

CORPORATE PHILANTHROPY ACTIVITIES AND THEIR COMMUNICATION BY CZECH CHEMICAL COMPANIES

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Abstract

The paper is dedicated to the problems of corporate philanthropy and the way it is communicated by chemical companies operating in the Czech Republic. The author of the paper aims to analyze and evaluate the level of communication of philanthropic activities by these companies and to formulate recommendations for theory and practice. Corporate philanthropy represents, as a key constituent of corporate social responsibility, voluntary involvement of companies into community activities. Its activities include corporate philanthropic giving, including corporate sponsorship, and also corporate volunteering, partnerships with nonprofit organizations, partnerships with educational institutions, and ownership and administration of art or other collections. The paper presents a study assessing the level of communicating corporate philanthropy activities by manufacturing companies of the Association of Chemical Industry of the Czech Republic. The study was processed using a mixed type of research, combining qualitative and quantitative research, with additional research of a comparative type. It involved both content analysis, and general research methods.

Introduction

A phenomenon that is nowadays present in each modern society is the concept of corporate social responsibility (CSR). Application and communication of socially responsible behaviour seems to be particularly significant in the case of companies of the industries that are considered as so-called socially sensitive. Companies of such industries include, among others, companies of the chemical industry. Application of the CSR concept is a source of a number of positive effects, also for the companies carrying out these activities themselves. A prerequisite for sharing these benefits is communication of CSR activities. Both the primary and secondary stakeholders should be informed about all CSR activities in economic, social, environmental, ethical, and philanthropic areas. "The process of communicating the social and environmental effects of organisations' economic actions (author's note: effects of all CSR activities) to particular interest groups within society and to society at large" represents corporate social reporting (social reporting, or sustainability reporting) [1]. It is possible to use a number of ways of communication, be it through the company's web pages, annual reports, sustainability reports, packing, prospects, brochures, leaflets, newsletters and newspapers, intranet, corporate information board, or by promoting CSR activities during the corporate events for employees and business partners [2].

A very interesting CSR area, connected with a number of paradoxes, is the philanthropic area. Corporate philanthropy represents voluntary involvement of companies in community activities. KPMG [3] states that, on the one hand, "companies around the world and their charitable foundations invest billions each year into social programs that aim to address some of the biggest challenges the world faces, from poverty, to lack of access to healthcare or education, to natural disasters, climate change and much more", but on the other hand, less than one third of companies communicate outcomes or impacts of these activities. A paradox can also be found in the practice of Czech companies. On the one hand, some companies identify philanthropic activities with socially responsible activities (and within CSR reporting they only present corporate philanthropic activities). On the other hand, a number of companies do not present corporate philanthropic activities as a part of CSR activities at all.

Therefore, the research question is what the level of communication of philanthropic activities by chemical companies is in the Czech Republic. The author of the paper aims to analyze and assess the level of communication of philanthropic activities by chemical companies operating in the Czech Republic and to formulate recommendations for theory and practice and thus to contribute to broadening the knowledge in this area. As van Wensen et al. [4] states, one of the reasons why CSR activities are not communicated is a lack of knowledge of reporting; another problem is a choice of performance indicators.

Literature review

Corporate philanthropy is one of the basic areas (pillars) of CSR. Carroll originally called this area discretionary (or volitional) responsibility [5], and then he redefined it to philanthropic responsibility [6]. Among its activities, he counts making philanthropic contributions, conducting in-house programs for drug abusers, training the

hardcore unemployed, or providing day-care centres for working mothers [5]. Steinerova and Makovski [7] mark this CSR area as “local community”. They can see its activities in corporate giving, corporate volunteering, counselling, support of social integration, education and quality of life of the citizens (e.g. sports or cultural events), cooperation with schools, or application of cause-related marketing. Tetrevova [8] marks this area as philanthropic and rates the following among its activities: cultural and education sponsorship, humanitarian and social sponsorship, investments in the local economy, endowment activities and cooperation with nonprofit organizations. The list of the above activities involves both comprehensively approached activities, and their specific forms, and also technical tools for provision of these activities. Based on the above, it is possible to state that the basic corporate philanthropic activities can be seen in corporate philanthropic giving, including corporate sponsorship, and also corporate volunteering, partnerships with nonprofit organizations, partnerships with educational institutions (particularly universities and secondary schools). Another potential corporate philanthropy activity is ownership and administration of art or other collections [9].

