

University of Economics, Prague

Master's Thesis

2019

Bc. Šárka Nováková

University of Economics, Prague
Faculty of Business Administration
Master's Field: International management



Title of the Master's Thesis:

CSR in rural areas. The case of SMEs in Central Bohemian Region

Author:
Supervisor:

Bc. Šárka Nováková
PhDr. Eva Kašparová, Ph.D.

Declaration of Authenticity

I hereby declare that the Master's Thesis presented herein is my own work, or fully and specifically acknowledged wherever adapted from other sources. This work has not been published or submitted elsewhere for the requirement of a degree programme.

Prague, May 14, 2019

Bc. Šárka Nováková

Title of the Master's Thesis:

CSR in rural areas. The case of SMEs in Central Bohemian Region

Abstract:

This thesis maps the development and understanding of Corporate Social Responsibility in today's world. In addition, it presents the most worrisome problems of rural areas in the European Union and covers strategies and action plans that the EU implements in order to solve these problems. One of the key pillars of the strategies is the emphasis on SMEs and their role in the process of development, which can be perceived as socially responsible. The author, therefore, interviews key players - business owners, state funded institution and NGOs representatives in order to find what is the perception of CSR of business owners and others in rural areas and how is it in line with the action plans and strategies of the political representation. Furthermore, content analysis is performed to understand the problem in more depth and identify the most burning issues.

Key words:

CSR, Small and medium-sized enterprises, Rural areas, EU, Content Analysis

Acknowledgement and thank you

I would like to sincerely thank my supervisor Mrs. PhDr. Eva Kašparová, Ph.D. for her support, guidance and constructive feedback during the process of writing this thesis. Moreover, I would like to thank all the respondents of the interviews for their time and valuable information which helped me understand and identify the issues concerning this topic.

Table of contents

INTRODUCTION.....	1
1 CORPORATE SOCIAL RESPONSIBILITY	3
1.1 DEFINITION OF CSR.....	3
1.2 ACTORS/PLAYERS	5
1.3 CONCEPTS/FRAMEWORKS.....	6
1.4 STAGES OF CSR THROUGHOUT HISTORY	9
1.5 INNOVATIVE CSR	13
2 DEVELOPMENT OF RURAL AREAS WITH EMPHASIS ON SUSTAINABILITY & RESPONSIBILITY .	14
2.1 POPULATION IN EU RURAL AREAS.....	14
2.1.1 <i>Circle of declining rural areas</i>	15
2.2 SUPPORT OF BUSINESSES IN RURAL AREAS BY THE EU	16
2.2.1 <i>SMEs in EU</i>	17
2.2.2 <i>EU 2020</i>	18
2.2.3 <i>Digitalization</i>	20
2.2.4 <i>Smart villages</i>	20
2.2.5 <i>Tourism in the European rural areas</i>	22
2.3 BARRIERS OF DEVELOPMENT OF RURAL AREAS IN EU	25
2.3.1 <i>Ageing</i>	25
2.3.2 <i>Infrastructure</i>	26
2.3.3 <i>Structure of the economy in rural regions</i>	27
2.3.4 <i>Underdeveloped technology</i>	31
3 DEVELOPMENT OF RURAL AREAS IN THE CZECH REPUBLIC	31
3.1 STRATEGY OF DEVELOPMENT OF RURAL AREAS IN CZECH REPUBLIC.	33
3.1.1 <i>Typology of Czech rural areas in regard to business activity</i>	33
3.1.2 <i>Specific support programs</i>	34
4 INTERVIEWS.....	34
4.1 BUSINESS OWNERS	39
4.2 STATE – FUNDED ORGANIZATIONS	40
4.2.1 <i>Agency for Entrepreneurship and Innovation (API)</i>	41
4.2.2 <i>Central Bohemian Innovation Centre (SIC)</i>	44
4.3 NGOS	47
4.3.1 <i>Association of Small and Medium-sized Enterprises and Crafts (ASMP)</i>	47
4.3.2 <i>Association of Social Responsibility (ASR)</i>	48
4.3.3 <i>Byznys pro společnost (BSJ)</i>	49
4.3.4 <i>Česká společnost pro jakost (ČSJ)</i>	51
5 THEMATIC ANALYSIS	52
5.1 CODING	52
5.2 THEMES	56
5.2.1 <i>Implementation</i>	57
5.2.2 <i>Controls</i>	58
5.2.3 <i>Reality Gap</i>	59
5.2.4 <i>Pioneering and leadership</i>	60
5.3 REPORT.....	60

CONCLUSION.....	63
LIST OF REFERENCES.....	65
APPENDIX	72

List of abbreviations

API – Agency for Entrepreneurship and Innovation

ASMP – Association of Small and Medium – Sized Enterprises and Crafts

ASR – Association of Social Responsibility

BFS – Business for society

CBR – Central Bohemian Region

CSJ – Česká společnost pro jakost

CSR – Corporate Social Responsibility

ESIF – European Structural and Investment funds

MMR – Czech Ministry of Regional Development

MPO – Czech Ministry of Industry and Trade

SIC – Central Bohemian Innovation center

SME – Small and medium-sized companies

Introduction

Rural areas in the EU including the Czech Republic are in a phase of decline as many of their residents move to urban areas, where they can find more job opportunities, better education and in general more options to spend their free time. Especially young, ambitious people leave the regions and never come back to live in the area where they were born. Leaving older and less skilled population behind (ENRD, 2015).

In addition, many parts of rural areas in the Czech Republic lack general infrastructure, from poor state of roads to telecommunication.

Combination of these two problems leads to a vicious circle, as the rural areas need innovation and modernization, but the people who could be the ones delivering that leave the areas, thus there is even less people who could initiate the change and development. Consequently, the businesses present in the rural areas are facing the same issues. They, oftentimes, lack the much-needed innovation and also skilled employees.

Perhaps, if they implemented more responsible behavior, they could attract more loyal and quality employees, make their production more efficient by engaging more reusable resources and in general benefit from it in the long term (Astra et al., 2015). Furthermore, more responsible approach of companies present in the rural areas could help solve the problems non-urban regions face.

However, though concept of Corporate Social Responsibility has been present in the public debate for some time now, in the Czech society it seems to be still quite blurry and misunderstood by many. It is a quite trendy topic, especially for multinational companies who can attract their customers and employees on how very responsibly they behave. Nevertheless, the point of view of majority of SMEs in the Czech Republic remains unknown.

Of course, the problem of the rural areas cannot be solved only by companies, but it needs to be done in cooperation with the government and municipalities.

Therefore, this thesis aims to analyze these issues through several steps. First will be defining what CSR actually is, then presenting the policies and action plans designed to support rural areas' development and SMEs. When the theoretical background is clear, field research can commence.

Due to the fact that the topic of this thesis is quite complex, and there are many actors involved in the issue, from companies (business owners) to political representations, it makes sense to use qualitative methods, as it enables us to go more into depth of the problem and see it from different angles.

Interviews were chosen as the most appropriate for the purpose of this thesis for several reasons. The topic of CSR, even though it has been around for some time, is still quite difficult for many to grasp and interviews enable both the respondent and the interviewer to go more into depth and avoid miscommunication. Questions in a quantitative survey with predefined multiple choice would be too narrow and simple. The interviews were conducted with representatives of all stakeholders (business owners, political representation,

NGOs) to find how is CSR perceived by SMEs in the rural areas and if its improvement might help slow down or fully disrupt the vicious circle rural areas. In addition, as all of the business owners have some experience with businesses abroad (either as partners, suppliers, customers, etc.), the interviews could offer an international perspective and context.

In order to identify the most burning issues of the whole topic in addition to answer the research question *What is the perception of CSR by SMEs in the context of declining rural areas, and what steps could be done in order to strengthen it?*, we need to analyze the gathered information from the interviews.

To do so, a *Content analysis* will be performed. Over the course of the analysis, the respondents' answers will be put into codes and patterns to discover what issues have the respondents in common. After the coding phase, the patterns/codes will be grouped into five themes. Using the thematic groups, we can then really pinpoint the main issues and subsequently recommend particular solutions.

Even though this thesis focuses solely on one region in the Czech Republic, the problems that the region face are relevant for other EU regions. Plus, the respondents of the interviews are employees of SMEs that aim to grow and eventually expand abroad, or they have already done so. Also, they work in close relationships with multinational companies that have their branches in the region. Additionally, CSR is a topic relevant for companies of all sizes, and the same goes for their responsibility for the area where the company or its branch is located.

1 Corporate social responsibility

This part of the thesis will look more into depth of the concept of Corporate social responsibility (CSR) and how is it relevant for companies present in rural regions. In order to do so, it is essential to focus on the theory of CSR, what it means on theoretical level (basically an academic literature review) and only then we can analyze the behavior of companies. It is possible that we will find out that many business owners (at least SMEs in rural areas) do not know the concept but may act in line within the logic of it, or the opposite, that they are familiar with it but choose not to act accordingly.

Shortly, in this chapter we will define what CSR actually is, as there are many different variations, then we will briefly look into the history of CSR, how it evolved over the years and see where the concept is today. In the end of this chapter there will be a few words regarding the relevance of CSR for small business owners, as it is often assumed that they do not have the capacity and capabilities to do any CSR - related activities unlike big corporates (Nigel, 2003). That part is quite important as it builds up the theory that is needed for the empirical research in the case of SMEs in the Czech rural areas.

1.1 Definition of CSR

Defining CSR is not an easy task as it is still developing from the moment it first occurred in the 1950s (Baric, 2015), as all the different stakeholders started to realize that just growth of a company is not really enough, plus their production can have severe consequences not only to the environment, but to the location of a company and also to the communities in the area of business.

Furthermore, the concept is still evolving (Brammer, 2012), and getting even more complex and thus there is more and more different possibilities of understanding of what it is. The reason for that is again pretty simple, the concept is so difficult to grasp as more and more companies are becoming international or even global and during such a transformation - when new cultural backgrounds are involved, it is only natural that there will occur misunderstandings or at least different interpretations. Of course, the situation in Czech Republic is a bit different due to historical events and such a concept did not arrive earlier than in the 90s.

Due to the fact, that there are so many different interpretations, in this thesis we will combine couple of sources to come up with a one definition that would be most relevant and most accurate for the topic. This part is crucial as we will later on try to analyze the perception of real business owners in Czech Republic in line with this particular approach or how much it differs.

Throughout the thesis EU plays a very important role as it influences almost every actor across the union, therefore it is only logical to start with the definition of CSR created by the EU. It considers CSR as a concept where “companies integrate social and environmental concerns in their interaction with stakeholders

on voluntarily basics” (Kitzmuller & Shimshack, 2012). Such a statement is nice, short and quite understandable; however, it is a bit vague, which only make sense as describe something so complicated and complex in one sentence is rather impossible. To the EU’s statement we could add one by another significant international organization – The UN. The root is basically the same as the one by EU, but it builds upon that by saying that is a *management concept*. Which focal interest is to balance out all business operations, environmental and social consequences of business, while maintaining acceptable on higher level of satisfaction of not only company’s shareholders, but also all stakeholders (UN, 2018). That is anybody who has interest in the company, they can have influence or be influenced by the company, e.g. suppliers, unions, workers, local communities etc. (Business Dictionary, 2019). Or in a different way, stakeholder is anybody towards who the socially and environmentally oriented activities are aimed (Baric, 2015). For the purpose of this thesis we will used the first definition of stakeholders.

It is important to stress out the fact that CSR is either a management concept (UN, 2018), or some other sources refer to CSR as to a business plan or a strategy (The Giving Machine, 2019). It is not charity donations, sponsorships or similar philanthropic activities, even though it may seem as they fit into the notion of “giving back to the society”, which is sometimes believed to be the only purpose of CSR. In other words, that such a donation or funding may look like it attempts to balance out the inequality, but it is not part of CSR because giving to charity is usually not part of any management concept or part of business plan.

CSR tries to be more of a long term and sustainable approach. And it goes beyond what the law requires from businesses. Which applies to charity too, but donations are not imbedded in the core of a company.

Furthermore, to illustrate how difficult it is to grasp the complexity of what CSR could represent, some academics claim that it actually is a framework through which we can study interaction between different actors (stakeholders) and businesses on basically any level from rural to global level (Brammer et al., 2012).

What we can be certain about is that CSR is also a bit of a buzzword and many companies actually claim how important it is for them, but when we look into some hard data it shows the opposite. Nevertheless, CSR is a huge trend and many companies really do have it imbedded in their philosophy, others just invest a lot of money into creating an image that they do have it as well (Cicioc & Gabrea, 2014).

To sum up, this subchapter tried to illustrate the many interpretations of CSR and how difficult it might be to find one proper definition. For the purpose of this thesis CSR is a strategy or managerial concept that puts emphasis on the benefits of all stakeholder during all business activities (that does not mean that it prioritizes these benefits at a heavily declining profits). In practice the active inclusion of CSR during all decision-making processes translates into the consideration of the impact the particular decision will have on any one of the

stakeholders. This impact is then weighted against the company's profit to determine whether the company should go with the initial decision or perhaps adopt some changes to the initial decision to better balance the outcomes.

1.2 Actors/players

Building upon the last chapter, where we have defined that CSR is basically a management concept that focuses on balancing out the needs and preferences of stakeholders. It would be neat explore who stakeholders actually are as they play an important role in the theoretical view on CSR. In addition, in this sub chapter we will have a look on the research that has been done on the consequences of CSR activities.

The easiest and most forward way of categorizing stakeholders is to divide them into external and internal groups. Who belongs to which group is not really a surprise and the division is quite natural.

Firstly, we will talk about the external ones. Those are, among other actors, mainly the local communities, customers, suppliers, creditors, government and other political representations, NGOs etc. (Baric, 2012). Dealing with external stakeholders can be tricky. Part of the local communities can be possible future employees and for most company it is essential to have quality labor force (Wang et al., 2017), and in today's world more and more people do care about the actions and philosophy of companies and they want to work for an employer who does his or her businesses consciously (Kitzmuller & Shimshack, 2012).

Therefore, businesses have two options of what to do, assuming that they want to attract educated and informed workers. The first one is to act in line with the philosophy of CSR and if done right, it will get through most media outlets, social media or just simply via word of mouth to the right employees. The second option is to invest just in couple of "good" activities and try to present it as consciously behaving according CSR standards.

