

## THE EXAMINATION OF CSR ACTIVITIES OF THE HUNGARIAN FOOD INDUSTRY

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### **ABSTRACT**

*Research was carried out to determine the corporate social responsibility (CSR activities) of firms in the Hungarian food industry. First, the authors attempted to clarify the conceptual essence of CSR, specifically its functions and criteria. The result was the following definition: “An organization - beyond its short-term profit gaining activity – by manifesting a responsible behavior, willingly undertakes a role in solving social, economic and natural environment related problems, also in human and structural developments within the organization. These activities are conscious, continuous, built into the strategy; its target groups include the company’s internal and/or external stakeholders.” After determining the definition, CSR-related activities were aggregated and aligned in the most general determination by examining several companies. Four dimensions of sustainability were considered as a main alignment principle, therefore each formulated idea was grouped under these dimensions. Since CSR-related indices are quite complicated, a more simple approach was used, allowing us to get a clear a picture about a company's activities at the same time. The questionnaire was completed by the 30 largest firms in the Hungarian food industry and filled out with public data. The evaluation of the received data is still in process, hence statements are made with general validity.*

Keywords: CSR, sustainability, communication, development, food industry

### **INTRODUCTION**

In the present research we studied the CSR, the Corporate Social Responsibility among Hungary’s largest food industry companies. The main goal of our study was to get an overall picture about the significance of the CSR among the dominant food companies operating in Hungary and to identify the areas that are covered by the related activities. During the research we received information mostly from medium and large companies, which gave more than 90% of all respondents, so our statements are mainly related to these groups. The main results demonstrate clearly that CSR is expanding in Hungary nowadays. Some questions occurred already at the beginning of the immersion in this topic, this research attempted to answer these questions and to make proposals. The issues are:

- How significant is the CSR among the domestic food industry companies, and if they apply it, then what specific activities do we mean under it?
- Is the communication appropriate?

- In what specific areas can it be divided and what characteristics, general conclusions can be drawn?

The problem started there how the CSR can be defined, since its judgement is also quite subjective, in addition there is no corresponding legislation. Finally after reviewing the scientific literature our own definition was created. We mean the following under corporate social responsibility: “A company beyond its short-term profiteering takes part voluntary and demonstrating responsible behaviour in solving the social, economic and natural-environment related problems and in the human and structural development of its own organisations. These activities are conscientious, continuous, fixed in a strategy and their targets are mainly the company’s external and/or internal range of stakeholders.”

## **MATERIALS AND METHODS**

To collect the data we used a questionnaire request, which despite the relatively low number of responses provided useful and analysable database for the research. The companies participating in the questionnaire were selected according to the HVG 2010 annual Top 500, in which the most profitable 500 companies were listed, also broken down to sectors. From this list were lifted the 32 food company, of which 14 answered the questionnaire in an appreciable way. In addition two larger food industry companies based in Kaposvár were also interviewed. In the first step we attempted to fill in the questionnaires with an online request and then the questionnaires were also sent by post to the given companies. Because of the low willingness to respond we tried to get in contact with the companies on the phone and persuade them to fill in the questionnaire. There was an opportunity to complete the questionnaire in Word format and we created a link taking the advantage of an internet service, after which it became possible to complete the questionnaire online as well. The questionnaire consisted of three parts, in the first part we asked about the company’s general parameters, and we were interested whether the given company prepares a CSR strategy and how they communicate it. In the last part those four dimensions of the corporate social responsibility and activities were listed, which we have determined.

## **RESULTS AND DISCUSSION**

The companies we examined are mostly medium and large companies as nearly 70% have more than 251 employees and over 80% had sales revenue of more than 11.84 billion Ft. Within the food industry there came answers from the areas of mineral water and soft drink industry, poultry, dairy, sweets industry, beer, meat, canning industry, vegetable oil and distilling industry. In order to protect the environment and the society it is necessary that companies also make serious efforts. A responsible corporate behaviour became today everyday practice, at the same time its importance has also increased because the reputation and conscious social responsibility of companies have nowadays noticeably market value. Its wide spreading indicates that more than 40% of the responding companies prepare voluntary, consciousness, a long term strategy and all of the remaining companies

carry out occasionally CSR activities. It is also important to note that 73% of the surveyed companies continue more than 5 years, the definition adequate CSR activities. More divided are the answers to the questions, whether the strategy reflects the own or the parent companies ideas. The same proportion of respondents wrote that the strategy was their own (41.7%) and it was the combination of their own and the parent companies ideas (41.7%). This is a lucky case, since it is guaranteed that projects according to Hungarian needs and problems will be implemented. Slightly more than 16% of the companies wrote that their strategy is basically the adaptation of the parent company's strategy.

