
KEYWORDS: CORPORATE SOCIAL RESPONSIBILITY, BUSINESS ETHICS, REGIONAL DEVELOPMENT, HUNGARY, CSR

INTRODUCTION

Socially sensitive corporate activity entails a voluntary commitment to the public good demonstrated during the deployment of business resources in corporate or entrepreneurial business practice. Corporate Social Responsibility not simply means a mere following of certain set of rules and criteria, but refers to such business conduct, which provides benefits and advantages for the employees, for the immediate and macro environment, including the natural surroundings, thereby promoting overall well-being. This, however, cannot be restricted to financial support, as the concept of well-being is not exclusively measured in monetary terms demonstrated by the elaboration of such novel indicators as the ecological footprint, the human developmental index, and the complex environmental indicators (SZLÁVIK, 2005, p. 132).

Any socially and environmentally sensitive enterprise strives to achieve business success, while preserving the options of the future and considering the
social, environmental, and business aspects and criteria interrelated and unseparable (Ligeti, 2007). Sustainability is a basic question of social responsibility, that is, meaning such business conduct and behaviour, which ensures the availability of the services and options provided by the respective business resources, natural environment, and society for future generations. The fact that today some large companies have more economic power than certain individual nation states justifies the development of a management perspective taking the above issues into consideration.

However the concept of corporate social responsibility was born in the United States already in 19531 and the American organisation research experts have begun to focus on the ethical aspects, social and environmental impact of business conduct from the 1970s (Bowen, 1953), CSR has been assigned a greater priority in Europe only since the early 1990s. By the definition of the European Commission CSR is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Commission of the European Communities, 2001, p. 6). According to this European concept, the final long-term role of CSR of the companies is to get sustainable economic development by involving all the stakeholders from the governmental institutions through the civil organizations to the local communities. CSR is one of the tools which can help European countries to develop their competitiveness and to develop a dynamic knowledge based economy (Szlávik, 2005).

European business practices not only emphasize profitability, but strive for the development of such economic and social context, which assigns crucial priority to meeting social and environmental challenges (Román, 2008). This attitude is further reinforced by the 2006 European Commission statement: “The European Commission strongly believes that CSR matters to each and every European citizen, since it represents an aspect of the European social model. CSR can contribute to sustainable development, while enhancing Europe’s innovative potential and competitiveness, thereby also contributing to employability and job creation” (Commission of the European Communities, 2006, p. 1).

Corporate social responsibility as one of the important prerequisites for sustainability and at the same time plays a significant role in the improvement of the competitiveness of the European enterprises as well. On the other hand, profit-orientation and CSR are often seen as conflicting (especially at times of economic crises), which implies that organizations will always have a tendency

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1 The actual notion was developed by Howard Bowen in his landmark book titled *The Social Responsibility of the Businessman* (1953) – On the other hand many researchers assert that the concept of CSR was first introduced by E. Merrick Dodd’s 1932 Harvard Law Review article titled “For Whom are Corporate Managers Trustees?” (Dodd, 1932)
to incorporate a social mission if it positively affects profit margins (Novotny, 2008).

In Hungary – as in other Eastern European countries – there is only a short past of corporate social responsibility. The concept is not well known by the companies, mainly large corporations and subsidiaries of multinational companies adopt CSR policies, which are mainly concerned with their reputation and image. They believe that “socially responsible activities” are linked to complying with existing regulations and behaving ethically with the stakeholders (UNDP-EC, 2007).

