Andráskó Dóra Diána

Analysis of factors hindering the adoption of Corporate Social Responsibility activities in Hungary based on the results of Hungarian empirical researches

In the study I examine the most important factors that hinder national companies to engage in Corporate Social Responsibility actions and programs. I analysed some of the most significant Hungarian empirical researches carried out between 2006-2019 and collected the constraints of CSR. I also included the results of an own study based on a CSR questionnaire examining 43 companies operating in Hungary. Finally, I drew conclusions related to the current state of CSR.

Keywords: Corporate Social Responsibility, empirical research, constraints, hindering factors, CSR application
JEL-code: M14

https://doi.org/10.32976/stratfuz.2021.7

Introduction

Corporate Social Responsibility has become a popular and frequently cited concept in recent decades. There is hardly any business leader who would not have been engaged in this type of activity, or at least not thought about whether it would be worthwhile to deal with this term and its corporate applicability. After all, it is well known that it can have a lot of positive benefits for companies in the long run, to name just a few: it increases a company’s reputation, encourages employees and improves stakeholder engagement.

However, if it has so many advantages, then why do we find that it is not as widespread in Hungary, especially among small and medium-sized enterprises, as in other countries, like Western Europe?

In the present research, I would like to answer this question by examining some of the most significant Hungarian empirical researches of the last decade, which analysed the topic. I mainly deal with the issue of what obstacles managers face in the application of CSR in Hungary.

Defining Corporate Social Responsibility

Before presenting and analysing the empirical researches, I would like to present the meaning and definition of social responsibility. Corporate Social Responsibility (CSR) is one of the most analysed and mentioned topics of the last decade. Nevertheless, or perhaps that is why the analysts of the phenomenon agree in one question: there is no commonly accepted and shared definition of social responsibility.

Every researcher defines CSR somehow differently. For example, Dahlsrud conducted a factor analysis of 37 different definitions in 2006 and examined the definitions along five different dimensions, i.e., environmental, social, economic, stakeholder, and volunteering. (Dahlsrud 2006) According to David Vogel, “CSR is a set of tools that, in addition to legal requirements, improve working conditions and benefit society” (Vogel 2006, 2) According to the Oxford Handbook (Crane et al. 2008), similar concepts such as Corporate Citizenship, Corporate Responsibility, or Sustainable Business are actually just alternative names for the same phenomenon.

Corporate Social Responsibility is also closely linked to the issue of sustainable development, as the CSR definition of the World Business Council for Sustainable Development states (Holliday et al. 2002, 103): “Continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as
well as of the local community and society at large”. I used this CSR definition as a basis of my research.

**Theoretical background of factors hindering CSR**

Many international and national researchers and experts have dealt with not only the incentives but also, of course, the barriers to Corporate Social Responsibility. After all, a strategy can be developed and proposed to eliminate the obstacles only by exploring and structuring them, so engaging in CSR activities can become a realistic opportunity for any company. In this chapter, I would like to present the most significant ones of these researches and theories. In her doctoral dissertation, Veres (2017) analyses in detail the factors hindering CSR programs, citing experts and researchers on the topic. She mentions the costs associated with the activity as the primary obstacles, as the cited researches show that companies spend a negligible amount on socially responsible activities in relation to their turnover and net profit. According to Kotler - Lee (2007), there may be certain dangers in conducting CSR activities:

- the visibility of the company may be lost,
- most promotional materials are not durable,
- it is difficult to monitor the return on investment and its result and impact could only be measured with even more expenditure,
- if other organisations also ask for donations for social issues, it requires even more money and time,
- does not provide a competitive advantage (because CSR actions and promotions are easy to copy).

It can be seen that these so-called “threats” also do not promote or even slow down the widespread adoption of CSR.

Angyal (2009) summarises his arguments as follows:

- “responsible behaviour increases costs and reduces profits in many respects, which management and owners cannot support,
- it requires the involvement of external experts,
- efforts to behave responsibly have low returns and high risks,
- employees’ time and work are used to a significant extent by social actions,
- may cast doubt on customers as to whether significant social investment will increase costs and thus prices,
- the resources used to support community objectives are expensive and difficult to assess,
- donation is a matter of philanthropy, individual intention and determination, it is wrong to involve the whole company in supporting such ideas of a manager or owner.” (Angyal 2009, 100-101.)

Tóth (2017) mentions several problems related to the ethical behaviour and responsible practice of companies. According to him, companies often overemphasise the weight of their CSR programs for the benefit of the environment or society. (It is like planting a tree to proclaim that they saved the Earth.) He also notes that, although excellent and effective tools and standards have been developed in recent decades to spread the application of CSR, measure and monitor its results and impact, and ensure transparency and accountability of companies, only a small fraction of companies know and use them. Respectively, these tools address the issue of social and economic responsibility and sustainability mostly from the company’s own point of view.

