

**Microeconomics**

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**THE EXISTENCE
OF AN AUTONOMOUS DEPARTMENT OF CSR
(CORPORATE SOCIAL RESPONSIBILITY)
AND ITS IMPACT ON MANAGER'S
PERCEPTIONS ABOUT CSR**

Abstract

This study examines whether a separate – autonomous or not – CSR department within the company, affects the opinions of managers of Greek enterprises about practices and activities of CSR. The findings suggest that managers of companies operating in Greece, without a special CSR department, accept a greater degree of institutionalization of CSR, since it offers financial and tax advantages in contrast to the companies with a specialized department. In other, we found that the way a company manages its activities and practices of CSR is

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not largely affect the perceptions of managers or directors, in connection to whether a company has a separate CSR department, or not.

Key words:

Corporate Social Responsibility (CSR), Social Responsibility, CSR institutionalization, internal- Autonomous CSR department, society, environment, employees.

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1. Introduction

In another article on CSR issue, entitled «Managers' Perceptions and Opinions towards Corporate Social Responsibility (CSR) in Greece», we explored, surveyed and evaluated the opinions of managers on various issues and perceptions of CSR, as:

1. What factors influence the desire of managers for the institutionalization of CSR?
2. What are the perceptions of Greek managers regarding CSR issues?
3. How Greek companies manage CSR activities?

In this article we investigate whether an autonomous or separate department in a company, is affecting the CSR activities. Before we mention the results of the survey we are going to see in summary and generally refer to the issue of CSR, stating:

In management, the term Corporate Social Responsibility is used to describe the obligation of an organization, to operate in ways that serve their own interests and the interests of society as well. Some describe this commitment to social responsibility, as a double gain, the economic profit and the impact on society. Others go even further by referring to a triple profit, economic, social and environmental performance (Schermerhorn, 2011, p. 151).

2. Definition of CSR

Corporate social responsibility has many definitions, but according to the Green Paper, which was released in 2001, the European Commission states that, CSR is the voluntary integration of business, social and environmental prac-

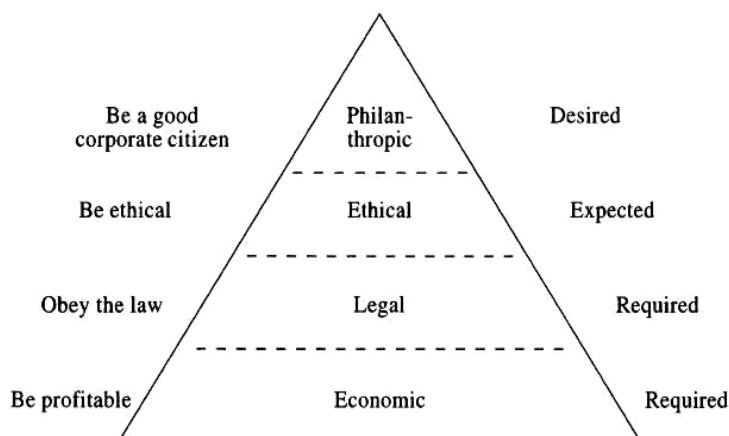
tices in their business activities and relationships with all the stakeholders (staff – society – shareholders). Although at European level there is an agreement for the definition of the concept, as well as to actions that includes, however the exact nature and characteristics vary, depending on the national, social and cultural environment in which it is grown and developed.

The definitions of CSR fell into two broad schools of thought, those who argue that the company is obliged only to maximize profits within the limits of the law and with few ethical constraints (Friedman 1970, Levitt 1958), and those who have proposed a broader range of obligations to the society (Andrews 1973, Carroll 1979, Davis and Blomstrom 1975, Epstein 1987, McGuire 1963) (Carroll, Schwartz, 2003, p. 503).

A significant effort to bridge the gap, between economic and other expectations, had been offered by Archie Carroll (1979). His efforts resulted in the following definition of corporate social responsibility. The CSR includes the economic, legal, ethical and discretionary expectations that society demands from the companies in a given time. So, in the light of the above definition, we can format the levels of CSR with the following chart.