**CSR in Practice in Northern Hungary:**
**Summary of an Empirical Research**

**Background of the Empirical Research**

In our empirical research we examined the development potential of corporate social responsibility in the Northern Hungarian Region. The expansion of corporate social responsibility not only improves the competitiveness of the principal actors of the business sector, but that of the whole region. The examination of options for the improvement of the competitiveness and the elimination of respective differences is specifically justified by the fact that said region is one of the least developed areas of the European Union (Kocziszky, 2006, p. 132) with long-range inner and outer peripheries (Kovács, 2012, p. 122). From a demographical perspective, the region is a shrinking area (the population decreases from year to year), which can cause serious problems in the local economy. Shrinking settlements and regions can be described by two main processes: on the one hand by the loss of population, while on the other by declining economic dynamics (Kovács, 2009, p. 37). Out of the EU25’s 254 NUTS-2 regions of the European Union the per capita GDP established according to consumption power parity, showing a 37,3% value in 2002 as compared to the per capita GDP of the 25 EU countries, ranked the Northern Hungarian Region 249th. As the press release of the European Union issued in March 2012 reiterates, by 2009 the Northern Hungarian Region has already achieved the 39,5% average per capita output of the European Union, but it still belongs to the 15 least developed regions of the 27 EU countries (EUROSTAT, 2012). Unfortunately, the Northern Hungarian Region not only shows a major developmental gap to the other EU regions, but to the most developed Hungarian region as well. According to the above parameters its performance compared to the Central Hungarian Region shows the same difference as compared to the average of the EU regions (Kádek & Zám, 2007, p. 50). In 2005 the Northern Hungarian Region displayed the smallest economic activity and the highest unemployment rate in Hungary (Zám, 2008), which has not changed ever since.
In our study we deployed a conceptual apparatus used for the examination of corporate commitment to social responsibility, along with devices and instruments with a potential further use. Furthermore, by processing the obtained survey answers concerning success factors and limits of corporate social responsibility we attempted to examine such aspects of the very issue as environmental protection, the reduction of the impact of climate change, the limiting of risks associated with using chemicals, gender equality, and the struggle against corruption. We decided to focus on these factors because they significantly contribute to the social well-being of the region in addition to representing various dimensions of sustainability. We cannot emphasize enough that the acceptance of corporate social responsibility helps to achieve long term business advantages while providing directions for meeting the requirements of sustainability. Furthermore, several researchers and experts underline that only sustainable development can provide long term economic benefits while preserving the chances of future generations and offering real alternatives in the present (Prodi in Szlávik, 2005, p. 27).

The starting point of our hypothesis was that there had been a positive correlation between the level of voluntarily assumed corporate social responsibility and the success of the given enterprise, in addition to the recognition that a carefully selected CSR strategy can promote competitiveness on the long run (Porter & Kramer, 2006). While the examination of the most important ideological trends is crucial for the adoption of the Porterian perspective our thesis also explores concepts contradicting the above opinions and introduces such views, which do not exclusively espouse win-win solutions.

The empirical research effort has completed in 2009 and focused on the firms and enterprises of the Northern Hungarian Region. The questionnaire based survey examined the social and environmental commitment of firms, the actual practices of corporate social responsibility, and the motivational and limiting factors of the concept. Special attention was paid to the regional economy and business development function of corporate social responsibility, itself a guarantee of competitiveness in the region. The empirical examination’s primarily regional focus aimed at the analysis of corporate social responsibility and at the potential developmental trends.

The Conceptual Framework of the Research

The target to be examined was selected by a systematic sample taking process. The required data was obtained from the representative agencies of the Hungarian Chamber of Commerce and Industry along with the records of the Business Registration Court. 1450 questionnaires have been sent out to firms. The total sample amounted to 149 completed questionnaires representing 14 large and 135 small and medium size enterprises.
Table 1

The sample taking process of the empirical research

<table>
<thead>
<tr>
<th>County</th>
<th>Full sample population</th>
<th>Those questioned</th>
<th>Those responding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Firm/number</td>
<td>Percentage</td>
<td>Firm/number</td>
</tr>
<tr>
<td>Heves County</td>
<td>1067</td>
<td>24 %</td>
<td>400</td>
</tr>
<tr>
<td>BAZ County</td>
<td>2727</td>
<td>61 %</td>
<td>850</td>
</tr>
<tr>
<td>Nógrád County</td>
<td>666</td>
<td>15 %</td>
<td>200</td>
</tr>
<tr>
<td>Total</td>
<td>4460</td>
<td>100 %</td>
<td>1450</td>
</tr>
</tbody>
</table>

While the number of responses to the questionnaire appears to be satisfactory, some problems associated with the representative nature of the answers might positively bias the results of the research effort. However, the aforementioned deficiencies notwithstanding and in light of all these concerns the results of the survey, if handled with appropriate care and compared with research results of similar nature, can be expanded to the whole region as well.

While taking the already mentioned factors exerting a positive bias into consideration, the conclusions drawn from the results of the empirical research effort can be most applicable to the socially responsible business sector.

During the empirical research an indirect instrument, a business questionnaire was used. This research tool aimed to examine not the immediate phenomenon, that is the very concept of corporate social responsibility, but the thinking processes, views, attitudes and ‘supposed’ performance of these firms.

