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EXAMINING CORPORATE SOCIAL RESPONSIBILITY FROM A STAKEHOLDER VIEWPOINT BASED ON AN EMPIRICAL RESEARCH

Abstract

In today's complex and ever changing economic environment an organisation can only be successful, if it can meet the needs of its stakeholders. There is an even bigger ethical, social, legal and strategic pressure on the economic and social organisations. This also stands for not only the profit-oriented corporations but also for budget authorities and any other public organisations. Several organisations have recognised the influence of the stakeholders and have tried to meet their needs. That means that they operate a CSR policy on a volunteer base, as the only way for survival. The CSR is not a separate task, nowadays the management of the stakeholders is part of the strategic management, as at times the interests of different groups must be attended.

The present study deals with the influence of stakeholders on the CSR practice, it also introduces the differences in stakeholder relationship among corporations of different sizes as well as examining the characteristics of the different actors.

Based on the results of the qualitative research it can be stated that a significant difference can be found in the stakeholder relationship of the small- and medium size enterprises (SMEs) and of large corporations. The large corporations build their relationship in significantly higher ratio with the nationwide stakeholder, whereas the SMEs encourage communication with the local stakeholders and neglect those nationwide stakeholders that are out of their operational scope. This can be said about the public sector as well, that is large corporations prefer the interaction with this sector at a higher ratio.

However, it is a common characteristic of all Hungarian enterprises that they value the relationship with stakeholders of environmental importance more than the communication with stakeholders of social importance.

Key words: organizational success, role of communication, stakeholders, qualitative research.

Introduction

There has been a strengthening in CSR in the last decades due to the legitimacy crisis of the companies. According to the traditional, neo-classicist economics the company is a legal entity within the framework of the market economy, one of its characteristics is rationalism and one of its main aim is to maximize profit.

At the same time the corporation is an organization which is organised along human deeds [Chikán, 2006], and so humans cannot be considered as human machines. In today's social and economic circumstances the theory of Taylor seems to be an outdated way of thinking. Humans opposing machines are not able to provide the same performance twice, and their behaviour is sometimes rationally, sentimentally or ethically. The exclusive profit-maximizing theory seems to be changing especially since the occurrence of the stakeholder theory (1983). The CSR activity is carried out on voluntary basis; partially it is enforced by the stakeholders. The stakeholders are the stimulators of the ethical business behaviour of companies, otherwise the products and services are boycotted. However, the CSR practice of the companies did not only gained strength due to the pressure from the stakeholders, there were other factors as well. There have been changes in the production, scandals (food, the case of Ford Pinto etc.) and company empires have appeared, also there were natural catastrophes, limited natural resources, and the deregulation of the money market. All these factors have played an important role in the appearance of the CSR boom.

However, the question of CSR is not at all a modern phenomenon, in the „collectivism” culture societies it is a practice that has existed for centuries. This is also supported by the existence of the Kyo-Sei in the Far-East, which is in practice for thousands of years. The essence of Kyo-Sei is that „we live together and act for the welfare of all, which enables a common mutual welfare and the healthy, fair competition” [Canon Policy, 2013]. In the life of natural people sustainability has also been considered as evident. Making profit is only the product of capitalism [Szeles, 2008].

Based on a literature study examining 321 articles of CSR questions in management journals Egri and Ralston [2008] categorized the articles in order to divide the articles into four major CR themes: corporate social responsibility, environmental responsibility, ethics, and governance. They provide a detailed analysis of the prevalence of CR research in International Management journals, the prominence of the major CR themes, the degree of emphasis placed on empirical versus theoretical research, and the breath of international coverage in these articles. Their primary conclusion was that CR issues have been under-represented in the international management literature, especially ones that analyses the CSR questions among SMEs. So every study that focuses on this aspect is supplementary.

The corporate governance of organisation in the social environment has also changed. The monopolist and dualist corporate management has been replaced by pluralist management, and so the main goals of the companies are to gain

profit for the shareholders through an effective corporation, and to follow the expectation of the stakeholders to fulfil their moral obligations.

