

## **CSR – state of art in Slovakia**

The idea of sociable responsible business take upon one to permeate in Slovakia included with approach multinational corporation in nineties years 20.century. In Slovakia construction awareness of social responsible business were engaged from halves nineties years of several non-governmental organizations.

The most important from they are Centrum for Philanthropy, association PANET (support involvement of enterprises in social benefits through informative and learning activities), Foundation INTEGRA (oriented on responsible business in SME), Foundation PONTIS (oriented on big enterprises) and Institute for Economical and Social Reforms (INEKO). Each organization engages only in certain theme, which falls into wide term of corporate social responsibility.

In 2004, Foundation PONTIS initiated creation of informal corporation Business Leaders Forum, which join the enterprises applying for principles of CSR in Slovakia.

The World Bank's Development Communication Division was commissioned to conduct a survey in Slovakia focused on private sector perceptions toward Corporate Social Responsibility. The primary target of the survey was the top 500 companies operating in the country. The target sample was selected to account for differences in economic output of the companies, and differences in the number of employees.

The sample was drawn from a list of the top 500 companies in terms of economic output. The results are followed.

### ***Perception toward Corporate Social Responsibility***

More than a 56% of companies in Slovakia considered addressing stakeholders' (including shareholders) concerns as the main component of socially responsible activities. They also identified ethical conduct in operations, transparency, and compliance with existing law as crucial elements of their societal functions and significant parts of the CSR concept.

Additionally, it seems that business leaders continue to see their social role as providing job security to their employees (more than 83%), paying taxes (more than 92%), complying with corporate and product protection laws, and protecting worker welfare. They also identified dialogue with stakeholders and profitability as part of their societal obligations.

### ***Stakeholders***

Most of the respondents were of the opinion that their main stakeholders are: 70% shareholders, 56% costumers, and more than 52% employees.

These results signify that firms are mainly focused on internal stakeholders of their operations, directly linked with their bottom line. External stakeholders constitute relatively smaller interest groups for the companies.

The country's enabling environment for promotion of CSR is also perceived as weak and according to respondents; governments have a limited understanding of and willingness to stimulate CSR. More than 50% of interviewed companies strongly disagree or disagree that government helps in implementing socially responsible activities, and that the current government policies encourage companies to make investments in CSR, whereas only 22% of companies positively assess the current practices of the government in this matter.

More than 90% of companies consider the intensification of multi-stakeholder dialogue with all stakeholders as a parameter that helps social and environmental practices become more relevant in their operations. However, most of those interviewed think that internal stakeholders are the most important in helping companies make their social/environmental practices more relevant.

### ***Values, principles and transparency***

Most companies and leaders in CSR build internal codes of conduct as a mechanism for implementing their CSR policies. Among survey respondents in Slovakia more than 59% have a written code of conduct and 21% declare using a verbal one. An interesting fact is that almost the same percentage of state owned companies and private businesses report using

codes of conduct. All companies hiring more than 5000 people use written codes of conduct, whereas “only” 55.3% of companies with 251 to 1000 employees report written codes. The highest percentage to report using codes of conduct is the financial sector (80% written and 10% verbal).

The trend of voluntary reporting is also evident among leader companies in Slovakia. During the last three years 66% of companies have implemented an explicit anti-corruption policy, however in this context private sector companies constitute a much bigger percentage as almost 67% of them have this kind of policy. 89% of interviewed companies produce annual financial reports with 25.3% of the reports presenting environmental performance and almost 22 % reporting on social performance.

Data regarding environmental and social reporting provide evidence that the process of presenting triple bottom line is at a relatively early stage in Slovakia. However, a positive fact is that it has already begun.

### ***Labor and Staff Development***

Companies in Slovakia appear to have a high level of engagement in good labor and staff development practices. For example, 43% of state owned companies and 53% of private businesses confirmed implementation of core labor standards adopted by the International Labour Organization. 86.7% included anti-discriminatory practices in their recruitment policies. Most of the companies declared existing training programs for employees, either as constant training or training when a specific need arises. Also from the viewpoint of health protection plans Slovakia constitutes a good practice – more than 95% have in place programs focused on employees’ health. This number is even higher than in other countries of the region, which has a high participation in health programs.

