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The Potential for Regional Corporate Philanthropy

1. Introduction

The interest in the study of altruistic behaviour limiting social exclusion is connected with crisis dynamics of the welfare state.² After years of expansion, it reached the limits of its growth and probably its abilities in the 1970s. The situation is made even more difficult by the general need for the compensation of the negative consequences of economic globalisation. Intensification of social problems caused by changes in economic, demographic and social structures of a modern society, is recorded not just in the Czech society. These problems are accompanied by an increase in new social risks.³

2. New social risks

Society and public policy are intensely confronted with new social risks. Their manifestation is related to various dimensions of social and economic life. There are elements of market transformation, globalization, labour market factors of dynamism, changes in family behaviour, demographic changes, the issue of migration both in state and across Europe, value shifts in public opinion, and other socio-cultural transformations. According to the theoretical realm, it seems that the Czech social policy remains focused rather on 'old social risks' and pays little attention to the issues outlined in the study.

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² Crisis of economic efficiency and control, crisis of legitimacy and crisis of effectiveness; C. Offe, *Contradictions of the Welfare State*, J. Keane (eds.), Hutchinson&Co., London 1984.

³ The article is a result of the project called '*Specialized maps and systems to support seniors and cooperation between participants in the development of volunteering*' (project number TD020048), delivered with financial support from TA CR.

Concrete manifestation of new social risks relates for example to:

- *Ageing population and demographic alarmism risks*, i.e. the onset of long-lived society. Together with other factors, it modifies periodicity of human life, aspirations and expectations of elderly people concerning health and disease. In this way, the pressure is exerted on individuals, families and social structures such as institutions, legislation, and social systems that have originated in completely different conditions of demographic situation, social and health options. In Europe, this pressure manifests itself in the adoption of various strategies on active ageing, modifications of retirement age and opening the possibility of longer participation in economic activity and the labour market in order to increase social capital, productivity and competitiveness of the entire society. Thus the issue of 'longevity revolution' and 'society for all ages' is being introduced.
- *Unemployment*, when the risk level of unemployment and poverty is clearly unequal, and depends for example on education, health condition, type of family household, and social marginalization of certain population groups such as Romany communities, homeless people, or illegal labour immigrants.
- Similarly, *a traditional division of family roles, stereotypes in employers' behaviour* are overcome. Deficiency in public policy is growing and makes harmonization of family and employment difficult. It is reflected in an extraordinary decline in job opportunities for women with small children, with a resulting negative impact on birth-rates.
- *Poverty* and its problems which have become part of the discourse on new social risks across population in terms of age, disability, ethnic groups, etc. Increase in the number and proportions of people, who are major recipients of social and care services, does not only represent an enormous cost growth for the state in providing social and health security of the population, but it also generates structural tensions and undermines social consensus.

Various methods and motives of solutions how to deal with increased risk and social uncertainties are reflected in social reforms, e.g. reforms of pension and health insurance, tax reforms, adjustment of legislative base of support and assistance, government austerity measures, and others. The common denominator of the solution is a necessity for solidarity. It means the implementation of aid to the previously excluded people in order to retain their place in the society. This should be implemented not only by the society within the social system, but also by individuals and legal entities.

3. Philanthropy as a tool for solving social problems

The concept of further implementation of philanthropy has both its supporters and opponents. A connection of philanthropy with other corporate activities means a specific approach to 'doing good' that surpasses the classical vision of 'help thy neighbour'. It's a fact that philanthropic and commercial activities are interconnected, for example with the use of marketing tools. In this case, the support is not based on purely altruistic motives. Also the interest in philanthropy as a form of tax relief, provided by the state in case of charity donations, shows an increasing trend. Thus corporate philanthropy uses legislation for further corporate tax benefits. Qualitative development of corporate philanthropy represents business decisions of an organization that focuses on public interest in a locality, as an associated economic benefit.

4. Place and role of altruistic behaviour

Most of the population is willing to support selected target groups in an extraordinary situation under certain conditions and depending on the tradition. At the same time, however, more than half of the population still considers poverty, disability, or other health risks and limitations to be social problems that should or must be solved primarily by the state welfare. As compared with the national average, a more positive approach can be seen in people with better living standards, university education, religious, and living in localities with a population of two to five thousand inhabitants. The concept of solidarity plays an important role in advancing acceptance of social changes and attempts at revival of the welfare state in the Czech Republic.