Involve socially and environmentally conscious decision in conducting business is believed to have positive impact on reputation of the company not only among its possible employees, but among external stakeholders in general. Based on research done on this topic, having such a reputation is of course good for the company, as it boosts its image and increases the value of its brand. The reputation of the company is not only communicated through media, but also thanks to their current internal stakeholder, in other words employees (Waddock & Googins, 2011).

But it can actually prove to have more tangible economic consequences. Having better reputation leads to more trust of the external stakeholders, which can lead to more stability and more ways on mitigating risks and that almost exclusively leads to better financial performance (Baric, 2012).

The second group of stakeholders are internal ones, that are composed mainly of employees, investors and managers (Boundless Accounting, 2019). Even though that for the most part CSR is oriented to the external stakeholders, it is

important for businesses to take care about their internal stakeholders too. Generally, it makes sense to have satisfied employees as they are more likely to perform better, job wise. For more cynical reasons, as we mentioned before, internal stakeholders have a great impact on (future, possible) external stakeholders (mainly employees in this case).

There are academics claiming that there is a direct correlation between satisfaction of internal stakeholders and how much they talk about their work in positive way and thus are becoming a mean of communicating the company's philosophy (Padersen, 2006)

Truly investing in CSR related activities is a long run decision that will have to aim at both internal and external stakeholders as the two groups are not fixed and member of the groups can migrate from one side to another. In fact, to achieve implementing CSR in the business model/management concept cannot be done without the help of stakeholders, the relationships are connected to each other and very much interdependent. It may seem like it's a lot of work, but research has so far suggested that truly imbedded CSR in the philosophy and activities of a company leads to overall long-term economic profit (Baric, 2012).

This suggests that it is beneficial to incorporate CSR into the business for those who believe that it is their responsibility to do so ("the giving back to society philosophy"), but also for the cynical ones who only believe that the only purpose of companies is to make profit and generate value.

1.3 Concepts/frameworks

In the beginning of this chapter we have combined several explanations of what CSR is and we drew a definition that tries to capture the modern look on companies and the whole society, with its more demanding approach to businesses. Nevertheless, definition is not enough, as was mentioned before, CSR is a management concept, and, in most cases, it involves different possible models or frameworks on how to implement such a concept. This subchapter will briefly introduce couple of the approaches, frameworks or models.

The social performance model

This model is built upon the logic of three branches of sustainability – economy, society and environment, and upon the notion that CSR's ultimate goal is to balance them. However, the three branches (responsibilities) are not enough, therefore, this model adds one more option. Plus, the model is shifted from a most common horizontal division of three pillars of CSR where all of them have equal importance. To a vertical one where the pillars change into some sort of building blocks who stand upon each other. (Carroll, 1979). In this model the building blocks are called responsibilities.

The foundation, the first block is constituted out of economic responsibilities, which makes only sense, as the main purpose of any private profit-oriented business is to make profit, e.g. be in positive numbers, create value for the

shareholders or any type of owner for that matter (Harvey, 2017). In the context of how markets are constructed in most countries, it is absolutely clear that the first and foremost goal of business has to be profit and only if this condition is true, can it go beyond that and focus on other activities.

If we stay down to earth on what is crucial for businesses apart from profit is that they have to act in the boundaries of legal frameworks of particular market, therefore another building block are legal responsibilities. It is not necessary to explain why the legal responsibilities are important and could almost be on the same level as the economic one. Furthermore, it is essential to say that the two branches (legal and economic responsibilities) have to be in interaction as the economic ones cannot really function sustainably and in long run while neglecting the legal ones. These two are the foundation of any company and it cannot really work without these two (assuming that we are talking only about profit oriented organization). The following responsibilities are more of an add up to these basic roots, that are very important in today's world, however, they are not crucial for the survival of a company.

The third imaginary building block, according to the theory *social performance model* are Ethical responsibilities (Carroll, 1979). Which sort of combines the environmental and social aspect of the classical definition of CSR (Wang et al., 2017). As already said, companies can do without them, nevertheless, lot of today's customers want to buy cautiously (Seoki et al., 2018) and in a way they consider ethical. Therefore, the ethical responsibilities are crucial for creation of an image of the company that would be appreciated by customers. What remains problematic is the definition of what ethical is, as it can vary across different countries and different backgrounds.

Companies can publicize any sort of code of conduct or ethical codex, but in order to be trustworthy, they should also present real actions that would prove the validity of such a document.

The fourth category is pretty similar to the third, we can call it volitional responsibilities. Within the ethical responsibilities, we can somehow see that they have positive effect on the economic side of a business (Kitzmuller & Shimshack, 2012). With the volitional, it is not so clear as they can be basically anything the management or business owner decides to be beneficial any stakeholder or even somebody completely unrelated to the particular organization.

The social performance model might be a bit difficult to grasp as the line between what is CSR can be tricky to define. Based on the logic of what we have defined as a CSR in this topic, we can say that the line is between legal and ethical responsibilities.

Pyramid of CSR and Three domain model

Very much related to the model of social performance model is the Pyramid of CSR, which, however, was created more than ten years after the first one (Carroll, 1979).

It is composed of more or less the same categories, but they are not called responsibilities, and the way they are interconnected is also different. In the first model they were in a sort of vertical model, each representing an imaginary building block that stands on the previous one. In the pyramid, as the name suggests, there is a large base of Economic category (“be profitable”), Legal (“obey the law”), Ethical (“be ethical”) and Philanthropic (“be a good corporate citizen”). The first two categories are marked as essential, the middle one expected and the latter as something that would be nice to have. Such a view on CSR has been a trend for a long time and without a doubt, there are still companies and businessman, who agree with such an approach.

Given all the things that were mentioned previously in this chapter, it will not strike as a surprise, that this particular model, the pyramid has been heavily criticized for its very obvious implications.

It suggests that the latter, the “philanthropic” and “ethical” categories are much less important than the first two. We already know that it can be in some degree true, nevertheless the pyramid goes too far as to assume that the difference is just too big.

From this criticism came out another model - The three-domain model, that uses the same categories as the pyramid, with one exception and that is it combines philanthropic block partly with economic one and partly with ethical one (Schwartz & Carroll, 2003). To overcome the main problem of the pyramid, it puts the categories in sort of Venn diagram where interests three domains “purely ethical”, “purely economic”, and “purely legal”. In the middle, they create a well-balanced, CSR compliant category, where all three domains are present.

As with every model, even here are some limitations, like how to define purely economic or legal category, as they always interdependent on other categories. But for the purpose of this thesis, the three-domain model is the most in line with the way we defined CSR earlier.

Triple bottom line (TBL)

Another concept or in this case rather a construct that needs to be mentioned in order to draw a complex overview on CSR related theories, is the Triple bottom line construct (Elkington, 1997).

Even though, this concept has been developed in the late 1990s and was originally mainly aimed at Sustainability issues, it should be included in this thesis. Sustainability and CSR are interdependent and very much connected. One might even think that they are the same thing. One cannot really exist without the other as all CSR related activities aim to be sustainable. And in order to be sustainable one has to put into action CSR related activities or adopt the whole concept in company’s philosophy and day to day activities of a given company.

TBL is actually a tool that can be used to measure performance of a company by more parameters than the classical bottom line which, in simplified way, only shows if the business is in red or black numbers (“economic”). The TBL as the name itself suggest also shows results of a performance but extends the original

one by two environmental (“planet/ecology”) and social (“people”) parameters (Alhaddi, 2017).

What distinguishes TBL from being just a concept of sustainability is the fact that it puts all the three categories on the same level, whereas traditional sustainability measures and frameworks tend to emphasize the importance of the environmental level (Yan et al., 2009).

The way how TBL measures the bottom lines of the three groups can vary as there are more approaches. But just an example of the simplest ones would be measure emission production of the company, or how big is the ecological footprint etc. (Goel, 2012). For the social one, there are different parameters, like health care coverage for example (Alhaddi, 2012).

Purpose of this subchapter was to show how can the effects of CSR be measured in a way that is comprehensible to most people as we can put the results on a scale, or we can compare. Oftentimes, it is said that CSR cannot be measured, or that it is too intangible. The TBL serves as argument that this is not necessarily true.

1.4 Stages of CSR throughout history

It was already mentioned that the concept of CSR is not so new to our society and has been around for quite some time. Naturally, there have been different stages of usages of the concept, of understanding what it is and in general, there has been and evolvement of it.

This subchapter will briefly look into the stages of CSR over the past decades. It is quite important to say that even though we are looking in the history of the stages, they are not necessarily in chronological order (Visser, 2014). The stage is more dependent on the backgrounds of the company and the country in which it operates, also on the culture of the country, what are the customers like, what are the trends in marketing, philanthropy etc.

. For the purpose of this thesis, we will analyze mainly two approaches of how categorizing CSR development into stages. The two approaches can be distinguished by the authors who have come up with the theories. Both of them have identified five stages that the companies undergo in order to adapt or implement CSR philosophy into the core of their business (Zadek, 2007). In other words, to come to the stage where CSR is considered in the similar way as this thesis does.

Both of claim that the firms move across the stages sequentially, and that it is crucial that they reach the last stage in order to truly incorporate CSR in way we understand it today (Visser, 2014).

First stage

Both of the theories, that will be analyzed in this thesis, consider a *Defensive stage* to be the first one in the process of organizational learning process. In this stage companies basically refuse to accept that they have any other responsibility but making profit (Visser, 2010). A good example of this stage in practice would be the behavior of companies that have led to the global financial crisis in 2008. Companies that are present in the Defensive stage pay particular attention to do just as much as the law requires and nothing more (Zadek, 2007). Unlike what was mentioned previously about the fact that successful implementation of CSR philosophy within a business strategy of a company means that the company plans more ahead and is interested in a long-term profit, rather than instant short-term one - the opposite applies here. Companies present in the Defensive stage care mainly about what impact will their actions have on current sales and current profit. Also, we can state that they do mainly care about the interest of their shareholders, in addition to the lawmakers as they put a great emphasis on legality of their actions.

Second stage

The second stage is called either *Charitable* or *Compliance*, depending on the author. In such a stage it is typical for owners of big global companies like Microsoft, to give large percentage of their money and assets to charity. Even though that the donations can be given over a long-term period in order to have more sustainable impact. It still is not a proper incorporated philosophy in the business model of a company. In addition, large companies almost exclusively have to give to charity for their reputation (Beckett, 2015). There have been studies on the impact of philanthropy on the awareness of the company and thus improving its image (Porter, 2002).

That is not necessarily a bad thing, but it usually goes in a chronological way of starting a business and not caring about anything but the minimum of law requirements, and only after that comes the “giving back to society”. Without a doubt, it would be better if the companies tried to implement “giving back to society” from the very beginning of their business. Furthermore, if companies set philanthropy to the context of their business (the area they produce in, or their clients, etc.) in the frame of their strategy would demonstrate their long-term charitable goals and that would move them closer to the definition of CSR as we understand it in this thesis.

Third stage

The third stage of the process of implementing CSR is in some literature named *Managerial* or *Promotional*. Unlike the first two stages, these have slightly different meaning, the first one is used for companies have incorporated at least some basic societal issues in the management processes in other words in their daily activities, and not in the strategy or philosophy of the company. In terms of

strategic planning it believes that by the incorporation it would gain long term advantages (Zadek, 2007).

Turning our attention to the latter – The Promotional stage, we could easily assume what this stage is about just from the name. It is about promotion of the company. In this stage the main purpose of CSR activities is marketing for the whole company. There is a difference with the previous (second) stage, where the owners were more interested in their own reputation (Kotler, 2011).

There has actually been research on the topic, and more than two thirds of CEOs in that sample confirmed that they support CSR related activities just for the purpose of brand image (Visser, 2014). When company is in this particular stage, customers and other stakeholder should pay extra attention to what is the company's core business, what they produce and if it is in line with the CSR activities, they do/claim to do. A practical example of such a discrepancy would be firms in the Tobacco or Oil Industry who claim to do a lot of charitable work, but their core business is actually really unhealthy (Juhasz, 2008). And at least in the case of Tobacco companies unnecessary. The same could go for the producers of soft sugary drinks for example. There is even a term for a situation like this, and its *Greenwash* (Lyon, 2015). – when a company claims to do something really beneficial for the environment or society, and maybe it does, but it is outweighed by what their actual core business is.

The first two stages were much more similar to each other than the third one. The promotional stage can be looked upon as more negative due to the pretentiousness of the firm, that is not mentioned in the managerial one.

Fourth stage

In the fourth stage the two academic theories actually come to a very similar conclusion under the name *Strategic*. One parameter of this phase is that companies have finally incorporated the responsibility for environment and society in their strategy, thus we can say that the philosophy and logic of CSR is adapted not only in day to day business but in long term visions and plans of the company (Zadek, 2007).

The second interpretation is as follows. As in this stage CSR thinking is present on the management level it is treated as such, that means the regular round from policy development, over targets and goals to finish up with reporting and analyzing the results in order to perform better in the next round. Such a behavior shows that the process is thought through and emphasizes the long-term results. Such approach can be identified by customers or other stakeholders through several factors and they should all be present. If only one applies, it could be sign of the previous phases – Promotional or Charitable. The factors are, firstly the fact that the company has adapted standards designed by NGOs that are respected in a given field, like the ISO standards or Fair-trade certificate (Mohan, 2009).

Secondly, the company should have its own standards, better if the requirements of those standards are even higher than the first ones, plus they

need to be easily found on the company's website. And lastly, there should be a simple way to verify if the companies claim to do is actually true, that can be done through independent reports or audits for example. In addition, there are sites or organizations that put together methodology of rating the level of socially and environmentally beneficial activities of companies based on scale of parameters. For instance, measuring the level of help that the company gives to locals they can be done through evaluating how much money they give away for such purposes, or if they themselves have programs to support certain cause or if they let their employees do charitable work over chosen work days (CSR Hub, 2019).

