at work are more likely to stay and work there in the long run.

There was a correlation between the level of LIFE SATISFACTION of the consultants and the extent of their commitment as the consultants who assesses their situation by higher points regarding general life satisfaction also seemed to be more commitment to their organisation in their future career plans, as well.

Table 3: Influencing factors in organizational commitment

	B	S.E.	Wald	df	Sig.	Exp(B)
TIME at WORK	,022	,035	,394	1	,530	1,022
FIT	,492	,137	12,831	1	,000	1,636
INTERNAL CONTROL ATWORK	,191	,080	5,738	1	,017	1,210
LIFE SATISFACTION	,114	,054	4,469	1	,035	1,120
EXTRAVERSION	-,017	,065	,065	1	,799	,984
AGREEABLENESS	-,004	,064	,004	1	,952	,996
CONSCIENTIOUSNESS	,058	,065	,801	1	,371	1,060
NEUROTICISM	,014	,063	,050	1	,823	1,014
OPENESS TO EXPERIENCE	,106	,060	3,142	1	,760	1,111
SELF-EFFICACY	-,004	,008	,180	1	,672	,996
Constant	-655,126	71,096	,839	1	,360	,000

Nagelkerke was $R^2 = .490$ so the examined variables explain the variance measured in loyalty in approximately 50%. By the extent of the explained variance we can conclude that while creating the conceptual framework of the examination we managed to include several factors in the variables that really have a relevant impact on loyalty. However, more than half of the influencing factors need to be explored. When interpreting the results it is important to mention that although the sample of 114 as the basis of regression analysis can be regarded as professionally acceptable, a sample taking of a greater volume could have helped identify more variables that are significantly correlated with the course of career or loyalty to the organisation.

4. Conclusion

Our results reflect the correlations already tested empirically overseas and in West Europe well according to which the opportunity of control perceived at work significantly contributes to loyalty to the organisation concerned. To summarise, all the efforts that are aimed at actively engaging the employees in planning and executing the processes at work (of course, in relation to the given organisational framework and processes) have beneficial impacts in human resource management. Another important correlation that is worth considering is the fit of the special features of individuals and organisations. Moreover, the level of employees' conscientiousness and reliability also enhances emotional engagement so in this way it facilitates work. While conscientiousness, a stable personality trait to a certain extent formed by early adulthood, can be tested easily in selection processes, fitting personality traits and organisational requirements as part of socialisation at work can mean such a capital by the exploitation of which HR activity can be transformed more effectively than before. With respect to the fact that more and more evident signs of changing employers' requirements can be experienced nowadays and it is going to intensify in the forthcoming decades (e.g. the appearance of 'generation Z' on the labour market) it also seems to be important to pay attention to the higher level of social support in the organisation together with the aspects of general life satisfaction mentioned before.

References

- Barrick, M.R. & Mount, M. K. (1991): The Big Five Personality Dimensions and Job Performance: A meta analysis. *Personnel Psychology*, 44. (1). 1-26.
- Bencsik, A. & Juhász, T. & Machova, R. (2014): Mentoring Practice on Behalf of Knowledge Sharing in the light of Education. *Acta Polytechnica Hungarica* 11: (9) 95-114.
- Budavári-Takács, I. & Suhajda Cs. (2014): A munkavállalótól elvárt kompetenciák vizsgálata álláshirdetésekelemzése alapján. In: Cseh Papp I. & Budavári-Takács I. & Mészáros A. & Illiás A. & Poór J. (Eds.), *Innováció-Növekedés-Fenntarthatóság*. Budapest, BKIK pp. 50-56. ISBN: 978-963-89734-1-2
- Cseh Papp, I. & Csapóné Riskó, T. (2014): Agricultural vocational training and the labour market in Hungary, *Economic Affairs*, 1, pp 1-10. ISSN 0424-2513
- Davis, T. R. V. & Luthans, F. (1980): Social Learning Approach to Organizational Behavior. *The Academy of Management Review*, 5 (2) 281-290.
- Gyökér I. & Krajcsák Z. (2009): Az alkalmazotti elégedettség és elkötelezettség befolyásoló tényezők vizsgálata. *Vezetéstudomány*, 11. (Különszám), p. 56-61.
- Juhász M. (2002): A Big5 faktorok ésskálák alkalmazása a kiválasztásban és a teljesítményértékelésben. Az előreljelő érvényesség meghatározó kritériumok módosulása a vezetői teljesítményértékelésükre. Doktori disszertáció, ELTE PPK Pszichológiai Doktori Iskola, Bp.
- Lucas, R.E.-Diener, E.-Grob, A.-Suh, E. M.-Shao, L. (2000): Cross-Cultural Evidence for the Fundamental Features of Extraversion. *Journal of Personality and Social Psychology*, 79. (3) 452-468.
- Mitchell, T. R. (1997): Matching motivational strategies with organizational contexts. *Research in Organizational Behavior*, 19. 57-94.
- Mount, M. K. & Barrick, M. R. & Stewart, G.L. (1998): Five-factor model of personality and performance in jobs involving interpersonal interactions. *Human Performance*, 11. 145-156.

- Rotter, J. B. (1966): Generalized expectancies for internal versus external control of reinforcement. *Psychological Monographs: General and Applied*. 80. (1). 1-28.
- Spector, P. E.(1997): Job satisfaction: Application, assessment, causes, and consequences. Thousand Oaks, CA: SAGE.
- Stewart, G. L. (1996): Reward structure as a moderator of the relationship between extraversion and sales performance. *Journal of Applied Psychology*. Vol 81 (6) 619-627.
- Wallhagen, M. I. (1998): Perceived control theory: A recontextualized perspective. *Journal of Clinical Geropsychology*, 4, 119-140.
- Wright, P. M. &McMahan, G. C. &McWilliams, A. (1994): Human Resources and Sustained Competitive Advantage: A Resource-based perspective. *International Journal of Human Resource Management* 5(2), p. 301–326.
- Wright, P.M. & Dunford, B.B. &Snell, S.A. (2001): Human resources and the resource based view of the firm. *Journal of Management*, 27(6), p. 701–721.

Gender equality in the Visegrad Group

Tünde Györpál

Szent István University
Doctoral School of Management and Business Administration
Páter Károly Street 1.
Gödöllő, Hungary
tunde.gyorpal@gmail.com

Abstract

In our fast developing world women's role in economy has been re-evaluated. Women's more intensive activity is not only an issue of general equality, but society and economy as well. The strategy of gender mainstreaming, i.e. the equality between men and women is the key element both in social welfare and economic stability. Social equality should be essential for a responsible, conscious and future-oriented state, which is also the basis of economic development, social cohesion and well-being. The significance of gender mainstreaming is to follow the principle of gender equality on all levels of society: in politics, economy, research and development, education etc. It is important that gender mainstreaming is not the goal but the way of reaching gender equality.

For this purpose it is inevitable for social and business sphere to form new supporting values, approach and economic environment, where all participants can add the highest value.

In the present study I would like to outline the accomplishment of gender mainstreaming strategy and prepare a comparative analysis of V4 countries.

Keywords: *gender equality, gender mainstreaming, Human Resources, V4*

JEL Classification: *015, J7, 020*

1. Introduction

The Declaration of Beijing and Activity Plan was written by 189 countries in 1995 in the 4th International Women Conference in Beijing. This Document called the countries and their governments worldwide to do effective strategic moves in women education, in women health, in women roles of decisions, in salary differences between genders and against violence suffered by women.

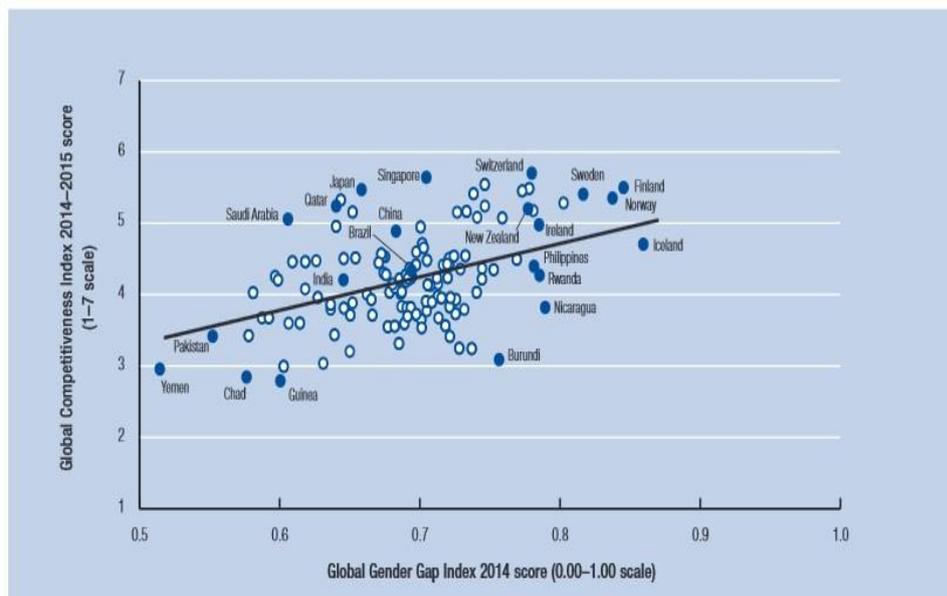
Although attention has increased and situation has been changing in the past 20 years, we can still not talk about gender equality among these above mentioned subjects.

In those counties where the gender mainstreaming strategy is being realized in higher level, so the inequality is lower between man and woman, the competitiveness, the development in long term and the growth are better. It is clearly seen that each and every member of the society takes a great role on economy, contributes to its efficiency and success.

And it follows the fact that a long term development and growth can be based on ensuring men and women taking equally part in economy.

The results of the following diagram (1.) represents the relationship between competitiveness and gender equality. Matching the trend line clearly shows the close relationship.

Figure 1: Correlation between competitiveness and gender equality



Source: Global Gender Gap Riport, World Economic Forum, 2014

The above mentioned correlation has also a great impress on having children, happiness and well-being. In those countries where the gender mainstream idea has been appearing in all levels of society the economy is more efficient, the relationships are more balanced, there are less divorce and greater the willingness of having children. People are definitely happier.

2. Method and data base

In the following the equality of gender in the Visegrad Group is being examined by me. Secondary data base is used for the research to be more precise and accurate. I would like to present the described problem as accurate as possible and give answers to the research. The professional literature which was used and analyzed as secondary data base resources is World Economic Forum and the New Economics Foundation, European Committee. I tried to explore the correlations.

3. Situation of gender equality in the Visegrad Group, results

Plenty of surveys have been made worldwide on the topic since the importance of gender equality was recognized. One of the annual reports is the Global Gender Gap Report, presented by the World Economic Forum. The research was made on 4 fields on the equality of men and women:

- health,
- education,
- roles and opportunities in the economic field,
- participating in politics.

The latest publication, in October 2014, shows the sequence of the countries worldwide about the realization of gender equality. (Table 1.)

Table 1 : Global Gender Gap Index, 2014 (142 countries involved)

Country	Overall rank	Economic part. and opp.	Educational att.	Health and survival	Political empowerment
<i>Iceland</i>	1	7	1	128	1
<i>Finland</i>	2	21	1	52	2
<i>Norway</i>	3	2	1	98	3
<i>Sweden</i>	4	15	43	100	5
<i>Denmark</i>	5	12	1	65	7
<i>Nicaragua</i>	6	95	33	1	4
<i>Rwanda</i>	7	25	114	118	6
<i>Philippines</i>	8	28	40	67	8
<i>Fülöp-szigetek</i>	9	24	1	1	17
<i>Belgium</i>	10	27	73	52	13
<i>Switzerland</i>	11	23	72	70	16
<i>Germany</i>	12	34	34	67	11
<i>Poland</i>	57	61	36	37	68
<i>Slovak Rep.</i>	90	88	1	74	100
<i>Hungary</i>	93	69	71	37	128
<i>Czech Rep.</i>	96	100	1	37	109

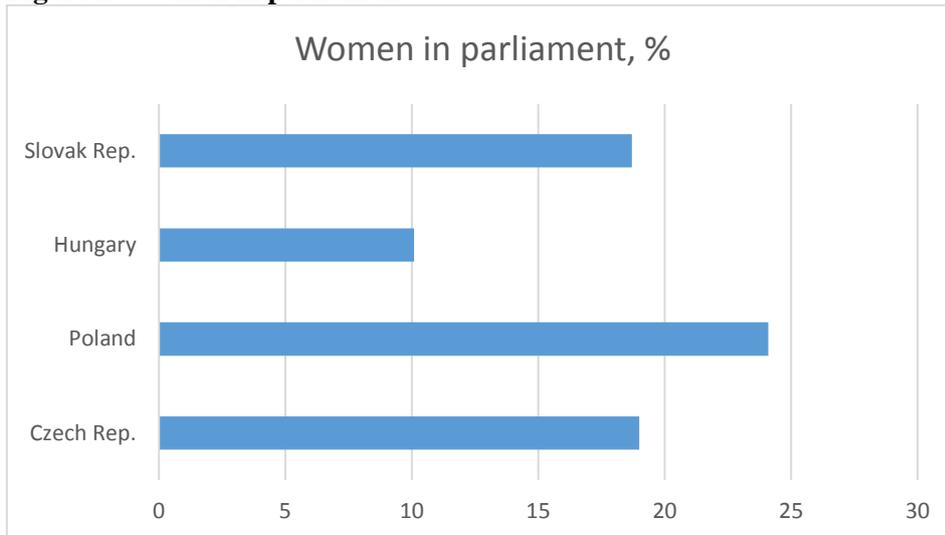
Source : Personal edition based on Global Gender Gap Report, 2014

According to the aggregate results it can be stated that among the Visegrad Group, Poland placed the front of the list while the other 3 countries (Slovakia, Czech Republic and Hungary) placed on the end of the list.

But it can be noticed that Slovakia and the Czech Republic reached the first place in education among countries like Iceland, Finland or Norway. It is disappointed to be observed that Hungary is not only the last one in the Visegrad Group but could only reach the 71 place in the list.

Politics is the critical field, in ability and participating. According to this field none of the Visegrad Group but Poland took place in the first 100. The figure (2.) below shows that Poland could make the 20%. It is followed by the Czech Republic with 19%, Slovakia with 18.7% and finally Hungary with a weak 10,1 %. On the other hand there are European countries above 40% such as Sweden with 43.6% or Finland with 42.5%.

Figure 2: Women in parliament



Source: Personal edition based on Women in Politics, 2015

This is the field there a lot to do in all countries. But researches show that women rights are represented better if women represent them. So it will not be easy to improve in this field until more women represent in the parliament.

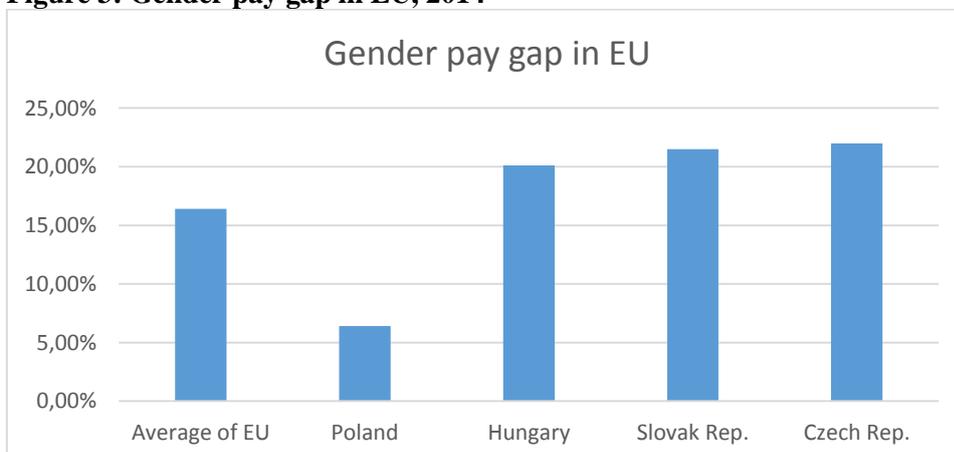
Although these countries reached a better position on economic field, that result is still far from the optimum. It is important to highlight that not only taking equal responsibilities is the need in gender equality but to realize the improvement of economy, long term growth, competitiveness, developing or well-being.

The European Union in 2010-2015, had a significant program on the topic and its strategy was the following (European Commission , 2010):

- equal economic independence for women and men,
- equal pay for work of equal value
- equality in decision-making,
- promoting gender equality beyond the EU,
- Horizontal issues.

Being equal in economy means to receive same salary for the same job. Although back in 1957 it was already written in the Roman Contract the European Committee reported in 2014 that men earn 16,4% more than women at the same position in average. The pay gap between genders is the following (figure 3.) in the Visegrad Group.

Figure 3: Gender pay gap in EU, 2014



Source: Personal edition based on Tackling the gender pay gap in the European Union 2014

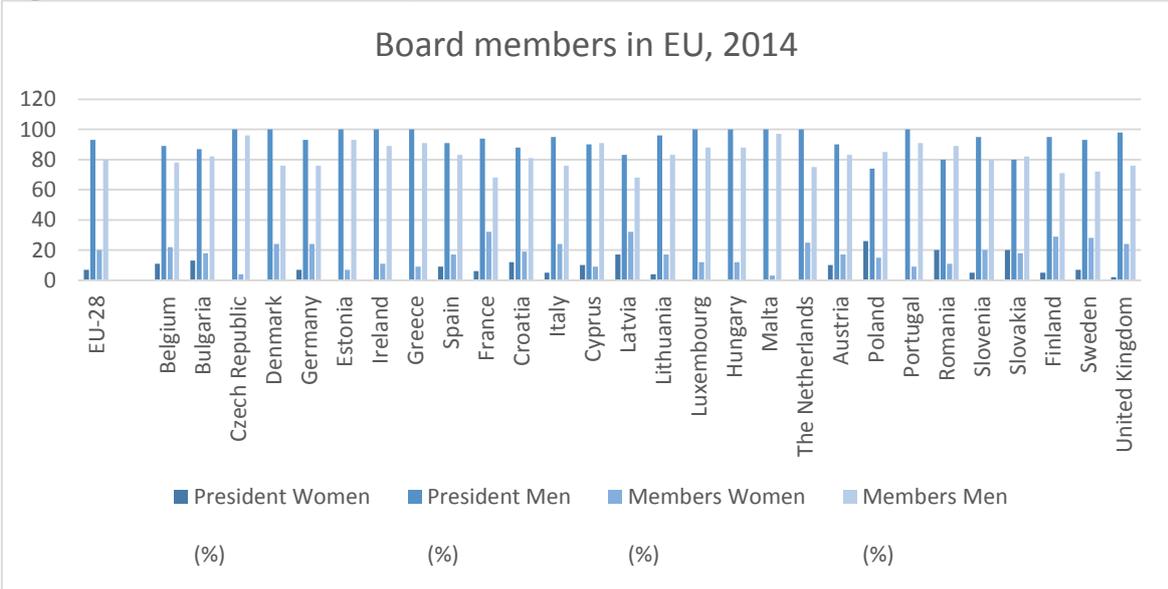
The figure above presents clearly that Poland, among the Visegrad Group, reached a better result according to the average of the EU, with its 6.4% gender pay gap. The other 3 countries showed also an outstanding result according to the EU average with their biggest differences in salaries between genders such as Hungary with 20.1%, Slovakia with 21.5 % or Czech Republic with 22%.

The next analyzed field in economic section is the gender equality on the level of decision making in business. This field is under represented by women in the Visegrad Group but also Europe wide. However at the same time new personalities are necessary in economic environment, such as patience, open-mindedness, good communication skills, understanding skills, adaptability, multi tasking or cooperation which are all women nature. Those organizations operating with the lack of these skills, will be unsuccessful and inefficient in the future. Therefore if more women personalities needed in decision making at a successful business than more women should be participated and employed.

However the above mentioned 2010 EU strategy deals with the equality of men and women in the topic of decision making still no better results appeared at the time of 2014 survey. 5 years ago it was aimed to tighten the gap between men and women, the practice opposes that.

The survey and analyzation was made in the spring, 2014 with the contribution of 28 EU countries and with 611 enterprises. Figure 4 presents the results.

Figure 4: Board members in EU, 2014



Source: Personal edition based on Database of Gender balance in decision-making positions, 2014

We cannot talk about gender equality at all of the examined enterprises. It is clearly seen that not one by one or the whole EU employs 50-50% equally man and woman. The numbers are the following 20-80% in the whole EU, 18-82% in Slovakia, 15-85% in Poland, 12-88% in Hungary and 4-96% in the Czech Republic to men in manager level.

This field needs a lot to improve. It is important in enterprise hierarchy to go further on the “glass ceiling “phenomenon which do exists in the past decades. This “glass ceiling “ phenomenon means, no matter how hard women try to get higher on the rank they always face

with an invisible obstacle which holds them back to be promoted or occupy a position. (Kozma-Györpál, 2014)

Not only realizing gender equality needs to destroy this phenomenon but it is important for having successful enterprises and for a prospering economy.

Several researches prove the fact that those enterprises employ same number of men and women do a better profit and more effective comparing to other companies where the sex ratio is unequal.

To be promoted or hire to a manager position or above should not have any in common with sex, age, religion or race. These latest studies prove that women can be as adequate to any positions as men.

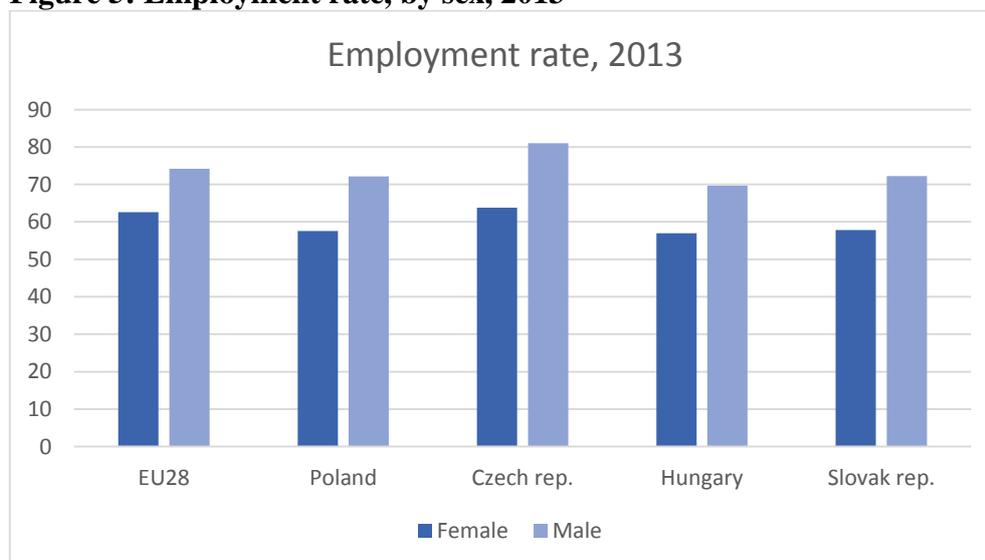
A study was made in 2011, with 7280 managers to be involved (Zenger-Folkman, 2011) which determined that women can make as good leader, even better to men. 15 out of 16 manager qualities confirmed women. These qualities were:

- initiative,
- self-developer,
- honor and honesty in a higher level,
- improving others,
- inspiring, motivating,
- networking,
- cooperation and team work,
- flexible targeting,
- effective and strong communication,
- innovation skills,
- etc.

Rating these qualities proved that women are better. There was one quality which brought absolute man victory and it was the strategic planning. So women are able to be hired for leading a company, long-term, successfully.

Another important field in studying economy is employment rate. Unfortunately gender equality cannot be realized at this stage either. The difference is clear in all European country and also in the Visegrad Group (figure 5.).

Figure 5: Employment rate, by sex, 2013



Source: Personal edition based on Eurostat, 2013

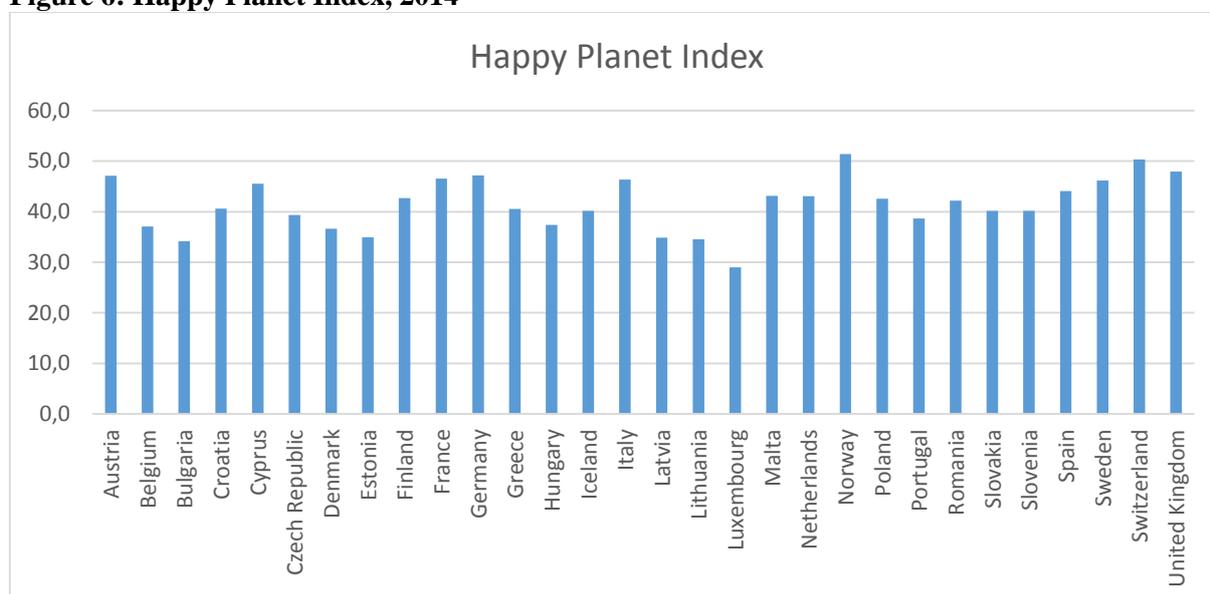
We can see on figure 5, that the employment rate is higher at men in the 4 examined countries. Among the 4 countries in the group, the Czech Republic has the highest with its 81% men and 63,8% women employment rate. On the other hand Hungary has the least difference between man employment rate 69.9% and women employment rate 57%. Complying family with work gives women the hardest time in this field.

Family friendly workplaces, women employees in management, family supporting and supplying organizations are important roles of an economy system of a country.

Gender equality affects facts like well-being and happiness. In those countries where the gender equality is realized in a higher level, the people are more satisfied which affects their health, having children, their relationship (man-woman, child-father) or even on divorces.

The figure of Happy Planet Index confirms this statement as we can see, those countries which took frontal places on the list are the same to those countries which were at the beginning of the Global Gender Gap Index rate as well.

Figure 6: Happy Planet Index, 2014



Forrás: Personal edition based on Happy Planet Index database, NEF, 2014

The list of order of Visegrad Group among the EU 28 countries in the survey of gender equality and happiness.

Table 2: HPI index és a GGGI index összehasonlítása a Visegrádi országokban, 2014

Country	GGGI rank in EU 28	HPI rank in EU 28
Poland	20	15
Slovak Rep.	22	20
Hungary	26	23
Czech Rep.	28	21

Source: Personal edition based on WEF és NEF

The table demonstrates the similarity of the 4 countries in both cases. Although Hungary reached a better position in the field of equality between man and woman, it ended up behind the Czech Republic in happiness. May their stronger beliefs in history, culture and personality caused it.

4. Conclusion

We can clearly see that equality between man and woman leads a successful and growing economy and also women are able and happy to take active part in it.

Although there is still a rejection from the society's point of view against women which is shown by the figures above. Stereotypes, culture, history or the prejudice women take to several jobs might cause this rejection. It should be important that women do not suffer any disadvantages from these or their biological specificity in their society. A system of point of view must be made where people in society are equal, they support and respect each other equally, men and women.

The necessity of gender mainstreaming in the level of society and economy is out of question in the long run.

The examined countries are clearly at the beginning on the way of gender equality. There are plenty problems to solve, especially taking part in politics and economy. On the other hand it can be seen that the countries of Visegrad Group have a lot in common, especially the Czech Republic, Slovakia and Hungary. The V4 would worth to be aware of the importance of gender equality and incorporate into their government. The gender equality as a phenomenon should be extremely important in society and economy.

References

- European Commission (2010): Strategy for equality between women and men 2010-2015, <http://ec.europa.eu/justice/gender-equality/> (Downloaded: 2014. 10.10.)
- European Commission (2014): Database of Gender balance in decision-making positions http://ec.europa.eu/justice/gender-equality/gender-decision-making/database/business-finance/supervisory-board-board-directors/index_en.htm (Downloaded: 2014.12.11.)
- European Commission (2014): Tackling the gender pay gap in the European Union 2014, http://ec.europa.eu/justice/gender-equality/files/gender_pay_gap/140319_gpg_en.pdf (Downloaded: 2015. 03. 18.)
- Eurostat (2013): Database of Employment rate, by sex 2013, <http://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tsdec420&language=en> (Downloaded: 2015. 03. 10.)
- Inter-Parliamentary Union (2015): Women in Politics: 2015 http://www.ipu.org/pdf/publications/wmnmmap15_en.pdf (Downloaded: 2015. 02. 20.)
- Kozma T.-Györpál T. (2014): Nők a vállalkozás frontvonalában, Multidiszciplináris kihívások sokszínű válaszok 5. kötet, 2014. 10.28. 87-99. p.
- New Economics Foundation (2014): Happy Plane Index database, <http://www.happyplanetindex.org/data/> (Downloaded: 2015. 01.28.)
- World Economic Forum (2014): Global Gender Gap Report 2014, http://www3.weforum.org/docs/GGGR14/GGGR_CompleteReport_2014.pdf (Downloaded: 2014. 11. 2.)
- Zenger Jack – Folkman Joc (2011): A study in leadership, Women do it better than men, <http://www.zfco.com/media/articles/ZFco.WP.WomenBetterThanMen.033012.pdf> (Downloaded: 2014. 03. 11.)

Is the Innovation Potential reflected in the Number of Students and Graduates? A Case of SUA Nitra

Drahošlav Lančarič

Department of management,
Faculty of economy and management,
Slovak university of agriculture in Nitra
drahošlav.lancaric@uniag.sk

Abstract

The paper deals with the topic of innovation potential of the studying programs at the different faculties of Slovak university of Agriculture in Nitra (SUA) and its attractiveness measured as the number of students and the number of graduates. SUA faculties were divided into two groups according to the innovation potential of their study programs. First group (the group with higher innovation potential) included FBP, FAPZ and TF. The second group was comprised by FEM, FZKI and FEŠRR, the faculties with lower innovation potential. We used secondary data collected by the CVTI as a part of National project „Vysoké školy ako motory rozvoja vedomostnej spoločnosti“. We calculated the estimations of the number of students and the number of graduates for the period of years 2016-2018. To evaluate the statistically significant differences in the number of students and graduates in the two groups of faculties we used analysis of variance (ANOVA).

The estimations of the number of students and the number of graduates suggest the already falling number of students will continue to fall as well as the number of graduates (with exception of FBP and TF). Regardless the statistically significant differences in the number of students and the number of graduates, the innovation potential of a study program seem to play no role in the attracting of potential students.

Key words: *innovation potential, number of students, number of graduates, estimation, university*

JEL Classification: *J24, M54, M53*

1. Introduction

Between 1960 and 2000, there was a large expansion in universities in the industrialized countries. Early expansion was to deal with the baby boom coming of university age; later expansion was driven by the desire to increase the proportion of the population receiving tertiary education (Cowan and Zinovyeva, 2013). The same can be said about the development regarding the expansion of universities in Slovakia in middle- and late nineties of 20th century. The clearest effect was an increase in the general education level of the labour force. Naturally, a rise in student numbers tended to be accompanied by a rise in the size of the professoriate and an increase in the sizes and numbers of universities. The innovation of learning content according to knowledge society needs is necessary. At present the quality of educational process is subject to continual incorporating new pedagogical approaches and techniques that are interconnected with results of scientific-research activity and the latest knowledge from practice. Design of new and innovation of existing study programmes in connection with preparation for complex accreditation follows establishment of new subjects prospectiveness of which depends also on trends in economic environment and business activities what underlies graduates self-assertion at the labour market (Buganová and Lusková, 2015).

In the knowledge-based society, universities play an enhanced role in innovation as entrepreneur. They have reconsidered their traditional academic roles of social reproduction and extension of certified knowledge, but placed them in a broader context as part of its new role in promoting innovation (Draghici et al., 2014). The role of research-intensive universities in the knowledge society:

- The leading edge of competitiveness in knowledge-driven societies is represented by research-intensive universities (RIUs) providing open and cross-disciplinary environments that deliver world class research, acting as strong attractor poles for the best talent and engaging deeply with society by employing partnership and collaboration. RIUs also play an important role in forging international partnerships with leading universities globally.
- In many European countries RIU's research efforts have been impoverished in recent decades in comparison with other systems because of marginal-cost funding of research, the allocation of research funding on criteria other than excellence and an obsession with bureaucratic even-handedness. However, there have also been positive developments. For example, the UK experience of the last decade shows how policies which focus on strong support of undirected and frontier research, significant investment in research funding, full economic costing research, tight focus on research excellence and investment in infrastructure, do strengthen the research base and enable universities to successfully compete on a global level (Maes et al., 2011).

There have been many studies of the relationship between universities and industrial innovation, particularly at the regional level (see literature review section of the paper). The majority of these studies analyse cross-sectional data, focusing on either the presence or size of universities and the relationship with regional innovation activity. Generally, they document a strong relationship between university research activity and industrial innovation in the region where the university operates.

The primary objective of the paper is to answer the question whether the innovation potential of certain faculties attracts larger number of students in comparison to faculties where the innovation potential is relatively lower. As a case study we used the Slovak University of Agriculture (further only SUA).

2. Literature Review

There exists a large literature analysing the relationship between academic research and industrial innovation activity. University knowledge production is important for industrial innovation. Newly industrialized country (NIC) governments are increasingly focused on fostering science–industry interactions and developing high-technology sectors (Gouvea and Kassiech, 2005; OECD, 2010). Policy-makers in both developed economies and NICs have been concentrating on designing policies aimed at raising the quality of Public Research and Education Organizations (PREOs) research and training programmes, to make their role more entrepreneurial and of more benefit to national economic development, and to support the growth of high-technology activities (Eun et al., 2006; Wong et al., 2007). As the economies and indigenous technological capabilities of NICs improve, national PREOs are expected to become increasingly important for supporting indigenous firms to move into more dynamic and high-opportunity industries (Mathews and Hu, 2007; Mazzoleni and Nelson, 2007). However, the innovation environments in mature and emergent industries differ considerably in terms of their market and technology turbulence, knowledge input characteristics, main search strategies for innovation inputs, role of networking, and collaboration for innovation development (Utterback and Abernathy, 1975; Tushman and Anderson, 1986; Robertson and Patel, 2007; von Tunzelmann, 2009). The characteristics of collaboration with universities may be specific to whether the industry partner(s) belongs to a mature or an emergent industry.

Knowledge may be transferred to firms through unintended flows that generate spillovers from university-based research or through market-mediated interactions, such as contract and collaborative research (D'Este and Iammarino, 2010; D'Este and Patel, 2007). The relevance of the specific market-mediated channel of the knowledge transfer from university to industry

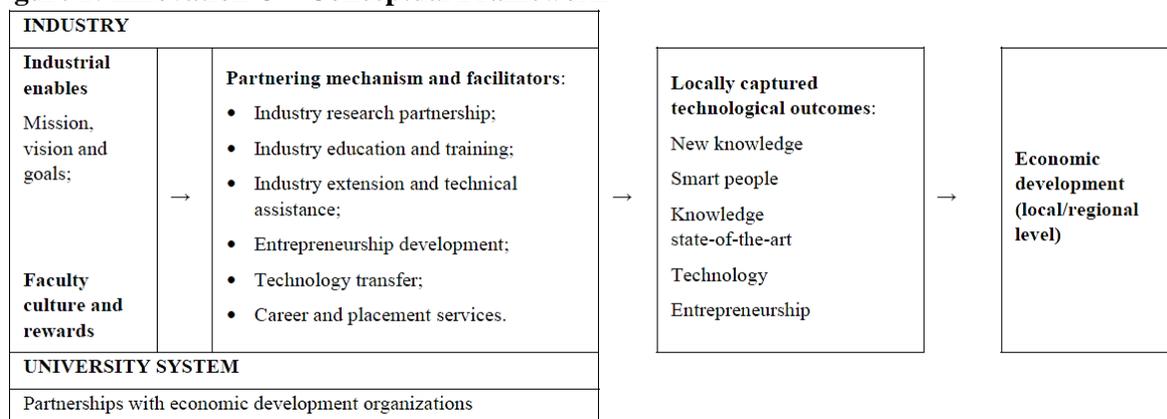
varies across disciplines and sectors depending on the degrees of knowledge codification and interdependence in firm technology (Bekkers and Bodas Freitas, 2008). Firms choose universities as R&D collaboration partners in cases of multi-purpose problems and learning-focused projects in areas involving new science and producing long-term benefits, such as strengthening their absorptive capacities and radical innovation; the motivation is that these projects are more likely not to be aborted prematurely (Kaufmann and Tödling, 2001; Hall et al., 2003; Amara and Landry, 2005; Arvanitis et al., 2008; Thether and Tajar, 2008; Freitas et al., 2011; De Fuentes and Dutrénit, 2012; Fitjar and Rodríguez-Pose, 2012). Also, the types of knowledge inputs required for firms' innovation development, ways of accessing knowledge sources, and the results of firms' innovative efforts may be quite different across the industry lifecycle. Tacit and disembodied knowledge would seem particularly important for innovative activity in the early stages of the industry lifecycle and, consequently, personal contacts (i.e. telephone calls, participation in meetings, demonstrations) may be decisive for knowledge transfer (Audretsch, 1998; Mangematin and Nesta, 1999; Furman and MacGarvie, 2009).

That university effects on industrial innovation might be localized stems from the nature of knowledge. While to a great extent the business of universities is to produce codified knowledge, tacit knowledge remains central in the diffusion process (see for example Cowan et al., 2000). While codified knowledge can be diffused very widely, and now very rapidly, tacit knowledge, by its nature, cannot. Jaffe et al. (1993) showed that diffusion of the knowledge contained in patents, which are by definition highly codified, has a strong geographical pattern – diffusion is very much local, and access to the knowledge spreads geographically over time. Breschi and Lissoni (2009) revisited this issue and showed that in fact it is social rather than geographic distance over which the diffusion takes place.

University research is conducted under a very different system of incentives than is that in the private sector (Stephan, 1996; Dasgupta and David, 1994). This could easily lead to the accumulation of very different types of human capital and knowledge in the two sectors, and thus raises the possibility of synergies between them in innovation activity. The most obvious competence associated with university researchers is that aimed at expanding the knowledge frontier. This has been the traditional research function of universities, and is seen as perhaps the main activity of the professoriate. Publication is traditionally the activity most highly valued in the university setting. More recently, though, academic scientists have been encouraged to produce applied knowledge. Here again, since the aim has been to express this knowledge in terms of patents, novelty is paramount.

Based on the tri-lateral networks and hybrid organizations model there has been developed a framework to analyze how universities developed their implication and contribution to local (regional) economic development (Etzkowitz and Leydesdorff, 2000a; Etzkowitz et al., 2000b; Tornatzky, et al., 2002) confirmed by (Meyer et al., 2014) (Figure 1).

Figure 1: Innovation U – Conceptual Framework



The entrepreneurial outcome can be considered as a result of the university-industry-government relationship. It is a well-known fact that institutions are important link in the creation of new knowledge. The logic of development of science gives birth to more and more synthetic routes, which include both basic and applied research interdisciplinary character and developments that will shape the future potential of innovative development, changing the functions carried out by individual participants. The transition to a knowledge economy, and the emergence of new forms of organization of economic and scientific activity are changing the external conditions in relation to science and innovations. Some countries involve institutions in the process of production of new knowledge, others - organize a system of academic organizations. Consequently, a state structure cannot dominate separately in the innovative development, because there is no creating of knowledge. But state structure is responsible for the organization of their production to the extent that knowledge is a public good (Fakhrudinova et al., 2015).