Stakeholder theory

The beginnings of the stakeholder theory can be traced back in the 1930s, when two experts, Merick Dodd and the corporate lawyer Adolf Berle, had a debate on what the primary aim of a public limited company was. Berle put an emphasis on the interests of the shareholders, whereas according to Dodd the company had to move on a wider scale; along the profit the company should also provide social services (creating workplaces, contributing to social welfare, meeting the needs of the consumers, etc.) [Szlávik, 2009].

The expression stakeholder was first used in a study of the Stanford Research Institute in 1963, however, Edward Freeman [1984] is considered to be the father of the stakeholder theory. According to Freeman the stakeholder management is part of the strategic management which has three levels: the rational, the process and the transaction.

At the first level companies try to map the interests of the stakeholders, then these interests are built in the process of the company and finally the companies with the most developed stakeholder-management communicate with and take care of their stakeholders.

At the level transaction there is a basic information flow between the company and the stakeholders. According to Freeman [1984] stakeholder is any kind of group or individual, that influences or has an interests in the aims of an organisation.

The company does not exist anymore as a legal tool for an individual to carry out private business transactions. Although many companies are used in this way, the company form has a greater importance. The company became the method of the personalization of the property [Boda, 1996].

Relationships with the stakeholder groups

Nowadays the stakeholder management is part of the strategic management, so the primary aim of any effective company management is to consider the stakeholders. However, a company has to consider the interests of many different individuals and groups, which is not an easy task.

The stakeholders sometimes form interest-group to enforce their interests. However, it is also in the interest of the company to group their stakeholder due to their diverse interests as this is the only chance for them to meet the expectations and have effective communication. More frequently it is getting importance from management side the question of the intersection of innovation, corporate social responsibility (CSR), and transferable generative learning as the key of de-

velopment and competitiveness in the non-business sector, too. Based on thoughts of London [2012] it can be stated that when a company offers, or is invited, to donate expertise to help solve a problem that is being addressed by public and not-for-profit organizations and community groups in a particular location, the must communicate not only with the community, but with other business participants, government, and nongovernmental organizations (NGOs). The corporation's participation in team initiatives may occur across the globe and that involve multiple partners. He mentioned the example for partnership integrated the Microsoft's business model, its company's CSR efforts above mentioned. Microsoft's goal is to use technology to address societal needs and deploy software to benefit the millions of people they serve. He carried out, that corporation's participation in team initiatives that may occur across the globe, involving local partners can help to spread the new solutions, innovations. The innovative outcomes and transferable learning will led the society closer to increase the success and long-term value of participation in such efforts to repair the world.

Grouping the stakeholders enables the orientation easier and establishes the contact with the stakeholders [Szlávik, 2009, p. 82]. One of the most well-known methods for groupings is the characteristics of the relationship, how institutionalized it is, where the market (suppliers, competitors, buyer, etc.) and the non-market (authorities, interest-groups, media, etc.) can be identified. The legal relationship of the stakeholders to the company is also a very common method for distinction: internal (employees, consultant, investors, etc.) and external (media, competitors, authorities, local governments, government, etc.) interest groups [Boda, 1996, p. 12].

In some literature emphasized the importance the role of the employees from the point of view of their reactions and active participant in CSR activities, for instance how they communicate among the community. Bauman and Skitka [2012] state that however, we know very little about whether or how CSR affects employees, who are primary stakeholders who directly contribute to the success of the company, to understand their behaviour can help to answer the potential effects of corporate social responsibility not only on firms but on their stakeholder group. More the employees are likely to perceive and respond to CSR the more progress can be achieved in business success.

We also think, that at the same time they highlight that one potential barrier that may deter the participants on SMEs level is that it is popular that CSR is a macro-level construct, but a paradigm change is needed.

The present research due to the study of the relationships of the stakeholders and the small, medium and large companies studies further stakeholder groups. The stakeholders in the micro- and macro-environment of the companies, there are local (local government, residents in the neighbourhood, etc.) and national stakeholders (state/government, media, consumer protection and other interest-groups, etc.). According to the CSR dimension: environmental (environmentalists, local residents, etc.) and the important interest groups from social point of view, also the public and non-public stakeholders are also examined.

Of course, a stakeholder may have more roles, that means that they may carry more interests [Chikán, 2006].