Fifth stage

The fifth and final stage is getting closer to the definition of CSR as was defined it in the beginning of this chapter. We can find it under *Civil* or *Transformative* CSR. The Civil one it is understood to be a situation when CSR logic is not only in the strategy of the company, but it is imbedded in all the things that the company does, in every department, plus it actively seeks to do more and thus tries to have the first mover advantage regarding this topic (Zadek, 2007). Furthermore, thanks to all of that was mentioned above it has the capacity and will to educate its stakeholders, like clients or suppliers and it attempts to push the whole industry forward.

The latter, the transformative stage, or in some literature CSR 2.0, is differentiated from the previous stages by one significant parameter. In the first four phases, companies, if they pay any attention to their responsibility, try to solve the problems that have already occurred, or they give money to charities. On the other hand, in the fifth stage, firms try to either predict what the problems could be, or they know what problems their production may cause and thus they create procedures that could limit the given problems. It looks more into depth of the problems and in a more complex, macro level picture. The ultimate goal of companies in the transformative phase is to end up with net balance, by implementing zero waste and sustainable production policies for example. We can see that there are already several companies that pursue this type of CSR, and if they do, we can also track the impact it had on the whole industry or at least on a branch of an industry (Eisenbeiss, 2012). Example could be the segment of outdoor clothing, and companies like Patagonia in USA, or Vaude in Germany. Both of them are small, family businesses with strong emphasis on environment and also social consequences of their production.

Purpose of this subchapter was to show how can the actions of companies in terms of CSR be divided into stages in order to better understand what their intentions and triggers are. If we can understand that, we can identify what policies political representatives can implement in order to get the companies as close as possible to the fifth phase. In the following subchapter, a special kind of CSR will be presents. It does not belong these stages just yet, but perhaps will in the future.

1.5 Innovative CSR

Last subchapter that needs to be covered in this part of the thesis is the concept of *Innovative CSR*. Innovation in businesses (business models, productions etc.) is very important to stay competitive and to grow as a company. Plus, most of the innovative ideas lead to more efficiency and cheaper ways of making businesses.

Without further thinking it does not necessarily look like innovation would be connected to CSR. Nevertheless, the two concepts/strategies are very interdependent. (Matten et al., 2007).

If companies would pursue innovation in with the notion of CSR incorporated in the process. they could leverage much more than with just having CSR activities implemented in their business. Let us explain.

Oftentimes, companies implement CSR as a tool to become more distinguishable among their competitors, that means that they have to make sure their customers know how CSR oriented they are, which increases costs. For multinationals it is not really a complication, as they possess more resources. However, especially, SMEs lack the capacities and often capabilities to promote their CSR orientations.

Therefore, some academics came up with the idea that if companies would approach innovation and R&D with CSR in mind, they could actually benefit it from it much more. If they would think about CSR, they would look not only for efficiency in their innovation, but also for more sustainable and thus environmentally friendly solutions that ultimately lead to cost cutting. There are frameworks on how to measure and identify innovation in CSR. For example, the frameworks help us identify in which part of the production it makes the most sense to implement innovative CSR, if it is in project design, processing etc. (Preuss L., 2011).

Anyway, it is not in the scope of this thesis to explore them in depth. The purpose of this subchapter was to show that there are more approaches to CSR today, not just as strategic CSR, but also the innovative one. That, as said before, can be useful for SMEs. In addition, in the following chapter, we can see that governments and EU put a strong emphasis on innovation also. That will give a base for the empirical research - to see, if innovation and CSR is perceived by the respondents as connected or not.

2 Development of Rural areas with emphasis on sustainability & responsibility

In the previous part of the paper, the general concept of CSR was explained. To perform the assessment, overview of rural areas is needed. Moreover, EU/National governments designed action plans on development of rural areas and SMEs with emphasis on social responsibility, and thus they need to be covered in this paper also.

Therefore, in the following part of the thesis, we will explore basic information on rural areas in EU and the action plans and policies aiming at sustainable and responsible development.

This information is important for the future analysis, because it describes the environment in which companies do their business. It is crucial to know in order to evaluate their approach to CSR and their surroundings in general.

2.1 Population in EU rural areas

This chapter will very briefly outline how is European population spread around rural and urban. Nowadays more and more people are moving either to large cities or at least near the cities to the suburbs (Eurostat, 2018), in such a case, they usually travel to the particular city for work, which is not necessarily bad, but it oftentimes turns the outskirts of cities into dead towns over the day as most of the population leaves for work or school. That goes for almost all bigger cities (that counts for cities with more than 1 million habitants) in Europe, including Prague. In terms of numbers, only 28% of the population lives in the rural areas, whereas 40,4% lives in the cities (UN, 2015).

In addition, it is predicted that the population of the EU will grow by 20 million people in the next few decades and most of that increase will be in the urban areas (Eurostat, 2018). The reason for that is simple. Cities offer job opportunities (only couple of northern and western EU members reported higher employment rates in the rural areas than in cities or suburbs), education (people living in rural areas are more likely to leave the education system earlier and not continue to the tertiary level of education), culture or medical facilities. Furthermore, the so-called phenomena “digital divide” may occur as the people living in rural areas are less likely to connect to internet on daily basic, thus they as individuals or as entrepreneurs lack the access to modern way of communication. If there is an internet connection in the rural areas it is usually through DSL connection (digital subscriber line), which is much slower than the high-speed cable connection. Just a side note – there is an EU Commission initiative to expand the high-speed internet infrastructure to areas outside big cities.

However, the advantages of life in rural areas are also appealing: more space, lower housing cost and better environment, so perhaps more people will realize that and start moving back to the rural areas.

Even though that we do not know what preference (city vs rural) will prevail, we can be certain that as the population in general increases, the number of people living in rural areas will increase also. Therefore, development of villages and rural areas in general is necessary. That includes investment in infrastructure, education, transport etc., which is an opportunity for businesses that we will explore a little more in the following chapters.

2.1.1 Circle of declining rural areas

In the chapter focusing on rural areas a phenomenon created by the European Network for rural development (ENRD) called “*Circle of declining rural areas*” (ENRD, 2015) should be included. Basically, it describes the viscous circle of rural areas – it starts with migration or aging of the population, goes to low population density, thus lower number of customers which gets us to lower revenues for local businesses and generally lower rates for them and that concludes in decreasing number of job opportunities and it is not surprise that when there are no jobs, people tend to leave, so we are right where we started. This concept is applicable to more countries globally, basically any so-called developed country is more or less struggling with this issue, (OECD, 2005). However, in EU we can also add to this the problem the decreasing birth rate, which speeds up the whole process of declining population in rural areas (Eurostat, 2018).

Nevertheless, there are strategies and action plans that could reverse, slower the pace or at just stop the circle for a while. The obvious options are the policies and strategies created by bodies of the EU, individual member states or other international organizations. Furthermore, theories on how to approach these issues have been debated in the academic environment, and in some cases also on the executive level.

For example, a solution to the problem of the circle can be solved through migration from outside the boards, in this case outside EU (Kováts & Karcagi, 2012). Speaking in economic language, countries that are less developed than EU. People from those countries are more likely to accept jobs, that might be frowned upon by local citizens. Of course, this strategy is not a simple one as there is high probability of quite significant cultural, language, behavioral differences that can be hard to overcome. It would require more time and more detailed research into this question, whether a migration from further country can actually help with problem of declining population in rural areas.

What should be said in the end of this subchapter is that the *Circle of declining rural areas* is a real thing, also in the “developed” part of the world. There are theories on how to tackle the problem, but since the issues is relatively unknown, it takes years or even decades to see the results of some strategies (especially in the case of migration as a solution to the problem, because it could take at least one generation for the new comers to adapt and saddle in the specific location). The research on this topic has so far suggested that the current

strategies are not doing enough to reverse this trend (Reverda & Hospers, 2015). And that it all comes down to the necessity to change the mindset of people, from thinking that living outside of cities means a dead end to their opportunities and to thinking that they can actually live on a quite high standard of living with plenty of options even in the rural areas.

2.2 Support of businesses in rural areas by the EU

This chapter will explore how EU supports local businesses, entrepreneurs and mainly SMEs. Defined by the EU, SMEs have less than 250 employees and at the same time their turnover is less than €50m or their Balance sheet total is less than €43m (EU Commission, 2018). The help comes either through direct funding or specially designed programs, but most importantly by cooperation with the member states. They (the member states) should adopt the goals of the commission's strategies and try to implement it on national level. Basically, EU is the creator of the strategy and its role is more of a director of the practices and it is to overlook to whole process and fund at least some of the activities financially. National governments have more of an executive power. They should bring the policies into practices, communicate and support all the involved stakeholders.

The development of rural areas in EU, is a part of a broader strategy, and that of an investment strategy (EU Commission, 2013), where EU establishes several ways of financial support. We will briefly outline how is the financial support designed in the EU, in order to draw a simplified and understandable picture of where is the money coming from. When there is mentioned funding in the future parts of the thesis, it is based on the following sources.

First of all, there are EU structural investment funds (ESIF) that were created to support five major areas, they are as follows: Research and Innovation, Digital technologies, supporting low carbon economy, sustainable management of natural resources and small businesses (ESIF, 2018). Those areas are financed through 5 different funds. European regional development fund (ERDF) helps the regions in need; European social fund (ESF) looks after young or disadvantaged entrepreneurs; Cohesion fund (CF) tries to even up the levels of economy through the whole union, to be precise it helps countries with lower GDP per capita than the EU average; European agricultural fund for rural development (EAFRD), focuses on the areas in question – rural region and the last one is European maritime and fisheries fund (EMFF), it does not come as a surprise that this fund support fisherman, however, only the ones who want to make their business sustainable in regards to the sea life and the surroundings (MMR, 2019).

The way it works is by creating partnership agreements between individual member states and the EU Commission outlining how much money, what for and in which way the money will be used in the period from 2014-2020.

In addition, there is a cooperation of the EU Commission and member states with the European Investment Bank (EIB) that creates financial instruments that could help support anybody who can and wants to help the development of the previously mentioned focal areas.

All of these instruments, agreements and contracts build a base for any financial support from the EU resources.

However, EU does not build its support just on funding. For example, there are several business models designed by the ENRD that should help the rural areas adapt to the needs of modern Europe.

We can divide the help into the models of private businesses and public sector. As we learned in the previous chapter, there is the phenomenon of *circle of declining rural areas* that leads to less citizens of rural areas and less job opportunities. When there are less jobs and less people, the local businesses have smaller number of clients, thus smaller revenues. What ENRD proposes is to sum up some of the existing businesses and put them in one place or create one bigger business out of them (ENRD, 2013). Another proposed model is getting mobile - like mobile shops, which would enable the businesses to cut their costs and at the same time increasing the number of people they can serve. This model is only viable for short distance traveling, otherwise it would not be that advantageous for the business. There are couple of more proposals, but for the purpose of this thesis, the two mentioned are most relevant, so we will only focus on the two.

There are also proposals for the public sector, so we will mention them in short as the public sector is not part of the focal question here. The idea is similar – collaboration, among public services providers, it is putting them together like the post and municipality in one building. Another option is connecting the public and the private sector in a way that is beneficial for both. An example of that would be hiring local farmers to remove snow of the roads rather than sending public services to do that.

Plus, there is a third sector that can also change its models and that are the nonprofit organizations or social enterprises. They are usually privately owned, but their main goal is not to make profit. In the context of rural areas, collaboration groups are set up to solve issues that are too expensive for both public and private sector, like childcare in distant areas. This is mentioned here just to show that EU provides more than just finance support, but also provide methodology.

2.2.1 SMEs in EU

Support of SMEs is one of the main objectives of the EU and its members as they represent the majority of businesses in EU, almost 99% (EU Commission, 2019). So, they are crucial for the European job market as well as for creating value. Whenever a legislation is debated in the EU, the “Think Small First” principle is applied (EU Commission, 2008).

Meaning that the SMEs' interest has to be taken into account at every step of the debate. That is done by talking to the relevant stakeholders (panels with SMEs and retrospective feedback formulas), considering the possible administrative burden on the SMEs or little things like having fixed dates for business related legislation come into action.

The help of EU is divided into four main areas concentrated in the Small Businesses Act for Europe (EU Commission, 2008), they are as follows: *Promoting entrepreneurship, Ease the regulatory burden, Access to funding and Making SMEs competitive on the global market*. This act, of course, does not work in isolation, but in conjunction with other acts or policies like the Horizon 2020.

We will shortly describe what the four areas entail. EU wants to encourage people to try to set up their own companies and try to create long term business out of them. Key part of doing so is educating students about entrepreneurship and how to proceed if they have ideas and would like to be self-employed. Also, there is emphasis on creating opportunities for the historically disadvantaged groups like female or migrant entrepreneurs.

The second area of SMEs support by EU concerns policy making. Business owners can be heavily affected by employment and other regulation. The Commission tries to evaluate the impact of legislation on the relevant stakeholders and later on ease up the administrative burden, so that it is less frightening for potential entrepreneurs to create their own business or startups.

Third part of the act is designed to support SMEs financially. Mainly thorough loans or venture capital. The funding is not direct, but spread out through local, regional and national channels with the help of financial instruments.

The last part seeks to make SMEs globally competitive, as only one quarter of the European ones are exporting outside the EU borders (EU Commission, 2019). Thanks to the European Standardization System it is easier for SMEs to overcome technical barriers in addition to reducing costs. Also, there are clusters and networks created to enable collaboration across and within industries. Needless to say, there is a web portal designed to guide business when expanding abroad.

All of the initiatives are promoted across the whole union through national bodies, but also by organizing special event whose main purpose is to make people aware of the possibilities that EU creates.

2.2.2 EU 2020

EU is aware of the changes that the world is undergoing right now and tries to assess it by emphasizing importance of sustainable growth of businesses in addition to supporting knowledge based and innovative economy. The main goals of EU are smart growth, sustainable growth and inclusive growth. All of them have specific steps that need to be done in order to fulfill these goals. The steps are defined for two levels – the EU Commission level and the member states level.

Even though the EU and member states will have the responsibility for reaching the targets, there are more actors like businesses or schools involved.

EU Commission claims that it wants to help SMEs to become globally competitive. Apart from that, it also wants to have at least three quarters of the population aged between 20-64 employed (EU Commission, 2010). Meaning that the rural businesses will have to change the most in order to keep up, but at the same time they could benefit the most from the change.