Figure 1

Carroll's (1991) Pyramid of Corporate Social Responsibility



Source: Carroll A. B. The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders // Business Horizons. – 1991. – July–August. – 39–48; Business Ethics Quarterly, Vol. 13, No. 4 (Oct., 2003), pp. 503–530. Published by: Philosophy Documentation Center Stable URL: <http://www.jstor.org/stable/3857969>.

Carroll (1979) reported that: «The first and foremost social responsibility of businesses is economic. Before anything else, the company is the basic economic unit of society» (p. 500). Carroll then classifies the other corporate responsibilities in the following descending order of importance: (1) legal, (2) ethical, and (3) charitable responsibility. Someone may wonder if the classification proposed by Carroll under very limited normative argument, is also shared by consumers. (Maignan, 2001, p. 60). The four categories of Carroll or the CSR areas have been used by many theorists and empirical researchers. Many studies of business ethics have incorporated the scale of Carroll.

3. The timelessness of CSR

The term CSR may be modern, but as a philosophy, comes from ancient times still, it suffices to look at the sponsorship of the Olympic Games in ancient Greece. The CSR was pervasive throughout the centuries and took various names and forms, such as sponsorship, benevolence, charity, etc.

In the 19th century, where the transition occurs from agricultural to industrial society, different social models developed in Europe and America as well, by which businesses in a variety of ways applied their social responsibility, by offering housing to their workers, or caring for their families.

In the early 20th century begins the establishment of the legal framework for the operation of enterprises and the development of the welfare state. Especially, after the financial crisis of 1929, the spirit of charity transformed into the legal, contractual and organizational structures, that evolved today in the so called social obligation.

After the Second World War, the emergence of multinational corporations increased their influence in the global economy and the adoption of the business model. Companies have the sole responsibility to its shareholders to increase profits and wealth, with the famous slogan “the business of business is business”, raising the question for the relationship between business and society. In 1987, UN published its famous report Brundland, which declared that the long-term economic growth, the war on poverty and the effective management of the environment, often go hand in hand. In this report first appeared and the concept of sustainable development, that soon connected with the concept of Corporate Social Responsibility (CSR Guide for SMEs, Greek Network for Corporate Social Responsibility, 2008, p. 4).

Historically, the term social responsibility, as well as the term social responsiveness, had been presented in various books of business administration from the early 70s. Peter Drucker was one of the first to use the term social responsibility in his book. He cites the term social responsibility as one of the eight areas where the company needs to have objectives.

In 1999 at the World Economic Forum in Davos, it was formalized for the first time, corporate social responsibility as a social necessity. Then General Secretary of U.N. asked the major companies to create a basic plan of the Social Responsibility, so to guarantee the good will of companies for a humanistic global economy. In the same time there were formulating the business principles of the UN in November 1999, known as the Sullivan Principles, by which the signatories agreed to the following:

- Support the economic, social and political justice wherever they do business.
- Protect human rights and encourage the implementation of equal rights.
- They train and employ disabled employees.
- Help to create greater tolerance and understanding between people, helping to improve the life quality of the business environment. (Thanopoulos, 2003, pp. 165–166)

What is and what is not CSR

IS NOT

- Not only the compliance with the law.
- Charity and commercial sponsorship.
- It is not public relations. Some limits of CSR can be approached by P. R, but a company do not incorporates into its strategy objectives of CSR, just to make public relations.
- There is no inconsistency with the main business objective, which is the profit.
- It is not words but deeds.

IS

- Is a social dialogue platform. Invests in credibility and trust created between the stakeholders after a fair, transparent and ongoing dialogue.
- Creates a level of mutual trust and respect, provides opportunities for synergies and continuous improvement, and understands the needs of all stakeholders for implementing actions.
- It is an investment that pays long-term results and cannot be measured directly.
- It is a source of innovation. Provides solutions and innovations for a company, a region, an industry or even society in general (CSR Guide for SMEs, Greek Network for Corporate Social Responsibility, 2008, pp. 5–6).