Material and method

The research was carried out in Hungary in 2011 among the small-, medium- and large companies. The respondents in the samples were the managers and/or the owners of the company examined. These two positions in case of small companies were the same.

During the study the so called snow-ball sample method was used. With this method 164 surveys were sent back out of which 51 surveys could be analysed. The research is therefore not representative, however, contains interesting results. The primary research was carried out with the help of a standard survey.

Before carrying out the research and checking the hypothesis, the normality test for all the metric variables was carried out. A reliability examination was carried out for the variables on the scale in the interests of the accurate test. During the research simple descriptive statistical methods and methods with one or more variables were used.

Research aims

The research aims were formulated after reviewing the literature. The primary aim of the research was to study the relationships between the companies and stakeholder groups. Within this framework it was also important to see whether there are any significant differences in the extent of communication based on the size of the company.

The aim of the research was to reveal whether the stakeholder relationships have an impact on the CSR practice, the question also aroused whether the size of the company and the stakeholders of the public sector are in interaction, that is whether the two independent variables have a joint impact on social responsibility as dependent variable.

Results

The characteristics and data of companies

The research covered several subfields, this present study only reveals the relevant relations from the actual research point of view.

The sample consisted of 151 companies 65% (98) small, 17% (25) medium, and 18% (28) large enterprises (see Figure 1).

The study examined the respondent companies arbitrarily by their size. The size of the company was defined according to the number of employees, where, in accordance with the EU, small enterprises between 0–49 employees, medium enterprises 50–499 employees, whereas large enterprises above 500 employees.

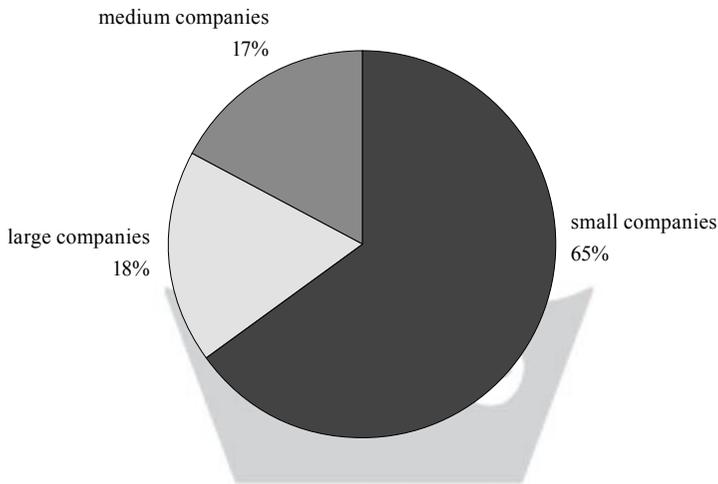


Figure 1. The sample according to size

Source: own research, standard interview, 2011; N = 151.

Stakeholder relationships based on the size of the company

A1: The aim of the research is to examine the relationship between the company and the stakeholders.

A2: Depending on the size of the company, are there any significant differences in extent of the interactions (with the stakeholders).

Table 1 demonstrates the relation between the companies and the stakeholders, furthermore the research examined the relation of two variables – stakeholder relationship and the size of the company – with the help of cross tabulation, of which statistics probability was proved by the χ^2 probe. Based on the size of the company the stakeholder relationship were examined one by one – except one – in the case of every significant ($0 < 0.05$) variables it can be seen, that regardless of the stakeholder groupings large corporation keep contact with the stakeholders.

However, among the companies examined, the stakeholder communication and interaction of the medium size enterprises exceeds of the large companies. The difference based on the χ^2 probe is significant ($p < 0.05$). To study the reasons behind this was not covered by this research; it can be assumed that above a certain number of employees and certain size, the management cannot communicate with their employees in an appropriate way. This research revealed that the interactions with the internal stakeholders the medium size enterprises are the most effective.