The smart growth goal focuses on R&D and education in general. The target for every EU member should be to have at least 3% of GDP invest in R&D (Eurostat, 2018). For SMEs it means that they will be encouraged to invest in R&D and try to apply its results and ideas into their production. Of course, there are defined areas of the R&D that will be supported a bit more like energy reusability and protection, transport or health.

Furthermore, this part of the strategy tries to emphasize the importance of education and wants to reduce the number of early schools' leavers and promote tertiary schools as their alumni are more likely to benefit from lifelong learning experience. Such a skill is undoubtedly a valuable asset in today's world as the way we work is constantly changing and a worker should be prepared to be as much flexible as possible. The focus on education system could be another opportunity for SMEs.

If businesses cooperate with schools and design programs relevant for their production, they can actually help with the issue and at the same time bring up their future employees.

The smart growth goal also means that knowledge-based industries will be supported. Plus, the companies should have more access to European resources designated to boost innovative ideas and modernizing facilities

The goal of sustainable growth will help companies to focus on using reusable resources of energy and other ecological inputs to their productions. In addition, there will be incentives to produce as much as possible on a local level to decrease the carbon emissions and at the same time employ local citizens. Here we can see how the goals of the strategy are interconnected – make production more sustainable clearly needs investments in R&D mentioned in the previous goal.

Last goal of EU 2020 is Inclusive growth. That builds upon the first two goals. If business will use local resources including labor, the employment rate will grow. Considering is combined with the first goal, employees would work in knowledge-based economy, which is usually high value-added, that means higher wages and more incentives to stay at that particular employer, perhaps in rural area.

In order for these three goals to work together, all the players (governments, municipalities, businesses, schools and individuals) have to cooperate. The role of EU should be to create a knowledge transfer platform so that ideas can be shared throughout the union.

2.2.3 Digitalization

One of the pillars of EU strategies is digitalization of the single market (EU Commission, 2018). That means that the commission would like to increase the number of people who can actually connect to the internet as there are still some 15% of households that do not have the access to the it (Statista, 2017). Even though that the situation has changed significantly in the past few years from 55% of households having the connection to the 85% in 2017, 15% is still quite a large number (Statista, 2017). Adding to that, the connection is usually through DLS which is likely to be slower and the EU wants to switch to optic fiber connection.

Furthermore, having fast internet connection is crucial for businesses these days, as they need to engage with the customers via web. The activities that businesses need to do online range from online sales to marketing, while keeping the data of their customers and suppliers safe.

EU wants to create a digital single market, which would be similar to the “traditional” single market, meaning that it wants to remove barriers of the digital market and try to make access to it, so that it is open and available for as much people as possible. Basically, creating one European market without national specifications for example no different prices of roaming charges. It aims for open telecom regulation and increasing wireless connection availability.

This, as EU commission believes, would significantly increase the business opportunities, especially for SMEs outside urban areas. The boost of economy thanks to digitalization should be in general around €415 billion per year in the whole union, and significant share could be made by SMEs (EU Commission, 2018).

The purpose of the single digital market is not only to help individuals to get faster or more available connection to the internet. The bigger picture here is to make EU more competitive globally. There are several steps that EU members and the union itself have to do in order to achieve these goals. Beforehand, there are couple of subtasks that could be opportunities for businesses, especially SMEs in rural areas. For example, 5G Action plan propose private public relationships (PPP) in the spared of the 5G (5G PPP, 2014). If successful, it would create a whole new market opportunity in the development of transportation, e-health, education, smart cities solutions etc.

To sum up this sub chapter, strategy of the single digital market of the EU creates great opportunities for businesses in rural areas as well as in cities. One of the pillars of this strategy is to help the development of outskirts regions in EU. We will explore whether it is actually appealing to the SMEs in Czech Republic later on in this thesis.

2.2.4 Smart villages

The concept of smart villages has to be in this chapter as it is becoming a big part of the development strategies in the EU. There is no official definition of what it is yet, however, the concept itself is built upon smart cities, which can be also

blurry as there are hundreds of explanations so far. The concept is important for business as their development could bring a lot of opportunities to companies both in and out of the areas.

Basically, smart villages try to create more opportunities out of its current strengths for all their stakeholders (citizens, businesses, tourists, etc.) by using digital innovation and other modern technologies. In addition, the goal of smart villages (as with every strategy supported or created by the EU) should be in line with the concept of sustainability (Visvizi & Lytras, 2018). The purpose of smart villages is very simple and that is to create villages with high standard of living, quality public service and generally offer variable possibilities to its community from easy transport system to schools for kids to a friendly and easy environment for entrepreneurs.

As with most of EU action, there is a whole strategy and a plan of concrete steps that need to be done accompanied with sub strategies that will be shortly introduced in this thesis.

The two most relevant documents in terms of smart villages and rural areas are “EU Action for Smart Villages” (EU Commission, 2017) and in Europe is the “Common Agricultural Policy” (CAP); (EU Commission, 2016). Even though that the latter is focused on the agricultural industry it is still strongly connected to the development of smart villages, because in order to create a functional smart village, there needs to be technological improvement in farming (or the primary sector in general), from facilities to machines, including updates on the current business models (EU Commission, 2017). In the current programming period 2014-2020 there was a significant financial aid through the EAFRD, the help reached almost a number of € 100 billion from the EU budget (FI Compass, 2014).

Furthermore, there are other sources of money for those who want to contribute to this type of development. And that is Cohesion Policy of the EU (EU Commission, 2013), whose main purpose is to equalize the member states as much as possible. Through this channel the beneficiaries could get as much as €350 billion in this programming period (EU Commission, 2017).

Another important concept (not a policy) is the LEADER approach, which tries to emphasize the importance of the decision making on a local level from bottom up and not the other way around. It is believed that this will lead to conscious and thoughtful decision making of local citizens.

Then there is the European Innovation Partnership for Agriculture (EIP AGRI), that mainly focuses on creation of knowledge base and then knowledge sharing in general. There needs to be a quality channel of sharing best practices across the whole union in order to learn and improve the current state of affairs. It can be done through technological platform, but also thanks to regular meeting of all the involved stakeholders on local, national and international level.

Some things/steps are already happening, like meetings of thematic groups composed of academia, project managers, municipalities etc. There are several outcomes out of those meetings. For instance, the proposition to create “Rural

digital hubs“ (ENRD, 2017) that could serve in various ways to improve any issues relevant for individual areas, from community centers to business coworking hubs. This has been assessed as an appropriate tool by the very first thematic group in 2017 and there are already some of these hubs up and running across the union, like Coworking space Cowárna close to the city of Příbram in the Czech Republic. This case in particular is an example of best practice – it was set up to make it easier for local citizen to work from home in more work-related environment, plus there is a café and space for meetings, and seminars. In addition, it was created in cooperation with API (Czech Agency helping businesses with the funding provided by EU). It was well evaluated for the specific location and discussed with most of the stakeholders.

This was just an illustrative example of a best practice. There are many more things that should be done in order to create a functioning smart village like focus R&D on the internet of things or smart mobility that would be built on shared and ecological transport, or basically everything that is driven by big data analysis. In addition, there are couple of pilot projects of smart villages going on around Europe, they are observed by the expert groups and conclusions of future steps are based on that (EU Commission, 2017).

Shortly, this sub chapter was supposed to show that turning villages into “smart” ones is a topic on the level of EU and there are policies and available resources to make it happen. The way it is connected to the topic of this paper is that smart villages are supposed to be built on the notion of cooperation between businesses, academia and municipality, with the goal of satisfying stakeholders. Nevertheless, as with every complicated and new topic, it will still need some time and research to fulfill this goal.

2.2.5 Tourism in the European rural areas

As will be described in the following parts of the thesis, tertiary sector constitutes a major share of the rural areas’ economy. In this sub chapter, we will look into detail of one of the possible services and that is tourism in the rural areas.

To start with, we have to explain what *rural tourism* means,— it can be distinguished by the motivation of the tourist to explore rural areas, while preserving the nature of the region, that means traveling with the welfare of fauna, flora and local communities in minds (CBI, 2018).

In addition, part of the rural tourism is the desire to see and be in contact with the local communities. In Europe it mainly means visiting farms, where you can try out taking care of animals = agritourism, but also things typical for the countries visited (Aurora, 2010). Rural tourism can be in other words, called eco-tourism.

EU is, as expected, aware of the trend of rural tourism and of eco-tourism, and because it is a type of business that generates revenue and at the same time

focuses on preserving the environment it does not strike as a surprise that the commission wants to support it.

It does it through various means, so we will describe just a couple of them starting with the ERDF, which constitutes a source of money for entrepreneurs or organizations active in the tourism in rural areas. However, to be eligible for the funding, there are several defined areas and conditions, all related to the fact that the supported projects have to think of the impact on the region as a whole, they should all contain the aspect of sustainability and preferably use smart (in terms of technology) solutions.

As with most of the EU supported activities, any rural tourism entrepreneur or SME will have to include the focus on diversification, gender and other equality.

This topic is also relevant for Czech Republic, as foreign tourist usually visit Prague only, and then perhaps go to couple of other cities but going to the rural areas is not really on the agenda for most of the tourist. Even though that the numbers of visitors of places other than the capital has increased in the past few years (Skalková & Chripák, 2017).

If, however, there would be more opportunities to go to the regions (of course, accompanied with relevant and proper marketing), people might choose to go there, which would lead to more revenue and there would be incentive to modernize accommodations, facilities, and attractions like leisure parks. All of that could lead to attraction of local citizens to move to the rural areas for several reasons. Firstly, this could create new business opportunities, so the protentional entrepreneurs could be triggered. Secondly, if there were more businesses more labor would be demanded. As was mentioned before, people tend to move out of rural areas because there are less attractive job opportunities, but if there was a whole new up and coming industry focusing also on international clientele, it could be attractive enough for at least some to stay, return or move to the regions.

We have just described how ecotourism could serve in a way that people would be more interested to do business in rural areas and how it could be beneficial for the regions, but we have to look on the other side to of the coin as well. Most importantly, the benefit of eco-tourism will be delivered only if the whole process is well managed, that means it respects the pillars of sustainability. The business has to balance economic, social and environmental points of view by making sure that the economic growth does not significantly damage surrounding environment while maintaining or better improving the standard of living for all included stakeholders (Munasinghe, 2016), and also it should follow the principles that were agreed upon by UNESCO members (UNESCO, 2015).

They include four main areas – *Enhancing the well-being of communities*, which means that sustainable tourism representatives have to look after the interest of the local citizens first; second principle is *Supporting the natural and cultural environment*, meaning that value of both natural and cultural tourist attraction have to put up front before any economic value; the third principle *Recognizing product quality and tourist satisfaction* enhances the need to make any profit on the products that are connected to the particulate location. And the

fourth and last principle is *Applying adaptive management and monitoring* that stresses out the importance of cooperation among all involved stakeholders.

To put the chapter on tourism in perspective, there are several points that need to be emphasized. Firstly, there are more conditions that have to be met so that the eco-tourism is beneficial, than just the principles of sustainability that were described previously.

One possibility to start an eco-friendly business is from scratch, meaning that there has not been that many visitors to the particular location. There is little prejudice about the place, and the business can build its image with the emphasis on sustainability, in addition the know-how for such a process is already up and running (European Ecotourism network, 2012), so the biggest challenge is to keep up with the main principles and not to turn it to the “classical”, “mass” way of tourism business (Guardian, 2018).

That brings us to the second option of how to build an ecotourism business and that is turn it from the already existing mass tourism place. This way is a bit more completed as the tourist site is already known as a touristy place. With that in mind, people tend to approach the place in a specific “touristy” way (Kettle, 2017).

Mass tourism is a problematic topic, on one hand it is crucial for some countries as it constitutes a big share of the economy and it creates significant amount of money, just in 2017 the EU tourism has made a little over 2 billion USD (Statista, 2017). However, it can have severe consequences on the location. If there is a mass tourism it leads to local people moving out of the particular place as it is always crowded with different people, it makes prices of normal goods increase significantly and basically can turn the whole location into a tourism trap if it is now managed well enough

Turn something that deeply rooted into the system, including the fact that in a way it generates great income is quite difficult. Plus, we have to balance the value it adds to the overall GDP of the country, but also the costs that are very likely to occur in the future as mass tourism has negative impact on the environment, because it produces high number of global carbon emission, and on the cultural sights itself (Postma et al., 2017)

This paper does not claim that it is not worth trying to create a sustainable business out of it, but the change might be very difficult and need to be done extremely carefully to actually bring value to the area. Major international organizations and academics are aware of the difficulties and try to come up with frameworks and strategies on how to do such a transformation, they also record best practices so that others can follow successful models (Sörensson, 2011).

The main point of this subchapter was to show that tourism and especially ecotourism can be a huge opportunity for rural areas. Nevertheless, it can be very demanding, and one needs to be very cautious and careful to really bring benefits and positive impact to the location. If it will not be handled carefully, it can actually turn into a barrier of development.

2.3 Barriers of development of rural areas in EU

In the previous part of this chapter we have described what opportunities and possibilities there are for not only businesses but all stakeholders in terms of support of rural development by the EU. It is only logical that there are also drawbacks and pitfalls, in this case it is the barriers of development.

We will briefly outline what the barriers consist of, so that we can later on address those barriers. We will build upon the shortly mentioned disadvantages in the previous chapters, as they are strongly connected to the barriers. Even though that this part of the thesis focuses on EU in general, we will stress out which barriers apply for the Czech market the most.

2.3.1 Ageing

First barrier to the development is aging of the population. Younger people tend to leave to bigger cities and never come back (Eurostat, 2018). Their parents and grandparents stay behind figuratively but also literally. They are less likely to keep up with latest technologies that could help them work more efficiently and easily. They can also be more resistant to any change because they might be scared of new things or they are just comfortable in their regime and stereotypes. In addition, the density of the population in rural areas is much lower than in urban areas. In 2015 the average density in rural areas across EU was 117 habitants per square km, and in urban areas it was over 500 people living per square km (DG Agriculture, 2018). It is clear that this factor is unfavorable for rural businesses as the customer base is not that strong as in cities. Either the businesses have to be supported by governments, or they have to set prices higher.