Concept of solidarity is shaped on different levels. It is a combination of:

- *elementary solidarity of biological species*, which exists among animals but it can be also applied to humans,
- *cultural solidarity*, presented as the moral law of mutual assistance (honour thy father and thy mother that your days may be long upon the land), because all world religions proclaim respect for parents and family,
- *institutional solidarity associated with the welfare state*.

It summarizes the *concept of philanthropy* as the whole, exceeding more than the sum of its parts including ways of fulfilling solidarity. It is formed on different levels into:

- *solidarity of individuals*, i.e. individual solidarity, horizontal solidarity which represents personal involvement and commitment of active citizens. The fewer institutions are involved, the more it is considered to be non-systematic,

- *group and inside the family solidarity* takes place within groups, between groups, between a group and individuals. It is vertical solidarity and includes responsibility or the right to participate in organizing transfer in an intergroup form. The state guarantees new redistribution and economic background of social programmes,
- *social solidarity* is based on promotion of a support or social care. It is usually mandatory and involuntary solidarity (social MIX) – a combination of voluntary and compulsory solidarity, often based on partnerships. Social entrepreneurship can serve as an example of private social solidarity and citizens' initiative supported by the government.

5. Research methodology for determining the potential of corporate philanthropy in the region

Moravian-Silesian region, along with companies on its territory, continues to be among key industrial sites in the Czech Republic. The area-wide restructuring of the industry, which has greatly influenced a decline of industrial production, is reflected in the economic development and, of course, in labour market policy.

The theme of this paper is a social analysis of philanthropic behaviour in the Moravian-Silesian region. The economic contribution of philanthropy is estimated. Precise figures are not available. It is a difficult task, because to assess the real amount of donations is basically impossible due to a variety of donations and different motivation of donors. People can help once, regularly, spontaneously, and/or in planned manner.

To handle the task, we have accepted two procedure alternatives. We have applied:

a. Quantitative research is based on the data analysis from the Ministry of Finance CR. Annually it processes aggregated data concerning donations from filed tax returns of individuals and legal entities. It deals with a comparison of the relative significance of factors with their impact. It maps the real number of people who use social support to reduce their tax payments as defined in the tax legislation. There are two target groups, legal entities and individuals, and their number is expressed through the percentage ratio of the amount of the donation to the number of donations. In order to obtain the required information, the numerical characteristics of random variables have been analysed and divided into three groups. Specifically, we were firstly interested in the sort of donation with differentiation by districts and legal entities and individuals;⁴ secondly, how the position characteristics, which inform the median (midpoint), were used; and thirdly, what their distribution is.

⁴ These were mass phenomena related to each individual case. DAP – tax return, DPFO is an abbreviation for personal income tax.

b. Qualitative research sets a goal to describe companies' attitude to basic issues and characteristics profiles of corporate philanthropy, both monetary and non-monetary donations. Great emphasis was put on describing the manner of participation (engagement) of employees in corporate philanthropy, and also on encouraging individual employer's donations. In sociological research, questions were aimed at identification of best companies' practices. They also aimed at potential negative views on the practices, including recommendations and advice from employers on the forms of philanthropic activities. All responses to individual questions were processed into graphical or tabular results with relative frequencies. For testing hypotheses on the relationship between variables, we have used Pearson chi-square test, Kruskal Wallis test, or Mann-Whitney U test according to the nature of data.

6. Quantitative research data

Collective social solidarity is likely to occur thanks to the tax redistribution in a space of collective responsibility. Thus the involvement of individuals happens due to a common approach to a general benefit in selected functions of society. Institutions which manage endowment projects and take part in philanthropic activities are interested in philanthropy much more. This is because they want to contribute to community development and fulfil their social goals. This constitutes an integration of business activities, which include principles of responsibility towards the environment, community, employees, partners, clients, and the whole society.