The questionnaires containing 16 mostly close ended items can be divided into 5 thematic groups:

1. The extent of the commitment of the given business
2. The applied and currently available CSR apparatus
3. The role of CSR in strategic planning
4. Conditions promoting and preventing the introduction and implementation of CSR
5. General data

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2 Here I am using the term "supposed" because there is no specific method available for quantifying or controlling information on the social and environmental attitude of businesses. Enterprises, however, could be aware of what they should do and occasionally companies deliberately provide a more positive answer not specifically for actual performance but concerning commitment and attitude. While this can exert a positive bias on the research results, I have taken this issue into consideration during the evaluation of the questionnaires.
The Main Objectives of the Research

The starting hypothesis of our research effort entailed the recognition of Hungarian features of corporate social responsibility. The empirical research analyses are also aimed at the identification of these features.

The empirical research of the Hungarian business sector is directed at the following components:
1. the commitment of the firms of the region,
2. the available CSR apparatus and the resources already dedicated and scheduled to be used for the promotion of corporate social responsibility,
3. the social pressure exerted towards firms,
4. the motivational and limiting factors of responsible business activity and firms’ expectations for the support of corporate social responsibility development efforts
5. the correlation between corporate social responsibility and business success in the region

The Main Findings of Research

Thesis No. 1

While a commitment to the solution of environmental and social problems tends to characterize enterprises, this mostly means adherence to regulations and mandatory recommendations in the North Hungarian Region. Social and environmental commitment only exists on a rhetorical level, appearing more in the form of theory than well-established practice.

The following empirical research results tend to substantiate the above thesis:
- Only few companies, mostly large size enterprises display more corporate social responsibility than warranted by regulations.
- All responding firms displayed an intention to meet the requirements of regulations and mandatory recommendations.

Figure 1. Social and Environmental Activities of Corporations
Most large, small, and medium size enterprises assign strategic significance to the struggle against corruption and to the provision of gender equality. While 65% of large size enterprises consider the other aspects of CSR important, this can only be said about a few small and medium size enterprises.

In case of most enterprises the positive answers concerning the significance of CSR strategy and the benefits provided to local communities were not substantiated by subsequent positive replies related to the use of specific CSR instruments and the respective community activity.
17% of large firms and an overall 33% of enterprises indicated that they plan to limit their CSR expenditures implying that the potential commitment and optimistic outlook cannot be substantiated due to an unfavourable financial situation.

While 37% of SMEs plan to improve their CSR activity, in a somewhat contradictory manner, only 12% intend to allocate more funds for this purpose. This demonstrates that due to limited financial resources in case of SMEs the commitment to CSR is greater on the theoretical level, than in practice.

**Figure 5. Intentions of SMEs for Continuing their CSR Activities**
Figure 6. Intentions of SMEs about Costs of their CSR Activities in the near Future

Thesis No. 2
There are relatively few companies known for using a wide variety of CSR instruments applied in the EU as well while the continuation of community activities tends to be more characteristic. Firms are not familiar with a large number of conceptual tools and the prospective methodology tends to restrict CSR activities to quality culture, and to the implementation of management systems along with introducing various methods for maintaining connections with employees in the North Hungarian Region.
Businesses mostly wish to maintain the already existing scale of CSR tools, while planning to conduct socially responsible activities in the already established manner. Furthermore, only a small fraction of the business sector anticipates the increase of CSR application related expenditures.

The following empirical research results tend to substantiate the above thesis:
1. While the use of CSR tools and the respective variety is greater on the part of the large companies of the region as compared to small and medium size enterprises, still only a small portion of this sector deploys CSR conceptual instruments successfully applied in the European Union. Furthermore, large companies are in no better position than the SMEs as far as familiarity with the latest CSR tools and their future implementation is concerned. Generally SMEs tend to use such CSR tools as management systems and the monitoring of employee satisfaction.
2. Only 20% of enterprises are familiar with fees and product markings associated with environmental protection concerns.
3. More than half of the large companies surveyed support sport events or sport clubs either financially or with material donations.
4. 65% of large firms perform community activity locally and 95% of community support provided remains to be used in the local and regional level.
5. 82% of the SMEs examined participate in community activities at the local level.
6. Having compared the community support activities of the large firms and small and medium size enterprises we can conclude that prioritised support areas include sports, education, and culture, to be followed in order by health care and environmental protection.
7. 22% of large firms plan to improve their CSR activity, while 33% expressed an intent to allocate more funds for this purpose.

\[\text{Figure 7. Intentions of Corporations for Continuing their CSR Activities}\]

\[\text{Figure 8. Intentions of Corporations about Costs of their CSR Activities in the near Future}\]

\textit{Thesis No. 3}
While in case of one third of the enterprises their clients and business partners appreciate social and environmental commitment, approximately the same amount of partners and clients do not consider socially responsible business activity valuable. This eventually demonstrates the
low social and environmental awareness in the Northern Hungarian Region. The lack of conscious consumers is a major obstacle in the development of social responsibility, thus the promotion of conscious consumer behaviour along with social and environmental awareness should be given a greater emphasis in the future.