According to (Ropke, 1998), even the university itself can become entrepreneurial, the university members can logically become entrepreneurs, and the university interaction with the region can follow entrepreneurial patterns as well (Van Looy et al., 2011; Gibb et al., 2013). In the recent years, the literature has described the universities as knowledge transfer organizations (KTO) (Geuna and Muscio, 2009; Bodas-Freitas, 2013). The main subjects of knowledge transfer between universities and industrial organizations are related to research collaborations, intellectual property rights (most referring to patents) and start-ups, spin-offs companies establishment (Watanabe, 2009). Many universities have stated to focus on establishing strong links with knowledge users by facilitating technology transfer through commercialization of academic knowledge (Siegel et al., 2003; Gulbrandsen and Slipersćter, 2007; Siegel et al., 2008; Perkmann et al., 2013). In recent years, there have been increasing efforts to create academic spin-offs from university, especially in North America, the UK, and continental Europe (Wright et al., 2004). University has seen the creation of spin-offs as a way of commercializing the full value of new technology and inventions, as well as an attractive alternative to technology licensing (Franklin et al., 2001; Siegel et al., 2003). This fits into a new or renewed trend in which the role of university is highlighted as a catalyst for economic growth by bolstering regional innovation (Autio et al., 1996; Clarysse and Moray, 2004; Power and Malmberg, 2008; Vincett, 2010). As a place where inventions are created, university is a seed bed for innovative ideas with the potential to be turned by academic spin-offs into marketable products, processes, or services.

3 Data and Methods

3.1 Data

Data were obtained as a result of survey and data collection conducted by CVTI in 2014-2015. In the paper we are analysing secondary data used with permission by CVTI.

3.2 Methods

The sample of SUA faculties was divided into two groups according to the perceived innovation potential. First group was comprised by the faculties with higher innovation potential, mostly focused on technological and biological sciences. Into group one we included Faculty of biotechnology and food sciences (FBP), Faculty of agrobiolgy and food resources (FAPZ) and Technological faculty (TF). Into group two we included Faculty of economy and management (FEM), Horticulture and landscape engineering faculty (FZKI) and Faculty of European studies and regional development (FEŠRR).

We calculated linear trends to predict the development of the number of students and the number of graduates for SUA and for every SUA faculty separately. Afterwards we compared the prognoses for faculties with higher innovation potential (FBP, FAPZ, TF) with faculties

with lower innovation potential (FEM, FEŠRR, FZKI). We used MS Excel 2013 as a tool of calculation and prognoses creation.

For evaluation of the statistical significance of the data according to the innovation potential faculty group we utilized the analysis of variance (ANOVA). The IBM SPSS v. 20 was used as a toll of calculation.

3.3 Hypotheses

Main hypothesis:

H1: *There is no statistically significant difference in the observed variables based on the innovation potential of the faculty.*

The sub-hypotheses are stated as follows:

H1A: *There is no statistically significant difference in the number of study programs based on the innovation potential of the faculty.*

H1B: *There is no statistically significant difference in the number of students based on the innovation potential of the faculty.*

H1C: *There is no statistically significant difference in the number of graduates based on the innovation potential of the faculty.*

4. Characteristics of the Sample

Originally we intended to evaluate the innovation potential of faculties all over Slovak Republic, however, the obtaining of data proved to be too much of obstacle. Therefore, we used SUA as a sample of the population. As stated in methods section of the paper, we divided the SUA faculties into two groups according to their innovation potential as perceived by the authors. The characteristics of the sample are shown in table 1.

Table 1: Descriptive characteristics

INN_P		NUM_ST_P	NUM_ST	ST_MEN	ST_WOM	NUM_GRAD	GRAD_MEN	GRAD_WOM	PER_GRAD	PER_GRA_MEN	PER_GRA_WOM
Faculties with higher innovation potential (FBP, FAPZ, TF)	Mean	31.05	1638.33	843.52	794.81	527.48	264.86	262.62	0.17	0.18	0.15
	Std. Dev	8.93	501.43	522.03	495.20	191.41	154.91	179.46	0.06	0.06	0.07
	Variance	79.75	251431.93	272514.46	245227.56	36637.36	23998.13	32206.95	0.00	0.00	0.00
	Range	24.00	1355.00	1372.00	1317.00	563.00	422.00	491.00	0.21	0.19	0.22
	Min	17.00	1044.00	268.00	177.00	252.00	70.00	42.00	0.09	0.10	0.08
	Max	41.00	2399.00	1640.00	1494.00	815.00	492.00	533.00	0.29	0.29	0.30
Faculties with lower innovation potential (FEM, FZKI, FEŠRR)	Mean	20.95	1475.76	446.43	1029.33	574.10	170.52	403.57	0.17	0.18	0.16
	Std. Dev	4.26	556.94	170.33	435.91	209.05	50.40	165.33	0.07	0.08	0.07
	Variance	18.15	310184.69	29013.76	190019.73	43703.19	2540.36	27333.56	0.00	0.01	0.00
	Range	18.00	1799.00	678.00	1190.00	599.00	158.00	468.00	0.24	0.26	0.27
	Min	16.00	661.00	43.00	549.00	291.00	98.00	190.00	0.09	0.08	0.09
	Max	34.00	2460.00	721.00	1739.00	890.00	256.00	658.00	0.33	0.34	0.36
SPU in total	Mean	26.00	1557.05	644.98	912.07	550.79	217.69	333.10	0.17	0.18	0.16
	Std. Dev	8.59	529.84	432.98	475.82	199.37	123.39	184.75	0.06	0.07	0.07
	Variance	73.85	280727.85	187469.58	226401.48	39747.10	15224.56	34132.19	0.00	0.00	0.00
	Range	25.00	1799.00	1597.00	1562.00	638.00	422.00	616.00	0.24	0.26	0.28
	Min	16.00	661.00	43.00	177.00	252.00	70.00	42.00	0.09	0.08	0.08
	Max	41.00	2460.00	1640.00	1739.00	890.00	492.00	658.00	0.33	0.34	0.36

(Source: CVTI SR (2015); own processing)

Note: NUM_ST_P=Number of study programs; NUM_ST=Number of students; ST_MEN=Number of men among the students; ST_WOM=Number of women among the students; NUM_GRAD=Number of graduates (both on the bachelor and master level); GRAD_MEN=Number of men among graduates; GRAD_WOM=Number of women among the graduates; PER_GRAD=Ratio of graduates to the number of students; PER_GRA_MEN=Ratio of graduating men to the total number of students; PER_GRA_WOM=Ratio of graduating women to the total number of students.

The average number of study programs of faculties included in group one is higher when compared to faculties of group two (31.05 to 20.95). The same can be said about the average

number of students. This is higher at the faculties with higher innovation potential (1638). The average number of students studying at the faculties with lower innovation potential is 1476. Another observation is, that the majority of the students of the faculties in group one are men, while the majority of the students of the faculties with lower innovation potential are women. This findings is not particularly surprising since the faculties included in group one are natural sciences oriented. The number of graduates strongly depends on the number of students logical consequence being the number of graduates is higher in the case of faculties included in group one when compared with the faculties included in group two.

5 Results and Discussion

In the first part of the results section of the paper we are dealing with predicting of the development of the number of students and graduates separately for every individual SUA faculty. The second part of the results section deals with the results of analysis of variance.

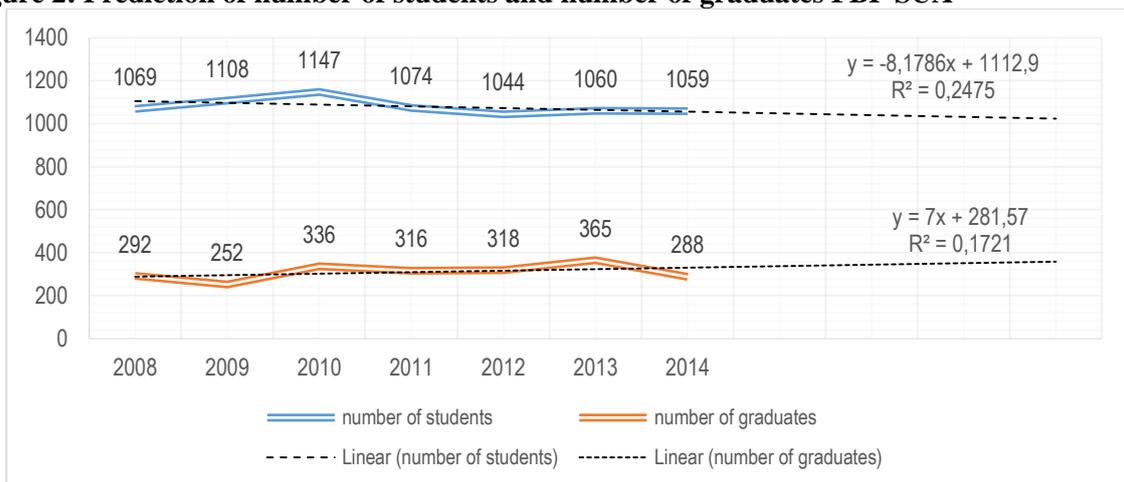
5.1 Faculties with higher innovation potential (Group 1)

The development of the number of students and the number of graduates at the faculties with higher innovation potential (FBP, FAPZ and TF) during the period of years 2008-2014 are visualized by the figures 2-4. The also visualize the prediction for years 2016-2018.

As can be seen in the figures the fall of the number of students can be expected at every faculty without exception. The coefficients of determinations (R^2) not very persuasive in case of FBP and especially TF, however, the R^2 in case of FAPZ is 0.7381, which means the development of the number of students predicted by the linear trend is very probable.

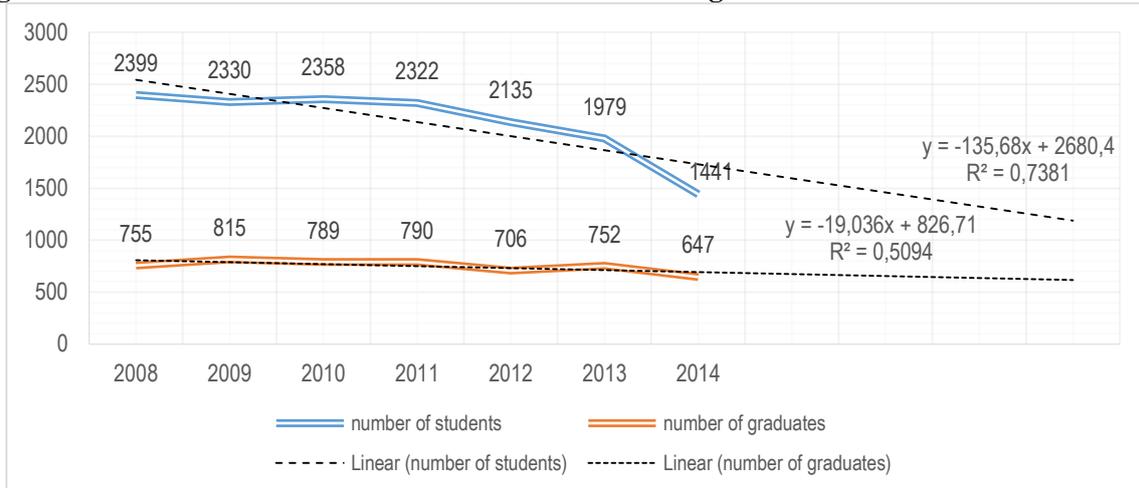
What can be perceived as a surprise is a fact that regardless the stagnation or even the fall of the number of students, the number of the graduates is rising at FBP and TF. This can be explained by two possibilities none of them being very favourable for these two faculties. The first possible explanation is the fact that the relatively high share of absolvents (out of the total number of students) origins in the lower number of students in the first year of study, thus making the number of graduates relatively high. The second explanation is a possibility of lower standards when compared to previous years of study.

Figure 2: Prediction of number of students and number of graduates FBP SUA



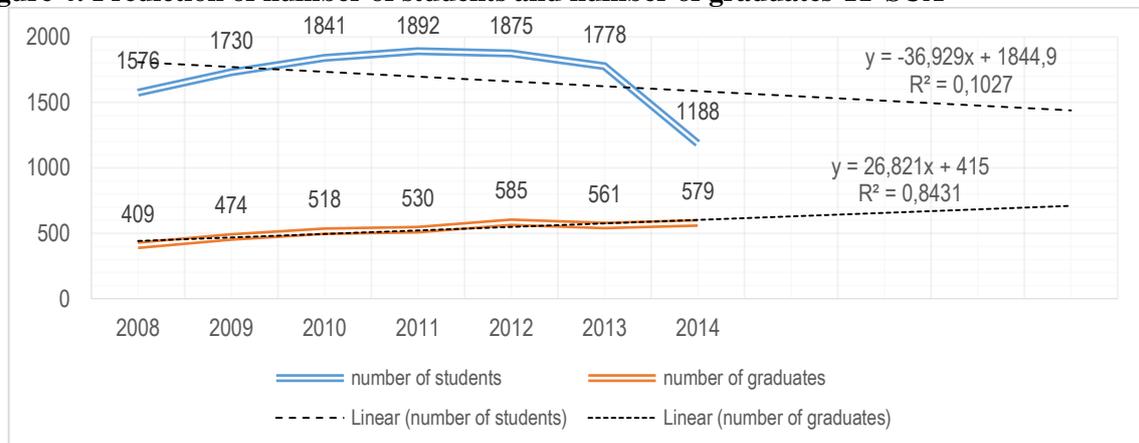
Source: CVTI SR (2015); own processing

Figure 3: Prediction of number of students and number of graduates FAPZ SUA



Source: CVTI SR (2015); own processing

Figure 4: Prediction of number of students and number of graduates TF SUA



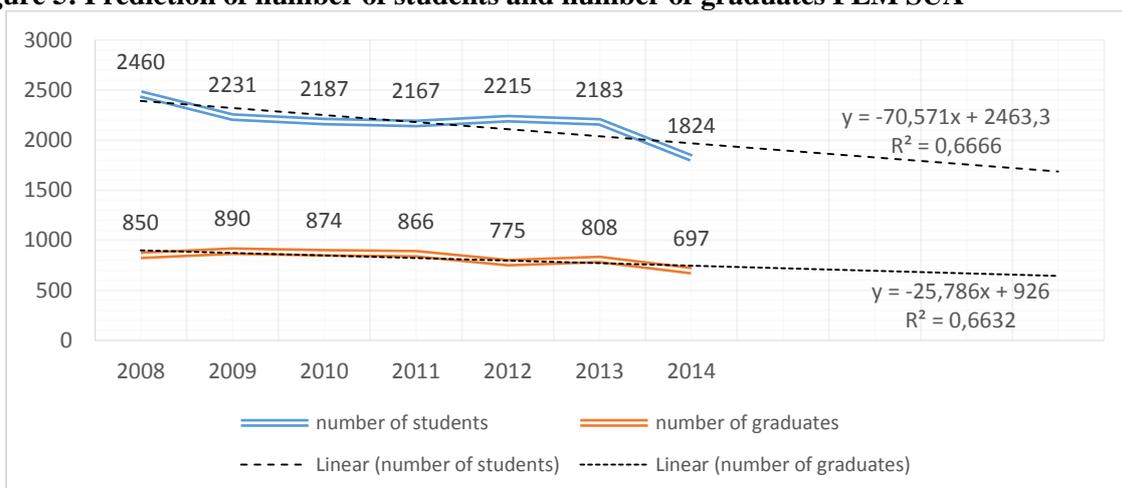
Source: CVTI SR (2015); own processing

5.2 Faculties with lower innovation potential

The number of students of faculties with the lower innovation potential (FEM, FZKI, FEŠRR) is falling, in case of FEŠRR very dramatically (from 1615 in 2008 to 661 in 2014). Even the biggest SUA faculty (in the sense of the number of students), FEM, faces the problem of the falling number of students. The faculty management tries to solve this matter with the historically highest number of students accepted into first year of study (whether it is a wise strategy remains to be seen; the ratio of accepted to rejected students is almost 1 to 1 which compromises the quality of the students, for illustration in the past it was 1 to 17 in 1998 and 1 to 10 in 2006).

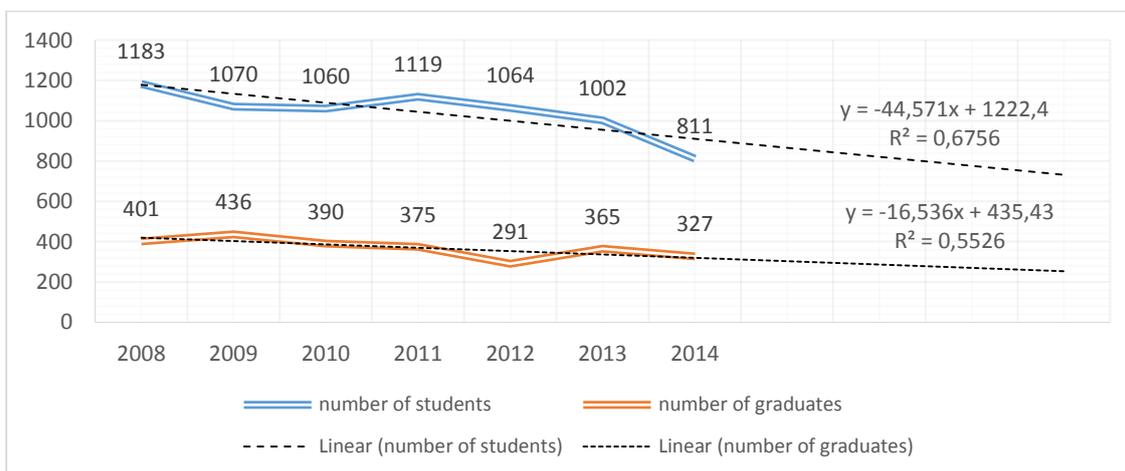
The calculated trends are stabile (the R2 values are in the range from 0.5526 to 0.9550) meaning the estimated development of number of students as well as the number of graduates is fairly probable (figures 5-7).

Figure 5: Prediction of number of students and number of graduates FEM SUA



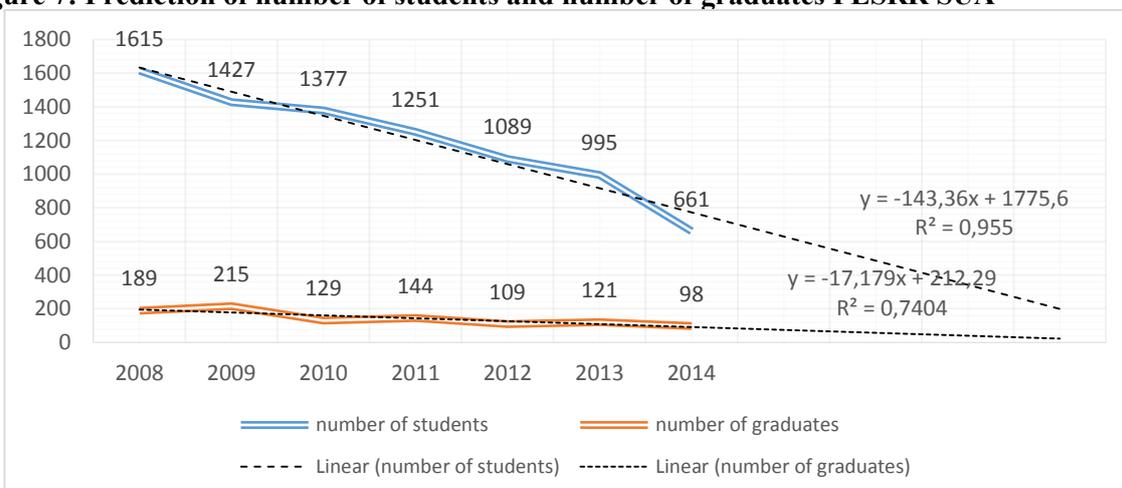
Source: CVTI SR (2015); own processing

Figure 6: Prediction of number of students and number of graduates FZKI SUA



Source: CVTI SR (2015); own processing

Figure 7: Prediction of number of students and number of graduates FEŠRR SUA



Source: CVTI SR (2015); own processing

5.3 Summary

The summary of obtained and calculated results is shown in the table 2. As can be seen, regardless the innovation potential the SUA faculties (and SUA itself) faces the same problems and challenges. The number of students is falling at all faculties. The number of graduates is falling as well (with exception of FBP and TF).

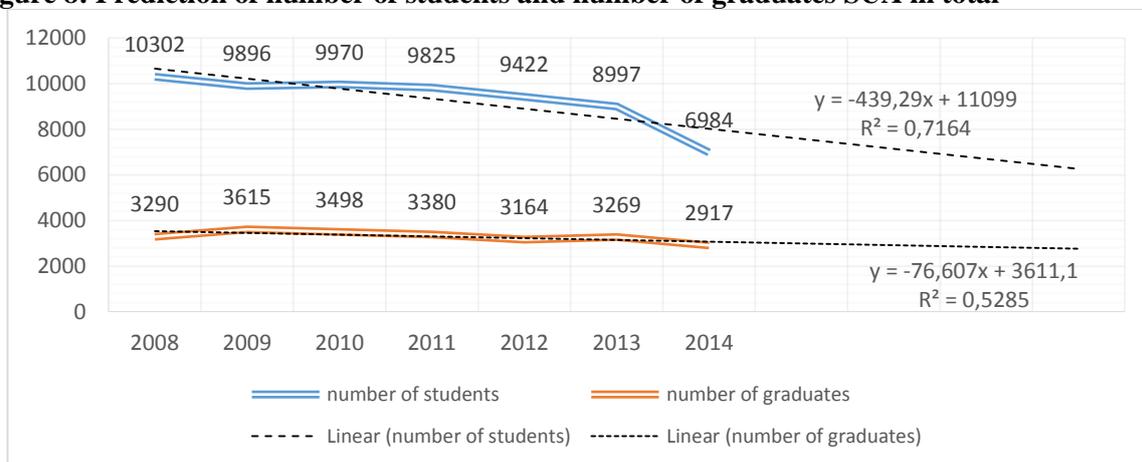
Table 2: Number of students and number of graduates – summary of trends

	FBP	FAPZ	TF	FEM	FZKI	FEŠRR	SUA
number of students	falls						
number of graduates	rises	falls	rises	falls	falls	falls	falls

Source: Own processing

Figure 8 shows the number for SUA in total. The number of students was 10302 in 2008 and according to CVTI database it was 6984 in 2014. However, this number needs to be approached with caution since our best guess is this number does not include the students accepted into first year of study in 2014. The number of graduates reaches the values over 3000 graduates a year.

Figure 8: Prediction of number of students and number of graduates SUA in total



Source: CVTI SR (2015); own processing

To evaluate the existence of statistically significant differences between the two groups of faculties we used analysis of variance (ANOVA). We evaluated number of study programs (NUM_ST_P), NUM_ST number of students (NUM_ST), number of men among the students (ST_MEN), number of women among the students (ST_WOM); number of graduates (both on the bachelor and master level; NUM_GRAD), number of men among graduates (GRAD_MEN), number of women among the graduates (GRAD_WOM), ratio of graduates to the number of students (PER_GRAD); ratio of graduating men to the total number of students (PER_GRAD_MEN), ratio of graduating women to the total number of students (PER_GRAD_WOM). The independent variable was the innovation potential of faculty (values 1 and 2). We tested the hypothesis:

H1: *There is no statistically significant difference in the observed variables based on the innovation potential of the faculty.*

The sub-hypotheses are stated as follows:

H1A: *There is no statistically significant difference in the number of study programs based on the innovation potential of the faculty.*

H1B: There is no statistically significant difference in the number of students based on the innovation potential of the faculty.

H1C: There is no statistically significant difference in the number of graduates based on the innovation potential of the faculty.

The results of the analysis of variance are shown in table 3.

Table 3: Analysis of variance – factor innovation potential

		Σ of Squares	df	Mean Square	F	Sig.
NUM_ST_P	Between Groups	1070.095	1	1070.095	21.862	0.000
	Within Groups	1957.905	40	48.948		
	Total	3028.000	41			
NUM_ST	Between Groups	277509.429	1	277509.429	0.988	0.326
	Within Groups	11232332.476	40	280808.312		
	Total	11509841.905	41			
ST_MEN	Between Groups	1655688.595	1	1655688.595	10.982	0.002
	Within Groups	6030564.381	40	150764.110		
	Total	7686252.976	41			
ST_WOM	Between Groups	577514.881	1	577514.881	2.654	0.111
	Within Groups	8704945.905	40	217623.648		
	Total	9282460.786	41			
NUM_GRAD	Between Groups	22820.024	1	22820.024	0.568	0.455
	Within Groups	1606811.048	40	40170.276		
	Total	1629631.071	41			
GRAD_MEN	Between Groups	93437.167	1	93437.167	7.042	0.011
	Within Groups	530769.810	40	13269.245		
	Total	624206.976	41			
GRAD_WOM	Between Groups	208609.524	1	208609.524	7.007	0.012
	Within Groups	1190810.095	40	29770.252		
	Total	1399419.619	41			
PER_GRAD	Between Groups	.000	1	0.000	0.001	0.975
	Within Groups	.120	28	0.004		
	Total	.120	29			
PER_GRAD_MEN	Between Groups	.000	1	0.000	0.000	0.993
	Within Groups	.138	28	0.005		
	Total	.138	29			
PER_GRAD_WOM	Between Groups	.001	1	0.001	0.194	0.663
	Within Groups	.133	28	0.005		
	Total	.134	29			

Source: CVTI SR (2015); own processing

Note: NUM_ST_P=Number of study programs; NUM_ST=Number of students; ST_MEN=Number of men among the students; ST_WOM=Number of women among the students; NUM_GRAD=Number of graduates (both on the bachelor and master level);

GRAD_MEN=Number of men among graduates; GRAD_WOM=Number of women among the graduates; PER_GRAD=Ratio of graduates to the number of students; PER_GRAD_MEN=Ratio of graduating men to the total number of students; PER_GRAD_WOM=Ratio of graduating women to the total number of students.

ANOVA partitions the variability among all the values into one component that is due to variability among group means (due to the treatment) and another component that is due to variability within the groups (also called residual variation). Variability within groups (within the columns) is quantified as the sum of squares of the differences between each value and its group mean. This is the residual sum-of-squares. Variation among groups (due to treatment) is quantified as the sum of the squares of the differences between the group means and the grand mean (the mean of all values in all groups). Adjusted for the size of each group, this becomes the treatment sum-of-squares. Each sum-of-squares is associated with a certain number of degrees of freedom (df, in our case it is 1), and the mean square is computed by dividing the sum-of-squares by the appropriate number of degrees of freedom. These can be thought of as variances. The square root of the mean square residual can be thought of as the pooled standard deviation. The F ratio is the ratio of two mean square values. If the null hypothesis is true, you expect F to have a value close to 1.0 most of the time. A large F ratio means that the variation among group means is more than you'd expect to see by chance. You'll see a large F ratio both when the null hypothesis is wrong (the data are not sampled from populations with the same mean) and when random sampling happened to end up with large values in some groups and small values in others. The F ratios are high in case of number of study programs, number of men among the students, number of men among the graduates and number of women among the graduates.

Based on the results we can conclude the hypotheses H1B and H1C were confirmed. There is no statistically significant difference in the number of students and the number of graduates based on the innovation potential of the faculty. The hypothesis H1A can be rejected. The innovation potential influences the number of study programs at SUA faculties. The faculties with higher innovation potential offer higher number of study programs when compared to the faculties with lower innovation potential.

6. Conclusion

In the knowledge-based society, universities play an enhanced role in creating innovations. They have reconsidered their traditional academic roles of social reproduction and extension of certified knowledge, but placed them in a broader context as part of its new role in promoting innovation. Good promoted innovation potential has an ability to attract students. However, in this context the innovation potential seems to play no significant role in the matter of attraction of students at Slovak university of agriculture. Regardless the perceived innovation potential of a faculty, the number of students is falling at every SUA faculty. This trend will continue in the future, in some cases even with higher dynamics.

The implications for the management of the faculties (and university as well) is that the innovation potential and the attractiveness of the study needs to be better communicated. There is a strong competition between universities in the western region of the country since there are many universities (Bratislava, Trnava, Nitra to name a few) and the overall number of potential students is decreasing due to the demographic development. Therefore, good communication and promotion becomes really important issue worth investing in. Without doubt, one of the communicated topics should be innovation potential of the offered study programs.

References

- Amara, N., Landry, R. (2005). Sources of information as determinants of novelty of innovation in manufacturing firms: evidence from the 1999 statistics Canada innovation survey. *Technovation*, 25, 245-259.
- Arvanitis, A., Sydow, N., Woerter, M. (2008). Do specific forms of university-industry knowledge transfer have different impacts on the performance of private enterprises? An empirical analysis based on Swiss firm data.

- Journal of Technological Transfer*, 33, 504-533.
- Audretsch, D.B., Stephan, P. (1996). Company-scientist locational links: the case of biotechnology. *American Economic Review* 86 (4), 641-652.
- Autio, E., Hameri, A.P., Norberg, M. (1996). A framework of motivations for industry - big science collaboration: a case study. *J. Eng. Technol. Manage.* 13(3-4), 301-314.
- Bekkers, R., Bodas Freitas, I.M. (2008). Analysing knowledge transfer channels between universities and industry: to what degree do sectors also matter? *Research Policy*, 37, 1837-1853.
- Bodas-Freitas, I.M., Geuna, A., Rossi, F., (2013). Finding the right partners: Institutional and personal modes of governance of university–industry interactions. *Research Policy*, 42(1), 50–62.
- Bodas-Freitas, I.M., Marques, R. A., de Paula e Silva, E. M. (2013). University–industry collaboration and innovation in emergent and mature industries in new industrialized countries. *Research Policy* 42 (2013), 443-453.
- Breschi, M.S., Lissoni, F., (2009). Mobility of skilled workers and co-invention networks: an anatomy of localized knowledge flows. *Journal of Economic Geography*, 9, 439-468.
- Buganová, K., Lusková, M. (2015). Innovation of educational content and study materials with respect to knowledge society needs and labour market at the University of Zilina, Faculty of Special Engineering. *Procedia - Social and Behavioral Sciences*, 174(2015), 3587-3594.
- Clarysse, B., Moray, N. (2004). A process study of entrepreneurial team formation: the case of a research-based spin-off. *J. Bus. Venturing* 19(1), 55-79.
- Cowan, R., David, P.A., Foray, D. (2000). The explicit economics of knowledge codification and tacitness. *Industrial and Corporate Change*, 9, 211-253.
- Cowan, R., Zinovyeva, N. (2013). University effects on regional innovation. *Research Policy*, 42(2013). 788-800.
- Dasgupta, P., David, P.A., 1994. Toward a new economics of science. *Research Policy* 23, 487-521.
- D’Este, P., Iammarino, S., Guy, F. (2013). Shaping the formation of university–industry research collaborations: what type of proximity does really matter? *Journal of Economical Geography*, 13, 537-558.
- D’Este, P., Patel, P. (2007). University–industry linkages in the UK: what are the factors underlying the variety of interactions with industry? *Research Policy*, 36, 1295-1313.
- De Fuentes, C., Dutrénit, G. (2012). Best channels of academia-industry interaction for long-term benefit. *Research Policy*, 41, 1666-1682.
- Draghici, A., Baban, C-F., Gogan, M. L., Ivascu, L. V. (2014). A Knowledge Management Approach for The University-Industry Collaboration in Open Innovation. *Procedia Economics and Finance*, 23 (2015), 23- 32.
- Etzkowitz, H., Webster, A., Gebhardt, C., Terra, B.R.C., (2000b). The future of the university and the University of the Future: evolution of ivory tower to entrepreneurial paradigm. *Research Policy*, 29, 313-330.
- Etzkowitz, L., Leydesdorff, M., (2000a). The Dynamics of Innovation: from National Systems and “Model 2” to a Triple Helix of University-Industry-Government Relation. *Research Policy*, 29(2), 109-123.
- Eun, J.-H., Lee, K., Wu, G. (2006). Explaining the University-run enterprises in China: a theoretical framework for university–industry relationship in developing countries and its application to China. *Research Policy* 35, 1329-1346.
- Fakhrudinova, E., Zagidullina, V., Suleimanov, T., Khalikov, A. (2015). Universities as a Driving Force of Economic Development in the Creation of Innovation System of Russia. *Procedia Economics and Finance* 23, 1662-1665.
- Franklin, S.J., Wright, M., Lockett, A. (2001). Academic and surrogate entrepreneurs in university spin-out companies. *J. Technol. Trans.* 26 (1-2), 127-141.
- Fitjar, R.D., Rodríguez-Pose, A. (2012). Firm collaboration and modes of innovation in Norway. *Research Policy*, 42, 128-138.
- Furman, J.L., MacGarvie, M. (2009). Academic collaboration and organizational innovation: the development of research capabilities in the US pharmaceutical industry, 1927–1946. *Industrial and Corporate Change* 18(5), 929-961.
- Geuna, A., Muscio, A. (2009). The governance of university knowledge transfer: A critical review of the literature. *Minerva*, 47(1), 93-114.
- Gibb, A., Haskins, G., Robertson, I. (2013). Leading the entrepreneurial university: Meeting the entrepreneurial development needs of higher education institutions. In *Universities in Change* (pp. 9-45). Springer New York.
- Gouvea, R., Kassicieh, S. (2005). Using resources in R&D policy planning: Brazil, the Amazon and biotechnology. *Technological Forecasting & Social Change* 72, 535–547.

- Gulbrandsen, M., Slipers ter, S. (2007). The third mission and the entrepreneurial university model. In: Bonaccorsi, A., Daraio, C. (Eds.), *Universities and Strategic Knowledge Creation: Specialization and Performance in Europe*. Edward Elgar, Cheltenham, 112-143.
- Hall, B.H., Link, A., Scott, J.T. (2003). Universities as research partners. *Revue of Economical Statistics*, 85, 485-491.
- Jaffe, A.B. (1989). Real effects of academic research. *The American Economic Review*, 79 (5), 957-970.
- Kaufmann, A., T dli ng, F., 2001. Science-industry interaction in the process of innovation: the importance of boundary-crossing between systems. *Research Policy*, 30, 791-801.
- Maes, K., Debackere, K., van Dun, p. (2011). Universities, Research and the "Innovation Union". *Procedia Social and Behavioral Sciences* 13, 101-116.
- Mangematin, V., Nesta, L. (1999). What kind of knowledge can a firm absorb? *International Journal of Technology Management* 18, 149-173.
- Mathews, J.A., Hu, M-C. (2007). Enhancing the role of universities in building national innovative capacity in Asia: the case of Taiwan. *World Development* 35, 1005-1020.
- Mazzoleni, R., Nelson, R.R. (2007). Public research institutions and economic catch-up. *Research Policy* 36, 1512-1528.
- OECD. (2010). Science, Technology and Industry Outlook 2010. OECD.
- Perkmann, M., Tartari, V., McKelvey, M., Autio, E., Brostr m, A., D'Este, P., ... , Sobrero, M. (2013). Academic engagement and commercialisation: A review of the literature on university–industry relations. *Research Policy*, 42(2), 423-442.
- Power, D., Malmberg, A. (2008). The contribution of universities to innovation and economic development: in what sense a regional problem? *Camb. J. Reg. Econ. Soc.* 1(2), 233-245.
- Robertson, P.L., Patel, P.R. (2007). New wine in old bottles: technological diffusion in developed economies. *Research Policy* 36, 708-721.
- Ropke, F. (1998). The Entrepreneurial University, Innovation, Academic Knowledge Creation and Regional Development in a Globalize Economy, *Working Paper Department of Economics*, Philipps-University Marburg, Germany, vol. 15, 64–68.
- Siegel, D. S., Waldman, D. A., Atwater, L. E., Link, A. N. (2003). Commercial knowledge transfers from universities to firms: improving the effectiveness of university–industry collaboration. *The Journal of High Technology Management Research*, 14(1), 111-133.
- Siegel, D.S., Waldman, D., Link, A. (2008). Assessing the impact of organizational practices on the relative productivity of university technology transfer offices: an exploratory study. *Research Policy*, 32, 27-48.
- Spr va z etapy  . 3 n rodn ho projektu Vysok  školy ako motory rozvoja vedomostnej spoločnosti - Pos denie cieľov ch  tudijn ch programov v r mci zvolen ch  tudijn ch odborov, vr tane zapracovania konkr tnych aktu lnych a perspektivnych po iadaviek praxe v rovine odborne- specifick ch, ako aj medziodborovo, medzisektorovo a funk ne prenositeľn ch kompetenci . N rodn  projekt Vysok  školy ako motory rozvoja vedomostnej spoločnosti, ITMS: 26110230120. Modern  vzdel vanie pre vzdelanostn  spoločnosť. November 2014. 725 s.
- Spr va z etapy  . 2 n rodn ho projektu Vysok  školy ako motory rozvoja vedomostnej spoločnosti - Progn za dopytu po absolventoch  tudijn ch programov vysok ch  k l na trhu pr ce v hl dovo na 5 rokov, s trendovou indik ciou (rast/utlmovanie) na d al ich 5 rokov. N rodn  projekt Vysok  školy ako motory rozvoja vedomostnej spoločnosti, ITMS: 26110230120. Modern  vzdel vanie pre vzdelanostn  spoločnosť. Okt ber 2014. 1129 s.
- Spr va z etapy  . 1 n rodn ho projektu Vysok  školy ako motory rozvoja vedomostnej spoločnosti - Tvorba metodiky a benchmarkingov ch programov na trhu pr ce (I., II. A III. Stupeň vysoko skolsk ho vzdel vania), vr tane kritick ho pos denia existuj cich informa n ch zdrojov. N rodn  projekt Vysok  školy ako motory rozvoja vedomostnej spoločnosti, ITMS: 26110230120. Modern  vzdel vanie pre vzdelanostn  spoločnosť. September 2014. 1517 s.
- Stephan, P.E., 1996. The economics of science. *Journal of Economic Literature* 34, 1199-1235.
- Tornatzky, G., et. al., (2002). Innovation U: New University Role in a Knowledge Economy. Southern Growth Policy Board, 323-325.
- Tushman, M.L., Anderson, P. (1986). Technological discontinuities and organizational environments. *Administrative Science Quarterly* 31, 439-465.
- Utterback, J.M., Abernathy, W. (1975). A dynamic model of process and product innovation. *Omega* 3, 639–656.
- Van Looy, B., Landoni, P., Callaert, J., van Pottelsberghe, B., Sapsalis, E., Debackere, K., (2011). Entrepreneurial

- effectiveness of European universities: An empirical assessment of antecedents and trade-offs. *Research Policy*, 40(4), 553–564.
- Vincett, P.S. (2010). The economic impacts of academic spin-off companies, and their implications for public policy. *Res. Policy* 39(6), 736-747.
- von Tunzelmann, N. (2009). Regional capabilities and industrial regeneration. In: Farshchi, M., Janne, O., McCann, P. (Eds.), *Technological Change and Mature Industrial Regions: Firms, Knowledge and Policy*. Edward Elgar, Cheltenham, pp. 11-28.
- Watanabe, T. (2009). University-industry collaboration. Effect of patenting and licensing by university on collaboration research, Special Feature: *Public-Private R&D Collaboration*, On line at: http://www.techmonitor.net/tm/images/0/03/09sep_oct_sf1.pdf
- Wong, P-K., Ho, Y.-P., Singh, A. (2007). Towards an “Entrepreneurial University” model to support knowledge-based economic development: the case of the National University of Singapore. *World Development* 35, 941-958.
- Wright, M., Lockett, A., Clarysse, B., Binks, M. (2006). University spin-out companies and venture capital. *Research Policy* 35(4), 481-501.

Part 3

Small and Medium Sized Enterprises

Innovation Networks in Small and Medium Enterprises Sector

Ľubica Lesáková

Matej Bel University, Faculty of Economics
Department of Business Economics and Management
975 90 Banská Bystrica, Tajovského St. 10
Slovak Republic
E-mail: lubica.lesakova@umb.sk

Abstract

With the development of innovation processes it is evident the growing role of innovation activities also in small and medium enterprises. Many examples confirm, that small and medium enterprises (SME) create a large space for innovation, because they have more flexibility and less organizational restrictions in comparison to large-scale enterprises. In spite of these advantages SME have also some handicaps; many of them don't own research capacities (tangible, as well as have lack of special personal capabilities) and face many financial problems. To overcome this barrier could help networking. The aim of the article is to present the role of innovation's network formation in SME's sector. Special attention is given to various types of innovation networks in SME's sector and to the benefits they can deliver. The paper was elaborated as a part of VEGA project 1/0494/15 „The Research of Factors Influencing the Successfulness of Innovative Small and Medium-sized Enterprises in the Slovak Republic “.