The core of the tax incentive is to decide about the extent of a gift burden carried by a taxpayer and the extent of a gift burden transferred to the state through tax savings. In most European countries, it is possible to characterize a donation support by the chosen form of tax relief that is provided with the parameters specified by the procedure.

Private philanthropy in the Moravian-Silesian region exceeded 171,603,609.00 CZK in the monitored financial year 2014. Corporations paid 86,594,739.00 CZK for philanthropic purposes. In real terms, the size of individual donations was reduced by inflation which amounted to 1.4⁵ in 2013. The change is related to the ability to secure philanthropic long-term effects when companies begin to prioritize the support of competencies, i.e. donations to education, quality of life, etc. Data analyses show that lower donation amounts of numerous donors present larger funds for necessary activities. They are the real source of donation.

⁵ http://www.czso.cz/csu/redakce.nsf/i/mira_inflace (12.01.2015).

Table 1. Donation trend for individuals according to tax returns between the years 2000–2013 in the Moravian-Silesian region

Period	Individuals		Legal entities	
	TR with applied gifts in the MSR compared to TR with applied gifts in the CR (in %)	Average value of gifts per 1 TR (in CZK)	TR with applied gifts in the MSR compared to TR with applied gifts in the CR (in %)	Average value of gifts per 1 TR (in CZK)
2000	9.1	10461	8.8	64352
2001	9.2	10778	9.8	75818
2002	8.9	11189	8.7	90564
2003	9.5	11895	10.1	109197
2004	9.3	12285	9.7	110552
2005	11.4	10512	9.8	171244
2006	11.7	10862	10.3	216331
2007	11.8	10885	10.7	166695
2008	10.1	13158	10.6	162150
2009	9.8	13120	10.2	120157
2010	9.8	13812	10.2	61735
2011	9.7	13830	10.1	55149
2012	9.6	14688	10.2	53546
2013	9.5	12696	9.9	48067

Source: General Financial Directorate CR, own calculations.

7. Qualitative research data

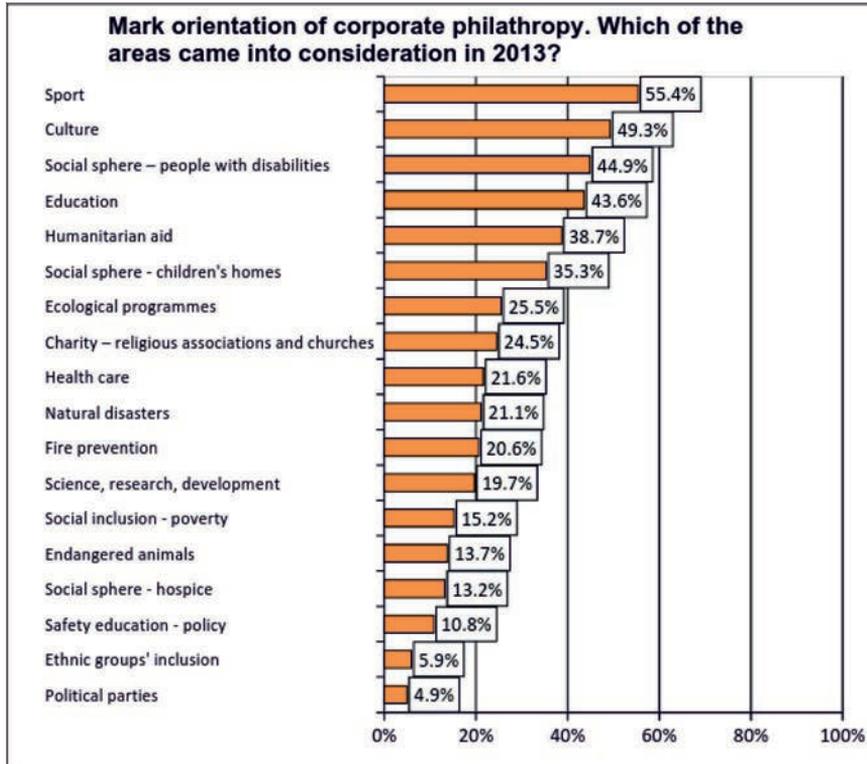
Donation culture had to cope with new challenges within two target groups, both legal entities and individuals, in the Moravian-Silesian region. In particular, the focus on altruistic behaviour, resulting from expression of personal preferences and values, was proved. It was proved in economic contexts of donations, i.e. the path from the base of material security to donations which are supported by a level of the state tax policy. Protection and reducing tax costs has remained a source of motivation, as well as an effort to meet regulatory requirements of the state. The companies in the region have created a precise approach to the support of non-profit projects in a ten-year period. Primarily, they were more focused on society's needs and linked their support with own business strategy. Companies are no longer focused on specific projects only, but also areas and social phenomena that reflect specific social needs and demands.