Corporate philanthropic giving represents gratuitous giving of material values and services by the company to outside entities [10]. Such a donation may be of a financial, material, or non-material character. Its recipients are primarily nonprofit organizations and their clients. A specific form of corporate giving is corporate sponsorship. The difference between them resides in the fact that a donation is not associated with a countervalue (although Hubinkova et al. [11] points out that in the current society a donation is a certain mixture of voluntariness and commitments). A countervalue in the case of sponsorship is provision of a promotional and advertising service to the sponsor. Corporate philanthropic giving may be practised either by the company itself, or in cooperation with the company’s employees. An innovative form is common implementation of giving within a supply chain, e.g. within cooperation in a group [12]. The given activities can be carried out under the patronage of a corporate foundation.

Corporate volunteering “represents one-day or multi-day volunteering activities carried out by company employees in a not-for-profit organization or in the form of a community service within their working hours” [13]. Corporate volunteering may take a number of forms. It can be a volunteering day, but also volunteering lasting for a few days or even a year. It can be implemented directly within a nonprofit organization, in the field, or it may take a form of virtual volunteering. Its contents may consist in simple manual jobs (physical volunteering), unskilled work with clients (assistance volunteering), or professional assistance (expert volunteering). A specific form of corporate volunteering is found in the activity where the employees work for a nonprofit organization in their free time, and the company supports them organizationally or with certain contributions, e.g. for transport, food, or work aids [14].

Partnerships with nonprofit organizations usually take a form of corporate giving and corporate volunteering. The activities of this form of corporate philanthropy may also include, for example, organization of common charitable events, or participation of the corporate management in management and administration of nonprofit organizations.

Partnerships with educational institutions may take, apart from the above mentioned, e.g. a form of common solving of research projects, mutual drawing up of expert’s opinions, provision of professional consultations, arrangement of practical training, internships, and educational excursions for students and teachers, cooperation in creation of the students’ final theses, participation in teaching selected technical subjects, or cooperation in organization of professional conferences and workshops; see more in [9].

Ownership and administration of art and other collections, where the company strives to support cultural heritage, can be considered another corporate philanthropy activity. Companies may own collections of works of art, or e.g. book funds, and make them accessible to the public free of charge. In the Czech Republic, interesting art collections are owned e.g. by Ceska sporitelna, CSOB, Komerčni banka, or Ceska pojistovna. A number of them also make these works of art accessible to the public regularly and free of charge. [15]

Research methodology

The presented study is based on literature review the subject matter of which was publication in the area of corporate social responsibility and non-financial reporting. The literature review was followed by a mixed type research combining advantages of qualitative and quantitative research. It was also supplemented with research of a comparative type. The applied methods included both content analysis, and the general research methods (analysis, synthesis, comparison, deduction). The research was conducted in January 2017.

The research described below works with a sample set consisting of companies of the Association of Chemical Industry of the Czech Republic, whose list was presented on the web pages of the Association as at 1 January 2017 [16]. The reason for opting for this sample set was the fact that the Association of Chemical Industry of the Czech Republic associates more than one hundred entities and that its members represent more than 60% of all the workers of this industry and more than 70% of the total volume of production of the chemical

industry [17]. The Association thus presents a significant part of chemical industry companies operating in the Czech Republic.