All of this leads to the political representation elected in these areas. It only makes sense to assume that the most ambitious and talented people leave the rural areas for better education, jobs, more opportunities in general. As a result, the same old minded and old-fashioned people will be elected into the municipal positions, which will inevitably lead to less favored position for change and development. Municipality is crucial for any sort of progress. It is its role to attract companies, encourage entrepreneurs to start their businesses in the area, they are to create positive environment for families and young people. Their job is to use the available funds (and as we know from the previous chapter, there is a lot of them) to move forward. Inevitably, this leads to less amical environment for change, modernization or digitalization. EU knows that aging of population is a problem and tries to design some measures that could help to solve it.

2.3.2 Infrastructure

The name of this sub chapter might be misleading. Infrastructure in itself is obviously not a barrier to development. It is the opposite; therefore, we have to look into what the infrastructure in EU regions lacks and how that can be an obstacle to growth and modernization of EU's regions.

We have to bear in mind that because of the new member states, the quality of the infrastructure across EU varies significantly. We will try to shortly describe the situation

The definition of what counts as rural infrastructure can vary, but for the purpose of this thesis we will count in all the physical assets that are in a way connected to the area its self and are important for it – roads, bridges, telecommunication system, water supply systems, waste management facilities, but we count in also schools, sports fields or community centers (European court of auditors, 2015). It is needless to say that quality infrastructure (meaning not just the quality of each of the mentioned parts itself, but also the quality of the overall system – how are the individual parts connected, if they make sense together etc.). is crucial for a good standard of living. Also the level of outcome and production of businesses (if they are present in the area) is strongly depended on the infrastructure. The EU is aware of how much important the infrastructure is, so it tries to encourage member states to focus on this particular area in addition to fund some of it, mainly through the European Agriculture fund for rural development (EAFRD). Moreover, PPP projects constitute a huge opportunity for local businesses.

For some member countries, the way their infrastructure works in beneficial for local residents, however, for some it is the opposite. If we look at the quality of roads and railroads, we would find similar groups of countries in the top (Denmark, Germany or Netherlands e.g.), and similar groups of countries in the bottom, sadly Czech Republic is one of the bottom ones (EU Commission, 2018). We can also find data about the ratio of conventional energy and renewable energy usage in transport – the Scandinavian countries are in the front, the newest member countries in the bottom and Czech Republic somewhere in the middle (EU Commission, 2016). We could give much more examples of how far each country is in the development of its infrastructure. If we take the case of Czech Republic, sadly in most of the evaluations it is found in the lower part of the latter.

The roads are not in a very good shape, and what is worst is the development of highways, some of them are in critical conditions and some were supposed to be build years ago.

Furthermore, in today's world the technological infrastructure is crucial for smooth growth and development of the overall society. One of the EU targets for the year 2020 is to have at least half of the households and businesses connected to the "fast" internet (Agriland, 2018). This goal is probably not going to be reached, despite the fact that EU has made available some 15 billion euro to fund

this type of development (European court of auditors, 2018). As might be expected, urban areas are fine in terms of connectivity. It is the rural areas that are more likely to suffer from the lack of this type of connection, as always, there are couple of exceptions, like Belgium for example, where the fast connection is available in the rural areas (Stupp, 2017).

Again, the situation in the Czech Republic is far from ideal and we will probably have to wait a bit longer to get this type of connection to the Czech regions. There is a national scheme for reaching at least 30 Mbps for all households and at least 50Mbps for 50% of the population (EU Commission, 2019). It is to be done through both governmental and private investment. If we, however, compare this plan to the Belgium one, we find out that the Czech plan is quite unambitious – the Belgium governmental scheme plans on having at least half of the household connected by the speed of 1Gbps and ensure 4G all over Belgium with the possibility to get 5G as much as possible (EU Commission, 2019). Underdeveloped internet connection is a barrier to the growth of businesses – the opposite would be a large advantage not only for setting up and managing companies.

To conclude this sub chapter, in the current state of affairs level of infrastructure varies across the union and in Czech Republic it is more of a barrier to the development of rural areas than anything else. EU wants to support development of the infrastructure, but it is up to member states to plan out more on how to use this money efficiently. Plus, the municipalities have to cooperate on this with the governments, and that leads us back to the original barrier – lack of modern, future oriented minds in the local leaders.

2.3.3 Structure of the economy in rural regions

In order to determine the structure of the industry in rural areas we have to add that based on the methodology used by the EU, there is also an intermediary between rural and urban areas. Given the fact that this thesis will later on focus the Czech Republic, where the intermediate regions are present, we should always mention the numbers for these areas too.

In the simple division of primary, secondary and tertiary sector it is a bit difficult to say which of these are the most common in rural areas across the whole union as it largely differs among the member states. In general, we can say that in the countryside it is more likely to find companies, entrepreneurs or self-employed people in the primary and secondary sector, as most of the people working for the tertiary sector do not need the land or space found in the rural areas. Even though that there are more people working for the primary sector, one might be led to believe that thus the primary sector would create the most value. In some cases, it might be true, but not for the whole EU. Actually, the tertiary sector is the biggest one in terms of employment and created value. For rural areas, services represent over 50% of the infrastructure. Nevertheless, both primary and secondary sectors are also important, and we can be positive that they are more

important for rural areas than for the urban ones. To put it in numbers – in terms of the structure of the economy, primary sector represents around 5% and secondary sector around 30% of the overall structure of the economy in rural areas. On the contrary, the primary sector is present in the urban areas by less than 1%, and the secondary sector just around 5% (EU Commission, 2018).

The level of importance of the sectors depend on the country's history and available resources – the role of primary sector (in terms of how many people the sector employs) is especially important for countries like Poland or Romania, but also Greece or Portugal (DG Agriculture, 2018).

On the other side of the scale are Luxembourg or the UK. Czech Republic is somewhere in the middle. On average, in 2014 only 14% of working population is employed in agriculture, forestry and fishing, this number has been decreasing for more than 10 years. In comparison in 2005, the average of employed people was above 16%. We could include the numbers for the intermediate, which would add 6% of the population to year 2014 and 8% to 2005 (DG Agriculture, 2018). The change is not big, but the trend is clear. We can only assume what is the trend of the decline; if its better technology and thus more efficient work requiring less labor, or if it is overall decline in the industry.

We can also look into the importance of the businesses in the rural areas in terms of its economic growth. In general, the value that rural areas add to the overall GDP of a European country is smaller than the one produced in urban areas (European Parliament, 2017). It does not necessarily mean that the outcome of rural areas is of less value, it can be due to other factors, like the fact, that there are less people, thus less working power. To be precise the difference of GDP per capita creation in rural areas vs urban areas is over 40% (Eurostat, 2018). What might be unexpected, though is that the countries¹ who rely more on the rural areas, have below EU average GDP per capita by 40%. (We have to bear in mind, that the GDP statistics is calculated per household, not the place of work).

Another way how to measure the results and impact of the primary sector in rural areas is through Gross Value Added (GVA = how much value has been added to the product by the particular company or subsidiary). On EU average the primary sector in rural areas generates around 4% of the total GVA. Here again is a difference of the numbers for different countries and we can see how it matches the East – West division. For Bulgaria or Romania, the GVA of primary sector in rural areas is almost 10%, in opposite to the countries like Germany or Belgium with GVA of primary sector in rural areas around 3% (European Parliament, 2017).

¹ E.g. Bulgaria, Latvia, Romania

2.3.3.1 *Primary sector in EU rural areas*

Even though that we learned in the previous subchapter that the primary sector doesn't represent such a big share of the rural infrastructure as one might think, it is still very important for rural areas. For simplification, in the following part *agriculture* will be representing the primary sector.

A lot of people across Europe actually work in agriculture either as self-employed farmers or as employees of agriculture business. Furthermore, we have to talk about agriculture when talking about the development of rural areas on the European level for one simple reason. The EU agenda significantly focuses on the support of farmers and agriculture in general (there is direct and indirect help through funding and other financial instruments, in addition to strategies and policies directed towards agriculture).

Farming in itself is definitely not a barrier of development, the opposite actually. Nevertheless, the development itself can be problematic due to several reasons – aging, climate change and maintaining sustainability.

Regarding *aging of population*, in the primary sector is it similar to what has been explained before. Young people are leavening the countryside, so the average age of farmers increases, and the number of farmers decreases at the same time.

At this point, the strategy to turn this around is in infancy. Currently there are qualitative and also quantitative analysis going on, that will hopefully guide the political representation into the right direction on how to attract young people to become farmers, how to educate them and most importantly how to get them engaged in the whole process (EU Commission, 2017).

Furthermore, there is an emphasis on the support of woman, who historically have not been involved in the agricultural business, and also on migrants from in and out of Europe (Eurovia, 2018). Another way of support is setting up hubs and clusters that would serve as source of information to both potential farmers and actual farmers, and it would be a place of socialization.

This problem applies to Czech regions as well. The government is aware of the problem and wants to help the regions to solve these issues, it has to do so with the cooperation of the EU of course. (Government of the Czech Republic, 2018)

Regarding *maintaining sustainability and climate change* – increasing temperatures in combination with less rain causes a huge problem to the agriculture globally and EU is no exception. At the moment agriculture production, especially breeding livestock causes an increase in the non-carbon dioxide greenhouse gas emission like methane for example (Fellmann et al., 2018). Even though EU is not the biggest contributor to this increase it still constitutes about 7,7% of the global greenhouse gas emission (European Environment Agency, 2017). In addition, the primary sector is extremely depended on the climate. Just in the last few years, farmers have experienced extreme temperatures causing major losses to their businesses. For example, in Czech Republic the loss was up to 20% of the average production of past five years (Hosenedlová, 2017).

The barrier of growth in this context has the following structure – firstly, farmers have to adapt to the temperature changes by producing more suitable crops for such an environment. Secondly the way they function has to be built on concept of sustainability and lastly, to overcome this challenge, there has to be more complex cooperation between the farmers and political representation. Agriculture produces essential products for the whole society and thus needs to be supported by the government. If it was not supported and farming would become unprofitable, farmers would have no incentive to continue their business and most probably would quit. The government cannot let that happen and thus has to help the farmers through subsidies and other financial aid.

The change of temperature has different impact on different countries. For the northern countries, the warmer environment prolongs the harvesting season, which at first might be a positive thing. The overall impact on EU production, however, is negative, as for the southern countries who have historically been more agriculturally oriented, this means shortening of the season and it is impossible to grow some crops as it is too warm for them. The warm and dry weather does not impact just the crops, but also the insect or other animals that are crucial for the harvest (European Environment Agency, 2016). This is not bad only for the farmers, but for the whole communities that live of harvesting, not to mention the people who later on consume these products. This is a clear barrier of the development as less people will be able to make living out of farming and it might make even more people leave the countryside, stressing the problem described previously.

Producing less food is not really a solution because there are some crops like wheat that is mainly produced in the EU and exported to other countries (Eurostat, 2017). Decreasing production of these key ingredients could have fatal consequences, it might lead to significant increase of prices and make it impossible for some people to reach for the products. On the other hand, meat and dairy production have the largest impact on the increase of the greenhouse emission, therefore decreasing the meat production could work as one of the solutions.

Furthermore, in most countries especially in the west part of EU there is a great culture of family businesses in agriculture. It is more convenient for the development of farms in today's world, because the employees have deeper relationship to the land and try to preserve it for future generations. That means using less pesticides and other chemicals that increase the emissions even more. Even though that the bigger agglomerates in EU constitute only 7% of the farming industry, they operate on more than 50% of the EU land (Tramba, 2018). Similar situation is in the Czech Republic, where the agglomerates own most of the land, and they either work on it themselves or rent it out to single farmers.

In order to boost the sustainable development of primary sector in rural areas, governments and EU should support smaller farms and held the agglomerates accountable for responsible production.

2.3.4 Underdeveloped technology

The topic of digitalization and technology in rural areas has been mentioned in this thesis before, however, the fact that in some countries, and Czech Republic is no exception, is highly underdeveloped in this field constitutes a barrier of growth. The divide between rural and urban areas in terms of technology is still growing and this trend is likely to continue (Koen et al., 2017). Population with higher age average and lower degrees of education is less likely to accept and pursue the much-needed change that would lead to the technological development.

EU wants to help with that, as was said in the previous chapters through different policies and strategies, like the Horizon 2020 and others.

Nevertheless, there has been criticism on these strategies, saying that they are too broad and vague and that in order to really achieve something, the strategies need to be designed to fit local needs and specifications (Koen, 2017).

We can finish this chapter by adding that in terms of technological advancements in rural areas (that would create opportunities both for people and businesses) Czech Republic is somewhere in the middle of the scale, with Denmark in front and Bulgaria in the end of the ladder (Cristonal & Bodwig, 2018). The purpose of this chapter was to show that technology, in today's world, is a great tool for developing rural areas to higher standard of living, but if they are underdeveloped than they function as a opposite, as a barrier.

3 Development of rural areas in the Czech Republic

Czech Republic is divided into several regions with a large city in the center of every region. The biggest and the most successful one in terms of economic profitability (largest HDP per capita) is the Prague region, with 2-3 times better performance than other regions (Ministry of regional development CZ, 2013). Also, in 2014 the average GDP per capita² in the whole country was 81% and in Prague it was 175% (Czech Statistical Office, 2014).

The capital and its suburbs have experienced a significant growth of population in the past few years. Living in a city vs living in a village has obvious pros and cons. Despite the fact that most of the high-value added production is concentrated in the city, and thus the people living there tend to earn more money, they have to struggle with more traffic, worse environmental conditions etc.

The level of economic performance of individual regions is dependent on multiple factors ranging from the industry present in the area to historical events that happened in the particular place.

On the other hand, there is a significant potential to grow and develop in most of the regions. That could be done by supporting different kinds of economic

² in relationship to all the countries in the EU = 100%

activity, like boosting tourism outside of the capital city (Česko v datech, 2017). Or development of the secondary industrial sector to be more knowledge driven. At the moment, Czech industry is highly connected with mainly the German market, functioning as a sub supplier to mostly the automotive one (Ministry of Business and Trade CZ, 2018). Most of such production is based outside of big cities, as financial and other services are base in urban areas.

