Corporate social responsibility as an aspect of business ethics in selected Slovak companies

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Abstract
Social responsibility and business ethics are often regarded as the same concepts. On the other side, business theory as well as company practice confirms that the social responsibility movement is just an aspect of the overall discipline of business ethics. Business ethics, also named Corporate Ethics, is the concept which has come to mean various things to various people. Nowadays, both these concepts are slowly penetrating into the consciousness of the lay and professional public in Slovakia. This article is based on the single part of mentioned research related with the problem of business ethics. This consist of three main research questions. At the beginning we examined if surveyed companies have prepared an Ethical Code or the Code of Conduct and if they implement this in business practice. Second question assayed if ethical behavior helps enterprises to achieve business objectives and the third question deals with the problem if company favors business partners who prefer similar corporate values and business. The publication of this article 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”. The main objective of this project is to assess the level of corporate social responsibility in Slovakia in the context of the internationalization of business and identify factors that affect their socially responsible behavior in a competitive environment. In this article we deal with the surveyed sample of the 58 trade companies (and cooperatives) from different districts of Slovakia. Most of them were established after 1994 and more than a half of them belonged to the category of “small and medium sized enterprises” – SMEs. Survey involved companies from fifteen industries according to NACE classification.

Keywords: Business Ethics, Corporate Ethics, Corporate Social Responsibility, Slovakia, Ethical Code, the Code of Conduct

JEL Classification: M12, M14

1. Introduction
Social responsibility and business ethics are often regarded as the same concepts. On the other side, business theory as well as business practice confirms that the social responsibility movement is just an aspect of the overall discipline of business ethics. Business ethics, also named Corporate Ethics is the concept which has come to mean various things to various people, but generally it is coming to mean what is right or wrong in the workplace and doing what is right. The concept of social responsibility arose particularly during the 1960s with increased public consciousness about the role of business in helping to cultivate and maintain highly ethical practices in business. Philosophers consider ethics to be the “science of conduct” and corporate social responsibility (CSR) as “corporate citizenship”. The concepts of CSR and Business Ethics should be incorporated in the vision, strategy, and corporate culture. A strong corporate culture is reflected in the values and principles of the company, is increasing employees’ loyalty and has a positive impact on the external environment of the company. An institutionalization of these concepts can be applied through various corporate documents and management systems: the Code of Conduct, Total Quality Management, Environmental Management, etc. Venture through the concept of CSR declares that company
Is Corporate Social Responsibility the Same Concept as Business Ethics?

CSR has become very essential aspect for the companies, although debates about the roles of business in society is really ancient issue. (Gray et al., 1996; Warren, 2003) According to Ubrežiová et al. (2013, p. 1), CSR “has become part of daily business activities more than before”. However, there exist many terms and concepts that describe the relation between business and society and are often used interchangeably with CSR, such as Business Ethics or Corporate Philanthropy. (Sawfat, 2015) Still, there is no definition of CSR that is accepted generally. (McWilliams et al., 2006) According to Amaeshi and Adi (2007), several authors consider CSR as concept that is fuzzy and unclear, in spite of its successful gauge. However, the amount of definitions and paper discussing the concept of CSR have been emerging. (Okoey, 2009)

The concept of CSR is also considered as very important part of corporate strategy (Elkington, 1998; Porter and Kramer, 2006; The Economist, 2005), what helps the companies to uphold their position in the market – by “integrating the public interest and concern into business planning and decision making”. (Udomkit, 2013)

When speaking about CSR and business ethics, it is very common that these two concepts overlap and sometimes are being used interchangeably in the academic literature. (Cacioppe et al., 2008; Fassin et al., 2011; Ferrell, 2004; Vogel, 1991) On one hand, they are considered as distinctive concepts, with distinctive identities, as stated by Goel and Ramathan (2014). On the other hand, concern for ethical issue is what they have in common. (Cacioppe et al., 2008) Following Dimitriades (2007), business ethics as a term is supposed to be “a combination of two very familiar words, namely business and ethics”. (Dimitriades, 2007, p. 1) CSR have become to be understood as part of ethical and responsible way of doing the business for long time as many definitions suggest. For example, World Business Council for Sustainable Development define CSR as “ethical behavior of a company towards society”. (World Business Council for Sustainable Development, 1999). Very used is also the definition by Carroll (1998) who described CSR by the use of pyramid structure and divided it into four overlapping dimensions – economic, legal, ethical and philanthropic. Hopkins (2004), as well, used the relation of CSR in his definition, where he connects CSR with “treating the stakeholder of the firm ethically or in a socially responsible manner”. (Hopkins, 2004, p. 1) As mentioned above, ethical orientation is also part of CSR (Carroll, 1998) what makes the society think it is the synonym to business ethics. (Barret, 2009)