Key words: *innovation, innovation networks in SME's sector, small and medium enterprises*

JEL Classification: *M13, L22,*

1. Introduction

To strengthen innovation activities is one of the main task of small and medium enterprises (SME) nowadays. SME are forced to make innovation, because they are under permanent pressure of competitors at the market. From this point of view the ability to compete in innovations plays very important role as a factor of their competitiveness. Many examples confirm, that SMEs create a large space for innovation, because they are much more flexible in comparison to large-scale enterprises. These enterprises are seen quicker than large ones due to structural simplicity, streamlined operations, faster decision-making processes and targeted innovation. The result is a quicker response to the dynamic of industrial environment. In spite of all above mentioned advantages, SMEs have also some handicaps – many of them don't own research capacities, have lack of special personal capabilities and face many financial problems (Lesáková L., 2014).

It seems that an answer how to overcome this barrier is networking. Small firms have always recognized the importance of linkages and connections – getting close to customers to understand their needs, working with suppliers to deliver innovative solutions, linking up with collaborators, research centres, even competitors to build and operate innovation system. In the era of global operations and high – speed technological infrastructures, building and managing networks becomes key requirement for innovation in SMEs.

The aim of the article is to present the role of innovation's network formation in SME's sector and to explain the basic characteristics of innovation networks; special attention is given to various types of innovation networks in SME's sector and to the benefits they can deliver.

2. Characteristics of innovation network formation

Networks can be described as a number of organizations with different interests that depend one on another for the achievement of their goals (Berchicci, 2009). According to Powell (1990)

a network is a form of coordinating social activities, defined as a third form of cooperation beyond market and organization. It suggests some kind of special organization form at an aggregate level above that of individual companies. Bessant and Tidd (2009) define a network as a complex, interconnected group or system, and networking involves using that arrangement to accomplish particular tasks. Other authors focus on a firm's strategic decision to become part of a network, because the potential profit from cooperation exceeds individual strategies in maximizing benefit (Lesáková, D., 2010).

It can be seen, that the definitions of network are various and have been used for different kind of relationships and for different purposes. Two main approaches deal with networks in the innovation process: *the sociological and the economic approach* (Berchicci, 2009).

The sociological approach is focusing on the interactions between actors within and between various organizations. The emphasis is on the informal network between individuals, on the exchange of tacit knowledge, on the nature of the linkages and the process of their creation and development between individual actors, users, buyers, suppliers, regulatory authorities and potentially competing firms. The establishment and maintenance of linkages are essential for the success of innovation. In this view incomplete networks or weak linkages are associated with failure.

One of the main theories in this field is the social network theory, which tries to apply the sociological approach to network formation. This approach suggests that a firm's strategic actions are affected by the social context, in which the firm is embedded and focuses on the network properties rather than on simply individual links within the network.

In this context the ties among actors are emphasized. For example Uzzi (1997) introduced the concept of embeddedness. This concept defines two kinds of ties: arm's-length (weak) and embedded (strong) ties. The first one refers to sporadic interactions and/or economic transactions; the second refers to established relationships between actors. Although weak ties provide greater information flow than strong ones, they increase the risk of opportunistic behaviour. On the contrary, embedded ties generate trust, discourage opportunism and facilitate the creation of knowledge.

The economic approach focuses on the firm itself and the role of the firm as a central institution through which the innovation is commercialized. The formal network is therefore the main concern: formal collaborative agreement involving legal contracts between firms. From the economic perspective two different theoretical approaches are discussed.

The first, known as transaction cost economics theory, is concerned with the nature of the transaction and the cost incurred in managing the transaction. Transaction cost economics theory suggests, that networks are preferable and more efficient than market or hierarchy cooperation, if they minimize the firm's costs in the transaction. In other words, when transaction costs are high, firms will tend to carry out technology development activities in-house, rather than partner with external firms.

The second approach is resource-based view theory. This theory suggests that the establishment of networks derives from the resource needs of a firm. Managing these resources can provide a competitive advantage over its rivals. Thus, firms form networks to obtain access to needed assets, learn new skills, manage their dependence on other firms, or maintain parity with competitors.

The literature mentioned above suggests two different ways to define networks. They differ in their level of analysis: transaction cost economics theory views firms from an outside-in perspective and tend to explain and predict transactions among firms. On the contrary, resource-based view theory views firms from an inside-out perspective and focuses on firms' resources allocation and acquisition. Some important concepts emerge for the innovation process, such as weak/strong ties. To gain new information and new resources, the firm needs to have a great number of heterogenous, weak ties. The firm will essentially benefit from such networks to the

extent, that the firm is seeking to pursue exploration of new knowledge or radical innovations. On the other hand, commitments, trust and experience, being expressions of a networks with strong ties, may facilitate the innovation process in exploiting existing knowledge and pursuing incremental innovation.

In practice we can see a growing number of ways in which such networking takes place. Simplest networking happens in an informal way when people get together and share ideas and knowledges, but more often are created formal networks, which are set up to help to create a new product or service, or learning to apply some new processes more effectively within firms.

Innovation networks are more than ways of assembling and deploying knowledge in a complex world. They can also have what is termed as “emergent properties“ (Tidd – Bessant – Pavitt, 2007) – that means, the potential of the whole is greater than the sum of its parts. Innovation network can deliver a wide range of benefits beyond the collective knowledge. These benefits include access to different and complementary knowledge sets, reducing risks by sharing them, accessing new markets and technologies and pooling complementary skills and assets. Without such networks it would be nearly impossible for the lone inventor to bring his idea successfully to market. And it’s one of the main reasons why established businesses are increasingly turning to cooperation and networks – to extend their access to these key innovation resources (Lesáková, Ľ., 2009).

For example, participating in innovation networks can help companies to win new ideas and creative combinations. It is well known, that the process involves making various associations. Studies of networks indicate, that getting together can help open up new and productive territory.

Another way in which networking can help innovation is providing support for shared learning. A lot of process innovation is about configuring and adapting what has been developed elsewhere and applying it to own processes. Increasing number of companies are seeing the value of networks in giving them extra traction on the learning process (Frappaolo, 2006).

Another way in which networking can help is by helping to spread the risk and extending the range of things which might be tried. This is particularly useful in small businesses, where resources are scarce and it is one of the key features behind the success of many industrial clusters.

Though popular, networks often fail. Factors such as goal divergence, partner opportunism, improper partner selection and cultural differences, may contribute to alliance failure. Moreover, selecting partners with different or conflicting expectations may lead to opportunistic behaviour or to networks failure. For example, opportunistic behaviour may take the form of a learning race, that means, when a firm’s primary motive is to quickly learn (acquire) a partner’s skills and then underinvest in the network after achieving its learning objectives.

There are at least two types of network risks – relational and performance risks (Berchicci, 2009). Relational risk is concerned with the probability of a partner, who does not appropriately commit to a network and fails to behave as expected. Performance risk refers to factors that may impede achieving network objectives. Thus, performance risk is common to all strategic decisions, while relational risk is concern to the behaviour of individuals. Operating within an innovation network is not easy. Ensuring cooperation, avoiding competition and developing trust between partners are the major challenges in building networks.

3. Different types of innovation networks in SME’s sector

Developing innovation depends more and more on working with many different actors. This raises questions about bringing the different actors together inside a firm, but increasingly it’s

about links between firms. There are **different ways in which innovation networks can be configured** to help with the innovation process (Bessant – Tidd, 2009).

Entrepreneur-base – bring different complementary resources together to help take an opportunity forward. Often a combination of formal and informal connections depends a lot on the entrepreneur’s energy and enthusiasm in getting interested people to join and to stay in the network.

Internal project teams – are formal and informal networks of knowledge and key skills which can be brought together to help some opportunity to be taken forward (essentially like entrepreneur networks, but inside of established firms). Teams may run into difficulties because of having to cross internal organizational boundaries.

Communities of practice – these are networks which involve players inside and across different firms; what binds them together is a shared concern with a particular aspect or area of knowledge. Famous are:

Spatial clusters – networks in which players are close each to other – for example, in the same geographical region. A good example of a spatial cluster is Silicon Valley, which is based on proximity – knowledge flows among and across the members of the network. Special feature of this cluster is geographical closeness and the ability of key players to meet and talk together.

Sectoral networks – networks which bring different players together, because they share a common sector. The purpose of shared innovation is to preserve competitiveness. They are often organized by sector or business associations on behalf of their members.

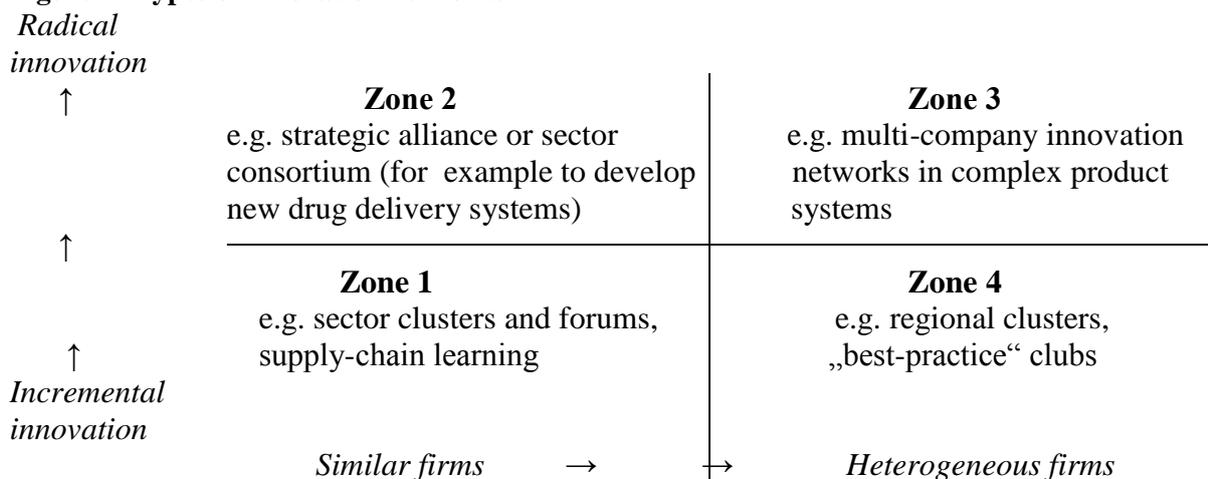
New product or process development consortium – network, where shared knowledge and perspectives are developed with the aim to create and market a new product or process.

New technology development consortium – network, where sharing and learning around newly emerging technologies is developed.

Supply-chain learning – network based on developing and sharing innovative good practice across a value chain.

Operating within an innovation network is not easy – it needs a new set of managerial skills and it depends on the type of innovation network. We can map various types of innovation **networks by design** (Bessant – Tidd, 2009), which differentiate in terms of: a) how radical is the innovation with respect to current innovative activity and b) the similarity of the participating firms.

Figure 1: Types of innovation networks



Source: Bessant, J. & Tidd, J. (2005). Innovation and entrepreneurship, p. 95.

In *Zone 1* there are firms with a similar orientation working on tactical innovation issues. Typically, this might be a cluster or sector forum concerned with adopting and configuring

“good practice” manufacturing. Participating in such a network enables to share experiences, develop trust and transparency and build a sense of shared purpose around innovation.

Zone 2 activities might involve players from very narrow sectors working together to create new product or process concepts (for example biotechnology/pharmaceutical networking) and the need to look for interesting connections and synthesis between these sectors. Here, the concern is exploratory. Challenges rely on information-sharing and sharing risk-taking, often in the form of formal joint ventures and strategic alliances.

In *Zone 3*, the players are highly differentiated and bring different knowledge to the network. Their risks in disclosing can be high; to ensure careful intellectual property management and establishing ground rules is crucial. This kind of innovation involves considerable risk. These types of multi-company innovation network act for example in a complex product system development.

Zone 4 - high value innovation network is characterized by these success features:

- a) high diverse: network partners come from a wide range of disciplines and backgrounds; this enables exchange of ideas across systems (regional clusters, best-practice clubs);
- b) third-party gatekeepers: as the players in this type of network come into evidence the science partners, universities, but also consultants and trade associations, who provide access to expertise;
- c) financial leverage: typical is access to investors via business angels, venture capitalist firms and corporate venturing which spreads the risk of innovation;
- d) proactively managed: participants in the network are managed proactively as a valuable asset with the aim to gain the innovation benefits.

In era, when innovation processes become more complex and knowledge-intensive and networks enable much more rapid flow of knowledge across the firms, innovation becomes much more open-ended. The logic of open innovation is that firms need to open up their innovation processes, searching widely outside their boundaries and working together managing a rich set of network connections and relationships right across the board. Their challenge becomes one of improving the knowledge flows in and out the firm.

Special type of networks represent **learning networks**. Learning networks are formally set up for the primary purpose of increasing knowledge. In principle firms have a number of opportunities to enable them innovation learning – through experiment (R&D), through transfer of ideas from outside, through working with different players (suppliers, partners, customers), through reflecting and reviewing previous projects and even from failure (Frappaolo, 2006). Studies or organizational learning experiences suggest that it can be supported by procedures facilitating the learning (for example through reflection, facilitated sharing of experiences or planned experimentation).

Shared learning can help individual firm to deal with some of the barriers to learning. For example: in shared learning there is the potential for challenge and critical reflection from different perspectives. Different perspectives can bring new concepts, shared experimentation can reduce actual costs risks in trying new things (Beerel, 2009).

A key element in shared learning is the active participation of others in the process of challenge and support. Its potential as an aid to firms trying to cope with a challenging and continuing learning agenda has led to a number of attempts to establish formal arrangements for inter-organizational learning. For example, famous are experiences of regional clusters of small firms, which have shared knowledge about product and process technology and extended the capabilities of the sector as a whole. This was recognized as central to their abilities to achieve export competitiveness (Pitra, 2006).

Learning is often involved as a “by-product” of network activities – for example through exchange of views or through shared attempts in problem-solving. But the primary concept is a network formally set up for the purpose of increasing knowledge. Such networks share

a number of characteristics: they are formally established and defined; they have a primary target – some specific learning/knowledge which the network is going to enable. They have a structure for operation with boundaries defining participation processes which can be mapped in to the learning cycle.

Examples include “best practice“clubs (whose members have formed together to try to understand and to share experiences about new production concepts), “co-laboratories“ (shared R&D projects), supplier associations and sectoral research organizations (where the aim is to difuse knowledge across a system of firms). Learning may involve “horizontal“ collaboration (between firms), or “vertical“ cooperation (as in supply chain learning programmes), or a combination of both.

4. Conclusions

Networking is an increasingly powerful mechanism for enabling innovation and entrepreneurship. The theory of networks talks about „emergent properties“ – essentially where the whole is greater than the sum of the parts. In innovation networks there are plenty of ways such emergent properties might help: bringing together different knowledge sets to solve a particular complex problem; maximizing problem-solving capabilities by getting more (and different) minds on the job; sharing the risks around exploring and exploiting new ideas; transmitting learning across a group of players increasing their market power, entering into new markets or enhancing their capabilities.

Given the scale of many of today’s innovation challenges it is unlikely that any single enterprise – and certainly no single individual – will be able to deal with them all. But networking offers the chance to leverage other kinds of resources – knowledge, skills, finance, and distribution – to help make things happen. It’s particularly an opportunity for small firms competing in a turbulent global marketplace.

Acknowledgements

The paper was elaborated as a part of VEGA project 1/0494/15 „The Research of Factors Influencing the Successfulness of Innovative Small and Medium-sized Enterprises in the Slovak Republic “.

References

- Beerel, A. (2009). *Leadership and Change Management*. London: SAGE Publications Ltd, 2009, 264 p. ISBN 978-1-84787-341-5.
- Berchicci, L. (2009). *Innovating for Sustainability*. London : MPG Books Ltd., Bodmin, Great Britain, 2009, 232 p. ISBN 978-0-415-45464-3.
- Bessant, J. – Tidd, J. (2009). *Innovation and entrepreneurship*. Chichester : John Wiley and Sons, Ltd, England, 2009, 462 s. ISBN 978-0-470-03269-5.
- Frappaolo, C. (2006). *Knowledge Management*. Chichester: Capstone Publishing Ltd., 2006, 130 p. ISBN 1-841112-705-1.
- Lesáková, D. a kol. (2010). *Strategický marketingový manažment*. Bratislava : Vydavateľstvo SPRINT – vŕa, 2010. ISBN 80-88848-90-3.
- Lesáková, E. (2009). Determinants of innovation activities in small and medium enterprises in Slovakia. In: *Innovations – factor determining competitiveness of small and medium enterprises in the global business environment*. Banská Bystrica : Faculty of Economics, Matej Bel University, 2009, pp. 214 – 223. ISBN 978-80-8083-792-1.
- Lesáková, E. (2014). Small and medium enterprises in the new world of globalization. In: *Forum scientiae oeconomia*. Scientific publishing of the Academy of Business, Dabrowa Gornicza, Vol. 2, No 3 (2014), pp. 111-122. ISSN 2300-5947.
- Pitra, Z. (2006). *Management inovačných aktivít*. Praha: Vydavatelství Professional Publishing, 2006, 438 strán. ISBN 80-86946-10-X.
- Powell, W. (1990). Neither market nor hierarchy: Network forms of organization. *Journal of Research in*

Organizational Behaviours. No 12, 1990, pp. 295 – 336.

Tidd, J. – Bessant, J. – Pavitt, K. (2007). *Řízení inovací*. Brno: Vydavatelství Computer Press, 2007, 549 strán. ISBN 978-80-251-1446-7.

Uzzi, B. (1997). Social structure and competition in interfirm networks: the paradox of embeddedness. In: *Administrative Science Quarterly*, Volume 42, No 1, 1997, pp. 35-67.

Development of Entrepreneurship in Małopolskie Voivodeship after Joining to the European Union

Witold TRELA¹ – Andrzej KRASNODEBSKI² – Elżbieta KORNALSKA³

University of Agriculture in Krakow^{1,2,3}

Institute of economics and business management

Al. Mickiewicza 21

Kraków, Poland

e-mail^{1,2,3}: witoldtrela@gmail.com, rkrasno@cyf-kr.edu.pl, ekornalska@o2.pl

Abstract

An important factor in the modern development of regions is entrepreneurship. The impact of this phenomenon varies spatially, which may cause changes in the proportions of or consolidation of development. Polish accession to the European Union in 2004 opened up new opportunities for Polish companies and regional entrepreneurship. The aim of this paper is to systematize the concept of regional entrepreneurship and to present the situation in the period 2004-2013 in terms of the diversity of entrepreneurship in the rural districts of Małopolska voivodeship. Complex, multi-faceted nature of the category of regional entrepreneurship, makes the assessment of this development should take into account a number of diagnostic variables simultaneously. In carrying out the research foundation uses multi-criteria method unitarisation zeroed.

Keywords: entrepreneurship, regional development, method unitarisation zeroed

JEL Classification: C30, R10, R12

1. Introduction

Entrepreneurship is a specific philosophy, the way of operation and functioning of enterprises. It is an important attribute of a free market system of management in contemporary economy. It is assumed, that it is a permanent component of economic basis of each economy. Entrepreneurship is a term commonly used in everyday language and public discussion. This is a social phenomenon universally desired and regarded as positive.

Therefore, entrepreneurship creates a diversity of sources of earnings, contributes to implementation of the sustainable development policy, fulfilling both social and economic objectives. Entrepreneurship is the way to acquire additional or alternative incomes, enabling rural dwellers to run less profitable farms, which makes it a part of multifunctional rural development.

2. Method

The present work takes into account changes in the number of small and medium-sized enterprises in the Małopolskie voivodeship, which represents more than 99.9% of the companies registered in the voivodeship. To show the size of the SME sector indices were calculated dynamics and structure during the period 2004-2012. The spatial layout the state of entrepreneurship in the Małopolska province in 2012 is presented using the method unitarisation zero. The method were presented below. The research conducted for the year 2012 (as of 31.12.2012) regarded a powiat (district) as the basic research unit. The studies concerned with rural powiats (19) and urban powiats (3) of Małopolskie voivodeship. The cities with powiat status were not taken into consideration for formal reasons. Presented work used zero unitarization method, discussed at length by Karol Kukuła. Zero unitarization method makes possible both spatial and time comparisons with respect to complex phenomena. Entrepreneurship in rural areas of małopolskie voivodeship has been regarded as a complex phenomenon, composed of selected diagnostic features characterizing the studied phenomenon.

Multidimensional comparative analysis (MCA) focuses on methods and techniques of comparing multi-feature objects (Heliwig, 1981). It is difficult to find a definition of a complex phenomenon in the literature of the subject. One of few definitions was suggested by K. Kukula (2000): “A complex phenomenon is an abstract creation depicting non-measurable directly qualitative state of real objects, described by a number of variables called diagnostic variables, greater than one”. The subsequent stage of synthetic variable construction is identification of variables and their division into: stimulants, destimulants [Helwig 1984]. Stimulants are diagnostic variables whose increasing values evidence the increase in the level of complex phenomenon. These variables should be positively correlated with aggregate variable.

For stimulants the standardized variables are computed following the formula:

$$Z_{ij} = \frac{x_{ij} - \min_i x_{ij}}{\max_i x_{ij} - \min_i x_{ij}} \quad \max x_{ij} \neq \min x_{ij}$$

Destimulants are diagnostic variables, whose decreasing value evidences a growth of complex phenomenon. Destimulants should be negatively correlated with aggregate variable.

For destimulants the standardized variables are computed according to the formula:

$$Z_{ij} = \frac{\max_i x_{ij} - x_{ij}}{\max_i x_{ij} - \min_i x_{ij}} \quad \max x_{ij} \neq \min x_{ij}$$

The next activity when constructing a synthetic variable is aggregation of variables. Additive formulas, which are various forms of adding of products of standardized values of features of individual objects. The simplest is the following formula [Kukula 2000]:

$$Q_i = \sum_{j=1}^s z_{ij} \quad (i=1,2,\dots,r) \quad (2.3.5.1)$$

Where:

s – number of features describing the object

r – number of objects.

3. Results and Discussion

Among the companies registered in the REGON system there are a significant number of these entities have ceased, temporarily suspended or not started their activities but did not report this fact to the Central Statistical Office (Skowronek-Mielczarek, 2013). It is assumed that this number should be corrected by about 50%. On account of the work we will use the CSO data on the number of registered entities, as data on active entities do not cover the whole period considered, as well as provisions relate only to data for the whole Polish and individual provinces and are not sufficiently up to date (Dominiak, 2005). Table 1 shows the figures for registered enterprises in the REGON system.

Table 1: Number of registered enterprises in the Malopolskie voivodship according to size, growth rate and percentage share in the structure.

a - the number of registered entities, b - growth (previous year = 100), c - share in the total number of entities

Size of enterprise		2004	2005	2006	2007	2008	2009	2010	2011	2012
Mikro (0-9)	a	273892	274329	273851	278070	285235	297064	314181	314446	327483
	b	100,20	100,16	99,83	101,54	102,58	104,15	105,76	100,08	104,15
	c	94,85	94,69	94,64	94,63	94,58	94,60	94,81	94,83	95,37
Small (10-49)	a	12226	12750	12878	13150	13634	14186	14390	14399	13083
	b	103,42	104,29	101,00	102,11	103,68	104,05	101,44	100,06	90,86
	c	4,23	4,40	4,45	4,48	4,52	4,52	4,34	4,34	3,81

Medium (50-249)	a	2282	2280	2284	2262	2338	2388	2417	2383	2455
	b	101,56	99,91	100,18	99,04	103,36	102,14	101,21	98,59	103,02
	c	0,79	0,79	0,79	0,77	0,78	0,76	0,73	0,72	0,71
Large (>250)	a	373	353	355	363	366	379	375	367	354
	b	94,43	94,64	100,57	102,25	100,83	103,55	98,94	97,87	96,46
	c	0,13	0,12	0,12	0,12	0,12	0,12	0,11	0,11	0,10
Total SME	a	288400	289359	289013	293482	301207	313638	330988	331228	343021
	b	99,65	100,33	99,88	101,55	102,63	104,13	105,53	100,07	103,56
	c	99,87	99,88	99,88	99,88	99,88	99,88	99,89	99,89	99,90
Total	a	288773	289712	289368	293845	301573	314017	331363	331595	343375
	b	100,33	100,33	99,88	101,55	102,63	104,13	105,52	100,07	103,55
	c	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00

Source: own calculation based on CSO

Considering the data on the number of entities, should pay attention to the fact that the SME sector for years is about 99.9% of the number of registered companies. The biggest share in the community are micro enterprises, whose share fluctuates around 95%. Companies classified as small (employing between 10-49 persons) increased until 2011, then it was characterized by a decrease. Percentage share of small enterprises in the regional economy fluctuates but falls at the end of the period under review to 3.7% in general registered companies. This may mean reducing the viability of small businesses and micro transition into the category. This demonstrates the considerable dispersion personae of the economy in the Małopolskie voivodship, a similar relationship can refer to the economy of the whole country (Targalski, 2014). Size of the group medium sized enterprises remains at a constant level and with the participation of about 0.7% in the period. Large enterprises employing more than 250 people are characterized by a decline in their numbers and a low percentage reaching 0.1%.

With the presented table can be read significant increase in the number of registered companies. The highest growth rate since 2009 is present in micro enterprises (0-9 employees). Small companies (10-49 employees) representing around 4% of all registered entities apparently reduce its population in 2012 against micro-enterprises. In the analyzed period we can see a slight decrease in the number of large enterprises (more than 250 employees).

Spatial diversity of entrepreneurship in the Małopolskie voivodship in 2012.

To present spatial diversity of entrepreneurship in the Małopolskie voivodship was used method unitarisation zeroed. While deciding on the set of 10 diagnostic features, adequately characterizing the state of entrepreneurship diversification, the Author used a logical-formal and formal methods. In the choice of diagnostic variables selection process we use the coefficient of relative amplitude of fluctuations. The following set of variables was used for measuring the diversification of entrepreneurship in rural area of malopolskie voivodship in 2012;

Stimulants:

X₁ – entities of the national economy recorded in the REGON register, acc. to 0-9 and 10-49size classes (as a variable formed from the combination of two size classes, characterizing the Small and Medium Enterprises sector)

X₂ – business entities newly recorded in the REGON register, private sector, natural persons conducting economic activity

X₃ – total number of applications for the EU funding, qualified for final payments

X₄ – natural persons conducting economic activity per 100 persons at productive age

X₅ – total number of open-air markets

X₆ – total number of seasonal open-air markets

Destimulants:

Y₁ – unemployment rate

Y₂ – business entities deleted from the REGON register per 10 000 people

Y₃ – business entities deleted from the REGON system, private sector, natural persons

Y_4 – business entities deleted from the REGON system, private sector – commercial companies. Synthetic variables selection process used variation coefficient and a relative amplitude of fluctuations. From among the selected diagnostic features, 6 were determined as stimulants (X_n), while 4 were regarded distimulants (Y_n).

Classification of *powiats* was conducted basing on the values of synthetic measure of the state of entrepreneurship diversification ordered in a non-increasing way. For this purpose a measure calculated according to the following formula was applied [Kukuła 1996]:

$$\bar{q} = \left[(q_{\max} - q_{\min}) / 3 \right]$$

In order to present the research results, the *powiats* were divided acc. to the following criteria:

$$\text{Group 1, } q_i \in [q_{\min} + 2\bar{q}, q_{\max})$$

$$\text{Group 2, } q_i \in [q_{\min} + \bar{q}, q_{\min} + 2\bar{q})$$

$$\text{Group 3, } q_i < q_{\min} + \bar{q}$$

Table 2: Classification of *powiats* according to the value of Q synthetic measure

Identified groups of <i>powiats</i>	<i>Powiats</i>
I $q_i \in (4,853 - 5,374]$	tarnowski, krakowski, nowosądecki nowotarski, wadowicki, wielicki, brzeski, miechowski, myślenicki, oświęcimski,
II $q_i \in (4,051 - 4,853]$	bocheński, suski, gorlicki, tatrzański, olkuski, chrzanowski
III $q_i < 4,051$	proszowicki, dąbrowski, limanowski

Source: own calculation based on CSO

The ranking of the situation of entrepreneurship in malopolskie voivodship shows the best situation in: tarnowski, krakowski, nowosadecki, nowotarski, wadowicki, wielicki, brzeski, miechowski, myślenicki and oświęcimski *powiats*. These *powiats* form group 1. Group 2, reaching average results of an aggregate measurement, is formed of bocheński, suski, gorlicki, tatrzański, olkuski and chrzanowski *powiats*. Group 3 with the lowest value of synthetic measure consists of proszowicki, dąbrowski and limanowski *powiats*.

Figure 1: Spatial variations in the Malopolska voivodship divided into groups by values of q_i



Source: own calculation based on CSO

Three best objects of the 1st group belong to the suburban zones of Tarnów, Kraków and Nowy Sącz cities. They are characterized by a large number of newly established business, service and productive entities, for which the main market and cooperation are the nearby cities. These are dynamically developing powiats, with high economic and entrepreneurial activity. It should be emphasized that the factor determining the obtained distribution is close vicinity of large cities, i.e. Tarnów, Krakow and Nowy Sącz. The powiats are situated close to absorptive local markets and numerous small enterprises working for large city-based companies are located there. Subsequent powiats from group 1 (nowotarski, wadowicki, wielicki, brzeski, miechowski, myślenicki, oświęcimski) are internally diversified objects, characterized by both high number of rapidly developing small firms and services with a long tradition (wadowicki, nowotarski, myślenicki, oświęcimski powiats) and important role of tourism, agritourism and agriculture (nowotarski, wielicki, brzeski, miechowski). The powiats from group 2 have well developed technical infrastructure. Particularly bocheński, olkuski and chrzanowski favour entrepreneurship development. Enterprises with firmly established position on the market operate in these powiats and local entrepreneurship is growing fast. Suski, gorlicki and tatrzański powiats are located in the regions attractive for tourists. Many businesses focused on activities focused on this branch of services operate there. In these powiats business entities engaged in trading, services, small manufacturing and construction play an important role. Group 3 comprises powiats with the lowest indicators of entrepreneurship. These powiats, agricultural in character, are poorly urbanized. Their opportunity is rapidly developing tourism, providing a chance for services sector development. Location of the objects in the characterized group determined their isolation from absorptive local markets. The inhabitants do not use the EU funds, which is reflected in a small quantity of funding allocated from the EU operational programmes.

4. Conclusion

The impact of Polish accession to the European Union is strongly noticeable in the enterprise sector. Polish accession to the EU has strengthened enterprise located in the Malopolska province. The positive impact of a nationwide membership. The economic crisis will not affect the populations of enterprises in Malopolskie voivodeship. Using the method unitarisation zeroed distinguished the best districts in terms of entrepreneurship; were the powiats closest to urban centers. In rural districts characterized by a good natural conditions for agricultural development, there was the lowest entrepreneurship level.

References

- Dominiak P. (2005), Sektor MŚP we współczesnej gospodarce, Warszawa, PWN
- Helwig Z. (1981), Systemowe ujęcie WAP (Referat na II konferencji: Metody taksonomiczne i ich zastosowania w badaniach ekonomicznych), Komitet Statystyki i Ekonometrii PAN, Wrocław
- Hellwig Z. (1984), Zastosowanie metody taksonomicznej do typologicznego podziału krajów ze względu na poziom ich rozwoju oraz zasoby i strukturę kwalifikowanych kadr, Przegląd statystyczny, z. 4.
- Kukuła K. (2000), Metoda unitaryzacji zerowanej, Warszawa, PWN
- Kukuła K. (1996), Statystyczne metody analizy struktur ekonomicznych, Kraków, Wydawnictwo Edukacyjne
- Skowronek-Mielczarek A. (2013), Uwarunkowania rozwoju małych i średnich przedsiębiorstw w Polsce, Warszawa, Oficyna wydawnicza, SGH
- Targalski J. (2014), Przedsiębiorczość i zarządzanie małym i średnim przedsiębiorstwem, Warszawa, Diffin

The Influence and Impact of Floods on Enterprises

Petr Válek¹

University of South Bohemia in České Budějovice¹
Faculty of Economics, Department of Management

Studentská 13

České Budějovice, Czech Republic

e-mail¹: petrvalek88@seznam.cz

Abstract

The aim of the paper is to show a historical timeline of floods and their impacts in South Bohemia region. The paper focuses on the largest floods in recent time and provides information about an effect not only on the residents, but especially on enterprises. As a general rule all studies make clear a problematic of water pollution and flood damages and losses in connection with civilians. However, the effect of floods on the enterprises is also important and can cause big economic impacts. Considering the fact that there are a lot of enterprises affected by floods every year, it can be said that the regulation and control of watercourses is very actual topic. The paper presents the comparison between enterprises and civilian losses during the flood activities (floods in 2002, 2006, 2009, 2013) in the Czech Republic. Depending on the floods it will be present local and nationwide reports about waterworks, the situation on watercourses in the region, improvements and some other necessary information related to the given problematic.

Keywords: enterprises affected by floods, floods, flood damages, flood activities

JEL Classification: Q53, Q54, R52, R58

1. Introduction

Floods are very frequent natural phenomenon. As regards floods there were in the whole history of the Czech Republic. They usually result in big damages all over the country. In particular there are damages of properties, estates and infrastructure. All things considered there are losses for inhabitants and for entrepreneurs as well. Even if there is improving of countermeasures there is necessary to follow and study these phenomena. Especially It is necessary to research their impact and effect on enterprise, inhabitants, state etc. In the introduction there are named the most important information and notions about floods. Subsequently the paper consist the qualitative analysis of the biggest floods (2002, 2006, 2009, 2013) which were recorded in last 15 years in the Czech Republic. As a research sample is used company Povodí Vltavy, state enterprise.

1.1 Floods

The flood especially caused the threat for the safety of lives and health of inhabitants, the safety of properties and environmental safety. However, there is a negative effect on economy of the country, supplying with goods, including an effect on the infrastructure as well. There is a lot of negative impacts result from floods. (Security strategy, 2011 in Kavan & Baloun) According to Máchová and Hovorka (2013) is the flood a natural phenomenon. It is result from either expanding of the flow or temporary shortening of flow rate trough. Kavan and

Baloun (2013) expanded more this definition. According to them, the flood is an extraordinary natural event. As a matter of fact the flood represents the change of the surface of water flows. In most cases it is the temporary increasing of water flows or some other surface water. During these events water usually floods the ground outside riverbed. (Act n.254/2001 Sb. in Kavan & Baloun) Next, the flood situations are especially given rise to an excessive rainfall in short periods or fast melting of snow or the disruption of dams.

After all, the floods and the protection against them is very actual topic. In principle it is necessary to understand the whole complex of measures which prevent negative impact of floods. The protection against floods is divided into proactive and reactive measures. These two kinds of measures mainly have got the goal to save and protect lives and health of inhabitants. On the other hand there is also the protection of properties and environment. (Kavan & Baloun, 2013)

1.2 Types of floods

Floods are divided according to the reason of the creation. First distribution contains natural and special floods. Natural floods are resulted from natural events such as heavy rain, snowfall and etc. Special floods are caused by artificial influences. Mostly it happened because of failure of water works. In the history there were a lot of examples of special floods. For instance, there was the burst dam in Bílé Desné (1916). (Máchová & Hovorka, 2013)

Another distribution contains two next types of floods: winter floods (the combination of snow melting and rainfall) and summer floods (rainfall). (Máchová & Hovorka, 2013)

1.1.1 The distribution of natural floods

Kavan and Baloun divided natural floods more specifically. According to them there are 4 types of natural floods and each of them has got a different character and signs. These are the flood results from melting, classical summer flood, summer flash flood and ice flood. (Kavan & Baloun, 2013)

1.3 Flood wave and peak flow

The flood wave is an extraordinary case of discharge wave. In that case the flood wave is created during exceeding the capacity of the stream flow. When water is swollen and gets from the riverbed and floods surroundings. For that reason the flood is harmful event. (Máchová & Hovorka, 2013)

The peak flow is the biggest river flow during floods. The flood is in most cases measures by the peak flow. N-year flow which is signed Q_N shows the size of a flood in relation to time. For example Q₁₀₀ = 500 m³ s⁻¹ means that approximately once in 100 years it will be reached the peak flow 500 m³ s⁻¹. Nevertheless, in reality this peak flow can be appeared even several times during a year. (Máchová & Hovorka, 2013)

1.4 Floodplain

The floodplain is an area which was determined by administration. This area is prepared to be flooded. The range of floodplain is determined by watercourse administrator. The floodplain is divided by flows (Q₅ = once every five years) which are regularly discovered during flood activities. Information is provided by water authorities and access to them is free for general public. (Máchová & Hovorka, 2013)

1.5 Construction of flood control easures

The most widely used of flood control measures are sandbags. This measure is mobile and there are a lot of varieties of using such as building of dams, sealing openings etc. However, building of sandbags dam is a slow process which usually needs plenty of time, many workers and a lot of materials. During the construction it is very important the organization of work. (Kavan & Baloun, 2013) The Czech Republic develops the crisis management system and methods of crisis planning for crisis situations. Considering the fact that floods are crises, the system includes them. (Security strategy, 2011 in Kavan & Baloun)

2. Data and Methods

2.1 Analysis of floods (2002, 2006, 2009, 2013)

As a matter of fact every year there are some floods in South Bohemia region. Every year there is at least one flood. However, in most cases floods are a local character only or small floods whose impact is not significant. Reports about floods are regularly made out every year by Povodí Vltavy, state enterprise. Because every year in a minimum one flood hits South Bohemia region, there is a great potential to study and research these natural events. In the issue of floods only the biggest floods are solved by general public. Besides, small floods have no effect on inhabitants or firm, however they usually test countermeasures and help to find another measures against the biggest ones.

The paper shows impacts of historical floods and the relation among them. Since there were four the most interesting floods in last 15 years, the paper focuses on them. The goal is to make a qualitative analysis based on data from Povodí Vltavy, state enterprise and other sources.

2.1.1 Flood 2002

The flood happened in August 2002 and it was summer flood. The cause of the creation was excessive rainfall. In that fact the flood was formed by two flood waves. In many regions it caused critical damages. And in this regard, it was millennium flood. (ME, 2005) The excessive rainfall in summer months caused dangerous filling of ponds in South Bohemia as well. The affected area was much larger because of bursting of ponds' dams or as a result of emergency draining of ponds. Floods in the Czech Republic affected the flood situation in Germany.

