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**Corporate Social Responsibility and its Impact on Consumers’
Behaviour**

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Declaration:

I hereby declare that I am the sole author of the thesis entitled “Corporate Social Responsibility and its Impact on Consumers’ Behaviour”. I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

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Introduction

The awareness and concern regarding social and environmental issues is growing among representatives of the business sector. They are members of society making the group of corporate citizens. Awareness is increasing because of numerous social and environmental issues that currently exist in our society as well as the problem of wealth inequality between countries and continents. Environmental problems, like climate change, ozone layer depletion, greenhouse gases and CO₂ emissions are growing, as a result of human activities. Businesses are responsible for their practices as much as any other citizen.

Corporate Social Responsibility (CSR) of a company is the same term as ethical business, sustainable development or social governance. It is a complex strategy to govern the whole process of doing business. In order to achieve satisfactory financial performance in the long-term, it is necessary to gain trust of customers, regulatory agencies, public groups and employees. Proper CSR practices of a company can ensure the trust of all stakeholders and the good reputation of a company.

There are some social norms perceived by the public about the way an ethical business should operate. Transparency of business operations is the initial factor to show that company does not hide any unethical activities from its customers. Currently, it is common practice to include review of socially responsible practices in annual reporting or to have a separate CSR report.

The public may also expect a business to participate in the life of community by different support programmes, for example, through charities or foundations. Social giving is an increasing trend among businesses, one of the main motives being engaged is tax exempt in some countries.

Customers in the 21st century are not satisfied only with the core product purchased to gratify their needs. For a long-lasting customer relationship, a company should gain their trust. One of the primary reasons to gain trust is to be socially and environmentally responsible company. For customers, it is important to understand that the money spend on some products will be reinvested and benefit of the society.

Recently there have been high-profile scandals amongst international businesses, like Nike and Apple, for improper human resource management system. There were some negative reports

about poor working conditions and the use of child labour in some of the plants in developing countries. Even if some of the practices were legal in the countries where the conglomerates operated, it was not perceived as ethical practice for customers living outside of those countries. These issues can devalue a brand among customers and later on, company spends lots of efforts and financial resources in order to recover its reputation.

For businesses, CSR has two sides; on the one hand there are requirements for socially responsible practices from the general public and, on the other hand, shareholders require adequate financial return of their investment. The managers should decide how to trade off and understand the necessity of investing in social responsibility.

Objective: The objective of the Diploma Thesis is to prepare comprehensive analysis of current CSR practices in the Czech Republic and find out what type of impact the socially responsible practices of a company can have on a customer's behaviour. The goal of the thesis will be achieved by literature review, analysing previous findings regarding CSR, and by case study. The case study will examine practical implications of CSR practices for a specific company.

The Diploma Thesis is divided into four chapters. The **First Chapter** addresses the importance of CSR; starting with the initial theories to the modern ways of CSR communication. The chapter discusses main pillars of corporate responsibilities, the international standards and principles and the potential benefits, that company can have as a result of CSR practice. In this chapter, the customers buying behaviour and attitude concerning corporate social responsibility will be reviewed. The chapter will provide theoretical background and general overview of corporate social responsibility and customers' behaviour.

The Second Chapter of the Thesis examines current CSR trends, particularly in the Czech Republic. The governmental strategies of sustainable development and framework of Quality Council will be reviewed. The non-governmental organisations promoting social responsibility of businesses in the Czech Republic and their framework will be discussed. As well as, the level of engagement of different sized local businesses in the CSR practices and rewards will be reviewed. This chapter gives an insight into the purchasing behaviour of customers specifically in the Czech Republic. Through the literature review will analyse the level of awareness of Czech customers and their response to companies' CSR activities. The customers' decision

making behaviour and the main factors affecting purchase from socially responsible companies will be discussed.

The Third Chapter is the case study analysing CSR practices of the leading brewery in the global beer market. The case study will examine practical implication of social responsibility for alcohol industry. The company, Anheuser-Busch InBev, will be discussed as having comprehensive CSR practices for all four pillars of corporate responsibility. Each type of corporate responsibility will be analysed separately with the main focus on policies directed to customers. Through the literature review and personal interviews with the company representative, will find out customers' response and attitude to CSR practices in the Czech Republic. The motivation of the company to engage in CSR and the actual benefits gained will be discussed in details.

The methodology used in the Thesis is literature review and case study. The used literature represents pervious findings in the field, mainly researches done among Czech customers. In the case study, materials, reports and publications by the Anheuser-Busch InBev will be used. For answering the research questions regarding customers' response to social responsibility of the company specifically in the Czech Republic, an in-depth interview will be held with the company representatives. Through the interviews, the motivation of the company into engaging in CSR practices will be found. The case study will show on real life example the implication of Corporate Social Responsibility, the benefits that company gained and the customers' attitude.

Chapter 1: Understanding Corporate Social Responsibility and Customers Behaviour

1.1 Defining CSR

The Social Corporate Responsibility strategy of a business shows its concerns for general public and environment. CSR is a voluntary choice of companies through which they are able to contribute to the welfare of society. With increasing importance of CSR in the current international business environment, definitions of the CSR and its role in business operations differ depending from which perspective it is taken.

World Business Council for Sustainable Development (WBCSD) defines the CSR as “Continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of workforce and their families as well as of local community and society at large”. (WBCSD, 2014)

Business and society are interdependent, and none of them can survive without each other. Society is seeking for goods and services that businesses provide, and from the other side, a business can survive as long as there is demand for their products and services. In the 21st century society expects from businesses to operate at or above the legal and economic standards. This actually means that society wants a business sector to take in account their expectations.

Corporate Social Responsibility can be perceived in various ways by different organisations. CSR mainly refers to three primary areas; environment, employee relations and community. It is about environmental protection, monitoring, community participation and stakeholders' rights. The concept of CSR should give companies comprehensive strategy to run their operations in a way to benefit both company's shareholders and well-being of society. Except keeping the legally required minimum standards regarding their activities, a business can set up its internal standards that will suit the business more. CSR policy gives a wider approach for all activities in value chain process and alternatives for long-term planning. It is also a way for a business to improve its financial performance through cost optimisation, more efficient production process, increased employee productivity, materials recycling and investments of new technologies.

1.2 Theories of Corporate Social Responsibility

1.1.2 Carroll's CSR Model

On the way of understanding the goal of CSR, it is needed to understand the way how the company manages its business process in order to contribute the positive impact on society. Each company is responsible as for its internal stakeholders, like for employees and the people engaged in the whole operation processes, it is also responsible for outside stakeholders, such as general society, government, local communities and environment.

The cornerstone for understanding what CSR represents itself would be worth taking a look at Carroll's pyramid of CSR. According to Archie B. Carroll's pyramid of CSR, each business has four types of responsibilities; economic, legal, ethical and philanthropic. (Carroll, 2001)

Figure 1.1 Carroll's CSR Pyramid



Source: (Carroll, 2001)

The first layer of the pyramid is **economic responsibility**. By economic responsibility, we understand the ability of the company to make a profit. One of the most important goals for each private actor in the marketplace is to make a profit as a result of its operations, and that's why people make business. While a company is economically profitable, it is able to contribute to the wealth of its stakeholders, employees, owners and society. When the company is profitable, it can pay back to its shareholders, to pay wages to its employees and provide society with the

goods and services they need. The obligation of each business is to operate in a most efficient way to contribute to the sustainable economic growth and to be competitive in the marketplace. Economic responsibility is the base of the pyramid because any business should survive in a view to operate within a legal framework and to take ethical commitments to society while being a good corporate citizen.

Legal - Each private actor in a global business environment should obey social rules and regulations. It is important for each business to operate within the legal framework of the state, and to take its legal obligations. The simplest example of legal obligation can be paying taxes or customs duties at the border while exporting/importing products. If the company is producing some goods and services, they should correspond to legal requirements and technical standards imposed by the state or any other international environment, where they operate. In some industries, it is often possible to legally overcome the ethical standards by paying some penalties. For example, a coal burning plant can pay a penalty per some unit of emission instead of reducing it. But legally overcoming the rules, when the penalties are affordable for the company is not ethical and will not result in the sustainable development.

Ethical - Ethical responsibility is the cornerstone for CSR, they both aim to maintain ethical behaviour in society and environment. Ethical norms could be seen as “uncodified rules”, according to which society expect the business to act, even if those are above legal and economic expectation. Society expects from business to serve as a good corporate citizen and respect ethical and moral norms of the society. So ethical behaviour means that social rules do not oblige companies, but they act in favour to society.

Philanthropic - Philanthropic responsibility refers to activities of the business aimed to support the welfare of general public. The difference between ethical and philanthropic responsibilities is that, if the firm cannot afford to take this responsibility, it will not be considered as unethical behaviour by society. Being at the top of the CSR pyramid, philanthropic responsibility is a luxurious thing that not every business can afford; it refers to spending company’s money on the welfare of local communities or raising working standards of labour force above the legally required levels. An example of such kind of activities can be voluntary participation in charities, assistance to public educational institutions and poverty reduction programmes. In a modern international business environment, companies take the philanthropic responsibility as a required

component of being a good corporate citizen, which reflect higher standards for performance of the company and increased reputation among society.

As it was seen from the above explanations, in Carroll's model, four layers of the pyramid represent levels of responsibilities for business to operate in the most society favoured way. In a business reality, all these four responsibilities can come into conflict. For example, some firms can be legal but not ethical at all, like the production of chemicals. A chemical producer can fulfil its obligations in terms of economic and legal terms, but pollute air by releasing toxic waste, which is not ethical in relation to local communities and environment.

The layers of the pyramid should not be seen in sequential order as for different cultures the importance of each responsibility can be perceived differently. In some countries, especially European societies, arguments are against the order and their approach to legal rules, for example, would be more important than the economic one. However, this model of CSR gave general understanding and is one of the simplest theories to interpret the importance of the CSR components.

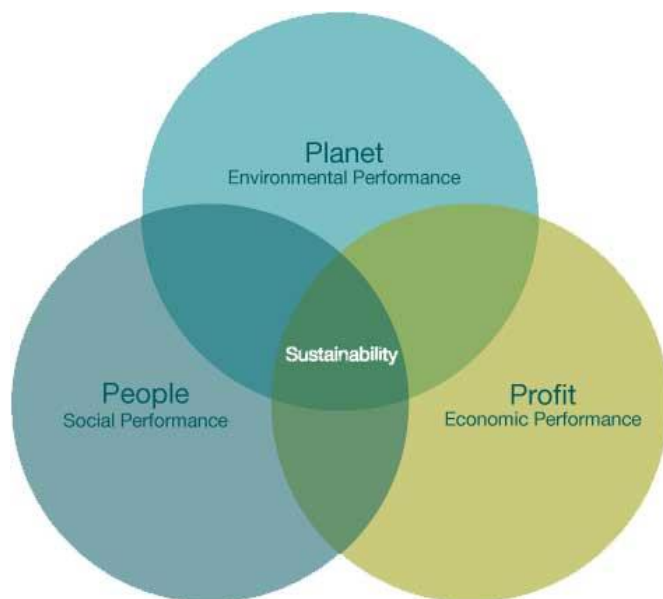
1.1.2 Triple Bottom Line Approach

Triple bottom line approach is another theory which defines sustainability in CSR, founded by John Elkington in 1994. According to his theory, each organisation should add "three bottom lines" in its decision-making process, they are as follows; economic, social and environmental sustainability. All these three should be analysed separately, and the intersection is called sustainability. First of all, it is necessary to analyse each level of sustainability and then make an approximate model of the sustainable corporation. (Anon., 2016)

Economic sustainability suggests investing in a project with long term view rather than concentrating on short-term profits. The short-term investment regardless how much profit it provides should not be preferred as it can violate a business from being sustainable in a long-term. (Hanousek, 2010) When a huge company like Nike is hiring children workforce in emerging economies to achieve bottom line benefit, it, later on, attracts the attention of different social groups. The example of Nike among global giants was not the only one; that got criticised

for being unethical and using advantages of poor working standards in developing countries. The reputation of the company can be harmed so much that financial resources spent to recover it will be much more if they would be following to regulations and standards from the beginning. This is an example of having short-term profit goals rather than concentrating on long-term sustainability. Economic sustainability is a strategic element to reach social and economic sustainability. The last two are the way to success for being a sustainable company.

