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Unofficial CSR Reporting by Top Czech Companies – A Website Case Study

Abstract

The thousand year-long evolving public concept of sustainability has been, during the last few decades, synergetically matched by the private concept of corporate social responsibility (CSR). The global endeavors for sustainability typically initiated or orchestrated by the United Nations (UN) have been projected in regional and national policies and laws, which impose on certain businesses a duty to do a specific mandatory CSR reporting and publish it via official reports. However, recently many businesses in the EU have voluntarily moved as well to unofficial CSR reporting via their Websites and have clearly made their CSR proclamations an integral part of their strategies and marketing endeavors. It is highly illustrative to perform a Czech case study of such facultative CSR reporting via their own Internet domains by 20 top Czech companies based on their annual revenues and to identify and assess their preferences regarding sustainability and CSR in general, as well regarding each of the 6 CSR categories. The pool of those 20 companies represents a relevant sample to address three hypotheses. The quantitative frequency calculation of qualified sustainability and CSR key words on their Websites, as projected in comparative charts and, along with glossatory Meta-Analysis, moderates prior propositions about merely passable interest in unofficial CSR reporting (H1), confirms prior findings about a fragmental approach (H2) and strongly rejects the significance of the annual revenues on the unofficial CSR reporting of these Czech top companies (H3). Further, this brings pioneering propositions about both pragmatic and fragmented CSR drives and points to culture differences and the attribution theory.

Introduction

Our postmodern, IS/IT, global society is a society of knowledge (MacGregor Pelikánová et al, 2021) with fierce competition dominated by the search for a competitive advantage (MacGregor Pelikánová, 2019a), which depends more upon specific expertise and knowledge, typically categorized as IP (MacGregor Pelikánová, 2019b) and well advanced in the digital setting, rather than merely upon manufacturing cost differentials in the conventional more tangible setting (Franzoni & Kaushik, 2016). Although the desired result for companies has always been maximizing profits, other demands and desires have emerged. Namely, the biblical concept of sustainability, materialized in a myriad of both Old Testament and New Testament parables, has marked significantly the Roman Empire (MacGregor Pelikánová, 2017) as well as states and cultures that followed. The Hanseatic League strongly contributed to the development of the concept of sustainability

aka *Nachhaltigkeit* and led to the 18th century influential book *Sylvicultura Oeconomica* by the German Colberist - Hans Carl von Carlowitz (MacGregor Pelikánová et al, 2021) and to the 19th century influential book *Einfachste den höchsten Ertrag und die Nachhaltigkeit ganz sicher stellende Forstwirthschafts-Methode* by Emil André, which was initially published in Prague (Balcerzak & MacGregor Pelikánová, 2020). Ultimately, the *Nachhaltigkeit* became linked to the *universal perpetuitas*, i.e. the move from the long-term to the eternal responsibility, and the move from thinking regionally to globally was completed in the 20th century (Schüz, 2012). In 1948, the United Nations ("UN") with its Universal Declaration of Human Rights ("UDHR") pushed the, so far, rather economic concept of sustainability to the modern concept of sustainability based on three pillars: environmental (planet), social (people) and economic (profit) (Krechovská et al, 2019), while focusing on the reconciliation of available resources as an increasing world population emerged (Meadows et al, 1972). The human rights concerns became accompanied by social progressive values in the context of the political awareness under the auspices of "communitarism" (MacGregor Pelikánová et al, 2021). In the 1970s, this was transformed into an individualist focus due to a myriad of world and regional crises and a move from Keynesian economic theory to neoliberal theory (Balcerzak & MacGregor Pelikánová, 2020). In response to it, the UN initiated a set of critical instruments for the modern concept of sustainability, such as (i) the Report of the World Commission on Environment and Development Report: Our Common Future prepared by the Brundtland Commission, published as the UN Annex to document A/42/427 in 1987 ("Brundtland Report 1987") and (ii) the Resolution Transforming our world: the 2030 Agenda for Sustainable development ("UN Agenda 2030") – a shared blue-print for peace and prosperity for people and the planet, now and in the future (Taušl Procházková & Machová, 2019). The EU and EU member states have, at least partially, incorporated the 17 Sustainable Development Goals (SDGs) and 169 associated targets of the UN Agenda 2030 into their policies and laws (MacGregor Pelikánová et al, 2021). However, this would be futile without the support of the concept of sustainability by all stakeholders and the employment of a multi-stakeholder model and cross-sector partnership (Van Tulder et al, 2016; Van Tulder & Keen, 2018). This clearly implies the need to induce, or perhaps even order, companies to consider the sustainable needs of the entire society and consequently make them committed to Corporate Social Responsibility („CSR").