The research sample comprised web pages of manufacturing companies of the Association falling within Division 19.2 Manufacture of refined petroleum products, Division 20: Manufacture of chemicals and chemical products, Division 21: Manufacture of basic pharmaceutical products and pharmaceutical preparations and Division 22: Manufacture of rubber and plastic products according to the NACE Rev. 2 classification. They were web pages of 55 companies. The members of the Association who are not business entities and also non-manufacturing companies and one manufacturing company that did not have its own web pages were excluded. The research sample thus comprised web pages of 39 companies of Division 20, 7 companies of Divisions 20 and 22, 5 companies of Divisions 20 and 21, 3 companies of Divisions 20 and 19.2, and 1 company of Division 22. The ARES database of the Ministry of Finance of the Czech Republic shows that they are web pages of 1 micro enterprise (up to 10 employees), 8 small enterprises (up to 50 employees), 25 medium-sized enterprises (up to 250 employees), and 21 large enterprises (more than 250 employees).

The subject matter of the analysis was the content of web pages of the given companies. Providing the given companies had their Annual Reports or CSR Reports available on their web pages, these reports were also the subject of the content analysis. We identified published information about 7 defined activities of corporate philanthropy (corporate giving, support of individual donation by employees, corporate volunteering, support of individual employee volunteering, partnerships with nonprofit organizations, partnerships with educational institutions, and ownership and administration of art and other collections). The identification was conducted using binary codes of 1 and 0. Subsequently, the obtained data were statistically processed in MS Excel.

The literature review, the performed research, and the findings made by the author of the paper within the previously implemented researches focussed on the problems of corporate social responsibility in socially sensitive industries formed the basis for formulation and discussion of conclusions and for proposing measures to implement changes.

Results and discussion

The conducted research implies that philanthropic CSR activities are communicated through web pages of 35 of 55 monitored chemical companies. At the same time, 3 of them identify corporate philanthropy with CSR.

This means that 64% of the monitored chemical companies operating in the Czech Republic present implementation of at least one of the above defined seven philanthropic activities. 14 of the monitored companies present implementation of only one of the mentioned activities. 7 companies communicate two philanthropic activities, 8 companies communicate three activities, and 4 companies communicate four activities. One of the monitored companies presents five activities and one even six activities. The structure of the presented corporate philanthropy activities is shown in Table I.

Table I

Structure of philanthropic activities presented by chemical companies operating in the Czech Republic

Corporate philanthropy activities	Number of communicators	Percentage of communicators
1 Corporate giving	22	40.0%
2 Support of individual donation by employees	2	3.6%
3 Corporate volunteering	5	9.1%
4 Support of individual employee volunteering	2	3.6%
5 Partnerships with nonprofit organizations	19	34.5%
6 Partnerships with educational institutions	28	50.9%
7 Ownership and administration of art and other collections	1	1.8%

The most frequently communicated activity is a partnership with educational institutions (universities or secondary schools). This is presented on web pages of 51% of the monitored chemical companies. The second most frequently communicated activity is corporate giving, incl. corporate sponsorship, which is presented by 22 of 55 companies. Moreover, two of them state that they support, apart from corporate giving, common giving together with their employees. Development of partnerships with nonprofit organizations is presented on web pages of 19 companies. What is only minimally communicated, and it is possible to assume that also implemented, is corporate volunteering. It is mentioned on web pages of five companies only. One of them also states that it supports individual volunteering of its employees, too. Support of individual employee volunteering is claimed by another monitored company, which however does not implement corporate volunteering. Each of the five companies claiming implementation of corporate volunteering also implements

corporate giving. Ownership and administration of a collection is presented on web pages of a single monitored company.

The scope and structure of the presented information about corporate philanthropy activities are different. Most companies only present a plain list of areas of support or cooperation, or a list of activities. The widest range of information provided by the companies about their activities concerns the area of giving. From the point of view of the focus, the companies mostly present giving activities for support of local communities, protection of the environment, support of culture and sport, support of children and the handicapped, or research. As for pharmaceutical companies, they also present support of patients suffering from a certain disease (e.g. Synthron s.r.o. presents support of patients with multiple sclerosis). The above corresponds with the survey conducted by KPMG [3], which showed that chemical companies most of all support education, environment and art & culture, while pharmaceutical companies support mainly health, education, and disaster relief.