### **The communication of the CSR**

Another problematic issue is the communication of the corporate social responsibility, as it is not clear where the border can be pulled between social responsibility and advertising. Absolutely necessary for companies is that they pay due attention to the communication of CSR, because this may affect the company's image, strengthen its management, and demonstrates an example to other companies. The present research shows that more than 80% of the surveyed companies communicate their CSR activities, while less than one-fifth of the respondents fail to do so. To the question how to transmit these information the most common answer was the own web page with more that 45%. Surprisingly we received a great number of other responses (39%) as well, of which the following were highlighted: Sustainability Report, press leases and events, media, communication of programs, trainings, awards, internal e-newsletter, occasional publications, any media presence which is free, and quality manual. 13% of the companies communicate their social responsibility in printed publications. The communication of CSR also includes whether the companies provides a feedback opportunity concerning their CSR strategy and activities. To this question only 56% was the answer yes, so 44% of the companies are not interested in the social judgement of their CSR activities, which is however essential to develop the mutual and good communication.

### **The targets of the CSR activities**

We determined three possible target groups to whom the given companies CSR activities can be directed: external stakeholders, internal stakeholders or both. We mean under internal stakeholders the employees, managers, owners, under external stakeholders the civil society organisations, natural environment, social groups, suppliers, rivals and creditors. Companies should show against these stakeholders fair behaviour. The result shows that nearly 19% of the companies are directed toward their external stakeholders but the most surprising is that more than 80% of the companies aim at both groups.

### **The connection between sustainability report and the internal inspection and control system**

An important aspect beside the already mentioned ones is whether the created CSR strategy is controlled or not. As there is no opportunity at medium and large companies that the management personally makes sure that the created CSR strategy

is reasonable and workable and is implemented according to the plans. Such cases arise the need for an own inspection and control system regarding to the CSR activities. Only 31% of the interviewed companies have an own system to these activities. It can be interesting however, that from those companies that prepare a sustainability report 80% have an investigation system, while those that do not create a report 90% do not have an inspection and control system according to their CSR activities.

### **The dimensions of CSR**

We faced during the review of the scientific literature several potential grouping of the CSR but there is no single view either for the definition or for its grouping. CSR is an integral part of the ideology of sustainable development, so that is what we relied on. In the field of corporate social responsibility we defined four dimensions: environmental, organizational, social and economical dimension. By each of the four dimensions was asked whether the company implements any CSR activity in these areas. Then some points were mentioned in all areas and the respondents had to decide whether they carry out such an activity or not. However may other ideas exist beside the four dimensions of sustainability we have created.

Sustainable development is defined by the UN World Commission on Environment and Development in its report as the following: "Sustainable development is development that meets present needs without compromising the ability of future generations to meet their own needs". More simply sustainable development is the harmonization of the economic, social and environmental interests.

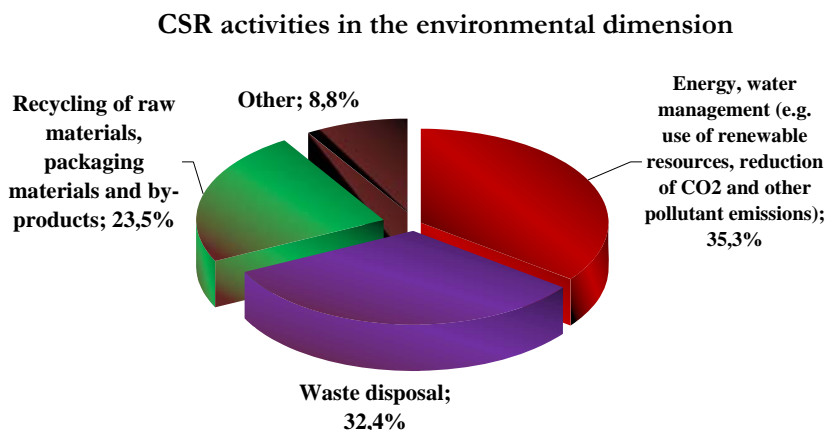
CSR is defined by the European Commission's Green Paper (2001): CSR is "a concept in which companies voluntarily integrate social and environmental considerations into business operations and their relations with stakeholders". Such behaviour is based on all interests involved, its goal is quality and sustainability. The European Commission's definition is: "CSR is a process by which companies integrate voluntary social and environmental aspects to the relationship of the interested parties (stakeholders)".

