

Zuzana Lušňáková, Katarína Kleinová

The Place of Corporate Social Responsibility and its Activities in the Retail Firm Management

The paper deals with the important involvement of the retail firm - Corporate Social Responsibility (CSR) and its place and activities in the retail firm management. For the purpose of this paper we choose one of the Slovak retail firms. The main objective of the article is to find out, how CSR is placed in chosen firms activities. Besides other areas of CSR activities special emphasis is put on the firm – customer relationship which will be the most important CSR task for the future. Qualitative research method, in-depth interviews, is chosen in order to analyse the research aim of this paper.

Introduction

Enterprises “should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders” to fully meet their social responsibility.¹

Corporate Social Responsibility (CSR) is becoming more important concept for companies instead of considering it as a trend concept. The CSR activities of companies are divided into two parts, which are internal and external CSR activities, in order to explain how it works into more detail. Although CSR is usually perceived, recognized and related with end results such as creating a responsible company, product and/or brand image and focused on the effect on consumers, internal CSR activities help to create the part under the iceberg for companies.²

Socially responsible company should not only to maximize profits, but its goals are based on the needs of internal and external environment and also include and environmental aspects of its activities. CSR provides a framework for organizations helping them to integrate environmental, social (ethical) criteria into manager’s decisions.³

In addition to the economics side of the business firms such as focus on profits, there is still something related just to the success of longer-term orientation of the entrepreneur, business firms, and that is ethics as part of the business. Relationship between profits and social responsibility is not necessarily incompatible, if profit is understood in a broad context and in the long run. The decisive reason to be ethical and socially responsible

¹ http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm

² Alev, S. – Samira, M. Consumer Behaviour Analysis in Relation to CSR Activities of Cosmetics Brands. http://pure.au.dk/portal-asb-student/files/13393/THESIS_Alev_Selbes-Samira_Mohamed.pdf

³ Lušňáková, Z. 2011. Corporate social responsibility as part of public relations and firm development. In European policies: finance and marketing. Scientific Journals Warsaw University of Life Sciences - SGGW. - Warszawa: Wydawnictwo SGGW. ISSN 2081-3430. Vol. 54, no. 5 (2011), s. 91-100.

is not that ethics means good business. Firms should behave ethically because it requires them as the social beings.⁴

Business ethics as a subject examining the business behaviour from the moral principles, standards and values point of view, has no long tradition in our country. The reason, why the business ethics pressure didn't manifest is the reality, that establishing enterprise sector as a whole perceives insufficiently moral standards as a possible instrument of practical business dilemmas solution or as a famous instrument of business strategy competitiveness. Furthermore, against our business ethics works also the tendency to consider the business success according to profit maximalization in the short-run and not to generate the profit in the long-run. Lot of business subjects have not been forced to acquire the principle that any profit do not excuse the immoral behaviour.⁵

More companies than ever before are investing in Corporate Social Responsibility (CSR) activities such as cause-related marketing, minority support programs and socially responsible manufacturing practices. However, the emergent concepts of corporate citizenship, corporate social responsibility and sustainability are defined and operationalized in a lot of different ways. No consensus exists on a precise definition of what a socially responsible company is. Furthermore, most of existing CSR definitions are based on managers' point of view only; the stakeholders' expectations and opinions are rarely taken into account.⁶

SWOT analysis of CSR

<p><i>STRENGTHS of the CSR</i></p> <p>It allows firm to manage risks, It helps to increase profit It helps to reduce costs, It helps to build trust and brand, It allows better management of human resources, It can help to attract investors</p>	<p><i>WEAKNESSES of CSR</i></p> <p>High input costs Difficult orientation in complex issues, Mistrust and fear of business cooperation Unclear standards Little support from government and non-governmental sector.</p>
<p><i>OPPORTUNITIES of CSR</i></p> <p>Increase of standard of living of regions and countries, The increasing level of people education, Safe utilization of natural resources, Establishment of research and development of social centres.</p>	<p><i>THREATS of CSR</i></p> <p>Incorrect understanding of CSR concept, The EU reflections about „voluntary cancellation“</p>

Source: Petříková, R. a kol. *People in management processes. (Lidé v procesech řízení). 1. edition. Professional Publishing, 2007.211 p. ISBN 978-80-86946-28-3.*⁷

⁴ Lušňáková, Z. - Kubicová, E. – Kleinová, K. 2010. Ethics in business firms. In Marketing in practise of agro-food sector. - Nitra : Slovenská poľnohospodárska univerzita v Nitre, 2010. ISBN 978-80-552-0529-8. p. 55-61. http://www.slpk.sk/eldo/2011/zborniky/11-11/lusnakova_kleinova_kubicova.pdf.