Table 1

Stakeholder relationships based on the size of the company

Stakeholder groups considerations	Names of Stakeholder groups	Small enterprises (0–49 employees) N = 98	Medium enterprises (50–499 employees) N = 25	Large enterprises (500 and more employees) N = 28	Used methods and the probability of the hypothesis	Significance
Micro- and macro-environment	The relationship with the focal stakeholders	64%	84%	89%	crosstabs Chi ² (χ^2) probe	p = 0.012
	The relationship with the national	18%	52%	60%	crosstabs Chi ² probe	p = 0.000
Legal relation to the company	The relationship with the international stakeholders	77%	96%	89%	crosstabs Chi ² probe	p = 0.056
	The relationship with the external stakeholders	85%	88%	96%	crosstabs Chi ² probe	p = 0.304
CSR dimensions	The relationship with the stakeholders important from the environment protection point of view	77%	80%	78%	crosstabs Chi ² probe	p = 0.984
	The relationship with the stakeholders important from the social point of view	66%	84%	89%	crosstabs Chi ² probe	p = 0.023
Own considerations	The relationship with the stakeholders belonging to the public sector	56%	76%	85%	crosstabs Chi ² probe	p = 0.007
	The relationship with the stakeholders belonging to the non-public sector	84%	96%	92%	crosstabs Chi ² probe	p = 0.205
Formalization of the relationship (by institutionalization)	The relationship with the market stakeholders	83%	96%	96%	crosstabs Chi ² probe	p = 0.076
	The relationship with the non-market stakeholders	56%	76%	85%	crosstabs Chi ² probe	p = 0.007

Source: own research, standard interview, 2011; N = 151.

The impact of the size of the company and stakeholder relationships on the CSR

A3: The aim of the research is to reveal whether the stakeholder relationships have a significant impact on the CSR practice.

A4: To examine whether the relations of the size of the company and the stakeholder in the public sector are in interaction, that is the two independent variables have a joint impact on the CSR, the dependent variable.

Examining the CSR an itemized scale was used. The respondents used a 5-point Likert scale to evaluate the CSR practice of the company.

During the research in case of the environmental behaviour a questionnaire consisting of 8 items, in case of the social company operation a questionnaire consisting of 7 items was used. The respondent could gain from 1 to 5 point for each question, so the total score for environmental behaviour was 35, whereas for the social behaviour the total score was 40. For the sake of comparability both scores were converted, so that the total scores were the same for both behaviours.

For the exactness of the measurement the reliability examination was carried out. The reliability and the internal consistency in case of the environmental operation of the company showed 0.726 Cronbach's Alpha value, where as in case of the social responsibility it showed 0.842 Cronbach's Alpha value, which refers to high internal consistency in both cases.

In the sample examined, on the scale measuring the responsible behaviour of companies, those who had relationship with any kind of stakeholder group achieved higher average total (25.28 points), those who have no relationships gained lower points (24.26). The difference according to the present examination, which is an independent sample non-parametric test (Mann-Whitney), is not significant ($p = 0.454$), which means that the stakeholder relationships does not relate with the CSR behaviour of the companies.

Further on the research dealt with the examination of the relationships with the public sector stakeholders and of the impact on the social behaviour of the company size, which was revealed by ANOVA. With this method the research could examine not only the impact of the independent variables on the dependent variables, but also the interaction between the public sector stakeholders and the size of the company. According to research results the companies, that have relationships with stakeholders in the public sector, gained higher total score in the CSR behaviour regardless of the size of the company than those who do not have any contact with this group, public sector stakeholders.

For the companies having relationship with public sector stakeholders it can be seen, that the bigger the company is, the more characteristic the CSR orientation is, as they gained higher and higher points on the CSR behaviour scale (see Figure 2).

It can be stated that although the relationship with the public sector stakeholders and the size of the company does not have an impact on the CSR practice separately, the two independent variables together influences it ($p = 0.016$).