CSR and its Connection to Codes of Conduct

Currently, a lot of organizations have created so called Codes of Conduct/Ethics. (Miller, 2004). However, finding the definition of such Codes in the CSR literature is very challenging. There exist many various definitions, but on the other hand, they are very similar indeed, as they contain common aspects – such as their voluntariness, their use to influence behavior of certain group, self-regulatory nature, etc. (Kaptein and Wempe, 2002; Kolk et al., 1999; OECD 2001; United States Council for International Business, 2000) Very good example of such definition is offered by United States Council for International Business, which defines the codes as “commitments voluntarily made by companies, associations, or other organizations that put forth standards and principles of business conduct in the marketplace, and are thus primarily market-driven”. (United States Council for International Business, 2000, p. 2). On one hand, the document discusses several CSR-related issues including environment and its protection, human rights and describes initiatives of other
organizations, such as UN Global Compact/Guidelines for CSR or the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy. On the other hand, there is no suggestion or notion that Codes of Conduct are primarily a tool of CSR. Other authors and organizations defined codes and did not connect them directly with the CSR as well although they discussed codes and CSR issues. (Bondy et al., 2006) However, some authors made the implicit relations explicit. To demonstrate this case, it is possible to use the definition of Kolk et al. (1999) says that codes of conduct are "encompassing guidelines, recommendations or rules issued by entities within society (adopting body or actor) with the intent to affect the behavior of (international) business entities (target) within society in order to enhance corporate responsibility". (Kolk et al., 1999, p. 151)

2. Data and Methods

Article is based on the single part of extensive research conducted within research grant project VEGA no. 1/0044/13 "Corporate Social Responsibility (CSR) of the Slovak Enterprises in the context of Internationalization in Business". The main objective of this project was to assess the level of corporate social responsibility in Slovakia in the context of the internationalization of business and identify the factors that affect their socially responsible behavior in a competitive environment. This article shows outputs of mentioned research particularly connected with the problem of business ethics. This consist of three main research questions. At the beginning we examined if surveyed companies have prepared an Ethical Code or the Code of Conduct and if they implement this in business practice. Second question assayed if ethical behavior helps companies to achieve business objectives and the third question deals with the problem whether the company favors business partners who prefer similar corporate values and business.

The total number of analyzed subjects was 58. These companies were established in different districts of the Slovak Republic and had a different organizational-legal forms, number of employees, year of establishment, and other characteristics. Research was conducted through a questionnaire survey. We addressed only trade companies and cooperatives, while individual entrepreneurs were not included. The largest number of researched companies was created by Limited Liability Companies (67%). 26% were Joint Stock Companies, 3% consisted of Cooperatives and 3% of Public Companies. More than 72% of them was established after 1994. Only four companies have a foundation year before the 1984th.

The largest number of surveyed enterprises (36%) has less than 20 employees. More than 22% of them has more than 20 but less than 50 employees, 14% has more than 50 but less than 250 employees and 28% of surveyed companies were “large companies" with more than 250 employees. Geographically, the majority of surveyed companies have been involved in exploration property in the western part of the Slovak Republic or in the basis of the river Váh. The biggest portion of these companies was located in Nitra region (37%).

Survey involved companies from fifteen industries according to NACE: Administrative and support services (1; 1.724%), Real estate activities (2; 3.448%), Electricity, gas, steam and air conditioning supply (1; 1.724 %), Water supply, sewerage and waste-water treatment, waste management and remediation activities (1; 1.724%), Transport and Storage (2; 3.448%), Financial and insurance activities (4; 6.897%), Professional, scientific and technical activities (2; 3.448 %), Other activities (13; 22.414%), Agriculture, forestry and fishing (6; 10.345%), Industrial production (17; 29.310%), Accommodation and food services (2; 3.448%), Arts, entertainment and recreation (1; 1.724%), Wholesale and retail trade; repair of motor vehicles
and motorcycles (3; 5.172%), Public administration and defense; compulsory social security (1; 1.724%), Health care and social assistance (2; 3.448%).

The most of surveyed respondents have domestic owner (over 61% of them) and respondents had a majority owner of the state, respectively town, or village at least (accounted for just over 7%).

3. Results and Discussion

Our research was focused on the aspects of ethics in the business practice of selected Slovak companies. We were examining this problem through four multiple choice research questions. The first one was connected with the existence of the Code of Conduct as a formal document in company. In the second part, we connected the success in the business activities with ethical behavior on the market. Third question examined corporate ethics with the problem of Corporate Social responsibility and the last question focused on the preference of business partners who are implementing similar ethical concepts.

3.1 The Code of Conduct in the company

At the beginning of our research, we asked selected companies whether they have the Code of Conduct or other formal document aimed at business ethics. Eighteen companies out of the selected 58 answered that they have ethical code formalized in official document. This represents 31% of the companies. Despite the fact that this share seems to be optimistic, the same number of respondents (representatives of companies) answered that they do not know. This means that the issue of corporate ethics is relatively unknown in Slovakia. On the other hand, 28% of respondents said that ethical code in the company is formalized just partially and just ten percent of selected companies has no code of conduct in the company (fig.1).

Figure 1: Answers to research question: “Are there ethical principles formalized in particular document in your company?”