So, some companies that primarily engage in full-page listings in newspapers, to publicize their social activity, should be more careful as for the content of such actions. Corporate Social Responsibility is not the level of investment indefinitely, or the number of workers employed by a company, or the taxes paid. But is the money spent or collected for charitable purposes, the investments for antifouling purposes, the resulting reduction in water consumption of paper energy etc.

4. Marketing and CSR

We all know that marketing is under criticism. Partly is justified, but perhaps in a specific degree is unjust. Social critics claim that certain marketing practices harming individual consumers, society and other enterprises as well. Surveys usually show that consumers have mixed or even negative attitudes regarding marketing practices. Consumer advocates, government agencies and other critics blame marketing that harms consumers through high prices, deceptive practices, pressing sales, shoddy or unsafe products, deliberate uselessness and poor service to disabled customers. (Armstrong and Kotler, 2003, p. 706)

For these reasons and many others, consumers through various initiatives, organizations and movements are forcing companies to become socially responsible. And in this case, skepticism arises, whether the social responsiveness of a company is voluntary, forced, imposed or a self-obligation to society on which it depends and survives every company.

It is important to have complete separation of CSR from philanthropy and much more from marketing. CSR should not be used as a communication trick which will affect the consciousness of socially and environmentally conscious consumers – potential customers. Instead, the companies and their executives should see it as a holistic approach of the term business, from the perspective of how well integrated is a business organization in society. Since the company is licensed by the society and profits because of society. For these reasons, many states in the U.S., offering tax breaks and no rewards in the socially responsible companies.

Most consumers, especially in Greece, even if they accept, welcome and enjoy the CSR actions, they do not easily believe in the selflessness of these goals, referring these acts to the demon of Marketing. So there is a danger not only to confuse social responsibility with the functions of marketing, but also to cancel the beneficial effects it may have had the company of this initiative. This probably happens because in the minds of the consumer these practice is an indirect advertising, against which, they feel the need to defend.

5. Objectives of the Study

The present study attempts to address the following research questions:

1. How CSR is managed by the Greek Companies?
2. What are the perceptions of Greek managers about (a) how companies should implement CSR initiatives, (b) what are the benefits from CSR activities and (c) whether CSR should be institutionalized?
3. Does the way a company manages CSR activities impacts on managers' perceptions regarding (a) CSR initiatives implementation by companies, (b) the benefits of CSR initiatives and the (c) need for the institutionalization of CSR.

6. Methodology and Results

A structured questionnaire was designed and distributed via e-mail to 90 companies that are members of the Hellenic Network for Corporate Social Responsibility. The questionnaire contained several statements regarding perceptions of respondents about the way CSR activities should be managed, the benefits of CSR practices and the need for the institutionalization of CSR. These statements were rated on a five-point likert scale ranging from strongly disagree (1) to strongly agree (5). Moreover, the questionnaire included several questions regarding the way CSR activities are managed internally by the company and general questions about the size and the industry in which the company operates.

Sixty one questionnaires were returned. However, due to incomplete data two questionnaires were dropped from further analysis. Thus, the sample consisted of 59 companies. Statistical package for Social Sciences (SPSS) 17.0 was utilized for analyzing the data. Most of the companies came from sectors such as retail, health care, bank, telecommunication and energy sector. The average number of employees was 1.489,11.

Regarding the first research question it should be noted that 69.5 percent of the companies managed their CSR activities internally through a special department. For the majority of the Greek companies decisions regarding CSR initiatives were made both by the top management and the employees (69.5%). On the contrary, in eighteen companies of the sample, decision making process about CSR was made only by top managers. The majority of the companies im-

plemented CSR initiatives regarding the society (89.8%), the environment (89.8% percent) and the employees (84.7%).

