

Corporate Social Responsibility for Better Business Performance

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Abstract: *The business environment is characterized by social responsibility, competitiveness, and performance. Since these elements of the business environment are all interconnected, a successful enterprise requires a change of approach on the competitive market. The aim of this paper is to outline business performance through corporate social responsibility, which is currently a challenge that opens up new opportunities for growth in the competitive business environment, and on the methodological framework of evaluating business performance based on the interconnectedness of financial and non-financial indicators in order to increase business performance in all aspects of the social responsibility with regard to any and all stakeholders involved.*

Keywords: *corporate social responsibility, business performance, competitiveness, stakeholders, global reporting initiative*

JEL codes: M40, M41

1 Current Situation - Introduction

The basic prerequisite for sustainable development is the implementation of corporate social responsibility - CSR, which has a great effect on the public, environmental, and social aspects of the entire community. (Peters et al., 2014) The quality of social responsibility is largely determined by the selection and use (or combination) of the individual aspects thereof (financial, social, and environmental). It is still deemed proper to link individual aspects of social responsibility. (Németh, 2016) The European Commission states that reporting of financial and non-financial information provides stakeholders with a comprehensive insight into the position and performance of the business related (Pakšiová, 2016); and reporting of relevant business information needs to be assessed not only in terms of materiality of information but also in terms of the ratio of costs of acquisition to benefits gained (Baštinová and Tumpach, 2014), which contributes to a true and accurate view of the financial situation of the company (Ondrušová and Parajka, 2014). However, non-financial information is often not reported in the financial statements currently. Generally, business performance is assessed through financial indicators, such as profits. At present, the success of an enterprise is not solely based on its financial situation but also includes its impacts on the social environment that regards the environment itself as well as the social environment where it operates. Full social attitude towards an enterprise is re-evaluated that was initially established for the purpose of profit-making. (Pakšiová, 2018) Since the issue of searching for a competitiveness advantage is ever more challenging, it is the CSR, which should become the priority that will open new opportunities to promote and achieve higher performance in the competitive environment.

2 Methodology and Data

The aim of this paper is to outline business performance through corporate social responsibility, which is currently a challenge that opens up new opportunities for growth in the competitive business environment, and on the methodological framework of evaluating business performance based on the interconnectedness of financial and non-financial indicators in order to increase business performance in all aspects of the social responsibility with regard to any and all stakeholders involved.

Several methods of scientific research have been applied to compile the knowledge and information acquired. In particular, the method of analyzing available information related to CSR, business performance, and competitiveness, since these three elements are interconnected and require the company to change its approach towards them in the ever increasing competitive market.

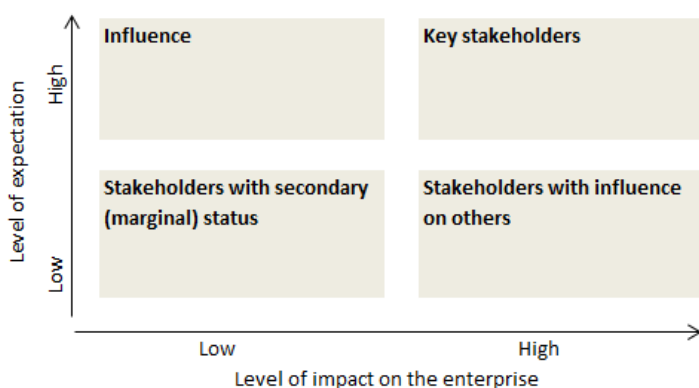
The paper analyzes one of the most significant methodological frameworks for evaluating company performance, namely the „Balanced Scorecard“, which - combined with the Global Reporting Initiative – GRI - allows for the interconnection of financial and non-financial indicators.

3 Results and Discussion

CSR concepts support both current and future potential to meet human needs and demands through resource efficiency. (Oriskóová, 2018) Companies with an active approach towards CSR should produce a strategy containing a suitable combination of financial and non-financial indicators in order to increase their effectiveness, noting the limitations of non-renewable resources and their responsibility towards stakeholders’ interests.

