

# The Impact of Recession on the Implementation of Corporate Social Responsibility in Companies

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## **Abstract**

During the last few years, companies have had an increasing interest in Corporate Social Responsibility (CSR) and its implications in economic performance and competitive environment. However, as a result of the recent economic decline, CSR and the overall attitude of companies towards socially responsible activities have been affected. This article discusses the shift in the perception of CSR during the economic recession as well as the current implementation of CSR in the corporate sector, especially in a period when features such as financial stability, innovation and competitiveness are crucial. The research was based on a cross-case analysis in three companies. The analysis resulted in the identification of the impact of recession on CSR and an outline of the trends for future development.

*Key words: Corporate Social Responsibility, Sustainability, Recession*

## **1 INTRODUCTION**

One of the most discussed topics nowadays is the concept of Corporate Social Responsibility (CSR). The debates about CSR can be found not only in the commercial sector, but also in fields like government, public sector, and nongovernmental organizations, as well as in inter-governmental organizations such as the United Nations, the World Bank or the International Labour Organization.

In the commercial sector, CSR is considered a part of strategic planning for those companies that strive to be successful, that want to improve their reputation and especially those who want to be competitive. CSR is a competitive advantage for businesses, having as a source the intangible and human resources, and being executed by competences such as communication, management and corporate culture.

Corporate Social Responsibility as a significant aspect of competitiveness became relevant particularly during the period of economic recession, when business environment was degrading. There was pressure for lowering already agreed prices and delay of payments which deteriorated business and affected the collection of receivables. In determination of financial and non-financial impacts of the crisis, the economy began to show unhealthy phenomena such as the significant loss of trust.

According to a survey conducted by the Factum Invenio in 2009 for Czech Donors Forum, two thirds of Czech citizens believed that the economic crisis affects, among other areas, the socially responsible behavior of corporations (Petrová & Rejžková, 2009).

The question of how the economic crisis has affected the implementation of CSR in companies is therefore entirely appropriate just like the general objective of this research: to assess the impact of economic recession on CSR. The article deals with answering this question from the competitiveness oriented point of view, and meeting this objective through a survey conducted among three companies engaged in a long-term social responsibility program.

## 2 THEORETICAL BACKGROUND

The concept of Corporate Social Responsibility is a global phenomenon known for many years. Despite the fact that CSR has been neglected for a long time, nowadays many authors deal with this issue, as evidenced by the development of theories in recent years regarding the topic. Although there has been an enormous growth of literature it is still not possible to simply define CSR. Many definitions exist that try to capture the concept of CSR, but their content varies (Matten & Moon, 2008).

The main idea of CSR is that companies should accept that they play in society more than just an economic role. It means an interest to take liability not only for activities and impact in business, but also responsibility for their impact on society and environment (Robins, 2008). This commitment is thereafter perceived as a significant competitive advantage mostly in high developed countries. Sources of the advantage lay on a wide range of socially responsible activities, which can be targeted on three areas, in terms of CSR.

**Economic Area:** It includes the developing of a code of ethics or similar document, the adoption of principles in Corporate governance, transparent conduct, anti-corruption policy, etc. (Putnová & Seknička, 2007).

**Social Area:** The social area includes, for example, continuous dialogue and collaboration with stakeholders, equal opportunities, respect for human rights in the workplace, development of human capital, etc. (Putnová & Seknička, 2007).

**Environmental area:** It includes establishment of environmental policies focused on protecting natural resources and ecological production, etc. (Putnová & Seknička, 2007).

As CSR is a part of the business activity, we can distinguish four theories.

The primary and most widespread theory is the dominant theory of the companies recognized by mainstream neoclassical economists, the Stockholder Theory. This is based on a simple assumption that companies play a purely economic role in society. They are owned and controlled by the “homo economicus” and are managed with a view to profit, limiting their procedures only by the need to act within the law. The most famous proponent of this view is the Nobel laureate in economics Milton Friedman (Robins, 2008).

Milton Friedman (1996) argued that CSR activities indicate an “owner-agent problem”, which is growing thanks to the separation of ownership and control in the enterprise, that is, by the conflict between the interests of managers and stakeholders. According to him, managers use CSR to support their own goals at the expense of other stakeholders’ rewards (McWilliams & Siegel, 2001).