Nevertheless, given the right support and setting appropriate goals, this could be inversed to more high-value added production, to be more independent and equalize the different standards of living in Prague and rest of the country.

As a clear result of this dispersion of the different levels of development, the government and also municipalities are trying to implement policies and strategies, that would make the regions more competitive. There are several documents on which the strategies and goals are built upon. The most important one, relevant for this chapter, is the “Strategie Regionálního rozvoje ČR na období 2014- 2020”, which is a summary of all the steps that are necessary to take in order to fulfill the goal of developing Czech Regions.

Author and also gestor of the strategy is the *Ministry of regional development* (MMR) whose role is to overlook the process and make sure that the relevant actors have all possible means to access the resources. In addition, it is in charge of the administrative issues.

Another body is the *Ministry of Industry and Trade* (MPO). Its most significant function is giving support to businesses mainly in the area of R&D/innovation. This task is perfectly in line with the government’s plan to make more value-added products in the country.

Moreover, there are political representatives in particular regions. Even though they are not in the “leading” positions, they communicate directly with businesses, NGOs and other parties as well as with the ministries. Smooth communication is crucial to fulfill the goals.

Last actor that should be mentioned in this brief introduction is the EU. The reason for that is twofold. First of all, the EU serves as a source of income for many projects regarding this topic. There is the fond for financing such projects, which is related to the already mentioned Common Agricultural Policy (European Commission, 2014). There are other funds that can be used like the European structural and investment funds or Partnership agreements between individual member countries and the EU Commission. Second of all, most of the strategic planning of local governments has foundation in the policies and documents of the EU. The methodologies are usually the same or very similar, this applies for the Czech situation as well

3.1 Strategy of development of rural areas in Czech Republic.

Purpose of this subchapter is to show the approach of Czech Republic towards the development of rural areas. The main points and logic behind the policies are very similar to the EU ones. Therefore, we will only focus on the local specifics.

3.1.1 Typology of Czech rural areas in regard to business activity

EU has created a way to distinguish different types of regions based on their economic performance, population, education, level of development etc. (Eurostat, 2015). The original idea has its roots in the way OECD classifies regional areas, and the purpose is to make statistical reports and comparison throughout the union easier (OECD, 2018). Now it also serves as a tool to decide where investments should be made, or which regions need more support.

In short, the classification has three different types, based mainly on their size. It goes from NUTS 1 to NUTS 3, with 1 being the biggest areas (Eurostat, 2018).

Czech Ministry of Regional Development has come up with its own specific classification of rural areas. If it was necessary remains questionable, but we have to stress out that this division tries to incorporate the effect of bigger cities on the regions. Even smaller areas that, based on their size could be in the EU's way classified as not that important, can actually be the opposite as they might be closer to a bigger, economically well off cities. It also includes other factors like the potential of the region in terms of demographics, presence of businesses, employments rates etc. To cut it short the classification of the ministry goes as follows (MMR, 2013).

The first type is *Developed areas* that are well off and do not need much support from the government. They usually have one bigger city in the center and then suburbs, where the people who work in the city live. The areas face problems of urbanization, like pollution or large differences among different social groups (National Geographic, 2017). The developed areas are not so much of in interest for the topic of this thesis as they rarely include rural areas.

The second type is called *Stabilized areas*. They constitute a sort of middle man, as they do not struggle with specific types of problems like unemployment, above average rate of poverty or deurbanization. However, there is no major economic or cultural hub like in the first type of regions. They do not need as much help as the third region that we will talk about, nevertheless they should be supported so they can turn the *Developed areas*.

Third type is *Peripheries*. In general, those areas lack most of the things that the first two have. There is not vibrant city in the region, there are problems like unemployment, higher share of the population living in poverty or at the risk of poverty (a person's income is less than 60% of the national median income after social transfer), plus developed infrastructure is usually missing (Eurostat, 2018). Common factor for *Peripheries* is that most of its citizens are traveling to work and education outside the particular region. In addition, the density is really low, below 100 citizens per square kilometer. These locations need precise and

efficient support as they face the biggest threats. Additionally, it is quite difficult to incentives people to move/stay there or the companies to voluntarily locate business in those regions.

3.1.2 Specific support programs

As explain earlier, the local government altered some of the EU's strategies that aim to help rural areas and specifically businesses. The main philosophy of the local support remains similar to the priorities of the EU as it emphasizes Competitiveness, Sustainability and Cooperation between private and business sector.

Generally, financial help from the ESIF is managed through operational programs (OP) (Dotace EU, 2013). OPs connected to rural areas are the following. First and most important is *Integrated Regional OP* that is specifically focused on rural development.

Another important is *OP Enterprise and Innovation for competitiveness* and lastly *OP Research Development and Education*, because R&D, as we learned before, is crucial for successful development.

The way OP work is that each program has its gestors, who manage the whole process, a ministry for example. And then there are more subjects that evaluate candidates and business proposals, decide if the candidates are suitable to get funding, and later on check if the money were used well and according to the rules.

This chapter illustrates the interconnection, but also differences of strategies and action plans of EU and Czech Republic that are relevant for the topic of rural areas development and SMEs. We can see that there are many policies aiming to help business to grow and evolve in a sustainable way. Later on, in this thesis we will analyze, if the polices are working efficiently, mainly in the opinion of the businessowners and non-governmental institutions.

4 Interviews

The following part of the thesis is divided into several sections. First, there will be a summary of the first two chapters. Second will be an introduction to this part, where the approach, regional limitations and used methods of the following analysis will be explained. Moreover, the most important sections of this part are description of interviews and the content analysis itself.

In the previous chapters we have drawn the theoretical base needed for the interviews and further analysis. As the research questions focuses on CSR in SMEs and also on rural regions, the ways they are supported by the public sphere and why, had to be explored. The theoretical background of CSR enables us to understand what the concept means today (in academic literature). The other

chapters outlined problems that rural areas face. And also, action plans and strategies of the EU and local governments that want to tackle these issues. Furthermore, these action plans claim to support sustainable and responsible businesses and part of the research is to find out if the companies know about it and use the opportunities that the plans offer.

Shortly, one conclusion from the previous section is that rural areas across Europe are found in a vicious circle of decline. The EU, its member states and other political representatives or organizations are aware of this fact and thus try to implement or create strategies, policies and funding to support these regions. Important branch of the policies is to give support to businesses as they can attract people to stay in the areas and so that they can produce value to the particular areas and so on. The purpose of this kind of help is logical as in the “classical” theory of economics, businesses’ only goal is to satisfy its shareholders (profit maximizing companies), thus they are unlikely to set up businesses in declining rural areas, because it most probably would not lead to the biggest profit possible.

The second conclusion is that the concept of Corporate social responsibility has many definitions and interpretations, so we have tried to define it in line with the latest trends. The result of it is that if company adopts CSR logic into its strategy, it should look for more than just economic bottom line. Consequently, we can conclude that if companies did adopt CSR, it would have a positive impact on rural areas. At that point the two theoretical parts connect.

In the third part, therefore, we will examine whether CSR is a trendy and meaningful topic for the businesses and other relevant actors, and if not, what can be done to change that and whose responsibility it is.

Regional limitations

The scope of this thesis is to examine the relationship between the concept of CSR implemented by companies, and also the development of rural areas. What is the connection; if CSR can help to stop or at least slow down the decline, what is the business owner’s perception, do they communicate with local municipalities etc. Because of the pre-determined length of the thesis, this thesis cannot address this topic for one whole country as that would require much larger research. Given this fact, the area in focus had to be limited into one particular region. For the purpose of this thesis Central Bohemian Region (CBR) was chosen.

The reasoning behind this choice is the following. First of all, in the center of it lays the capital, so it is in a shape of a circle. The inner circle of this region is quite rich as lot of people go for work to the capital and thus, they earn wages on the level of the capital city. Because of that, CBR, on paper seems wealthy (Holanová, 2016). Nevertheless, the fact that people from the suburbs and related areas work in Prague means that they create value in places other than their place of residence. That is in line with the notion of declining rural areas, as in this particular case the rural areas function just as a place of accommodation.

Consequently, companies in those areas struggle to find qualified employees, and are either forced to shut down or have very limited possibilities to grow or expand.

Second, as opposed to the inner circle, there are periphery areas, which are quite poor and face the problem of aging and other book examples of the decline of rural areas. Young, ambitious people are leaving for bigger cities for work or education and are not coming back. So, the periphery loses not only workers, but residents in general. Third, as the capital, which is the center of business and education is in close proximity, companies in this area can be affected by the source of new trends and innovation, so they have slight advantage over companies in other regions.

Therefore, the region itself combines most of the problem rural areas face in general (ageing, leaving for work/education, etc.).

The last reason why CBR was chosen for the research part is that it is quite big, therefore the potential customer/employ/research base is relatively large and offers more opportunities for research.

Approach to the interviews & analysis

As mentioned before, qualitative research (in this case interviews) was chosen over quantitative as it would not be a suitable method for this topic at the moment. It could, however, be used in the future. Now, the topic and also the debate surrounding it is still pretty unclear and blurry. Getting data for such a type of research would be hard as we would need a bigger sample. For future researchers it might be interesting to explore bigger geographical parts, or maybe compare the situation in more EU countries.

The main topic of the interviews was whether companies know what CSR is (that means if they understand it in a similar way that was defined in the first chapter of this thesis), and if they have implemented it in their strategies or at least plan on doing so. The point was to get more in-depth information, so there were follow-up questions asking the reasons why they did or did not implement any CSR principals, that applies for the interviews with business owners. And why they do or do not encourage business owners to do so, that applies in the interviews of state funded organizations, or NGOs. The interviews were semi structured with predefined areas of discussion (To examine the structure of the interviews please see Appendix, *Structure of interviews*)

Further part of the interviews tried to explore the relationship of companies towards the location where their business operates. If they employ locals, use as much local products as possible or try to have local suppliers (if the nature of their business allows it).

Regarding the other groups of respondents, the goal was to see, again, if they somehow help the businesses to care about the particular location.

From the theoretical background, we know that support and development of rural areas are part of a governments' and EU's mission, so it is only logical to

assume, that state funded institutions have also incorporated the mission. Purpose of those interviews was to verify that. As in the research sample, there are also respondents from non-government sector, claiming that they want to help businesses implementing CSR. We could also compare the approaches of the NGOs and state funded organizations and make suggestions on how to improve.

Most of the informants are business owners (SMEs), whose companies are present in CBR as that is the area of interest. Of course, the sample is already limited by the fact that only a fraction of the addressed business owners was willing to meet for an interview. That already shows a certain interest in the topic or perhaps a willingness to help with a thesis. We have to bear this information in mind when interpreting the analysis in order to be aware of some bias that the respondents might have.

As already mentioned in this chapter, the topic is quite complex and there are a lot of actors that would have something to say to it. For that reason, the other interviews were conducted with the following players.

First one was a coordinator of the Agency for Entrepreneurship and Innovation³ (API) for CBR. This organization helps business owners in case they want to use European funding for their business. Every entity that gets the funding has to accept the conditions and requirements of the EU programs, that we described in the first part of this thesis. The purpose of this interview was to find out the intentions and feelings of responsibility of the applicants.

The second one was an employee of the Středočeské inovační centrum (SIC)⁴, which is focusing on several areas, mainly connecting companies, preferably SMEs with academic institutions in order to come up with new, more effective, more environment friendly products or the process of production (SIC is founded by the regional government, not by EU like API for example).

The goal of this interview was to find out how SIC approaches CSR, how important it is for them during decision making on which companies will get help. If it is important then how do they measure it, what is their opinion on CSR and if the companies which they are helping actually care or implement any part of CSR philosophy. There will be more information on the interview in the following part of this thesis.

Third group of respondents were NGOs or other non state funded institutions, like organizations that try to gain awareness of CSR in the country by organizing competitions of the most responsible companies, they also do workshops and seminars or consultancy hours. Respondents from these organizations should have a complex overview of the situation in Czech Republic in regard to CSR.

All of the interviews will serve as a platform for further analysis, aiming to design a proposal of suggestions to improve the situation, also define whose responsibility it is (public or private sector) and lastly evaluate if CSR can play a

³ Agentura pro podnikání a inovace. <https://www.agentura-api.org>

⁴ Středočeské inovační centrum. <https://s-ic.cz/en/>

role in the development of rural areas. In the description of the interviews, we will sometimes support the claims with direct citation of the respondents. However, the interviews were led in Czech, therefore the citations are translated by the author of the paper into English.

Following the phase of interview is thematic (content) analysis (Krippendorff, 2013). This method involves 6 steps. The first one is “Familiarization”. It is the phase of going through the gathered interviews and getting to know them in detail.

The second one “Initial Coding” assigns codes to the data. In this case, code means something that can describe, in few words, the content of certain parts of the interviews.

Next step “Searching for themes” finds patterns in the code and put it into groups with similar themes. That can be done deductively or inductively. In this thesis, the deductive approach was chosen as it allows the research to interpret the interviews with more emphasis on the context of the theoretical background (Braun & Clarke, 2006).

“Reviewing themes” stage follows, where themes will be narrowed down based on the relationship among codes. It should be clear how the theme was extracted and to what degree is it relevant for the topic of the paper.

After that is the phase of “Defining and naming themes”. Each of the themes will be carefully defined and described so that a clear story is behind each of the theme.

The themes serve as a basis for the final stage “Producing the report” where a review of the themes is written in a coherent way, leading to the answer of the research question. *What is the perception of CSR by SMEs in the context of declining rural areas, and what steps could be done in order to strengthen it?* Ultimately the themes should help formulate a set of recommendations on how to increase the importance of CSR for SMEs.

The thematic analysis was chosen as it allows for the identification of patterns in the gathered data. As the interviews were conducted with various respondents, finding a relationships and common grounds was important in order to answer the research question, in addition to gaining a comprehensive overview of the whole topic.

There are, of course, different types of methodology that could also be used and might well serve the aforementioned purposes. For example, creating an ethnographic research based on observations. But that would require the researcher to observe behavior of business owners or other actors, which might be difficult to report due to confidentiality. Furthermore, we can assume that if any businessowner allowed observations in their facility, he would be really interested in the topic and thus be biased even more than the sample gathered for the interviews in this thesis. Therefore, interviews were selected as the optimal option.