Table 1 shows the mean values and standard deviations of the statements that measure Greek managers' perceptions about CSR issues. Regarding the second research question results indicate that Greek managers strongly agree that companies should try to implement social and environmental objectives in conjunction with financial goals ($M = 4.91$, $SD = 0.28$). Moreover, they strongly believe that companies are obliged to implement socially responsible activities ($M = 4.62$, $SD = 0.74$).

In regards to the benefits associated with the implementation of CSR activities, most of the respondents believe that CSR practices increases a company's goodwill ($M = 4.61$, $SD = 0.66$) while they feel that public sector should support socially responsible companies ($M = 4.66$, $SD = 0.60$).

On the contrary, respondents moderately agreed that there is a need for the institutionalization of CSR ($M = 3.88$, $SD = 1.31$) and for the establishment of a national agency for the evaluation of CSR initiatives taken by Greek companies ($M = 3.66$, $SD = 1.26$).

Table 1

**Mean and Standard Deviations
of Managers' Responses about their CSR Perceptions**

Items	Mean	Standard Deviation
<i>Perceptions about companies and CSR initiatives</i>		
Companies should not only set financial goals but also goals about their social and environmental performance.	4.915	0.280
Companies should be obliged to adopt CSR initiatives.	4.627	0.740
CSR activities should be managed by an organized department in a company.	3.966	1.144
CSR activities of companies should be published.	4.457	0.624
<i>Perceptions about the benefits of CSR</i>		
Implementation of a holistic CSR program increases a company's goodwill.	4.610	0.669
Implementation of CSR practices offers a competitive advantage.	4.339	0.733
Consumers should reward and support social responsible companies.	3.932	0.806
Public sector should prefer to cooperate with socially responsible companies.	4.661	0.604

Items	Mean	Standard Deviation
Socially responsible companies should be publicly rewarded with an «ethics awards».	4.305	0.969
Perceptions about the Institutionalization of CSR		
Institutionalization of CSR is imperative.	3.881	1.314
A national agency should be established to evaluate CSR activities of companies.	3.661	1.267
Institutionalization of CSR, should offer companies with financial and tax benefits.	3.661	1.281

In order to address the third research question and to test whether the existence of a CSR department in a company differentiates managers' perceptions about CSR issues a series of independent samples t-test were performed. The sample was divided in two groups based on whether the company had an internal CSR department or not. Table 2 shows the results of the t-tests.

Table 2

Results of Independent Samples T-Tests

Items	Existence of a CSR department		T-value	P-value
	Yes	No		
Companies should not only set financial goals but also goals about their social and environmental performance.	4.92	4.88	0.47	0.63
Companies should be obliged to adopt CSR initiatives.	4.60	4.66	-0.27	0.78
CSR activities should be managed by an organized department in a company.	4.29	3.22	3.64	0.00*
CSR activities of companies should be published.	4.46	4.44	0.10	0.91
Implementation of a holistic CSR program increases a company's goodwill.	4.73	4.33	2.16	0.03*
Implementation of CSR practices offers a competitive advantage.	4.43	4.11	1.60	0.11
Consumers should reward and support social responsible companies.	3.95	3.88	0.27	0.78

Items	Existence of a CSR department		T-value	P-value
	Yes	No		
Public sector should prefer to cooperate with socially responsible companies.	4.65	4.66	-0.04	0.96
Socially responsible companies should be publicly rewarded with an «ethics awards».	4.29	4.33	-0.14	0.88
Institutionalization of CSR is imperative.	3.90	3.83	0.18	0.85
A national agency should be established to evaluate CSR activities of companies.	3.60	3.77	-0.46	0.64
Institutionalization of CSR, should offer companies with financial and tax benefits.	3.41	4.22	-2.31	0.02*

*Significant at $p < 0.05$.

