Corporate Social Responsibility in Hungary – practice of retail chains

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Abstract. The retail chains could choose and use several different strategies to manage the social, economical and environmental challenges, to align with the social norms and expectations. In my paper and research I am focusing on the correlation and connection between the corporate social responsibility and their competitiveness, what kind of activities are included in their responsible attitude, and whether their social behaviour could help their position in the market competition. There are two determining factors of the behaviour and business activities of the retail chains – as for all companies – in the economy and on the market: to be successful in the market competition and to gain high profit. These two factors influence their attitude toward different economical situations, and also toward the social norms and social expectation.

Keywords: retail chains, corporate competitiveness, corporate social responsibility

The corporate competitiveness and the corporate social responsibility have a strong relationship and they are inseparable processes. According to Chikán A. (2008) Corporate competitiveness is the ability of the company to respect the norms of social responsibility and permanently offer products and services to consumers who are willing to buy those as opposed to rival products and services under profitable conditions. In other words the a long-term competitive advantage could be gained just with responsible business behaviour.

What could be included into the responsible business behaviour? - According to the EU commitment the responsibility taking is voluntary, it emphasizing that corporate social responsibility is an intension within which the firms integrate social and environmental goals into their business activities, and they form their relationships with the stakeholders according to them. (EU Green book, 2001).

In 2010. more and more expert started to stress according to Porter and Kramer\(^1\), that instead of responsibility firms need to create shared value. Porter and Kramer published their basic concept of their theory in 2006. They formulate their new sustainable principle that the business interest and social responsibility should function in direct interaction. Namely instead of CSR it is better to have CSV – Creating Shared Value. By the CSV concept it is essential that a corporation could be successful on the long run if it creates value not only for its shareholders and stakeholders but also for the society.

According to Porter and Kramer the CSR programs focusing on the reputation, and rarely and limitedly attached to the business activity, that question these

programs raison d’etre and long run sustainability. On the opposite, CSV organically connect to the productivity and competition. The corporation utilize its unique resources and competencies to create social value whereby creating economical value as well.

Creating Shared Value is the new competitive advantage, by that corporations could be more effective then with donation. The shared value concept offers a new cooperation opportunity for the firms by adverting unsatisfied social needs. Porter and Kramer highlights that beside creating shared value we must not forget about the market competition, because there is a strict coherence between the shared value and economical principles of competition.

Some specialist redefined their CSR concept: the essence of the change is that firms must focus on the responsibility for their stakeholders, they must take the stakeholders’ interest into consideration and include this concept into their business strategy.

In my opinion it is very important in the present economical situation, post-crisis period, that how essential for the companies to manage together and effectively their social, economical and environmental challenges, and how could they built in these dimensions into their
- business strategy,
- corporate management,
- how they involve their stakeholders into the decision-making processes (information, feedback), and
- how they take into consideration the interests of their stakeholders.

Nowadays we expect that a company provide responsible, reliable, transparent, clear and understandable information and references of its real activities, services and products. Therefore the companies must extend their CSR practice, because most of them just think in the terms of environmental responsibility or environmental protection, and use external Public Relations elements (eg. donation, communication with the stakeholders). In my judgement it is not enough to have a good marketing practice and just advertise the corporate social responsibility, but the company must act as a responsible factor of the business life.

I agree with those who include the following factors into the norms of social responsibility, thus to the responsible business behaviour:
- environmental responsibility (environmental protection, dimensions of sustainable development),
- economical responsibility (commitment of the CEO, transparency of the decisions, innovations, supplier interest, ethical norms via business behaviour),
- internal social responsibility (working conditions, wage conditions, educations and trainings, employee commitment toward the company, equal opportunities),
- external social responsibility (consumer satisfaction, support and employment of the local community).

**The results of my research**

I have analysed the social responsibility activities of the ten biggest retail chains (consumer goods retail- and wholesale) – according to their total revenue – in Hungary. How could these activities help/increase their competitive advantage, and
whether they could combine their social responsiveness with their profit orientation and profit maximisation.

The basis of my research:
- the selected companies' online communication,
- personal structured interviews with the communication managers at certain retail chains,
- online questionnaire with stakeholders (customers, employees, suppliers, foundations),
- institutions, authorities, eg. HACP, HCA, NEA.

Table 1. includes the monitored retail chains and the global research results. Most of the retail chains are foreign-owned, just three of them are hungarian-owned retail chains – CBA, Coop and Reál. The next columns of the table contain the rankings according to the social responsibility factors.