Figure 1.2: Triple Bottom Line CSR Approach



Source: (Riverside Rediscovered, n.d.)

Social sustainability - This is about the allocation of wealth or economic power between corporations and society. It means giving equal opportunities to people in poor countries with the ones living in wealthy industrialised countries. Sharing resources equally will contribute to sustainable development of society and at the same time avoid revolutions and anger between social groups. In business perspectives, social responsibility would mean paying reasonable prices to suppliers from developing countries regardless on the real demand of the market. It is common nowadays for multinational corporations to outsource in hope to find cheap labour and raw materials. Social responsibility here would mean to avoid or reduce the working hours of

child and women workforce, who are mainly involved in this type of business practices, or to pay reasonable wages. The idea behind is none of these organisations is allowed to earn multibillion profits while paying pennies to poor people in least developed countries (LDC's).

Environmental sustainability - Like all other members of society, organisations also should care about the environment. The natural resources are not infinite, so each of them should be used in a most efficient ways as much as possible. The current discussions about global warming, ozone layer depletion or other environmental problems prove that we all did not take all responsibility that we have to protect the environment where we are living. Even in case if there would be no proofs that pollution or depletion of natural resources as a result of human activities are the primary cause of the environmental problems, everyone should understand that there is some limit above which the earth is not able to carry. As mentioned in above discussions, a business should not pollute the environment or overuse the natural resources to achieve short-term profits, but be responsible for its activities towards nature and seek to be sustainable. This bottom line is the same as environmental responsibility in Carroll's CSR model.

A company which wants to be sustainable should consider all these three bottom lines mentioned above. Only taking in account social and environmental responsibility, instead of just economic one in its decision-making process would result to equally developed society and business environment. While making corporate decisions, the company should not only consider the social and environmental factors just because of cost-saving reasons, but it should also be analysed as a future decision for a business itself.

1.3 International Principles and Regulations on CSR

Companies who want to adopt CSR policy and correspond to international CSR standards should follow to guidelines and principles provided by internationally recognised organisations. There are lots of standards and principles that a business should adopt, the most common ones are listed below:

OECD Guidelines for Multinational Enterprises - have been adopted in 1976 and are the most comprehensive set of guidelines for responsible business practices. These are guidelines adhered

by governments to promote transparent and responsible business environment for multinational companies. The OECD guidelines cover the following areas; human, employment and labour rights, environment, science and technology standards, anti-corruption, fair competition and consumer interest. (OECD, 2014)

ISO 26000 Standard for SCR – It is some guidelines on social responsibility released in November 2010 that are voluntary standards for all types of organisation. Unlike to other ISO certifications, ISO 26000 is more guidelines than a requirement, and it can not certify any organisation. Social responsibility core seven principles of ISO 26000 are organisational governance, community involvement and development, human rights, consumer issues, fair operating practices, environment and labour practices. These voluntary standards enable the organisation to transfer CSR principles into practice and operate in a most sustainable and efficient ways. (ISO, 2015)

Global Reporting Initiatives - is a framework that enables organisations to measure their performance on sustainability and conduct reports. GRI aims to guide any type of organisation to generate standardised reports on their CSR practices. GRI promotes comparison and evaluation of the performance of the companies according to its voluntary initiatives, codes and performance standards. (Wilburn, 2015)

10 Principles of UN Global Impact - These are principles based on environment, anti-corruption, human and labour rights. UN Global Impact is a framework exploring its seventeen sustainability goals and ten principles, which aim to help organisations understand sustainability and put it into practice. (UN Global Impact, 2015)

UN Principles on Business and Human Right - These are principles to protect human rights and apply to state and businesses. It is one of the primary obligations concerning CSR, to have a proper and well-defined policy on human right protection both for inside and outside participants of an organisation. (United Nations, 2011)

International Labour Organisation Principles Concerning Enterprises on Social Policy - these are principles published by International Labour Organisation, and covers areas such as employment, conditions for work and life, trainings and industrial relations.

1.4 Benefits of CSR policy

After having a proper understanding of the attributes of CSR, it should be easy to conclude about the benefits that company's CSR policy can bring. First of all, CSR is done by companies to contribute to the well-being of society and to solve some environmental problems.

The concerns regarding the environmental policy of the company are crucial aspect of CSR policy. The use of natural resources and other input materials for production should be optimised as much as possible. Natural resources are scarce, so as corporate citizens of society, companies also should care about how efficient they are using it. (Thorpe, 2013)

Properly planned environmental policy of companies would contribute to the sustainable consumption of natural resources and reduction of production waste. This policy can be implemented by recycling more production inputs and output, using more renewable energy sources and investing in innovative technologies. The simple example can be just using less packaging that will lead cost reduction for the company. All these practices will bring long-term value for companies and will contribute positively to the environment.

The other most important 'stakeholders' of CSR policy is the general public. Society can gain from different aspects of CSR, first as an employee while working for a company that treats its employees well. Consumers will receive quality services and products from socially responsible companies. They will also benefit from philanthropy, while companies will start implementing charity programs for different communities in need.

The most important motive for companies in adopting CSR strategies is the direct benefit of the company itself. To understand why a company should implement CSR policy, what are the benefits, and different ways to measure the success, it is necessary to discuss separately some important aspects. The benefits that a business can achieve through implementation of CSR policy are not always tangible and cannot be transferred into revenues. It depends on the industry, country and a company to measure the result and effectiveness of CSR policy. But here is a list of potential benefits that is possible to achieve through successfully implemented CSR practice in general.

Improved corporate reputation – Corporate reputation is a collective impression about a firm from its stakeholders derived from companies' past and present actions as well as prospects.

Various studies confirm that corporate reputation is very strong motivation for companies to engage in CSR, and there is the positive relationship between corporate reputation and CSR. It is most probable that companies having positive CSR performance can build a strong corporate reputation. Sometimes there is a misuse of the terms like ethical business practices or socially responsible activities by companies trying to hide their unethical behaviour. Communicating with the public about practices that have not been done or partially done can cause more problems than silence from the side of a business. If there is a positive attitude of public towards socially responsible activities of companies, then it does not mean that the companies with a bad reputation can enhance its reputation only through CSR. It will be seen as some ‘‘greenwashing’’ activity that will grab the attention of regulatory bodies and social groups. (Made, 2012)

Recruiting talents – The awareness and sources about the responsible or sometimes irresponsible behaviour of companies is increasing among society, so potential employees also have an opportunity to access this information. Some studies argue that professionals nowadays for accepting or rejecting a job offer take in account also companies’ CSR practice among all other decisive factors, such as location, salary and other benefits. This can be because of increasing concerns about society and environment, also people’s lifestyle and attitude regarding ethical behaviour of themselves as a member of society. People, who prioritise the role of social responsibility in their lives, are also socially selective regarding their employers. So conducting CSR policy will actively rebind a company in a search for the talented workforce who will contribute to new and innovative ways of doing business. (Imbrogno, 2016)

Better risk management – Through successful fulfilment of companies philanthropic, ethical and legal responsibilities CSR policy can reduce potential risks of damaged reputation, negative publications, boycotts and lawsuits. Strong CSR policy of the company refers to the effective quality management systems and accountability to its stakeholders. It can be very costly for the company to refuse taking responsibility for their operations and its impact on their employees, general society and the environment. Another aspect of risk management can be the implementation of all the voluntary standards regarding internal and external activities of a company. This can ensure company from rapid changes in the governmental or international regulations, and give some flexibility in case minimum required standards get higher. (Altschuller, 2011)

Improved innovation and cost cutting – Continues improvements and investments in research and development will increase company's capability to carry innovations and new technologies. CSR policy also contributes to increasing the competitiveness of business. While going further through the steps described above, the company have to invest in more efficient ways to organise its activities. Implementation of CSR policy can be a process for a company to design new products and services. A company with a continuous process of communication with its stakeholders can get new product or service ideas from them. They can integrate more socially responsible ways of production that will result in the more efficient use of resources. Continuous improvement in production process will lead to waste reduction and cost cutting. Through CSR-driven innovations a company can increase its competitiveness and enter to new emerging markets with more efficient products. (European Commission, 2016)

Employee satisfaction - The success of a company depends a lot on the well-being of its employees. All the financial resources spend on employee satisfaction can be considered as an investment with a future stock return. When the company have proper human resource management in the company, they can gain benefits from several factors. First, society gets some feedback about the company from its employees and their families, friends. This means as satisfied employees will be, word of mouth will spread more positive information about internal ethical policies of the company. Second most important aspect will be, the ability to attract and keep more qualified workers. They will stay in the business longer and be more efficient by contributing their time and effort. The investment in employees' wellbeing causes good performance of a company, and it will be seen not immediately, but after some periods.

Customer loyalty - It is not surprising to say that companies operate in order to fulfil their economic obligation by earning profits for shareholders. The source of this profits are customers, so more customers company can acquire and keep, more successful the performance of a company will be. To build long lasting relationship with customers, companies should try to increase the trustworthiness of their communication with them. It should be clearly understood, that just an implementation of CSR cannot provide satisfaction among all customers, and an immediate increase in sales volumes. Instead, a company can attract some particular customer's groups, who are looking for products from socially responsible companies. (IEDP Ideas for Leaders, 2016)

Generally saying, the implementation of CSR policy for a company would result to better risk management, improved relationship with customers and effective business practices. It will make companies more innovative and sustainable in their capital use, overall having its impact on other actors of the sphere by increasing competitive environment. CSR policy gives managers an opportunity to think more on long term values, rather than concentrating on short term profits. It is sometimes hard to quantify the results of CSR policy, but it is possible to measure. The measurement of the result depends from the goals of the activity.

1.5 Stakeholders Attitude towards Company's CSR

One of the most primary motives for companies to adapt CSR policy is the increasing pressure from stakeholders. By stakeholders, we mean employees, suppliers, shareholders, other investors, governmental and non-governmental organisations, customers and all other interested parties. Their interest towards company's activities and desire of greater disclosure to corporate information is growing and has significant impact on business management. (Idowu, 2014)

There is also pressure from international organisations, which by providing standards and certifications to companies, are trying to ensure transparency levels of business activities for all stakeholders and interested groups. Each party of the stakeholders' group has its concerns and requirements. There are three main groups of stakeholders; investors, suppliers, employees and customer.

Employees - The other important group of stakeholders are employees. For a company, it is a major factor to have a good reputation in a current competitive labour market, in order to gain skilled and qualified employees. Employees are the moving engine of the company and from their satisfaction and proper understanding of company's both inside and outside strategies can increase their efficiency and dedication towards the business.

Investors – Sometimes it is seen as a trade-off between values created for shareholders and expenses done for social or ethical purposes. Management is pushed to earn profit for shareholders by squeezing as much as possible from all available resources of the the company, including human capital. Due to the fact, that it is not always possible to quantify the impact of CSR on a company's actual performance, spending on CSR can be seen as a way to sacrifice shareholder's value.

Nowadays all information about companies' financial situation is available to public, but it is not enough to make a proper decision about in which companies to invest. There are more valuable aspects to take in account instead of actual numbers. Corporate culture of a company can be base to rely on. The success of a company depends on employee satisfaction, company's capability to adopt innovations and customers' satisfaction. These are important aspects of a business to evaluate before making any long term investment.