Another theory is the Agency Theory, which starts where there is a separation of ownership and control of the enterprise. Owner - agent problem can be seen as a problem that arose due to the ever-growing company and the potential for conflict between stakeholders. The limitation of Agency Theory, however, is that it is strictly focused on only two interest groups, the shareholder (owners) and management (agents).

The theory that places bigger emphasis on different interest groups, other than the owners and management, is called the Stakeholders Theory. According to this theory the success of the organization depends primarily on how well the relationships with a number of key groups are managed, including customers, employees, suppliers, financiers and other relevant communi-



ties, with whom it cooperates. From the perspective of this theory, it is a task of the manager to support all these groups, and to carefully balance the various interests, creating a company where stakeholders' interests are collectively and gradually maximized (Freeman & Phillips, 2002 in Robins, 2008).

This theory, however, is considered obsolete by some authors. According to Robins (2008), there are two reasons for the failure of this theory. The first reason states that this theory does not help management to identify who and which groups are or are not stakeholders. The second reason for failure of Stakeholders Theory is that it does not specify how the manager should compare the competing interests of different groups of stakeholders.

In a way different, there is also another theoretical approach to corporate management in the application of CSR. It is called Stewardship Theory. Stewardship Theory, associated with Donaldson (1990) and Davis et al. (1997), is separated from the Agency Theory through the argument that managers should be less individualist, less opportunist and serve themselves less than it usually happens. On the contrary, they should be more collectivist, more pro-organization and more trustworthy. Stewardship Theory implies that managers can achieve their goals more successfully by serving the interests of the organization. "Homo economicus" is replaced with "steward" whose behavior is more pro-organization and collectivist rather than individualist and self-serving (Robins, 2008).

However, there is the same problem as in the Stakeholders Theory. Unless it is clearly defined who is a stakeholder, it is unclear whose interests should be encouraged.

In terms of historical development, CSR can be divided into CSR 1.0 and CSR 2.0. (Visser, 2010 in Pohl & Tolhurst, 2010). The traditional concept of CSR, or CSR 1.0, known as Corporate Social Responsibility, is mainly characterized by donations and community investment, and it is the foundation of the emerging CSR 2.0, Corporate Sustainability & Responsibility. CSR 2.0, unlike CSR 1.0 responds to the emergence of responsible and sustainable markets. This project involves the creation of specific solutions to solve difficult problems, such as water shortage and climate change.

CSR is a concept which essence is appropriate and desirable business conduct. What is appropriate and desirable in some way may differ in geographic location, within sectors and within individual companies.

Understanding of responsible behavior, its resources and use, is understood differently in the framework of different theoretical approaches. Instrumental theories are designed to achieve economic objectives through social activities; political theories appeal to the responsible use of power of the business environment in the political sphere; integrating theories propose the integration of social requirements into business; and ethical theories are focused on achieving good in society (Crane, Matten, & Spence, 2008).

One thing is always the same. CSR as we understand it today covers a wide range of beneficial activities to society. Additionally, companies are also benefited with a competitive advantage consisting among other issues, on increased reputation, better relations with stakeholders, and cost decreases. They are able to differentiate from competitors, especially through their image with CSR based policies.

Competitive advantage implies certain timing. A way to do so, is to introduce a product or

service that competitors can not provide, or fail to provide with equivalent parameters. In companies that are implementing CSR, these parameters are transparency, environmental care and dialog with stakeholders, among others.

### **3 RESEARCH QUERIES AND A JUSTIFICATION**

As the phenomenological research paradigm concerns, research queries were formulated, and not hypotheses.

For this research, 3 queries were developed. Queries Q1 and Q2 were formulated as questions with a particular thematic focus. Q3 query was formulated as a “grand tour question”, or a general question. The reason was the opportunity to acquire more extensive information of the impact of the recession on CSR, without burdening the research with excessive thematic constraints.

Q1: What is the level of implementation of CSR in surveyed companies?

Q2: How CSR has changed due to the economic crisis?

Q3: How the economic crisis affected the overall understanding and implementation of CSR in business?

Based on answers received from Q1 it was possible to determine whether companies have applied sufficiently developed concept of Corporate Social Responsibility in all three areas (economic, social and environmental). This query was essential for the research, since it becomes base for answering Q2 and Q3.