In each definition appear the economic, the social and environmental terms, so it is no wonder that these three areas are between our four dimensions. There is also the organisational dimension, which is largely focused on the company's internal operations.

### **Environmental dimension**

The research result shows that the largest food companies operating in Hungary are seeking to protect the environment and the maintenance of environmental progress. 75% of the surveyed company's claim to be engaged in some fields of the environment (environmental protection). The most common (35.3%) activity is the energy, water management (e.g. use of renewable resources, reduction of CO<sub>2</sub> and other pollutant emissions), followed by of the waste disposal (32.4%). 23.5% of the companies deal with the recycling of raw materials, packaging materials and by-products, but we received other responses as well, such as Green Office and noise reduction (*Figure 1*).

Figure 1



### Organizational dimension

We find the organizational dimension so important because it covers mostly the internal stakeholders of the companies, its employees, working conditions, and the company's control. Important part of the social responsibility is that companies do not only finance various cultural or sports events and support environmental protection programs but that they show responsible behaviour in their business activities. The survey reveals exactly like by the environmental dimension that 75% of the companies are busy in the organizational field, too. Within this, in the largest proportion (25-25%) supported are the circumstances in the workplace (e.g. health, safety, hours of work) and opportunities for employees (e.g. training, competitive benefits, career opportunities). This is followed by the responsible corporate governance practices with 23.4%, which few examples include the following: accountability, transparency, ethical business practices, operating of internal control-feedback systems. 21.3% of the companies surveyed are engaged in any activity that supports equal opportunities. Although in a small proportion but we received other answers as well like responsible communication, self-regulation, CSR training or that CSR is part of the performance management (*Figure 2*).

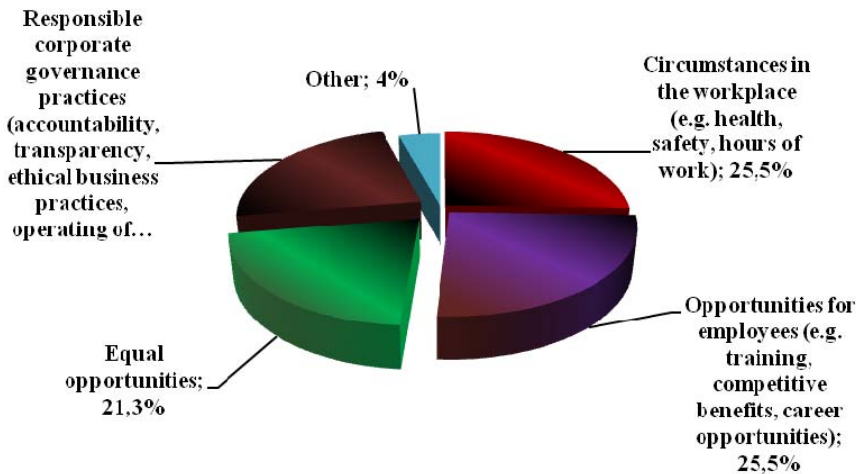
### Social dimension

The given food industry companies support this dimension the most. This can be also seen from the answers, 87.5% of the respondents are engaged to CSR activities in this field. However, it would be important not only to support a group, for example foundations, but that the company's charitable support also covers different sections of society. The social initiatives, supporting of organizations (e.g. supporting of local communities, educational institutions, foundations, and looking after talents) are the most important for the companies considering that this type of activity is carried out by 24.4% of the companies. Emerging are furthermore the preference of local suppliers and the strengthening of consumer behaviour related to the company's products with 20%. A company's level of social dedication can be good demonstrated

through the measurement of its active role in solving social problems (e.g. participation in eliminating public health problems) and whether they support the participation of their workers in voluntary actions. We also got other answers in this point like knowledge sharing, transparency, leadership, management knowledge transfer to civilians, integrated programs to support children's healthy development (Figure 3).