⁵ Šajbidorová, M. – Hennyeyová, K. 2006. Business culture and business ethics in the agri and food complex enterprises in the Slovak Republic. In SymOrg 2006 [elektronický zdroj] : X. Medunarodni simpozijum, Zlatibor, June 7-10, 2006. - Beograd : Univerzitet u Beogradu, 2006.

⁶ Swaen, V. 2002. Corporate Social Responsibility: Do Managers and Consumers have the same conception of „Doing Good“? 10th international conference of the Greening of Industry Network. June 23-26, 2002, Göteborg, Sweden

⁷ Petříková, R. a kol. *People in management processes. (Lidé v procesech řízení). 1. edition. Professional Publishing, 2007.211 p. ISBN 978-80-86946-28-3.*

To meet the consumer demands and to benefit economically, a company can implement CSR as a differentiation strategy. Examples of differentiation via CSR are recycled products or organic products. In this way a company can create new demand or can even charge a premium price for the socially responsible products. It might be necessary to invest in R&D in order to achieve differentiation. However, these R&D investments can lead to process and product innovations. There are some consumers who want the products that they purchase to have certain socially responsible attributes (product innovation), while other consumers also value knowing that the goods they purchase are produced in a socially responsible manner (process innovation).⁸

Consumers patronize the company because they see personal benefits from the CSR initiatives and because the initiatives resonate with their own values. But an indirect benefit can occur through consumers' perception of how fair the company's prices are. Consumers don't just respond to the price charged; they also respond to how fair they think the price is. High prices are considered fairer if they can be attributed to "good" motives like CSR efforts or costs rather than to "bad" motives like profit-taking. We find that as much as 15% of the share-of-wallet gain from the perception of employee fairness accrues through improved perceptions of price fairness. Like the direct effect, this indirect benefit is not equal across different CSR initiatives. There is no indirect benefit of local product sourcing - indeed, price fairness perceptions are not better for companies that offer locally produced products.⁹

Understanding consumer behaviour is vital in every industry. An important area of consumer behaviour is how consumers choose and make decisions and steps that lead to the purchase of a particular product or service. These steps consist of need recognition, information search, evaluation of alternatives, and purchase.¹⁰

There is the link between the consumer perception that a company is socially oriented and the consumer intention to buy products marketed by that company. Authors suggest that this link exists when at least two conditions prevail: the products sold by that company comply with ethical and social requirements; the company has an acknowledged commitment to protect consumer rights and interests.¹¹

Easy access to Internet, television and other media enables consumers to gain knowledge about the roots of the products as well as the production processes and this situation leads consumers to responsible buying.¹²

⁸ McWilliams, A., Siegel, D. (2001). Corporate Social Responsibility: A Theory of the Firm Perspective. *Academy of Management Review*, vol. 26, no. 1, pp. 117-127.

⁹Luan, J. – Ailawadi, K. L. Does Corporate Social Responsibility Build Customer Loyalty? <http://adage.com/article/cmo-strategy/corporate-social-responsibility-build-customer-loyalty/227729/>

¹⁰ Alev, S. – Samira, M. Consumer Behaviour Analysis in Relation to CSR Activities of Cosmetics Brands. http://pure.au.dk/portal-asb-student/files/13393/THESIS_Alev_Selbes-Samira_Mohamed.pdf

¹¹ Castaldo, S. - Perrini, F. - Misani, N. - Tencati, A. 2009. The Missing Link Between Corporate Social Responsibility and Consumer Trust: The Case of Fair Trade Products. *Journal of Business Ethics*. Volume 84, Number 1/2009. 1-15

¹² Alev, S. – Samira, M. Consumer Behaviour Analysis in Relation to CSR Activities of Cosmetics Brands. http://pure.au.dk/portal-asb-student/files/13393/THESIS_Alev_Selbes-Samira_Mohamed.pdf

Methods

Qualitative research method is chosen in order to analyse the research aim of this paper. The reason why the qualitative approach is selected depends on its constructionist and interpretivist character. Qualitative research can be construed as a research strategy that usually emphasizes words rather than quantification in the collection and analysis of data.¹³