Q2 then provided answers on how CSR in the economic crisis changed in these areas. It allowed to see which areas were the most weakened due to the recession (strengthening was not expected and it was not proved) and why.

The general question Q3 helped to determine how and where the perceptions of CSR in the surveyed companies were shifted, which allowed to outline the current direction of CSR.

After answering these queries, it was possible to examine the impact of recession on CSR, which is the general aim of this research.

### **4 METHODOLOGY**

The research methods that were used, correspond with the fulfillment of the goal, and lead to answer the research queries.

According to the purpose of the research this was considered an exploratory research. In terms of the process of the research, it had a phenomenological approach. In comparison with positivist approach, phenomenological concept is considerably more difficult and slower. However, the phenomenological approach is widely used by academics and organizations concerned with social responsibility (for example N. Chikudate: *A Phenomenological Approach to Inquiring into an Ethically Bankrupted Organization: A Case Study of a Japanese Company* (Chikudate, 2000) or E. A. Lange, T. J. Fenwick: *Moral commitments to community: mapping social re-*

sponsibility and its ambiguities among small business owners (Lange & Fenwick, 2008)). This is primarily due to the fact that qualitative data is more subjective than quantitative data and the analysis allows gaining a deeper understanding of social and human activities. At the international level, both positivist, and phenomenological research are applied by CSR Europe which represents European business network for Corporate Social Responsibility.

In terms of output, this was a basic research, which is seen as fundamental research. In terms of logic of the research it was an inductive research, which is perceived as a shift from specific to general (Collis & Hussey, 2003).

#### **4.1 Description of research methods**

Within the phenomenological paradigm, case study was chosen as a research method. This is an inductive research method, which is accompanied by an analysis of qualitative data (Collis & Hussey, 2003).

Case study as research method was chosen for the following reasons:

- Eisenhardt refers to the fact that a case study is a research study which focuses on understanding the present dynamics within a specific set of elements (Eisenhardt, 1989).
- Yin claims that case study as research strategy is used in many situations where we want to contribute to knowledge about individual, group, organizational, social, political and related phenomena. Case studies are common research strategies in community planning, business, and more recently in economics (Yin, 2003).
- The case study method allows the researcher to maintain holistic and meaningful characteristics of real-life events, such as individual life cycles, organizational and managerial processes, international relations, etc. (Yin, 2003).

Since the purpose of the study was not a mere description of the practice or application of existing theories to understand and explain certain phenomena, but a situation where a particular research phenomenon has not been adequately mapped in previous theories, case study was selected as the type of research.

The comparative case study was chosen as a method due to the fact that it is considered more serious and therefore more convincing than that of the single case study (Herriott & Firestone, 1983).

In terms of design, the method of comparative case study with a holistic approach in the analyzed units was chosen. This approach was selected because this case study examines the company as a whole and does not divide the issue in further units.

#### **4.2 Methods of data collection**

In accordance with the phenomenological paradigm, three methods of data collection were selected in the context of case study.

The main method of data collection was the interview. This method was chosen because according to Yin, it is one of the most important sources of case studies. The interview allows the interviewer to ask complex questions and further develop them, while with a questionnaire it is not possible (Collis & Hussey, 2003). Since replication logic was applied on the research, subsequent interviews and consultations were conducted following the same procedure and

were allocated the same duration. Analysis of documents and materials obtained from companies participating in the research was selected as a complementary method. These were mainly on the analysis of CSR reports, annual reports, and other ethical codes, as well as materials published on the websites of surveyed entities. Observation was chosen as a supplementary method.

### **4.3 The process of data analysis**

The analysis process of case studies is the least developed and most difficult aspect of the work. The main challenge for the analysis of qualitative data was the fact that there is no clear and accepted set of general rules for the analysis in comparison with those that exist for the quantitative data analysis.

The analysis of qualitative data was made through a non-quantitative method, since the quantification of qualitative data (detextualization of data into figures) was not desirable. The main challenges that had to be overcome in the processing of qualitative data were mainly related to the reduction of data, their precision, sort and rearrangement, and finally to find an appropriate category under which the data was structured.