The main affected regions were South Bohemia, South Moravian, Pilsner, Central Bohemia and Prague. Swollen rivers were Berounka, Dyje, Klabava, Labe, Lužnice, Mže, Ohře, Otava, Radbuza, Úhlava, Úslava a Vltava. Due to the flood was several water works damaged. Soběnov dam was burst and a few dams were significantly damaged as well. There were many examples of limiting full functionality of water works. (ME, 2002) Subsequently there were burst 23 ponds and next 84 embankments or functional objects were seriously damaged. In the Czech Republic are placed 20 000 small water reservoirs. (Máchová & Hovorka, 2013) As a result of the flood the infrastructure was damaged as well. There were pulled down several bridges and the water pollution was appeared. In 26 cases the dangerous substances were leaked into rivers. (ME, 2002) As for human losses, there were 19 lost lives. The total damages to state water works was quantified at 4,630 billion CZK. The total damages to Povodí Vltavy, state enterprise was 1,664 billion CZK. The total damages to the Czech Republic was qualified at 75.1 billion CZK. Except damages to properties of inhabitants and state there were affected agriculture production and industrial zones. (SRF, 2002)

2.1.2 Flood 2006

The flood happened in March and April 2006 and it was winter flood. The cause of the creation was the combination of fast melting of snow and excessive rainfall. As a matter of fact the flood was formed by two successive flood waves. The first wave was bigger than the second one. The situation was not critical and there was no spilling out of riverbed. There was no effect on other countries. (SRF, 2006)

The main affected regions were South Bohemia, Central Bohemia and Highland. Swollen rivers were Berounka, Blanice, Dyje, Lužnice, Malše, Morava, Otava, Sázava a Vltava. On account of flood there were either any significant damage to infrastructure or humans lives. The worst situation was on Lužnice - river in South Bohemia region. The town Veselý nad Lužnicí was extremely flooded. The total damages to state water works was quantified at 2,238 billion CZK. The total damages to Povodí Vltavy, state enterprise was 215.4 million

CZK. The total damages to the Czech Republic was qualified at 6.2 billion CZK. (SRF, 2006)

2.1.3 Flood 2009

The flood befell in June and July 2009 and it was summer type of flood. The cause of the creation was recurrent excessive rainfall. The main part of excessive rainfall was happened over Šumava and Novohradské hory - mountains on borders with Austria and Germany in South Bohemia region. (SRF, 2009) In other countries (Germany, Poland and Austria) floods happened as well. (Filip Nachtmann, 2009)

The main affected regions were South Bohemia, Moravian-Silesian and Olomouc. Swollen rivers were Malše, Morava, Opava, Otava, Úhlava a Vltava. (Summary report on flood, 2009) Owing to the flood there were high damages to infrastructure at value almost 2 billion CZK. Most of damages to infrastructure was happened in Moravian-Silesian region. (Filip Nachtmann, 2009) As for human losses, there were 13 lost lives. The total damages to state water works was at 1,392 billion CZK. The total damages to Povodí Vltavy, state enterprise was 35 million CZK. (SRF, 2009) The total damages to the Czech Republic was qualified at 8.5 billion CZK. (OW, 2012)

2.1.4 Flood 2013

The flood at the turn of May and June 2013 was characterized as summer flood. The flood was resulted from regional excessive rainfall over the Czech Republic. The greatest rainfall was in South Bohemia region. As usual the flood was formed by two successive flood waves - between waves there were 10 days interval. The first wave was bigger. The flood activities hit a lot of country in Central Europe (Germany, Austria, Poland, Switzerland, Slovakia and Hungary). (SRF, 2013)

The main affected regions were South Bohemia, Královehradecký, Liberec, Pilsner, Ústecký, Central Bohemia and Prague. Swollen rivers were Berounka, Blanice, Klabava, Lužnice,

Malše, Mže, Otava, Radbuza, Střela, Úhlava, Úslava a Vltava. The flood 2013 has Q_{20-50} , it means repeating of flood once every twenty or fifty years. The flood resulted in significant damages to infrastructure, especially to railway and expressway D8. During the flood there were used several countermeasures (building of embankments in towns). (SRF, 2013)

As regards human losses, there were 15 lost lives. The total damages to state water works was quantified at 742.3 million CZK. The total damages to Povodí Vltavy, state enterprise was 215.4 million CZK. The total damages to the Czech Republic was qualified at 15.4 billion CZK. (ME, 2013)

3. Results and Discussion

Strong flood activity was opened in 1997 by the first of big flood. This flood in particular affected the east part of the Czech Republic (Moravian). In reality it caused great damages (60 human lives and total damages at value 63 billion CZK). The total damages to state water works was quantified at 6,6 billion CZK. Between 1997 and 2010 the floods were due to the loss of 123 humans lives and flood damages were at value almost 175 billion CZK in total. As for state water works there were qualified at 19 billion CZK. Floods are still the most dangerous natural disaster in the Czech Republic that's why investments in measures against floods were 12 billion CZK between 2007 and 2013. (OW, 2012)

The causes of summer floods are resulted from regional excessive rainfall. As matter of fact the scheme of the creation of floods the similar type exists. A lot of flood events were happened in history and it practically repeated. From the historical view there were several similar flood activities in 19th century. When five significant floods befell during one decade

(floods in 1888, 1890, 1896, 1897, 1899). Some floods in 19th century reached the peak flow Q_{100} - a centennial flood. (ME, 2005)

Table 1: Analysis of floods

Floods				
Year	2002	2006	2009	2013
Period (month)	August	March and April	June and July	May and June
Type of flood	summer	winter	summer	summer
The cause of creation	excessive rainfall	snow melting, rainfall	excessive rainfall	excessive rainfall
Number of flood waves	2	2	No data	2
Other affected countries	Germany	0	Germany, Poland, Austria	Central Europe
Infrastructure damages	significant damages	insignificant damages	insignificant damages	insignificant damages
Loss of life	19	0	13	15
State water works (damages)	4,63 billion CZK	2,238 billion CZK	1,392 billion CZK	No data
Povodí Vltavy, state enterprise (damages)	1 644 million CZK	215 million CZK	35 million CZK	742 million CZK
Total damages in the Czech Republic	75,1 billion CZK	6,2 billion CZK	8,5 billion CZK	15,4 billion CZK

The analysis shows that floods happened regularly in South Bohemia region. In last 15 years floods activity was increased and more and more often floods created significant damaged to infrastructure and state properties as well as damages to inhabitants and enterprises.

The main causes of floods are excessive rainfall and the problems of floods involve all Central Europe (Germany, Austria, Poland, Slovakia, Hungary, Switzerland etc.). These four disasters (floods 2002, 2006, 2009, 2013) were responsible for 47 lost lives and damages at value more than 100 billion CZK. In most cases floods are the summer type which result in catastrophic damages. It is obvious that this phenomenon will continue. On the contrary floods of the winter type are not so dangerous and they appear only exceptionally.

4. Conclusion

The flood activity is regularly monitored and there are many reports on it. Most details are kept about the greatest floods in 1997 and 2002. Each type of flood provides very important information. All these facts can be used for new measures against these natural disasters or for new feasibility studies. The countermeasures are developed very fast and particularly expansion of riverbeds on main rivers provides better protection for inhabitants.

The liquidation of flood damages, which were completed during the flood 2002, proved that 28.2 billion CZK were damages of industry or entrepreneurs and only 7,5 billion CZK were damages of residents. (IMF, 2013) There are also data about damages in Povodí Vltavy, state

enterprise; however, the precise number of damages to enterprises is missed. Enterprises are affected by floods as well as inhabitants and state, but on the contrary of public institutions, there are not so involved to creation of countermeasures against floods except for the state enterprises such as Povodí Vltavy, state enterprise which is responsible for water works on river Vltava.

Acknowledgements

This paper was created within the project GA JU *Management models SMEs*. Project registration number is 079/2013/S.

References

- Máchová, J., Hovorka, P. (2013) *Flood control measures* (1st ed.). Vodňany: Central Fisheries College and College of Water Resources and Ecology
- Kvan, Š., Baloun, J. (2013) *Rescue and safety work during the floods in terms of water management facilities*. Czech Budejovice College of European and Regional Studies Safety Strategy. The Ministry of Foreign Affairs of the Czech Republic. Prague, 2011
- Ministry of the Environment. The flood project report Assessment of the catastrophic flood in August 2002 and a draft system of flood prevention [ME], 2002.
- Liquidation of flood events of August 2002 by Czech Insurance Association (CAP) [LFEA], 2002.
- Summary report on the floods in August 2002 for a comprehensive river basin Upper Vltava, Czech Budejovice [SRF], 2002
- Summary report on the floods in the river basin area Upper Vltava, Berounka and Lower Vltava River Flood March-April 2006, Prague [SRF], 2006
- Annual report on floods in the river basin area Upper Vltava, Berounka and Lower Vltava flood June - July 2009 [SRF], 2009.
- Nachtmann, F. (2009) Flood damage will exceed 5.6 billion, House financí.cz, , Economics and Finance, June 29, from: <http://dumfinanci.cz/clanky/2396-skody-po-povodnich-presahnou-5-6-miliardy-korun/>
- A summary report on the floods in the sub-basins of the Upper Vltava, Berounka, Lower Vltava River and other tributaries of the Danube, flood June 2013 [SRF], 2013
- Information from the Ministry of Finance for funding initial costs incurred due to flooding in June 2013, the Ministry of the Environment, [IMF], 2013, from: [http://www.mzp.cz/C1257458002F0DC7/cz/news_130627_usneseni_povodnove_komise/\\$FILE/OTM_MF_20130627.pdf](http://www.mzp.cz/C1257458002F0DC7/cz/news_130627_usneseni_povodnove_komise/$FILE/OTM_MF_20130627.pdf)
- Floods caused in the Czech Republic for 14 years, compensation in the amount of over 170 billion, Our-water.cz, April 4, 2012, [OW], 2012 from: <http://www.nase-voda.cz/povodne-zpusobily-cr-za-14-skody-ve-vysi-pres-170-miliard-korun/>
- Evaluation of the floods in June 2013, the Ministry of Environment, Economic impacts interim report. 2013, [ME], 2013, from: http://voda.chmi.cz/pov13/DilciZprava_DU_4_2_Ekon-dopady_final.pdf
- Catastrophic flood in Czech Republic in August 2002, the Ministry of Environment, Prague 2005[ME], 2005

The Sustainable Agriculture Marketing in Slovakia

Roman Récky

Slovak University of Agriculture in Nitra
Faculty of Economics and Management, Department of Marketing and Trade
Andreja Hlinku 2
Nitra, Slovak Republic
roman.recky@uniag.sk

Abstract

The agricultural production fulfils not only a traditional production function the main role of which is to provide enough of high-quality food but also several other equally important functions. Shaping the landscape is one of them. Its fundamental role is to preserve a natural environment as well as its resources for future generations. Nowadays, quality requirements for the agricultural production have started to be imposed more often. The quantity should not be achieved at the cost of damage to biodiversity nor the degradation of the whole ecosystem. It is thus necessary to maintain the landscape and cultivate a land even in regions where a conventional form of agriculture is not profitable or is difficult to be carried out because of other reasons. As a result, the terms such as sustainable agriculture, green marketing or multifunctional agriculture have been lately applied more and more often. A recent reform The Common Agricultural Policy 2014-2020 devotes increased attention to the issue, as well. Subsequently, the agriculture should be fairer, more efficient as well as more ecological. This paper focuses on chosen problems of the sustainable marketing in primary agricultural production in Slovakia.

Key words: *sustainable agriculture, organic farming, emissions, fertilisers, pesticides.*

JEL Classification: *Q56, Q57, Q53*

1. Introduction

The history of agriculture is as old as the human history. It has undergone a complicated development which always depended on climatic conditions of a particular region as well as on the development of technology. Regardless of the time, its primary role has always consisted in providing enough of high-quality food necessary for human nutrition.

Soil is a crucial natural resource having a great impact on a primary agricultural production. Throughout human history, it has been cultivated in various ways as well as to different extents. Nowadays, not only a traditional production function is emphasized but the accent is also put on its ecological, landscaping and social functions. A recent reform The EU Common Agricultural Policy 2014 - 2020 lays emphasis on environmental aspects of agriculture, as well. The European Commission declared it wants a greener and more environmental CAP. In Europe, a sustainable agricultural production is essential for food security. The EU invests in the protection of soil and biodiversity as well as in the fight against climate change more than 100 million euros per year. The Member States agreed that 30% of payments from the European Agricultural Fund for Rural Development would be used to finance the measures related to climate and the environment. Such a step should ensure not only the preservation but also the establishment of permanent pastures and a green landscape. It should also promote crop diversification. The adoption of the Act No. 220/2004 Coll. on protection and use of agricultural land also acknowledges the importance of agricultural land. According to the law, the protection of properties and functions of agricultural land, the sustainable management and agricultural use as well as the protection of agricultural land area against unauthorized activities related to a non-agricultural use are provided besides other measures.

2. Objective and Employed Methods

The goal of the paper is to evaluate the selected issues concerning a sustainable marketing of agriculture in the Slovak Republic. The analysis focuses on an organic agricultural production, the evaluation of the development in the production of greenhouse gas emissions and the development in the consumption of pesticides and fertilisers used in primary agricultural production. The methods of analysis, synthesis, comparison as well as simple math and statistical methods were employed for the purposes of the paper.

The necessary data were obtained especially from secondary sources of the Ministry of Environment and the Ministry of Agriculture and Rural Development of the Slovak Republic.

2. Results and Discussion

Agriculture has a significant impact on the environment not only because of a landscaping function but also because of the influence on soil, water and atmosphere. The agricultural production may be based on either a conventional, environmental, organic, maintenance or combined principle. However, the agricultural activity is involved in the soil degradation, greenhouse gas emissions, the waste production, the air pollution and the wastewater discharge. As a result, the agricultural sector has shifted from a market-oriented marketing concept to the concept of a sustainable marketing in the recent years. It thus emphasises not only an economic growth but also long-term impacts of agricultural activities on the environment. The priority is to preserve the biodiversity of the whole system as well as to prevent it from degradation. In certain regions, a classical form of conventional agriculture is not attractive nor profitable. Nevertheless, it is still necessary to maintain and cultivate the land. In such regions, it is appropriate to focus on an alternative form of agricultural production. Organic farming is one of these forms. It is a way how to ensure the sustainability of regions as organic farming is a system respecting a life cycle of natural systems that provide consumers with high-quality, healthy, fresh, tasty and genuine food. Its development in Slovakia has been influenced by several negative factors. Higher price of organic food as well as an insufficient promotion and a high economic demand on organic farming compared to the conventional one can be listed as examples. The Act No. 189/2009 Coll. on organic agricultural production introduced far-reaching changes to organic farming. It laid down specifications of organic agricultural production complying with pan-European EU regulations.

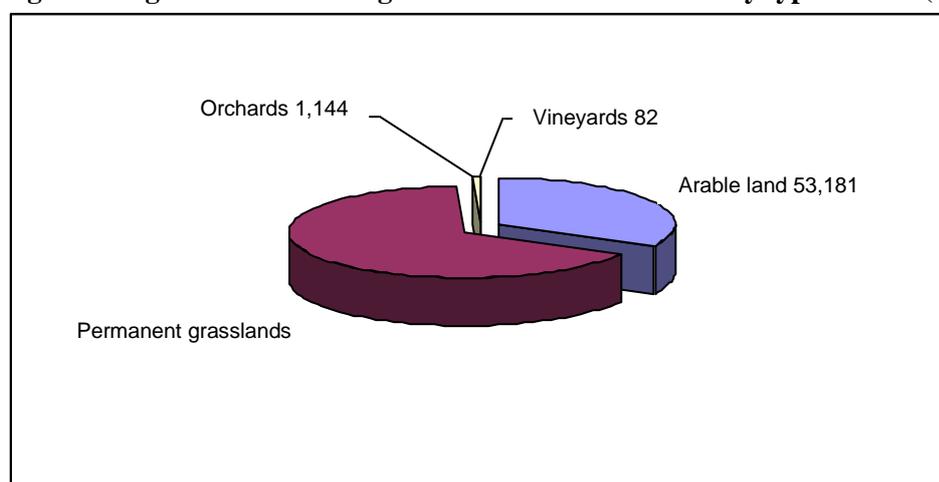
The development of the selected indicators of organic farming in Slovakia during the years 2003 and 2014 may be seen in Table 1. The table shows the development of the area of organically farmed land, its share of the total agricultural land, the number of organic farms and their average acreage. As it can be seen from the table, all rated indicators show an increasing trend. The acreage of organic agricultural land (including land in conversion) increased by 107,550 hectares. The share of organically farmed agricultural land of all agricultural land increased even more significantly. In 2003, organic agricultural land in Slovakia represented 2.20% of all agricultural land. In 2013, it represented 8.06% of the total area, thus it increased by 5.86%. The most considerable increase is observed in the number of farms following the principles of organic farming. In 2013, there were 341 such farms whereas there had been only 88 of them in 2003. It means there are 253 more organic farms than there used to be. However, the average acreage of farms has decreased, there has been a 29% decline between 2003 and 2014.

Table 1: Selected indicators of organic farming

Year	Acreage of organically farmed agricultural land (ha)	Share of all agricultural land (%)	Number of organic farms	Average acreage of farms (ha)
2003	54,479	2.20	88	619.1
2004	65,400	2.18	131	499.2
2005	92,191	4.93	210	439.0
2006	121,956	6.42	256	476.4
2007	123,819	6.52	280	442.2
2008	136,669	7.25	349	391.6
2009	146,762	7.50	385	381.2
2010	178,235	9.23	410	437.7
2011	180,261	9.34	364	495.2
2012	168,602	8.43	362	465.7
2013	162,029	8.40	341	475.2
Index 13/03	2.97	3.66	3.87	0.71

Source: Compiled by the author according to the data obtained from UKSUP²⁷

The acreage of organically farmed agricultural land by type of land in 2013 is shown in Figure 1. Permanent grasslands represented the largest share in that year. It comprised 65% of all organically farmed agricultural land. Arable land (33%) and orchards (1%) followed. The acreage of organically farmed vineyards was negligible (82 ha).

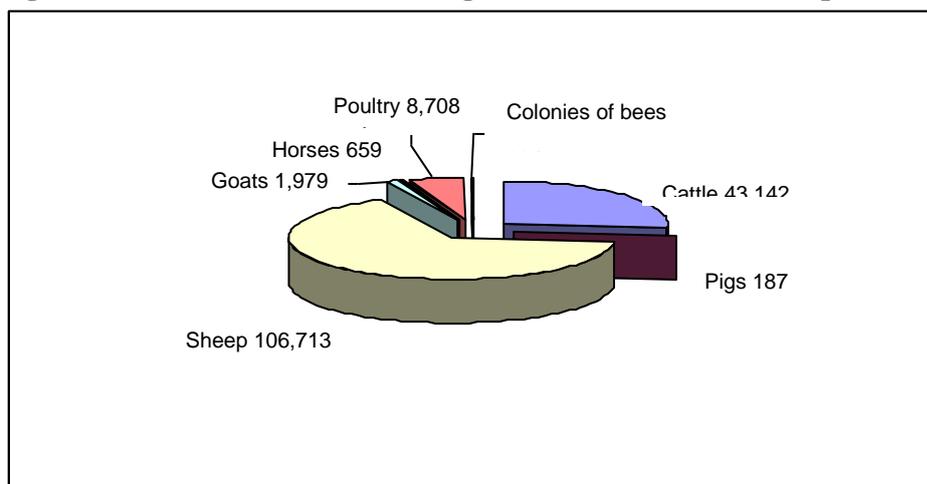
Figure 1: Agricultural land registered in the ENP in 2013 by type of land (ha)

Source: Compiled by the author according to the data obtained from the Green Report

Figure 2 graphically shows the number of livestock raised in the organic farming systems in 2013. The livestock numbers include also the animals in the conversion. As it can be seen in the figure, sheep (67%) have a largest proportion, then there is cattle (27%) and poultry (5%). The number of other livestock raised in the organic farming systems represented only a 1% proportion.

²⁷ The Central Controlling and Testing Institute in Agriculture

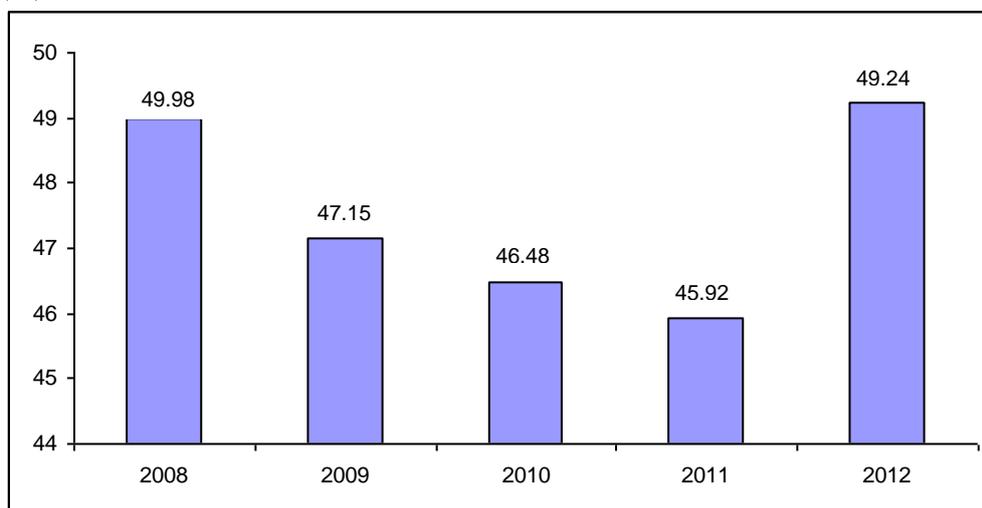
Figure 2: The number of livestock registered in the ENP in 2013 (pc)



Source: Compiled by the author according to the data obtained from the Green Report

Agriculture emits greenhouse gases into the atmosphere as well, though, to a smaller extent compared to other economic sectors. In the EU countries, it is on average 9% of total greenhouse gas emissions produced in all economic sectors. In Slovakia, it was 7.3% in 2012. It concerns especially nitrous oxide (N₂O) and methane (CH₄). The emissions of nitrous oxide represent more than 50% of all emissions produced in agriculture. They escape into the atmosphere especially from agricultural land as a consequence of a microbiological transformation of nitrogenous fertilisers in the soil. Methane emissions are largely a result of a digestion process of ruminants (mainly cows and sheep). They are also produced in the process of animal excrements degradation.

Figure 3: Development of methane emissions produced in agriculture in the years 2008 and 2012 (kt).



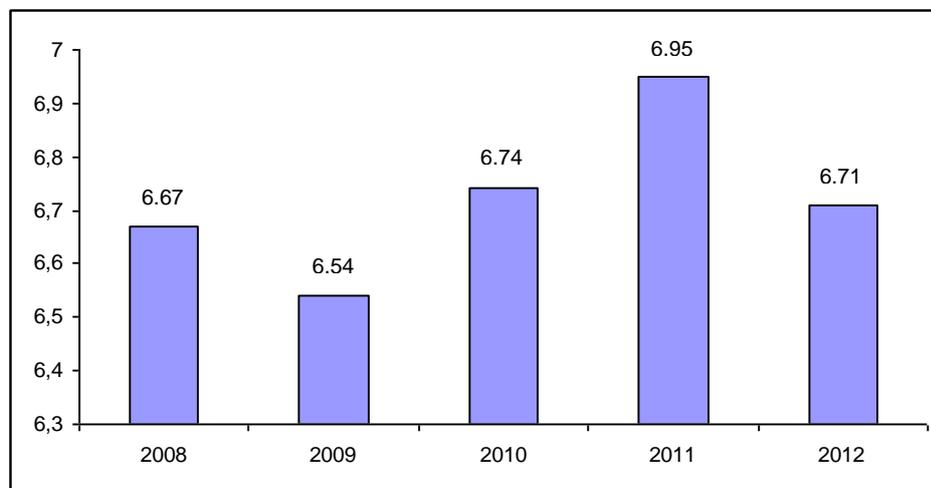
Source: Compiled by the author according to the data obtained from the MŽP SR²⁸

The development of methane emissions produced as a result of agricultural activities in Slovakia in the years 2008 and 2012 is shown in Figure 3. The trend of development is relatively balanced. Regarding agriculture, the most methane emissions escaped into the atmosphere in 2012 (49.24 kt), the least in 2011 (45.92 kt). The amount of methane emissions had been

²⁸ Ministry of Environment of the Slovak Republic

steadily decreasing from 2009 to 2011, however, the increase by 3.32 kt was experienced the following year.

Figure 4: Development of nitrous oxide emissions produced in agriculture in the years 2008 and 2012 (kt)

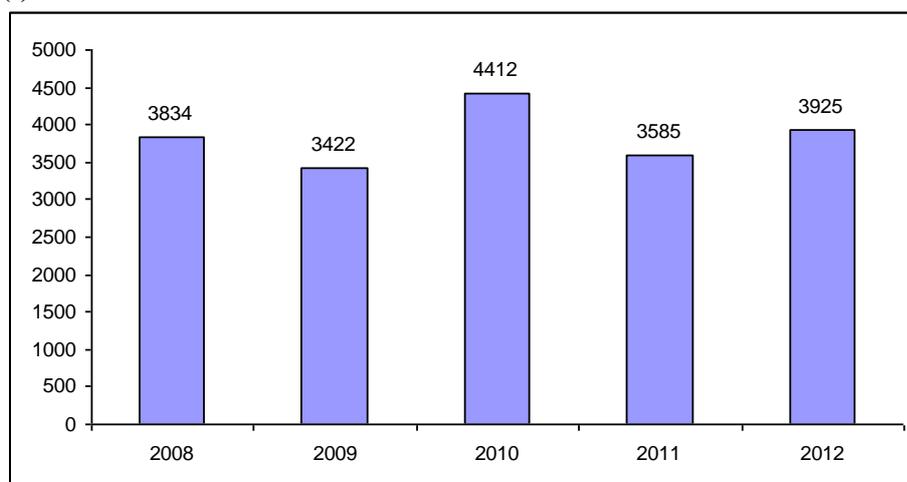


Source: Compiled by the author according to the data obtained from the MŽP SR

Nitrous oxide is another substantial emission gas produced as a result of agricultural activities. The development of the amount of nitrous oxide emissions produced by agriculture in Slovakia in the years 2008 and 2012 is shown in Figure 4. The emission values range from the lowest amount in 2009 (6.54 kt) to the highest one in 2011 (6.95 kt).

Pesticides are formulated products used in agriculture to protect plants from plant and animal pests and fungal diseases. The development of pesticide consumption in Slovak agriculture in the years 2008 and 2012 is shown in Figure 5. The highest amount of pesticides was used in 2010 (4,412 t), the lowest one in 2009 (3,422 t). In 2012, herbicides were used the most from all the pesticides as 2,400 t were used. Fungicides (791 t), insecticides (273 t) and other pesticides (673 t) followed.

Figure 5: Development of pesticide consumption in Slovak agriculture in the years 2008 and 2012 (t)

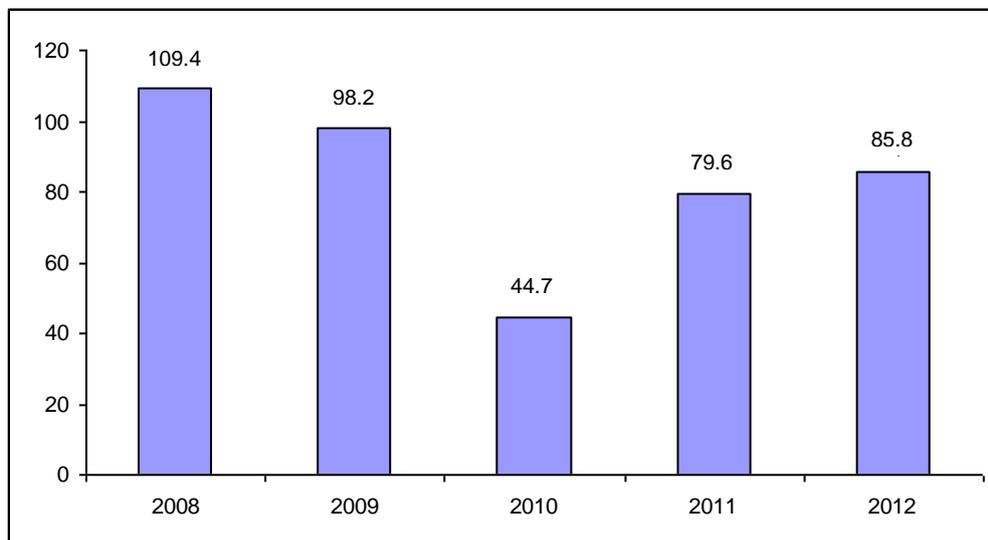


Source: Compiled by the author according to the data obtained from the MŽP SR

The NPK fertiliser consumption in kilograms of pure nutrients per hectare of agricultural land in Slovakia from 2008 to 2012 varied considerably (Figure 6). In 2008, it reached the level of

109.4 kg/ha. In 2010, it was only 44.7 kg/ha what implies a 64.7 kg/ha decrease in a two-year period. After 2010, the fertiliser consumption had been again increasing. In 2012, it reached the level of 85.8 kg/ha.

Figure 6: Development of fertiliser consumption in Slovak agriculture in the years 2008 and 2012 (kg/ha)



Source: Compiled by the author according to the data obtained from the MŽP SR

4. Conclusion

The primary role of agriculture is to provide sufficient, safe and high-quality food necessary to ensure the nutrition of the population. The stress on other non-productive functions of agriculture has been laid since long-time. The sustainable use of natural resources and the preservation of a viable countryside are the most important ones. The selected issues of sustainable agricultural marketing in the Slovak Republic are discussed in the paper. The acreages of agricultural land registered in organic farming systems had been increasing up to the year 2011. However, there has been a slight decrease after this year. Concerning the size of areas of individual types of land, permanent grasslands are the most significant. Regarding animals, sheep represent the largest number of organically raised animals, cattle is the second one. Agriculture is also responsible for the escape of greenhouse gases into the atmosphere. The most important pollutants are nitrous oxide and methane. The amount of the gases produced by agriculture is relatively balanced as well as the use of pesticides. The fertiliser consumption varies significantly.

Nowadays, agriculture is not the most attractive nor the most efficient sector of the national economy. However, its importance for each country is undeniable. It fulfils several functions. A landscaping as well as a social ones and the function of a sustainable development of the country, especially in rural areas, are the most important functions.

References

- FEKETE, Pavol. (2005).: *Problémy ekonomického rozvoja EÚ a snahy o ich riešenie s dôrazom na poľnohospodárstvo*. In.: Štrukturálne zmeny v poľnohospodárstve EÚ. Nitra, SPU v Nitre pp. 59 -66. ISBN 80-8069-514-8.
- HORSKÁ, E. – NAGYOVÁ, E. (2013). *Marketingové prístupy k udržateľnosti agrosektora na Slovensku*. Nitra, SPU v Nitre. 191 p. ISBN 978-80-552-1126-8.
- HUTTMANOVÁ, E. – KISELÁKOVÁ, D. (2010) *Možnosti rozvoja udržateľného poľnohospodárstva v regiónoch Slovenska*. [online]. Prešov: Prešovská univerzita. [cit. 2015-5-7]. Accessible at:http://www.pulib.sk/elpub2/FM/Kotulic13/pdf_doc/05.pdf

- Poľnohospodárstvo EÚ – riešenie problémov vyplývajúcich z klimatických zmien.* (2008). Brusel: Publications Office. 2008. 15 p. ISBN 978-92-79-09098-1.
- Správa o poľnohospodárstve a potravinárstve Slovenskej republiky za rok 2013.* (2014). MPaRV SR. Bratislava. 66 p. ISBN 978-80-8058-597-6.
- Správa o stave životného prostredia Slovenskej republiky v roku 2013.* (2014). MŽP SR a Slovenská agentúra ŽP. Bratislava, Banská Bystrica. 2014. 216 p. ISBN 978-80-88833-65-9.

Cloud Computing as a New Opportunity in Business

Látečková Anna, Gálisová Veronika

Slovak University of Agriculture in Nitra

Faculty of economics and management, Department of Enterprise's information systems

Tr. A. Hlinku 2, 949 76 Nitra

Nitra, Slovak republic

e-mail: anna.lateckova@uniag.sk, xhanova@uniag.sk

Abstract

Cloud computing has currently reached a great progress and it is supposed to indicate trends in some areas in the future. It is expected that the use of cloud services will spread to large number corporate infrastructure in the future. The objective of the presented paper is to present the results of the research about the use of information systems and information technologies, as a supportive tool for leading and decision making of management. Specifically, we deal with cloud computing, its benefits and opportunities for practice. The paper may be used as a starting point for managers in their work with information technology. The result of our research is the knowledge that managers nowadays pay mainly emphasis on the availability of data in the real time, processing results in a short response time, modifiability and openness of information system, the possibility of remote access to data. In order to meet the mentioned requirements, we recommend updating the corporate information system in accordance with the latest trends in information systems and information technologies. One option is the use of cloud computing.

Keywords: cloud computing, information technology, managers, agricultural companies, data.

JEL Classification: D80, L20, L86, L26

1. Introduction

Due to the fact that the demand for large volume of information increases, companies are looking for a simple, cost effective and direct access to data and applications. This is what services based on cloud computing allow, which are cost-effective and almost always available. Originally, the cloud computing was used in internal corporate environment, however nowadays is also used for communication between companies, their partners and customers. Nowadays, it is necessary for companies to pay attention to ongoing innovation in information technology, to try to gain a competitive advantage.

For deployment of cloud computing, there are several arguments, such as cost reducing, faster response to market changes, and the potential for increasing productivity and competitiveness.

1.1 Definition of cloud computing

Although the definition of cloud computing has not been exactly determined, in principle, cloud computing refers to applications and services run on a distributed network, that use virtualized resources and access through internet protocols and network standards. [7] Cloud Computing is a model with access to shared configurable computing resources through the internet, to which we can connect easily from anywhere. Shared resources are customized with the minimum requirements for network management or communication with the provider. [2] The cloud computing is a computational model, which offers comfortable access to shared resources, applications and other services. This approach can be created in a short time with minimal effort on the user, without necessary interaction with the supplier. [6] Well established accounting system, that includes the financial and management accounting, generates such information that enable to effectively perform the basic functions of managers in every field of business management. [8]

Cloud computing represents a new business model, where processing power, or disk capacity are with the use of the virtualization provided as an internet service, after certain requirements for these customer service have been met. Key features include:

- Scalability - dynamically adapts to the load.
- Measurability - As in the case of electricity, or water, cloud computing services are provided as measurable services for customer,
- Pay-as-you-go principle – it is paid only for the amount of resources used, whether it is computing power, disk capacity or amount of data transferred, or their combination. [5]

1.2 Models of implementation

National Institute of Standards and Technology [6] defined four generic options of cloud-based implementation structure:

- Private cloud - is used only by one organization associating multiple users. It may be owned by the organization, managed and operated by the organization itself, or a third party, or any combination of the above mentioned possibilities. It can be created in the internal environment of the organization, but also in external, [6]
- Community cloud - serves only for a particular community of users from organizations that have common interests. It may be owned, managed and operated by one or more organizations from the community, or a third party, or any combination of mentioned possibilities. It may be created in the environment of one of organizations, but also elsewhere, [1]
- Public cloud - it is assigned for open use by the general public. It may be owned, managed and operated by the business, academic, or governmental organizations, or the combination of these possibilities. It is located in the environment of the public cloud user, [6]
- Hybrid cloud - is composed of two or more separate clouds (private, community, or public) that remain unique entities, but are linked by standardized or proprietary technology that enables data and application portability. [6]

1.3 Advantages and disadvantages of cloud computing

The main advantages of cloud infrastructure can also include an automatic software update. Regardless the model used if the software is placed in the cloud only one update is needed to update it for all users, who are accessing the software. Also from the nature of cloud computing implies that the data and software can be accessed any time and from anywhere in the world. [3]

The biggest positive, and the reason why organizations are changing their information-technological infrastructure for cloud model, is cost reduction. With the use of cloud services organizations reduce especially high initial costs that include the purchase of computer equipment, or software and place procurement, where the equipment will be settled. Similarly, the cost of electricity and maintenance of the entire information-technological infrastructure are reduced, because the responsibility for mentioned services has the provider. [3]

Another important positives of cloud computing are better backup possibilities and especially easier back up, and return to the previous version of program. Furthermore, cloud services are generally considered to be more reliable than the location of applications on own server. [3]

The most significant disadvantage of cloud computing certainly includes loss of control over information-technological infrastructure. When the organization provides the infrastructure to a third party, the third party has responsibility and control over the infrastructure. The same means for security. Although the cloud structure can be considered safer than the classic one,

responsibility lies on the provider. The data centres, which contain huge amount of data, often sensitive, are obviously very interesting target for attackers, who try to obtain such a data. [4] Because of the fact that the responsibility lies with the cloud services provider, the information-technological experts lose their control over the entire infrastructure. This may result into the situation, when the organization is unable to make the required changes in the infrastructure. Moreover, the service provider cannot have enough knowledge to provide professional advice to its customers that may lead to misunderstanding and false agreements between the parties. Finally, it may result into ultimately increase of the cost for the user's cloud services. [9]

2. Data and Methods

The main objective of the paper is to present the results of the research aimed on the use of information systems and information technology, as a support tool for management in the process of leading and decision-making.

Specifically, we deal with the cloud computing, its benefits and practical applications. The paper may be the background for managers in their work with information technologies.

During the examination of the mentioned issue were used basic methods of analysis, deduction, synthesis, comparison and also the method of questionnaire survey. As an objects of research were chosen farms in the district of Nitra, Topoľčany and Nové Zámky. The questionnaire included 10 questions, which consisted of two types of questions - closed and open. Closed questions provided respondents a fixed number of alternatives, from which one or more responses could be chosen. The second group consisted of open questions in which respondents cloud write their own opinion. Obtained questionnaires were consecutively sorted and the blank and incomplete replies were from the survey excluded. In the evaluation of questionnaire was used MS Excel and statistical program SAS. Data obtained from the questionnaire survey were statistically processed.

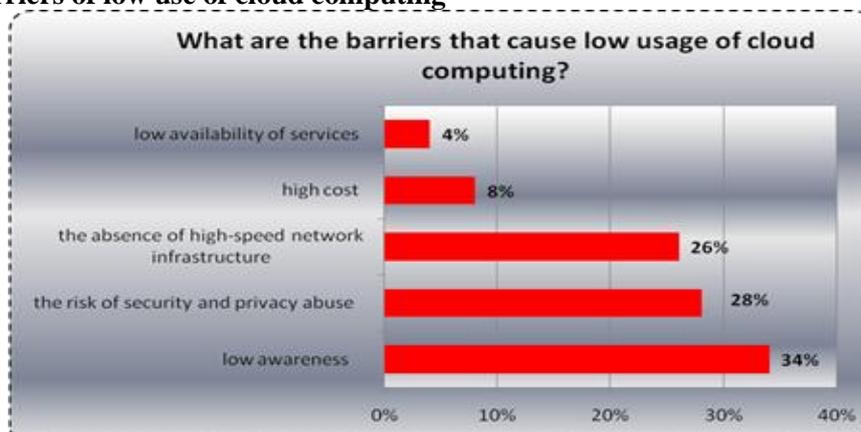
3. Results and Discussion

Based on the analysis were found out several results, which include the evaluation of questionnaire answers in the selected areas.

Question: What are the barriers that cause low usage of cloud computing?

According to realized research respondents considered the largest barriers to the low use of cloud computing to be low awareness (34%) and also the risk of security and privacy abuse (28%). Other major barrier was assigned the absence of high-speed network infrastructure - the Internet, which determined 26% of respondents. It is obvious that farms are aware of the still low penetration of high speed internet connection, which is a precondition for the use of cloud computing services.

Figure 1: Barriers of low use of cloud computing

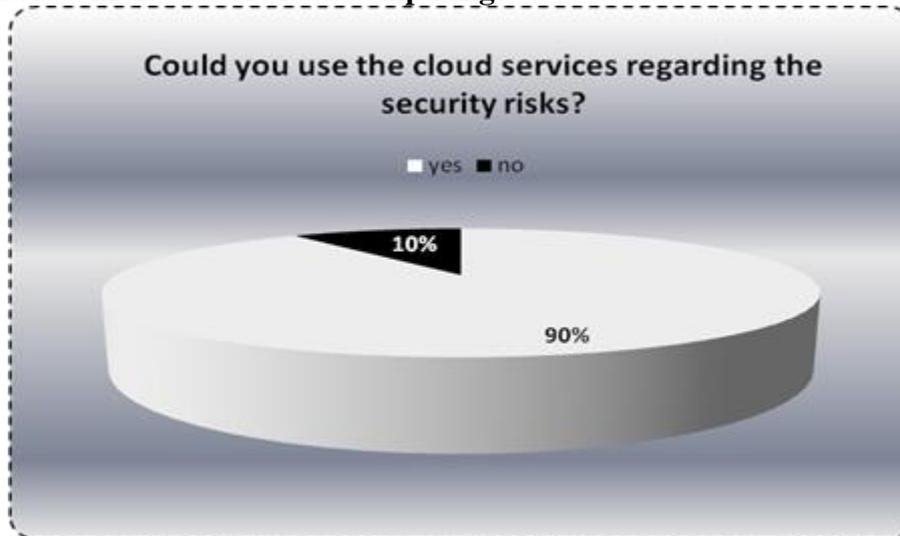


Source: own processing

Question: Could you use the cloud services regarding the security risks?

Surprisingly cloud services can use, regarding the security risks, up to 90% of respondents. However, based on other questions security risks are considered to be a barrier for low usage of cloud computing. It remains only a matter of time, when the service providers persuade the users about the safety of program. We can also assume that farms started to show interest in this kind of service. As well as internet has become a part of our everyday life, over the time it will become even the cloud computing.