As for particular presented activities, it is possible to name the activities of the AGROFERT Foundation or the CS Cabot Foundation as examples of good practice in the area of corporate giving both from the point of view of communication, and from the point of view of implemented activities. The AGROFERT Foundation has been supporting a number of community activities since 2011, using means donated by individual companies of the holding. This foundation has already supported projects amounting to more than CZK85 million. [18] Its web pages present e.g. a programme of support of single parents or a programme of support of rehabilitation for children with brain disorders, scholarship programmes for university and secondary school students, a programme of support of senior care in their homes, or a project of sports centres [19]. The CS Cabot Foundation was established in 1997 to support undergraduates. During its existence roughly 600 undergraduates received scholarships amounting to nearly CZK7 million. [20] Another inspiring activity can also be found in the corporate activity of SILON s.r.o., which presents the "Kiwaniis Doll" project on its web pages. Within this project, it has been supporting the nonprofit organization of Kiwanis with about a ton of polyester staple fibre for filling textile dolls every year since 2005 [21]. What is a unique activity not only in this industry but also in the entire Czech Republic is an activity of the company of Sokolovska uhelna consisting in the ownership and administration of a publicly accessible archive in the extent of 843 running metres comprising 85 archive funds and collections, which have been created since the second half of the 18th century [22].

It is possible to state that the monitored chemical companies operating in the Czech Republic communicate their philanthropic activities to a limited extent. However, this does not mean that they do not conduct the given activities. There could be a lot of reasons why they do not report these activities very much. The most important obstacles or reasons not to report are the definition of key indicators and topics to report on, the sensitivity of some of the information that needs to be provided, the associated costs of reporting, ignorance or lack of knowledge about reporting [4], and low national level of non-financial reporting [23]. However, application of philanthropic activities is connected with a number of benefits, which cannot be shared by the company if they are not reported. The key benefit from the point of view of the company is improvement of the corporate image [24], and also increased publicity, including building of the brand awareness, strengthening of its image and trustworthiness. The other significant benefits include an increase in the customer loyalty, improvements in the relationships with the public authorities and the public in the region, or an increase in the attractiveness of the company from the point of view of job applicants. Corporate philanthropy activities are also tools for strengthening employee loyalty, increasing their identification with the company, or tools supporting employee motivation. They can also be beneficial from the point of view of building a network of beneficial contacts within events of nonprofit organizations to which company representatives are invited. It also is not possible to omit the potential enhancement of the know-how or the financial effects relating both to tax advantages, and e.g. to savings in alternative costs in the form of fees for turnkey organization of teambuilding events in the case of corporate volunteering. To enjoy the above benefits, companies have to publish a sufficient amount of information about their corporate philanthropy activities, primarily on their web pages. What should not also be omitted is utilization of modern information and communication tools, such as social networks, especially Facebook, YouTube, Twitter, or Instagram.

What seems to be purposeful for enhancement of the corporate knowledge not only in the area of reporting, but also in the area of corporate philanthropy activities themselves is utilization of cooperation with other organizations. To share the know-how and good practice, it is possible to make use of e.g. partnerships within professional associations, such as the above mentioned Association of Chemical Industry of the Czech Republic. It is also possible to take advantage of cooperation with universities, both for the purpose of sharing know-how within e.g. consultations, and for the purpose of savings in the cost of reporting if reports are processed by students within their diploma or Ph.D. theses. It is also necessary to mention the possibility of cooperating with organizations dealing with the problems of corporate philanthropy activities on the national level. As for the

area of corporate giving, it is, above all, the association of the Donors Forum and the Via Foundation. The Donors Forum is the only countrywide association in the Czech Republic covering donors. Its significant activities include e.g. the project of donor SMS, so-called DMS, or operation of the portal of “darujspravne.cz”, which makes it possible for the donors to choose from verified community projects. The Via Foundation focuses, among other things, on support of philanthropy in our country, e.g. it publishes a magazine called the Art of Giving, or it gives the prestige Via Bona Award. In the area of corporate volunteering, it is e.g. the platform of the Business for Society and the association of HESTIA. The platform of the Business for Society helps companies with implementation of volunteering programmes using, among other things, the most popular corporate volunteering portal in the Czech Republic called “zapojimse.cz”, which this platform operates. Every year, it also organizes, in the Czech Republic and under the patronage of the British CSR organization of Business in the Community, two international corporate volunteering days, the Give & Gain Day and the Engage Day. It also gives a prestige CSR award of the TOP Responsible Company in several categories. HESTIA – the National Volunteering Centre cooperates with companies in preparation and implementation of corporate volunteering programmes, and it also ensures expert and methodical support in this area.