Significant differences at the 0.05 level were found between perceptions of managers who work in companies with an internal CSR department and those who work in companies which did not manage their CSR activities internally regarding the need of companies to manage their CSR activities through an organized CSR department ($t = 3.64$, $p = 0.000$). As expected, managers in companies with a CSR department believe more strongly ($M = 4.29$) than managers in companies without a CSR department ($M = 3.22$) that it is necessary for companies to have a CSR department.

Managers in companies with a CSR department also differed significantly ($p < 0.05$) from managers in companies without a CSR department regarding their perceptions about the benefits associated with the implementation of CSR programs ($t = 2.16$, $p = 0.03$). Specifically, managers who worked in companies with a CSR department believe more strongly ($M = 4.73$) that CSR practices increase a company's goodwill compared to managers in companies with no CSR department ($M = 4.33$).

Interestingly, results of the present study showed that managers also differed significantly ($p < 0.05$) in their perceptions regarding whether institutionalization of CSR should offer companies financial and tax benefits ($t = -2.31$, $p = 0.02$). Managers in companies without a CSR department supported more strongly the argument that financial and tax benefits should be offered to companies through the institutionalization of CSR ($M = 4.22$) than managers in companies with a CSR department ($M = 3.41$).

No other significant differences were found between managers in companies with CSR department and managers in companies without CSR department regarding perceptions about whether companies (a) should set social and environmental goals ($t = 0.47$, $p = 0.63$), (b) are obliged to implement CSR practices

($t = -0.27$, $p = 0.78$), and (c) should disclose information about their CSR activities ($t = 0.10$, $p = 0.91$).

Moreover, no significant differences were found between the two samples of managers in regards to their beliefs about whether: (a) CSR initiatives offer competitive advantage ($t = 1.60$, $p = 0.11$), (b) consumers should reward socially responsible companies ($t=0.27$, $p=0.78$), (c) public sector should support companies which implement CSR activities ($t = -0.04$, $p = 0.96$), and (d) socially responsible companies should be publicly rewarded with ethical awards ($t = -0.14$, $p = 0.88$).

In addition, the two samples of managers did not differ significantly in their perceptions about the institutionalization of CSR. Specifically, managers in companies with a CSR department did not differ significantly from managers in companies without a CSR department in their opinions about whether (a) it is imperative that CSR should be institutionalized ($t = 0.18$, $p = 0.85$) and (b) a national agency should be established for the evaluation of CSR activities ($t = -0.46$, $p = 0.64$).

Conclusions

The purpose of the present study was threefold. First, to investigate how Greek companies manage CSR activities, second, to explore managers' perceptions about various CSR matters, and third, to examine whether managers in companies which have formal structures for managing CSR activities, differ in their perceptions about the benefits and the institutionalization of CSR than managers in companies without a CSR department.

The findings of the present study indicate, almost 90% percent of companies in the sample engaged in some type of CSR activity (i. e. society, environment, and employees). However not all of the companies who acted responsibly had a CSR department. Results showed that almost 70% of the investigated Greek companies planned and implemented internally their CSR practices. The above finding is consistent with Pollach et al.'s (2012, pg. 204–216) study, which revealed that most companies in European countries have an internal CSR department for managing their CSR programs. Interestingly, in the majority of companies (70%) the management of CSR was made through a participatory model since companies involved employees in the decision making process regarding CSR activities. The present study also found that most of the Greek managers strongly agreed that companies should engage in CSR activities as well as promote them. Moreover, they feel that by implementing CSR activities companies can differentiate themselves and create a competitive advantage. However man-

agers in companies with a CSR department believe more strongly that the CSR practices enhance the goodwill of the company.

Greek managers moderately believe that CSR should be institutionalized. In fact, managers in companies without a CSR department will accept in a higher extent the institutionalization of CSR as long as it offers financial and tax benefits compared to managers in companies with formal structures for the management of CSR. It seems that the way a company manages CSR activities (internally or not) does not impact in a high extent on managers' perceptions about CSR. This non existence of differences between managers in companies with CSR department and managers without a CSR department may be attributed to the homogeneity of the opinions of the majority of managers in the sample.

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