Figure 2: Interest in the use of cloud computing

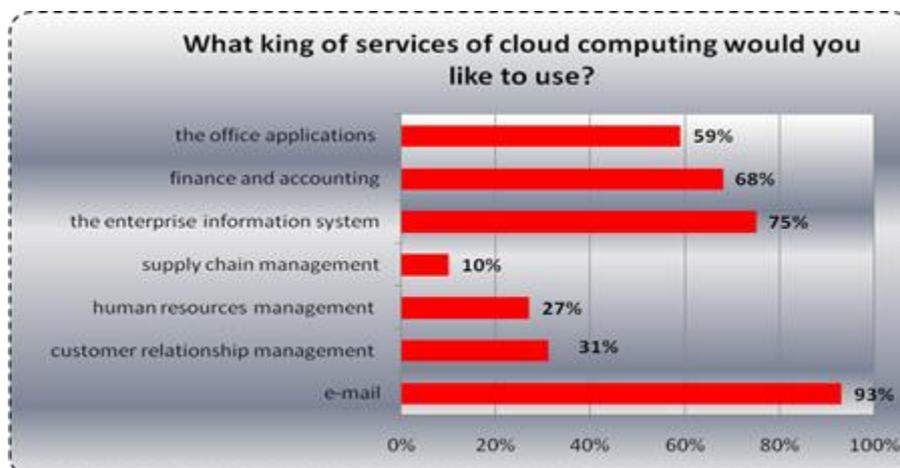


Source: own processing

Question: What kind of services of cloud computing would you like to use?

To the most frequently used service providing cloud computing is according to respondents (95%) on the first place e-mail, which nowadays belong to the standard and absolutely necessary communication tools. On the second place, respondents identified (75%) the enterprise information system. To the most required subsystems respondents (68%) included finance and accounting, because each farm must lead accounting. Significant interest show farms in the office applications of cloud computing (59%), meaning that this form of application brings farms significant savings on license fees.

Figure 3: Use of different types of services within the cloud computing

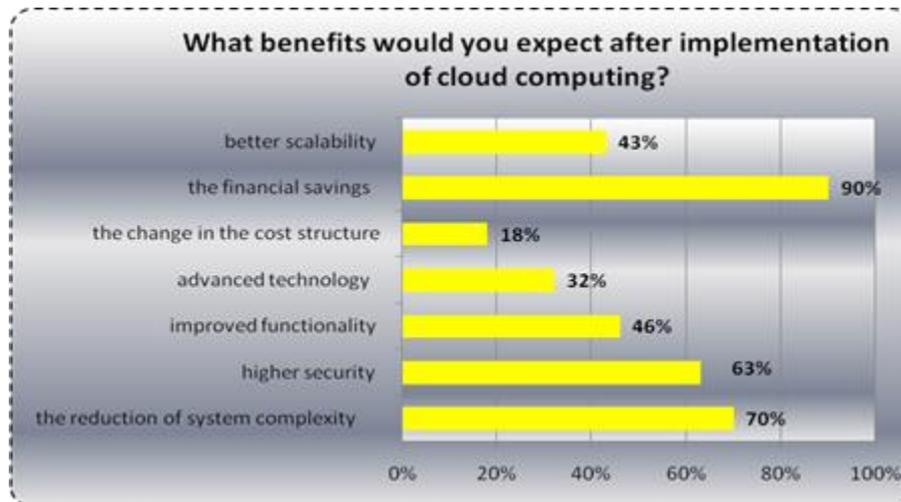


Source: own processing

Question: What benefits would you expect after implementation of cloud computing?

Based on the responses, we found out that 90% of agricultural companies consider the financial savings to be the most expected benefit of cloud computing. The second most frequently occurring benefit is the reduction of system complexity, which marked 70% of respondents. The smallest contribution of cloud computing is according to the respondents (18%) the change in the cost structure.

Figure 4: Expected benefits of cloud computing after its implementation in the company

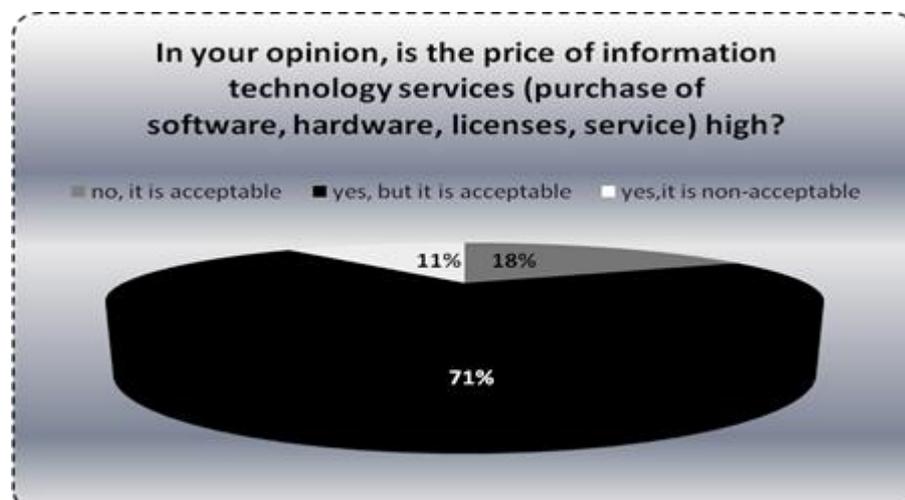


Source: own processing

Question: In your opinion, is the price of information technology services (purchase of software, hardware, licenses, service) high?

Based on the results we can be claimed that according to 71% of respondents the prices of information-technological services are high, but also acceptable. For 18% of respondents the prices are not high and also acceptable. 11% of respondents claim that the prices of those services are for them are non-acceptably high. From the results it is obvious that agricultural companies do not fear for high costs, but it is assumed that farms are looking for and want to reduce these costs. In this case, there is the chance of cloud computing success, where the software costs including service are outsourced and shared between multiple users.

Figure 5: Acceptance of prices for IT services



Source: own processing

4. Conclusion

Cloud computing is considered to be a significant information support for management. Based on the realized research, we concluded that the main barrier of the low usage of cloud computing is primarily the low awareness of agricultural companies about the possibilities, benefits and economic savings of implementing this solution.

Its application in the agricultural companies is at a low level, therefore we propose to improve the awareness of managers, who decide on the implementation of information-communication technologies in the company, and it specifically about the possible economic consequences, benefits, but also the risks of the use of cloud computing.

Although, with the cloud computing are associated considerable problems and security risks, it seems to be reasonable alternative to the current concept of own intercompany solutions. Cloud computing brings the agricultural companies significant savings, in the area of initial investment into building the enterprise information systems.

Acknowledgements

This paper was created within the project *Increasing the efficiency of decision making by managers, with the support of information systems and accounting*. Project VEGA registration number 1/0489/15.

References

- Biddick. M. (2012). *Federal Cloud Computing*. USA: Cavalier Trail Books.
- Brown, E. (2011). *Final Version of NIST Cloud Computing Definition Published*. [online]. 2011. [cit. 2015-04-18]. Available at WWW: <<http://www.nist.gov/itl/csd/cloud-102511.cfm>>
- Cloud computing: Advantages and disadvantages. In *CPA Australia*. [online]. 2012. [cit. 2015-04-18]. Available at WWW: <<http://www.cpaaustralia.com.au/professional-resources/business-management/cloud-computing>>
- Cloud computing is the top technology trend in 2010*. [online]. 2009. [cit. 2015-04-18]. Available at WWW: <<http://www.cloudave.com/1323/gartner-says-cloud-computing-is-the-top-technology-trend-in2010/>>
- Čo je to Cloud Computing. [online]. 2012. [cit. 2015-04-18]. Available at WWW: <<http://www.klaud.sk/Stranky/CoJeCloudComputing.aspx>>
- Mell. P. & Grance. T. (2011). *The NIST Definition of Cloud Computing*. Gaithersburg: NIST.
- Sosinsky. B. (2011). *Cloud Computing Bible*. Indianapolis: Wiley Publishing, Inc.,
- Škorecová, E & Váryová, I. (2013). Význam manažérskeho účtovníctva ako informačnej podpory podnikového manažmentu. In *Marketing, manažment, obchod a sociálne aspekty podnikania*, vol. 1, pp. 48 -492.
- Venkatraman, A. (2011) Advantages and disadvantages of cloud computing. In *ComputerWeekly.com*. [online]. 2011. [cit. 2015-04-18]. Available at WWW: <<http://www.computerweekly.com/feature/Advantages-and-disadvantages-of-cloud-computing>>

Institutional Model of Marketing-Oriented System of Branch Accounting Management and Analysis of Vegetable Growing

Natalia H. Tsaruk,

Separated unit of the National University of Life and Environmental Sciences of Ukraine

"Nizhyn Agrotechnical Institute"

43/3, Shevchenko Street, 203

Nizhyn, Ukraine

e-mail: nata011074@mail.ru

Abstract

The article deals with the circulation of accounting and analytical information between entities of vegetable growing and authorities at various levels of government regulation. The purpose of the article is to make an optimal model of marketing-oriented system of branch accounting management and analysis of vegetable growing to increase the competitiveness of this branch. The article highlights and describes the characteristics of vertical movement of relevant information on vegetable growing, explaining the place of registration data in organising its effective operation, describes weaknesses. The article determines the information that must be provided vegetables manufacturers by public authorities and vice versa, forms of its delivering. Taking into consideration the objective need for improving the efficiency of formation of the data about vegetable development, the article proves that it is possible due to the practical implementation of the developed model of marketing-oriented system of branch accounting management and analysis of vegetable growing as a four-level integrated vertical of accounting and reporting. These levels are enterprises, accounting and analytic departments of the directorates of Agro-industrial production of district state administration, regional state administration, and Ministry of Agrarian Policy and Food of Ukraine. Analytical process stages of marketing-oriented system of brunch accounting management and analysis of vegetable growing and their components are proposed. And along with the system of accounting management and analysis of vegetable growing is analyzed in close interrelation with the market benchmarks that determine the branch development in the market environment.

Keywords: *vertical of information interchange, model of information management, vegetable growing.*

JEL Classification: *M48, M4, Q13*

1. Introduction

Vegetable growing is the most risky sub-industry. The absence of stable product markets, uncontrolled import of vegetables, and lack of capacities of the agricultural enterprises for storage and processing limit vegetable production sale. Much of the risk is associated with the deficit of information of the state and prospects of the branch development at the enterprise level and at the level of branch management. Vegetables manufacturers do not have access to information about the domestic market and the real possibility of vegetable export. The lack of this information does not allow management departments to decide on the scale of production and vegetables sale. In turn, the policy of supporting the branch development, including information, is passive. It partly makes the state responsible for the occurrence of the aforementioned problems. Low efficiency and uncontrollability of the information exchange between the government and agricultural enterprises does not allow to follow balanced policy on agricultural sector development and creates entrepreneurs information deficit about the vegetable market. These unsolved problems in the system of contemporary theoretical and applied agricultural accounting science determine their actuality and stipulate the need to solve them.

2. Methodology

Theoretical and methodological basis for a complex study of the current state and the ground of improving of accounting management and analysis of vegetable growing is a dialectical method of cognition, systematic approach, and fundamental assumptions of an economic theory, accounting, business economics, and other related sciences. Applied aspects of the formation and development of the system of accounting management and analysis of vegetable growing, tools determining the specific construction of accounting methodology in the branch were considered using formal institutional approach to study the basics of accounting regulatory support in the branch.

The research used the following methods and techniques. Analysis and synthesis, induction and deduction, analogy and comparison were used for study of foundations of the branch accounting management and analysis system in Ukraine and abroad. Methods of expert assessments were for the analysis of the current state of information management of vegetable growing. Systems analysis was used for the study of verticals of information exchange on the status and prospects of vegetable growing between enterprises and the state. Descriptive methods and the methods of modelling were used for justification of the model of the marketing-oriented system of branch accounting management and analysis of vegetable growing.

3. The results of the study

The effective management process of vegetable growing requires the information and its detailing which helps to make a decision that is adequate to the situation and management tasks. The information excess, as well as its lack complicates the processing of information flow on the state of and prospects of vegetable growing for the preparation, adoption, and implementation of appropriate management decisions.

Information support of the management in vegetable growing should provide:

- prediction of vegetable growing development in the whole country, in regions, in branches of vegetable and products subsector of agroindustrial complex, types of vegetables;
- grounding of parameters of national, regional and target programs for the development of the branch;
- providing businesses, associations with these programs, their participation in the development and implementation of these programs;
- monitoring of the implementation of these programs.

In order to solve the management tasks of vegetable growing it is necessary to create an appropriate vertical of relevant information on vegetable growing the basis of which in the process of insurance of information needs of branch management is accounting of vegetable enterprises. The source of reliable information on the state of vegetable growing in regions and in the whole country for entrepreneurs is analytical information which is formed at the Ministry of Agriculture and Food of Ukraine and brought to producers through its local institutional bodies.

In the EU and the USA the key institutions responsible for providing analytical management of vegetable growing are state agromarketing agencies as a part of the relevant ministries [1, p. 42]. Therefore, in Ukraine there is a long-standing need in the scientific ground and creation of a similar analytical accounting system that will function through standardized tools and information exchange rules (first of all on the prices of vegetable products and resources that are necessary for their production). There is no need to create a separate institution. This system will use an existing base of agroindustrial development management of the Ministry of Agrarian Policy and Food of Ukraine, as well as the existing information links between businesses and the state.

Pointing out the section «Information support of agricultural complex management» in the National target program on development of Ukrainian village until 2015 proves the importance of establishing informational verticals between enterprises and branch management.

It provides:

1. Creating a state network of information and marketing centres dealing with the introduction of information services; researches and development of up-to date system of national planning through the implementation of the idea of vegetable balances.
2. Creating an automated analytical system of monitoring of fulfilment of indicators of socio-economic development in the agricultural sector on the base of these information centres.
3. Inventorying of electronic information resources and creating an integrated reference (search) network.
4. Creation of an information and analytical centre [2].

Obviously, improving the system of accounting management and analysis of vegetable growing must take place simultaneously with the improving of national information management mechanism of agrarian sector, declared by the National target program of the Ukrainian village development. The informational base of implementation of this program section is the accounting system at the level of each of the manufacturers of vegetable production.

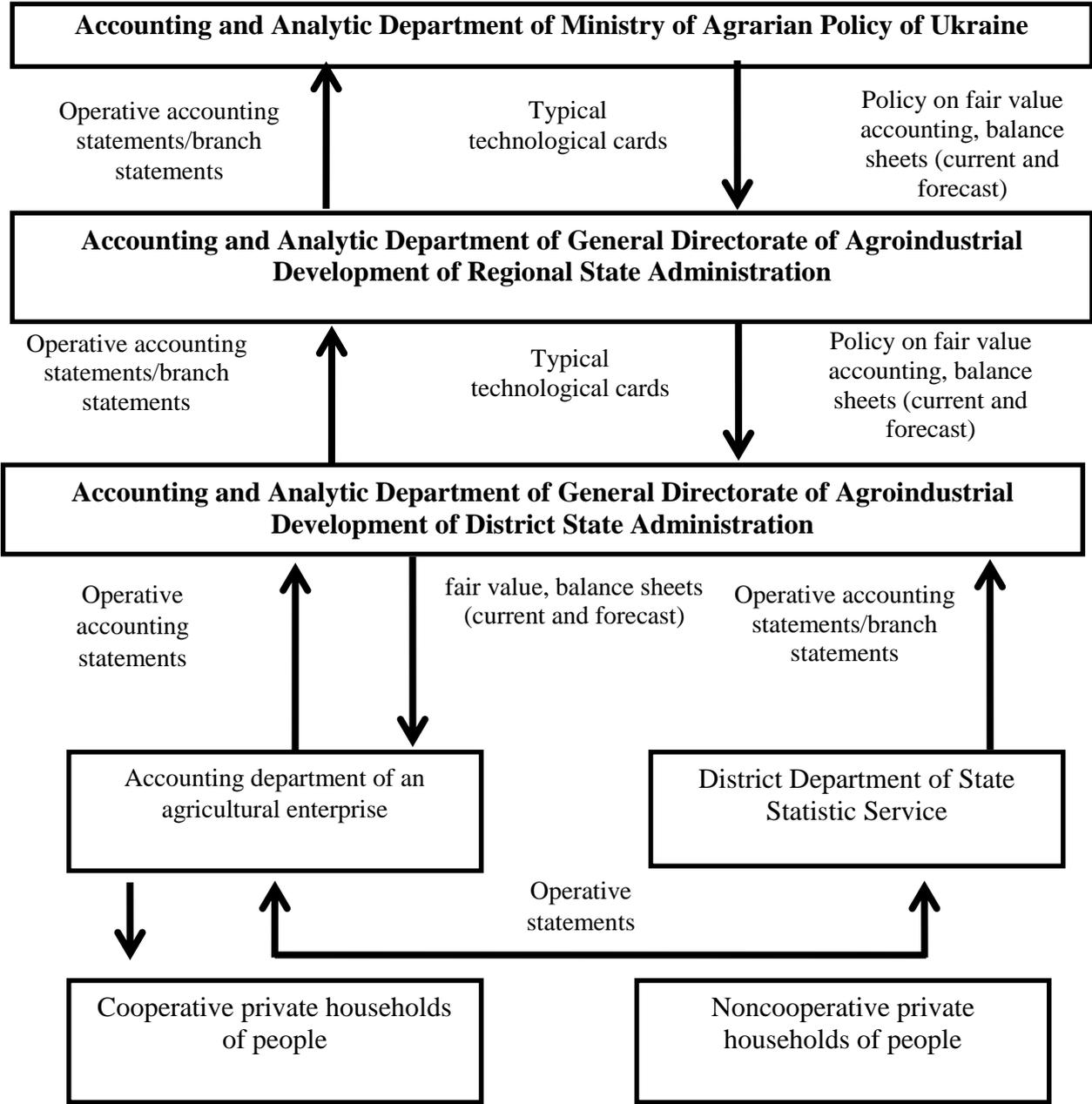
Vegetable growing as an object of accounting management and analysis is a unity of technological and economic processes and links in the flow of vegetable products and resources required for their production. The system of accounting management an analysis of vegetable growing at all levels must consist of the following subsystems that through the appropriate departments ensure harmonious system activity: information; innovation; marketing; monitoring.

Determination of priorities and proportions in the development of the system of accounting management an analysis of vegetable growing depends primarily on the needs of management. In this regard, such issues as the introduction of new and standardized principles of forming of accounting and analytical databases, the introduction of automated systems of analytical processing of the database on the state and dynamics of the branch in the territorial, branch (vegetables and vegetable products processing) and product terms have primary importance. It is important to systematize the information according to the stages of integration links in vegetable growing (production, storage, transporting, processing, distribution, consumption, etc.). Finally, it is necessary to practice standardized procedures of information using "produced" by the system of accounting management and analysis of vegetable growing in the activities of both enterprises and agencies regulating the branch development.

The mechanism of accounting management and analysis ultimately formed by adjusting of the vertical of information exchange on the status and development of vegetable growing must provide:

- the creation of state information departments network for implementation of information services, research, monitoring and analytical support of vegetable growing by providing producers with relevant information about the state of the branch in the structure of the Ministry of Agrarian Policy and Food of Ukraine;
 - the establishment on the base of these departments the automated information system for monitoring of major vegetable growing indexes (especially all parameters of vegetable market).
- Conceptual the model of marketing-oriented system of branch accounting management and analysis of vegetable growing is showed in Figure 1.

Figure 1: Model of marketing-oriented system of branch accounting management and analysis of vegetable growing



According to the hierarchy of the entities that provide branch development, the model should have the following four levels.

- The first level is the level of vegetable products producers. On the one hand, this level contemplates accounting record-keeping by vegetables producers and presenting their financial and statistical statements, which are the main source of information about the development of vegetable production for the purposes of related parties, including public administration. On the other hand, for the purposes of this administration level of vegetable growing a reverse information flow about the industry on the part of the state is offered to create. Agricultural enterprises that grow vegetables require relevant information about the opportunities and prospects for the production and sale of various types of vegetable products and need assurance that this vegetable production will find state support, including information one. In addition, in perspective the accounting and analytical departments of agricultural enterprises will be able to

collect and process statistical information on the production and sale of vegetables to the population that is not integrated into the cooperatives to sell such products. This will provide sufficient efficiency and greater reliability of the information about the realities of fruit and vegetable market at the local level.

- The second level is district directorates of agro-industrial development, namely their accounting and analytical departments. At this level, on the one hand, it is necessary to realize the accumulation of information about the parameters of vegetable growing given by producers (and in the future – by households of the people) in order to form summary information in the district and to transfer this information to the regional level. On the other hand, there is direct providing of the information on the state of vegetable growing in the district, the region, and the country as a whole to vegetable enterprises.

- The third level is accounting and analytic departments of regional directorate of agro-industrial development. At this level, on the one hand, the summary information on the state of vegetable growing in each of the districts assigned to regional administration is received and transferred to the Ministry of Agrarian Policy and Food of Ukraine, where this information about the prospects of the branch development is processed and brought to the district directorates.

□- The fourth level is accounting and analytic departments of Ministry of Agrarian Policy and Food of Ukraine. They in a model collect and process the information about the state of vegetable growing coming from regional directorates of agro-industrial development, as well as in time and fully provide necessary (for decision making at the local levels) information on branch development to regional administrations. They in turn bring this information to the producers of vegetable products by means of appropriate district institutions. In addition, using analysis data of accounting information received from the vegetables growing enterprises and aggregated at district and regional levels, the Ministry of Agrarian Policy and Food of Ukraine will be able: 1) to determine the feasibility and necessity of state support of horticulture, to determine the approximate leverage of this support, to conduct it independently (within the competence of this executive body) and to make appropriate proposals to other ministries and agencies for such support; 2) to develop and implement branch accounting policy in vegetable production for the purposes of enhancing of informativity and efficiency of financial and statistical reports of vegetable enterprises which, in turn, increase the mobility of the Ministry in solving the most urgent issues in the industry.

As for the content, the information brought to the regional institutions of the Ministry of Agrarian Policy and Food of Ukraine by the manufacturers of vegetable products should include financial and statistical reports on production, sales, and results in the branch of vegetable growing. The information brought to the producers by the Ministry should deal with the following aspects: the production of vegetable products the businesses need (for in the part of providing typical technological cards by types), its fair assessment (this also concerns the rules of formation of fair vegetables value and providing businesses with the results in an active market analysis of the industry) and the aspects related to the management of supply and demand for vegetable products. This concerns providing businesses with forecast and retrospective balances of supply and demand of vegetables that will enable the enterprises to assess opportunities and prospects for production and sale of vegetables in regions where they have their farm facilities).

Reasonability of the variants of the system of accounting management and analysis of vegetable growing depends on balancing of efficiency growing obtained due to creation or improvement of the system and costs.

The need for market benchmarks in the system of accounting management and analysis of vegetable growing is determined by objective necessity of combination of market and accounting technologies to make proper information support for industry development in the

market environment. The experience of marketing activities, especially in the field of accounting and analytical regulation of horticulture demonstrated high efficiency in economically developed countries. Their accounting and analytical support of vegetable growing is organized by means of public information systems. The existence of a national information service network provides a consensus between the government and entrepreneurs by rapid collection, processing, and publication of the information based on modern marketing techniques. As a result, the system development of vegetable growing and vegetable products market, the development of export potential and protection of national food safety are provided. [3].

The value of the state information service system, especially in agriculture, for the state accounting management and analysis of vegetable growing in Ukraine is still not scientifically studied even at the stage of development of the scientific conception.. "The conception of vegetable-growing and processing industry" [4] focuses on the necessary technological measures of the industry development, but does not represent an informative constituent as one of the essential components of its management.

Accounting management and analysis of the vegetable growing development in developed countries is carried out in the following directions: information support of the market infrastructure; providing public authorities and related companies with agro-marketing information (most successful example of this work is Agricultural Marketing Service (AMS), USA); consultative support of producers.

For example, in its strategic plan Agricultural Marketing Service (AMS), USA defines its strategic goals for the next five years:

1. to support the governments and businesses to create their databases providing reliable information on how agricultural products are produced, processed, packaged and sold;
2. to provide benefits for businesses in the industry by providing them with timely, accurate and unbiased information about the state of food products industries and markets; to support the innovation and to create favourable conditions for the formation of state food reserves and using of food for public assistance program;
3. to promote the creation of farmers groups and associations to strengthen their market position by creating marketing self-help programs [5].

Activation of the establishment marketing oriented vertical of information exchange between the state and vegetable producers in Ukraine is an important prerequisite for formation of the modern system of analytical support of horticulture, along with state information support. The model of marketing-oriented system of branch accounting management and analysis of vegetable growing as an institutional framework of such management is a holistic formation. It was created for purposeful collection and analytical processing of information in all aspects of the branch activity to make better management decisions concerning their regulation and development, coordination between the state and enterprises to ensure the effect of vegetable production.

It should act as an information integrator of consumer demand, production, transporting, trade opportunities, which are realized basing on advanced scientific research results, on the relevant legislative framework and using modern means of communication information. This model as a system should have its own functional subsystems. Based on the type of the solution that requires the information stored in a marketing-oriented system of accounting management and analysis of vegetable growing, this information system is proposed to divide into three subsystems: operation decisions; planned decisions; decisions on fundamental research.

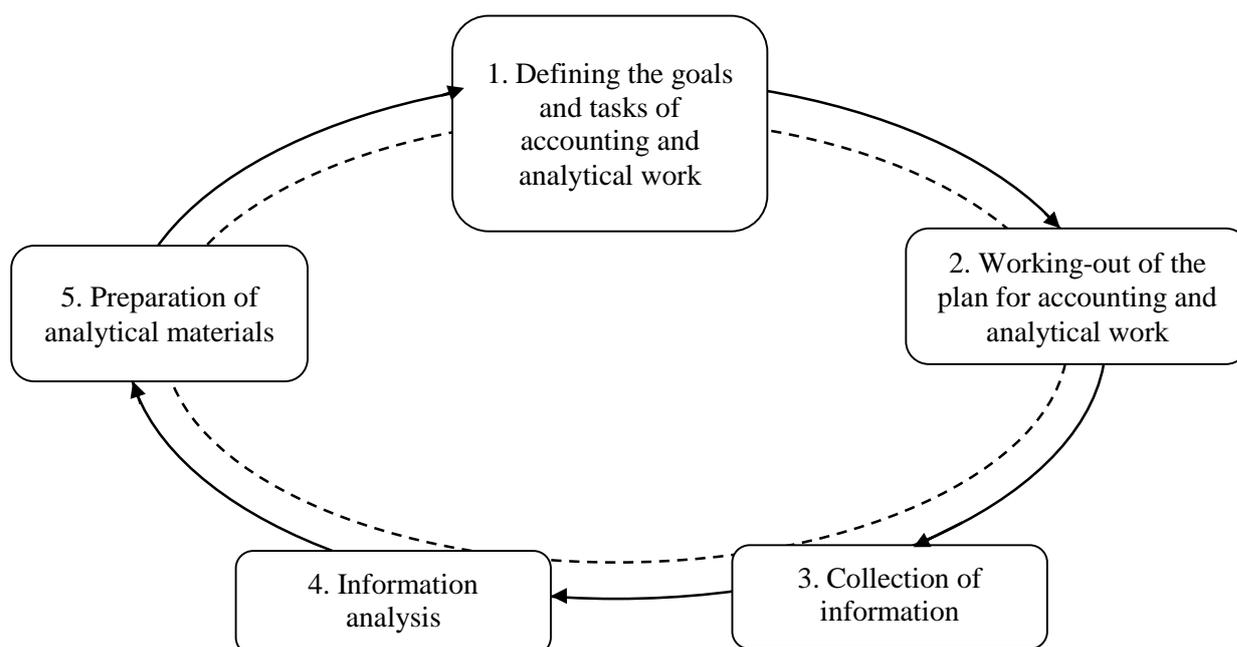
The information system for management of vegetable growing can be also divided into the following subsystems:

- selective distributing;
- retrospective and search;

- unplanned information.

As for the procedure, the process of analytical operation of marketing-oriented system of accounting management and analysis of vegetable growing is proposed to organize as a series of sequential steps. It is necessary to define a management problem (range of questions), to form the purposes of accounting and analytical work, to make a preliminary analysis of the available information, to select the sources of information, to form the research plan, to collect the information (by means of the given system of methods), to analyze the collected information, to prepare analytical materials for businesses and governments of vegetable growing branch. These procedures are united in five stages that should be cyclical, according to the cyclicity of the management process (Figure 2).

Figure 2: The process of working of accounting management and analysis in vegetable growing



The first step is to define the exact task facing the system of accounting and analytical support, and the purpose of work in a calendar or functional terms that start. The task should be defined by management goals and formed through a joint teamwork of representatives of all public and private organizations interested in quality branch management.

The creation of the model of a marketing-oriented system of accounting management and analysis of vegetable growing will combine the informational potential of public administration in horticulture, businesses and its combinations, scientific and technical potential of scientific and information institutions for effective use. The model will regulate the staff of accounting management and analysis, form a unified scientifically grounded branch fund of documents based on common standards and methodology.

For practical implementation of the model of a marketing-oriented system of accounting management and analysis of vegetable growing in Ukraine on the base the world's best samples, there are the following basic prerequisite:

- creation of the necessary legal framework for the operation of the vertical of branch information support;
- scientific study of the methodology of the system of accounting and analytical information collecting, its analysis and use. (This is a direction we see the prospect of further research on this subject).

Potential participants in the development process of the vertical of the accounting and analytical support of vegetable growing (stakeholders) can be different partners, which include the following categories: Ministry of Agrarian Policy and Food of Ukraine, its regional and district directorates; other government institutions and organizations; branch businesses; deliberative service; private institutions and organizations.

The reasonable institutional model of a marketing-oriented system of accounting management and analysis of vegetable growing requires standardization of information, its processing procedures, and the information flow on the status and development of vegetable production to provide vegetable producers and the state with the data of the state and prospects of the branch development.

4. Conclusions

The upgrade of operational capabilities and analyticity of accounting and analytical support of vegetable growing and effective industrial policy in this branch requires the introduction of a 4-level model of marketing-oriented system of branch accounting management and analysis in vegetable growing. This model, on the one hand, connects people households, united in cooperatives, public manufacturers of vegetable production, directorates of agro-industrial development departments of district and regional administrations, the Ministry of Agrarian Policy and Food of Ukraine by the operational, statistical and financial reporting. On the other hand, at the national and regional levels this model provides the formation and transmission to the enterprises and households the information and analytical arrays concerning fair value of products of horticulture, current and forecast balances and other information, covering the key parameters of the branch development, activity of manufacturers important for current and strategic planning.

References

- Pearce, David and Jefry, J. Warford. (1993). *World without End: Economic, Environment, and Sustainable Development*. - NY: Oxford University Press, - 464 p.
- On the adoption of the State Target Program of Ukrainian village development for the period until 2015: Resolution of the Cabinet of Ministers of Ukraine of 19.09.2007, № 1158 // *Official Gazette of Ukraine*. - 2007. - pp.7-46.
- Sych Z. D. (2010) *Okno v Yevropu: ukrainskie standarty otkryli perspektivy dlia eksporta ovoshchei*. [Window to Europe: Ukrainian standards have opened opportunities for the export of vegetables]/ *Ovoshchevodstvo* [Vegetable growing] - 2010.- №7. - pp. 22- 25.
- The concept of development of vegetable growing and processing industry until 2015: approved by the Cabinet of Ministers of Ukraine of October 31, 2011 N 1120-p Available at: <http://zakon2.rada.gov.ua/laws/show/> / (Accessed 1120-2011)
- United States Department of Agriculture: The official site. Available at: <http://www.ams.usda.gov>.

Alternative and Community Economic Models

Danka Moravčíková¹ – Izabela Adamičková²

Slovak University of Agriculture in Nitra^{1,2}

Faculty of Economics and Management, Department of Social Sciences¹, Department of Economics²

Tr. A. Hlinku 2

Nitra, Slovak Republic

e-mail^{1,2}: danka.moravcikova@uniag.sk, izabela.adamickova@uniag.sk

Abstract

The paper introduces the concept of alternative or community economy highlighting the contradiction between principles of these systems and principles of the market economy. The authors point out their overlapping character in the social reality. In the first part, the paper summarizes the existing alternative forms of economic systems as well as business models created to achieve social rather than financial goals. The second part of the paper is dedicated to description of the known models of local economic structures, such as Local Exchange Trading Scheme (LETS), Time Bank, Community Banks, Credit Unions, Community Business, Social Firms and also the model of Community Supported Agriculture (CSA). The description offers explanation of the basic principles as well as the identification of possible impacts on the community life and local development. Finally, it briefly illustrates the recent trends towards greater social responsibility in contemporary societies. The authors emphasize the necessity to follow the principles of sustainable development using also alternative and social economic schemes.

Keywords: *alternative economic models, community economy, sustainable development*

JEL Classification: *Z13, O35, A13*

1. Introduction

The process of globalization and increasingly occurring economic crisis have brought and still bring a number of problems to the lifecycle of companies and communities themselves. There are many different ways how to address and solve such problems. In addition to “official” mechanisms, there exist many examples which essence is to mobilize local potential. Genuine community organizational strategies ensuring their social and economic development are designated as alternative/local/community economies, as well as local financial and economic systems or models. The second half of the 20th century and the present are also typical by the prevailing consumerist lifestyle and well-marked and influenced by environmental issues associated with the devastation of the environment. For certain part of the population, it raises a dissenting attitude and declaration of necessity of so called environmentally friendly lifestyle, respectively a specific return to traditional values. The terminology of these new phenomena and processes is not united and the issue of alternative economies is analyzed neither comprehensively nor interdisciplinary. This paper seeks to summarize and review existing concepts that are presented both in the various disciplines and in different movements and interest groups practicing alternative and socially oriented economy.

1.1 Concept of Alternative and Community Economy

Alternative or community economy is usually characterized as re-socialized, re-politicized and space anchored place where business practices are interdependent and interconnected, and perceived as ethical practice. (Gibson-Graham, 2006) Proponents of this concept emphasize the need to recognize its “embeddedness”²⁹ particularly in geographic and cultural context, and the

²⁹ The concept of “embeddedness” presented particularly in the publications of K. Polanyi points out that in many communities, economic relations are conditional mainly due to a kinship, religion, resident and political networks, and such interconnections should be viewed equally with other economic characteristics. Economy

need to respect many different ideas leading to a number of common, socially accepted and locally owned initiatives that are oriented primarily to the local market. Proponents also promote meaningful community control and equitable distribution of the surplus, they reckon a long-term investment and advocate environmentally sustainable, comprehensive and ethical projects. Economical alternative do not aspire to be in an equivalent position with the dominant economic model, but as a parallel model, it offers compensation for the limitations of the formal economy in field of cooperation, building of stronger social ties and social capital. Alternative forms of subsistence economy exist both in developed and economically prosperous countries, as well as in marginal communities. However, their formation and expansion is often suppressed by the dominant model.

All economic models can be placed on an imaginary continuum two ideal-types – sole self-saturation and exclusive production for the market. (Gudeman, 1996; Moravčíková, 2004) In the first case, production activities are realized for themselves and their group, what leads to relative independence and economic self-sufficiency. Community economy is linked to a group of people forming the territorial community, who use material tools and cultural heritage at the same time. Economic processes are cyclical and reproducible, and no barter occur outside the community. Community economies are linked with different types of spatial and local identity, production, distribution, consumption and barter are socially regulated. Certain common basis is used as the source on which the community relies on, and according to which its members are divided. However, locations can be defined differently (eg. as households, extended kinship, neighbourhood groups, religious organizations, etc.) and so their boundaries does not have to rigid or closed. In the second case, production activities are accompanied with barter, what is leading to partial (or full) dependency while emphasizing the profit. Perfect market is based on competition between anonymous individuals or groups, their aim is asset accumulation and achieving of the profit. Market relations go beyond the local framework and are mostly defined by other types of identity than local. Sources of market economy consist of various types of goods and services and depend on the basic factors of production that are categorized as land, labour and capital. They are maintained through private property, they are traded and their value is compared with money. The strategies are particularly of rational, pragmatic and competitive nature and are aimed at the highest possible profit. Although, in the social reality, the existing economies are combination of both types.³⁰ Most economic theories³¹ emphasizes only one or the other end of this continuum. Anthropological studies, however, show a mixed, complementary and dialectical nature of economic practices and along with the study of local models, they recommend to take into account the fact that the market economy is usually shaped and created within the community economy.

does not create autonomous area regulated by legislation and formal legal system, but the economic and social spheres are often closely linked. Also some of cultural economists concede that people usually ensure their livelihoods in a manner similar to way, how modern economists build the models of market economy. However, local/community/alternative models are very diverse and often very different from the posed standards. They are more of metaphorical quality and can be created according to various currently dominating factors (family, inheritance, the ideas of something unknown, foreign, etc.).

³⁰ Similar contradictions are named as well by other anthropologists, for example Appadurai (1986), who distinguishes the opposite of profitable and socially-profitable oriented strategy and describes such dichotomy as the contrast between economy and culture. On the other hand, Bourdieu (1998) distinguishes in turn the economy of symbolic goods and economic economy.

³¹ When considering the usefulness of the company, the economic theory still focuses only on profit for the owner, solely in cash, notwithstanding the fact that his height does not have to testify about the benefits to society – for example it could be such company, which production has a negative impact on nature and employment in the wider region (eg. supermarkets, that can cause collapse of small shops and food producers in the area). It is necessary to learn to find balance between profit for the entrepreneur (ie. economic view), and benefit to society. (Douthwaite, 1996)

1.2 Models of Local Economic Structures

Generally, systems of local economies constitute a functional alternative to economic globalization. There are a lot of local economic structures³² that support sustainable socio-economic development of communities. They prevent drawing off the local resources in favor of large companies and provide job opportunities directly at the place of living, which besides other things may result into considerable influence on the quality of the environment (eg. in terms of use of local raw materials and energy, traffic management, waste management, air and soil pollution, etc.). Types and methods of work and employment in the area also affects interpersonal relationships and nature of social connections within families - cognations - neighbourhoods and communities. Local/alternative economies tend to “produce what they consume and consume what they produce”, which allows not only greater social control, but also awareness of the direct and personal responsibility for the quality of life in the community as well as the consequences of the actions of individuals.

LETS (Local Exchange Trading Scheme/System) can be characterized as non-profit and voluntary system, which is based in order to maximize the use of skills, knowledge and skills of local people. LETS is a similar type of self-help that normally existed in the past the Slovak villages. System approach was brought into the model by Western European countries in the second half of the 20th century, where it was implemented mainly in rural communities. The introduction of LETS in urban neighbourhood or in the micro-region requires a relatively high degree of decentralization (eg. in the Netherlands or the Nordic countries). Those are essentially a local community networks in which individuals exchange goods and services at a minimum price, respectively by using of so-called local currency, agreed accounting entity (eg. points, crosses, etc.), or community credits. These conversion units exist only in the local accounting and on the accounts of the LETS members and the price is set by agreement. Community credits are obtained for the provision of goods or services, and individuals can use them for everything the other members of LETS offer - for example childcare, transportation, food, repairing, housework etc. Douthwaite (1996) states that the European LETS models allow to groups of people mutual exchange with the use of their own monetary. Such monetary units are created and named by the members of LETS. Then, members within the group draw up a list of services they are willing to provide and afterwards, they start trading. Mostly, money is not printed, but there is a system of checks and bankers who writes income and expenditure in accounts of individual members. Such system is advantageous also in the sense that it adapts to the current volume of current trade that can arise within the system. LETS establishment requires activation of residents, personal interest and a high level of mutual trust. There are many differences between LETS schemes, both in terms of number of members³³ and the organization of “business” relations between them, both in terms of range of offered goods and services or

³² One of the models are, for example **credit cooperatives**, through which people fund projects in their community by self-helping. This is how “Gazdovský spolok Samuela Jurkoviča v Sobotišti” (Farmer’s Association of Samuel Jurkovič in Sobotište) worked. Basically, it was the first credit cooperative in the world. Furthermore, there are **ethical banks** - the classic small banks that lend money to ethically oriented projects (schools, kindergartens, environmental projects, etc.) while they do not count the interest. They are operating for example in Germany. Many lives of marginal groups have been improved or even saved by the **micro-loans**. Their author is the Muhammad Yunus from Bangladesh, who later received the Nobel Peace Prize for their formation. He began to lend small amounts to the poor for specific things that helped them overcome unfavorable period. Based on this principle, he later founded bank, which branches successfully operate in many developed countries.