Financial resources spend on making company's activities more socially and environmentally responsible will bring even more returns in a long-term horizon. Currently there is an understanding of Socially Responsible Investment (SRI) term that is widely used in sustainable investment studies and analysis.

SRI – Socially Responsible Investment is an investment that considers environmental, social and corporate governance criteria for generating long term return and have positive impact on society. (USSIF, 2016)

Investors' concerns and assessment of socially responsible practices of businesses grow in the market. Investors and shareholders according to IISD's (International Institute for Sustainable Development) surveys, take into considerations ethical aspects of the business before making an investment.

The actual motivation for responsible investors is improving their financial performance and at the same time contributing to social and environmental practices. By taking in account social and environmental impact of the field, where the investment is done, investors in reality are reducing their risks. The risk can be related to future challenges starting from unethical practices to the poor reputation of the company. (International Institute for Sustainable Development, 2013)

Another important motivation for SRI is avoiding the risk to get involved in scandals related to unethical behaviour of a business. Even if the investor had made his/her investment into company, it is more likely that they will decide to sell the shares or quite the business in order to avoiding scandals resulted from unethical business practices. That's why shareholders have their contribution on CSR policy and decision making process regarding sustainability.

Suppliers – It is crucial for a business to review and evaluate not only internal practices but also suppliers' attitude towards social responsibility. Companies should carry responsibility not only for their production and internal activities but also the way their suppliers conduct a business. It

is not possible to implement CSR policies without taking in account the characteristics and impact of used materials in the production of environment and society. It is possible for a business itself to ensure and control the quality of their supplies, and the way they have been produced. There is a term of socially responsible procurement or sustainable procurement, that describes all aspect of companies' relationship with their suppliers.

SRP – Socially Responsible Procurement refers to the process of acquiring capital, goods and services in order to meet company's needs, and at the same time positively contribute to the natural environment, society and economy. (QFCPO, 2012)

Company can implement procurement in more socially responsible ways, if they will consider some factors, like how the products are made, components of packaging and the condition they have been made. Some questions are also important, company itself should assess if the purchase is necessary or not, how the products or materials will be used and the amount they are going to purchase.

In some cases, a business can ensure about the ethical behaviour of its suppliers by imposing not only technical standards but also ethical norms. This would be done for ensuring that all the process of their operations started from right inputs to quality outputs are done in a socially and environmentally responsible ways. For example, a company can avoid buying from suppliers, that use child labour or breaching other legal and ethical norms. (International Institute for Sustainable Development, 2013) By sustainable procurement company can achieve such kind of benefits, like cost saving, access to quality materials, promotion of innovations and manage its reputation connected with supply chain. (QFCPO, 2012)

1.6 Communicating CSR

As we already discussed in the section above, CSR policy of the company can be perceived by the society in different ways. And the reaction from public regarding CSR of a particular company also depends on the way how a business can communicate about those activities. First of all, the company must assure that the information regarding their CSR activities is available to general public. Lots of multinational companies nowadays publish annual CSR reports and made this information available through multiple channels of communication. CSR communication is two-way communication, where a company or sometimes its stakeholders are

sending messages to the general public and at the same time receiving responses or requirements from them. (Conrad, 2013)

There are two types of information exchange between company and public, first when a company communicates its CSR activities and what actually was done, in this case, message is well constructed and well perceived by the public. The second type of information exchange happens when there are negative publications, and stakeholders misunderstand the real content of the message send. In this case, there is a need to put additional efforts and get engaged in information exchange and positive result.

CSR communication can be in different forms, TV advertisement, and publications on company's website, corporate advertising and the packaging itself. One of the most common CSR advertising tools is product packaging, which contains labels of being "environmental friendly" or "green". Labelling and certification is a form of communication that should be verified by the third party. For example, in recent years EU imposed labels for organic products, energy efficiency labels for home appliances, etc. Consumers tend to trust more to this regulatory agencies and labels approved by them, rather than to direct communication from the company trying to persuade them. From this point of view, the credibility of the message is quite high, and the company has more chances to build trust in the minds of customers.

The forms of CSR communication will differ depending on the purpose and type of the communication. There are four types of CSR communication; communication about CSR, communication as part of CSR, responsive communication and communicating "ethical" products.

In the first type of communication, when a company is **communicating about CSR**, it is trying to persuade public about being a responsible company, and their concern about public issues. This strategy aims to build a reputation on CSR and gain the attention of the stakeholders, who are more concerned about ethical consumption. In this stage of communication is crucial to speak if the company, in reality, is concerned and has positive CSR policy. If the business is already known with its unethical business operations, trying to persuade its customers about being responsible company would result in more public conflicts and negative publications.

Communication as a part of CSR - this is an efficient way to complete the goals of CSR policy. It aims to inform company's stakeholders about its CSR activities. This type of communication has its significant impact on creating the perception about the company being

responsible in the minds of its stakeholders. When the company have already taken responsibility to have CSR policy, it should also find proper ways to communicate to its stakeholders about it.

By **responsible communication**, it means that during the whole process of communication, preparing, distributing and the message itself should meet all ethical standards.

The fourth type of CSR communication refers to **communication of ethical products and services**. The sector of “green” products has significantly grown to compare to last decades. The goal is to communicate with customers about the goods and services offered in a market.

In CSR communication, companies should also take in account cultural differences and the particular country or region, which they want to target. If their communication is verified by the third party and has some corresponding certifications or labels, at first should take in account peoples’ trust towards these organisations.

1.7 Customers Attitude towards CSR

Customers are among the most valuable stakeholders of the company; sometimes they are the main motivation for companies to implement CSR. Having background and understanding about CSR and its theories, it’s time to enlarge the knowledge regarding consumers’ behaviour and their reaction on CSR. Many researchers agree on the fact, that CSR implementation can secure a company from social group claims, employee boycotts, attention from regulatory agencies, labour unions negative attitude and dissatisfaction from local communities. (Zaharia, March 2013)

1.7.1 Customers’ Buying Behaviour

By understanding customers buying behaviour and influencing factors, marketers can structure the way how they communicate and spread the information about their socially responsible practices. The stages of customers purchasing behaviour include five steps; need recognition, information research, comparison of alternatives, actual purchase and post-purchase evaluation. During this all stages customers can analyse different aspects of CSR activities. (Vahdati, 2015)

In the first step, need recognition, a customer will be interested in company's CSR policies because of his/her moral beliefs about ethical consumption or environmental concerns.

Customers very often believe that they can influence company's responsible/irresponsible activities by buying or refusing their products. Customers can reward companies for their positive socially responsible initiatives by buying their products or can be vice versa.

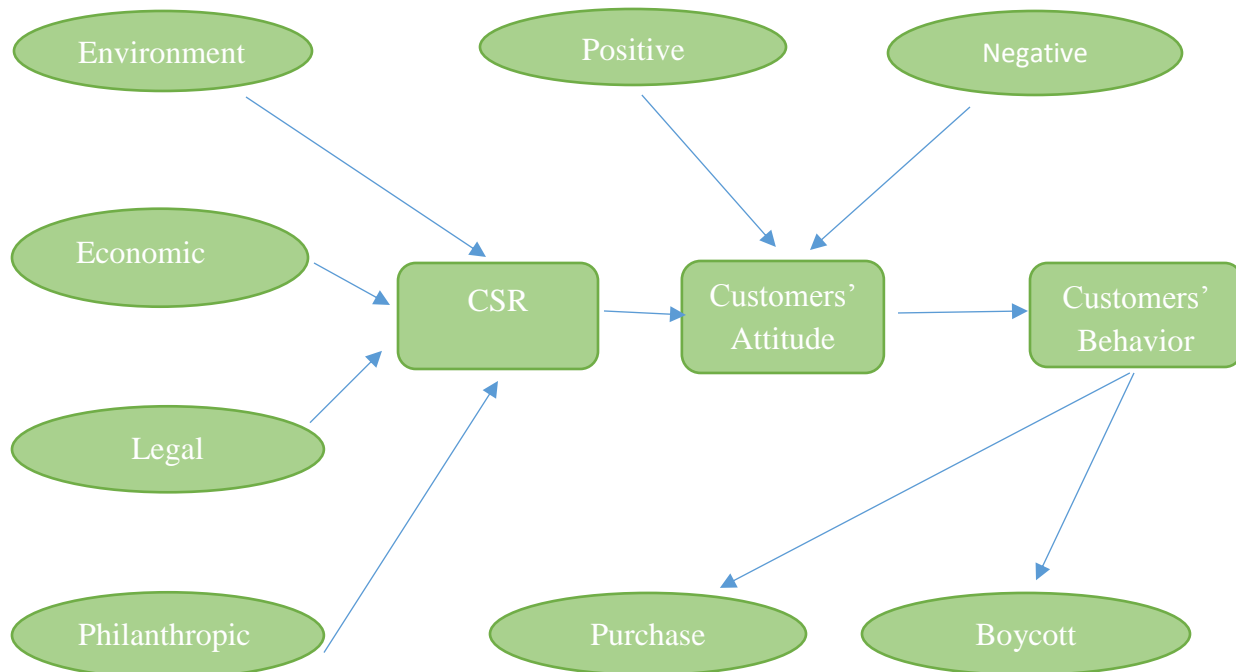
Second and third stages, information search and comparison of alternatives, refers to actively engaging in the research to find out CSR related to the product or a brand. In this stage of the decision process can influence knowledge that an individual has regarding company's CSR activities. Customers will perceive company's reputation positively when they have some reliable information regarding the socially responsible behaviour of the enterprise.

Purchase and post-purchase already depend on customer's personal experience with using the product. If the after-purchase experience was successful and company managed to build trust about its socially responsible activities, in the next purchasing decision customer will go for straight rebuy instead of passing through all the stages again. That gives an opportunity to companies to keep their customers loyal. So positive CSR of the company can increase good perception in customer's mind about the product and company. (Vahdati, 2015)

Theoretically and according to some surveys made by scholars, consumers should be more open to products with positive CSR and the perception of this products are positive. As more business is willing to contribute to social welfare, it has more chances to gain the positive reputation among public. And companies nowadays are trying to increase their reputation through social contribution.

The figure below explains the process how CRS affects purchasing behaviour.

Figure 1.3: Conceptual map
Responsibilities



Source: (Vahdati, 2015)

The reaction of customers towards CSR communication is different and hard to assess. It also depends on the channels, where customers get the information. Scholars argue, that according to the results of surveys, it was clear that respondents rely on certifications by third party more than on companies' direct communication. Customers very often rely on information about some business activities from independent sources. So media plays a major role in the communication process, by providing trustworthy information, without advertising a company.

There can also be some customers, who will consider the information about socially responsible practices untruthful or sceptical. Some customers are unwilling to compromise between price and the quality of the product, but the reason can be moral principles rather than purchasing power. Here is the example of customers' behaviour response matrix. (Beckmann, 2014)

Figure 1.4 Customers Behaviour Matrix

		CSR Awareness	
		High	Low
CSR Response	High	Caring and ethical	Confused and uncertain
	Low	Cynical and not interested	Oblivious

Source: (Beckmann, 2014)

Caring and ethical – this includes customer groups, who already have enough information about CSR and will respond to company’s communication positively. With this group of customers, is easier to communicate due to the fact that they are more educated in terms of ethical behaviour and consumption of sustainable products.

Uncertain and confused - When the knowledge about CSR is low, but the response is high, customers get confused. This group respond to communication and is interested but does not have enough knowledge about the topic. It is harder to pass the message to this group, but if the message contains some general educational information, customers will react quickly.