Much qualitative research aims to do just that: to reflect upon the feelings and experiences relative to the research question, to explore the nature of the relationship between person and situation, and to take account of the effect of the research analysts own background and role.¹⁴

The chosen qualitative method is conducting in-depth interviews. In-depth interviews can be conducted in an unstructured or semi-structured way. It is preferred to use a semi-structured interview for this research based on the following reasons. Firstly, semi-structured interviewing gives the opportunity to ask specific topics to be covered in the interview guide while providing flexibility at the same time. Since this research has specific questions to explore, semi-structured interviewing enables to cover more specific issues. Moreover, semi-structured interviewing provides flexibility for the interviewer to come up with new and/or follow up questions or to reformulate the questions based on the replies and reactions of the interviewee. Secondly, since two people conducted this research, the semi-structured aspect of the interview ensures a way of comparing interviewing styles. Thirdly, qualitative interviewing gives the opportunity to interview the participants more than once when it is necessary and to have a pre-test of the questions in order to be sure if the questions are understood in the right way.¹⁵

Why to be socially responsible firm

The primary objective of the firm is just profit. If a firm is also interested in the overall functioning of society and the environment it brings benefit not only for the company but also for the whole society.

CSR is often seen only as a percentage of profit or revenue, which is good to use as an expense for public activities. It should be a cost which is a good to offer and it belongs to the corporate social activity. CSR presents many opportunities already identified and understood by many organizations that can also help to the success of the company.

Identification of benefits is very important for all groups promoting CSR. Its implementation must be meaningful for the organization also in the financial terms. The benefits of CSR implementation in organization can be divided into moral and economic. The moral benefits are non-financial, but in the longer term they can bring a positive impact on the economy and the financial resources of the organization.

¹³ Bryman, A. 2004. *Social Research Methods*. 2nd Edition, Oxford University Press.

¹⁴ Davies, M. B. 2007. *Doing a Successful Research Project*. 4th Edition, Macmillan.

¹⁵ Bryman, A. 2004. *Social Research Methods*. 2nd Edition, Oxford University Press.

Thanks to efforts and society and the environment improvements, the company obtains increase of reputation and employee productivity and thereby generates a primary objective – profit.

Here are some benefits that CSR offers to company:

- it allows firm to manage risk (responsible approach reflected in human resource management, control of product quality and environmental standards can protect the company against costly litigation and the resulting damage of company name / brand)
- it helps to increase profits (the consumers prefer to buy from the social responsible company)
- it helps to reduce costs (there is the pressure on the effective use of resources)
- it increases the long-term potential of the company (the company supports growth conditions, such as goodwill, employee motivation to work in the organization, favor of local residents and municipalities, through the CSR)
- it supports innovation (it stimulate innovative thinking and management practices)
- it helps firms to maintain legitimacy (CSR sees the company as a member of a society made up of stakeholders. Company would be conducted in an open dialogue, which should convince the proper conduct of business)
- it helps to build trust and brand (reputation, trust, brand - the company is building a "reputation" through the CSR)
- it allows better management of human resources (access to rewarding, balancing work and family time, career access, training and education, anti-discrimination policy)
- it attract conditions for investors (investment funds choose opportunities by financial, economic, social, environmental and ethical factors, because CSR criteria mean security and safety of sustained unsustainable business).

The concept of CSR is very important for employees and also for the company. The most workers believe that a company, whose employees they are, has to behave responsibly towards the environment in which it operates. From their responses we conclude that the reason is that the company seeks to gain a competitive advantage, increase customers and employees satisfaction, but it can be also pressure from outside. These are also the reasons over which the company should consider and seek to enhance responsibility towards its surrounding.

Corporate social responsibility in the chosen retail firm in Slovak conditions

For the purpose of this paper we have chosen the Slovak retail firm. We used in-depth interviews to reflect upon the feelings and experiences relative to the research question, to explore the nature of the relationship between person and situation, and to take account of the effect of the research analysts own background and role. We asked questions concerning the implementation of CSR in retail firm.