In this case, cross-case analysis was chosen as a specific analytical technique, since it is particularly suitable for conducting research of the nature of comparative case study. The aim of the cross-case analysis was to identify similarities and differences in individual cases, for identifying subsequently a general pattern. Cross-case analysis, however, was preceded by an individual analysis of each case.

### **4.4 The quality of research**

The quality of the research was assessed by logical tests. According to the research nature of the case studies, tests of validity design, external validity and reliability were applied. Validity of the comparative case study was provided by comparing the three cases. The test of design validity lies in the use of multiple sources of information as well as in the chain of evidence in the data collection phase. External validity was ensured by using replication logic, where various findings were tested on other cases. Since reliability can be a problem of case studies the design was justified during the research and case study protocol was established. A data collection research in individual cases was carried out, using a case study protocol for each case, data loading, database creation and data assurance of the meaningfulness of the findings similarities by the data from individual cases.

## **5 PRESENTATION OF CASES**

The data collection was followed by a case study protocol, thereby ensuring the accuracy of replication logic in research. The research was conducted in three companies that meet certain criteria:

1. According to the sectoral classification, it is a company of the private sector.
2. The company is a subsidiary of a multinational organization that meets the criteria of a large company category by the European Commission: Commission Recommendation 2003/361/EC.



3. The company operates in the Czech Republic.
4. The company claims a long-term CSR.

The trading names of companies in this article are omitted. Nevertheless, two of them are limited companies, one of services, the other industrial, and one more, a joint-stock company, provides services.

### **5.1 Company A, Ltd.**

The Company A, Ltd. was founded in 1997. The only shareholder is a Japanese company that specializes in industrial products produced by technologies of organic synthetic chemistry, polymer chemistry and biochemistry.

Socially responsible activities in Company A, Ltd., became to operation in 1998, although Corporate Social Responsibility in the strict sense, started to be implemented in 2005. The current CSR business can be considered as strategic with strong elements of the Japanese parent company approach. This is reflected for instance in the emphasis on safety, product quality and innovation, and conversely low interest in community investment and volunteer activities.

CSR is managed by a group of Japanese managers and then transferred to 8 Czech managers. The role of coordination of CSR relies on the manager of human resources. The company communicates CSR to the public through their CSR reports and annual reports.

The company meets high standards in the environmental field, which is due to the fact that it is a company with industrial production. It focuses mainly on water resources, as its production is highly demanding of water resources, as well as CO<sub>2</sub> emissions and waste management. The already mentioned Japanese approach is quite evident in the company, which focuses on long-term relations with employees, benefits, social services and health care. However, given this approach, the company is not oriented towards gender equality in opportunities.

### **5.2 Company B, Corp.**

The Company B, Corp. entered the Czech market in 1996. It is controlled by a German company that provides telecommunication services.

Company B, Corp. began to engage in socially responsible activities in 2005. At this time, however, was mainly just of the nature of philanthropic projects. Social responsibility, as understood under the concept of CSR began to be addressed in 2008. The current CSR of the company can already be evaluated as strategic CSR, which in its time of existence in company has undergone significant changes.

The company has an elaborate management system for CSR within the group. In parent company there is a CSR Board established, CSR Department, and network of CSR managers from the various subsidiaries. The responsibility for CSR in B, Corp. relies on CSR manager. In 2010, after the model of parent company, a CSR board was established in Czech subsidiary, which consists of representatives of management.

The CSR of the company is communicated through CSR reports. In the social field, the company focuses on the well-being of staff and equal opportunities. In the environmental area the company is a founding member of the EU CLG (European Union Corporate Leaders Group on Climate Change), since it committed itself to pursue strategies and targets to significantly reduce greenhouse gas emissions and the use of low-carbon technologies.

### 5.3 Company C, Ltd.

The Company C, Ltd. started its commercial activities in Czech market in 1997. It is part of group of companies with headquarters in the United Kingdom that provides financial services to households.

Corporate Social Responsibility in the company C, Ltd. has been a part of corporate strategy since 2005. As a part of a group of companies, company C, Ltd. is a member of leading organizations focusing on CSR as CSR Europe since 2004, the London Benchmarking Group, and in 2008 the group of companies decided to support the UN Global Compact initiative.

International CSR strategy is determined in the United Kingdom by Steering Committee for Social Responsibility. At the national level, the director of external relations is the one dealing with Corporate Social Responsibility as well as public relations manager and CSR specialist. CSR Working Group is the one providing the implementation of CSR goals.