Table 1. The rank of the retail chains (consumer goods retail- and wholesale) in Hungary according to the social responsibility factors

<table>
<thead>
<tr>
<th>Company</th>
<th>Total turnover mrd Ft</th>
<th>Environmental</th>
<th>Economical</th>
<th>Internal social</th>
<th>External social</th>
<th>Total rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tesco-Global</td>
<td>715,0</td>
<td>2. (86,9%)</td>
<td>10. (48,5%)</td>
<td>7. (60,7%)</td>
<td>9. (63,8%)</td>
<td>7. (3.)</td>
</tr>
<tr>
<td>2. Coop</td>
<td>560,0</td>
<td>8. (52,3%)</td>
<td>1. (84,6%)</td>
<td>5. (67,1%)</td>
<td>2. (85,4%)</td>
<td>3. (6.)</td>
</tr>
<tr>
<td>3. CBA</td>
<td>505,5</td>
<td>7. (60,0%)</td>
<td>6. (63,8%)</td>
<td>10. (50,7%)</td>
<td>8. (67,7%)</td>
<td>9. (2.)</td>
</tr>
<tr>
<td>4. Spar</td>
<td>473,7</td>
<td>1. (89,2%)</td>
<td>5. (75,4%)</td>
<td>1. (88,6%)</td>
<td>3. (76,9%)</td>
<td>1. (1.)</td>
</tr>
<tr>
<td>5. Real</td>
<td>379,0</td>
<td>9. (50,8%)</td>
<td>4. (76,2%)</td>
<td>8. (52,9%)</td>
<td>4. (75,4%)</td>
<td>8. (9.)</td>
</tr>
<tr>
<td>6. Auchan**</td>
<td>326,0</td>
<td>5. (71,5%)</td>
<td>8. (61,5%)</td>
<td>2. (82,8%)</td>
<td>6. (70,8%)</td>
<td>5. (5.)</td>
</tr>
<tr>
<td>7. Lidl</td>
<td>311,0</td>
<td>6. (63,9%)</td>
<td>3. (78,5%)</td>
<td>4. (71,4%)</td>
<td>5. (73,8%)</td>
<td>4. (10.)</td>
</tr>
<tr>
<td>8. Penny Market</td>
<td>207,2</td>
<td>10. (49,2%)</td>
<td>9. (52,3%)</td>
<td>9. (51,4%)</td>
<td>10. (60,8%)</td>
<td>10. (7.)</td>
</tr>
<tr>
<td>9. Metro</td>
<td>193,5</td>
<td>3. (84,6%)</td>
<td>2. (82,3%)</td>
<td>3. (74,3%)</td>
<td>1. (86,9%)</td>
<td>2. (4.)</td>
</tr>
<tr>
<td>10. Aldi***</td>
<td>112,1</td>
<td>4. (83,8%)</td>
<td>7. (63,1%)</td>
<td>6. (62,9%)</td>
<td>7. (69,2%)</td>
<td>6. (-)</td>
</tr>
</tbody>
</table>

** Turnover data known just for 2013
*** Aldi was not in the survey in 2010. according to its yearly turnover data

I have analysed the certain responsibility areas of the retail chains based on 13-14 factors, and I have got the average results on a scale of 1-10 merit, and have ranked the retail chains according to that scale. I emphasize that the factors of the four aspect-system organically related to eachother, and there is a correlation among them in the activities of the retail chains.

The last column of the table contains the final ranking of the retail chains according to the aggregated CSR factors, highlighted the first three chain: Spar, Metro
and Coop. I had a previous research within which I have compared the 10 retail companies by the 4 responsibility factors in 2010 – you can see these results in the last column in brackets. It appears that Spar could protect its first place, Coop stepped forward from the 6th place to the 3rd position, while CBA has fallen back to the position 9 from the 2nd place.

There is a very loose correlation between the total yearly revenue and the responsibility ranking, eg. Spar is the 4th according to its total turnover but it has the first position of the environmental and internal social responsibility.

I would like to highlight that only 3 retail chains have CSR report: Tesco and Metro have a yearly report few years ago, and Spar made one in 2009. and in 2010., and since then it has yearly reports which content is similar to the previous CSR report.

I have summerized in Table 2. the certain factors in the responsibility fields according to which I have examined the retail chains, and the table also contains their received results on a 1 to 10 scale. We could see in the table that in my evaluation (on the basis of my research angles) the average result of the ten retail chains on environmental responsibility is 69,2%, on economical responsibility is 68,1%, on internal social responsibility is 66,3%, and on external social responsibility is 73,1% out of the maximum 100%.

It is evident from the table that the ten retail chains environmental responsibility increased by 14% during the last 5 years. The components of this high increase are the followings: more effective resource (energy, water) usage, energy savings increased (+ 2,6 points), they advanced their green investments and usage of green technologies (+ 4,9 points), improved environmental friendly product development ratio (+ 2,7 points), augmented selective waste collections ratio (+ 2,5 points), and decreased emission.

Table 2. The results of the ranked corporate social responsibility factors at the examined 10 retail chains