Cynical and not interested - This is the customers’ group having enough knowledge about CSR, but who do not trust the companies. They are sceptical about the communication done by a company, which makes it harder to find some ways to gain trust within this group.

Oblivious – This kind of reaction can have customers with low awareness and low response to any CSR activity from the company.

However, there are some important factors, which companies sometimes are missing while analysing customer’s behaviour. First of all, marketers should expect, that not everyone in their

target group will be interested in the topics, like sustainability, ethical products, environmental and social problems and so on. There is still a big number of customers which are not aware of companies' engagement in CSR.

There can also be some customers, who will consider the information about socially responsible practices untruthful or sceptical. Some customers are unwilling to compromise between price and the quality of the product, but the reason can be moral principles rather than purchasing power. (Beckmann, 2014)

It can be even more complicated for multinational companies operating in different environments, and taking into consideration cultural differences. In each culture, ethical interests, concerns about social issues and trust towards companies will differ.

Involvement in CSR in a current business environment can give a company several types of advantages they could involve; comparable advantage from its competitors, brand loyalty from its customers, tax benefits from state and free publicity. But at the same time they should be more attentive for not being part of a “green washing” industry, where companies just show their “concerns to public issues”, but in reality are misleading public about their real activities. This would bring public dissatisfaction and more attention from interested social groups trying to find out what is going on “below the line”.

1.7.2 Consumer Paradox

Theoretically, it seems very simple; the more company invest in CSR; the more will gain respect from customers. But in reality, it is very hard to understand the main factors that have the impact on purchasing behaviour. According to the research “Theoretical Lenses for Understanding the CSR -Consumer Paradox” published in Journal of Business Ethics, there is a huge gap, between the studies of consumers' behaviour and the real purchase decisions.

Lots of researches and surveys come to prove, that the majority of respondents are ready and support buying more “environmental friendly” products. Consuming the products from socially and environmentally concerned brands, consumers perceive as ethical purchasing behaviour. So ethical consumption would mean buying products from socially responsible brands, which products reflect the cost of depleted natural resources and human costs. (Vanhamme, 2015)

One of the most important sectors in CSR is concerns about environmental issues. And some scholars argue that as educated society became more aware of environmental issues, more they seek to ethical consumption.

The new trends of promoting recycled products, the interest of companies to acquire green labels and organic certifications show the increasing importance of CSR both for public and business sector.

Here the question can arise, do customers in reality care about CSR policy of a company while making purchasing decisions? If the customers in their decision-making processes would behave in the same way as they answer to the researchers, then consumption of recycled goods and organic products should have been very high, but as we know it is still low in comparison with conventional products. So the difference between consumers' intention and their actual behaviour is called consumer paradox.

The statement that consumers have some positive associations regarding the CSR is still correct. But there should be a clear differentiation between companies having positive vs. companies with negative CSR. Different studies showed that consumers are more concise regarding the negative CSR practices of companies, where their response would be more active and concerned about the case. So if a company has already publicised for having bad CSR policy, consumption for their goods would decrease. From the other side, it does not mean that having good CSR would lead to sales boost. People intend to react more actively on negative publications than to positive ones.

Chapter 2: CSR Analysis in Czech Republic

Corporate Social Responsibility practices and its concept have developed considerably during last years in the Czech Republic. According to Business Leaders Forum, lately more companies are concerned about engaging in responsible practices and implementing CSR policy. One of the main reasons to get involved in CSR is to increase competitiveness. As most of CSR activities are voluntary and no regulations from government, companies are trying to introduce also their internal standards. Businesses in Czech Republic already started implementing voluntary CSR practices as a part of their organisational strategies, as well as, for increasing competitiveness. (Business Leaders Forum, 2013) Organisations have to change the corporate structure to correspond to the adopted CSR strategy. They can even have separate division implementing and assessing social responsibility level in each stage of operations.

According to the various researches done in this field and also market analysis by Ministry of Industry and Trade (from now on MIT), even if there is increasing interest towards CSR, however, the awareness is still low comparing to other EU member countries. (Militky, 2015)

2.1 Governmental Regulations

The regulations towards CSR practice of private or non-governmental organisations are voluntary and self-regulated, the government does not have any binding rules for CSR. However, the state promotes social responsibility of companies and tries to increase transparency of organisational practices for public through its guidelines, strategic documents and recommendations.

In May 2000 the Government of Czech Republic adopted the National Quality Support Policy Programme, which was in the field of social responsibility. The Quality Council under the control of Ministry of Industry and Trade took the responsibility to implement this programme. In 2008 Quality Council created separate Specialized Sections for Corporate Responsibility, in order to coordinate CSR practices at national level. Members of the Specialized Section were

public administrators, academics, representatives of the business sphere including non-profit and non-governmental organisation. (Ministry of Trade, 2015)

Following to the Renewed EU CSR Strategy 2011-2014, there was another document adopted by Ministry of Industry and Trade, called “National Action Plan (NAP) for Corporate Social Responsibility in the Czech Republic”. The aim of NAP was to develop the concept of CSR and promote its positive impact on economic competitiveness, society and environment. NAP firstly adopted in 2014 was subject to updates, and on 25th of January 2016, the government approved an updated strategic document. The primary objective of this new document, first of all, was to support the organisations to understand and develop CSR practices and share international know-how.

There are ten key areas of National Action Plan, through which the government guide businesses in their CSR practices. In order to understand the level of government intervention in the market regarding CSR practices, it is needed to shortly discuss the key areas of National Action Plan, which is implemented by Quality Council. (Ministry of Trade, 2014)

Promotion and support for the concept of social responsibility – the strategic priority for the state is to educate and inform the general public about CSR, to organise roundtable discussions for organisations in order to share information and successful CSR practices. Sometimes organisations, mostly SMEs, have inaccurate information regarding what CSR means and that CSR activities limit only by charities. Therefore, SMEs due to their scarce financial resources often refuse to undertake any of CSR activities and conduct reporting. So the Quality Council has entrusted the responsibility to educate, motivate and support SMEs to implement CSR activities.

Dialogue and collaboration between all interested parties – The Quality Council currently coordinates necessary cooperation and dialogue between stakeholders of an organisation. There are two groups of interested parties which somehow directly or indirectly get affected by the practice of the organisation. The first group of interested parties are the ones that have some economic benefit from the company like owners, shareholders, employees, investors and customers. The second group include local communities, citizens, social and non-profit organisations. The Council created national CSR network between interested parties, profit-

seeking or non-profit organisations, trade unions, employee associations and government in order to gather feedback and promote socially responsible activities.

Self-regulation –Some of CSR activities and standards are supported by government in CR, but the majority of them in use, are voluntary initiatives by companies. Voluntary standards include efficient management system, employee satisfaction programmes, product labelling, product quality programs, etc. As lots of companies implement their own standards, there is no common cooperation between interested parties currently, and no external support from the government. The Quality Council according to NAP should create the comprehensive programmes and cooperation between public and business sectors in order to succeed in shared environmental and social objectives.

The role of public authorities and other umbrella organisations – The role of public authorities is imperative, when encouraging private business to implement CSR practice. They can support by providing financial resources to companies with positive CSR policies or creating incentives for them. The strategic priority for Quality Council is to connect public and private sectors and encourage the socially responsible behaviour of business. It can be done, for example, making public contracts and grants available also to SMEs engaged in CSR.

Implementation of international standards – According to Business Leaders Forum, the awareness about international standards among Czech companies and society is still low. (Business Leaders Forum, 2013) The new strategy suggests businesses get information about CSR instruments from Quality Council, MIT or other governmental offices. New NAP recommends for companies with more than 500 employees to formulate their CRS strategies with the guidelines of at least one of the international document. The most common international CRS guidelines are UN Global Compact, ISO 26000 and OECD guidelines.

International cooperation - As an EU member, Czech Republic should closely cooperate with European Commission, where the representative from Ministry of Trade is a member of DG EMPL (Directorate General for Employment). The activities of DG EMPL include peer reviews, investment packages and surveys. There are also two non-governmental organisations providing gathering CSR information in Czech Republic, CRS Europe and European Alliance. It is crucial to participate in EC peer reviews and closely cooperate on relevant projects.

Human rights – To respect humans right in an organisation, is one of the crucial responsibilities of the business. Except having binding regulations for minimum standards, the Czech government is trying to be a partner with an organisation and also make some more recommendations. The strategic priority for the NAP is to encourage equal rights for men and women at workplace, improve the working conditions for disabled people and to support social integration.

Education and research – In schools and universities of CR, still there is no integration of social responsibility education into the mandatory system. It is important to spread the information to young generations started from school, in order to have customers and entrepreneurs in the future, who will be educated enough on social and environmental issues and take into account in their decision-making process.

Rewarding organisations – The highest award for CRS in the Czech Republic is presented by Quality Council and coordinated by EU, is Czech Republic's National CRS Award. The winner is awarded the labels of CSR product. There are also other awards, like Top Responsible Firm awarded by Business for Society platform and FUTURUM award by Business Leaders Forum. This awards should be supported by the government, to increase the recognition among companies and public, also to enhance the motivation of businesses to apply for the awards.

Protecting customers' interest – Customers attitude towards a business depends on its reputation related to the factors, such as quality and pricing of the products, employee treatment, support to local communities and environmental policies. Key areas where customers need protection are related to loans, internet shopping and mobile payments. The plan for MIT is to respond to customers vs. businesses conflicts immediately and to introduce the interest of the customer.

These ten key areas discussed above are the fundamental part of NAP, on which Quality Council build its action strategy. To sum up, the goal of NAP is to support businesses to be more socially responsible and educate the general public in order to understand the importance and credibility of CSR practices by companies. It also shows concerns of state regulatory bodies in creating a healthy economy by establishing both support and control to the business sector and introducing rights of society.

2.2 Attitude of the businesses

The awareness and interest of engaging in CSR practices by businesses increased slightly during last years in the Czech Republic. According to the survey implemented by Business Leaders Forum in 2012, 43% of their respondents know about CSR, including small, medium-sized and large companies. With the increasing trend of communicating CSR information and implementing in a regular basis, at the same time, Czech companies still bear some barriers. (Business Leaders Forum, 2013)

There is a lack of comprehensive strategy that will connect company's all CSR activities, and further lead to appropriate reporting. The goal of engaging in CSR practices still seems imprecise for lots of Czech companies; it is often associated as a tool for marketing. As there is no tax evasion for taking philanthropic responsibilities, companies find it very costly to set up separate division or strategy devoted to CSR. Another problem is the communication of CSR to public in a right way and through different channels. Still few concentration and time given from traditional media to communicate about ethical and sustainable way of doing business.

Comprehensive research was done in 2014 in the field of CSR in Czech Republic; "Development of the CSR concept in MSEs". The results of the research showed how companies perceive the value of CSR activities and the level of integration into each pillar of CSR. (Skýpalová, 2016) Depending on the number of employees' researchers divided enterprises into four groups. The first group were large companies with more than 250 people employed, medium sized enterprises having from 50 up to 249 employees, small enterprises with 10 to 49 employees and micro enterprise with up to 9 employees. The sample of involved companies included 1013 enterprises from all regions of Czech Republic. According to the research results, smaller a company is, less it is acknowledged and involved in socially responsible practices. Overall 79% of all companies knew about the CSR concept and were somehow involved in any of the social responsibility pillars (social, environmental and economic).

Components of the economic pillar are listed below in Table 2. Most of the companies (69%) have been engaged in practices, like anticorruption, rejection of fraud and unfair competition in the market. For large enterprises, fair trade is the least implemented activity, as 55% of companies implement it. SMEs care less about after sale service with customers (38-40%). A

high number of companies regardless of their size have been engaged in activities, such as maintaining a good relationship with their stakeholders; owners, shareholders and customers.