The company communicates its CSR in annual reports and CSR reports. The performance of company CSR has been measured through implementing LBG methodology (London Benchmarking Group methodology) since 2004. Transparency is also ensured by the existence of a code of ethics applicable to all group members, and through proper treating of costumers, and communication with stakeholders.

Since 2002, the company has been operating an environmental management system (EMS), which is in line with international standards ISO 14001. Long-term support of environmental projects in cooperation with the NGO sector is customary. In the social sphere, the company is involved, for example, in equal opportunities and staff care.

## 6 DATA ANALYSIS

Based on the findings of the individual cases and the comparison of obtained data by cross-case analysis, the research queries have been answered.

As the research proves, companies meet the same key characteristics: according to the Commission Recommendation 2003/361/EC of the Commission of the European Union they meet conditions for large companies; all of them have business in the Czech Republic but they are owned by foreign investors; they have been concerned with social responsibility for some years, whereas they have been focused on strategic CSR from 3 up to 5 years; and all companies have established long-term CSR goals.

### Q1: What is the level of implementation of CSR in the surveyed companies?

The investigated companies have a sophisticated structure of organs of CSR throughout the company. CSR Steering Group / CSR Committee in all cases are allocated in the parent company. As a result, the difference between the ways of implementation of CSR in the subsidiaries in the Czech Republic is obvious. It is especially evident in the company A, Ltd., which has not executive authority in the Czech subsidiary. The CSR responsible is the human resources manager. In other companies, CSR is exercised through the CSR Board and CSR working groups. All the companies also employ managers responsible for CSR and CSR specialists subordinate to them.

Strategic communication with stakeholders was not considered before recession, in none of companies. Currently, all companies receive feedback from key stakeholders through dialogues, forums and conferences, but also develop the concept of meeting with stakeholders in the so-called Round Table.

Regarding membership in organizations and associations, only Company A, Ltd. does not focus on this area. Company B, Corp. and C, Ltd. in contrast, are members of organizations and associations that are close to their business. Company C, Ltd. has a background of leading organizations in the field of CSR such as: CSR Europe or London Benchmarking Group.

As a part of the social field, companies focus on similar areas. They focus on their employees, especially on communication and feedback, offering development opportunities and education and put great emphasis on safety. Companies are also focused on customers and emphasize a responsible supply chain management.

Company B, Corp. and C, Ltd. are strongly committed to equal opportunities and go through audits for equal opportunities, organized by the Gender Studies Association. Company A, Ltd. does not emphasize on equal opportunities, mainly due to its Japanese approach to CSR. Companies also invest into community development and cooperation with the NGO sector. This collaboration is additionally supplemented with volunteering activities, where companies offer their employees to spend one day per year as volunteers.

It is possible to say that in the social field, Company B, Corp. and C, Ltd. target the same area. Company A, Ltd. in accordance with the Japanese approach to CSR differs especially in matters of equal opportunities and volunteering, and vice versa is strongly focused on work safety.

In the environmental field the three companies reach a high level of care for the environment. Company A, Ltd. holds ISO 14001, Company B, Corp. is currently in the phase of implementation of ISO 14001 and company C, Ltd. implemented ISO 14001 in 2009. All companies follow the key performance indicators (KPIs) within the environmental management systems in the business areas with greatest environmental impact, such as CO<sub>2</sub> emissions or energy consumption, and are also involved in eco-house projects. Company A, Ltd. makes a strong emphasis on water usage and water resources. Company B, Corp. and Company C, Ltd. also focus on environmentally-oriented community projects and volunteering.

All companies have developed an annual CSR report, and established codes of ethics and reports according to GRI (Global Reporting Initiative). They support ethical behavior by using codes and rules. The measurement of the corporate CSR efficiency, however, is carried only by C, Ltd. using the LBG method.

## **Q2: How CSR has changed due to the economic crisis?**

A comparison of the surveyed companies proves that the economic recession and its impact affected directly the perception of CSR in companies.

In all cases there was a significant decrease in the fund expenditures for CSR activities. This led to a reallocation of resources to specific projects and often to avoid or reduce their support. For some projects, there was a change of partner organizations for cost efficiency reasons.