The concept and phenomenon of sustainability itself - despite the multitude of definitions that have been developed - is difficult to apply and put into practice. (Although most people seem to agree with the principle, if we had to act responsibly, it would no longer be that simple.)

Tóth is even more critical of the sustainable development concept, which he says is a “poorly worded formulation” because it is difficult to understand, and its definition is not specific enough and only few people know it.
The *BSCDH-GfK* (2006) survey found that more than a quarter of people said they were aware of what sustainable development was, but it was true for only about 3 percent of them. (Many people confuse the concept with sustainable growth, but these two concepts are not compatible.)

**National empirical researches on the barriers to CSR**

After a general theoretical presentation of the topic, I would like to present some Hungarian empirical researches that has all examined the main impediments to the spread of CSR in Hungary. The basic topics and the research methods are diverse, and the range of the respondents are different, but interestingly they draw similar conclusions regarding the current situation of CSR. The researches took place between 2006 and 2019.

*DEMOS*’s research of 2006 found that most Hungarian companies do not form partnerships with social actors, although one of the most important elements of the CSR approach is stakeholder contact and cooperation. Another significant result is that large companies that are active in the field of CSR do not properly communicate their activities. Furthermore, there are still too few companies that prepare and publish a sustainability or CSR report. The general view is that business leaders and owners of small and medium-sized enterprises (SMEs) do not care at all about the negative effects of their activities on society as a whole (*DEMOS*, 2006). That is, they are insensitive to social and environmental problems such as global and local pollution, gender equality, the quality of working conditions, the living conditions of local communities, or even corruption and bribery.

In their survey on environmental sustainability, *Gulyás et al.* (2007) concluded that Hungarian consumers do not perceive the problems of sustainability properly (except for the “trendy” topics that can be heard of in the media and where the consequences and impact of the activity are directly perceived). We may be misled by the fact that in some areas that have an impact on sustainability (such as meat consumption, water and waste production) we consume below the European average. This is rather due to the underdevelopment in Hungary, which may have a detrimental effect on sustainability. In general, infrastructural backwardness can be observed in several areas where other European countries have introduced innovative solutions to spread sustainable consumption. And in some areas, conditions are unfortunately deteriorating faster than the European average (e.g., household size, greenhouse gas emissions resulting from transportation).

It can be said about the attitude of the Hungarian population that instead of giving up on something, they try to consume in alternative ways.

*Győri* presents the results of a 2007 research supported by the United Nations Development Program, conducted by the Institute for Social Research and the Center for Business Ethics of Corvinus University of Budapest. During the research, company managers and representatives of non-profit organisations were asked about the national situation of CSR and the factors that stimulated and hindered its spread. Representatives of 40 companies and 15 governmental and non-governmental organisations provided assistance in mapping the situation of CSR in Hungary. The questions were categorised based on the 6 dimensions of AccountAbility Rating (strategy, openness to stakeholders, responsible corporate governance, management, disclosure and standards). Interviews were preferably conducted personally with the organisation’s manager or CSR responsible.

In the course of their research, they came to valuable findings regarding the factors hindering the spread of national CSR. The following problems have been identified:

- Until recently, stakeholders have not really expressed their need for responsible products and companies; in their real consumer decisions, price is still the most determining factor, the main decision criterion.
- The opinion of the respondents was divided about what is the most pressing issue in Hungary. (Responses are divided on whether the deteriorating state of the environment, discrimination or other social problems are considered untenable.)
• According to the respondents, neither consumers nor companies trust the corporate responsibility enough yet, they do not consider it credible.

• There are still many misunderstandings regarding CSR. (According to the majority of companies, responsible activity inevitably comes at an additional cost, so only the “rich” can afford it. Many confuse CSR with other seemingly similar yet completely different concepts, such as PR activity, sponsorship, or - enforced - compliance with the law.)

• Both corporate and civic respondents expressed their preconceptions and prejudices that CSR is just a marketing ploy and there is certainly no real belief or commitment behind it.