Table 2.1: Activities in Economic Pillar

Characteristics of activity	Rate of use in organisation (%)
Rejection of corruption, fraud and unfair competition	69
Maintaining of good relationships within the supply chains	64
Loyalty to the company, correct relations with the owners of the company	56
Transparency of company activities and results of its business	50
Protection of intellectual property	47
Fair trade	46
Providing information to the stakeholders (customers, suppliers, banks, ...)	42
After sales service for customers	43
Creation of employment opportunities in the region in which the company operates	36

Source: (Skýpalová, 2016)

According to the research, 67% of all enterprises regardless of their size have been participating in at least one social activities. Large companies are involved in almost all social activities. They fulfil the obligation to care for education and retrain their employees, as 91% of all companies answered to be involved. Most of the time, small and medium-sized companies are involved in activities such as providing health, safety conditions for their employees, promoting gender equality and organising employee training. The majority of SMEs argued that they provide health and safety standards for employees or implement business ethics in their companies more than other components of social pillar. Table 1 in Appendix represents the detailed listing of Social pillar activities and responses of different enterprises.

The 68% of all enterprises have implemented at least one activity in an environmental pillar. The

most common activity among all companies was connected with cost reduction that has a positive effect on the financial performance of the company. Those are activities, like waste reduction, recycling, more efficient use of energy and resources. It is visible a contrast of latest market trend of using more renewable energy and companies' initiative of turning green with the real survey results. Only 17% of enterprises that have been using or were planning to use renewable energy.

Table 2.2. Activities in Environmental Pillar

Characteristics of activity	Rate of use in organisation (%)
Waste reduction and total waste management, recycling, use of recycled paper	68
Reduction of consumption of materials, energy, water	61
Education of employees in the field of environmental protection	28
Ecological products or services	22
Ecological modes of transport	19
Use of renewable natural resources	17
Reduction of CO ₂ emitted into the atmosphere	16
Protection of used natural resources	16
Determination of the origin of exploited resources	11

Source: (Skýpalová, 2016)

To sum up, it is visible that the size of the company is highly correlated with the knowledge about CSR and its practical implications. From the breakdown of types of companies, it was clear that large enterprises have more information and majority of them are engaged in all of the pillars of social responsibility. From medium-sized enterprises, almost half of them have been involved in all three pillars, less than 30 % were involved in one or two pillars and just 24%

didn't take any of the responsibilities. It is clear from all the tables and analysis above that SMEs are mainly engaged in activities that are legally required. By fulfilling their legal obligations, these organisations at the same time benefit regarding social responsibilities. This approach is also applied for taking those activities that can further contribute to some benefits inside the organisation. For example, we could see that just 5 to 10% of SMEs have been helping their employees to find another job after resigning.

2.3 Non-governmental Organisations

Except governmental regulations and support on ethical business practices, there are some non-governmental organisations in the Czech Republic that promote sustainable businesses, such as Business Leaders Forum, Business for Society, Czech Society for Quality and Forum of Donors. The goal of these organisations is more or less the same as the one for Quality Council, to promote CSR practices in the Czech Republic.

Business Leaders Forum (BLF) is a platform that cares about creating a healthy economy by increasing the responsibility of companies. Since 1992 they provide help to organisations trying to integrate into responsible practices. The aim of BLF is to inspire organisations and society to care more about the environment and the healthy economy. BLF organise meetings and exchange of know-how between companies in the Czech Republic. They have already implemented different kinds of projects for corporate leaders and trainings for junior participants and students. (Business Leaders Forum, 2013)

Business for Society is membership organisations trying to promote and improve CRS practices in Czech companies. They closely collaborate and are a member of CSR Europe and some other European programmes. As BLF, Business for Society also creates some common place, where companies can share their experience. They facilitate and provide some tools to succeed in doing sustainable business both for small and large scale companies. They support companies in main areas of CSR; human rights at the workplace, environmental issues, community donor ships and CSR reporting. Business for Society also introduces a CSR for different company and employee categories in The Top Responsible Company (Top Odpovědná firma). It is an independent

platform that highlights best activities in sustainable and responsible practices of companies during the year. (Byznis pro Spolecnost, 2016)

Czech Society for Quality is an association that brings together business representatives for different kinds of quality management. They assist businesses in order to improve the performance of their organisation in a different aspect of management and quality control, as well as to contribute to the wellbeing of society. Among the areas of interest are included environmental management, quality management systems, health, safety and social care, food, forestry and communication systems. This organisation itself is a holder of ISO 9001 certification and have been validated by European Foundation for Quality Management (EFQM) in 2015. Czech Society for Quality has its representative in Quality Council and also assessment expert for National Quality Award committee. It is the only non-governmental organisation that have membership in European Organisation for Quality (EOQ), The organisation also offers different kinds of certifications for management systems, personnel and the product. (Česká společnost pro jakost, 2016)

Czech Donors Forum (CDF) was founded in 1996, which aims to support philanthropy in the Czech Republic by assisting to donor communities. It is a member of Donors and Foundation Network in Europe (DAFNE). It is an umbrella association that connects funds and donorship foundations and develops the environment of cooperation and donations. CDF promotes the idea of corporate social responsibility of companies in society and motivates businesses to be more responsible both environmentally and socially. This is an endowment fund challenging the problems of different communities. (Czech Donors Forum, 2016)

All these non-governmental organisations have their role in society to promote the development of CSR concept. They create trends and inspire businesses to build an organised philanthropy. Thanks to their high commitment and efforts, lots of companies are currently responsible and accountable for their activities. Society is more informed and protected, due to communication system created by these organisations concerned about their well-being.

2.4 CSR awards in Czech Republic

In the Czech Republic, few CSR awards exist, the most common and important ones are Top Responsible Company of the Year or Czech National Award for CRS. The first one is introduced by non-governmental organisation, Business Leaders Forum, which is discussed above. The second one is a governmental award, awarded by Quality Council on behalf of Ministry of Trade Czech Republic. (Křečková, 2015)

The highest award in the Czech Republic both for public and private organisations is Czech National Award for CSR awarded by the Quality Council. The assessment of best company is done in all four dimensions, so-called 4Ps; Planet, People, Product and Profit. The winner is awarded Certificates by Quality Council and international certificate C2S. The organisation is also allowed to use National Award and CSR logo in their commercial materials.

The Business for Society Platform also has its award called, The Most Responsible Company. Companies with most innovative and strategic approach to CSR are awarded. There can be a different kind of categories for companies to be granted, like sustainable product and marketing, the community impact award and leadership award. (CSR Europe, 2016)

The role of different kinds of awards described above is important for many reasons. The first it creates motives for companies to try their best in CSR practices and increase competitiveness. It also gives an opportunity for them to exchange good or bad experiences with each other and see the best one as a goal to achieve. All the participating companies also get feedback from the assessment body, so they know their weakness to improve for future. This awards and the use of its logo on products or brands is increasing awareness among customers. (Narodni politika kvality, 2016)

2.5 CSR reporting in Czech Republic

Reporting about CSR activities of the companies can help in decision-making processes of management regarding the way a particular business operates. It is important to assess the environmental and social impact that a company has through its operations. The reporting shows

the link between social efficiency, environmental impact and economic indicators of the company. It is also useful tool not only for managers but also for external stakeholders, like investors, creditors, government, social organisations etc. If the company is using standardised form of reporting, it is easier for all interested parties to analyse the reports and compare to local or international standards and averages.

At the national level, there is a strategy for sustainable development and environmental reporting standards to assess the efficiency of business in regard of environmental and social policies. Through this standards, government can also make recommendations for companies to attribute to sustainable development through economic efficiency. Companies in CR already provide information about their CSR activities in specialised reports, websites, annual reports and in other forms of communication with their stakeholders. However, the number of companies providing country specific reports is still low. Usually, branches of multinational corporations do not create their report, but the headquarters of this companies collect the data and make according to international standards. Still few companies use international GRI (General Reporting Initiative) standards for their reporting. (Business Leaders Forum, 2013)

Voluntary reporting is mainly taking place among Czech companies; they decide to which standards and guidelines to follow. In order to standardise reporting process among companies, the Czech government is in the process of creating new compulsory standards called Material Flow Accounting. (Jindrichova, 2016) This system takes in account not only materials used for production but also the use of natural resources. By reducing costs of the production inputs, a company can optimise its activities and increase their engagement in solving environmental issues. This is a type of environmental management accounting. This kind of accounting system is already included in ISO 14000 standard, the full title of which is Environmental Management Material Flow Cost Accounting General Principles and Framework.

2.5.1 Standards and Certifications used in Czech Republic

Companies who want to engage in socially responsible practices usually follow some international standards and guidelines. By implementing the standards, companies can apply and

get certified by these international organisations. Acquiring certifications from international organisations can give businesses an opportunity to raise their voice regarding environmental protection and their commitments to social issues. As in other countries, companies in CR also as a reference are using some international standards for their CSR practices.

The most popular ones according to Business Leaders Forum are OSHAS 18001, SA 8000, PEFC, ISO14001, ISO 9001 and ISO 26000. The most common certification among Czech companies is Programme for the Endorsement of Forest Certification. It is for wood or wood-based products, and that ensures forest friendly behaviour by producers. (Abramuszkinová, 2013)

ISO 9001 and ISO 14001 are certifications from International Organisation for Standardization (ISO). ISO 14001 is a certification to measure the environmental performance of the company and make it as efficient as possible. This environmental management system is used in two periods, first is the relationship with suppliers in order to find out the environmental aspects and impacts of raw materials. Second, is the relationship with customers by testing the impact of final products on consumers' health and in general on the environment. The implementation of this standard internally assess the impact of company's operations on the environment and ensures continuous improvements in these areas.

ISO 9001 deals with quality management; it is a set of criterions for internal organisational structure, improvements in customer relationship management, employee satisfaction and efficient management approaches. This standard ensures continuous improvements in terms of effective use of production materials, reduction of production defects and other aspects that will lead to cost optimisation. It also increases companies' competitiveness, for example, companies certified with ISO 9001 can easily compete in governmental tenders. More comprehensive Quality Management Standard than ISO 9001 is ISO 9004 established in 2010. ISO 9004 includes wider guidelines for quality improvements leading to sustainable success. (ISO, 2015)

OSHAS 18001 is a standard for health and safety management system in the company. This is the minimum required standard, and lots of companies implement it in CR. This standard is based on minimising risks of accidents and hazards at the workplace and ensuring the required levels of safety standards. One of the main benefits of implementing this standard is planned cost

minimization in advance in case some hazards will occur. It also gives some flexibility to companies in case legal requirements will change by state. (Abramuszkinová, 2013)

SA 8000 standard was introduced by Social Accountability International, the organisation based in New York, USA. This standard deals with all aspects of human rights at the workplace. Key areas of this standard include working hours, regulations regarding child labour use, working conditions, safety and health standards at the workplace and non-discrimination laws. All the policies related to employees should be kept at least at a minimum required levels. In case the management of the company have voluntarily decided to implement SA8000 standard to improve working conditions in the company, all employees should be aware of the fact. The information should be accessible to all stakeholders of the company. The primary goal of this standard is to achieve significant results in communication with employees and create all necessary conditions for workers in order to achieve employee satisfaction. The certification of SA 800 will be awarded to the organisations that fulfilled all areas of the standard.

(Abramuszkinová, 2013)

The introduction and constant use of all the standards and certifications is an important aspect of CSR. These standards guide businesses to the right governance of their organisations. They are made to promote ethical practices, accountability and transparency of business sector representatives. The main motivation to get certified for the companies is to increase the loyalty of their customers, increase their reputation and competitiveness. The certification also gives one more opportunity for companies to communicate about their environmental and social concerns to the public. Certification also creates trends in the Czech Republic to raise awareness among the public and inspire businesses to get engaged in CSR.