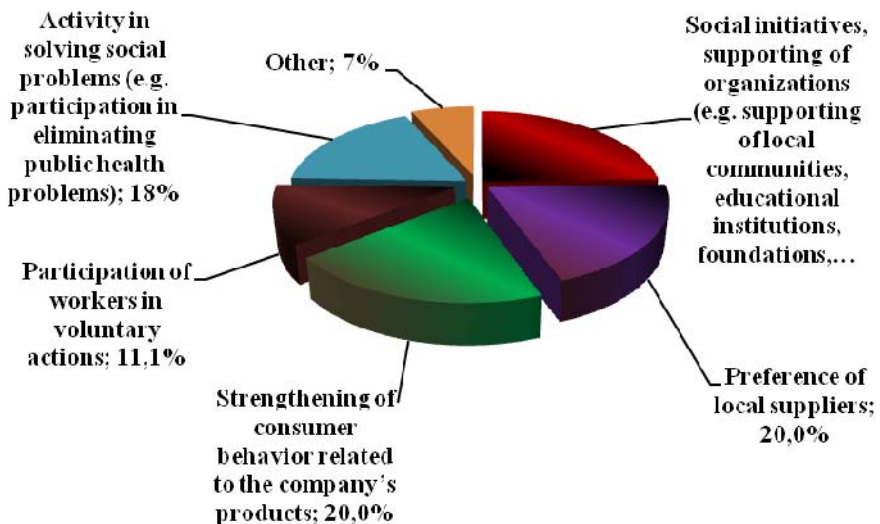
**Figure 2**

**CSR activities in the organizational dimension**



**Figure 3**

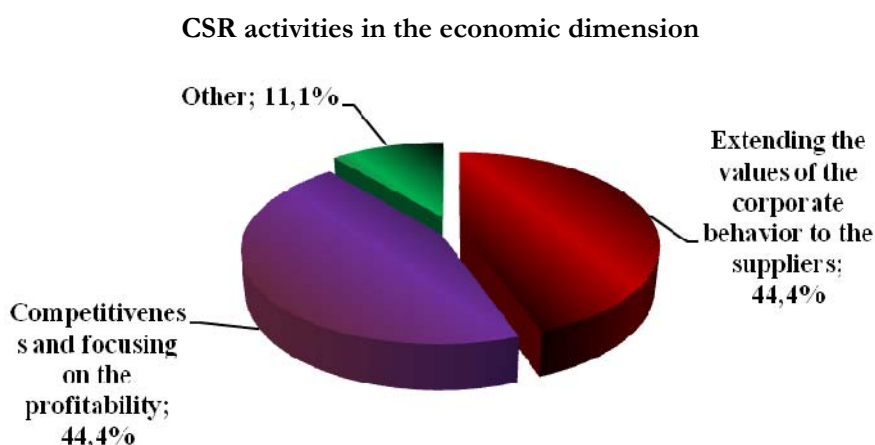
**CSR activities in the social dimension**



### Economic dimension

Perhaps this is an area of the CS, which is not of primary importance, however, also related to the topic of social responsibility, as the main goal is that besides the profit maximization of companies the social and environmental goals would be compatible. More than 62% of the respondents operate in the economic dimension and this percentage is lower than any of the previous ones. There were two possible questions to this answer, extending the values of the corporate behaviour to the suppliers, competitiveness and focusing on the profitability, both of which included the same rate around 44%. Other responses came as well like transparency, ethics and responsible market behaviour (Figure 4).

Figure 4



### CONCLUSIONS

During the research some problems came up, that neither the definition, nor the determinations of the different CSR activities were clear / unambiguous in every case. In our view – beside a lot of other important factors - the characteristics of the CSR activities are consciousness, long term planning, which are fixed in the corporate strategy. Our examination made us clear, that exactly this last criterion – that companies fix their plans like this in a strategy- are not carried out in a significant proportion of the cases. Nevertheless we accepted the CSR activities of the concerned companies, as all the other criteria we set were fulfilled.

We see in those sectors considerable CSR activities, where the consumer confidence, or where the operation of the company affects the natural and social environment (for example energy industry, food industry, and banking). In 2010 as an example altogether 1238 companies made (prepared) a GRI report, which one-third came out of these three sectors (34%).

The usefulness of the CSR show in two directions: on the one hand the direct positive impacts of the activity itself, on the other hand the indirect benefits of the communication of these actions. In such an approach the communication (whether

it is external or internal) is an essential part of the CSR. From the questioned 16 companies three expressed, that they do not communicate the CSR, so they probably lose the secondary positive effects, which would have resulted in case of a powerful communication medium to long term (for example the improvement of consumer judgment, strengthening of the investor confidence, better image on the labour market etc.).

It was surprising, that the analysis of the dimensions of sustainability revealed, that four companies – supposedly beyond the statutory obligations – do not show activity in the environmental dimension.

Half of the surveyed companies are active in all four dimensions of sustainability, so it can be said about them, that they have wide-ranging CSR activities. This has of course considerable cost implications, to which the financial resources a bigger-budget company can find easier. The eight companies that were already mentioned also fall into this category, as evidenced by the fact, that their average annual sales revenue exceeded 36 billion HUF.

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