Unlike the rather global concept of sustainability with millennial continental law roots, the more national concept of CSR has centennial common law roots (Taušl Procházková & Machová, 2019). CSR emerged towards the end of the 19th century in the US context of deplorable working conditions in industrial production and of the increasing philanthropic move, along with the emergence of the antitrust regulation, see endeavors of the Republican Senator John Sherman and the resulting Sherman Antitrust Act. The milestone in the evolution of CSR was the publication of the landmark book *Social Responsibilities of the Businessman* by Howard R. Bowen in 1953, pointing out that the largest US businesses are centers of power and decision-making and touch the lives of all (Carroll, 2016). This led to the burning question "what responsibilities to society may businessmen reasonably be expected to assume?", which three decades later took on a new dimension due to official recognition of the concept of sustainability on the level of Internal law, see the Brundtland Report 1987. This led to the current two opposing approaches. One keeps endorsing the traditional theory which identifies only the responsibility to maximize profits while acting honestly and in good faith (Theodore Levitt) and leaving social and environmental issues to the state or other institutions, but

not businesses (Milton Friedman). The other one advances the stakeholder theory, pursuant to which CSR leads to a value creation, an improvement of the business' reputation and branding as well as competition success (Gallardo et al, 2019) and ultimately to an increase in market share (Ting et al, 2019). Consequently, some studies suggest that CSR is an area with growing importance closely monitored by the public (Švermová, 2019) and that CSR brings benefits for all stakeholders, enhances financial performance and contributes to sustainability. In contrast to that, other studies are more skeptical, they point to the agency conflicts and tensions between managers, shareholders, environmental activists, etc. (Strouhal et al, 2015) and underline the issue of the possible lack of effectiveness, efficiency and legitimacy regarding resource allocation due to CSR (MacGregor Pelikánová et al, 2021). In short, for some CSR leads to „a more sophisticated form of capitalism" (Porter & Kramer 2011), while for others CSR is a burden and can be contra-productive. However, there is a consensus that the beneficiary effect of CSR activities is excluded without reporting –either via official non-financial reports or via unofficial reports posted on Websites (Krechová et al, 2019).

Both the EU and EU member states use their policies and laws to induce companies to pursue CSR and report about it, but impose only on certain large strategic businesses a minimal official reporting duty and this without a real enforcing mechanism, see EU Directive 2013/34/EU (Art. 19a) and the Czech Accounting Act No. 563/1991 Coll. (Art.18 et foll.) (MacGregor Pelikánová, 2019a). However, besides this (weak) mandatory official CSR reporting duty, companies are free to decide whether they would provide unofficial CSR reports on their own Internet Websites. It is up to each company to decide whether it will do unofficial CSR reporting and, if yes, then what will be included. Recently published studies bring interesting propositions about the unofficial CSR reporting, especially with respect to the largest Czech companies (Krechová et al, 2019; MacGregor Pelikánová, 2019). Indeed, considering the attribution theory and other means to assess the evolving intent and commitment of companies, as well as the flexibility of the unofficial reporting, Websites represent a very interesting platform for the study of the development of CSR preferences and this especially via a case study of a sufficiently representative and significant pool of companies from one jurisdiction.