2.6 Customers Attitude towards CSR in Czech Republic

Following the global trends of sustainable consumption, purchasing behaviour of customers in the Czech Republic is also changing gradually. The attitude of customers towards an organisation is formed from the ethical or unethical way a company behaves. As discussed above, one of the main motives of companies to engage in CSR practices and communicate about it to the public is to get the attention of their customer. To understand the customers' attitude towards environmentally friendly products or the way it is produced, literature review will be done referring to analysis of customers' behaviour in the Czech Republic. In order to understand what are the customers' motives of buying from companies who have proper CSR activities, the customers' behaviour will be analysed in the Czech Republic based on numerous researches done in the field of fair trade, ethical consumption and customers purchasing behaviour.

Public awareness in general about environmentally friendly or fair trade products have increased last 20 years. The consumption of fair trade products increased by 60% since 2009 according to Czech Fair Trade Association. Public nowadays have more information sources and can easily find what each certification on a label mean or the trustworthiness of a marketing communication regarding of a socially responsible practice of a company.

The source of the information about the products produced in a sustainable way or just sustainable products, customers get mainly from the labels, certifications and the communication done by a company. Customers in CR as in other countries care about the social and environmental impact of products and take it into consideration in their purchasing decisions. This statement was also proved in a study done by prof. Militky, where almost half of respondents argued that they read news and articles regarding the impact of a product socially and environmentally. (Militky, 2015)

Another most important source of information are environmental and social labels. There are different kinds of labels that can demonstrate social responsibility and environmentally friendly aspects of a particular product or a brand. The label environmentally friendly product is very common nowadays, and lots of people pay attention into it. According to research done by Prof. Krause, a vast majority of the respondents, around 73% recognise the label of "environmentally

friendly products’’. (Krause, 2014) The second one was mainly for agricultural commodities, labelled as “organic product’’. It was recognised by half of the respondents, main reason of which could be growing communication and more shelve space at shops for organic products.

2.6.1 Factors influencing purchasing decision

As discussed above, the level of awareness about the social and environmental responsibility of the brand or a product can influence a lot during purchasing behaviour. There are few significant factors influencing purchasing decision of customers regarding socially responsible products. Those are income level, age and level of education.

Older people tend to pay more attention to the labels of the product, so there is the higher probability that they will buy the ones with certifications. Older people tend to buy more environmentally friendly products than younger ones. It can depend on the level of awareness, and as mainly having enough financial ability to afford products higher than the market price. There was found a positive correlation between age and frequency of buying socially responsible products in Czech Republic. (Krause, 2014) Among the customers, who very often purchase socially responsible products, the majority were older people.

From the other point of view, younger people should have more information about recent market trends and knowledge of various types of standards and certifying internationally organisations. As discussed in the first chapter, one of the motives to engage in CSR practices for companies should be becoming desirable employer for young people, as they prefer working for more socially responsible companies according to the recent trends. Younger generations due to their high engagement level in the internet and social media have access to lots of resources for gathering relevant information about environmental and social problems. Studies done in Brno, result to the principle that younger people tend to buy environmentally responsible products, but this intention depends mainly on the moral principles. (Ambrožová, 2013)

The level of education is another factor influencing purchasing decisions. Researches done in Czech Republic prove that people with higher education tend to buy more socially responsible products than the ones with secondary education level. Educated people are more environmental

sensitive and concerned about social influence on the environment. Perceived consumer effectiveness for educated people is high, so they think that by ethical behaviour, they can persuade others to be ethical, and also influence companies in the marketplace to change their behaviour due to demand of public to be socially responsible. There is positive correlation between the level of education and tendency of buying socially responsible products. (Ambrožová, 2013)

The income level of customers seems to have a huge impact on their decision-making process. Theoretically, people should buy more fair trade products, that very often cost higher than the average market price of the same products, if they have enough financial resources to afford it. Research done in Brno, rejected the significant link between income per capita and units of fair trade products bought for some period when the income of respondents could not be falsified. (Ambrožová, 2013) It is usually perceived that fair trade products cost more than conventional products, but in reality it is not always true. From the various researches was clear, that people are willing to pay some amount more for socially responsible products. Among the people willing to pay more for socially responsible products, 80% are willing to pay just 20% more compared to the market price. (Krause, 2014)

However, it is not only about paying some percentage more for a product, but the product group for which the study was made is also important. It also depends on the type of product, for example, people tend to buy mostly food, like chocolates, coffee, tea and some other types of sweets. So for conventional products, customers are willing to pay some amount more. If it is an expensive product, then people are able to pay less, as they would be paying for average priced products. (Militky, 2015)

2.6.2 Perceived consumer effectiveness

There is a relevant interconnection between customers purchasing behaviour regarding environmentally and socially responsible products and their concern in general about the environment. Perceived consumer effectiveness (PCE) describes the belief of people about having an influence on society and environment by their purchasing behaviour. This is a variable widely used in a researches to find out how much people believe their behaviour will affect to

environmental problems or their solutions. PCE has a huge impact on purchases of socially responsible products. As much a customer believes, that his/her behaviour will make the significant change on environmental problems, more will be concerned about social impact in decision-making process. (Militky, 2015)

Lots of customers in CR believe that each person can have an influence by buying socially responsible products. This statement was proved by study, where more than half of respondents, the sample of which was carefully selected, argued that they believe in their impact while buying socially responsible products. They also believe that their purchasing behaviour can even change the companies' product decisions and their behaviour in the marketplace. Those were mainly people having higher education, who think that their individual concerns and efforts to change the environment and socially responsible behaviour of companies can change the attitude of the community they live in. However, the percentage of people that think they can persuade others to be more concerned about environmental issue were lower than in other V4 countries (Hungary, Slovak Republic and Poland). In comparison with Polish consumers, who believe that they have a strong influence on companies' attitude in the market, customers in CR do not believe having much power to have significant influence. (Militky, 2015)

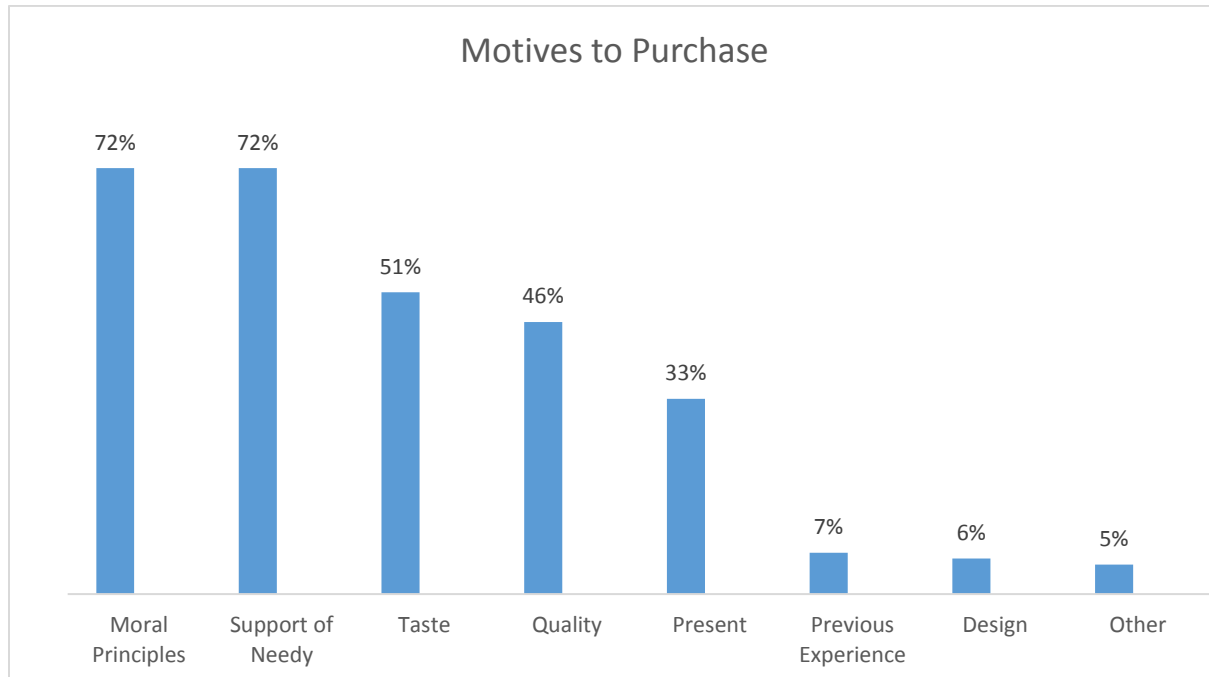
2.6.3 Motives for buying socially responsible products

Except some influencing factors, there are also motives that customers buy socially responsible products. Main reasons for buying socially responsible products are moral principles, environmental protection, the desire to support the ones in need, quality and taste of the products. According to the surveys done in CR, it was found that the primary motives for Czech customers are moral principles and environmental protection. At third place, it was taste and quality of the fair trade products. (Ambrožová, 2013)

One of the main reasons that people are buying socially responsible or so-called fair trade products is individual's moral principles. Those are norms and attitudes that create someone's moral standards, particularly regarding social and environmental concerns. It is all about

customer's personal satisfaction received from the actions directed to the overall benefit of society.

Figure 2.3 Motives to Purchase CSR Products



Source: (Ambrožová, 2013)

People purchase fair trade products in order to contribute somehow to sustainable development, by fulfilling their obligations towards future generations. From the other point of view, as a part of society, an individual should care about overall well-being of other members of society. For example, when buying from the companies that are using child labour, someone is supporting this kind of unethical behaviour of companies.

Having particular lifestyle also can be a reason for purchasing fair trade products. People are consuming specific products to feel a part of a community. It can be an outcome of personal principles or alternatively for getting a certain image in the eyes of this customers group. It can be compared to the consumption of some premium good when the purchase of certain brands and products are attributes for belonging to some customer segments with the same lifestyle and principles.

Products quality can be another reason for people to buy socially responsible products. Some scholars argue that during the surveys, it was the common answer for respondents to pick the quality of the product as one of the main reasons. It is perceived that fair trade products are the ones with outstanding quality.

To sum up, the analyses of the CSR market trends in the Czech Republic showed the growing concern of the companies and customers regarding CSR. It was found out that the size of the companies is highly correlated with the knowledge and practical implications of CSR. Mainly large enterprises have more information and majority of them are engaged in all of the pillars of social responsibility in the Czech Republic. Besides the governmental policies and regulations, there are number of non-governmental organisations promoting the development of CSR concept. These organisations create CSR market trends and inspire businesses to build an organised philanthropy. Many companies in the Czech Republic are using international standards and guidelines for their CSR practices and reporting. The main motive to acquire an international certification is to increase competitiveness, which plays great role in creating trends in CSR engagement in the Czech Republic.

Customers attitude and concern regarding social responsibility of the companies also increased in the Czech Republic. There are some factors influencing the purchase from socially responsible companies, such as age and education. The level of education or age have a positive correlation on the decision making process. Educated people tend to buy socially responsible products, because they are more informed. Older people pay much attention to the labels of the products, so higher the chances that they will be products with “environmental friendly” labels. For the Czech market, the link between income and purchase of CSR goods was rejected. According to several researches conducted among Czech customers, it was clear, that main motive of buying CSR products is moral principles. Higher is the perceived customers’ effectiveness, the higher will be purchase of CSR products.

Chapter 3: Case Study, Ab InBev's CRS Practices

3.1 CSR in Beer Industry

It is sometimes difficult to imagine corporate social responsibility in the controversial industries that often have the harmful impact on society, like tobacco or alcohol production. In reality, those industries spend much more efforts and financial resources in their socially and environmentally responsible actions, as most of those are required legally. Besides the legal requirements, companies set up their internal standards, which sometimes are even higher than required levels.