Organizations, whose existence and functioning are associated with emergence of industrial or business zones, industrial parks, and research centres, are largely participating in philanthropic activities in the region. *Corporate social responsibility contributes verifiably to the improvement of quality of life for the population or selected groups.* The region attempts

to promote business partnership between private and public sectors by supporting their establishment. This is how the region points out the ways in regional development to improve the existing social environment. Areas and target groups for philanthropy have been identified through a list of options offered within corporate philanthropy in the Moravian-Silesian region.

As implied in following Graph 4, education support prevails, especially educational and training programmes and professions that are strategic in terms of a company's future.

Graph 4. Orientation of corporate philanthropy in the Moravian-Silesian region in 2013



Source: sociological research

- **Most considered** corporate donations in 2013 were to sport and culture, at approximately half of the surveyed companies (respectively: 55.4%, 49.3%), followed by social spheres, i.e. in favour of people with disabilities (44.9%), educational sphere (43.6%), humanitarian aid (38.7%), and social sphere – children's homes (35.3%).
- In 2013, **the least considered** spheres of support include political parties (4.9%), social inclusion of ethnic groups (5.9%), safety education – police (10.8%), social sphere – hospice (13.2%), endangered animals (13.7%), and social inclusion – poverty (15.2%).

The research clearly shows that medium and large companies are those which are primarily heading toward sport and culture. Nonetheless, small and micro businesses are partakers although their responses usually lean towards the “no” answer by a small percentage. Individuals are more focused on science, research, development, and education, though they are not a predominant part of the share even there. In summary, medium and large companies decidedly prevail in any sector as regards their charity activities involving donations.

It can be emphasized that the size of a company affects a corporate philanthropy profile in the Moravian-Silesian region. Large enterprises continue the tradition, i.e. large companies in mining and metallurgy are the largest donors in the region as for the nominal amount. Besides this, the research shows that the Moravian-Silesian region is still stuck with the label of the region with predominant industry sphere; with dominance and profiling of mining and metallurgical industries. It is confirmed by findings about the amount of donation in relation to the company's size and its location within some of the districts in the Moravian-Silesian region. Companies from traditional industrial districts have donated larger sums of money. They are namely Frýdek-Místek and Karviná districts which concentrate not only the largest number of industrial companies in their territories, but these are also companies with a high number of employees. In contrast, some companies in districts with lower economic potential (Bruntál, Nový Jičín) can hardly compete with the range of corporate philanthropy in traditional mining and metallurgical regions. The resulting analysis shows and thus confirms the hypothesis that the amount of donations, which a company was able to provide, has grown in relation to the increasing size of the company. Additionally, large companies maintain the regularity of donations.

Corporate philanthropy is a traditional image of the Moravian-Silesian region, its districts and companies on its territory. It is rather well-developed. Despite the signs of economic crisis, the results show that philanthropic activities of companies in years 2010–2012 indicated a steady trend with more than two-thirds of surveyed companies (68.9%). The trend is even growing with one sixth of the companies (17.0%) and conversely there is a downward trend mentioned by one seventh of the respondents (14.1%).

The research does not entirely endorse the fact that large companies make donations and sponsor mostly and especially the natural environment in the Moravian-Silesian region, with the least going to cultural activities. It turns out that the companies do not give priority to donations and sponsorship of the natural environment in the Moravian-Silesian region. Moreover, culture is one of the areas that interest the companies the most. One half of the surveyed companies answered the question about where they would aim their help. They indicated the spheres of sport (55.4%)

and culture (49.3%). Finally, the research has revealed that more than one third of the companies, which participated in the survey, have confirmed their target group to be sportsmen (36.1%) and children (36.1%) that they regularly supported. Also people with disabilities (25%) and senior citizens (16.1%) got a considerable support regularly. The research also pointed out the fact that promotion of children, people with disabilities, elderly people, sportsmen as well as contributions to ecology and culture are in the spotlight of both large companies and all others without distinction.