1. Methods of Research

There are two pathways for CSR reporting – via official CSR reporting, aka non-financial reporting included either as a part of management reports included in annual reports or as a separate special sustainability reports or CSR reports and (ii) via unofficial reporting represented by a posting on the Internet Website of companies. Since the creation and updating of unofficial reporting is flexible and not regulated by the law, it is a vehicle par excellence for companies to be or not be used. It is an intrinsical instrument reflecting the free consideration of companies and thus a perfect platform for a holistic and empirical exploration and Meta-Analysis of the CSR from the inside perspective. The format of a case study and content analysis of these Websites has been successfully used in this respect (Vourvachis & Woodward, 2015), e.g. regarding top Czech companies, and has already brought forth a set of relevant propositions (Krechová et al, 2019; MacGregor Pelikánová, 2019). The following three hypotheses could be implied from them concerning top Czech companies and perhaps even other companies from Czech or other jurisdictions:

H1   Companies have a merely passable interest in unofficial CSR reporting.
H2   Commitment to the sustainability, CSR and CSR categories differs.
H3   The amount of the annual revenues positively impacts the unofficial CSR reporting.

The cluster composed of the Czech companies with the highest annual revenues has been successfully used repeatedly because it heterogeneously covers a myriad of industries and at the same time is size-wise and jurisdictionally homogenous. Namely, it includes large companies from various industries and covered by the same legal regime, including the duty to do official reporting. The format of the case is appropriate for such an exploration, the quantity of 20 is at least partially able to lead to more than random results, and the choice of the highest annual revenues for 2019 (1st place, Škoda, reaches 459 billion, while the 20th, Inventec, reaches 22 billion) leads to the currency of the study of leaders in various Czech industries. As a matter of fact, the cluster includes companies which (i) upon their annual revenues ranked in 2019 between the 37 Czech companies with the largest annual revenues and (ii) have an English version of their Website, allowing for exploration, on 15th March, 2021. The necessity to exclude companies not having a Website in English is due to the command of the comparative content text analysis using well-established 8 CSR key words (Vourvachis & Woodward, 2015). The two general CSR key words are obviously „sustainability" and „CSR" and the six special CSR key words matching 6 CSR categories: „environment protection", „employee matters", „social", „human rights", „anti-corruption" and „R&D" (MacGregor Pelikánová, 2019a). The first 5 CSR categories are implied by the EU legislation and the last, the 6th, is implied by the inevitable demand for innovations and digitalization (MacGregor Pelikánová, 2019, Rydavalová & Žižka, 2014).

Reports and statements about the CSR, regardless whether official or unofficial, are predominantly explored and assessed by quantitative methods employing the automatic scanning of CSR key words and calculating the number of times a selected CSR key word occurs. Hence, in the given source is calculated the total number of the appearances of such a word, i.e. its absolute frequency (frq), is the method par excellence. This methodologic strategy is convenient and perceived as objective, but it can be as well formalistic, superficial and apt to lead to misleading results. This can be partially offset by considering the ratio between the total number of the appearances of pre-set key words in the given source and the total number of all words included in the given source (aw) – formula: ration = frq / aw. Another way for improving the academic robustness of the frq indicator is the complementary engagement with qualitative methods, such as Delphi (Okoli & Pawlowski, 2004). Both the rather quantitative automatic scanning (frq, ratio) and the rather qualitative reading (Delphi method with a scoring by a panel) can lead to binary data allowing for the logistic regression (Sobol method/indexes) and to more variable data allowing the analysis of variance ANOVA and the Latent Dirichlet Allocation ("LDA"), i.e. a generative statistical model linked to the machine learning toolbox and to the artificial intelligence toolbox could be employed. Certainly, as well, indexes, such as CSRHub/ESG Index, can be brought into play. In sum, the case study entailing unofficial CSR reports of the 20 top Czech companies can entail various methods. Considering the character and typology of Websites, the obvious choice is to focus only on the text, i.e. to restrict the advanced content analysis to the written part of Websites while avoiding pictures and graphic effects, to critically compare visualizations focusing on CSR categories v. companies and to at least partially employ the Meta-Analysis which truly

proves that here we know and have more information then what we initially believed (Silverman, 2013).