In brewing industry, the commitment of beer producers towards social and environmental responsibility has a long history. There is also a high level of involvement in current CSR trends, like standardised reporting or communication with public by multinational beer producers. International organisations protecting customers' rights are trying to force the breweries to increase transparency of their operations for public.

Pressure on the companies both internally and externally in terms of their actions and adopted policies is high. Complex strategies are needed in brewing companies in order to satisfy needs of all stakeholders in terms of social responsibility. In one side of the scale is profit maximisation required by shareholders, and on the other side legal regulations and ethical standards. As each company, beer producers also should try to maximise their market share, increase the profitability of the business, but at the same time, they have to focus on the impact that their product can have on their customers. Concentrating on the customer satisfaction from the quality of the products, at the same time, they should support responsible drinking. It is crucial to prevent excessive consumption of alcohol and educate people about the ethical consumption of their product. Beer producers currently implement strategies towards their employee satisfaction by providing high health and safety standards in the production plants, giving various types of compensations and treatments. (Banco, 2010)

Except international standards and certifications, lots of companies are self-regulated in terms of CSR and have their own standards in order to optimise their production. Along the value chain companies try to reduce water usage, material waste, recycle the materials (especially glass

bottles), and make distribution channels as efficient as possible. All these actions contribute to more efficient production and are also part of company's environmental concerns.

In order to understand the real CSR practice and strategies, a case study will be run for the largest beer producer in the world, Anheuser-Busch InBev (later on as Ab InBev). It is a suitable example, because the company has well-established CSR policies across all the production process. The company is the leader in several markets and CSR is irreversible part of the company's communication in each of them. Ab InBev has comprehensive approach and strategies for implementation to all aspects of CSR.

Ab InBev except increasing sales volume with various marketing tools, also promotes responsible consumption of their product. Through the analysis of responsible drinking initiative, it is visible in real-life example, a way that a company is concerned about its customers well-being. It will be valuable to see from the analysis, the ways how they promote responsible drinking and also customers' response specifically for Czech market. Ab InBev has specific approach and strategies for its markets, that can consist of either of one country or a geographical region. The company operates also in Czech Republic and is present with several brands.

The methodology used in the case study is company's published materials, reports and also personal and email interviews with representatives of the company's branch in CR.

3.2 Company's Profile

Ab InBev is the largest brewing company in the world by its production and sales volume. According to Fortune magazine, it is in the most desired company list, and ranked the first one in beer industry. (Fortune, Global 500, 2016) Ab InBev has a history of 600 years, it was originated from Leuven, Belgium in 1366. In 1987 there was a merge of two big Belgian companies, Artois from Leuven and Piedboeuf. The company started acquiring number of small breweries in Belgium, and later on companies outside of its borders.

Ab InBev operates in 26 countries worldwide, and has around 152.000 employees. Diverse choice of beer brands is available in more than 100 countries. The portfolio includes more than 200 beer brands, the most famous ones are Budweiser, Bud Light, Stella Artois, Corona, Hoegaarden and many others. Ab InBev is the market leader of beer producers by its sales volumes, only in 2015, the company generated revenue of 43.6 million. The company operates in six geographical regions, and 36.5% of companies EBIDA come from North America. In USA only, the company has 18 beverage plants. Brands of Ab InBev are popular among customers all around the world, and are ranked among Top Ten most valuable beer brands.

Great success of the company in beer industry depends also on its corporate culture and values. The mission of the company, called also dream by themselves, is to be “The Best Beer Company bringing people together for a better world”. (Ab InBev, 2016) Ab InBev has comprehensive approach and strategies for implementation to all aspects of CSR. All standards, commitments and strategies regarding CSR is summarized in Global Responsible Policy document, which is used in every branch of the company. Three main pillars of CSR in Ab InBev are Smart Drinking, Environment, Community and People. In each of these pillars, company tries to improve its performance year by year, by setting high standards and trying to achieve them.

The goal of **Smart Drinking** initiative is to reduce the harmful impact of alcohol, such as drunk driving or underage drinking. The company continuously is setting goals and specific targets for each programme to achieve in the end of each period. Ab already announced Global Responsible Drinking Goals to be achieved at the end of 2025. The previous set of targets has been achieved in 2014, the result of which showed the survey implemented in eight countries. Previous targets include; investing at least 300million USD in educational advertising, trainings for at least 1

million people who sell the alcohol and expert training for parents in order to educate their children to prevent underage drinking. It was primary for the company to cooperate with retail sellers of alcohol. The goal was to provide educational materials and checking devices in at least 1.5 million bars to prevent selling alcohol to underage people and to celebrate Global Be(er) Responsible Day each year. A customer survey was held in main markets for Ab InBev; Argentina, U.K, U.S.A, Belgium, Brazil, Mexico, China and Germany. According to the outcomes of the survey, about 40% of respondents said they are open or flattered regarding ID checks in bars, restaurant and shops. In average, a person gets an ID check 30 times per year. It is worth to mention that in U.S ID is checked almost 100 times per year for the 21-24 aged people. Among the surveyed countries, China is the most by the average number of ID checks per day; where 19.1 million IDs are checked daily. The survey showed that four out of six targets have been reached. The company trained 390.000 sellers of alcohol, reached more than one billion customers all around the world to educate them about responsible drinking, etc. The partially achieved target was about money spent on the campaigns; 238 million USD instead of planned 300. (Anheuser-Busch InBev , 2014)

The primary goal of Ab Inbev is to give customers an opportunity to enjoy their products but in the most responsible ways. For this reason, the company's marketing activities are limited by the standards set up internally. Ab InBev as a responsible brewery ensures that their **commercial communication** is also done in a socially responsible manner. Except legal standards for ethical marketing, the company has its own code of communication ensuring higher standards than required by law. The code refers to all communication channels, advertisement, public relations, sales promotions and direct sales. The code of responsible marketing is used in all materials of commercial communication, including packaging and labelling, sponsorships, advertisement, social media, etc. All the communication should promote responsible drinking, excluding the excessive use of alcohol or advertising beer in situations where consumption of alcohol is not appropriate. Product placement should not devaluate brand's image regarding responsible consumption of the product, like underage characters drinking. Ab InBev is actively promoting legal age drinking and according to the code of marketing, they should not attract anyone under 18. Ab InBev ensures that outdoor advertisements are not placed near schools or public backgrounds. It also takes the responsibility to avoid participation of underage people in sales promotions, like degustation in stores and other public places. It is strictly forbidden to advertise

a beer as a matter of success or requirement for being accepted in a society. It should be perceived by customers only as a part of a pleasurable social experience. The promotion of the product should not communicate a product as a mean of sexual attractiveness.

Ab InBev is one of few breweries having comprehensive **Environmental Management System**. The company is using Voyager Plant Optimisation (VPO) global control and management system in each level of the value chain, including environmental management. Through VPO, the company controls water and energy usage, as well as minimises performance gaps. Ab InBev is an active participant of international organizations and initiatives, like UN Environmental Programme, UN Global Compact, UN CEO Water Mandate and Beverage Industry Environmental Roundtable. (Anheuser-Busch InBev , 2014) The management of the company is working at all levels of the value chain to enhance efficiency and reduce the harmful impact on the environment. The main areas of environmental policy include; reduction of water usage, reduction of greenhouse gas emissions, use of renewable energy, recycling and efficient use of production materials and preserve biodiversity. Various policies are invested in the company to improve the the process of sustainable procurement. (BRS, 2015)

Water use – Water is a crucial ingredient for producing beer, and more than 90% of it is used for growing barley. As many of breweries are located in water-stressed regions, the company has water management system to assess the efficiency level of water use continuously. Ab InBev is cooperating with more than 20.000 barley growers in different countries. The company actively participates in training and educating farmers in order to increase the yield with the same amount of water use. Ab InBev also invests in improving infrastructures and providing farmers with access to quality water.

Energy use – Energy use is another field in a manufacturing process, where Ab InBev is trying to make as efficient as possible. First of all, by improving efficiency and using more clean energy sources, the company can result to cost saving. Since 2012 the company saved around 55 million USD by more efficient energy use programmes. It will also increase company's commitments to reduction of greenhouse gas emissions and their carbon footprint in general.

Materials recycling – In the manufacturing process, the company is using different techniques to use less material inputs and packaging. One of the primary objectives of a company is to reduce

the packaging of the products and make them returnable and recyclable. Lots of materials currently used in the production process are recyclable, like aluminium cans, carton packages and polyethene terephthalates. The company has also the strategy to reduce the amount of inputs in the production process, like the production of bottles with thick glass, at the same time ensuring the safety of using them.

In Ab InBev's **Dream-People-Culture** strategy, employees play an important role. The company has well-established employee relationship based on ownership, shared values, high safety and health standards, employee training and education. The company has performance based assessments and evaluation system, which gives incentives for employees to increase their productivity. An average length of employment in Ab InBev is 8,5 years and the turnover rate was around 10% in 2015. More than half of employees are a member to trade unions, which means that the company does not have the restrictive environment for their employees in participation to different unions. The company also has some programmes that allow their employees to invest in company shares. Ab Inbev is a signatory company to UN Global Compact and has high standards for their Global Human Rights Policy. The company ensures the protection of human rights not only inside the organisation but also alongside the whole supply chain. Socially responsible procurement is a primary aspect in Ab InBev's supply chain management system. The company continuously assess their suppliers and examine ethical aspects of their operations. The primary reason is to provide socially responsible practices started from the relationship with suppliers doing ethical business. Safety and health standards are also high in the company. The company has a separate division within the organisation called Safety System, which ensures health and safety levels in all breweries, supply chain and logistics. It is mandatory to have safety committee in each facility of the organisation in all countries. Several improvements have been implemented since 2012, like reducing the rates of fatalities, injuries, the risks of hazards and incidents. However, there is still the place for improvements to reach the high standards set up in their socially responsible policies. Ab InBev has a wide variety of employee training programs in all geographical zones they operate. Only in 2015, employees participated in around 3.1 million hours of trainings in general. The company offers training programmes also for young professionals. Each year, in Ab InBev, employee survey is carried, to find out their feedback regarding working conditions, safety issues, communication and career development. The company highlights participation and knowledge of employees regarding their

corporate social responsibility practices. The employee survey in 2015 resulted in 92% of response rate, where the 89% of respondents think that company is acting in socially responsible ways. (Ab InBev, 2016)

Ab InBev actively participates in the **life of local communities** where they operate. Engaging their employees in activities to help local communities is a common practice for Ab InBev. Only in 2014, employees spend 225.000 hours volunteering for different communities. Ab InBev also cooperates with non-governmental organisations. The company spend more than 4 million USD in supporting Habitat Foundation, where also 600 employees volunteered to build houses for locals. In Germany during “Day of Caring”, Ab InBev’s employees participated in activities like, renovating playground equipment or fixing outside areas of kindergartens. There was another project in Belgium, where employees of Ab InBev participated in blood giving for Red Cross.

3.3 Customers’ relationship in Czech Republic

According to the interviews conducted with the Process Manager NAZ (North American Zone) and Logistics Manager of the company in Prague, some valuable information has been found out. The approach to the Czech market is the same as in other European countries; Belgium, Germany and UK. Czech market is not among the main markets for the company, but all the CSR concerning policies are spread also on the branch operating in Czech Republic. The company does not have the brewery in the country, but is importing beer from Germany and Belgium.