For a company to be successful in a competitive environment, it should include all stakeholders in its decision-making processes. It needs to identify their interests and expectations and understand how its business affects them, and vice versa, how stakeholders affect its business, as ignorance of this interrelation can lead to unfavorable results. In generally, stakeholder management is a management of relationships based on active management and integration of stakeholders’ interests and relations in the company’s strategy and business processes (Moratis and Brandt, 2017), thereby increasing business performance in all CSR areas. Several authors classify stakeholders into groups based on different perspectives. One perspective is the identification of key stakeholders based on their level of expectation and impact on the enterprise. Pursuant to the Stakeholder Matrix shown in Figure 1, the most significant group of stakeholders is the one with the highest level of expectations and simultaneously the highest level of impact on the enterprise. The company should seek active cooperation with this group of stakeholders with regard to the CSR. Other groups of stakeholders are also important for an enterprise but not a priority, as their impact on enterprise and level of expectations are low (Németh, 2016).

Figure 1 Expectations and Impacts Stakeholder Matrix



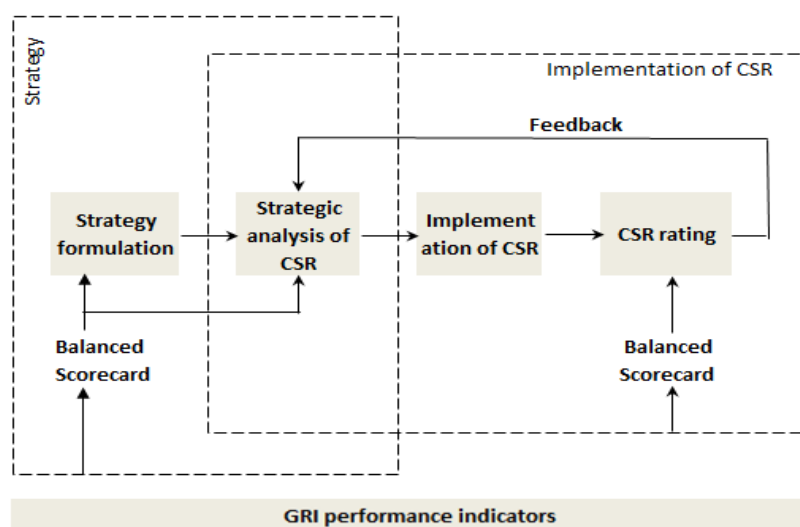
Source: Thompson, 2016

Another key aspect of the management system is to evaluate performance, monitor performance indicators continuously, and/or to develop methodological performance

evaluation and monitoring frameworks and guidelines. The most popular methodological performance evaluation frameworks include the Balanced Scorecard - BSC, the essence of which was formulated originally by Kaplan and Norton in 1997. This framework shows the importance of the balance of tools, and it is not focused solely on financial indicators but also on the so-called „soft factors“ that determine business performance (Majtán, 2016). The aim of the BSC - regarding performance evaluation with emphasis on corporate social responsibility - is to balance financial and non-financial performance indicators. CSR evaluation methodology framework with balanced performance indicators (Figure 2) is based on the strategic orientation of the company and a balanced combination of CSR performance indicators (Panayiotou et al., 2009 and Németh, 2017). Strategy based on the BSC approach, including GRI monitoring, consists of the following processes:

- CSR Analysis,
- implementation and
- performance evaluation.

Figure 2 CSR Evaluation with Balanced Performance Indicators



Source: Panayiotou et al., 2009

Evaluation of performance with balanced financial and non-financial indicators shows the necessity and importance of non-financial indicators in the process of reporting the complete picture of the company's financial situation.

4 Conclusion

Currently, the implementation of CSR is an important attribute for companies that have a significant impact on the economic, social, and environmental aspects that offers new opportunities to achieve higher performance in a competitive environment. For a company to be successful, it should change its perspective towards interconnected elements and characteristics of the business environment, such as the CSR, performance, and competitiveness. Companies with an active approach towards CSR should produce a strategy containing a suitable combination of financial and non-financial indicators in order to increase their effectiveness, noting the limitations of non-renewable resources and their responsibility towards stakeholders' interests. That means that the company should track its performance through methodological frameworks, such as the Balanced Scorecard,

which - if applied along with the Global Reporting Initiative - GRI for the integration of indicators - allows for the evaluation of performance in all CSR aspects, noting the effects of the business on all stakeholders thereof, and vice versa, the effects of the stakeholders to the business, and understanding the selection and classification of stakeholders' significance. Evaluation of performance with balanced financial and non-financial indicators shows the necessity and importance of non-financial indicators in the process of reporting the complete picture of the company's financial situation.

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