<table>
<thead>
<tr>
<th>Environmental responsibility</th>
<th>Average</th>
<th>Economical responsibility</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. resource (energy, water)</td>
<td>9,4</td>
<td>1. managerial responsibility</td>
<td>6,5</td>
</tr>
<tr>
<td>effectiveness, economization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. usage of renewable resources</td>
<td>3,7</td>
<td>2. clear managerial decisions</td>
<td>8,4</td>
</tr>
<tr>
<td>3. green investments and technologies</td>
<td>9,0</td>
<td>3. ethical business behaviour</td>
<td>5,8</td>
</tr>
<tr>
<td>4. environmental effect of transportation</td>
<td>4,8</td>
<td>4. product assortment and development</td>
<td>9,0</td>
</tr>
<tr>
<td>5. environmental friendly product development</td>
<td>9,3</td>
<td>5. competitive advantage effort</td>
<td>8,5</td>
</tr>
<tr>
<td>6. environmental friendly workplace</td>
<td>6,6</td>
<td>6. innovation investments</td>
<td>8,5</td>
</tr>
<tr>
<td>7. environmental training for employees</td>
<td>7,6</td>
<td>7. profitability and longterm effectiveness</td>
<td>6,3</td>
</tr>
<tr>
<td>8. suppliers environmental qualification</td>
<td>5,7</td>
<td>8. interest of suppliers</td>
<td>6,7</td>
</tr>
<tr>
<td>9. paper usage minimization</td>
<td>6,0</td>
<td>9. anti-corruption business policy</td>
<td>5,7</td>
</tr>
<tr>
<td>10. selective waste collections</td>
<td>8,6</td>
<td>10. responsible lobby activity</td>
<td>7,1</td>
</tr>
<tr>
<td>11. waste recycling</td>
<td>5,4</td>
<td>11. customer loyalty</td>
<td>7,3</td>
</tr>
<tr>
<td>12. environmental friendly packaging and minimization</td>
<td>7,3</td>
<td>12. goodwill/acknowledgement/prizes</td>
<td>7,7</td>
</tr>
<tr>
<td>13. emmission minimization</td>
<td>6,6</td>
<td>13. legal compliance (fines: HACP, HCA, NEA)</td>
<td>1,7</td>
</tr>
<tr>
<td><strong>Average in % (in 2010. - 55 %)</strong></td>
<td><strong>69,2 %</strong></td>
<td><strong>Average in % (in 2010. - 73 %)</strong></td>
<td><strong>68,6 %</strong></td>
</tr>
</tbody>
</table>
The economical responsibility decreased by nearly 5%. The reasons of this decline are the followings: legal compliance of the retail chains drastically dropped, the fines of the authority really increased, the standard of ethical business behaviour is deteriorated, and as a result of thes the level of the managerial responsibility declined. But there were positive changes as well, like the innovation investments were increased, several retail chain received the Superbrand prize for their own products, and the Business Superbrand prize as well, they have better product assortment and development, and they made some environmental innovations.

The ten retail chains’ internal social responsibility increased by more than 8% during the last 5 years. The main components of this increase are the followings: the elevation of the types and standard of education and training, better career opportunities, growth of women leaders ratio and equal opportunities.

The retail chains’ external social responsibility increased by more than 7% during the last 5 years. The main components of this enlargement are the followings: better product labelling and information, broadening of special offers and donation, better stakeholder communication, and developed partnership with the institutions.

All monitored retail chain stress in their brochures, in information leaflets, in journals, at conferences that they have conscious environmentally and socially responsible activities and actions. Their goals beside environmental protection are to optimize or cut their costs, to have better market position, to increase the employee and customer satisfaction, and to make win-win situation with their suppliers.

Conclusions

According to my research results it could be verified that the evaluated retail companies could act and function environmentally conscious way, and they can make a good correlation between their social responsibility and cost effectiveness. But it is essential, and also could seen from the presented evaluation data, the above mentioned correlation is very differentiated in the nowadays retail activities.

It is out of question that there is a positive correlation between the different areas of social responsibility (especially the economical and external social areas) and the competitiveness of the retail chain, that forms an evident win-win situation. This was
also the opinion of the managers whom I made the interviews, but they did not tell the CSR activity cost and their revenue ratio.

The studied firms clearly identified that within the present economical situation the only way to stand on the market is to increase their competitiveness. But according to my studies I can state that they have a lot to do in case of social responsibility, their performances (environmental, economical, internal and external social responsibility) are far away back from the ideal. I must reflect that the social responsibility expectations are just realistic until they not impact the minimum profitability expectactions of the corporations. The foreigner-owned bigger retail chains (Spar, Tesco-Global, Metro) – following the mother-company precedent – started to build in their certain CSR activities into their long term strategies in the areas of economical and internal social responsibility. My other statements are:

• The level and the standard of social responsibility of the retail chains are not determined by their CSR report (whether they make it or not) – which they use now as a PR tool.
  The three Hungarian-owned retail chains - CBA, Coop, Reál – have no CSR report, but according to my research they have diverse social responsible actions.
• The CSR must be examine by the presented four factors together and the collective shared value must be created within the corporations.
• The retail chains’ competitiveness are determined by the environmental, economical, internal and external social factors as a complex system.
• The correlation between the yearly turnover and the responsibility factors is very „loose”.
• All retail chain has realized that effective resource usage could significantly decrease the operational costs, as well as the selective waste collection and waste recycling.
• The standard and the level of ethical business behaviour declined, the corruption in sales increased, the legal compliance decreased, and the the level of the managerial responsibility also dropped.
• Several retail chain realized that the education and training of their employees could promote the increase of the competitive advantage of the firm – with the career plan the Coop and Spar have loyal labour.
• Business behaviour must be changed – the retail chains just admit their ruleless activities when they are fined by the authority, and they have to pay penalty.

References