The cluster composed of the top Czech companies composed of 20 companies belonging to the pool of the 37 Czech Companies with the highest annual revenue and, at the same time, having Websites in English, allows for the advanced content analysis using frq as of 15th March 2021 and comparing data while using visualization of two perspectives – the view of each CSR category by all companies and the view of all CSR categories by each company. This juxtaposition along with fresh glossing opens via the Meta-Analysis the pathway to address all three hypotheses – do we have a merely passable interest in unofficial CSR reporting (H1), differences in the popularity and commitment to various CSR categories (H2) and a positive impact of the amount of annual revenue on unofficial CSR reporting (H3)?

2. Results of the Research

The Websites of the 20 top Czech companies were identified and the frq of the CSR key words was calculated in order to figure out how frequently these companies mention the general sustainability and CSR and the particular CSR categories on their Websites. The resulting data was placed and visualized in two charts based on the focus perspective. Firstly, the combined frq for each category, i.e. the frq of each key word, was calculated. Considering H1, the chart below places the categories in order based on this frq and so demonstrates the results – starting with the environment protection being mentioned on these 20 Websites 2386 times and ending with R&D achieving only 18 appearances (Fig. 1).
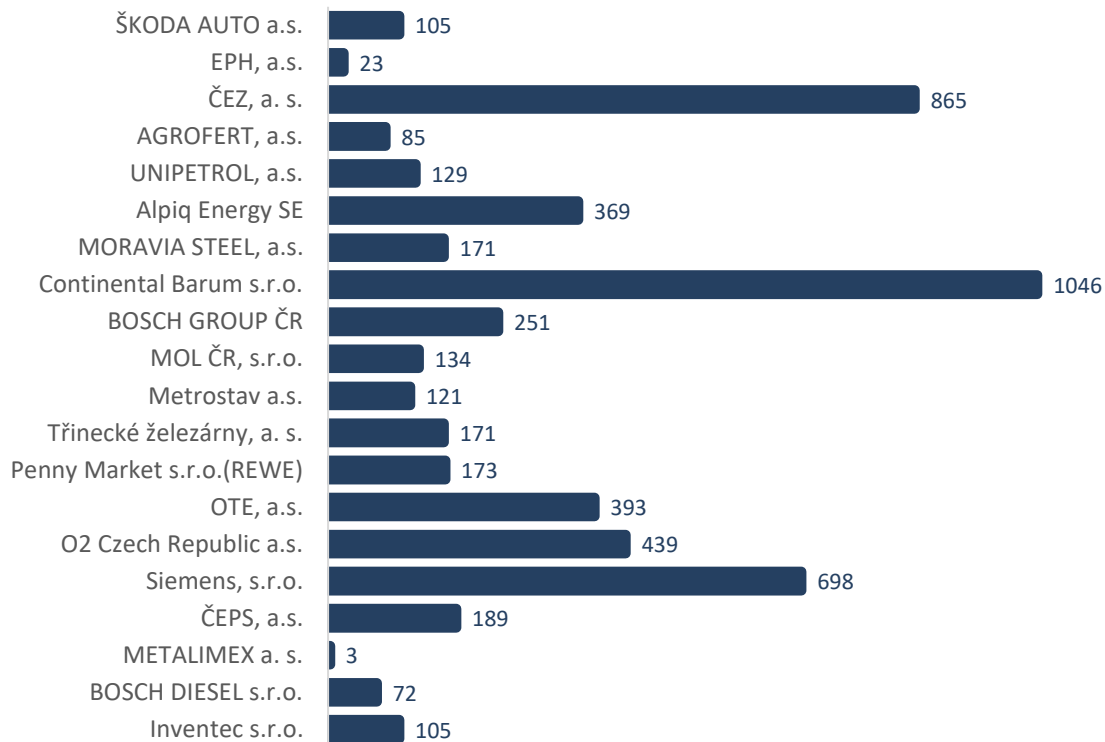
Fig. 1: Each category for all top 20 Czech companies (frq/category)
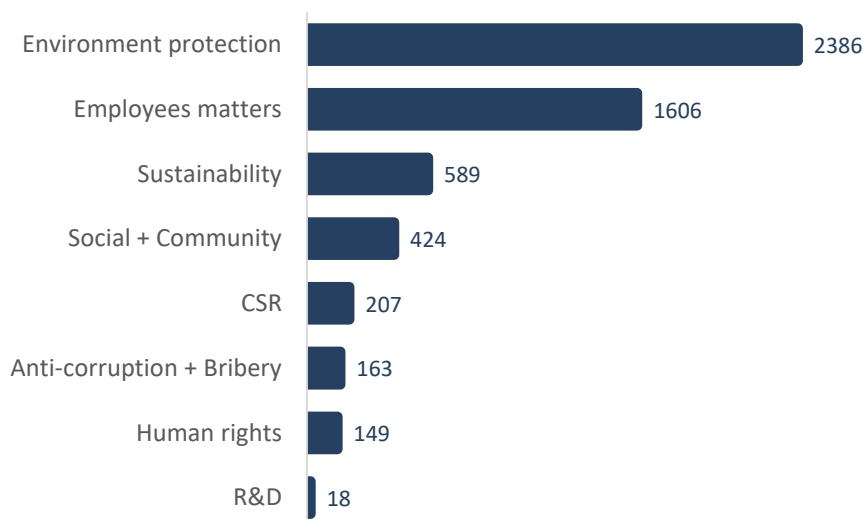
Source: authors 'own calculation and processing based on Websites