4.1 Business owners

In the following part, 7 interviews with business owners who have companies located in the CBR will be analyzed. In the sample there are SMEs present in the CBR, but they are in regular contact with companies or clients from abroad as they have already expanded there, or they have the ambition to do so, and one of the respondents was an employee in a branch of MNC. Their background is from various industries, that include both service-oriented companies and also manufactures. As was said before, there were more companies asked to participate in the interviews, to be precise 40 companies across the region. Only 10 replied and out of that 7 replies were positive. The goal of these interviews was to gather qualitative data about the companies' approaches and attitudes towards CSR and to see if they feel responsible for their place of business. Then to find out the motivation behind the answers. The interviews were semi-structured with predefined areas of discussion as was described above.

Furthermore, the gathered information will be used to explore the current situation and by using content analysis, patterns and important topics will be identified. And serve as foundation for designing proposals and suggestions in the final phase of the analysis.

The interview started with set of questions focused on the companies' understanding of CSR and how they exercise it in practice. Most of the respondents correctly identified CSR as a strategy built on three pillars of economic, social and environmental consciousness. In half of the companies there was somebody from HR or Marketing department formally recognized as being responsible for CSR, in the other half it was not clear who is responsible. Additionally, when asked about concrete action relevant for CSR, only one respondent was able to give clear examples of implementing CSR into their business. Lot of it was in cooperation with a major car manufacturer in the CBR, and supposedly with no help of the municipality whatsoever.

Nevertheless, when asked about the companies' sense of responsibility towards the location of their production, all of the respondents said that it is one of their highest priority. Only one, though, was able to support the claim by evidence, for example that their employees have long term contracts, thus they are not using the services of work agencies.

In general, none of the respondents evaluated support from the public sectors as good or as sufficient. There were two main opinions. First was that the support is not transparent and comprehensive enough for example one respondent said that the support programs are "Well structured, but it is difficult to look for comprehensive and easy to grasp information about them" (Business owner respondent, personal communication, March 2019). In short, that it does not fulfill its purpose of actually providing the necessary support. The second one claimed that the support is well structured, but poorly presented. Supposedly to such a degree that it is too complicated so that nobody can make sense of it (apparently, the information available online is confusing and sometimes misleading).

That is relevant for the support from the EU or national level. On the local level, two thirds of the respondents said that they communicate with municipalities on regular basis and that the communication is seemingly alright, however, they also added that there is definitely space for improvement. One respondent said that they “try to talk to the municipality, but the communication is not efficient” (Business owner respondent, personal communication, February 2019). In general, it is “very unproductive and inefficient and they do it only when necessary for strict formal purposes.

Another topic focused on their opinion on the advantages and disadvantages of having businesses in an urban vs rural area. All the business owners struggle with a shortage of employees and naturally the problem is worst in rural less densely-populated areas. Couple of the respondents said that having business in rural areas has made them more responsible towards the location as there is less anonymity than in a city, so they are more watched by the community. The question is if, the community cares.

The service-oriented companies said that there is a huge trend of being responsible and thus they have to act accordingly. The trigger to implement CSR to their business were the customer needs, not the business owners’ belief. One of the business owners mentioned that they “use as much local sources as possible, because it is modern trend to do so” (Business owner respondent, personal communication February 2019). So, though the rationale for implementing CSR did not come from within the businesses’ strategies, it nevertheless brought about CSR effects.

Last thing that was a problem for all the respondents is the lack of infrastructure in rural areas, covering all areas from digitalization to the quality of roads.

When we put the answers of the business owners from CBR and their complaints (lack of potential employees, bad infrastructure, malfunctioning communication with the municipality) and the policies of the government and the EU covered in the second chapter of this thesis, we can see that the policies correctly identified the problems but fail to address them efficiently. In the following interviews we will discover opinion on the issues from the other side, by representatives of state funded institutions.

4.2 State – funded organizations

The next set of interviews was conducted with representatives of organizations or agencies that in some way provide support for companies in the Central Bohemian Regions (they help the companies to grow, get funding etc., the details on that will follow). What they have in common is the fact that they are funded from the national or the EU budgets. Therefore, when these companies are considering an applicant company (client), they have to run a check on the company to see if it fits within their corresponding segment and also if it’s in compliance with standards they have to meet.

Among other things, during the interviews we wanted to see if the “check list” contains any CSR oriented parameters. The focus of the following analysis is mainly on the social and environmental branches, as we can safely assume that the economical branch (that the project has to generate economic value) is present in the check list.

4.2.1 Agency for Entrepreneurship and Innovation (API)

API is an agency that helps mainly SMEs to obtain funding from the EU sources. To be precise from the *Operational programme enterprise and innovation for competitiveness* (OP PIK), which is a branch of EU funding designated to support companies in regard to innovation. This agency is state-funded and operates as a middle man between the companies and the Ministry of trade and industry as that is the main gestor of the program. API publicizes incentives in various fields from fast internet connection to reusability of energy. It also functions as a consultancy group to companies that might be interested in obtaining funds from the EU. They organize seminars and workshops usually in cooperation with local municipalities.

The interview was conducted with a project manager of a regional branch of API, whose focal interest are activities by companies in CBR (API works across the entire republic, but it has its representative branch in every region, therefore the answers only apply for this specific region). The reason for selecting somebody from this agency as respondent is rather simple.

First, it works directly with businesses, so they know what the approach and opinion on responsibility is towards the location where they have their production.

Second, even though there is no specifically set principle of CSR within the API's check list for determining the applicant's eligibility for receiving support, there are couple of principles in line with CSR philosophy. The way OP PIK works is that it is divided into five main priority groups, R&D for example. Across all the priority groups there is an apparent emphasis on sustainability, equality of opportunities (basically equality for all, from gender equality to age equality). These principles definitely aim to enhance the importance of responsibility of the given companies.

Third, because API not only helps with obtaining the funding, it also gets feedback and reports on how the whole process of projects went down, they should have significant awareness on what companies struggle with, how they feel about the help from state funded institutions or the general support from the government and the EU. It would thus be very meaningful from academic perspective to hear the API's point of view and subsequently compare it with the answers from the interviews with business owners.

Fourth, API does not work just with the companies, but with other organizations like Czechinvest, so the respondent should be well informed on opinions or experiences of other players.

Finally, all of the API's priority groups are relevant for the topic of this thesis. They focus on innovation, SMEs and reusability or more effective energy management. The fourth one is focused on development of fast internet connection.

API's approach

The respondent said that even though they should not support any company that does not include at least the notion of sustainable solution, they do not pay that much attention to it. For example, if a project gets approved, there are usually two important time periods which are considered by the API. The first period consists of the time it takes to complete the project. The second is "period of sustainability", in which the project or results of the project have to last. The respondent said that it is all they check in terms of responsibility and sustainability.

Apparently, they do not have the capability, capacity or means of measuring responsible behavior of the company. So, they mainly focus on the application and what description is there, unfortunately they do not go out in the field to verify it. The API's representative mentioned that "we do not have the resources to go out in the field that often, we are swamped here as it is" (API's representative, personal communication, March 2019)

Also, the respondent said that a project that will produce any kind of pollution does not have to prove that they will do as much as possible in order to ensure their carbon emissions are as low as possible. It is enough if they show the intention of doing so, which, of course is not nearly enough in reality as it is does not necessarily mean it gets translated into practice. This comes as a surprise, because there are various ways to find out if company is doing its best to keep the emissions as low as possible. The easiest would be to require any international certificate like ISO 26000, or European standards like Ecolabel certificate issued by European Commission or its representation (EU, 2019), another possibility would be to follow the GRI (Global Reporting Initiative), of course those are just examples. There are multiple valid ways of proving whether an actor undertakes environmentally friendly precautions and measures. In this case, the costs would be on the side of the company.

The second option is that the gestors, or any sub gestor, like the API for instance, would do pre-checks and then regular checks of the company's action. In this scenario, the costs would lie on the side of the public sector. Even though that it might be more time consuming, it would be worthwhile to check such an important aspect of business, especially when the company in question is funded by the public sector.

CSR in API

When it comes to the CSR activities, and the question of how both the companies and the API approach it, the respondent says that as an institution they do not need any certificate proving that the company is in line with at least some of CSR requirements. The only thing relatively related to that is the previously mentioned need for the project to be sustainable even some time after it is finished (the time depends on the project, for instance road infrastructure has to last more than 10 years after it is built). When specifically asked if they check for example where employees of the companies come from, meaning if they are members of local communities, if they travel long distances to work or if they are even employees of a job agency, the response was negative. The same reaction was to a question regarding disabled or handicapped employees.

The respondent's feeling and opinion is that business owners sometimes come with a plan on doing something socially responsible, but it is almost exclusively just a side effect to a different plan. In short, they would do something socially responsible, but only if it would be in line with their primary goal of generating profit. According to the respondent, it does not even occur to the companies, he in touch with that the two could be connected. However, as shown in the theoretical section, they can be very efficiently linked to with positive CSR impact and increasing profit (Baric, 2017). Best examples for that is when companies try to get funds for more ecological solutions to energy solutions. Reusable ones usually cut costs in the long term. Same goes with projects aimed at innovation and R&D. Arguing for the implementation of CSR primarily because it helps to increase profits might seem as at odds with the concept of CSR as the adjustment of priorities of for-profit businesses. However, at this stage it does not really matter what drives the companies to make more responsible decisions as long as they are actually doing them. The argument here is that over time they will come to embrace the CSR concept as their own as they will see that it complements their profit-driven strategy. On the other hand, apparently there are some inconsistencies in the EU policies which complicate or outright disrupt slowly gained momentum of the businesses towards CSR.

The respondent expressed a struggle of companies who would like to have suppliers based only within an immediate area (radius of 500km for example) to decrease the environmental footprint. However, if these companies want to get financial support, they cannot pursue such a strategy because it might be classified as a discrimination of suppliers from other countries in the union. Nevertheless, if the companies really wanted to partner up only with nearby suppliers, it is them who have the final decision. Thus, due to the EU policy, the businesses are actually incentivized to pursue strategies which run opposite to the concept of CSR.

Social branch of CSR can be in many different forms. As API choses which company it will help, it needs something that is measurable. In the context of rural development and the problems it faces (ageing of population, local working or moving to bigger cities), the question was if API looks at who the company

employs. If it is the local, or if it uses work agencies. In the Czech Republic, most of the work agencies do not have a very good reputation, there have been documented cases of violating the labor code and in general, not very good working conditions (Uhlova, 2017). The answer was also negative, they do not investigate who the company hires or any other parameter that could go under the social branch of CSR. In this case, however, it is a bit complicated as the job market at the moment is on the peak and lot of companies struggle to find quality labor force. Nevertheless, API has never look for such parameters, so the fact that today many companies have no other option than to look for employees in work agencies is no excuse.

Up to this point, the interview was described and critically evaluated. In the following chapter, this assessment will serve as a base for an analysis of the problem and further suggestions.

4.2.2 Central Bohemian Innovation Centre (SIC)

Respondent of the second interview was a Head of strategy and Analysis department at SIC. First, we will briefly explain what SIC does, and how it differentiates from API (both help companies in the CBR, but API helps with projects that want to be supported by EU resources, SIC is financed from the regional budget).

The philosophy of SIC is a bit difficult to explain as their strategy has been changing every year (over a course of three years they have had four directors), so they could not get together a proper document. However, in the past year a new and promising director has been elected and they already started with defining the strategy. The interview actually started out with this topic as it is important to know, if we want to understand how SIC supports selected companies and what is the reasoning behind selecting specific companies, as there are more potential clients than they can serve.

Despite the fact that their formal strategy has been ever-changing, the goal has been the same from the beginning and that is to connect academic institutions (mainly oriented on technological innovation) and companies in CBR. Even though they sometimes have MNCs as clients, the focal clients are SMEs. As was shown in the previous chapter, there is a theory on Innovative CSR and how are these concepts very much interdependent. The work of SIC could serve as a proof that such a theory is applicable to the real world.

There are several ways of helping their clients. Firstly, their clients come up with a problem in their processes or just want to improve it, and SIC finds the right institution that have the ability and capacity to help the company.

Second, many of their clients have very high level, high-end product, but their marketing and brand management lacks creativity and the utilization of modern tools like social media etc. SIC, thus connects the firm with marketing experts to help them promote their product better. This branch of help is completely funded by CBR government.

Third important service they provide and is relevant for the topic of this thesis is that they create platforms based on a field of expertise, where companies can share their experience and help each other. Furthermore, present on the platforms are experts in the particular field who can in the form of consulting help business owners with any relevant issue they currently have (popular topic these days is passing on family business to second generations for example.) The fee for consulting is shared half and half between the SIC and the client.

Fourth, not surprisingly, they share success stories – best practices, so that anybody can get inspired by it, or reach for further help. Either the SIC, or the successful companies.

These activities aim at helping companies, but SIC also has programs for the public sector, like how to proceed in order to implement *smart village* solutions. Those, of course, will require cooperation with companies, but in the first step, a municipality has to come up with a strategy and then ask companies to participate. There are already some best practice cases of cooperation of a municipality and a company on a mutual goal of creating a smart village solution. Most of the cases are related to energy reusability solutions. All the cases, according to the respondent, are so successful because of a great cooperation between the private sector and the municipality. He also said, that in order to turn a classical village into a smart one, the first move has to be done by the municipality. Without a doubt, openness and awareness of the political representation is important, but as we learned in the theoretical chapters, if a company adopts CSR principles, it can definitely be the instigator, especially if it follows the idea of innovative CSR.

CSR in SIC

As with the previous interview, the main question was if they have any sort of CSR related parameters when deciding which company is going to get help from them. Apparently, the approach to CSR is pretty similar to the one of the API. Meaning that the concept is not included in the decision-making process in itself. However, they do look for some signs that could be considered as socially responsible. If CSR is important for the company, it shows that it does think about their mission in a complex way, which is something that SIC seeks. In short, CSR is an advantage, it might be part of a decision-making process, but it is not by any means a pre-requirement.

Their primary target clients are companies who want to grow, expand or move in any way forward, preferably technological companies, as they are most likely to seek innovation.