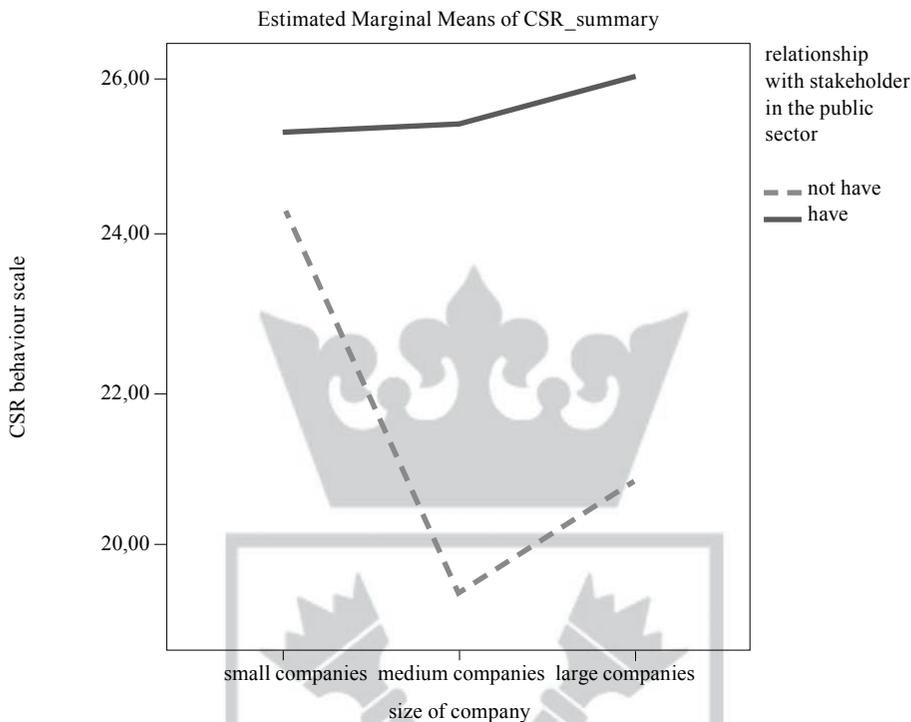


Figure 2. The impact of the size of the company and stakeholder relationships on the CSR behaviour

Source: own research, standard interview, 2011; N = 151.

Conclusion

The research put its focus on the stakeholder relationships and the relations of the CSR.

The theoretic background of the research showed that the scientific literature groups the stakeholders according to their characteristics (micro-macro environment, the legal relation to the corporation, etc.), however, the research findings proved that this segmentation is significant in only one case. This segment is the legal one as significant difference can be seen in the stakeholder relations regardless the size of the corporation. Although in every case the large corporation has the most intensified relation with the stakeholders, the inner stakeholders show a determining relation from this. The communication with the inner stakeholders goes beyond of the large corporations.

In the private sector according to the research there is no relation between keeping relation with the stakeholders and the realization of the CSR of the corporation.

However, those companies that keep relation with the stakeholders in the public sector received higher totals on scales measuring CSR behaviour regardless the size of the corporation than those who have no relation with the stakeholders of the public sector.

The study has also proved that in case of the corporations keeping relation with the stakeholders of the public sectors the bigger the corporation, the more characteristic is the CSR orientation.

In conclusion it can be stated that although keeping relation with the stakeholders of the public sector and the size of the corporation do not have impact on the CSR practice separately, the two independent variables together significantly influence the realization of the CSR behaviour.

The primary research proved that the dominance of the large companies on the frequency of the stakeholder relationships. Large companies because of their size and relationship network have a larger economic scale, to which the formal and informal relationships with civil organisations and authorities also contribute. In case of small enterprises the cooperation with stakeholders are based on personal, local relationships and it is limited to such circle as well. The SMEs are local institution from their nature, hence it is obvious that the stakeholder relationships are focused on this circle. The results of our survey confirm the results of a survey carried out in 2007. The responsible corporate behaviour is conscious only in certain aspects among SMEs in Hungary, rather the more impulsive, timely activities belong here, maybe except the careful treatment and communication with the employees.

Concerning the interaction with the internal stakeholders the present study brought new results, as by the examination of this stakeholder group the dominance of the medium size enterprises could be seen. It is very probable that above 500 employees maintaining the interaction is almost impossible. The size of the large company does not allow for two-folded communication, and the size of the company has a negative impact on the relationship of the stakeholders.

By reviewing the results of the research it can be stated, that the relationship with the stakeholders does not have a significant impact on the CSR practice. Therefore the strengthening of the stakeholder relationships itself does not mean the acceleration of the CSR, other factors also play great role in that.

The stakeholders were divided into smaller groups when examining the interaction of the public sector and the size of the company, it can be stated that they have their impact on the CSR behaviour of the company.

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