Social responsibility since the foundation of the company was part of the company’s operations. The Social Responsibility of Ab InBev and long term success of the business go hand by hand. The company follows the Global Better World concept, meaning organising activities also in Czech Republic focused in 3 main pillars; Environment, Community and Responsible Drinking. All the activities are organised in order to fulfil the company’s dream to Become Best Beer Company Bringing People Together for Better World. The responsibility of the company, can be seen from different kinds of campaigns and programmes, that company has. It includes

Responsible Drinking Initiative, that is used in all the markets, where they operate, including Czech Republic.

Ab InBev promotes responsible drinking in the Czech Republic through the activities initiated by their employees. According to the interview with Process Manager; the corporate culture in the company allows each employee to suggest the ideas. If it corresponds to the vision of the company; “The Best Beer Company bringing people together for a better world”, than the management supports to implement. The volunteer group of Best World Ambassadors organise each quarter several activities, where all other employees participate. Each employee can be an “ambassador” and have any idea related to social responsibility.

Every Friday in Prague office is the day to promote responsible drinking. All employees of the company are distributing non-alcoholic beer to their neighbours and employees from close offices. This activity with high involvement is organised also every year in September, when global Ab InBev celebrates Responsible Drinking Day. All employees of Ab InBev in Prague, go to the streets and promote responsible drinking by distributing informative flyers, that include 5 tips how to drink responsibly. The employees also distribute Stella beer, which is non-alcoholic. During this day, employees manage to contact with more than 1000 people in the streets. The purpose of this activity, is to kindly remind people to drink responsibly and drive safely after Friday celebrations. The employees directly participate in this activity and the response from the people is always positive. It also aims to increase the awareness regarding non-alcoholic beer and give an opportunity to try it for free.

The company actively participates in the life of Czech communities. Employees also participated in the marathons, that was organised by the company several times in Czech Republic. The money that was collected from the marathons was donated to people, who are recovering from alcoholism. The company also organised blood donation, collection of clothes for people in need and money collection for dog shelters. Each year Ab InBev participates in Easter and Christmas markets with the cooperation with sheltered workshops.

The other way that the company promotes responsible drinking in the Czech Republic is the packaging. The products available in Czech market all have informative labels, that prevent from

drunk driving and underage drinking. Educational labels give an information to customers how to use the product in a proper way.

In the Czech Republic, company does not sell directly but through the distributors. Ab InBev chooses carefully its intermediaries, shops, restaurants and bars, that correspond to company's requirement. The distributors in Czech Republic pass through all the processes and are required to sell responsibly the products delivered by Ab InBev. The company provides its partners with the guidelines and if needed the devices to check customers' IDs.

The company did not conduct a customer survey to understand how people feel about ID checks specifically in Czech Republic. All the information, that the company gathers regarding customers' beer buying behaviour is from the partners. It is not as common practice in CR to check ID cards, as in other markets; US, Germany or Belgium. The company sets up the standards for the intermediaries, that sell the product and have control over it. However, the level of control is lower compared to the countries, where they sell directly.

According to the interviews, the Corporate Social Responsibility is not a marketing tool to promote the Ab's products and increase the sales volume. The company provides beer to their customers and seeks to satisfy their requirements regarding the quality. The representative of the company said "Customers do not consume our beers, because we are socially responsible company, but because they are satisfied with the quality of the product that we offer". The company gives to its customers a choice to consume tasty beer, that can be with or without alcohol. It is a part of company's vision to change social behaviour and to educate their customers about the right ways to consume alcoholic beverages. The goal of Smart Drinking is not to increase the sales volume but to educate, therefore the company receives some feedback from customers, but has not conducted any surveys in the Czech Republic.

According to the interview, the company in CR assures, that the response of their customers towards the company's Responsible Drinking Initiative is crucial for them. Most of Czech customers are aware of negative impact that overconsumption of beer can have on their health and safety. It is company's duty to inform about its possible negative impacts in case of not-responsible consumption of it. The company educates its customers and they are open to consume the Ab's products, that cares for their well-being.

The company also offer the customers a wide variety of non-alcoholic beers. With the smart drinking initiative, Ab promotes the literacy of alcohol consumption by providing an information to the users. The company has a “Celebrate Tomorrow” initiative, that is about ethical consumption of the beer, and has a message itself for customers to drink smart, celebrate today and be able to do so tomorrow.

3.4 Motivation to engage in CSR

Ab InBev is concerned about long term goals to set up a sustainable business practices. Being socially responsible company is crucial part to build sustainability for the Ab. The social responsibility is a part of the company’s dream, to build a better world. By strict CSR standards, such as code of commercial communication, use of natural resources, pollution, the company reduces the need of regulations and unnecessary attention from the regulatory agencies. Investments in CSR are also increasing their competitive advantage in the market. The Ab InBev also gain cost effectiveness in the production process and in the value chain management system. Ab InBev have the scale to make a difference in the market to increase care for the planet. With the Environmental Management System, the company sets up goals to use the natural resources in an efficient way, such as reducing the water and energy use. Ab InBev invests in new technologies, that help them to achieve cost optimisation.

To sum up, the case study of Ab InBev shows the practical implication of Corporate Social Responsibility. The company is not using socially responsible practices to attract customers, but to educate them about using alcohol in a proper way. The Smart Drinking Initiative by the company follows the trend in alcohol industry to educate its customers. This initiative witness company’s orientation on long-term goals rather than on short-term profits. By educating customers, they give an opportunity to consume their products in responsible ways. The CSR practice of the company does not limit only with the customer relationship, but is used along the whole value chain management system. The company through its well-established environmental management system could control the whole value chain and optimise its costs. By having high ethical standards for commercial communication process, the company reduces the risks of getting involved in scandals and negative publications.

Conclusion

The objective of the Diploma Thesis was to prepare comprehensive analysis of current CSR practices in the Czech Republic and find out what type of impact the socially responsible practices of a company can have on a customer's behaviour. The goal of the thesis was achieved by literature review, analysing previous findings regarding CSR, and by case study. The case study examined practical implications of CSR in the biggest brewing company in the world; Anheuser-Busch InBev. For completing the case study, company reports, publications and other materials were analysed. In order to have in depth knowledge about company's motivation to engage in CSR and more information about customers' relationship specifically in Czech Republic, two interviews were organised. Logistics Manager and Process Manager based in Prague office had been interviewed. As a result of interviews valuable information were found regarding the CSR practices of the company.

According to the literature review, it was clear that businesses nowadays cannot eliminate the impact that they have on society and the environment. Firstly, regulations at the governmental level limit companies at the minimum required level of ethics in their operations. The second factor that obliges companies to be responsible is the requirement from society. The support of ethical business practices by the government is a crucial factor in creating the motivating environment for the business sector. In the Czech Republic at the governmental level, Quality Council regulates and, at the same time, supports local businesses in their socially responsible practices. It also creates the common platform to exchange information and knowhow. Corporate Social Responsibility is a complex strategy to govern the whole process of doing business. It is a strategic approach to achieve satisfactory financial performance in the long-term. The benefits that can be gained from integrating CSR practices are improved corporate reputation, employee and customer satisfaction, better risk management and cost optimisation. With a better employee management system, the company increases employee productivity and satisfaction. Employees are the core engine of the company and their satisfaction and proper understanding of a company's socially responsible strategies can improve their efficiency and dedication towards the business.

On the example of Ab InBev it was shown the practical implication of the CSR practices and the actual benefits that company gained. The company with its multiple CSR strategies could improve the efficiency of its operations. Through the successful fulfilment of a company's social and environmental responsibilities, the company reduces potential risks of damaged reputation, negative publications, boycotts and lawsuits. It was proved by case study that one of the main motivation of the Ab InBev having stricter internal standards than the ones legally required, is to avoid unnecessary attention from regulatory agencies. As the alcohol industry is highly regulated and the standards change depending on the markets, it gives some flexibility and ensures the company from rapid changes of governmental regulations and international standards. It is beneficial for the Ab InBev to have internal standards and reduce uncertainty and additional costs while entering new markets. Environmental management systems of companies mainly aim to achieve the same result with fewer inputs. The company integrates socially responsible ways of production that will lead to the most efficient use of resources. Continuous improvement in the production process leads to waste reduction and cost cutting. Social responsibility is the primary aspect to take into the account in sustainable procurement and investment decisions. Ab InBev through its well-established environmental management system controls the whole value chain and optimise its costs. With using less packaging and minimising water waste, the company solely in 2015 saved 55 million USD. It shows that well-planned CSR practices can have the positive impact on financial performance of the company.

According to the researches in the Czech Republic, some significant factors influence buying socially responsible products, such as the income level, age and education. Level of education and age have positive correlation with the purchase of socially responsible products. Customers with higher educational level tend to buy more products from socially responsible companies. Older customers pay more attention to the labels and the certifications of the products. For the Czech market, the link between income and purchase of CSR goods was rejected. The main factor that affects the purchase of CSR products is the moral principles and knowledge regarding CSR. As much a customer is aware of the corporate social responsibility, more interested he will be in searching for socially responsible products. When a customer believes that they can have a significant impact on social and environmental issues, they are more concerned about corporate social responsibility.

In all the countries where Ab InBev operates, including Czech Republic, CSR is implemented in its all four pillars. From the interviews with the Process Manager and Logistics Manager of the company it was clear that engagement in CSR practices is not the tool to attract customers in any of their markets. The policies directed to their customers aimed to educate them about using alcohol in a proper way. The Ab InBev follows a trend in the alcohol industry to educate about Responsible Drinking. It is the company's obligation to take the responsibility of the product and educate the customers how to consume it responsibly. As a result of case study it was clear that the socially responsible policies towards customers is a small part of company's overall CSR initiative. It is irreversible part of company's relationship with its customers. However, CSR is not used to promote beer neither in Czech Republic, nor in other markets of the company. So the impact of company's CSR and mainly Responsible Drinking initiative on Czech customers have not been studied by company. However, based on the information that company have, from interviews it was clear that Czech customers respond to the CSR initiatives of the company very positively. Customers are aware of possible negative impacts in case of improper consumption of alcohol, so they recognise company's efforts trying to educate.

According to the Czech market overview and Ab InBev's CSR activities towards its customer, it was clear that customers respond to companies CSR initiatives positively. Perceived Customer Effectiveness has a primary impact on the decision-making process of Czech customers that is why the main motive for purchasing CSR products is moral principles. When a company organises its everyday business operations in socially and environmentally responsible ways, it reduces the risks of negative publications to which customers respond more actively than to positive ones.

In order to create long-term value for shareholders, it is necessary to invest in CSR. CSR is not only an ad-hoc programme or obligation that is filed once in some periods, but a strategy to run a business in a successful way. CSR should not be a marketing tool to attract customers. All the money taken from shareholders' profit for CSR purposes is an investment with the sustainable long-term return. Being a socially responsible company rewards by creating long-terms values for the company, such as stakeholders trust and cost optimisation.

Appendix

Table 1: CSR Activities in Czech companies

Activity / Size of organisation (according to number of employees)	0–9 (micro)	10–49 (small)	50–249 (medium)	250 and more (large)
Compliance of equal opportunities (gender, ethnic minorities, the disabled and the elderly), diversity in the workplace (ethnic minorities, disabled people and older people)	47	60	72	76
Business Ethics and Corporate Culture	63	67	67	88
Care of the education and retraining of employees	49	67	75	91
Corporate philanthropy, sponsorship and volunteering, support of volunteer activities of employees	32	36	42	62
Listening and dialogue with stakeholders and parties (suppliers, customers, banks, creditors, shareholders, ...)	46	48	40	53
Health and safety of employees	50	74	79	89
Support the surrounding community (working with schools and non-profit organisations, local governments)	33	45	55	74
Balance of work and personal lives of employees - the work-life balance (providing sports and cultural activities for employees, reducing overtime)	18	25	29	48
Help with finding work for redundant employees, retraining them (outplacement)	3	5	10	15

Source: (Skýpalová, 2016)

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