The recession affected mostly the social area followed by the economic area in all companies.

The environmental area was least affected by recession, mainly due to the high environmental standards and environmental management systems which are internally set in companies in long term.

Key activities, internal programs and long term investments (such as building insulation or investments related to the implementation of ISO 14001) were not restricted at all. Only the external activities, such as supporting of small environmental projects in cooperation with the NGO sector were reduced.

Due to recession, companies began to look for possible contributions of CSR for the company, not only in terms of a reputation, but also in financial terms. These possibilities were found in the environmental field. These include projects by streamlining the operation and the search for savings, especially in energy (a more efficient heating system, automatic switch off of the monitor and hard drives, etc.).

The recession brought changes into economic area in all surveyed companies.

Companies in particular reduced the risks associated with their business. Company A, Ltd. for example, abandoned business in high risk territories or ensured timely payments by letters of credit or cash payments. The biggest step forward in this area has experienced deepening communication with stakeholders, which has become crucial for all companies. Emphasis began to be put on the Compliance, thus acting in accordance with ethical standards and compliance with local and foreign laws, standards, and regulations.

The social area has undergone the biggest changes due to recession. Excluding company B, Corp., companies have had to lay off certain number of employees or reduce their working hours. This was especially evident in company A, Ltd. which had to lay off dozens of employees, even if everything was intensively discussed with unions and employment agencies. In all companies the increase of salaries was suspended and benefits for employees were reduced. Social and other activities were reduced as well. Only investments in work safety remained intact.

### **Q3: How the economic crisis affected the overall understanding and implementation of CSR in business?**

The difference between the perception of CSR before and after the recession has in all surveyed companies many common characteristics. The current CSR was strongly reviewed by recession. All companies agree that the recession has demonstrated the importance of corporate CSR and depth of its actual implementation.

Before recession, companies were still learning what CSR is and they did not use fully the potential of CSR as a competitive advantage. During the recession, however, specific activities and projects were reviewed. Projects of marginal interest were dismissed and CSR ceased to represent only the allocation of funds for charitable purposes. CSR has become more targeted. There was a shift from reactive to proactive CSR. Companies began understand CSR more conceptually and strategically. All companies particularly dropped from the support of smaller projects and strongly focused on projects that are in line with their business activities, to enhance their competitiveness in unstable time of economic recession.

In the future, all companies would consider CSR more strategically and targeting their projects



better. They would like to support especially those projects which have proved to be effective. Rather than new projects would like to enrich the current dimension of CSR. In the social area, they would like to return benefits for employees and again support social or cultural events, which were very limited due to the recession.

Companies also place great emphasis on developing the relationship with stakeholders and getting feedback. In accordance with the current trend, companies also started to focus more on volunteering, which is very beneficial and does not require too much financial support.

According to surveyed companies, in future, CSR should not only underline business strategy and contribute to the reputation of the company, but also increase its value and competitiveness.

## **7 DISCUSSION**

All surveyed companies follow a strategy of differentiation based on CSR, in particular because it creates protection against actions of competitors, since customers are more loyal to the brand and less sensitive to price changes, an extremely important fact, especially in time of recession.

A high standard of implementation of CSR was found in all companies. The focus of the companies on all areas of social responsibility is more comprehensive in the environmental area.

In the field of environment, they place a particular emphasis on ISO 14001 and other international standards. High requirements for this area stem largely from the need to obey the law and directives. Focusing on environmental issues is also given by allowing the well to set measurable targets, such as measuring carbon footprints and the like. This is demonstrated by the fact that companies monitor the value of their key indicators. The popularity of environmental projects also lies in the fact that often they bring a reduction in costs due to energy savings. Caring for the environment stands very high in values of companies. In the future, it is possible to expect that CSR in the environmental field will be even more present.

Social area is represented by the care of staff and community projects. All companies place great emphasis on safety. Companies owned by European investors also emphasize the gender issues. As expected, this area is not entirely addressed by company of Japanese ownership, due to the cultural stereotypes of Asian countries. Cooperation with the non-profit sector seems to be efficient, and is carried out mainly through community projects as well as volunteering. Donations are still carried out, but in line with current trends, its role is smaller in relation with community projects.

In the economic sphere, the companies share common characteristics. Given the requirement of transparency and openness they produce annual CSR reports, and they have established codes of ethics and defined responsibilities in CSR.