### ***Social and Environmental Behavior***

During the last three years 58% of interviewed companies invested in various social programs, mainly related to improving the situation of their employees and the development of local communities where the firms operate. The main beneficiaries of those projects declared by the companies were: children and youth, disabled people, and local community at large. A significantly lower percentage of respondents focus their social programs on ethnic minorities or the unemployed. They traditionally are engaged in health protection and education, while community development seems to be a relatively new but growing aspect for their social activities.

As far as environmental initiatives are concerned almost 75% of Slovak companies declare involvement in various projects. 47.3% of leading companies declare their involvement in internal programs related to improvement of environmental protection, 3.3% are involved in external to their operation environmental programs, and 18% declare involvement both in external and internal initiatives. More than 60% of companies have developed environmental education programs for their employees (95% of those involved), management (58.7%), and local communities (28.3%). 52% have programs focused on solving recycling challenges, 22% implement norms of ISO 14000, and another 10% declare using other environmental norms. 83% of interviewed companies conduct environmental impact assessments of their operations.

### ***Risks and Barriers***

Business leaders identify the potential for incurring higher overall cost, reduced profitability, and growing regulatory interference as a risk to expending their CSR activities.

Lack of regulatory frameworks and the private cost of making necessary changes was identified as the most common barrier to expending the adoption of CSR practices. Many also identified the lack of visible short-term results of their actions and linkages between actions and the firm’s financial success and constraints to broader adoption. Related to these, leaders also cited the absence of adequate institutional arrangements to manage CSR expansion, and appropriate government leadership as constraints. They did not, surprisingly, consider short-term profit motives and reluctance of management and labor leaders, as being significant barriers.

### ***Drivers***

The most important reasons to undertake CSR initiatives for most respondents in Slovakia are improved image and reputation, and to some degree that fact that CSR practices can lead to longevity of companies. An interesting fact is that client loyalty had relatively low impact on companies' decision to implement CSR activities.

Most likely price is the main driver for local costumers, which also reflects the fact that companies do not see improved financial results as a main driver for CSR initiatives. Moreover, companies identified competitive advantage, increased productivity and facilities the observance of regulations as other important drivers for CSR.

### ***Measures for enabling an environment for CSR***

The respondents are of the opinion that the most important enabling initiatives are tax incentives. At comparable levels they see a set of measures such as government regulations, endorsements, dialogue with government and CSOs, and subsidized interest rates as those that create a favorable environment for CSR. The companies in general did not see direct governmental interventions as a supportive factor.

### **CSR in Small and Medium Enterprises in Slovakia**

In Slovakia is up to 99% of all companies in category of SME, according to EU definitions. In 2002 they shared 40% of general production. In the period 1989 – 2002 was growth value edit for SME faster then for big enterprises.

Repeated researches made by different independent institutions agreed in denomination the biggest barrier in development of SME:

- Insufficient approach to financial sources (investment and operative)
- High stuffiness of labour market and high tax and recruitment charging
- High corruption and bureaucracy measure
- Unstable legislative environment

We have also to regard, that economic and social environment in the countries of Central and East Europe is the environment of low level of confidence and social capital. Because of that, it is not surprising, that the question of social responsibility were not the most important subject of discussions in SME before.

Involvement of SME in social responsibility is less known and visible than it is in big enterprises. Activity of SME in CSR domain is divided, irregular and informal. Only a small part of SME sees it like a part of business strategy and own (or feel the importance) of formal operations. The responsibility to the environment and to participation to solve the social and communal problems are registered mainly by those enterprises, which are the members of associations, business networks and interests groups.

### **Motives and barriers to intergation SME to CSR in Slovakia**

Contrary to big enterprises, which are motivated by external influences, in case of SME the internal aspect and personal motivation of owner are probably the most important moment in integration of SME to CSR. Many SME pay attention to employees, mainly to improve their competences, to be more responsible for their health and satisfaction, to sustain balance between work and personal live, to build up team cooperation and motivation inside organization. Numerous are also environmental activities oriented to impact of their activities to natural environment, recycling or reducing the production of waste. Involvement in local community is often concentrated to cooperation with schools, voluntary activities and participations at charitable undertakings.

The main barriers of integration of SME into CSR activities could be summarized as follows:

- Doubt of the encreasing charges
- Time and human sources deficiency
- Personal motivation deficiency
- Scare of bureaucracy
- Insufficient knowledge of CSR and non-acquaintance how to join CSR

**Sources**

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