Győri gave further explanations to the above-mentioned doubts, problems and obstacles related to CSR with verbatim quotes from the interviews. An individual said that the interviewer “doesn’t ask the real questions”. (Győri, 2007, 16.) According to his final conclusion, public thinking must be shaped in a different direction, for which he hoped he was able to provide help with his opinion and answers. Another respondent (head of a service company) said that willingness to cooperate was too low in the country. That is, everyone wants to win and do well on their own, but they do not care what happens to the others. Most of the time, the parties are characterised by short-term thinking, concentrating on making a one-time “deal,” rather than establishing a long-term, beneficial cooperation. A significant criticism on the current system of standards and certifications was made by a company manager, who said that it was not enough to give each other all kinds of awards, but to make the whole activity more professional. Studies presenting CSR good practices should describe how complex a CSR system and approach is, and how to conduct it and think responsibly in a company-wide, integrated, strategic way. The table below (Table 1) summarises the results of this research.

Table 1: Results of the CSR survey of companies operating in Hungary, from the research of Győri (2007)

<table>
<thead>
<tr>
<th>Result</th>
<th>Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implicit CSR activity</td>
<td>Developing conscious CSR activities</td>
</tr>
<tr>
<td>Lack of strategy</td>
<td>Formulation of CSR strategy</td>
</tr>
<tr>
<td>Dialogue with stakeholders is less typical</td>
<td>Two-way communication with stakeholders, communication plan</td>
</tr>
<tr>
<td>Responsible corporate governance exists only implicitly in 90% of the respondents</td>
<td>Application of corporate governance systems</td>
</tr>
<tr>
<td>The impact of CSR activity is not measured</td>
<td>Development of a measurement system</td>
</tr>
</tbody>
</table>

Source: own compilation based on Berkesné Rodek (2018)

Berkésné Rodek (2018) notes that since the study was completed in 2007, the role of certifications has increased significantly, with the use of international standards becoming more widespread in the country.

The research of Dudás (2008) revealed that there are differences and contradictions between consumers’ attitudes towards the environment and consumer behaviour, i.e., they probably do not tell the real situation, but try to indicate the supposed correct behaviour, activity or state acceptable to an external observer.

This is reflected, among other things, in the study’s finding that young college students have above-average knowledge of environmental awareness and a strong interest in environmental issues. In contrast, research has shown that manifestations in action are much lower and they feel unable to live an environmentally conscious life. Selective waste collection is considered too time consuming and they are not willing to incur any inconvenience or extra costs. There is also a kind of lack of motivation, perhaps because they do not see the results and positive impacts of their activities of this nature and see little opportunity for such activities. Despite all this, they have a positive view of the future and most of them want to live in an environmentally conscious household.
In Csillag’s (2008) research, she interviewed 27 managers of 10 companies about their views on when responsible corporate behaviour and related social responsibility programs support corporate competitiveness or when they pose a competitive disadvantage. Interviewees perceived a competitive disadvantage in the following areas:

1. Lost market opportunities and potential deals (including mainly public tenders and orders, unreliability and related corruption, dominance of certain suppliers and separation from ethical requirements)
2. Disadvantages caused by law-abiding behaviour (i.e., law-abiding behaviour causes clearly a cost disadvantage)
3. Disadvantages caused by fair business conduct (it can even put a reputable company into insolvency)
4. The company publishes too much information in its CSR report (it allows competitors to find out important information about the company, even unilaterally)
5. CSR programs can put extra strain on employees who are already overworked (it can cause distress)

Several individuals finds important “state example, responsibility of state organisations and companies, real support from responsible corporate actors, not at the level of words, but at the level of specific actions”. (Csillag 2008, 48) Trade and construction industries were mentioned as areas where formulating ethical expectations of customers would be expected to lead to serious market disadvantages, as CSR was not developed and implemented in practice in these industries at all. Similarly, it would lead to economic disadvantage if the company ethically restricts what does and what does not do (excludes certain tasks, companies, or even industries from consultants). This appears primarily in individual decision-making, but over time it can also be incorporated into corporate practice. Of course, it can also arise that thorough and credible CSR activities also require significant resources, and this can be an additional physical and emotional burden on employees.

In addition, in connection with the related practices of international companies and the international activities of Hungarian companies, he stated that the CSR activities of international companies are often not credible and adequate in Hungary, and the related corporate policies are too rigid and not emphasised enough for the Hungarian management. It can also be observed that multinational companies do not consider Hungary as a focus area when developing their strategy, so CSR may not even appear as a significant area in the central expectations (they focus on such activities in the home country). Differences in national behavioural values also fundamentally determine the interpretation of responsibility and the practice of taking responsibility. It often happens that although multinational companies have CSR strategies and projects, they are adapted to the culture and social background of the home country, which is often completely strange to the Hungarian mentality, and seems unnatural in the Hungarian environment. In addition, the Hungarian leadership has no decision-making power to change this practice, or is not interested in it, possibly indifferent. (Csillag 2008)

Benedek and her co-author (2012) conducted a research using a snowball sampling method in 2010 to explore the management’s attitudes toward Corporate Social Responsibility and to study management’s commitment to CSR.

