

CSR ANALYSIS OF LARGE HUNGARIAN ENTERPRISES¹

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ABSTRACT

The main goal of our research was to analyze the biggest Hungarian enterprises' CSR activities. We chose the 100 largest companies in our country in different sectors. A criteria system was used that gave us a certain picture about Hungarian CSR activities among the biggest companies. The most popular actions included environmental protection, education and health. Transparency was regarded as the least preferred activity, only a few company used it in their CSR strategy. According to our hypothesis, the most polluting companies have the most intense CSR activities. Hungarian CSR activity still needs further development, because 30 companies out of the 100 have no visible CSR activity.

Keywords: CSR activity, company analysis, Hungary

INTRODUCTION

Nowadays, Corporate Social Responsibility (CSR) is a required activity in practice. Before this research, we previously analysed the CSR activity of SMEs within the framework of the TÁMOP-4.2.2.A-11/1/KONV-2012-0038 project. Big companies were excluded from that project, therefore, in order to be fully informed, this sector had to be analysed. Due to the shortage of financial resources and the size of the project, we analysed the websites of these companies according to certain aspects. This research provided an opportunity for comparing CSR activities of different sectors and to draw general conclusions. It can be ascertained that those sectors showed high CSR activity where customer trust is especially important (e.g. banking sector) and environmental pollution is significant.

MATERIAL AND METHODS

During our research we analysed the HVG journal's top 500 company list. This list ranks Hungarian enterprises by turnover and it does not include financial institutions because turnover as a concept can not be defined in their case. Analyzing the entire list of 500 would have demanded an extensive work which would exceed our financial- and time resources. Therefore, we analysed only the websites of the first 100 corporations to examine their CSR activity. Information about "Corporate Social Responsibility", "CSR" or "Sustainability" was the most

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relevant aspect to analyse. CSR activity and its communication were analysed by our special criteria system.

Historical outlook

CSR is rooted in the United States, like many other things in the world. Howard Bowen's book about "Social Responsibilities of the Businessman" was published in 1953. He said that social responsibility is an obligation for businessmen to aim a point of view, make decisions and do actions in order to satisfy society goals and values. These thoughts were underappreciated among his contemporaries, organizational researchers begin to deal more intensively with his assertions only after the 1970s (Szőlőviki, 2009). The need to establish such social and economic models, where the corporate sector plays a role, were intensified by ethnic and social tensions in the United States of America. Besides helpful events, there were restraining factors at the beginning of CSR. For instance, the most famous objections came from a Nobel award winning economist Milton Friedman, who had Hungarian ancestors. According to Friedman, a corporate responsibility biased against profitability would destroy the foundation of free society. In the 70s CSR meant mostly environmental questions and more and more companies drafted their "Code of Ethics". In the 80s, trust for managers weakened and the international economic crisis did not work in the favor of CSR. In 1983, Friedman developed the Stakeholder Theory whereby companies followed the effects of their activity on the stakeholders. In those days societies became aware of environmental pollution and it led to environmental awareness in CSR. In the 90s, company goals supporting charity became a new element and environmentally based management systems were established. Meanwhile, CSR has been re-evaluated: with larger numbers of conscious consumers, CSR has become a part of successful business practices.