The following empirical research results tend to substantiate the above thesis:

1. 35% of the firms report that their business partners and clients appreciate socially responsible business activity. This rate applies to all business types including large firms and small and medium size enterprises.

2. Research results reveal that the business partners and clients of 20% of large firms and more than 40% of SMEs do not appreciate or value socially responsible business conduct.

3. At the same time large enterprises and small and medium size enterprises share similarities as well. Namely, approximately 30% of them are required to produce information about their socially responsible activities to their clients and partners.

4. 15% of large companies surveyed reported that their partners and clients support corporate social responsibility development efforts, while only 7% impose requirements surpassing existing legal regulations.

5. 5% of SMEs surveyed reported that their partners and clients support corporate social responsibility development efforts, while less than 10% impose requirements surpassing existing legal regulations.

Figure 9. Reactions of the Customers to CSR activities of Corporations
While enterprises consider those components of socially responsible business conduct their most important objective and motivating factor, which can provide profitability in the short run, large firms tend to be motivated by real and actual CSR commitment in the North Hungarian Region. The most significant obstacles to the promotion of responsible business conduct include the lack of financial resources, and the scarcity of governmental and professional support in addition to a mistaken view that socially responsible business conduct limits profitability. Consequently, the enterprise sector expects a more active support from the professional community and the decision makers as well.

The following empirical research results tend to substantiate the above thesis:

1. In case of large companies surveyed the most important motivation for the continuation of CSR activities is the intent to meet such criteria as performing business activity corresponding to the basic value system of the firm followed by ethical business conduct. Furthermore, all companies ranked equal in importance such considerations as contribution to sustainable development, the nurturing of the reputation of the business, the expansion of clientele, and the acquisition of new markets.

2. In case of small and medium size enterprises the most important objective is the expansion of clientele and the acquisition of new markets to be followed by the reduction of expenses and the maintenance of the reputation of the firm. The other considerations of lesser importance include ethical business conduct, contribution to sustainable development, and meeting the expectations of buyers and suppliers.

3. The answers support the conclusion that while SMEs are mostly motivated by tangible elements promoting short term profitability, large companies’
socially responsible behaviour reflects actual commitment and the realisation of long term business goals.

Figure 11. The Aims of CSR Activities of the Companies of the Northern Hungarian Region

Note. 1) Meet a fundamental value. 2) Improve access to capital. 3) Contribute to sustainable development. 4) Prevent or obviate anticipated legislations. 5) It's the right thing to do as an ethical company. 6) Benefit from public programs and subsidies. 7) Manage reputation. 8) Benefit from networking activities. 9) Reduce risks. 10) Trigger innovation of products and services. 11) Attract, retain and motivate employees. 12) Expand our customer base. 13) Responsibility to stakeholders and the local community. Manage resource constraints. 14) Meet the expectations of costumers and supply chain. 15) Generate costs savings.

4. Large companies believe that the best help provided by decision-makers should include training and consultation in addition to providing financial resources. At the same time an equally important emphasis is placed on the development of investor and consumer awareness along with the preparation and dissemination of informational materials and case studies.

5. Most small and medium size enterprises expect decision makers to provide data for the preparation and dissemination of informational publications and case studies. However, a similar emphasis is placed on measures promoting consumer and investor awareness along with financial support.

6. Both large and small and medium size enterprises envision the role of decision-makers in supporting and promoting CSR activities in the same field. Shared concerns include the availability of financial resources, the promotion of consumer awareness, the dissemination of informational materials, and strengthening the importance of training and educational schemes.
Note. 1) No information about or little familiarity with such activities. 2) Lack of external support (government, sector associations). 3) The market does not recognize such commitment. 4) Frequently, the management is not committed. 5) No social/community benefits expected for the company. 6) Frequently, employees are not interested. 7) It is not relevant for the company from the beneficial aspect. 8) Frequently, business partners do not demand such commitment. 9) The activities are not related to companies’ business fields. 10) They consider CSR as the task of only large corporations. 11) The activities cause costs, lack of financial and/or time resources. 12) The regulatory environment is not predictable. 13) Lack of expertise and/or organizational capacities. 14) Other reasons.