The research also studied the hindering factors of corporate CSR practice, using a set of questions with 18 definitions, setting up three groups of factors (financial constraint, legal constraint, mentality constraint). The following results were obtained when comparing the three groups using the Friedman test: The mean of the financial constraint was higher than the legal or mentality constraints. This means that the majority of the respondents identified the financial constraint as the most hindering factor for CSR activity, with a significant difference.

In her doctoral dissertation, Berkesné Rodek (2018) made an excellent summary of the results of several Hungarian researchers who examined the social responsibility of small and medium-sized enterprises.
From the results of the research of Hungarian researchers among SMEs, I will only describe the obstacles to the spread of CSR based on the summary of Csáfor (2009):

- “most SMEs are struggling with a lack of resources, fighting for livelihood
- there is no real commitment, the goal is to reduce risks, build a good reputation
- their activities are usually not regular and not related to corporate strategy
- business leaders and managers do not have adequate knowledge of the subject
- unconscious use of CSR tools
- commitment to employees is considered a key CSR aspect
- low number of conscious consumers and business partners
- charity is the most common CSR activity (support for sports and education)
- do not see the impact of their activities on the environment – “small company, small impact”
- environmentally friendly technologies are used when they can also save costs
- do not measure the environmental impact of their activities - lack of simple CSR indicators
- there is a need for simpler language for guidelines than is common for large companies
- they do not anticipate long-term effects, but prefer quick results
- barriers to the spread of CSR: financial support and lack of consumer awareness” (Csáfor 2009, 82)

Author’s empirical research on CSR activities of Hungarian companies

Andráskó – Bakó (2019), in the course of their research carried out between June and September of 2019, examined the issues of social responsibility at 43 companies with headquarters in Hungary. The questionnaire contained 33 questions related to the data of the company and the respondent, the role of social responsibility in the operation of a given enterprise, and the issue of responsibility. As the respondents were not scientific researchers on the issue, each concept was explained in a footnote to improve comprehensibility and clarify the concepts. Among the questions, we used both open-ended and closed-ended questions. We also included multiple choice (with one or more choices) and ranking questions in our questionnaire, where the answers had to be given on a 6-point Likert scale. Frequency, intensity, and probability questions were used. Respondents were selected by snowball sampling.

In the following, I would like to share the results of the research in detail, putting special emphasis on the question of the hindering factors of CSR. When we asked “Have you heard of corporate social responsibility?”, 78.6% of the respondents answered “yes”, which represents a significant majority, while only 64.3% indicated that their company also deals with such activities. Unfortunately, the number of companies with a CSR strategy or policy is very low, with only 9.5% of companies preparing such a document. Interestingly, 11.9% were unable to answer the question, which is possible in two cases: either an incompetent person completed the questionnaire or they do not know about it because the company certainly does not have CSR regulations within the company.

Similar proportions are shown by the answers to the question of whether a company prepares a CSR or GRI report (a non-financial report such as a sustainability report). A slightly higher proportion of participants answered yes (16.7%), 71.4% answered no, while similarly to the previous question, 11.9% indicated that they did not have any relevant information. The companies identified the following CSR activities that they deal with the largest proportion of those listed: corporate philanthropy (58.5%), environmentally conscious operations (53.7%), sponsorship (41.5%), environmental protection (26.8%), community volunteering (22.0%) and quality management issues, application of standards (17.1%). About 10% of companies indicated that they do not engage in any CSR activities.

46.3% of companies carrying out CSR actions choose the particular programs informally, taking advantage of the existing opportunities (i.e., in an ad-hoc way), 36.6% in response to the needs of external stakeholders, 26.8% choose based on the suggestions of their employees, while only 14.6% incorporate them into the strategy, so they consciously manage these activities.
While acknowledging their responsibility for society and the environment, the strategic goals of the responding companies are to act as an ethical company (56.1%), and to contribute to sustainable development (39%), to take responsibility for the company’s activities (36.6%), compliance with the company’s core values (34.1%) and improving the company’s reputation (34.1%).

We received a rather negative answer to the question of how the company views the voluntary activities with which it supports the solution of social and environmental problems. Only a quarter of respondents consider CSR to be an integral part of their operations, while almost half of them say that these activities are “good if they are done”, but not very important parts of a company’s operations. 15% said that they were useful complements to the company’s activities and, fortunately, few interpreted them as enforced or expected activities.