Secondly, the combined frq of all categories was calculated for each company, i.e. how many key words are present on the Website of the particular company from the cluster of the 20 top Czech companies. Considering H2 and H3, the chart below puts the companies in order based on their annual reports and indicates the totals for each company – starting with ŠKODA AUTO a.s. with 105 and ending with Inventec s.r.o. with 105 (!)(Fig. 2).

Fig. 2: All categories combined for each of the top 20 Czech companies (frq/company)

Company	frq
ŠKODA AUTO a.s.	105
EPH, a.s.	23
ČEZ, a. s.	865
AGROFERT, a.s.	85
UNIPETROL, a.s.	129
Alpiq Energy SE	369
MORAVIA STEEL, a.s.	171
Continental Barum s.r.o.	1046
BOSCH GROUP ČR	251
MOL ČR, s.r.o.	134
Metrostav a.s.	121
Třinecké železárny, a. s.	171
Penny Market s.r.o.(REWE)	173
OTE, a.s.	393
O2 Czech Republic a.s.	439
Siemens, s.r.o.	698
ČEPS, a.s.	189
METALIMEX a. s.	3
BOSCH DIESEL s.r.o.	72
Inventec s.r.o.	105

Source: authors 'own calculation and processing based on Websites

Well, the juxtaposition of the visualization of these two perspectives via charts (Fig. 1 and Fig. 2) offers interesting propositions and facilitates the addressing of the set hypotheses (H1, H2 and H3).

3. Discussion

Pursuant to recent prior studies (2018-2020), although Czech companies include sustainability in their corporate strategy, only 64% of the top hundred companies have reported about it, and this was done in 89% of the cases via an official annual report (Krechová et al, 2019). In their reports, these companies have demonstrated various trends and preferences regarding sustainability and CSR in general, as well as regarding each of the 6 CSR categories in particular with only a common denominator – the pivotal

role of the CSR category „employee matters" (MacGregor Pelikánová, 2019). Further, it was concluded that, within the pool of the top hundred companies, there is a clear co-relationship between annual revenues and reporting, i.e. the higher the annual revenue the more likely is the reporting by the given company (Krechová et al, 2019). These findings have been projected in H1, H2 and H3 and re-tested by this fresh case study exploring the Websites of the top part of them (20) in March 2021.