Self-help works even at a company level, for example in Switzerland, where system of **WIR Bank** was created - mutual settlement of receivables, when businesses solve counterclaims by a non-monetary services and instead they accounted products and services. Currently, the WIR system involves about 70 000 small and medium-sized enterprises. (Sulik 2010) The recommended number is 100-300 members. This number ensures sufficient diversity of supply of goods and services and also enables mutual knowledge of the members.

³³ The recommended number is 100-300 members. This number ensures sufficient diversity of supply of goods and services and also enables mutual knowledge of the members.

forms of distribution of information. Traditional LETS models distributed printed versions of directories and offers to its members, but currently, modern information and communication technologies and social networks are used (e.g. on-line newsletters, discussion groups, forums and so on.). For the first time, the idea of a systematic barter emerged in the 30's and 40's of the 20th century in the urban areas of the US and in some European countries. However, their further development was prevented by the war. In the modern era, the establishment of LETS in Vancouver, Canada in 1983 was started by foundation of so called **barter circles** almost all over the world – they were most spread in the Netherlands, England, Germany, Switzerland, USA, Canada, Australia, New Zealand and also in less developed countries (Thailand, Indonesia, Ecuador, Honduras, New Guinea etc.).³⁴ Their contribution can be summarized in three areas:

1. Improvement and Enhancement Neighbourhood Assistance

This model of alternative/community economy allows to use services that are otherwise difficult to access (e.g. care about child elderly or sick family members, help with shopping and housework, etc.), identifies the needs of the community, reveals the hidden skills of individuals and can induce a sense of usefulness to the community. It helps to restore quality neighbourly relations, to strengthen mutual solidarity, as well as to form new social contacts and networks.

2. Strengthening of Economic Self-help and Self-sufficiency

The members of such local economic structure may use the services that would be beyond their financial resources in the formal economic system were, or they would demand them. An analogous statement applies also to the offer of services. The community is in general less dependent on external financial funds and has greater control over its own economic development.

3. Socio-economic Development of the Community

The range of options ensuring the necessities of life is expanding and activities increasing living standards are activated. Therefore, the “official” purchasing power of the inhabitants - residents is enhancing as well as the local economy itself. Considerable is also positive impact on the environment and elimination of socio-pathological phenomena, such as crime, vandalism and others.

Time Bank (Time Bank) represents an alternative economic system which is based on the assumption that each person needs a certain service and at the same time he/she is able to offer a particular service, even if he/she needs help itself, respectively, he/she is reliant on it. This model is not identical to volunteering, where one group of people is working in favour of the other group. The time bank system regards the exchange of time of equally perceived individuals and the creation of solid social bonds. Resources that are used poorly or not used at all are activated (unemployed, pensioners, etc.), that have the potential to deliver the services needed for the immediate surroundings. One hour of any service to the community corresponds to one credit or to so-called time money. Time money can be kept in a “bank” or can be donated. For the first time, the time bank was defined in the US in 1980 and since that, more than 1,000 occurred worldwide - mostly in the US, Japan, but also in England.³⁵ The initiators of its formation can be different organizations and institutions - hospitals, social facilities, community centres, agencies, courts, non-profit or non-governmental organizations etc. Originally, the time banks were targeted to the needs of the elderly, but gradually, the spectrum of target groups has broaden significantly and nowadays, even private companies, state administration and self-government can join them. Operating time banks can be connected to the existing programs and projects initiated by the government or regional or local authorities. (Poláčková 2002)

³⁴ In Slovakia, information on similar initiatives is available at: <http://www.zivica.sk/sk/lokalna-mena>; <http://www.siroke.sk/index.php/sirocky-sokol>; <http://minutky.sietdobra.sk/>; <http://www.obcianskysnem.tk/>; <http://zajezka.sk/> etc.

³⁵ The first time the bank in Slovakia was founded in Rajecké Teplice in 2001.

Other models of local/alternative economic structures are community banks or credit unions, social enterprises and community businesses and society.

Community banks and credit unions have the form of savings and loan schemes that are available and trustworthy for their members. They are offering them loans with very favourable interest and encourage people to save on the accounts through small amounts which are unattractive for the classic form of market bank products. Community banks and credit unions invest money primarily into the developing community projects and most of these investments is therefore returning to the community. Their members are mostly people on low incomes, who save there, borrow from them and also manage them as volunteers, without compensation. These credit unions provide loans to smaller expenses.³⁶

Social Firms are a form of so-called social enterprises. This term is usually used as an umbrella for multiple models and social enterprise is generally defined as an enterprise, which operates for social purposes, respectively as a subject that fulfils social functions and contributes to employment growth, as well as the integration of marginal groups and groups threatened by social exclusion into society.³⁷ Social enterprises are part of the so-called social economy - this concept was officially accepted by the European Commission in 1990, when its definition and concept was drafted and social enterprises have been identified as one of the key players in European economic and socio-political space. Social economy currently represents a new area of economic activities, for which the main characteristic is linking economic and social objectives. Therefore, it represents a new dimension of unconventional entrepreneurial dynamism that is also the bearer of social innovation and social development, as well as a new impetus for economic growth. (Lubelcová 2012) Local economic structures discussed in this paper are also certain form of social enterprise. Social firms are based in communities in order to improve not only quality of life but also to improve social and economic integration of disadvantaged and people with disabilities through appropriate job opportunities that are adequately remunerated. Although their aim is to notably reinforce the social position of these individuals, social firms can significantly contribute to improvement of the economic situation of the community.

Community businesses are owned and controlled by people from the local community and provide services designed exclusively for the community and its benefits. Every profit is used to strengthen this business, or to provide additional services to the local community. Community businesses often have the form of cooperatives, for example housing, food, marketing and others. The basic principles of their operation are as following: voluntary and open membership, democratic control of the members, economic participation of members, autonomy and independence, education and training, mutual sharing of information, cooperation and interest in community affairs and life.

³⁶ Another example of alternative financial organizations are **Community Development Loan Funds** that lend money to build houses and **Community Development Trusts**, which aim to promote small businesses in the areas of insolvency. (Klinec 2000)

³⁷ In the Slovak legislation in the period from 1 April 2009 to 31 December 2010 for the purposes of the employment services act, as a social firm was considered also legal entity who was municipality, regional authority, association of municipalities, an association of self-governing regions under a special regulation and legal entity which founder or founders is a municipality or autonomous region which: a) employs staff before taking up employment were job seekers according to the Employment Services Act in a number representing at least 30% of the total number of employees; b) provides support and assistance to employees who before taking up employment were jobseekers to find employment in the open labor market; c) at least 30% of the funds derived from the income of the activities that remain after payment of all expenses for the line of business for the relevant accounting period according to tax returns, is annually used to create new jobs or improve working conditions; d) is registered in the register of social enterprises. (Office of Labor, Social Affairs and Family, 2009)

CSA (Community-supported agriculture)³⁸ represents an alternative that allows consumers to make direct contact with food producers. The CSA system, consumers are guaranteed a steady supply of organic products and producers/farmers do not have to invest in marketing activities because they have an assured sales. The objective of the CSA is to eliminate agrochemicals and inputs from outside. Many methods of cultivation are used, such as bio-intensive cultivation which focuses on efficient growing (eg. on the tables), where it is possible to achieve a high yield on a very small area; biodynamic agriculture, which seeks to create a completely self-contained unit by increasing the diversity of plants and animals, while minimizing external inputs (e.g. commercial fertilizer and fuel); and conventional organic farming, where it is allowed the use of fertilizers, machinery and fuel but not herbicides or pesticides. CSA model usually includes one or more organic farmers and contractual coverage of members, who pre-finance agricultural activities in the knowledge of regular supply of agricultural products. It is one of the fastest growing trends in small-scale agriculture. CSA serves as an “umbrella” for farmers who are trying to reach a mutually beneficial cooperation with the community of consumers, ecological and sustainable economy, and public awareness and information about the current problems of farmers and agriculture.

2. Conclusion

Sustainable development at global, regional and local meaning in the current era appears to be as a necessary from the perspective of preserving human existence on earth. Industrial and post-industrial development in society has brought a number of negative elements and problems that today's world cannot solve in the same way of thinking and behaviour that have caused them. The global ecological crisis, the crisis of values as the essence of the global economic crisis and the existence of so-called risk society³⁹ emphasize the need to respect the principles defined in the new direction of sustainable human development and the need for enhanced social responsibility of all relevant actors. Alternative schemes and economic models create adequate conditions and at the same time represent specific options, respectively guidance on how these needs can be satisfied. Their implementation in practice, however, depends primarily on the extent of will, level of awareness and commitment of individuals, communities and entire societies.

References

- APPADURAI, A. (ed.) (1986). *The Social Life of Things: Commodities in Cultural Perspective*. Cambridge: Cambridge University Press.
- Aaronson, S. (2003). Corporate responsibility in the global village: The British role model and the American laggard. In *Business and Society Review*, vol. 108, no. 3, pp. 309-38.
- BOURDIEU, P. (1998). *Teorie jednání*. Praha: Karolinum.
- DOUTHWAITE, R. (1996). *Short Circuit. Strengthening Local Economics for Security in an Unstable World*. Devon: Green Books Ltd.
- GIBSON-GRAHAM, J.K. (2006). *A postcapitalist politics*. Minneapolis, MN: University of Minnesota Press.
- GUDEMAN, S. (1996). Economic Anthropology. In: Barnard, A. – Spencer, J. (ed.): *Encyclopedia of Social and Cultural Anthropology*. London – New York: Routledge.
- KLINEC, I. (2000). *Alternatívne ekonomické teórie podporujúce smerovanie k trvalo udržateľnému rozvoju*. [www stránky], [cit. 5.11.2014]. Available at: <http://akademickyrepozitar.sk/sk/repozitar/alternativne-ekonomicke-teorie-podporujuce-smerovanie-k-tur.pdf>

³⁸ In Japan, such management style is called the “farming with a face”. Europeans also used the term “subscription management” and “linking farmers with consumers” is another term that is used in the UK. In the US, the use of non-formal designation of the system is common and called as “box system”. In Slovakia, it is for example. <http://www.slovenskadebnicka.sk/>; <http://www.debnickari.sk/>; <http://www.zeleninari.sk/>, etc.

³⁹ A term was created by the German sociologist U. Beck, according to who on the one hand the modernization and scientific and technological development makes life easier and brings a number of positives and on the other hand, however, affects the environment negatively and brings new risks.

- LUBELCOVÁ, G. (2012). Sociálna ekonomika: koncepty, príležitosti, riziká. In: Sociológia. 2012, roč. 44, č. 1, s. 83-108.
- MORAVČÍKOVÁ, D. (2004). Uplatnenie metodologických východísk ekonomickej antropológie v empirickom štúdiu súčasných vidieckych komunít. In: Medzinárodné vedecké dni 2004 (zborník vedeckých prác). Nitra: Slovenská poľnohospodárska univerzita, s. 753-759.
- POLÁČKOVÁ, Z. (2002). Časová banka. [www stránky], [cit. 1.10.2014]. Available at: <http://unss.sk/publikacie/dobrovolnici/konferencia.htm>
- SULÍK, D. (2010). Zodpovedná spoločnosť. Alternatívna ekonomika, priama demokracia a komunity ako cesta k spravodlivejšej spoločnosti. Vydavateľstvo Vladislav Stanko.
- ÚRAD PRÁCE, SOCIÁLNYCH VECÍ A RODINY (2009). Sociálny podnik v podmienkach obce, samosprávnych krajov, združení obcí a samosprávnych krajov a v podmienkach právnických osôb založených alebo zriadených obcou alebo samosprávnym krajom (manuál). [www stránky], [cit. 21.10.2014]. Available at: http://www.upsvar.sk/buxus/generate_page.php?page_id=12977

ENVIRONMENTAL ASPECTS OF MARKETING MANAGEMENT IN FOOD MANUFACTURING COMPANIES

Ludmila Nagyová, Mária Holienčinová, Ingrida Košičiarová, Jana Rybanská

Slovak University of Agriculture in Nitra^{1, 2, 3, 4}

Faculty of Economics and Management, Department of Marketing

Tr. A. Hlinku 2

Nitra, Slovak Republic

e-mail^{1, 2, 3, 4}: ludmila.nagyova@uniag.sk, xholiencinova@is.uniag.sk, ingrida.kosiciarova@gmail.com,
xrybanskaj@is.uniag.sk

Abstract

The food and drink industry is fully aware that the production and consumption of its products (from farm to fork and beyond) also triggers environmental implications. To ensure long-term sustainability, the common objective of European food and drink manufacturers is continuously to improve the environmental performance of their products and processes, while meeting consumers' needs for food safety, nutrition, health, convenience, life-style, and product choice. Environmental sustainability enables companies to remain competitive by reducing resource use and costs. There is a strong business case for efficient management of natural resources. The present paper refers to activities and initiatives in food production area that within environmental sustainability apply companies in order to make a positive contribution to society and the natural environment. In order to fulfill defined objectives of the paper were collected and used primary and secondary sources of information, as well as the method of interview using a questionnaire (total number of respondents was 100 food manufacturing companies).

Keywords: *environmental sustainability, food company, natural resources*

JEL Classification: *M19, M39, N24*

1. Introduction

Food and drink products play a central and fundamental role in daily life. Every day, some 480 million EU citizens rely on high quality food for their nutrition, health and well-being. Food and drink products relate to their life-style and reflect their cultural identity.⁴⁰

Feeding the growing world in the long term will only be possible if the way we produce and consume food is changed. Production and consumption of food is one of the major users of our planet's resources, and these resources, which we once considered as unlimited, are now clearly under increasing stress. Clean air and water, high quality land and soil, and the biodiversity and climate that support the whole food system, must be properly valued and used as efficiently as possible.

In business there is a general view that activities aimed at protecting the environment demand additional costs and threaten the competitiveness of companies. Recently, have more often been occurred opinions that improvement of environmental performance in company can lead to better trade, economic and financial performance.^{41, 42}

Pressure which is being developed by government and non-governmental organizations, and consumers themselves, forces companies to deal with issues of environmental protection.

⁴⁰CIAA - CONFEDERATION OF THE FOOD AND DRINK INDUSTRIES OF THE EU. *Managing Environmental Sustainability in the European Food & Drink Industries*. 2007. Retrieved from: http://www.fooddrinkurope.eu/documents/brochures/brochure_CIAA_envi.pdf

⁴¹AMBEC, Stefan – LANOIE, Paul. 2008. Does It Pay to be Green? A Systematic Overview. *Academy of Management Perspectives*, vol. 22, no. 45–62.

⁴²PORTER, Michael E. Green and Competitive: Ending the Stalemate. 1995. Retrieved from: http://kentlundgren.se/artiklar/vetenskapliga/Porter_Linde_1995.pdf

Result is that natural environment becomes necessary component of marketing company environment.⁴³For many years, food and drink companies have shown leadership in environmental sustainability. This includes voluntarily cutting energy use, water consumption and waste generation, increasing resource-efficiency and engaging in a range of initiatives with food chain partners.⁴⁴

Castenow in his book “New marketing” describes the global trend, which named as “natural environment and its impact on the marketing future.” Symptoms of this trend are as follows:⁴⁵

- care about clean air, soil and water,
- nature protection against the devastation,
- rational use of natural resources with an emphasis on recycling,
- popularization of ecological orientation and health lifestyle,
- awareness of interconnectedness of the environment state, hunger and overpopulation.

Marketing has a new challenge which has two dimensions. In the short term, environmental and social issues have become dominant in the external environment of the company. Companies significantly change the functioning of markets thus directly affect the daily operations of the company. Companies must respond flexibly on changing needs of consumers, new legislative measures and on organizations pointing out on negative social and environmental impacts of business. In the long term, the pursuit of sustainability will require substantial turnover in management, which includes both marketing and other business functions. Therefore modern marketing requires environmentally oriented approach, which must be understood as an element of environmental management. Individual elements of marketing mix are receiving a new “green” dimension what naturally brings new opportunities for competitive advantage.^{46,47}

2. Data and Methods

The aim of this paper is to highlight to environmental aspects in food manufacturing companies. This paper refers to activities and initiatives in food production area that within environmental sustainability apply companies in order to make a positive contribution to society and the natural environment. In order to fulfil the defined objective of the paper were collected and used primary and secondary sources of information. Underlying secondary sources of information were obtained from available literature sources, i.e. from professional book publications from domestic and foreign authors and organizations. When processing of individual underlying data and formulating conclusions of paper were used methods of analysis, synthesis, induction, deduction and the comparative method.

In order to meet the objectives of the paper, marketing research was realized. Marketing research was realized in 2015 by the method of interview using a questionnaire. The research was focused directly on food manufacturing companies in Slovakia. The research involved 100 chosen food companies (totally 34 micro companies, 33 small-medium companies/SMC, 33 large companies). The aim of the research was to find out in which terms companies effort the most to reduce the impact of their activities respectively the whole enterprise on the

⁴³VASILOVÁ, Máriaa Ivan BZDÚŠEK. Zelený marketing ako nový zdroj konkurenčnej výhody v podniku. In: *Aktuálne zdroje zvyšovania konkurencieschopnosti a získania udržateľnej konkurenčnej výhody podnikateľských subjektov :zborník vedeckých statí.* 2011, p. 12-31.

⁴⁴CIAA - Confederation Of The Food And Drink Industries Of The Eu. *Annual Report.* 2009. Retrieved from: <http://www.fooddrinkeurope.eu/documents/brochures/annual%20report%20CIAA%2009.pdf>

⁴⁵CASTENOW, Dieter. *New Marketing in der Praxis: vom Produkt- zum Bewusstseinsmarketing.* 1993.

⁴⁶VASILOVÁ, Máriaa Ivan BZDÚŠEK. Zelený marketing ako nový zdroj konkurenčnej výhody v podniku. In: *Aktuálne zdroje zvyšovania konkurencieschopnosti a získania udržateľnej konkurenčnej výhody podnikateľských subjektov :zborník vedeckých statí.* 2011, p. 12-31.

⁴⁷HORSKÁ, Elena. – NAGYOVÁ, Ľudmila. *Marketingové prístupy k udržateľnosti agrosektora na Slovensku.* 2013.

environment. Secondly we wanted to find how they consider when developing new products and services possible effects on the environment according to the size of company. For deeper analysis of the obtained results, there were set out assumptions about the correlation between the extent of considered possible effect on the environment and the size of company (micro, small-medium, large). Then with 5 point scale were evaluated the most possible effects on environment during developing new products and services. This first question was evaluated with the use of Kruskal-Wallis test To test the dependence were used Pearson's chi-square test and Cramer's contingency coefficient.

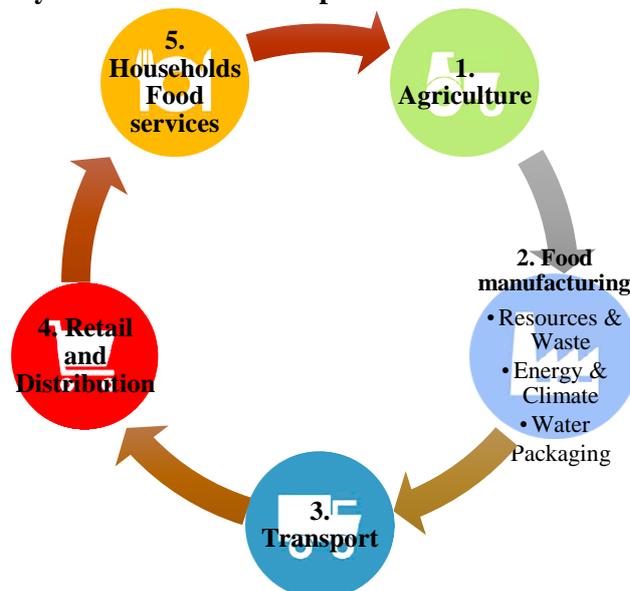
3. Results and Discussion

3.1 Shared responsibility across and beyond the food chain

The food chain comprises many different stages and players (Figure 1), including farmers, industry, suppliers, transport, retailers, consumers and waste managers, all of whom generate different environmental impacts. A meaningful strategy towards sustainable production and consumption in the food chain requires integrated involvement of all life-cycle stages and players. Every player in the chain has a crucial role to play, individually but also as a team player.

The food industry's direct sphere of influence is in purchasing agricultural raw materials and processing them into high quality food and drink products. Therefore, the main focus of this communication is on the manufacturing stage, covering energy use and greenhouse gas emissions, resource and waste management, water and waste water management, as well as packaging.

Figure 1: The life-cycle of food and drink products



Source: CIAA. *Managing Environmental Sustainability in the European Food & Drink Industries*. 2007. Retrieved from: http://www.fooddrinkurope.eu/documents/brochures/brochure_CIAA_envi.pdf

However, important environmental impacts occur upstream and downstream of the processing stage, where a range of other players have their own distinct spheres of influence and responsibility. The relationships between these players are complex. For instance, the food and drink industry is not directly involved in farming. However, it purchases about 70% of EU agricultural produce. Cooperation between farmers, industry and others is vital to ensure sustainable development in the production of raw materials for the entire food chain. The same applies to others in the chain, including transport, retailers and consumers. They all take their

own decisions which influence the food chain's overall performance, but they operate outside the direct control of food companies.

3.2 Environmental sustainability within second stage: Food manufacturing

Resource efficiency and waste management

- raw materials used in the food and drink industry are of agricultural origin. Food and drink manufacturers are increasingly acting as bio-refineries, in which agricultural raw materials are separated into a long series of products, comprising not only food but also feed, fertilisers, cosmetics, bio-fuels and others.
- Full raw material utilisation in the food sector increases resource-efficiency and productivity, reduces bio-degradable waste and supports the transition to a bio-based economy (use of renewable resources).
- for remaining waste, manufacturers implement recycling and recovery to reclaim the resources embedded in waste and to minimise waste going to final disposal.

Energy and climate change

Countless food and drink companies are showing genuine leadership in energy and carbon management. This includes voluntarily cutting energy use, fuel switching, investing in energy efficient and low carbon technologies, participating in national or sector energy efficiency schemes, detailed energy audits and feasibility studies.

Water

Access to fresh water is critical for the food and drink industry, both in terms of quantity and quality. Clean water is not only a pre-requisite for agricultural sustainability, it is also an important product, a main ingredient and key processing element.

The challenge for the industry is two-fold:

- first, continuously reduce water consumption in its own processes by improving water efficiency without compromising strict EU food hygiene requirements.
- second, promote the responsible use of water and maintain sustainable water supplies throughout the food chain, including agriculture.

Packaging

As a major user of packaging, the food and drink industry fully recognises its responsibility to reduce the environmental impact of packaging along the life-cycle. At the same time, packaging is essential to ensure food safety and product quality. By avoiding food waste, packaging also protects the environment.

Packaging recycling and recovery is highly successful in the EU. The amount of packaging waste sent for disposal fell by more than 45% between 2000 and 2010.

Sociological trends and changes in life-styles are driving significant changes in the demand for packaged goods. The key challenge lies in the reduction of packaging material, without compromising food integrity, quality and safety, and in ensuring sound recycling and recovery of packaging waste.

3.3 Key areas for current and future action

1. continuous improvement through cooperative action,
2. sustainable Production: Innovating processes and products,
 - a. spreading best practice,
 - b. research and development and innovation,
3. sustainable Consumption: Reducing impacts through environmental education,
 - a. consumers' own impacts.
 - b. consumer information,
4. improving the knowledge-base.

3.4 Results of the research

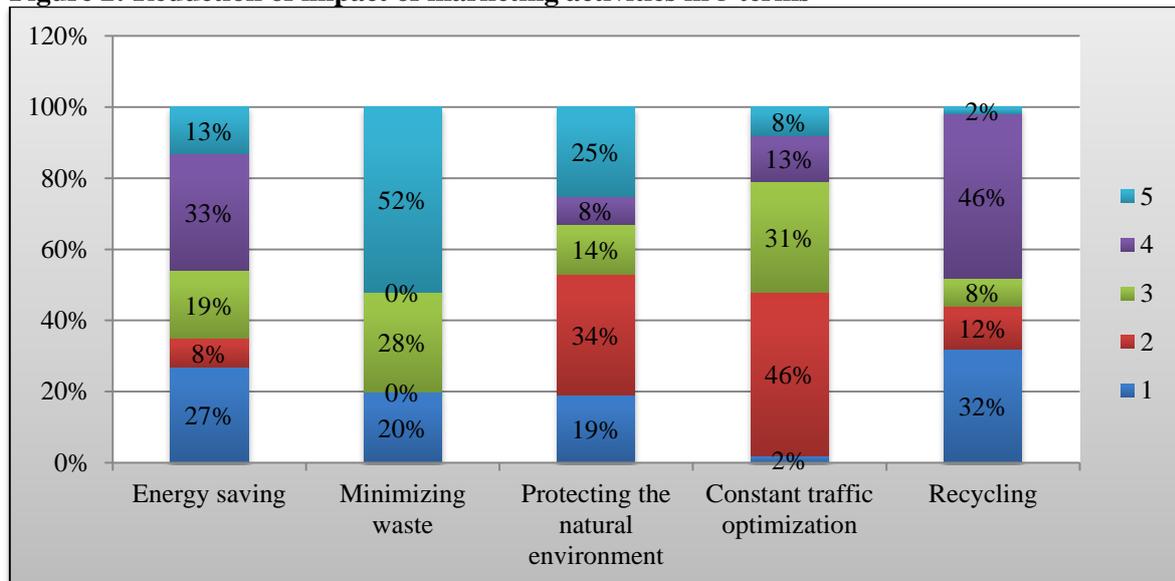
Primary data for meet the objectives of the paper were obtained through marketing research, which was attended by 100 food manufacturing companies in Slovakia. The aim of the first question was to find out in which terms companies effort the most to reduce the impact of their activities respectively the whole enterprise on the environment. (Figure 2). Respondents were asked to indicate with 5 point scale (5 max. – 1 min. importance) the most possible effects on environment during developing new products and services.

This question has been evaluated with the use of Kruskal-Wallis test. There was a statistically significant difference between of selected terms ($H= 27.036$, $p\text{-value}= 0.0000196$).

Minimising waste is the most important factor for 52% of respondents as well as protecting the natural environment for 25 % of respondents. As the second most important factor with 46 % share is recycling.

Constant traffic optimization indicated totally 31 % of respondents as the third most significant reduction in relation to the environment, while only 46% of respondents said it was even less important in relation to the environment. The least important areas in relation to environment up to 32% of respondents indicated recycling and 27 % of respondents marked energy saving. Dependence of individual factors was tested by Kruskal-Wallis test that showed a positive correlation between the various factors affecting the environment.

Figure 2: Reduction of impact of marketing activities in 5 terms



Source: Results of the research

In response to the evaluation of the question regarding to possible effects on the environment within developing new products and services, was subsequently verified the interdependence, respectively the independence between the chosen answer and the size of food company, which has been evaluated with the use of Pearson's chi-square test (Table 1) and Cramer's contingency coefficient (the result of Cramer's contingency coefficient was equal to 0.117139096, what can be interpreted as a weak relationship between tested variables). Based on the results of both mentioned tests, it can be stated, that the H_0 hypothesis must be on the level of significance 5 % rejected and adopted must be the H_1 hypothesis talking about the interdependence between tested variables.

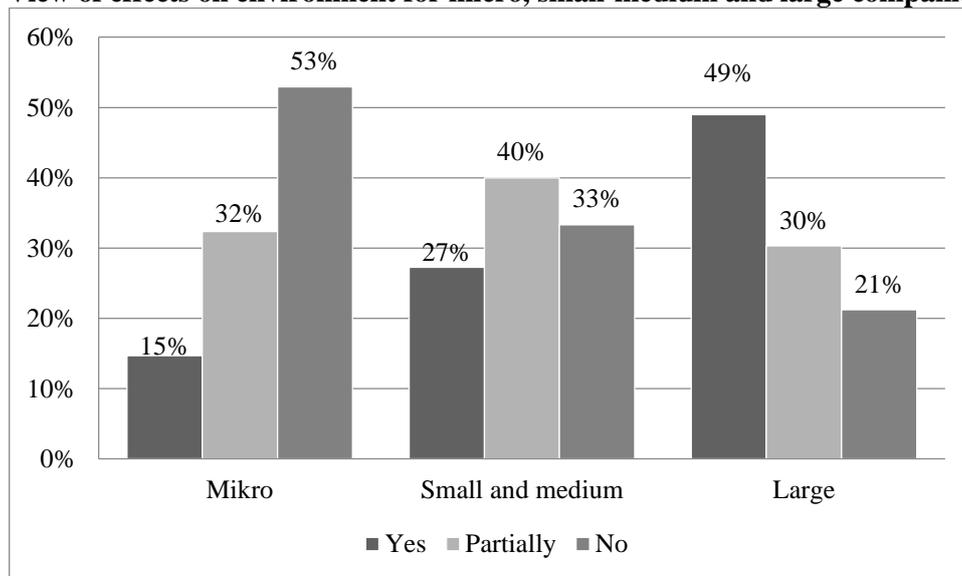
Table 1: The relationship between the possible effects on the environment and the size of company

The size of company	Kinds of answers		
	Yes	Partially	No
Micro	5	11	18
Small and medium	9	13	11
Large	16	10	7
Totals	30	34	36

Source: Results of the research

The relationship between tested variables is also reflected in the Figure 3. The research found, that almost one half (53 %) of micro companies indicated answer no, what means that they do not consider possible effects on the environment. Only 15 % of micro companies consider possible effects and 32 % consider it partially. Compared to large enterprises, answer yes indicated 49% of subjects while micro companies identified this possibility only with 15 % share. Differences in answers for small and medium companies were very small. Majority of SMC indicated with 40 % share that consider possible effects partially. Bigger share (33 %) of SMC respondents indicated that do not consider possible effect on environment than those who consider these effects (with share 27 %).

Figure 3: View of effects on environment for micro, small-medium and large companies



Source: Results of the research

4. Conclusion

Environmental sustainability has inherent benefits for the industry. First, it is the natural environment where the sector's raw materials are grown. It forms the basis for the long-term health and prosperity of the sector. Environmental sustainability also enables companies to remain competitive by reducing resource use and costs. There is a strong business case for efficient management of natural resources. Not least, the industry is fully aware of its social responsibility and is committed to making a positive contribution to society and the natural environment.

Sustainability in the food chain requires shared responsibility among all those involved along the life-cycle. To start with, each player has continuously to improve the environmental performance in his direct sphere of influence. In addition, individual players can help and stimulate other food chain partners to improve their performance affecting the entire food chain.

The dissemination of existing best practice and technology at all stages of the food chain as well as technological development can be expected to deliver significant further environmental improvements in areas such as energy use, greenhouse gases, water, and resource efficiency. In practice, this means that companies that apply environmental aspects in marketing management also try to minimize negative impacts of business on the environment. For entity this brings opportunity to differentiate it from the competitors, become a requested business partner and responsible corporate citizen.

Marketing research demonstrated that the most significant factor in reduction of impact of marketing activities on environment up to 52 % of respondents indicated minimising waste, protecting the natural environment (25 %), energy saving (13 %). The least important areas in relation to environment up to 32 % of respondents indicated recycling and 27 % of respondents marked energy saving.

Subsequently research focused on effects on environment from view of micro, small-medium and large companies. The research confirmed rising trend in positive impact on the environment from micro to large companies. It means the largest contribution to protecting the environment during developing new products and services for large companies.

To address the big challenges of securing smart, green growth on the path towards a greener economy both in Slovakia and globally, further efforts are needed to decouple economic growth from resource use and adverse impacts on the environment. Europe's food industry must ensure, also, that as it addresses these challenges, it does not compromise food safety, quality, nutrition and health, while at the same time, satisfying consumer demand. To meet these objectives, vision for 2030 includes a set of key actions detailing commitments across three core areas:

1. sustainable sourcing,
2. resource efficiency,
3. sustainable consumption and production.

Acknowledgements

This paper was created within the research project VEGA supported by the Ministry of Education, Science, Research and Sport of the Slovak Republic VEGA Corporate Social Responsibility (CSR) of the Slovak Enterprises in the context of Internationalization in Business. Project registration number 1/0044/13.

References

- AMBEC, Stefan – LANOIE, Paul. (2008). Does It Pay to be Green? A Systematic Overview. *Academy of Management Perspectives*, vol. 22, no. 45–62.
- CASTENOW, Dieter. (1993). *New Marketing in der Praxis: vom Produkt- zum Bewusstseinsmarketing*. Düsseldorf: ECON - Verlag. ISBN 9783430117494.
- CIAA - Confederation Of The Food And Drink Industries Of The EU. (2007). *Managing Environmental Sustainability in the European Food & Drink Industries*. Brussels: Les Editions Européennes SA. Retrieved from: http://www.fooddrinkeurope.eu/documents/brochures/brochure_CIAA_envi.pdf
- CIAA - Confederation Of The Food And Drink Industries Of The EU. (2009). *Annual Report*. Brussels: Les Editions Européennes SA. Retrieved from: <http://www.fooddrinkeurope.eu/documents/brochures/annual%20report%20CIAA%2009.pdf>
- HORSKÁ, Elena. – NAGYOVÁ, Ľudmila. (2013). *Marketingové prístupy k udržateľnosti agrosektora na Slovensku*. Nitra: Slovenská poľnohospodárska univerzita. ISBN: 978-80-552-1126-8.
- KU, G. (2008). Learning to de-escalate: The effects of regret in escalation of commitment. *Organizational Behavior and Human Decision Processes*, vol. 105, no.2, pp. 221-232. doi:10.1016/j.obhdp.2007.08.002
- PORTER, Michael E. (1995). Green and Competitive: Ending the Stalemate. *Harvard Business Review* [online]. p. 119-134 [cit. 2015-04-27]. Retrieved from: http://kentlundgren.se/artiklar/vetenskapliga/Porter_Linde_1995.pdf
- VASILOVÁ, Mária - BZDÚŠEK, Ivan. (2011). Zelený marketing ako nový zdroj konkurenčnej výhody v podniku. In: *Aktuálne zdroje zvyšovania konkurencieschopnosti a ziskania udržateľnej konkurenčnej výhody*

podnikateľských subjektov : zborník vedeckých statí. Bratislava: Vydavateľstvo EKONÓM, 2011, s. 12-31.
ISBN 978-80-225-3353-9.

Some Aspects of Customer Relationship Management

Jaroslav Novotný

Dubnica Institute of Technology
Department of Management
Sládkovičova 533/20
Dubnica nad Váhom, Slovakia
e-mail¹: phdr.jn@gmail.com

Abstract

This paper is dealing with CRM (Customer Relationship Management) and its growing importance in area of customer relationships. CRM can be described as a philosophy, strategy or even an approach of the company towards its customers, through which the company tries to distinguish itself from the other brands on the market. The aim of this philosophy is to identify, acquire and maintain customers and to manage interactions with their customers. CRM is helping companies to increase the value of this interaction and thus achieve better economic results. It's a rapidly growing field of marketing, so it is obvious, that CRM has become the business strategy, business philosophy and even a model of corporate culture. It is focused on the selection and management of valuable customer relationships and indispensable support of efficient business and service processes. Decision-making processes, consideration and decision on the introduction of CRM in organizations is the most important phase, which must be based on careful analysis of business processes and the business environment in which the company operates. The main aim of this paper is to characterize the most important aspects of customer relationship management.

Key words: customer, customer relationship management, marketing

JEL classification: M31, M10, L21

1. Introduction

The development of the contemporary world, Czech or Slovak market environment is characterized by fast and radical changes in demands on the enterprises and their products. As the frequency of changes accelerates the enterprises can't rely on their previous approaches if they want to maintain their competitiveness, or "raise its bar". Entrepreneurs and companies were and are exposed to the external economic environment, in fact they are engaged in direct conflict. Only those are able to success whom are able to succeed in the economic competition of an even deeper globalized world market, which is in addition affected by the current economic crisis and threatened by the downfall of the Eurozone. In the given situation, which has resulted in declining demand and rising unemployment, the customer relationship gains on importance. Companies that want to maintain their position on the market, realize more than ever that having a good relationship with the customer is one of the basic assumptions of how to maintain and survive this difficult period.

1.1 The position and role of customers

The position of customers is getting stronger, therefore it is necessary to strengthen the long-term relationship with them by differentiating according to the customer needs and by their "long term value" for the enterprise. Satisfied and loyal customers are the ultimate quality test of the work of individual companies.

The role of customers in the mutual relationship is changing (Moller, 2013). Companies simply can't afford to act on their own as for example develop new goods or change the sales channels without taking the customer interests in consideration. Consumers now have the opportunity to use the Internet, and thus have an overview of the near and distant companies and their offers. They engage in dialogues, found interest groups and are organized on social networks. To

become a customer-oriented company requires a never ending process of management relations that leads the company customers to their satisfaction, is pleasantly surprising and gets their devotion and loyalty.

Most companies are trying to find and apply appropriate tools and methods to their business and marketing processes (Hajdu, Andrejkovič and Mura, 2014). One method that has recently become more important, is the solution of these processes by using Customer Relationship Management. It is a set of tools, methods and measures used to attract clients, to keep them and to develop the relationship between the company and clients.

Knowledge of customers and the market environment are key factors for ensuring success in the market. It is necessary to know to work properly with this information, be able to analyze it, and predict future developments. Typical features of current business relations include the fact, that the customer does not only want the product, but more frequently demands a complete product. This includes the solution to the issue of which the product was purchased. In addition, today's customer is very demanding; expects individual approach, reasonable prices, or the supply of necessary complements, aftercare, etc... Therefore it is necessary to address the customer relationship management intensively and systematically.

As market competition grows, and as it becomes more difficult to acquire new and retain existing customers, the importance of CRM grows proportionally. Understanding the concept of CRM has stabilized in terms of business strategy for the selection and management of valuable customer relationships. CRM is therefore a business philosophy, a customer-oriented corporate culture, which supports the efficient sales and service processes. CRM is the way the company treats its customers, how it maintains customer relationships and how it uses these relationships for the benefit of the customers and its own.

Successful managers including John Mühlfeit, the top manager of Czech Microsoft reported that the foundation of successful sales is a permanent cooperation with the already acquired customers. One of the reasons is the saturation of the market combined with the current economic downturn. It is therefore desirable to literally pamper your customer and anticipate their needs.

Although the current situation is extremely difficult for a lot of companies very difficult, they can in turn benefit from increasing the effectiveness of their business processes and focus on customer relationship management, hence other business partners.

1.2 Definition of CRM

According to (Djukanovič, 2001, p. 8) CRM = Customer Relationship Management means active establishment and maintenance of a long-term beneficial relationships with customers. Communication with customers is yet supported by appropriate technologies. The three main elements of CRM are people, processes and technology. There is a direct link between them and adds a fourth element:

- People (human capital, customers)
- Business Processes (focus, blending)
- Technology(type, scope, consistency, area of use)
- Contents(data, content).

"In order to implement CRM to existing organizational structures skilled personnel, technical equipment, focus on business processes and data management need to be addressed. It is a comprehensive methodology that creates benefiting economically advantageous relationships with customers, with a targeted emphasis on qualified personnel using methods of social psychology, integration and further development of existing technologies as well as the proper orientation of business processes and the exchange of values between the enterprise and the customer." (Djukanovič, 2001, p. 9).

Lehtinen (2007, p. 12) states that the beginnings of customer relationship management within the meaning of Customer Relationship Management (CRM) are associated with the development of marketing. Development and exploration of marketing processes started after the Industrial Revolution, when the mass market production emerged. This market is characterized by the production of cheap goods, which leads to overproduction. These products must be delivered to customers at the lowest possible price. Mass market, however, over the years began to change, becoming more personalized and transformed into direct marketing, where the aim is only one customer (One-to-one). Customer relations brought a lot of knowledge to marketing processes and marketing services and school marketing industry.

Customer Relationship Management or CRM can't be bought in the store as a kit or package of tools that you can install on your computer. CRM can't even be tried out or inspected at an exhibition or fair. This is not a software, call center or interactive web. Most authors, e.g. (Dohnal, 2002), (Chlebovský, 2005), (Wessling, 2003) agree on the fact that CRM is not universal, easy to assemble and executable, because there is no single unified definition of CRM. Customer relationship management can't even be the same for multiple clients. CRM can be described only as a philosophy, strategy or approach of the company to its customers, through which the company distinguishes itself among the other brands on the market. The aim of this philosophy is to identify, acquire and retain customers and to manage interactions with the customers. CRM helps companies increase the value of this interaction and thus achieve better economic results. CRM is not a single, but a continual process of analysis, planning, implementation and monitoring of all activities in the company.