This answers clearly shows that 69% of selected companies knows the problem of corporate ethics and 59% of them have at least partly formalized ethical principles in business document.
3.2 Connection of the Ethical Behavior and Success in the Business

The second question examined the connection of implementation of ethical principles and business success. Just nine percent of respondents think that implementation of ethical principles in the business have not positive effect on their business success. This time 22% of selected respondents have no opinion or do not know the problem. It represents 4% more that in the first question. On the other side, the same number, 22% of respondents think that ethics in their business help them in achieving business success and at least 47% partially thinks the same (Fig.2).

Figure 2: Answers to research question: “Do you agree that implementation of ethical principles in your business activities helps you in achieving business success?”

Source: Own research.

This means that 69 % of selected companies think that ethical practices in their business at least partly helps them with achieving business success.

3.3 Business Ethics and Corporate Social Responsibility

In this part of the research, we examined the question: “Do you implement the principles of corporate social responsibility in your business?” Most respondents choose positive responses. 31% of them implement principles of CSR in their business and 34% of them implement them partially, too. On the other hand, 7% of respondents are doing their business in socially irresponsible way. Similar as in the case of previous questions, 28% of respondents “do not know” and did not respond to this question (Fig. 3).

These results can be caused by many factors. Many companies have developed their CSR strategy for the weak level. Some of them implement CSR activities intuitive, without formal structure and official corporate background. Concerning small and indebted state-owned enterprises is the lack of financial resources to develop similar strategies and applications of the measures.
Figure 3: Answers to research question: “Do you implement principles of corporate social responsibility in your business?”

Source: Own research.

Answer "Do not know" may indicate a well-known fact that for companies in Slovakia concept of CSR is relatively new and strange. According to some authors, the CAP is still considered a relatively new concept, especially through its "phenomenal growth" in the nineties and the new millennium. (Crane et al, 2008). In Europe generally it has a shorter history than CAP in the US (Frederick 2008). In Slovakia, the boundaries for multinational companies and foreign investors "opened" after 1989 and principles of the CAP began to gradually penetrate into our country. The questionnaire survey shows that 18 of them fall under a foreign owner and therefore we can assume that it is precisely these companies have developed CSR concept to a new level.

3.4 Business ethics and business partners

Implementing of the principles of CSR and business ethics can start other changes in company. These principles should be included into corporate strategy and formalized truth official documents as The Code of Conduct.

Figure 4: Answers to research question: “Do you prefer business partners which implement principles of corporate ethics and corporate social responsibility?”

Source: Own research.
These changes are connected with internal as well as external company environment and can be seen on the relationships with state authorities or business partners. In connection with this we include last question into our research. This examining if companies prefer business partners which implement principles of corporate ethics and CSR.

As Figure 4 shows, 19% of respondents prefers business partners who professes similar moral and ethical principles and even 38% of them does it at least partially. This time just 5% of them answered “no” what means that same moral values are not important for them in the process of choosing business partner. Interesting is that in case of this question 38% of respondents did not know to answer.

4. Conclusion

In the 21st century, CSR along with other social issues (such as corporate philanthropy and social enterprise) 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. Globally, CSR is considered as narrower part of international business ethics and with regard to accession of multinational companies into agro-food branch, its importance is increasing. Many of those companies perceive CSR as the factor increasing their competitiveness in the business environment.

This article includes the part of the extensive research conducted within research grant project VEGA no. 1/0044/13 “Corporate Social Responsibility (CSR) of the Slovak Enterprises in the context of Internationalization in Business “which is connected with the problem of Business ethics. This part of research consist of three main research questions. At the beginning we examined if surveyed companies have prepared an Ethical Code or the Code of Conduct and if they implement this in business practice. Second question assayed if ethical behavior helps enterprises to achieve business objectives and the third question deals with the problem if company favors business partners who prefer similar corporate values and business.

In this article we deals with the surveyed sample of the 58 Trade companies (and Cooperatives) from different districts of Slovak republic. Most of them was established after 1994 and more than a half of them belonged to the category of “small and medium sized enterprises” – SMEs. Survey involved companies from fifteen industries according to NACE classification.

Table 1: Summary of answers on research questions

<table>
<thead>
<tr>
<th>No</th>
<th>Answer</th>
<th>Absolute frequency</th>
<th>Relative frequency in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Yes</td>
<td>18 13 18 11 15</td>
<td>31,035 22,414 31,034 18,966 25,862</td>
</tr>
<tr>
<td>2</td>
<td>Partially yes</td>
<td>16 27 20 22 21,25</td>
<td>27,586 46,552 34,483 37,931 36,638</td>
</tr>
<tr>
<td>3</td>
<td>No</td>
<td>6 5 4 3 4,5</td>
<td>10,345 8,621 6,897 5,172 7,758</td>
</tr>
<tr>
<td>4</td>
<td>I do not know</td>
<td>18 13 16 22 17,25</td>
<td>31,035 22,414 27,586 37,931 29,741</td>
</tr>
</tbody>
</table>

Source: Authors’ processing.

According to realized research we can conclude that the number of monitored enterprises who strongly agree with implementation of ethical principles in their business is almost the same as number of monitored enterprises which are not interested in this problem at all. This outputs clearly shows that there is a lack in the implementation of the ethical principles and concept of corporate social responsibility in (selected) Slovak companies.
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References


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