8. Conclusion

Nowadays corporate philanthropy is relatively advanced and developing dynamically in the Czech Republic. A number of indicators, which are socially constructed and affected by dynamics of the place, environment and economic situation, are participating in a growing diversification of the phenomena, the amounts and forms of philanthropy. But in general, like in more developed EU countries, if companies want to be competitive in the era of new economy, they must reflect those matters. They must take advantage of new strategic tools in corporate management in the direction of socially responsible behaviour and altruistic activities in the region where they operate. The basic determinant of a company's future prosperity is its investment today. Therefore, the inclusion of altruistic behaviour into corporate culture improves the organization's image in all its complexity. Thus an organization's philanthropy-minded behaviour represents a process of its sustainable competitive advantage.

The aim of the research was to map altruistic behaviour of corporate philanthropy in a regional context. The actual quantitative and qualitative research has confirmed that a traditional concept of philanthropy with its unmistakable roles and attitudes is being constantly surmounted due to broad civilization changes and social dynamics, i.e. on the basis of the transformation from a centrally controlled economy to a free market. Both quantitative and qualitative research findings show movements of potential new opportunities and subsequent changes in the business environment. Indeed, there have been changes in hierarchy and acceptance of post-materialistic values in recent years. The change is manifested through the community influence within a support of philanthropic climate and a shift of philanthropists' characters and maturity towards fulfilling social investment. The description of the perception of charitable behaviour in the Moravian-Silesian region is the first step towards identifying the effective spheres of influence and further social intervention.

9. Dynamics of change

- a) Previously, the traditional concept of philanthropy represented a human reaction and an act of 'doing good', which is the fulfilment of a classic vision to help our neighbour.
- b) Corporate philanthropy motivation has shifted from the intrinsic orientation, i.e. altruism as a beneficial and virtuous activity, to the extrinsic one, i.e. motivation by external conditions. In our case it is a tax benefit, tax costs protection and reduction, and an effort to meet regulatory state requirements.
- c) Currently, philanthropic culture, which perceives higher donor's status as value, both individual's and company's, is changing. This is because the values are important for a perception of oneself. Altruism has recently been linked closer to specific cultural norms.

Philanthropic attitudes and values have not changed, only the new economy has changed the situation where philanthropic behaviour is carried out. Target groups, promotion themes, and forms of philanthropy have been presented. Therefore, the new philanthropy is 'new' only in terms of new processes, not because the philanthropic support was not present in history.

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Potencjal filantropijnych działań biznesu w regionach

Streszczenie

Ostatnie lata charakteryzują się zmiennością w zakresie hierarchii i akceptacji post-materialistycznych wartości w środowisku regionalnym Czech, szczególnie w regionie Morawsko-Śląskim. Wykazano brak pierwotnych nacisków opinii publicznej w zakresie ochrony środowiska czy spełniania przez firmy wymogów społecznej odpowiedzialności biznesu, filantropia oraz zainteresowanie możliwością uzyskania ulg podatkowych w zamian za darowizny na rzecz organizacji charytatywnych wydają się jednak coraz bardziej popularne.

Słowa kluczowe: filantropia korporacyjna, formy darowizn, motywacje dokonywania darowizn, obszary wsparcia, społeczna odpowiedzialność biznesu, interesariusze

The Potential for Regional Corporate Philanthropy

Abstract

Recent years have been marked with variations in the hierarchy and acceptance of post-materialist values in the regional environment of the Czech Republic. In particular, difficult areas in the Moravian-Silesian region still exist. The loss of primary public pressure on environmental protection or companies' compliance with the requirements of corporate social responsibility was demonstrated somehow. However, philanthropy and an interest in possible tax allowances for donations to charities suggest an increasing trend.

Keywords: corporate philanthropy, forms of donations, donor motivation, areas of support, corporate social responsibility, stakeholders