Although the prior studies implied a merely passable interest in unofficial CSR reporting, the fresh case study revealed that, in 2021, the majority of the top Czech companies not only provided unofficial reporting, but this even in English. Indeed, 20 of the 37 Czech companies with the highest annual revenue in 2019 have engaged in the facultative unofficial reporting in at least two languages (Czech and English). As a matter of fact, each and every one of these 37 companies has a Website and each of these Websites has at least an indirect reference to the sustainability and/or CSR and/or CSR categories. Hence, the proposition embodied by H1 should be moderated, if not rejected. The evolution over the last three years, along with critical events, such as COVID, have led to a significant increase in the digitalization and e-posting of CSR information by top Czech companies.

Similar to the prior studies, this fresh study reveals fragmentation and differences in the approach of top Czech companies to CSR and its reporting. Certain categories are much more popular than others (environment protection and employee matters vs anti-corruption and R&D) and each company is very particular about its CSR choice and its e-reporting on Websites. In this respect, it can be confirmed that the commitment to the sustainability, CSR and CSR categories keeps differing on the Websites of top Czech companies as proposed by H2. At the same time, it needs to be emphasized that even the only prior common denominator – the leading preference for „employee matters" CSR category – does not take pride of place anymore. Indeed, the fresh study shows that the unofficial reporting, via Websites, has a clear CSR category winner and this is not „employee matters", instead it is „environment protection."

The most surprising outcome of the freshly perfumed case study represents a total rejection of the well-established proposition that annual revenue has a direct positive impact on CSR reporting of top Czech companies, i.e. the larger the revenue the stronger the commitment to the CSR reporting (H3). At least regarding unofficial CSR reporting via Websites of the top 20 Czech companies in 2021, this is totally denied. The first one and the last one in this cluster had exactly the same revenue in 2019, while the winners are Continental Barum s.r.o. (8th pursuant to annual revenue), ČEZ a.s. (3rd pursuant to annual revenue) and Siemens s.r.o. (16th pursuant to annual revenue). There are even indices that unofficial CSR reporting via Websites is (positively) impacted neither by the annual revenue nor by other key businesses declarations dealing with CSR values, such as Code of Ethics, see e.g. Agrofert (Balcerzak & MacGregor Pelikánová, 2020). In sum, the unofficial CSR reporting is a very complexed phenomenon governed by mechanisms, which are often subjective and very particular with respect to the pertinent business. Although it is necessary to humbly admit the Socratic "*Scio me nihil scire*" (I know that I know nothing), still it is critical to further study CSR reporting and in general CSR attitude of businesses - "*Arbor ex fructu cognoscitur*" (A tree from the fruit is known), so stakeholders, including investors and customers, can reward pro-CSR businesses and reject anti-CSR businesses.

Conclusion

The fresh case study of the unofficial CSR reporting by the 20 top Czech companies via their Websites indicates an interesting evolution towards an increase in interest. Namely, these companies go more for digital unofficial reporting of their CSR than only a few years ago. The quantitative frequency calculation of qualified sustainability and CSR key words on their Websites, as projected in comparative charts and, along with Meta-Analysis and glossing, moderates prior propositions about merely passable interest in unofficial CSR reporting (H1). As well, it confirms prior findings about a fragmented approach (H2) and points to the swap of the interest between the most popular CSR categories – environment protection is becoming more heavily reported than employee matters. As a surprise came the rejection of the proposed significance of the annual revenues on the reporting (H3). This suggests that the size and availability of funds is just a pre-requirement for unofficial CSR reporting. It appears that the unofficial reporting is catching up and matching with the official reporting and ultimately the reporting, especially the mandatory unofficial, is a revelation of the particular internal preferences of each company and is to be explained by the intrinsical culture and attribution theory rather than a simplistic measurement of annual revenues. Naturally, the performed fresh case study involved originally 37 and ultimately 20 top Czech companies and is rather indicative than conclusive. It should be followed by further longitudinal studies of a larger sample of companies from various EU member states' jurisdictions. Considering the critical importance of CSR for the EU competitiveness and global sustainability, such a future research and analysis is highly desirable.

Acknowledgment

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