### **7.1 Impact of recession on CSR**

Business success is usually associated with the term competitive advantage. Companies compete among themselves to attract more customers to have the highest sales and maximize profits. The winner is the one who can offer cheaper goods; provide interesting and quality service, who can offer to the customer something not offered anywhere else. Before 2008 CSR was seen as an increasingly relevant source of such competitive advantage.

When the economic crisis came in 2008 and hit the global economy, the question arose, about what would happen with the concept of Corporate Social Responsibility. It was quite apparent that the crisis would affect CSR, but no one knew how. Some have argued that the companies should dismiss CSR, considering it as an economical burden, but according to other authors (e.g. Visser) CSR should continue to strengthen and become a benefit to business in times of crisis making companies more competitive in an increasingly hostile business environment.

From the information obtained by the research, it was showed that the recession and its impact directly affected the perception of CSR in companies. The crisis, which continuously developed in the recession, hit surveyed companies especially financially. The sphere of CSR experienced a significant decrease of all spending on socially responsible activities. Subsequently there has been a review of specific activities and projects. Projects of marginal interest were rejected and CSR ceased to represent only the allocation of funds and donation. Quite as expected the most affected area was the social, and the least affected was environmental area.

The surveyed companies were trying to solve their problems in accordance with the principles of social responsibility and they found that CSR does not mean only costs, which in time of recession decrease earnings downward, but it is something to rely on in times of crisis.

Companies began to seek the benefits of CSR, not only in terms of a reputation, but also financially. These options are found in the social, economic and environmental spheres. In the environmental area, the plan was to streamline the running of projects and the search for savings, especially in energy (more efficient heating and heat recovery systems, power off electrical devices, etc.). In the economic sphere has such a considerable strengthening of communication with stakeholders and the larger social communication with employees, departments and offices.

The research may also suggest that the recession started and accelerated the transition from defensive CSR 1.0 (Corporate Social Responsibility) to sustainable CSR 2.0, known as Corporate Sustainability. CSR began to be understood more conceptually and strategically. All companies particularly shifted from the support of smaller projects to be focused strongly on projects that are consistent with the object of business. Perfectly in line with CSR 2.0 stakeholders began to be seen as a major business partners in the process. CSR began to be understood as a corporate strategy, local impact began to be understood as a global impact, the problematic situation or process began to be communicated more, and to promote projects linked to business activities with a positive impact on society. But above all, companies started to realize that increasing relations and communication with stakeholders to develop a genuine trust based relationship, rather than creating an artificial image of generous company, builds a real competitive advantage.

The companies have not experienced the shift to business growth and financial gains for companies that are open to new opportunities of CSR 2.0, how Visser assumed (Visser, 2009). But these companies were able to reduce their losses due to CSR. As Kovoov-Misra notes, the way the company responds to the crisis can be an opportunity for building a good reputation, as well as an opportunity to learn (Kovoov-Misra, 2009).

All companies agree that the recession has demonstrated the importance of corporate CSR and depth of its actual implementation, validating it as an increasingly important competitive advantage.



## 7.2 Deficiencies and their overcome

Despite the high standard of CSR in all companies some deficiencies were identified. The solution would mean a higher efficiency of the companies' CSR.

In past, the surveyed companies built CSR particularly on philanthropy. Later it was expanded to include community investments and due to recession began to be in line with the trend towards a focus on sustainability (i.e. CSR 2.0) mostly due to the CSR strategies imposed by their parent companies in foreigner countries. Nevertheless, companies should be prepared more to switch to CSR 2.0. They should review and revise existing processes already set for CSR 1.0 and complement it with a new way of managing projects that can have global impact.

Problem of capturing of CSR in the organizational structure is another restriction which prevents the development of CSR in companies. To capture CSR in organizational structure is very complex since CSR should be present at all levels, both the Chief Executive Officer and the positions of all employees. This problem affects most businesses and was more or less traced and investigated in three surveyed subjects. Companies should review the current integration of CSR into the organizational structure so that its management is in the hands of the person who has adequate competences to enforce responsibility. Even the current position of CSR specialist is somewhat in contrast to how the CSR should be applied. CSR should be a general and essential business idea, not a specialization.