RESULTS AND DISCUSSION

Study GRI reports

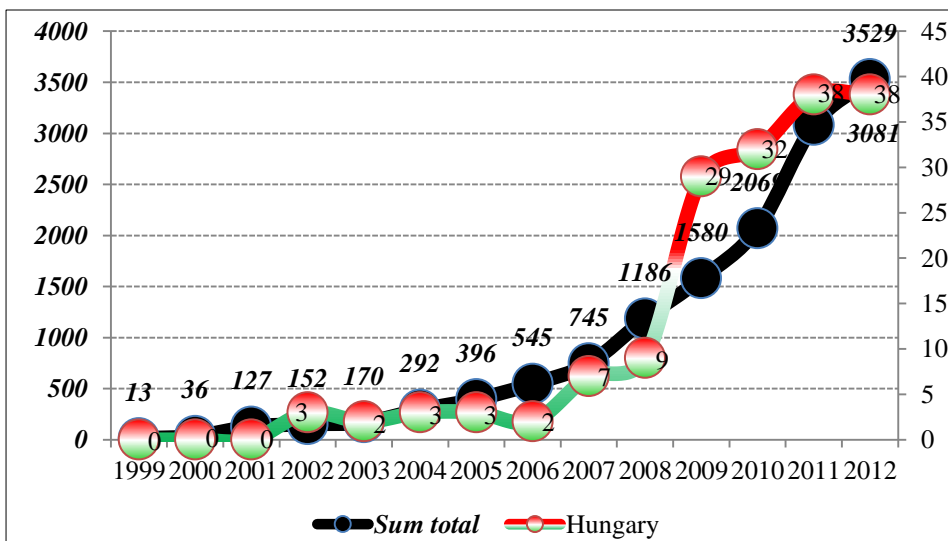
GRI (Global Reporting Initiative) is a civil organisation (non-governmental organization) includes many involved groups which was founded in 1997 in the US by CERES and UNEP (United Nation Environment Program). GRI created a comprehensive sustainable report framework used by organisations worldwide. The frameworks, including report guidelines, determine the principles and indicators about making reports on economic, environmental and social performance. The guidelines are free to the public.

The number of GRI reports is growing year by year (*Figure 1*). This fact is not only true globally, but for Hungarian companies as well. A small break was observable during the global crisis, but, according to the tendencies, more and more domestic companies participate in this initiative.

When it comes to GRI method, we can say that many sectors are involved and it is hard to translate it to Hungarian. The most important 10 sectors appear on *Figure 2*. As it can be seen, investment have the most significant role (11.5%, consumer trust), followed by the energy sector with 6.8% (environmental protection) and the food industry with 5.7% (consumer trust and environment protection).

Figure 1

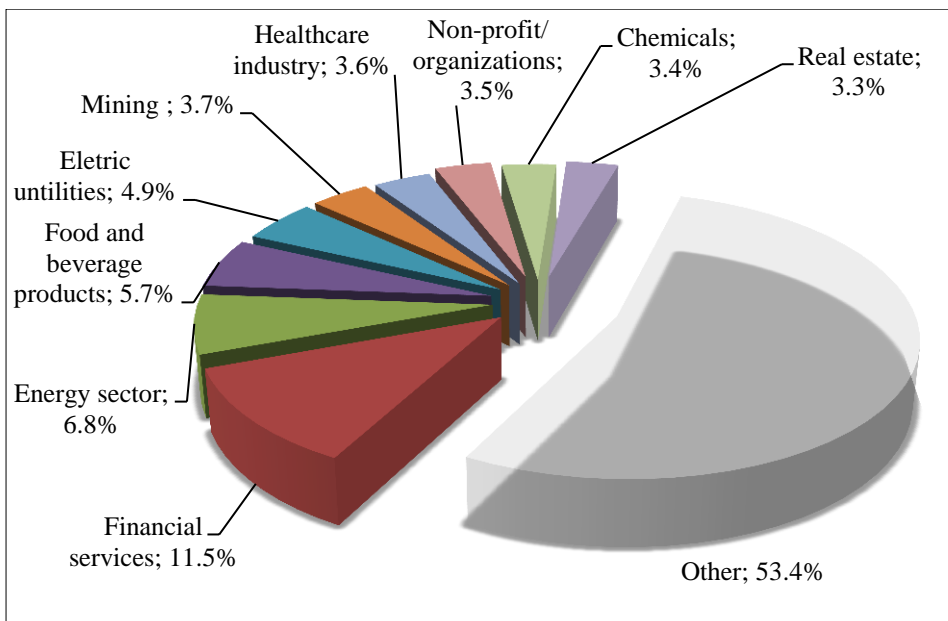
Number of GRI reports (1999-2012)



Source: *globalreporting.org*

Figure 2

Distribution of GRI reports by sector (1999-2012)



Source: *globalreporting.org*

Results of Companies Research

CSR activities in Hungary was first used by multinational companies. Therefore, it is important to study the geographic division of the analysed 100 companies. Of course it cannot be terminated properly, but it is important that 58 companies or parts of company groups operate globally (or are at least active on more than one continent), 18 of them are mostly active in Europe, while 24 operate only on the Hungarian market. Many companies obviously follow their parent corporation's CSR policy, sometimes expanded with local adaptation. There were 9 companies where only the main – and rather general – CSR activity was published only in English. In these cases, the companies' CSR leave a negligent impression in the observers and it seems they are dealing with it only because it is expected.