Thesis No. 5
The positive correlation between profitability and CSR activity of regional enterprises (social and environmental activity, advantages provided for local communities, the level of strategic significance attributed to CSR) appears to be weak, as the CSR activities of the firms do not depend on financial concerns, rather the general social conditions tend to prevent the wide spread application of CSR in the North Hungarian Region.
The following empirical research results tend to substantiate the above thesis:

1. The positive correlation between profitability and CSR activity of regional enterprises (social and environmental activity, advantages provided for local communities, the level of strategic significance attributed to CSR) can mostly be discerned in case of large companies and in this instance the advantages provided to local communities are influenced more substantially.

2. The correlation between the profitability of SMEs and their CSR activity relevant to all factors is rather weak thus profitability cannot unequivocally be considered a decisive factor in the socially responsible activities of the SMEs.

3. The social and environmental activity of the large enterprises is mostly influenced positively by the rate of female executives, ranking before sales receipts the number of employees, and profitability, the latter concept having the least power in exerting a positive impact.

4. The research effort also revealed that the strategic importance of CSR is greatest in firms where the rate of female executives is highest in management.

Thesis No. 6
The social responsibility of regional firms lags behind the overall Hungarian enterprise sector along with the neighbouring Central and Eastern European countries with similar economic, social, and political background. The applied CSR apparatus to address the relevant social and environmental problems is of a narrower scale in the Northern Hungarian Region.

In our paper in order to explore the relevant similarities and differences we have performed a comparison between corporate social responsibility in Hungary and in the Northern Hungarian Region with that of the countries of the Carpathian Euroregion (Poland, Slovakia, Romania, Ukraine).

The comparative analysis of national corporate social responsibility practices was performed according to the following criteria: the interpretation of the CSR
concept, applied CSR tools in business practices, CSR reports and standards, the role of civil organisations and institutions, the role of the media, the function of instruction and CSR research projects, and the role of the government and public administration in the countries of the region.

The comparative analysis revealed that numerous social, economic, political and practice-based features notwithstanding the extent and nature of corporate social responsibility tends to significantly vary throughout the aforementioned countries. Out of the 5 countries examined 2 shows the greatest differences as Slovakia stands out in a positive sense, while Ukraine is singled out due to the low level of CSR.

In certain sense the Northern Hungarian Region appears to stand out from the rest of the sample, mainly due to the deficiencies in the field of social responsibility, which not only reveals a significant lag in the context of neighbouring countries but demonstrates that social responsibility in Hungary is ranking below the national average.

Conclusions

The years after 2008 are kind of the years of truth for CSR in Europe and all over the World. The years of and after the Financial Crisis will show which companies CSR was a one season's fashion and which organizations build real strategies on it. All companies have to face with the crisis and they need to cut the budgets spending on CSR as well. Nevertheless these savings don't mean resigning from CSR, especially in companies that have integrated CSR in their strategy. This situation is able to make companies turn into activities such as resource saving programs that can also bring cost savings to the companies and may allow them to achieve interesting ecological results with a lower cost. This period is also a challenge for innovation and creativity what can help companies in getting competitive advantage and stable position on the market (Owsianska, 2010).

The purpose of fostering companies to integrate CSR activities into their operations cannot be achieved without raising the awareness of society and without effective governmental support, but the most crucial question concerning the expansion of corporate social responsibility is whether players of the Economy of the countries will recognize those forms of CSR that can be beneficial and easily harmonized with their business interests.

The citizens have a significant role with making the companies do voluntary actions, because companies become responsible just in that business environment where this behavior is appreciated by the local community. This is the field where changes are required first. The behavior of the customers is the most important barrier of spreading CSR. While the man in the street doesn’t know the meaning of CSR and while he thinks that charity is the only tool of
CSR he won’t understand its contribution to Sustainable Development and he won’t be able to pressure the companies in the fields of green and social inventions, product quality, resource efficiency, and ecological production as well.

Research results, international CSR practices, and several examples of the respective professional literature appear to suggest that the level of social responsibility in various countries and regions is not only influenced by economic development but by the respective social, cultural, and other related conditions. Consequently, we cannot declare that the achievement of a certain economic output would result in the automatic increase of social responsibility, and it was proven that the abovementioned features determine the applicable apparatus and the potential developmental options. Thus, while there is a definite need for a comprehensive EU strategy, social responsibility objectives can only be implemented while taking the respective local conditions into consideration.

References


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