Corporate values

- The retail firm has clearly defined values and principles of management, developed organizational rules, it handles the business plan.
- Mutual cooperation is being developed on the principles of mutual trust with the aim of an active trade policy in building a successful business system with a good reputation.
- The firm tries to professional performance and positive impact not only on purchasing customers' trust, but also on development throughout the whole retail market.
- A satisfied customer is the highest value over all other goals.
- Also happy and creative staff is essential in achieving the objectives and mission of the retail firm. Employees know the company values and principles of management – they are aware of them, regularly instructed and trained.

Environmental policy

- A healthy environment and healthy style of living goes hand in hand with a healthy and valuable survival of everyone's life. Retail firm seeks to access responsibly and with increased attention to nature protection and to use its resources sparingly.
- Only green "plastic" tote bags were introduced into the sales in 2009. These bags do not have any negative impact on the environment.
- Retail firm is actively involved also in separate collection of packaging materials resulting from the handling of goods and it contribute to the recycling fund.
- The firm contributes to the protection of environment by gradual modernization of the operating units and replacement of old refrigeration and freezing equipments for new and energy efficient ones.

Trade policy

- Retail firm prefers and supports proven, long-term and equitable business partnerships built on mutual trust and respect, leading to customer satisfaction. It is looking for ways and forms, how to find, support and develop such partnerships.
- The firm follows the agreed terms and conditions. It also fulfill all obligations to business partners. The firm's behaviour to business partners is based on equality, fairness, honesty and courtesy. Timely payment of supplier's invoices is also provided - liquidity is constantly monitored.

Policy towards community

- The company offers education and job training opportunities for people from the local community. High school and college students are also participating on practice.
- The firm offers financial support for projects and activities of local communities but not on a regular basis. It provides gifts after the approval of the Board of Directors.

The firm/ employer – employee relationship

- Retail firm provides opportunities for personal growth of its employees and supports their immediate and long-term performance.
- Employees benefit from the offered opportunities to improve their performance and self-fulfillment, and they meet the needs and requirements of their job position through education, their potential and willingness.
- Employees are informed about all important matters relating to strategy, development, job practices.
- Retail firm does not do any positive or negative employee discrimination, does not tolerate any unequal relations between employees and improper conduct that affects the dignity of employees.

Relations with customers

- The firm places great emphasis on the relationships with customers and puts them in the first place.
- If difficulties arise and any problem occurs on a line employee – customer, customer's need satisfaction is provided immediately.
- The company is managed by the slogan: "Our customer is our master."
- If customer expectations are not met at 100 percent, the company has to reflect on his own initiative as soon as possible to remove the lack of customer satisfaction.
- The firm has to maintain frequent feedback after the contract conclusion with the customer.

Consumers are becoming more sophisticated and they buy product when expecting more than just functional benefits. In addition to factors such as price and quality, they take also ethical, social and environmental criteria into account.

Conclusion

Corporate social responsibility and its activities are very important for every retail firm and all its areas and relations. There has to be put a strong emphasis on each area – trade policy, environment policy, relations to employees and community. And the consumer is the base also here when firm wants to be successful.

In the past, customers used to be interested in environmental and social problems, today this interest is increasingly reflected in their purchasing decisions. Several studies show that there exist an increasing number of environmentally and socially conscious consumers.

Social responsibility and ethics becomes marketing key just when the customer is interested in this topic and the corporate social responsibility becomes a tool to meet customer needs. This era occurred when customers gain greater access to information about the practices of organization and there are also a many of global environmental and social problems. The behavior of organizations in the broadest sense began to affect how people perceive their products and services.

Consumers and employees will have a great power in their hands in the future and they will force changes in the companies. They will require companies to be ethically and environmentally credible. Environmental lobbying and public pressure will be so strong that the company will monitor also the contractors to make sure there are respected ethical and environmental rules - but not only internally but also throughout the supply chain. In some companies this will lead even to vertical integration.

Younger generation will be particularly the creators of the new orientation, because they become the bearer of a new perception of the meaning of life, and thus significantly influence the change in values. Internet plays the important role in raising the corporate social responsibility and also the growing influence of social networks.

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Summary

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Contact address

Ing. Zuzana Lušňáková, PhD.

Ing. Katarína Kleinová, PhD.

Department of Marketing, Faculty of Economics and Management,
Slovak University of Agriculture, Tr. A. Hlinku 2, 949 76 Nitra, Slovakia
tel. 0421 37 641 4171

e-mail: zuzana.lusnakova@uniag.sk, katarina.kleinova@uniag.sk