The prerequisite for sharing the benefits of corporate philanthropy activities is presentation of a sufficient amount of quality, truthful, and undistorted information about these activities. Companies should, unlike the current situation, present a wider range of information about their corporate philanthropy activities. This should include both information about particular activities, and information about their scope, but also information about the supported/partnership entities. As for giving activities, it is e.g. suitable to give details about grant schemes, competitive tendering, and contact information. To increase the level of reporting, it seems convenient to make use of one of the reporting standards, e.g. GRI, SA8000, UN Global Compact, OECD Guidelines for Multinational Enterprises, or ISO 26000.

It is also possible to recommend application and presentation of less common ways of corporate philanthropy. In the area of corporate giving, it is e.g. cause-related marketing, where sale of a product or service is connected with a contribution to a good thing. Furthermore, it is the growing number of material gifts, be it in the form of corporate products (e.g. cleaning detergents), or any other kinds of material gifts (e.g. IT equipment, or office stationery). An alternative form of corporate giving may also be provision of services, where the company provides (free of charge or with a discount) a nonprofit organization or its clients with services (e.g. it creates web pages, provides training, arranges for transport of the clients, or provides a space for presentation of a nonprofit organization on the packaging of corporate products). A company may also lend a nonprofit organization certain property, e.g. IT equipment, a truck, or corporate premises. Nontraditional ways of corporate philanthropy also include corporate giving implemented in cooperation with the employees. This may have the forms of matching, i.e. pairing of financial gifts of the employees and the company, or payroll giving, i.e. financial gifts of the employees directly deducted from their salaries under administrative and organizational support of the company. The other forms of corporate giving shared by the company and its employees may include financial or material collections of the employees supported by the company e.g. in the forms of provision of facilities or the possibility of using corporate communication channels. A company may also organize a beneficent event involving the employees (e.g. an auction for items provided by the employees, or a sports or cultural event with voluntary or fixed admission fees), and the proceeds from this event serve as a gift. See more e.g. in [14]. Attention should also be focussed on so far rather an omitted activity (both from the point of view of its communication, and from the point of view of its implementation) in the form of corporate volunteering, which is, from the point of view of companies, connected with a number of the above positive effects. It is mainly necessary to focus on expert volunteering, as nonprofit organizations have recently been mostly interested in expert assistance in the area of public relations and marketing (67%), IT counselling, including web design (15%), and training in managerial skills and HR management (13%) [25].

Conclusion

Reporting, communication, or presentation of CSR activities is crucial mainly from the point of view of companies of the industries that are considered as socially sensitive, and the chemical industry belongs to them. The basic prerequisite for sharing unomittable benefits of CSR activities is their communication. It is necessary to communicate activities belonging to all CSR areas, i.e. economic, social, environmental, ethical, and philanthropic areas. In the philanthropic area, which is the subject of interest in this paper, it is necessary to communicate corporate giving, support of individual donation by employees, corporate volunteering, support of individual employee volunteering, partnerships with nonprofit organizations, partnerships with educational institutions, and ownership and administration of art and other collections.

The conducted survey shows that communication of philanthropic activities by chemical companies operating in the Czech Republic is on a low level. Although 64% of the monitored companies communicate

implementation of certain activities, a quarter of them present implementation of just one of the philanthropic activities defined above. Therefore, it is possible to recommend taking a number of measures, which should support an increase in the level of implementation and communication of these activities by chemical companies in the Czech Republic. The fundamental ones are utilization of modern communication means, cooperation with associations, universities, and specialised national organizations, publication of comprehensive, quality, truthful, and undistorted information using reporting schemes, or implementation and presentation of unconventional forms of corporate philanthropy.

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