According to (Havlíček – Kašík, 2005), (Lalchandani, 2011) the primary function of CRM systems is the acquisition and subsequent preservation of information about individual customers – particularly not providing such information to third parties and companies, therefore it is necessary to secure these information even in the legislature of particular countries.

CRM systems can be defined as systems supporting the management of the whole customer contact cycle, the effective coordination of customer relationships, customer care. CRM is however primarily a methodology encrypted into the corporate strategy, which is applied to a set of "customer" process, whose goal is to make customer relationships profitable.

2. Material and methods

This paper deals with the interesting area at the border zone of management and marketing, namely customer relationship management. In our environment it is still a relatively new topic, however due to the growing competition on the market it is gaining importance and businesses should proactively engage in it. The aim of the presented paper is to provoke an expertise debate and highlight certain aspects and current trends related to the concept of CRM. The methodology is subordinated to the aim pursued. While drafting the paper it was needed to gather the necessary secondary literature sources that were supplemented by the primary sources based on the author's dissertation thesis.

3. Results and discussion

Customer relationship management in practice includes the procurement of hardware and software, allowing the company to collect similar information about customers that can be used for a more viable targeted marketing. By examining previous transactions and customer demographic and psychographic data, the company learns more about what their customers might be interested in. The Company will then send the specific offers only to those of them who will be probably interested and will most likely be prepared to accept, thus saving the cost of mass marketing. If the business works closely with the data, it may help them to gain more customers and achieve better results with additional and multiple offers.

The means to achieve CRM is to support customer relationship with the use of information technology. Information technology enables to build superior customer relationships. Their current transaction performance is able to handle numerous customers in a short time, each in an individual manner most transactions between suppliers and customers, in-between suppliers and between citizens and the state will have the form of a electronic transactions.

Collection and analysis of customer data is a special feature in large companies such as banks, car manufacturers or giant telecommunications companies. It cannot be accomplished without the use of software tools. Where the number of customers reaches tens of thousands or more, analysts cannot cope without the so-called data to reveal hidden dependencies, patterns and trends based on data that were presented at CRM and similar systems that are carefully collected by de facto each company. Its main aim is the practical usefulness of the information gathered, especially in customer segmentation, i.e. their classification into homogeneous groups according to the relevant purchasing behaviour. It is also used to predict the likely behaviour of customers.

Scott Fletcher, president and COO-Eppipeline sees some connection between the internal processes within the company and the customer relationship management. He states: "... that customer relationship management is a set of ideas across the enterprise together with business processes designed to appeal and retain customers and provide them with quality service. Generally speaking, customer relationship management includes all the processes that have direct contact with customers in marketing, sales and service activities.... "(Dohnal, 2005p. 18). In our opinion, the best description of the principle and sense of customer relationship management was provided by the author of Dohnal (2005, p. 18), works with the following definition of Customer relationship management: "Customer Relationship Management includes personnel, business processes and technology, IS/ ICT in order to maximize customer loyalty and consequently the profitability of the company. It is a part of business strategy and as such becomes a part of the corporate culture. From the technological perspective it ia increasingly using the potential and possibilities of the Internet.

Table 1: **Strategic CRM concept rules**

Rule	Goal of execution	Resulting effect
unification	Unified information at the same time to the customer as well as CRM users.	The company operates externally as a compact unit, saving costs for order management, administration and reduces the occurrence of debt
Integration	Linking CRM with ERP and other enterprise systems, creating a unified database.	Optimal management of all business processes, lower operation costs ,lower costs resulting from the implementation of products / services
replenishment	Regular fulfilment of sales and marketing data, building the CRM knowledge base on the principle of sharing.	Return on investment in CRM and its long-term appreciation, support for business process management and managerial decision
Segmentation	Every customer is principally seen as a separate market segment.	Maximizing profit from specific market segments and maintaining the loyalty of existing customers on the basis of a properly conducted segmentation

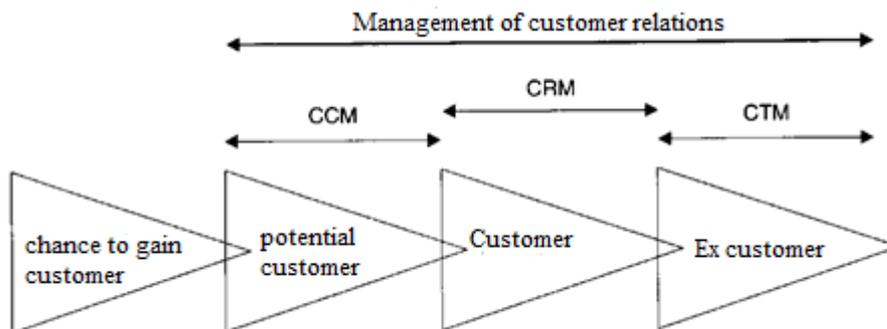
Source: According to Sodomka (2006)

In todays practice, a combination of three types of CRM strategy is being employed (or strategically differentiated CRM according to the customer value for the enterprise). In case of significant customers, the growth rate of individualization and intensity of work with the market rises (Hunter, 2014). The strategy of differentiated customization is feasible for these

customers, while in contrary to mass customization of moderately important customers, and for lesser important the strategy of mass personalization.

Interesting elements of customer relationship management development (Eng. Customer Creation Management, CCM) are the first impression, which have an impact on continuing the relationship with the customers. Great importance has also the management of customer relationships termination (Eng. Customer Termination Management, CTM), where it is important for society to realize that there are negative factors that affect the termination of the relationship with customers, as shown by Lehtinen (2007).

Figure 1: Management of customer relations



Source: According to Lehtinen (2007) and Lošťáková (2009)

The way to achieve the objective of CRM is to change business processes in order to develop and manage the relationship with customers. The prerequisite for companies to establish good relationships with customers is to know who their customers are, their needs and desires, what are their options and purchasing power, and the company ability to meet the wishes and needs of their customers.

In general we can observe three basic approaches to customer relationship management differentiated by the main pillar of orientation, as described by Chlebovský (2005, p. 57):

1. CRM oriented on technologies (importance given to the technologies used by customer relationship management is too high).
2. CRM-oriented on the customer life cycle (based on the four phases of the customer life cycle-attracting, negotiation, service and customer support, strengthening).
3. CRM-oriented on corporate strategy (trying to break free from the shackles of any technology or specific procedures and strategies, it generalizes the procedures in customer relationship management).

Besides CRM also CEM (Customer Experience Management), gets often to the forefront of interest. CEM can be described in other words as the control of the customer experiences. Customer experience begins at the moment of interaction with the company their product or service. Customers recognize their importance, are more critical and demanding. However, they in fact do not have exaggerated wishes. They expect maximum availability, minimum waiting time, expertise, competence and the offer of actual solutions. Furthermore, the customers require one contact centre with a choice of communication channel and they desire that the resolve of their issue is being done within one phone call (i.e. First call resolution).

A well-known fact in client services is that the company spends much more money to acquire a new customer than to maintain the current one. Therefore, contact centres play a significant role in building loyalty. Even here there is a rule, that anyone who understands the need of the customer, he has the upper hand. However, we can't forget that loyalty is hard to obtain, and

contrary it can be lost easily. Therefore, it is necessary to provide the service at a constant high level and continually look for opportunities to improve the quality and efficiency.

The corner-stone of success are thoughtful business processes, stable and modern technological facilities and especially qualified personnel. The last aspect is being often overlooked (Stein Smith Lancioni, 2013). But contact centre agents can greatly contribute to the acquisition, retention or loss of customers.

An indispensable condition for effective management, utilization of human resources and identifying gaps is to have enough information about the current performance of the contact centre. This means that before we optimize anything, we must go through the following steps:

- Definition,
- Measuring,
- Evaluation of relevant performance parameters.

The process itself does not end with optimization, mainly because of the need to monitor the newly set goals, and after a certain time to evaluate the new process. And then it can start over again, but at a qualitatively higher level.

Customer Relationship Management (CRM) is a continuous process of collecting, processing and using information about customers of the company, with the support of database technology. The aim is to identify, understand and anticipate the needs, desires and buying habits of customers and encourage a two-way communication between the company and its customers.

The main aim of CRM are loyal and satisfied customers who contribute to the company's profit mainly in the following ways:

- Basic earnings, which is a common part of every business transaction;
- Increasing sales, which originates from selling complementary products or e.g.;
- Reduced costs, which decrease in connection with the fact that long-term customers are well informed about offered products and do not require such frequent and intensive support in their decision-making;
- Recommendation works in the event that an existing customer will recommend products to others, potential customers. Costs of acquiring these new customers are therefore minimal;
- Special price which the customers are willing to pay if they get the product according to their individual preferences. Moreover, that they have secured the quality and the special care that matches a long term and satisfied business partner.

CRM implementation has a number of demonstrable advantages that are defined by SPSS Research (2010):

- Satisfied customer is not considering leaving to the competition
- Product development can be defined according to the actual needs of customers,
- The rapid increase in the quality of products and services,
- Optimization of the customer communication costs,
- The right choice of communication tools also affects other marketing tools.

However, we must not omit the fact that customer relationship management represents a kind of methodology transformed into a corporate strategy that is implemented through various business processes. The result of these processes for the company is a profitable relationship with the customers. Technology of managing customer relations and customer relationship management starts with the gathering of customer data (data warehouse) and is followed by a detailed analysis and transformation of these data into information (using BI and analytical management of customer relationship).

Results of analyses are then used for effective customer relationship management (operational customer relationship management) and are being used by various distribution and communication channels (collaborative customer relationship management).

A quality CRM system enables to obtain extensive information from data about products, services, customers, etc., that are useful for strengthening and building the confidence of the customer to the bank. All data in it should be combined and analysed on a single desktop, and the results should be presented in such ways that allows for example, customer segmentation and profiling for direct campaign targeted onto the most appropriate audience. The results area more targeted marketing (which means a higher ROI), increased customer loyalty, improved understanding of the products lifecycle, and many other factors that contribute to better competitiveness.

In today's highly competitive environment the approach to communication with clients and finding ways to meet their individual needs is just the way that may distinguish the company from its competition. Companies that want to succeed in this environment must navigate their way of doing business in a new direction. The companies do not just manage their products, but they begin to deal with the management of individual customer relations. The reasons for this orientation are more than obvious-it is the customer who feeds every business. His or hers value does not lie in a single sale, but in a unique long-term relationship with him that the company is looking to establish.

4. Conclusion

The concept of CRM requires the specification of activity areas for which is this concept intended to be used. We begin with an assumption that it is advantageous to apply a universal, general concept of CRM, however it is more effective to develop a specific concept CRM it for a specific area. Of course, this is not intended to question the validity of universal ideas CRM concept. This given specification of the environment within which the CRM concept is being used consists mainly in the extraction of essential factors that are crucial for the effective application of CRM.

The concept of CRM is a flexible system and this fact requires the regular gathering of customer feedback in half-year cycles for example. Information obtained from the feedbacks allows to modify various aspects of the CRM concept, depending on how the customer environments develops, but also taking the regional market specifics into consideration.

CRM system can be used effectively even when dealing with unexpected situations in managerial and leading structures of the organization. It is obvious that if organization has defined and processed, both general and specific procedures within the CRM concept, managers can much more effectively handle different situations, if they occur.

A separate issue is deciding whether the CRM system suggestion, selection and training of people for this system will be implemented by the company itself, or these actions are going to be entrusted to a specialized company. Addressing this issue is closely related to the specific conditions of the company and therefore we believe that it is not possible to unambiguously declare the one and only best solution.

Acknowledgement

The submitted article is part of the VEGA project No. 1/0381/13 "Evaluation of the innovation potential of the business network in the early stages of their functioning", and is funded by the Ministry of Education, Science, Research and Sport of the Slovak Republic.

References

- Chlebovský, V. (2005). *CRM – Řízení vztahů se zákazníky*. Brno: Computer Press. ISBN 80-251-0798-1
- Djukanovič, D. (2001). Nároky trhu na management vztahů se zákazníky. Malá encyklopedie CRM. Zvláštní příloha časopisu *Convergence*. ISSN 1214-5785
- Dohnal, J. *Řízení vztahů se zákazníky: Procesy, pracovníci, technologie*. Praha: Grada Publishing a. s., 2002. ISBN 80-247-0401-3
- Hajdu, Z., Andrejkovič, M., Mura, L. (2014). Utilizing experiments designed results during error identification

- and improvement of business processes. *Acta Polytechnica Hungarica*. 11 (2), 149-166. doi: 10.12700/APH.11.02.2014.02.9
- Havlíček, K., Kašík, M. (2005). *Marketingové řízení malých a středních podniků*. Praha : Management Press. ISBN 80-7261-120-8.
- Hunter, G. K. (2014) Customer business development: identifying and responding to buyer-implied information preferences. *Industrial marketing management*.43 (7), pp. 1204-1215
- Lehtinen, J. (2007). *Aktivní CRM – Řízení vztahů se zákazníky*. Praha: Grada Publishing. ISBN 978-80-247-1814-9
- Lošťáková, H. (2009). *Diferencované řízení vztahů se zákazníky: Moderní strategie růstu výkonnosti podniku*. Praha: Grada Publishing a.s. ISBN 978-80-247-3155-1
- Moller, K. (2013.) Theory map of business marketing: Relationships and networks perspectives. *Industrial Marketing Management*. 42 (3) SI pp. 324-335
- Novotný, J. (2013). *Instrumentarium CRM na trhu výherní techniky* (Doctoral dissertation). Prešov: Prešovská univerzita,
- SPSS RESEARCH. (2010) [online]. [Cit. 1.12.2011]. Available at <http://www.acrea.cz/press10.htm>.
- Sodomka, P. *Informační systémy v podnikové praxi*. Brno : Computer Press, 2006. ISBN 80-251-1200-4.
- Stein, A. D., Smith, M. F., Lancioni, R. A. (2013). The development and diffusion of customer relationship management (CRM) intelligence in business-to-business environments. *Industrial Marketing Management*. 42 (6), SI pp: 855-861
- WESSLING, H. (2003). *Aktivní vztah k zákazníkům pomocí CRM: Strategie, praktické příklady a scénáře*. Praha: Grada Publishing, 2003. ISBN 80-247-0569-9.

Globalization and competitiveness in the Slovak viticulture

**Mária Šajbidorová, Mária Dobišová, Zuzana Lušňáková,
Veronika Hrdá**

The Slovak University of Agriculture in Nitra
Faculty of Economics and Management, Department of Management
Tr. A. Hlinku 2
Nitra, Slovakia

e-mail: Maria.sajbidorova@uniag.sk, maria.dobisova@uniag.sk, zuzana.lusnakova@uniag.sk,
veronika.hrda@uniag.sk

Abstract

In Slovakia viniculture has noticed a substantial fall as in area as well in production recently. On the other hand still is growing the import of cheap wine, though the domestic producers also raise the export especially more qualitative wines. The wine makers see the main reason in raw stock shortness – grapes and inappropriate system of subsidies. Growers suggest that the wine makers are also responsible for the payoff of grape production by paying low purchasing prices. The ambition of the Slovak wine makers in order to withstand to competition of imported wines is mollification of grape prices.

Keywords: area, competitiveness, globalization, viticulture

JEL Classification: Q17, Q18,

1. Introduction

A decrease of vineyard areas is a result of unfavourable economic situation in agri-resort as a whole. A scarcity of sources for an intensive vine production causes a low production in most companies. The wine producers face several problems with the sales. Low prices of the producers are a proof that this resort is dropping behind.

The foreign agrarian trade in the Slovak Republic has been influenced by the accession to the European Union when we endorsed all the rights and duties of the Common Agricultural Policy. There are specific rules for each agricultural commodity that result from the terms of trade which are the basis of the Common Agricultural Policy of the EU. These rules are connected with the price regulation, production support, production volume as well as import and export stabilization of agricultural products. After the accession to the EU, the foreign market opened and Slovakia, together with other accessing European countries, found herself in a group of agricultural developed countries that had already adjusted to the rules of the CAP.

Developed wine producing countries of the EU such as France, Germany, Italy, Spain, Portugal and many others produce a significant part of grapes production and wine production. The imported wine from the European countries as well as from South America, Australia, South Africa, Argentina, Chile create very strong competitive environment especially as for the price policy. Slovakia also imports wines even from Moldavia, Georgia, California, New Zealand and Mexico.

1.1 Competitiveness

There is no exact, generally known and universally acceptable definition of this expression even approaches to its explanation are various. The reason is that this expression cannot be unambiguously defined. Therefore competitiveness is an expression which cannot be theoretically described.

Elman (2004) states the word competitiveness has its basis in an expression competitive. In the literature this word is defined as ability to compete. It is therefore understood as an ability of a certain subject to compete or rival on the market.

From the previous definitions it is evident that the expression competitiveness cannot be unambiguously determined. According to Blunck (2006) it is important to widen the research of the competitiveness into the following levels:

- company competitiveness – an ability of a company to provide products and services in the same amount or quality or even more effectively and efficiently than relevant competitors,
- sector competitiveness – an ability of companies of a certain country to gain ongoing (sustainable) success against foreign competitors without using substitution tools,
- national competitiveness – an ability of citizens of a selected country to reach high and growing standard of living.

Pokrivčák (2004) says that competitiveness is widely understood and complex conception. Thus it is an indicator of an ability to supply a product or service on a specific place, in a specific form and in a specific time to the buyers and simultaneously for the similar or lower prices than potential suppliers, whereas at least opportunity costs are achieved.

Stehlo (2004) defines international competitiveness of a country as an ability to take part in a competition by producing and exchanging products and services and therefore to increase the standard of living. In other words a criterion of competitiveness is an effective participation at an international competition.

1.1.1 Competitive and comparative advantage

Competitiveness is closely connected with comparative advantage. Comparative advantage theory was first defined by David Ricardo. This theory says that a country (economy) is specialized in production of products for which it achieves higher comparative advantage than a partner country. In my opinion, every country should specialize its production in products that can be produced for significantly lower costs and focus on sectors that dispose of comparative advantages.

Gregorová (2005) says that to measure competitiveness and comparative advantage in agriculture there were many approaches created. Some of them measure competitiveness and comparative advantage directly by using economic models which detect the interaction of domestic sources, production technologies, demand of the product and government interventions.

According to the Ministry of Economy of the Slovak Republic (2009) innovative activities such as the results of research and development in general are similar in the EU as well as in Slovakia, and they propel the economy development, develop possibilities of future competitiveness in the form of new knowledge and increase effectiveness of economy. The states that invested more financial sources into these activities in the past are nowadays economically more developed and they multiply the effect which was put into science and technology. The Slovak Republic cannot go different way. We can say that the most successful competitive economies based their economic growth on innovative activity and by their level of technological development they are coming closer to the edge of technological possibilities, as Fífeková (2006) states. She also says that an ability of economy to increase its innovative efficiency is defined as a technological preparedness of the given economy. This preparedness consists of individual parts of technological development of the country:

- technological capacity (expenditures for science and research, technological openness, technological autonomy),
- qualitative factor supply (scientist and technicians, scientific – research institutes, scientific – technical cooperation, transfer technologies),
- government policy (support of science and research, technology acquisition).

1.2 Globalization

According to Podolák (2004) globalization of international trade eliminates trade barriers, increases trade efficiency, continuously forms sector and foreign trade structure. Globalization together with New economy shift the old-fashioned methodology of national- commodity competitiveness and its comparative advantage of domestic inputs and outputs to more objective comparative advantage of comparable commodities of world competitiveness.

Steger (2013) summarizes ideas of major sociologists and highlights main characteristics of globalisation:

1. Globalisation is a set of processes of social change.

One of the processes central to globalisation is de-territorialization. (De-territorialization turns the world into a single space. It manifests itself in all aspects of life; e.g. in communication – electronic devices, environmental problems, finance, media, terrorism, religious fundamentalism, diseases, wars, etc.)

Globalisation involves stretching or extension of human activities and relations across the globe. (Events in a distant part of the globe can intensively affect lives of people that are not personally present during the event, e.g. the effect of 9/11 on Muslim community in Brno.)

Globalization speeds up human activities and relations. (Technologies in transportation and communication allowed diffusion of material goods, money and people who took their ideas with them.)

Globalization raises awareness of living in a single global space (e.g. environmental issues)

Globalization involves specific impacts on different societies and produces winners and losers (interconnectedness).

Each point deals with different specification (economy, ecology, communication), but the direct linkage on each other is indisputable.

The last of the mentioned, i.e. interconnectedness is the reason why some experts praise and others imprecate globalism. It is the most discussed feature of globalized world and deserves to be mentioned further.

Fast social changes resulted in what we call globalized world. Technology, institutions, ideas and values are the major factors of acceleration in changes towards a world where historical and geographical differentiations are becoming increasingly irrelevant states Monnier (2009).

2. Data and Methods

A significant part of the literature was received from the vocational literature, web pages and personally by structure interviews with the managers of companies producing wine.

In the paper the following methods will be used:

Analysis helps us to distribute the whole into individual parts and therefore deeply penetrate into researched phenomenon and highlight its main parts and indicators that influence the given phenomenon.

Synthesis helps us to summarize the facts received from the analysis and elaborate recommendations to improve the future existence. By analysis and synthesis we quantify competitiveness of the Slovak viticulture.

Comparison helps us to find out how the position of individual factors changed in a certain time and place and how the factor changed itself in general. Within the elaboration and assessment of received data we use an index analysis with which we evaluate individual development trends.

Competitiveness and its aspects of comparative advantage are very important indicators especially because the long- term low efficiency of foreign trade including agricultural trade of the SR reflects high export difficulties of industrial and food raw materials and often even

imported foodstuffs with a high added value. The Slovak competitiveness is kept by using cost and price competitiveness (low costs, low prices, less sophisticated products).

Comparative Price Level (CPL)

$$\text{CPL} = \frac{Pd}{Pf}$$

where:

Pd- product price of a domestic producer in SR

Pf- product price of foreign producers out of SR

if:

- $\text{CPL} \leq 1,15$ price competitiveness on a domestic market
- $\text{CPL} \leq 0,85$ price competitiveness on a foreign market

3. Results and Discussion

Current situation in viniculture and viticulture industry is rather complicated, even though Slovakia has come to some positive conclusions:

- new legislative has been adopted about viniculture and viticulture by which the new principles have been adopted to make the process of wine production and wine control more effective. By accepting this legislative Slovakia succeeded in conforming the conditions with those of the EU,
- after privatization of wine producing companies a new competitive environment was created; it enabled the individual producers to significantly widen their production range,
- looking for quality and increase of wine supply of better quality contributed to higher competitiveness of our producers on foreign market.

In 2007 the European Commission accepted a proposal of radical reform for wine market. The objective is to eliminate vineyards on the area of 200 000 ha, to forbid sweetening of wine by beet sugar, to change and simplify marking of wines. According to the rules, the table wines will not contain geographical sign, quality wines will be labelled by the region of its origin and only the most quality wines with attributes will be labelled with a protection label of its origin. Even though, wine makers and wine producers in Slovakia are worried that this reform will lead to a decrease of vineyard areas. As most wine growers rent the vineyards to produce wine, they are worried that the owners of the vineyards will rather prefer a disposable high subsidy than a monthly rent.

Evaluation of competitiveness of the Slovak table bottled wines by CPL index

Comparative price level index (CPL) enables us to determine price competitiveness of a selected commodity, in our case it is competitiveness of the Slovak table white and red wines. In tables 1 and 2 we can see calculated CPL index of selected table wines in the period from 2009 to 2014.

Table 1: Calculated CPL index of white table wines

Index	Years					
	2009	2010	2011	2012	2013	2014
CPL (SR/CR)	0,89	0,93	0,98	0,95	0,80	1,10
CPL (SR/HR)	1,85	2,13	2,44	2,95	2,30	2,93

Source: own calculation, 2015

Table 2: Calculated CPL index of red table wines

Index	Years					
	2009	2010	2011	2012	2013	2014
CPL (SR/CR)	0,89	0,93	0,98	0,95	0,88	1,10
CPL (SR/HR)	1,85	2,13	2,44	2,95	2,22	2,40

Source: own calculation, 2015

Trend of the development of competitiveness of table white and red wines can be seen in tables 1 and 2. From the graphs it is clear that the development in Slovakia has had mostly decreasing tendency in comparison with the Czech Republic. We can therefore proclaim that the Slovak white and red wines are competitive in comparison with the Czech Republic. As for the comparison with Hungary the trend is sharply growing. As CPL index SR/MR was 2,93 in 2014 it is evident that the Slovak table wines would not be competitive on a Hungarian market.

4. Conclusion

The main objective of the paper was to evaluate competitiveness of viticulture in Slovakia using the CPL index.

To reach the given objective we researched the distribution prices. The research was done within bottled table white and red wine in Slovakia, the Czech Republic and Hungary.

By calculating CPL index we resulted in conclusion that the Slovak table white and red wines are competitive on the Czech market. On the contrary, the distribution prices of table white and red wine in Hungary are incomparably lower than in Slovakia and therefore the Slovak table white and red wine would not be competitive on the Hungarian market.

Acknowledgements

This paper was created within the research project VEGA supported by the Ministry of Education, Science, Research and Sport of the Slovak Republic VEGA Corporate Social Responsibility (CSR) of the Slovak Enterprises in the context of Internationalization in Business. Project registration number 1/0044/13.

References

- BLUNCK, F. (2006) What is competitiveness?, [online] [cit. 2013- 3 - 13]. Available at WWW: <http://www.competitiveness.org/article/articleview/774/1/32/>
- FIFEKOVÁ, E. (2006). Kvalitatívna náročnosť slovenskej ekonomiky. In: Nová ekonomika –Vedecký časopis Obchodnej fakulty Ekonomickej univerzity v Bratislave. Nové Zámky: SECOS, roč. 5, no. 3 (september 2006),p. 33-38. ISSN 1336-1732
- GREGOROVÁ, Z. (2002). Súčasná situácia v odvetví vinohradníctva a vinárstva na Slovensku a prognózovaný vývoj do roku 2005. In: Medzinárodné vedecké dni (Zborník vedeckých prác 1.). 2002. p. 80- 84 ISBN 80-8069-027-8
- MH SR. (2006). Inovačná stratégia pre SR na roky 2006-2013, marec 2006 [online] [quoted 2013-5-17]. Available at WWW: <http://www.economy.gov.sk/pk/128-2006-1000/ma.htm>
- MONNIER, A. (2009). Globalization and Security. Praeger Security International. Santa Barbara, California. 2009. ISBN 978-0-275-99696-3
- PODOLÁK, A. (2007). Medzinárodný obchod a formovanie agroobchodnej politiky. Nitra: SPU, 2007. 215 p. ISBN 978-80-8069-863-8
- PODOLÁK, A. (2002). Vplyv globalizácie na zahraničný obchod SR. In: Medzinárodné vedecké dni 2002. p. 1 168-1 170. ISBN 80-8069-030-8
- STEGER, M. (2013). Globalization: A very short introduction. Oxford University Press in the UK. 2013. 86 p. ISBN 978-0-19-966266-1
- STEHLIO, P. (2003). Spoločná organizácia trhu EÚ s ovocím a zeleninou. In.: Príručka o SPP. SPPK Bratislava, 2003. 176 p. ISBN 80-7139-098-4

The Current Situation in the Slovak Vegetables Production and its Competitiveness

Dušan Šimo¹, Ladislav Mura²

University of Ss. Cyril and Methodius^{1,2}

Faculty of Social Sciences

Nám. J. Herdu 2

Trnava, Slovakia

e-mail^{1,2}: dusan.simo@ucm.sk, ladislav.mura@gmail.com

Abstract

The Slovak tradition of growing vegetables is very rich. Growing vegetables always needs qualified personnel employed in the vegetables production, suitable climate and soil. The amount of the vegetables grown has been decreasing. There is an increasing interim tendency to import vegetables. The quantitative research is focused on the current condition in the production of selected sorts of vegetables, vegetables consumption, export and import of vegetables while applying the indicators RCA, RCA 1, RCA 2, RMA, RXA and RTA. The results gained in the research indicate a comparative disadvantage; Slovakia has a very low competitiveness if compared to the other EU countries. The Slovak population is supplied with healthy vegetables imported from other European countries. The import has an increasing tendency. The unemployment rate in Slovak rural regions can decrease due to some revitalization of plant and food production. The process is conditioned by designing efficient economic, legislative directives, by applying technology and effective genetic material that can make the domestic tradition of growing qualitative vegetables active.

Keywords: production and consumption, RCA, RCA 1, vegetables

JEL Classification: D24, Q02, Q13

1. Introduction

From the point of view of the European marketing Slovak companies in the sector of agriculture and food production have a disadvantageous competitive position. Diverse characteristics of landscape and climate, tradition of growing plants, national culture and other social and technological issues have impact on the results gained in the Slovak plant production.

The Slovak national agricultural and food trade has decreased especially in the plant and fruit production. The fruit and vegetables grown in the country on a lower scale have been replaced by large amounts of fruit and vegetables imported from the EU countries.

The research carried out in the field of the Slovak vegetables production is, at the same time, a current issue discussed by the central government and Slovak enterprises. The specialists dealing with the above mentioned issue present their opinion that the Slovak Republic has a good soil and a suitable climate and tradition of growing vegetables. Although there are a large number of unemployed people living in rural areas, the supply of vegetables and fruit grown in the country is very low at the national market.

2. Objectives and methodology

Vegetables as a part of everyday diet cannot be replaced by any other food. The promotion made by Public Health Organizations aims at qualitative vegetable consumption and healthy diet applied since the teen-age. Although the promotion is based on rational principles, the domestic vegetable supply has had a decreasing tendency. The national production has been replaced by the European import.

The main objectives of the paper are to identify the current situation in growing vegetables, especially the main commodities grown in the mild climate and to assess the competitiveness

of the national production and the production of the EU countries. To achieve the key objectives of the paper following secondary objectives are set up:

- Assessing the current situation in the vegetable production and consumption at the domestic market;
- Slovak foreign trade with selected commodities and the Slovak competitiveness within the vegetable production;
- Designing recommendations how to diminish the bad results in the domestic vegetable production and supply.

To achieve the above mentioned chief and supporting goals while working on individual tasks, following methodology is applied.

The most common commodities at the Slovak market represent the subject of our research. Assessing the Slovak commodities the attention is focused on following items: 0702 Tomatoes, 0703 Onion, garlic, leek; 0704 Cabbage, cauliflower, Brussels sprouts; 0706 Carrot; 0707 Cucumber; 0709 Other sorts of vegetable; 0710 Vegetables cooked and frozen. Achieving partial and supporting goals and calculating the amount of the vegetable supply per capita are conditioned by the number of the Slovak population in given years. The data and the number of population are offered by the Slovak Office of Statistics. The population in 2006 was 5,393,637; in 2007 - 5,400,998; in 2008 the population amounted 5,412,254; in 2009 it was 5,424,925; in 2010 it was 5,435,273, in 2011 – 5,404,322; and in 2012 the Slovak population was 5,410,836. The data needed and discussed in the paper are offered by the Eurostat and other resources listed in the bibliography. The research was carried out during the years 2006 till 2012.

The methods of analysis and benchmarking are employed to assess the current condition in the vegetable production and foreign trade in Slovakia.

The competitiveness of an aggregated group of vegetables is assessed by means of indexes and data on the Slovak foreign trade and European trade in agriculture. Discussing the foreign trade, following indicators on foreign trade in the European Union countries are applied.

The indicator of Revealed Comparative Advantages (RCA)

$$RCA = \ln [(x:m)/(X:M)] \quad (1)$$

where: x – the value of the export of selected commodities of vegetables,
 m – The value of imported commodities of vegetables
 X – The total agricultural and food export in Slovakia,
 M – The total agricultural and food import in Slovakia.

The interpretation, if: the indicator RCA is > 0 – the commodity has a comparative advantage;

The indicator RCA is < 0 – the commodity has a comparative disadvantage;

The indicator RCA is = 0 – there is neither comparative advantage nor disadvantage.

If Slovakia is an entire receiver (importer) of a selected commodity, the charts give the symbol „D“, if Slovakia is the entire exporter the symbol „V“ is used and if the commodity has not been traded, the symbol „...“ is applied.

The Index of Competitiveness Growth (RCA 1)

$$RCA 1 = [(X_{ij}: X_i)] / [(X_j: X)] \quad (2)$$

Where: X_{ij} – export in the country „i“ in the commodity group „j“,
 X_i – The total export in agriculture and food production of the country „i“,
 X_j – The European export in the commodity „j“,
 X – Total European export in agriculture and food industry.

The interpretation.: RCA 1 is > 1, the country in the given commodity (sector) has revealed comparative advantages

RCA 1 is < 1; the country has a comparative disadvantage

RCA 1 equals 1; neutral competitiveness does not imply either advantage or disadvantage.

The index of pure trade effectiveness (RCA 2)

$$RCA\ 2 = \frac{(X_{ij} - M_{ij})}{(X_{ij} + M_{ij})}, (3)$$

where: X_{ij} – represents the export of the country „i“ in the commodity „j“;
 M_{ij} – stands for the import of the country „i“ in the commodity „j“.

The values of the index vary from -1 to +1. From -1 starts comparative disadvantage, up to +1 there is comparative advantage.

The interpretation: RCA 2 is equal to -1, no export (comparative disadvantages are implied);
 RCA 2 equals = +1, no import (revealed comparative advantage is implied);

If the value of export equals the value of import, then the index RCA 2 is equal to zero.

The Indicator of Relative Import Penetration (RMA)

$$RMA_{ij} = \frac{[M_{ij}/\sum M_{il}]}{[\sum M_{kj}/M_{kl}]} (4)$$

Where: M_{ij} – import of the researched commodity „i“ from the country „j“;
 $\sum M_{il}$ – sum of imports of the commodity „i“ from all European countries, except for the given country „j“;

$\sum M_{kj}$ – total import of commodities except for the commodity „i“ from the given country „j“;

$\sum \sum M_{kl}$ – a sum of all imported commodities except for the researched commodity „i“ from all European countries except for the given country „j“.

The Indicator of Relative Export Advantage (RXA)

$$RXA_{ij} = \frac{[X_{ij}/\sum X_{il}]}{[\sum X_{kj}/\sum \sum X_{kl}]} (5)$$

Where: X_{ij} – export of the researched commodity from the given country;
 $\sum X_{il}$ – sum of exports of the researched commodity to all European countries except the given country;

$\sum X_{kj}$ – sum of all exported commodities except for the researched commodity to the given country;

$\sum \sum X_{kl}$ – sum of all exported commodities except for the researched commodity to all European countries except the given country.

The indicator of relative trade advantage (RTA), the indicator RTA is more complex than the indices RXA and RMA, as it implies export and import and represents the difference between RXA and RMA

$$RTA_{ij} = RXA_{ij} - RMA_{ij} (6)$$

Based on the above mentioned indicators competitiveness is assessed as it follows:

The interpretation: $RXA > 1$ and $RTA > 0$, then competitiveness exists, it can be observed.
 $RMA > 1$ and $RTA < 0$, then there is no competitiveness.

The research results into a synthesis with real recommendations how to paralyse the current situation in the sector of vegetable production in Slovakia.

3. Results and Discussion

The European market with the vegetables supply and demand is conditioned by some objective and subjective factors. Among objective factors and the key roles conditions suitable for

vegetable growing, climate and soil, also genetic materials, machines, technology, effective agro-chemical compositions and environment-friendly and protecting devices and also many others can be ranked. Subjective factors are based on rational items such as human resources, managers, marketing approaches affiliated with entering the European market effectively. The quality of products and reasonable price match the demand and the position at the market play a key role at the market. Supply and demand at a market form a strong competitive situation, in which enterprises offer competitive products.

3.1 Assessing the current situation in vegetable production and sales at the domestic market

Data about **harvested area of vegetables** belong to the useful information in the process of assessing the production. The data are usually gathered with difficulties as also small vegetable growers in the term of self-suppliers belong to the group offering the data. Table 1 gives the data on harvested areas of selected sorts of vegetables. The data comprises also the data estimated on Slovak small growers. In years 2006 – 2012 some changes can be seen in commodities cauliflower and broccoli – minus 30.7 %; Savoy cabbage and Brussels sprout: minus 29.6% and garlic: minus 13.7%. In this period of years the size of harvested area is larger by 5.2% only with the commodity kohlrabi. The harvested area has decreased by -2.1% of the index point in 2006 – 2012.

Table 1: Harvested Area, Selected Sorts of Vegetables including small vegetables growers in Slovakia - hectare

Commodity	Year							Index change in % 2012/2006
	2006	2007	2008	2009	2010	2011	2012	
Cabbage – total	4 894	4 363	4270	4 142	4 122	4 150	4 530	-7.4
Tomatoes - total	3 302	3 111	2936	2 922	2 703	2 929	2 958	-10.4
Onion	2 422	2 402	2346	2 188	2 370	2 369	2 255	-6.9
Green pepper	2 219	2 119	2067	2 084	2 053	1 998	1 971	-11.2
Carrot and Carrots	2 792	2 568	2562	2 494	2 454	2 393	2 500	-10.4
Gherkins pickled.	1355	1 243	1213	1 198	1 192	1 177	1304	-3.8
Cucumber	992	1 006	978	981	1 027	983	961	-3.1
Cauliflower and broccoli	1 104	1 035	998	970	1 048	1 031	765	-30.7
Savoy Cabbage and Brussels sprouts	995	987	990	984	989	984	700	-29.6
Kohlrabi	1 127	1 144	1177	1 179	1 181	1 189	1 186	5.2
Parsley	1155	1 052	1022	1 016	1 116	1 113	1132	-2.0
Garlic	614	625	529	526	523	544	530	-13.7
Vegetables totally	29 795	28 870	28426	28 547	30 559	30 334	29 164	-2.1

Source: MPRV SR (2006, 2012), own calculations; Meravá, E.:2013 ZeleninaSitučná a výhľadová správa k 31.12.2012. MPRV SR, ISSN 1338-8010, own calculations

All the factors such as climate and the weather, especially temperature, watering during the growing season (rain or irrigation water), nutrients, protection of plants against diseases and pests have impact on **Vegetables Production** during the searched period. There are also some other factors that have impact the harvest. Amounts of selected sorts of vegetables are given in Table2. The data comprise also the estimated data on Slovak small growers.

Table 2: Production of selected sorts of vegetables including data on Slovak small growers (in t)

Commodity	Year							Index of change in % 2012/06
	2006	2007	2008	2009	2010	2011	2012	
Cabbage - total	65 533	53 399	54 838	50 188	46 712	47 563	48 357	-26.1
Tomatoes - total	62 952	55 154	56 586	51 883	36 457	45 076	44 393	-29.5
Onion	26 902	22 662	28 544	26 394	28 222	35 157	33 328	23.9
Green Pepper	28 616	26 653	59 580	26 238	23 584	25 777	27 691	-3.2
Carrot and Carrots	37 828	31 817	37 155	35 654	34 879	35 044	32 560	-13.9
Gherkins	15 093	12 880	12 120	12 111	11 710	11 815	12 184	-19.3
Cucumber	16 945	14 756	15 235	15 795	15 608	16 560	18 373	8.4
Cauliflower and Broccoli.	12 239	11 452	10 773	10 581	6 820	7 327	9 499	-22.4
Savoy cabbage and Brussels sprouts	9,595	9 412	9 190	9 295	7 761	7 729	5549	-42.2
Kohlrabi	12 564	12 395	13 703	13 740	11 723	12 033	11 007	-12.4
Parsley	12 643	8 258	9 761	8 627	8 204	9 241	12051	-4.7
Garlic	2612	2 772	2 129	2 121	2 141	2 307	2 239	-14.3
Total	351 526	307 756	332 954	312 084	284 429	314 855	310148	-11.8

Source: MPRV SR (2006, 2012), own calculations; Meravá, E.:2013 ZeleninaSituačná a výhľadováspráva k 31.12.2012. VÚEPP Bratislava, ISSN 1338-8010, own calculations

The data given in Table 2 show a drop in production of vegetables except for the commodity “onion” – 23.9% and “cucumbers” – 8.4% of the index point. A drop in production is clearly seen in the commodity Savoy cabbage: -42.2%, tomatoes: -29.5%, cabbage: -26.1% cauliflowers: - 22.4% and gherkins: - 19.3% of the index point. Similar situation is observed also in the countries where the vegetables production reaches the top position in the EU. The top position in growing vegetables is taken by Italy producing 13,972 thousand tons, followed by Spain 90,804, France: 6,786, Poland 5,201, Netherlands 4,742 and Germany 3,290 thousand tons in 2010.