Of course, we also considered it important to ask that in their opinion what are the limiting factors of the expansion of their activities in the field of social responsibility and/or environmental protection. Lack of external support (e.g., from the government, professional organisations) and lack of financial resources and lack of time (35%) were identified as the biggest obstacles. It is also not an encouraging circumstance for the adoption of CSR that they consider that the market does not recognise this type of obligation (31.6%) and that the company does not have sufficient information or enough knowledge of the subject (36.3%). 20% of the respondents indicated the following areas: the regulatory environment (legislation, standards) is changing rapidly, CSR actions are not relevant from the business point of view, are not related to the company’s activities, the company has no experience in such activities or the relevant organisational skills are missing. Of course, the fact that business partners do not expect this kind of responsible behaviour from the company does not help to practice these kinds of activities either, so there is no such motivation or external enforcement.

The results show that, although a significant number of companies involved in the research (43) have heard of CSR and engage in such activities, it is not considered to be particularly important. Only a fraction of them has a CSR policy and only a small number of them prepare such regular reports. The most common corporate CSR activities are corporate philanthropy, environmentally conscious activities, and sponsorship. CSR-related activities are seen by most businesses as activities that are “good, if we engage in them, but are not very important”.

Conclusions

If we compare the researches carried out in the period under study, we can see very similar results as to which factors hinder the spread of CSR in Hungary the most. It was striking that the system of barriers is very diverse, which suggests that there is still a long way off before socially responsible behaviour can be incorporated into corporate strategy. Briefly, the main reasons are the lack of resources, trust and knowledge, the lack of a strategy for responsible behaviour, and the issues of communication and measurability. I would like to describe these elements in detail. Various empirical researches identify the lack of money and time as one of the main inhibitors. CSR activities are generally considered to be resource-intensive, that is why, on average, relatively small amounts are allocated to such actions. It also requires a lot of time and effort from employees, which can be very stressful.

In addition, another main reason is lack of trust as well as feelings like uncertainty or fear. On the one hand, this may mean that companies have little confidence in external standards and often fear that they will share too much information about the company unilaterally in CSR reports. In addition, frequent changes in the regulatory (legal) environment do not help the spread of CSR either.

Lack of knowledge can also be a common problem. In most cases, this means that companies do not have either the experience or the organizational skills for CSR actions, or they say they do not have the knowledge to initiate such an activity. Unfortunately, a wide range of prejudices and misunderstandings hinder the practice of national CSR. These can be related to several issues, for
example, who is responsible for acting responsibly, who can afford it financially, whether there is a real conviction or commitment behind it. Because of these preconceptions, its authenticity is often questioned. Related to this we can mention the issue of communicating responsibility activities, as research shows that many people still perceive any kind of CSR activity or the CSR report of a company as just a PR tool.

What has emerged as perhaps one of the most serious problems, and most research has mentioned, is the lack of support. On the one hand, companies perceive that the state does not serve as an example, and on the other hand, they lack the support of the government and professional organisations. Companies perceive that the social dialogue between stakeholders could be improved because there is currently a low level of cooperation and the field is characterised by short-term thinking, concentrating solely on own needs.

When it comes to motivation, companies often do not commit to certain CSR activities, because it is not an expectation from their stakeholders. Another obstacle is that they either do not assess, or do measure the various community activities but in an inadequate way, so they do not have data on the results of these initiatives.

In my opinion, companies should make the issue of strategy a priority, that is, creating a CSR strategy or policy, and regularly publish a CSR or GRI report. These steps would also lead to their incorporation into the core strategy and the long-term integration of social responsibility into their operations.

In summary, we can conclude that Hungarian companies (especially small and medium-sized enterprises) lag far behind in the field of Corporate Social Responsibility. Both knowledge of the concept and the pursuit of CSR activities are in their infancy in the country. However, year after year, more and more companies admit that without caring for their stakeholders and taking their interests into account, they will not be able to assert themselves and survive in the long run, thus showing an increasing commitment to social issues. I believe that as long as a company (or company leader) does not recognise the importance of responsible behaviour, does not commit to such activities or sacrifice time, money, resources, there will be no significant results and progress in the field. Examining and making a clear system of the factors hindering the spread of CSR in Hungary will determine further possible directions of the research. Building on the results of the present study, I would like to further analyse, on the basis of different grouping criteria, what solutions can be found to overcome these limits and what different stakeholders should do to make corporate responsibility a real option.

Acknowledgments

"The described article/presentation/study was carried out as part of the EFOP-3.6.1-16-2016-00011 “Younger and Renewing University – Innovative Knowledge City – institutional development of the University of Miskolc aiming at intelligent specialisation” project implemented in the framework of the Szechenyi 2020 program. The realization of this project is supported by the European Union, co-financed by the European Social Fund."

Bibliography