The research has shown that even the socially responsible companies do not measure the effectiveness and impact their corporate CSR enough. At the end of the year, companies often only quantify how much money they spent for specific projects, but they do not include administrative costs. Without the proper methodology, however, neither the financial support can be properly quantified. Another mistake that companies commit appears when they set up socially responsible projects. Projects are often run without setting measurable targets for both the company itself, and for the community involved in the project. They do not specify either the impact on society within particular projects, and the determination of the leverage of the project is still a major weakness.

Measuring the impact of corporate CSR should therefore be another key activity for which companies should focus on. Otherwise, companies will not be able to assess where the company CSR is moving, whether if particular projects reach their objectives, what is their output and, ultimately, its impact on society.

What seems to be still inadequate is monitoring of competitors' CSR. We can hardly speak about a competitive advantage without binding to specific competitive conditions and specific competitors. Companies perceive CSR as a competitive advantage, but they do not use it as effectively as they could. They are interested in financial results of competitors, but they do not focus on their CSR. Companies are involved in various conferences and CSR workshops, where they obtain inspiration by other projects, but not from projects of competitors. Although the surveyed companies claim they understand CSR as a competitive advantage, they do not develop it completely in the context of their competitive environment, even though there are already ways of CSR benchmarking. If companies really want to use the full potential of CSR as a competitive advantage, they have to treat CSR as a competitive advantage.

### 7.3 CSR in the future

There is no doubt that socially responsible activities will be present in the future in business environment. Not even the economic decline could reverse this trend. CSR is becoming a very progressive aspect of business and it is gaining importance in key areas such as customer preferences, supplier-customer relationships, employee commitment, and competitiveness, as well as to streamline the overall business performance.

Arising from research, companies intend to focus on Sustainability (CSR 2.0) in the future, and they are beginning to ask: Would I do the same decision, if the next generation was my major stakeholder?

Sustainability includes not only the socially responsible behavior as we know it today, but it also features a comprehensive and long-term impact of business activities on society. Companies should have in mind, that in a competitive environment, not only customers but also business partners will want to know whether companies measure the carbon footprint, whether if they abuse the workforce, what they do for the good of society, and to take this as key considerations when deciding with whom they cooperate. In the future, socially responsible behavior will not represent only a competitive advantage, but a necessity.

## 8 CONCLUSION

The research based on cross-case analysis of three companies evaluated the level of implementation of CSR in each case, and the more recurrent activities were documented in the economic, environmental and social fields.

The obtained findings in surveyed companies led to answer all research queries. Arising from research it was possible to evaluate how recession affected CSR in three surveyed companies and draw general conclusions about shift in the perception of Corporate Social Responsibility.

The economic crisis clearly has caused financial losses, and this is obviously reflected in the field of social responsibility. Most affected was the social sphere, where companies have been forced into shrinkage and limiting of number of employees. It was a logical step, in response to the recession that is well known in each practice. The least affected was environmental area, mainly due to a number of regulations and standards that companies must follow, as well as sanctions which could bring companies into even deeper crisis in case they are not considered.

Even though businesses have been affected by the crisis in all three CSR areas, research has shown that the expectations of critics about the decline of CSR in a recession have not been fulfilled. It was rather the opposite; recession re-aimed CSR and demonstrated its social importance, as well as its potential to improve corporate competitiveness.

Charity, although it is an irreplaceable contribution to society, can no longer be the main topic of social responsibility. Companies have understood the need to focus on other, socially poignant themes such as greater environmental protection and education of the population. These issues are not focused on a handful of individuals, but they are increasingly social issues, where the basic principle is sustainability.



As a competitive advantage, corporate responsibility in the recession did not yield considerably higher profits for companies, as some authors thought (especially in conjunction with sustainable markets), but on the other hand its application was not rejected by companies, as some critics had expected. Recession simply showed that CSR has helped companies to survive better the economic crisis, has taught what the real CSR is, and how it can be beneficial not only for business but also for the society.

Despite recession has brought reduction of funds for socially responsible projects, companies have learned how to manage expenses for CSR better. They discovered that their financial aid cannot be redistributed randomly, but that it must be made conceptually consistent with a strategy and must bring back something to the company itself. Recession has proved that companies can treat CSR as a competitive advantage, without conveying a social offense.

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