The most visible part of CSR was the activity for external stakeholders, but of course internal stakeholders were also involved. Internal CSR activity was less intensively communicated, however, there were exceptions. 42% of the analysed companies have done internal CSR activities, but at the same time 34% believed that both external and internal CSR was important.

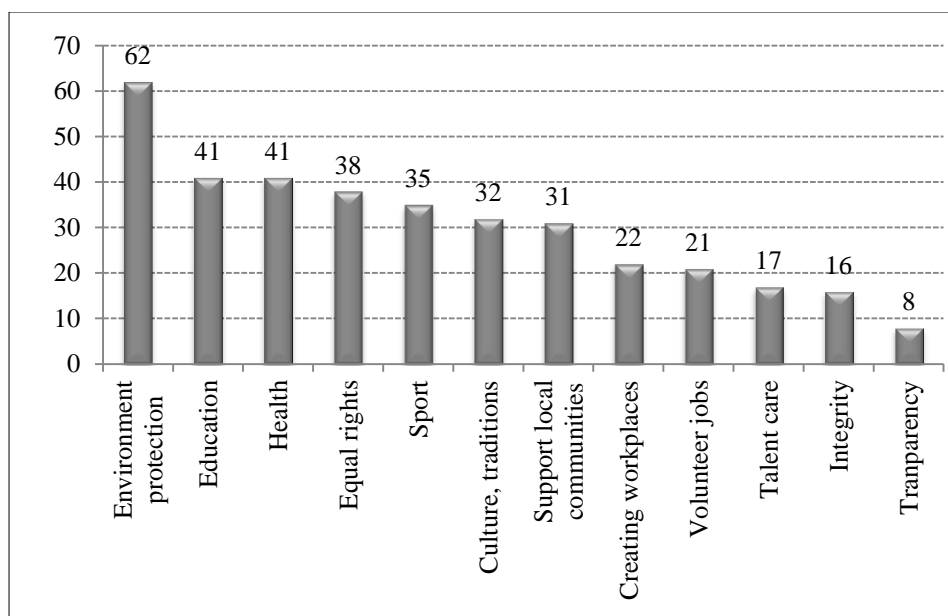
The goal of CSR communication is to document these activities among stakeholders. If the activity or chain-of-activity is effective enough, it will result a greater awareness than the average. The most outstanding result for that is an official recognition. Eighteen out of the 100 biggest domestic companies got some kind of award for their CSR activity. On the other hand, it is another opportunity when a company establishes a CSR award (e.g. for suppliers). We found 21 companies like that.

According to *Figure 3*, companies had the more CSR activities regarding environmental protection issues. It is reasonable since this problem has the highest public awareness and there is no company which is not interested – directly or indirectly – somehow in environmental protection. Similar to international tendencies, mainly those companies which pollute the environment intensively had the most spectacular CSR activities. From the biggest 100 companies TVK, MOL Zrt. and Elmű Hálózati Kft. are good examples. Questions of health (e.g. screening tests, creating healthy workplace, etc.) were also important for stakeholders, therefore this area was preferred (41%). Education had the same ratio compared to health, and equal rights ranked fourth on the list. Sport, culture and localism had the same frequency, but at the same time, transparent operation and integrity seemed to be less important.

We also analysed whether companies apply their own CSR philosophy. In our opinion, those who take CSR seriously can create their CSR strategy based on their own activity. Among the analysed companies, 51 had their own CSR philosophy. In CSR history, companies did not prefer areas connected to the activity in order to avoid corruption, suspicious trades and concentration. This philosophy was not successful, because, in case of a certain problem (like environment pollution), the company often did not have an existing connection with the relevant organizations and social groups. Learning from this, nowadays many companies prefer transparent CSR connected to their activity, and in our research it was observed at 51 companies. 32 companies make CSR reports and publish them on the Internet.