Table 3: Vegetables Production per capita including estimated amounts of small growers (in kilograms)

Commodity	Year							Index change in % 2012/06
	2006	2007	2008	2009	2010	2011	2012	
Cabbage total	12.15	9.88	10.13	9.25	8.59	8.80	8.94	-26.42
Tomatoes - total	11.67	10.21	10.45	9.56	6.71	8.34	8.20	-29.7
Onion	4.98	4.19	5.37	4.86	5.19	6.50	6.16	23.7
Green Pepper	5.30	4.93	11.00	4.84	4.34	4.77	5.12	-3.4
Carrot and Carrots	7.01	5.89	6.86	6.43	6.42	6.48	6.02	-14.1
Gherkins	2.79	2.38	2.24	2.16	2.15	2.19	2.25	-19.35
Cucumber	3.14	2.73	2.81	2.91	2.87	3.06	3.39	7.9
Cauliflower and Broccoli	2.67	2.12	1.99	1.95	1.25	1.35	1.75	-34.4
Savoy cabbage and Brussels sprouts	1.78	1.74	1.69	1.71	1.43	1.43	1.02	-42.7

Kohlrabi	2.33	2.35	2.53	2.53	2.15	2.23	2.03	12.9
Parsley	2.34	1.53	1.80	1.59	1.51	1.71	2.23	-4.7
Garlic	0.48	0.51	0.39	0.39	0.39	0.42	0.41	-14.6
Vegetables Total	65.17	56.98	61.52	57.53	52.33	58.26	57.32	-11.7

Source: <http://portal.statistics.sk/> own calculations

In addition there is one more item of information: Slovak vegetables production per capita. The indicator represents the share of the most important commodities of vegetables per capita and is of greater importance for readers. Table 3 shows a drop in most commodities up to year 2010. In 2012 the situation is improving and only the commodities “cabbage” and “garlic” have a declining tendency that is proved also by the index change. In 2010 the vegetables production per capita was as it follows: Italy 240, Spain 227, France 112, Poland 135, Netherlands 289 and Germany 40 kg per year. The given amounts significantly go over the Slovak national production.

The vegetables consumption represents the amounts of vegetables and vegetables products consumed in a fresh form and consumption of fresh vegetables. Identifying the amounts of consumed vegetables is a difficult process as there is a variety of commodities offered in a processed and unprocessed or advanced forms by the market. Table 4 gives the vegetables consumption in Slovakia per years. The figures in table 4 show that vegetable consumption is higher than the national production. The difference is balanced by means of importing the vegetables grown in the temperate climate especially the ones that belong to the EU. One must admit that the situation in commodities at the market is satisfying and favourable. Within last six years, Slovak consumers consumed mostly tomatoes 16.4 kilogram, cabbage 14.3 kilogram, carrot – 10.9 and the consumption of other vegetables amounted 10.2. The onion consumption reaches 8.2 kilogram, gherkins and cucumbers 7.9 and green pepper 6.6 kilogram per capita within one year.

Table 4: Vegetables Consumption in Slovakia per capita (in kg)

Commodity	Year							Index change in % 2012/06
	2006	2007	2008	2009	2010	2011	2012	
Cabbage total	15.3	13.4	13.5	14.8	15.9	12.0	15.2	-0.65
Tomatoes - total	14.7	15.2	17.0	17.8	16.7	17.1	18.0	22.44
Onion	8.2	7.2	8.8	8.2	8.8	10.7	8.5	3.65
Green Pepper	6.5	6.1	6.0	6.7	6.5	7.1	7.3	12.30
Carrot and Carrots	9.4	9.9	11.8	11.5	10.4	12.2	11.2	19.14
Gherkins, cucumbers	7.4	7.1	7.7	9.6	7.9	8.0	7.9	6.75
Cauliflower and Broccoli	3.1	3.7	4.5	4.0	2.7	3.5	3.8	22.58
Savoy cabbage and Brussels sprouts	1.1	2.3	1.6	1.4	1.4	1.7	2.2	100.00
Kohlrabi	3.5	3.5	3.8	2.7	2.3	2.6	3.8	8.57
Parsley	2.4	1.7	2.3	2.0	1.7	2.1	2.6	8.33
Garlic	1.2	1.5	1.4	1.2	0.7	0.7	0.8	-33.33
Other vegetables	8.0	8.0	12.0	12.2	10.0	11.9	9.2	15.00
Consumption*	88.0	88.4	100.6	102.5	94.8	100.6	100.9	14.66
Consumption**	68.7	66.4	75.1	71.3	67.0	71.2	69.4	1.02

Where: * Vegetables and vegetable products in a fresh form

** Fresh vegetables consumption

Source: <http://statistics.sk/Produkty/Publikacie/> own calculations

3.2 The Slovak Foreign Trade in Selected Commodities of Vegetables and Competitiveness

The Slovak Foreign Trade tends to be very positive in 2006 – 2012. The balance in 2006 reached minus 2,498 mil €, but in 2012 the balance was positive 3,602 mil. €. In 2006 the foreign trade in agricultural and food commodities export reached the figures 1,778,966 thousand €; the import amounted 2,274,150 thousand €, and a negative balance was reached 495,183 thousand €.

By the end of the period in which the research was carried out – 2012 the export reached a total number 3,773,400 thousand €, with a decisive share of the export into European countries 96.2 %. The import amounted 14,183,000 thousand €, with a share of the EU countries 93.0 %. It can be concluded that the amounts of the import and export into third countries were small. In 2012 the balance was negative -409,600 thousand €. The methodology in the results processing needed also some other supporting data such as:

- The Slovak foreign trade in export of selected vegetable commodities according to the tariff nomenclature in thousand €;
- The Slovak foreign trade in import of selected vegetable commodities according to the tariff nomenclature in thousand €;
- The EU foreign trade in export of selected vegetable commodities according to the tariff nomenclature (in thousand €);
- The EU foreign trade in import of selected vegetable commodities according to the tariff nomenclature (in thousands. €).

Due to the rational approach towards writing the paper the above mentioned supporting data are not given. Competitiveness of the Slovak foreign trade in selected commodities forming a vegetables aggregate according to the index RCA for the EU-27 is described in Table 5.

The Indicator of Revealed Comparative Advantage

The competitiveness of the aggregate 07 – vegetables, the commodity 0701 „Potatoes, fresh, cooled“ Table 5 proves that the commodity values in the researched period are lower than zero. It is proved that the indicator RCA is below 0 and thus the commodities have a comparative disadvantage.

Table 5: Competitiveness of the Slovak foreign trade in selected commodities of the vegetables aggregate according to the index RCA and of the EU countries - 27

Commodity	2006	2007	2008	2009	2010	2011	2012
0702 tomatoes	- 0.71	- 0.63	- 0.65	- 0.81	- 1.34	- 1.84	- 1.32
0703 onion, garlic, leek	- 1.87	- 1.41	- 1.86	- 1.93	- 1.68	- 0.55	- 0.75
0704 cabbage, Savoy cabbage and Brussels sprouts, Cauliflower	- 1.64	- 1.64	- 1.95	- 1.75	- 2.49	- 3.03	- 2.90
0706 carrot	- 1.66	- 2.12	- 2.17	- 2.27	- 2.25	- 1.00	- 1.04
0707 gherkins and cucumbers	- 0.88	- 0.64	- 1.30	- 1.60	- 1.27	- 1.04	- 1.67
0709 other vegetables	- 0.49	- 0.30	- 0.39	- 0.58	- 0.39	- 0.57	- 1.29
0710 vegetables cooked, frozen	- 0.29	- 0.24	- 0.08	- 0.06	- 0.14	- 0.06	- 0.01

Source: Eurostat, own calculations

The Index of Competitiveness Growth RCA 1

The indicator compares the export in the aggregate “vegetables” and the total amount of agricultural and food products exported and the vegetables export of EU-27 and the total export of agricultural and food products of the EU. It defines the comparative advantage or

disadvantage of export and its competitiveness. The values indicating the competitiveness of the Slovak foreign trade in selected aggregate commodities “vegetables” according to the index RCA 1 and the EU countries – 27 are given in Table 6.

Table 6: Competitiveness of the Slovak foreign trade in selected commodities according to the index RCA 1

Commodity	2006	2007	2008	2009	2010	2011	2012
0702 tomatoes	0.59	0.65	0.71	0.63	0.34	0.23	0.32
0703 onion, garlic, leek	0.28	0.39	0.27	0.22	0.28	1.43	1.01
0704 cabbage, Savoy cabbage and Brussels sprout, cauliflower	0.43	0.45	0.37	0.42	0.24	0.13	0.15
0706 carrot	0.61	0.34	0.33	0.27	0.32	0.83	0.73
0707 gherkins, cucumbers	0.46	0.56	0.31	0.33	0.34	0.43	1.47
0709 other vegetables	0.52	0.56	0.56	0.46	0.58	0.63	0.26
0710 vegetables cooked, frozen	0.62	0.65	0.74	0.61	1.08	1.02	0.86

Source: Eurostat, own calculations

Table 6 shows that the results in commodities 0702 “tomatoes” 0704, 0706 carrot and 0709 vegetables boiled and frozen indicate that the index was smaller than 0. The results present that the foreign trade in aggregated commodities in the years 2006 – 2012 is of no competitiveness. In some other commodities the index was higher than 1 during one or two years and thus slight advantage was proved in that year.

The Index of Clear Business Effectiveness (RCA 2)

The indicator is defined as the difference between export and import of commodities and the sum of export and import of the commodity groups. The index assesses the comparative advantage of the export and its competitiveness. The competitiveness of the Slovak foreign trade in selected commodities aggregate „vegetables“ according to the index RCA 2 and the EU countries – 27 is presented in Table 7. The results given in Table 7 have negative values. It can be concluded that the index of the business effectiveness represents comparative disadvantages.

Table 7: Slovak competitiveness of the foreign trade in selected commodities according to RCA 2 and the EU countries - 27

Commodities	2006	2007	2008	2009	2010	2011	2012
0702 tomatoes	-	-	-	-	-	-	-
	0.69	0.62	0.56	0.86	1.02	1.17	0.85
0703 onion, garlic, leek	-	-	-	-	-	-	-
	1.57	1.18	1.29	1.41	1.42	0.86	1.09
0704 cabbage, Savoy cabbage and Brussels sprout, cauliflower	-	-	-	-	-	-	-
	2.23	2.56	2.58	2.67	3.44	2.90	2.86
0706 carrot	-	-	-	-	-	-	-
	2.84	2.77	2.46	2.56	3.05	1.35	1.26
0707 gherkins, cucumbers	-	-	-	-	-	-	-
	0.74	0.61	0.80	1.42	0.89	0.82	7.29
0709 other vegetables	-	-	-	-	-	-	-
	0.38	0.19	0.21	0.49	0.34	0.43	0.62
0710 vegetables cooked, frozen	-	-	-	-	-	-	-
	0.23	0.22	0.03	0.07	0.10	0.15	0.08

Sources: Eurostat, own calculations

Indicator of Relative Import Penetration (RMA) represents the import of the selected commodity from a country and is added to the sum of imports of the selected commodity into all countries, for the sake of our paper - into the EU, except for Slovakia.

Table 8: Competitiveness according to the indicator RMA – comparison to the EU-27

Commodity	2006	2007	2008	2009	2010	2011	2012
0702 tomatoes	1.28	1.27	1.27	1.49	1.36	1.40	1.17
0703 onion, garlic, leek	1.85	1.57	1.57	1.63	1.70	2.31	2.11
0704 cabbage, Savoy cabbage and Brussels sprout, cauliflower	2.66	3.01	2.96	3.09	3.68	3.03	3.01
0706 carrot	3.46	3.10	2.80	2.83	3.37	2.19	1.99
0707 gherkins, cucumber	1.20	1.17	1.11	1.74	1.23	1.25	8.78
0709 other vegetables	0.90	0.74	0.78	0.94	0.91	1.06	0.88
0710 vegetables cooked, frozen	0.85	0.87	0.71	0.68	0.98	0.88	0.79

Source: Eurostat, own calculations

Indicator of Relative Export Advantage (RXA)

It defines the export of the selected commodity from a country added to the sum of exports of the same commodity from all European countries, except the given country, added to the sum of all exported commodities except for the commodity from the given country, added to the sum of all exported commodities except for the given commodity exported from all the EU countries except for the given country. The Slovak foreign trade competitiveness in selected commodities within the aggregate “vegetables” according to the RXA indicator is described and compared to the EU-27 countries in Table 9.

Table 9: Competitiveness of the Slovak foreign trade in selected commodities according to the RXA indicator

Commodity	2006	2007	2008	2009	2010	2011	2012
0702 tomatoes	0.59	0.65	0.71	0.63	0.34	0.23	0.32
0703 onion, garlic, leek	0.28	0.39	0.27	0.22	0.28	1.45	1.02
0704 cabbage, Savoy cabbage and Brussels sprout, cauliflower	0.43	0.45	0.37	0.42	0.24	0.13	0.15
0706 carrot	0.62	0.34	0.33	0.27	0.32	0.84	0.74
0707 gherkins, cucumbers	0.46	0.56	0.31	0.33	0.34	0.43	1.49
0709 other vegetables	0.52	0.55	0.56	0.46	0.57	0.63	0.26
0710 vegetables cooked, frozen	0.62	0.65	0.74	0.61	1.08	1.03	0.87

Source: Eurostat, own calculations

The Indicator of Relative Trade Advantage (RTA) identifies the relation between the indicator of relative export advantage and the indicator of relative import penetration.

Table 10: Competitiveness according to the indicator RTA

Commodity	2006	2007	2008	2009	2010	2011	2012
0702 tomatoes	-	-	-	-	-	-	-
	0.69	0.62	0.56	0.86	1.02	1.17	0.85
0703 onion, garlic, leek	-	-	-	-	-	-	-
	1.57	1.18	1.29	1.41	1.42	0.86	1.09
0704 cabbage, Savoy cabbage and Brussels sprout, cauliflower	-	-	-	-	-	-	-
	2.23	2.56	2.58	2.67	3.44	2.90	2.86
0706 carrot	-	-	-	-	-	-	-
	2.84	2.77	2.46	2.56	3.05	1.35	1.26
0707 gherkins, cucumbers	-	-	-	-	-	-	-
	0.74	0.61	0.80	1.42	0.89	0.82	7.29

0709 other vegetables	-	-	-	-	-	-	-
	0.38	0.19	0.21	0.49	0.34	0.43	0.62
0710 vegetables cooked, frozen	-	-	-	-	-	-	-
	0.23	0.22	0.03	0.07	0.10	0.15	0.08

Source: Eurostat, own calculations

Based on the given indicators competitiveness is assessed in following way:

If $RXA > 1$ and $RTA > 0$, competitiveness exists,

If $RMA > 1$ and $RTA < 0$, competitiveness does not exist.

Quantification of the given indicators proves that the foreign trade in the aggregated group of vegetables during the period 2006-2012 is not competitive.

4. Conclusion

Vegetables production in Slovakia has a long history. Vegetable has been grown in a form of large-scale agricultural production and by members of small horticultural unions and vegetable production has grown in the country in terms of growing vegetables in plastic foil. Significant amounts of vegetables are grown in private gardens and represent the families' supply. Recently retail chain stores have launched the vegetable supply at considerably low prices having impact on the vegetable production in the country. Due to this fact the area under cultivation where vegetables are grown and the amount of vegetable production have been reduced. The decrease in domestic vegetable production is balanced by means of importing vegetables especially from the EU countries. The import has an increasing tendency. Although Slovakia has a sufficient number of qualified and skilled personnel, high unemployment rate, especially in rural areas, suitable climate and weather conditions enabling and supporting growing temperate climate vegetables, a significant amount of vegetable has been still imported.

The Slovak foreign trade was quantified in years 2006 – 2012 applying standardised methodology including indicators and indexes RCA, RCA1, RCA2, RMA, RXA, and RTA. It can be concluded that the Slovak foreign trade in aggregated commodity “vegetable” has a comparative disadvantage and competitiveness does not exist. The paralysing negative condition needs new strategies in marketing and management. The new strategies are to be applied in the field of central government, trade policy, and legislation and in other fields. Agricultural enterprises with a long history of vegetable production are expected to create new conditions so that new technology can be implemented and trading companies and warehouses can be established. The process of revitalizing specialised plant production can increase rural employment rate and also increase the market need of domestic vegetable supply of high quality.

References

- Antošová A., Birčiaková N., Stávková J. (2013). Income aspects of Czech farmers' living conditions. *Agricultural Economics – Czech*. 59 (2013): 262-270
- Gálik J. (2011): Development and efficiency of agri-food foreign trade of the Slovak Republic in the international context. *Agricultural Economics – Czech*. 57, 2011 (1): 41–46
- Grznár M., Szabo E., Jankelová N. (2009). Agrarný sektor SR po vstupe do EU. (Agrarian sector in the SR after admission to the EU.). *Ekonomický časopis*, 57: 903–917.
- Eurostat. *Statistics of Agriculture, forestry and fisheries*. [online]. [Cit.09.12.2014]. Available at http://ec.europa.eu/eurostat/statistics-explained/index.php/Agriculture,_forestry_and_fisheries
- Hambáľková M. (2011). Konkurencieschopnosť agropotravinárskych komodít na trhoch tretích krajín. In: *Konkurencieschopnosť agropotravinárskych podnikov SR na európskom trhu potravín*. Nitra SPU 2011, 130 s. ISBN 978-80-552-0637-0
- Matošková D., Gálik J. (2009). Selected aspects of the internal and external competitiveness of Slovak agri-cultural and food products. *Agricultural Economics – Czech*, 55: 84–93.

- Ministry of Agriculture and Development of Countryside, Bratislava. *Report of Agriculture and Food Industry in the Slovak Republic (2010–2011)*. [online]. [Cit.21.12.2014]. Available at <http://www.mpsr.sk/index.php?navID=47&sID=1111&navID2=1>
- Pokrivčák J., Ciaian P., Kancs A. (2011): Modelling the factor content of agricultural trade. *Agricultural Economics. – Czech*. 57 (2011): 370-383
- Šimo D. Mura L. Žufan P. (2012). Manažment marketing výroby a odbytu zeleniny v podmienkach Slovenskej republiky. *Acta Oeconomica Universitatis Selye*. 2012 1 (2) pp. 185-196
- Šimo D., Rovný P. (2010). *Agrárny marketing*. Nitra: SPU, 2010, 279 p. ISBN 978-80-552-0472-7

Analysis of Gambia Groundnut Export Competitiveness

Aliou GIBBA^{1*}, Jozsef MOLNAR^{2*}

¹PhD Candidate, ²Professor and Academic Supervisor
Doctoral School of Management & Business Administration
Szent Istvan University, Godollo, Hungary.

H-2100 Godollo, Pater Karoly u. 1. Hungary

* Corresponding Author's email: agibba1@gmail.com Fax: +3628410804

Abstract

Declining agricultural growth and productivity has been identified as one of the major determinants of poverty in The Gambia. Reversing this trend is no doubt an immediate development challenge for The Gambia. Addressing this challenge requires knowledge of what drives agricultural growth and productivity as well as groundnut export competitiveness and sustainability.

This paper presents an analysis about export competitiveness of Gambia groundnuts as well as the revitalization and development strategies for the groundnut sector. A special emphasis is laid on the barriers and problems which hinder the components of sustainability and competitiveness of the sub-sector. Finally, some concrete steps and strategies which may have to be undertaken in order to allow the groundnut sub-industry to better integrate and develop the growth sustainability and competitiveness, are outlined.

Keywords: *barriers, export competitiveness, groundnut, productivity, revitalization, sustainability, The Gambia*

JEL Classification: *D24, Q02, Q13*

1. Introduction

Since 2009, the export of Gambia groundnut products has become a serious concern due to the drastic reduction of supply compared with other competing nations like Senegal, Malawi, and Sudan. Exports are goods and services produced locally and sold abroad. According to reports from The Gambia Ministry of Trade, more than 75 percent of Gambian merchandise exports consist of re-exports; goods imported into the country and transported unofficially into Senegal and beyond. The primary measure of economic performance is its competitiveness in the global market. Moreover, The Gambia agricultural sector employs 68 percent of the labour force and constitutes about 26 percent of GDP. Over 60 percent of household income comes from agricultural activities. The groundnut sector alone employs 80 percent of the agricultural labor force.

Several studies have outlined the significance of groundnut export growth in light with foreign exchange earnings for The Gambia, as well as the negative and positive externalities involved in the international trade. Recently, Gibba (2015) argues that the other traditional pillar of The Gambian economy is groundnut which constitute more than 60 percent of total foreign exchange earnings of agricultural exports. Despite this motivational achievement, the sector now faces severe domestic and international challenges, and exports have dropped sharply since 2009 (see figure 1). He further outline some of the promising areas of export development and diversification. In his view, '... fishing, horticulture, sesame and cashew nuts are promising areas of export diversification' (Gibba, 2015: 17).

The main objective of this study was to analyze the performance and the competitiveness of The Gambia groundnut export sector, as well as to identify the main obstacles hindering its progress. The results empirically, show that the sector still has the potential to effectively

compete with the other main producers and exporters in Africa if progressive policies are to be implemented.

Clearly, a study of this type is undoubtedly restricted by various obstacles. As usual, this investigation has a number of limitations to be noted in evaluating its findings. The size of the sample [the time series data] used in this study was limited to a five year period, for a more comprehensive analysis of the sector.

2. Outlining the Theoretical Framework

In recent literature, a wide number of studies have investigated strong export orientation and competitiveness as one of the main determinants of sustained economic growth and development. The studies of Kordalska and Olczyk (2014) examine how changes in the export competitiveness of the EU economy rely on changes in the competitiveness of processing industries, using a spatial panel data model. Moreover, the size of foreign demand, the value of domestic demand, the degree of openness of the sector to foreign markets, and labour productivity and intermediate consumption in a sector were explored to further examine how they affect the export competitiveness of the European economies selected. Their analysis indicates the various determinants of export competitiveness, both by export value and net exports.

In a cross examination of comparative advantages of the six important selected agricultural commodities (including groundnuts) in domestic and international markets in Karnataka, Ravi and Reddy (1998) used the nominal protection coefficient (NPC) as a measure of competitiveness, which explains the comparative advantage enjoyed by the commodities in the context of free trade and liberalization. The authors concluded that the export potential of the six commodities were significantly low and as a result, the Indian government should maximize its absolute advantage in cotton exports through progressive export policies.

The study of Juhasz and Wagner (2013) analyses the export growth trends, performance, and competitiveness of the Hungarian agri-food export sector. The authors used ‘constant market share analysis’ to overlook the changes in the export growth. However, despite the fact that there was some positive results in their market share analysis, the study concluded that the ‘export structure was less adaptive to changes in demand in their target export markets’.

Moreover, a wide range of empirical and non-empirical studies have investigated the factors that determine agri-food export competitiveness, (see for instance, Latruffe, 2010; Yercan and Isikli 2007; Agarwal and Wong, 1998; Reddy et.al, 1998; Kanaka and Chinnadurai, 2015). The complexity and flexibility of the global economic marketplace requires measurement of both the qualitative and the quantitative aspects of growth. Such a task requires integrating such concepts as social and environmental sustainability. The world economic forum (WEF) incorporates into its report an acknowledgement of the growing global cognizance of the impacts that economic growth has had on both the natural environment and the development of societies. As such, social and environmental sustainability are increasingly significant components of economic performance and competitiveness (WEF, 2011-2012).

There are many determinants that drive productivity and competitiveness both at national and international level. These components are classified into 12 pillars of competitiveness by the world economic forum (WEF, 2013-2014). They are: ‘Institutions’, ‘Infrastructure’, ‘Macroeconomic environment’, ‘Health and primary education’, ‘Higher education and training’, ‘Goods market efficiency’, ‘Labour market efficiency’, ‘Financial market development’, ‘Technological readiness’, ‘Market size’, ‘Business sophistication’, ‘Innovation’.

The 12 pillars listed above serve as the platform for measuring economic, environmental, and social competitiveness among countries. ‘By measuring the relative effectiveness and efficiency of these pillars, the WEF is able to benchmark competitiveness on the global stage,

which in turn allows for further insight into those elements vital for success in the global market which provides some predictive power over the market itself'. For The Gambia groundnut sector to be able to compete the major and leading exporters of groundnut in West Africa, it must capitalize maximally on those pillars. Her readiness, ability, and capability to compete with the world leading exporters is challenging at this moment due to lack of advance level of technology, insufficient quality human resource development, and the market size of her peanut products. Thus, progressive policies should be strengthen to revitalize the sector.

1. MAJOR EXPORTERS OF GROUNDNUT IN WEST AFRICA

Due to her current challenges and obstacles to compete with the major exporters of groundnut products in the world, like China, India, USA, Argentina, Netherlands, and Nicaragua, The Gambia still has the strength and ability to compete with the major exporters in Africa. 'The top exporters of groundnut products in Sub-Saharan Africa (SSA) are South Africa, The Gambia, Senegal, and Sudan' (Gibba, 2015: 1). Consequently, China is the leading exporter of groundnuts in the world which constitutes 23.12% of total groundnut supply to the world market, followed by India 17.27%, USA 14.81%, Argentina 12.58%, and Netherlands which also constitutes 6.72%. The rest of the world accounts for only 25% of supply to the world market (Kanaka and Chinnadurai, 2015).

Senegal is the top and major exporter of groundnut products [mainly, groundnut oil] in West Africa with an average supply of 64, 754 tons and 54, 677 tons in years 2006 and 2010, respectively, followed by The Gambia (see table 1). Moreover, The Gambia emerged as the top and main exporter of groundnuts shelled in the West African region with an average supply of 30, 000 tons in 2002, 18, 000 tons in 2008, and 7, 558 tons in 2010 (FAOSTAT, 2013). Of course, there was a drastic reduction in Gambia's exports of groundnuts shelled in 2010, due to inadequate rainfall as one of the main reasons. Further details are found in the empirical evidence where each country's percentage share is statistically analyzed.

3. DATA, METHODS, AND EMPIRICAL EVIDENCE

The data used in this research was obtained from secondary sources. These include: Food and Agricultural Organization database (FAOSTAT) and World Economic Forum (WEF) database. Moreover, a statistical software (SPSS) was mainly used as the methodology in this research for the application of the analysis of variance (ANOVA) of the selected countries' export performance and competitiveness, specifically for The Gambia.

This section presents the analysis of the results generated from the calculation using SPSS software. Time series data [from the year 2005 to 2010] was used in order to analyze the performance of the export competing economies. The average market share (in quantity) of the competing economies are presented in table 1 below.

Table 1: Competing Countries and their Average Market Share (Quantity)

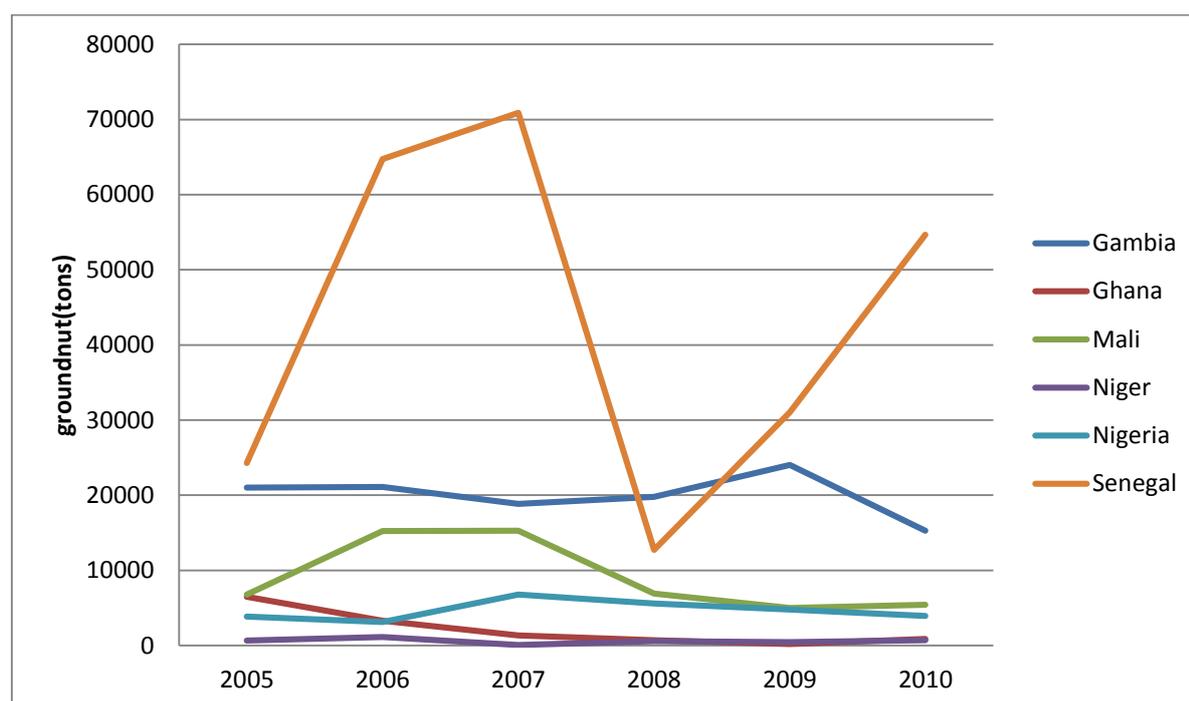
Commodity	Exporting Countries	2005	2006	2007	2008	2009	2010
Groundnut	Gambia, The	21, 016	21, 116	18, 850	19, 808	24, 055	15, 279
	Ghana	6, 469	3, 318	1, 328	711	204	885
	Mali	6, 767	15, 236	15, 293	6, 910	5, 000	5, 441
	Niger	661	1140	58	596	473	698
	Nigeria	3, 860	3, 132	6, 773	5, 595	4, 794	3, 925
	Senegal	24, 279	64, 754	70, 910	12, 737	31, 031	54, 677
	Total	63, 052	108, 696	113, 212	46, 357	65, 557	80, 905

Source: FAOSTAT, 2013.

(www.faostat.com)

Note: The annual groundnut quantities of respective countries include the total amount of: groundnut oil, groundnut shells, and groundnuts with shell.

Figure 1: Competing Countries and their Average Market Share (Quantity)



Source: Own Construction using SPSS

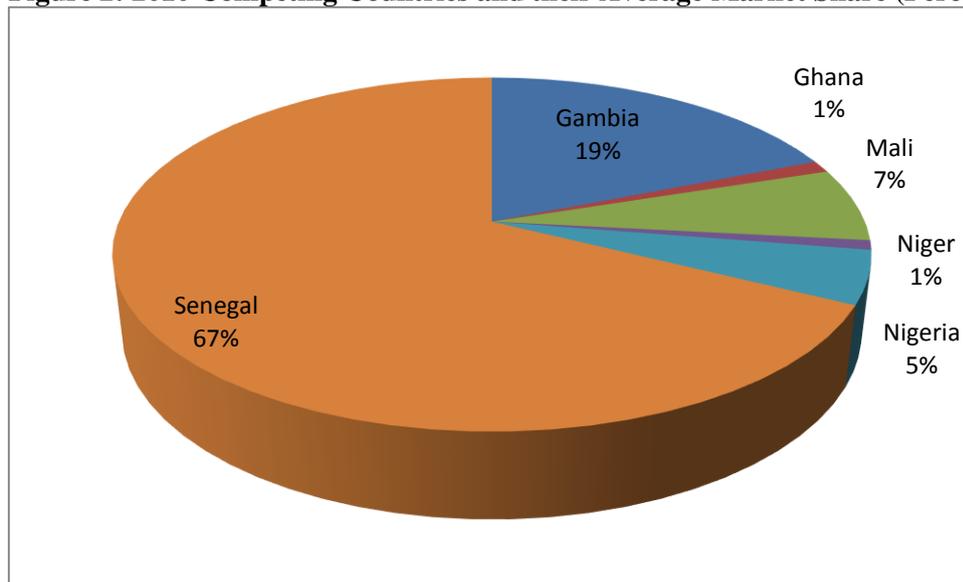
According to figure 2 above, it could be observed that The Gambia's export was steady compared to that of Senegal, whose total exports was in fluctuation throughout last decade. The interesting point is that, all countries' export trend were decreasing with the exception of Senegal after 2008. The main constraint the countries faced was the 2008 world financial crisis.

Table 2: Competing Countries and their Average Market Share (Percent)

Commodity	Exporting Countries	2005	2006	2007	2008	2009	2010
Groundnut	Gambia, The	33.33	19.43	16.65	42.73	36.69	18.89
	Ghana	10.26	3.05	1.17	1.53	0.31	1.09
	Mali	10.73	14.02	13.51	14.91	7.63	6.73
	Niger	1.05	1.05	0.05	1.29	0.72	0.86
	Nigeria	6.12	2.88	5.98	12.07	7.31	4.85
	Senegal	38.51	59.57	62.63	27.48	47.33	67.58
	Total		100.00	100.00	100.00	100.00	100.00

Source: Own Calculation using SPSS

Figure 2: 2010 Competing Countries and their Average Market Share (Percent)



Source: Own Construction using SPSS

The 2010 percent figure shows that Senegal's export is 67%. The second leading country is The Gambia. If this data is back warded, it could be inferred that The Gambia export wasn't steady. In 2008 [despite the economic Tsunami], The Gambia's total export of groundnut products was better than other countries including Senegal. Nevertheless, it still has the ability to compete with Senegal groundnut industry in effective service delivery and export performance, and achieve the best result of export competition in Africa.

It is a statistically well-known fact that when only two samples are applied, the t-test can be used to compare the means of the samples. In this article, more than two samples were used to compare the means of the competing countries' export performance. If only two means were compared, then the t-test [independent samples] will give the same results as the ANOVA. Table 3 below, shows the adjustments for multiple comparison between the analyzed countries. The mean difference is significant at the 0.05 level. Presenting The Gambia as a case study, it could be inferred that her competitive level was significant in relation to all the five examined countries with the exception of Senegal.

Table 3: Pairwise Comparisons

Measure: MEASURE_1

(I) status	(J) status	Mean Difference (I-J)	Std. Error	Sig. ^a	95% Confidence Interval for Difference ^a	
					Lower Bound	Upper Bound
Gambia, The	Ghana	17868.167*	1420.435	.000	14216.822	21519.511
	Mali	10912.833*	2323.494	.005	4940.102	16885.565
	Niger	19416.333*	1188.263	.000	16361.805	22470.862
	Nigeria	15340.833*	1335.020	.000	11909.056	18772.611
	Senegal	-23044.000	10148.688	.072	-49132.034	3044.034
Ghana	Gambia	-17868.167*	1420.435	.000	-21519.511	-14216.822

	Mali	-6955.333*	2074.248	.020	-12287.357	-1623.309
	Niger	1548.167	927.884	.156	-837.036	3933.369
	Nigeria	-2527.333	1320.709	.114	-5922.324	867.657
	Senegal	-	9796.102	.009	-66093.849	-
	l	40912.167*				15730.485
Mali	Gambia	-	2323.494	.005	-16885.565	-4940.102
	a	10912.833*				
	Ghana	6955.333*	2074.248	.020	1623.309	12287.357
	Niger	8503.500*	1975.559	.008	3425.164	13581.836
	Nigeria	4428.000	1949.142	.072	-582.430	9438.430
	Senegal	-	8305.228	.009	-55306.103	-
	l	33956.833*				12607.564
Niger	Gambia	-	1188.263	.000	-22470.862	-
	a	19416.333*				16361.805
	Ghana	-1548.167	927.884	.156	-3933.369	837.036
	Mali	-8503.500*	1975.559	.008	-13581.836	-3425.164
	Nigeria	-4075.500*	675.999	.002	-5813.212	-2337.788
	Senegal	-	9664.721	.007	-67304.290	-
	l	42460.333*				17616.377
Nigeria	Gambia	-	1335.020	.000	-18772.611	-
	a	15340.833*				11909.056
	Ghana	2527.333	1320.709	.114	-867.657	5922.324
	Mali	-4428.000	1949.142	.072	-9438.430	582.430
	Niger	4075.500*	675.999	.002	2337.788	5813.212
	Senegal	-	9665.303	.011	-63230.286	-
	l	38384.833*				13539.381
Senegal	Gambia	23044.000	10148.68	.072	-3044.034	49132.034
	a		8			
	Ghana	40912.167*	9796.102	.009	15730.485	66093.849
	Mali	33956.833*	8305.228	.009	12607.564	55306.103
	Niger	42460.333*	9664.721	.007	17616.377	67304.290
	Nigeria	38384.833*	9665.303	.011	13539.381	63230.286

Source: Own Calculation using SPSS

Based on estimated marginal means

*. The mean difference is significant at the .05 level.

a. Adjustment for multiple comparisons: Least Significant Difference (equivalent to no adjustments).

4. CONCLUDING REMARKS

The main purpose of the study as mentioned elsewhere was to analyze the effective role The Gambia groundnut sub-industry played in relation to exports of its processed and unprocessed products during the last decade. The export performance was not extremely convincing and aspiring compared to her neighbouring country, Senegal. Moreover, the groundnut sector still has the ability and capability to compete the rest of the African countries if progressive policies are implemented.

The main constraints the sector encounters include: 'low quality seeds', 'lack of adequate incentives to farmers', 'insufficient extension capacity and agricultural input', 'no valued added to attract high prices', etc. (Gibba, 2015: 46). Due to these hindering factors, there should be progressive policies in order to revitalize and improve the sector for high production and competition.

Based on the data used for the ANOVA analysis in, Repeat measurement was applied for the solving and calculation using SPSS method. The P-value of the Mauchly's Test of Sphericity is

0.003 (see appendix), which was the method used to describe the significance of the export situation. It is smaller than $\alpha=0.05$, which allows the data to be used by this method. The Greenhouse-Geisser was also tested to show the level of significance between countries. The other relevant area for further research is to investigate the impact of Gambia export revenues as sources of determinants of economic growth. Also, how important is agriculture in the attainment of Gambia's food self-sufficiency.

References

- Agarwal, S., & Wong, J. (1996). 'Competitiveness and marketability of vegetable oils, oil meals, and plant equipment for processing of oilseeds and oils in the Baltic States' (No. 96-mwp1). *Midwest Agribusiness Trade Research and Information Center (MATRIC) at Iowa State University*.
- Food and Agricultural Organization (FAO) database: <http://faostat3.fao.org/home/Eandhttp://www.fao.org/home/en/> [2015-03-27: 12:00].
- Gibba, A. (2015) 'A Study Exports as a Determinant of Economic Growth in The Gambia: The Case of The Groundnut (Peanut) Sector'. Deutschland: *LAMBERT Academic Publishing*.
- Juhász, A., & Wagner, H. (2013). 'An analysis of Hungarian agri-food export Competitiveness'. *Studies in Agricultural Economics (Budapest)*, 115(3), 150-156.
- Kanaka, S., & Chinnadurai, M. (2015) 'A Study of Export Competitiveness of Groundnut In India'. *Global Journal of Advanced Research*, 2(2), 512-520.
- Kordalska, A., & Olczyk, M. (2014). 'Impact of The Manufacturing Sector On The Export Competitiveness of European Countries—A Spatial Panel Analysis'. *Comparative Economic Research*, 17(4), 105-120.
- Latruffe, L. (2010), 'Competitiveness, Productivity and Efficiency in the Agricultural and Agri-Food Sectors', OECD Food, Agriculture and Fisheries Papers, No. 30, OECD Publishing. <http://dx.doi.org/10.1787/5km91nkdt6d6-en> [2015-03-27: 14:25].
- Reddy, D. R., Achoth, L., & Reddy, B. V. (1998). 'Export competitiveness of groundnut: Empirical evidence from Karnataka'. *Journal of the Gokhale Institute of Politics and Economics*, 40(3), 263-270.
- Ravi, P. C., & Reddy, D. G. (1998). 'Export Competitiveness of Selected Agricultural Commodities: Evidence from Karnataka'. *The Bihar J. of Agricultural Marketing*, 5, 17-23.
- World Economic Forum (WEF) database: <http://www.cp-africa.com/2011/09/09/africas-ten-most-competitive-economies-world-economic-forum/> [Accessed on: 2015-03-30: 09:11].
- Yercan, M., & Isikli, E. (2007). 'International competitiveness of Turkish agriculture: a case for horticultural products'. *Acta Agriculturae Scand Section C*, 4(3), 181-191.