Figure 3

Field of CSR activity among companies



Source: Based on company websites

In some cases, a company joined an existing program instead of creating their own. We observed 34 cases like that. We consider the possibility of feedback important if the company has already carried out CSR activities. With this “gesture”, a certain conversation can start and that could strengthen the seriousness of some initiatives. Such cases were observed only in 16 cases, which is a rather humble number. Only 15 companies took advantage of publishing their financial reports. This low value is not surprising considering the earlier results, since *Figure 3* shows the underappreciated transparency.

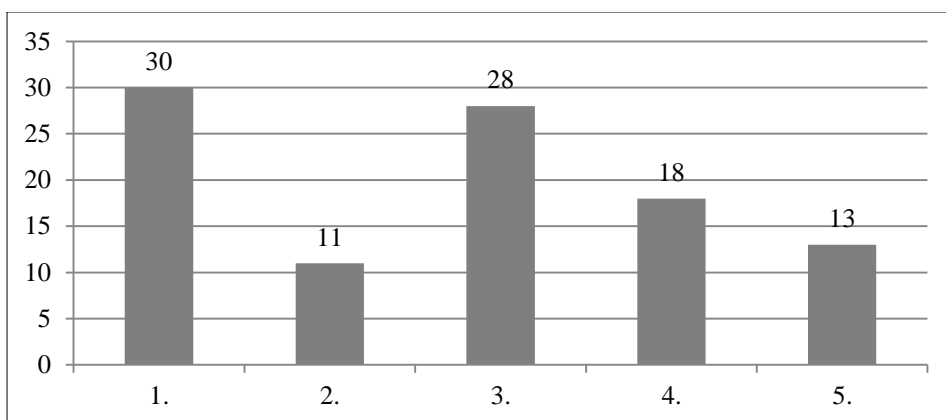
At the end of our research – allowing some subjectivity – analysed companies were evaluated based on the available information. Five groups were created as follows (*Figure 4*):

- No CSR information is available on the company’s website (1).
- Only the activity of parent corporation is available on the website, no Hungarian information is accessible (2).
- The CSR activity is available on the website, but it covers only 1-2 area(s) (3).
- The company does significant CSR activities for external and internal stakeholders as well (4).
- Most of the analysed CSR aspects were available on the website (5).

Dividing groups of 4 and 5 was difficult because drawing a concrete border-line was crucial.

Figure 4

Number of companies based on their CSR activities



Source: Based on company websites

According to *Figure 4* only 13 companies have almost a complete CSR activity and communication:

- MOL Magyar Olaj- és Gázipari Nyrt.
- Magyar Telekom Távközlési Nyrt.
- E.On Hungaria Zrt.
- E.On Energiaszolgáltató Kft.
- Tisza Vegyi Kombinát Nyrt.
- Mol Energiakereskedő Zrt.
- Philip Morris Magyarország Kft.
- MVM Paksi Atomerőmű Zrt.
- Telenor Magyarország Zrt.
- BAT Pécsi Dohánygyár Kft.
- ElműHálózati Kft.
- Mátrai Erőmű Zrt.
- Nestlé Hungária Kft.

The fifth group clearly demonstrated that tendency, and also was shown by the international comparison: mostly environment polluting sectors (e.g. energy sector) show intensive CSR activity because consumer trust is important for them (e.g. food industry).

CONCLUSION

Based on HVG journal's 500 list, our research analysed the CSR activity of the 100 biggest companies in Hungary based on their annual revenue. It could be proved

that CSR activities had more importance and companies communicated this to the external stakeholders. The domestic tendency was harmonious with the international tendencies. Where consumer trust is important (e.g. bank sector, food industry) or environmental pollution is higher, CSR activity was more widespread. It was also observable that – departing from main trends – relatively only a few company create their own CSR ideas and image.

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