Also, as described earlier, the periphery circle of CBR struggles, and SIC is aware of that thus prefers to help companies from that part of the region.

Oftentimes, the clients have very good product, but are led by the same person for years, it is difficult to find drive and ideas within the company, and thus it needs assistance from the outside. Unfortunately, companies that fit such a description

usually do not seek help themselves, and SIC has to promote their services and actively reach out to them.

The respondent also said that a lot of their possible clients are former successful recipients of EU funding and that by asking for help from SIC, they aim to use the skills gained during the funding request. SIC is not really happy about that, as such a motivation of the potential client company does not fit into the previously defined group of targeted firms. The SIC representative mentioned that “obviously, those are not the ideal clients we would like to have, but they fit the general description, so unless we change that, there is not much we can do about it” (SIC’s representative, personal communication, February 2019).

Let us now move to the two branches of CSR that were also covered in the interview with API, the ecological and social branch of CSR. Regarding the ecological one it, again, is not a main topic for SIC. However, throughout the organization, it is important that the supported companies have goals that should have positive impact on their surroundings. Therefore, we can be sure that SIC would not support any project that should have negative impact on the environment. Nevertheless, it does not seek necessarily seek out projects primary goals of which are to be environmentally friendly. One last note on the topic of environment would be that among the examples of best practices are companies that in cooperation with academia and municipality came up with some very ecological solutions, like new Industrial water treatment or biogas plant in Knežice. So, SIC at least supports the ecological branch in this way. It is not insignificant, but not enough to consider it as a CSR parameter.

Regarding the social branch of CSR, the case is pretty similar to the one at API in the sense that it is not present in any official document or process to check how the company treats its employees. However, despite the fact that is not in an official procedure, having high-quality working conditions serves as an advantage for potential clients, so it functions in the same way as with the environmentally friendly solutions.

To demonstrate their approach, we can look at a real-life example. SIC had several candidates and based on the “official” parameters none of them really stood out. However, one of the possible clients was a car components manufacturer based in the periphery circle of CBR, and majority of their employees were locals. Even though, it did not have CSR strategy per say, it was chosen over the other candidates due to the fact that it adopted at least some socially aware business policy.

To sum up the interview with the representative of SIC, the agency does a little bit more in terms of CSR than API as it at least considers some of the CSR aspects despite them being absent in the “official parameters”. This is a certain pro-CSR measure as it eventually provides incentives for other companies to do something similar (assuming that the candidates who lost know why the winning candidate won). This will serve as foundation for the further analysis and suggestions proposal.

4.3 NGOs

The following interviews were conducted with members of NGOs or other organizations that are either focused on CSR or SMEs, and are not state funded (they were not set up by the state and their primary source of income if not from a public budget, however, they can still be in some way supported by the state) The purpose of these interviews was to find out how the respondents approach the topic. For example, if the organization representing SMEs has any sort of strategy for CSR. Again, it is supposed to be a base for further analysis and suggestions proposal.

All of the respondents are employees of the particular organization.

4.3.1 Association of Small and Medium-sized Enterprises and Crafts (ASMP)

AMSP is an organization that functions as a platform where SMEs from all around the country can gather, share their experiences, problems, best practices and others. It is also a lobby group, which represents SMEs in public and political debates. For example, when new legislation regarding business in the country is discussed, ASMP represents the interests of SMEs and tries to persuade politicians to vote in favor of SMEs interests. As the association is in regular contact with SMEs all over the country, it seems like a perfect candidate for an interview – ASMP's representatives should know the problems of SMEs front and back. In addition, it should have an overview of the current trends among SMEs, including the approaches they are taking towards any current issue.

CSR is definitely a trendy topic in Czech Republic (in a sense that it is talked about), so one could assume that such an important association would have some program or strategy regarding the topic. Unfortunately, when they were asked to elaborate a little more on the topic, the response was negative. Apparently, ASMP does not have the topic of CSR quite worked out yet and could not estimate in what time horizon it will do so. We can be sure that it means that CSR is not a priority at the moment, nor it is counted as an important issue for the future. On the other hand, they, in some sense, work in cooperation with an association of social responsibility (ASR), so there is miniscule yet tangible connection. Nevertheless, it is clearly an insufficient measure to really encourage its members to incorporate the CSR concept into their strategy. Furthermore, by not having any official approach or opinion on CSR it does not even meet the lead by an example criterion. By not having it on the agenda, it thus sends an implicit message saying that the topic is not important.

The question is, whether the association itself should be responsible for coming up with CSR solutions, or if the government or other state-funded institutions should do that.

Regarding ASMP's interest in rural areas, the concern and support is more visible than with CSR. It has a program called "A year of the country side", that is supposed to help SMEs. Each year there is a different group of companies that is getting promoted, lobbied for etc. The supported groups are for example family

businesses or companies led by women. Support such as this one is definitively a good step and could be a way of promoting socially responsible business in the future. Of course, that is just a suggestion of the author.

4.3.2 Association of Social Responsibility (ASR)

ASR is probably the most well-known organization focusing on CSR awareness in the country. It was mentioned before that even ASMP referenced the author to this association for further information.

ASR is mainly a consultancy, advising companies on how to implement CSR strategies. It also leads seminars, workshops and team buildings. Furthermore, it serves as a platform for all companies, but also NGOs or even state-funded institutions that have successfully implemented CSR into their mission as well as day to day activities. The respondent of this interview was a member of the board of ASR who is responsible for communication.

The interview started with a request to characterize the companies that want to be members or are seeking help from the association. Allegedly, most of them understand well what CSR is, they just do not know how to implement it into day to day activities.

Oftentimes, companies misunderstand the concept for only environmentally or socially oriented actions. Though that is not entirely wrong, as for some firms it makes sense to focus more on environmental policies, for others it makes sense to focus on something else. Plus, this perception can be very easily explained and changed, the respondents actually said that explaining what CSR actually means “is one of the most common services that we provide” (ASR’s representative, personal communication, March 2019).

Every now and then, firms that only want to be members for their PR image approach the organization, but according to the respondent, they are usually able to persuade them to actually, at least partially, embrace the CSR concept. Because only the companies that conduct their business in line with the philosophy of ASR can become members. It is not just about how they do the business, but also what is their product. Tobacco companies for example could not become members as their product is in itself viewed by the organization as harmful and not in line with their philosophy. Necessary to say is the fact, that the members pay member fees that constitute major resource of income for ASR. Grants or parent companies provide a smaller fraction in comparison. This financing strategy is rather common, but it has to be mentioned here because of the potential impact, due to the obvious bias, on the organization’s independence in assessing its members’ adherence to the organization’s core principles.

Once a company, NGO or a state funded institution is a member of the association, it has to follow certain rules and report its activities to ASR. Then they meet with ASR representatives and do sort of self-evaluation. There are no on-site checks, the relationship is built on mutual trust.

When asked about the policies of the government in the field of CSR, the respondent responses in a rather diplomatic way, saying that CSR activities are in line with UN's Agenda 2030 (UN, 2015), that Czech Republic supported as well. She continues saying that the environment for CSR friendly companies could use some improvements, more education, open discussion. Also, there is no obligations from the state for companies to be socially responsible.

Regarding ASR and rural areas, they do not have any measurable data that would say that one region is more advanced than others. Plus, they do not have any plan to target rural areas. Unfortunately, location of production of the company is not relevant for the association. Among their members, there are innovative companies focusing on the welfare of rural areas, but it is more of a coincidence than a result of a particular strategy and prioritization.

In the respondent's opinion, the notion of CSR slowly is gaining traction in the Czech Republic (the respondent supports this claim by the fact that their client base is increasing), however, it needs to be more present in the general discussion, and the companies need to be more educated.

4.3.3 Byznys pro společnost (BSJ)

This organization – “Business for society” is similar to ASR in terms of its main activities, it does consultancy on CSR strategies, it promotes the concept through media outlets and organizes annual competition of the most socially responsible company of the year. In addition, similarly to ASR, it has its members, but unlike ASR they are only from the private sphere. However, the most striking difference is that members of BFS are not necessarily top leaders in implementing CSR strategies. It can even be the opposite. What they have to do is to proclaim their ambition or desire to become truly responsible companies.

The approach of BFS is more of an educational one. If a company wants to become a member, it must sign a codex and also commit to improve its CSR methodology. Then BFS either helps through consultancy to achieve the goal, or the company does it by itself, but has to report it to BFS on regular basis. The reports are in a form of meetings and are built on mutual trust. Thus, BFS believes that the reports are honest and does not perform any sort of on-site checks. On one hand it is understandable as it would be costly in terms of money and time. On the other hand, having some sort of verification would establish more credibility for the actual reports.

Furthermore, the main sources of income of BFS come from three main sources. One is public budget, second are consultancy hours and third one are member fees. In other words, it is the same as in the case of ASR. So, just as in the case of ASR, the impact of the bias has to be taken into account when assessing the authenticity of BFS's vision and credibility of its methods for achieving its vision.

The educational approach leads to some paradoxes. For example, the fact that among members we can find some companies who are generally considered as

“evil” companies, like tobacco or oil firms (Tittle P, 2000). The philosophy of BFS is that by accepting those companies as members, they would be encouraged to do at least something positive. The respondents said that “we believe that even the ‘bad companies’ can somehow level up the products they make by something else, like taking extra care of their employees” (BFS’s representative, personal communication, February 2019). Also, the idea is that if BFS leaves out of the assessment of the company’s adherence to CSR the product that the companies make, but just focuses on how they are treating their employees, suppliers, how they manage the production (if it tries to ease up the environmental damage etc.), then the companies, according to the respondent, can actually do some good.

Such an approach makes sense to some degree. As was explained in the first chapter of this thesis the goal of CSR is to have positive impact on company’s surrounding and if not that, than at least to have no negative impact (that means that company can have negative impact on the environment, but if it has good working conditions, it makes sure that its supply chain is as sustainable as possible etc., then it can sort of make up for the negative impact of its production).

The problem is that oil or tobacco companies have such a negative impact that it would take a lot of effort to make it equal. Adding the fact that there is no real control implemented, plus the companies pay the association for their membership, one has to wonder how trustworthy and honest the actions of those companies are, and then necessarily has to question the other members and it consequently reduces their credibility a bit as well. Looking at it with this information in mind, it seems like the companies are trying to be members just for marketing purposes.

Nevertheless, the respondent claimed that they are contacted the most not by marketing departments, but by actual decision makers in the company. That would suggest that CSR or at least the image of a CSR company is really important for the management. So even if the motivation behind being member of BFS would be to improve the image or perception of the company, it would still be a positive thing. Once the company starts with some CSR activities, it is most probable that it would eventually see that it is actually beneficial, even from economical point of view (Baric, 2012).

When trying to identify a parameter that would be common for all the companies that reach out to BFS, it seems particularly difficult. There are firms from all around the country, most of the industries and both small, medium and large companies. Although, there are some similarities within these groups.

Larger companies usually know what CSR is as in most cases their parent or holding company already exercise such a strategy in their home country. When asked what those companies would like to see from the government in terms of CSR, the respondent says that they should be invited to the discussion more, like to be included in the making of an Action plan for social responsibility (MPO, 2018).

On the other hand, SMEs would like to see state funded institutions act more in the notion of leading by example. The respondent said that it is difficult to

incentivize companies to do something, when the government or municipalities fail to do it themselves. In addition, it seems that business owners of SMEs oftentimes do not comprehend what CSR is and they still misunderstand it for charity or philanthropy. According to the respondent the leading by example model works very well for example in Vienna, where the municipality act in a socially conscious way and through that and other soft measures incentivizes and inspires the companies to do the same.

Last topic of the interview was whether they are in some ways focusing on companies in rural areas. Simply put, if they employ a different approach towards rural and urban areas. The answer is no. At the moment, BFS does not have the resources to cover this meaningfully.

4.3.4 Česká společnost pro jakost (ČSJ)

Last respondent was a manager at an association that focuses on education of companies across industries from automotive to healthcare. It is also a certification body, issuing large scale of different certification, among which are couple of relevant ones for CSR, like ISO 14001 that focuses on environmental impact of business. Furthermore, throughout the association, there is an important topic of business ethics, in individual courses, workshops or during consultations.

In addition to education, the association with the support of the MPO used to organize competition for the most responsible company. Allegedly, quite a lot of the companies applied only to improve their image.

ČSJ is a non-profit organization, the way they get money is by charging fees for certification and other educational activities. According to the respondent, if they have any profit, they invest it back in to the activities of the association. Regarding responsibility, it is into promotion of the concept and further education. The respondent also said that the best way how to teach somebody is through learning by example, therefore, the association is trying to act responsibly and believes others will catch. The representative suggested that “it is the only way, nothing will work sustainably if its forced” (ČSJ’s representative, personal communication, April 2019). Nevertheless, the respondent was not able to back up the claim by further examples except teaching about reasonability and sustainability.

Most relevant and important part of the interview was the topic of what kind of companies approach them and what is their understanding of CSR. There are generally two main groups of companies. First group reaches out for help in order to get certificates they need to become trustworthy suppliers or to gain the clients they want. Those companies educate themselves because they have to.

The second group is interested in the topic itself. The respondent claimed that more than a half of the companies want to be educated in CSR in order to improve their public image and they view CSR as an efficient marketing tool. However, oftentimes, the companies misunderstand what CSR is. This issue was brought

up in the previous interviews as well – businesses think that CSR is a way of charity or just philanthropy and think that it is something they have to do, because it is trendy.

Even though, the organization knows about these issues they do not plan on doing more than just act in a way that could be seen as an example to their clients. The interviewee strongly believes that the government should not put any CSR demands into legislation, as then it would not be on voluntarily basis and that would go against the definition of CSR (it is more than the law requires).

The last topic, as was with the other interviews, was if they had any special programs designed for rural areas, again the answer was simple and negative. Even though, they are aware of the struggles that rural areas go through, they do not plan anything special to support them.

5 THEMATIC ANALYSIS

The content of the interviews will be examined through the method of thematic analysis, which was described in the introduction of this thesis. Having reviewed the data for several times, we can move to the coding of the text and categorize it into themes.

5.1 Coding

In the coding phase the author has to go through all the gathered data and write down all the codes – brief descriptions of what was said during the interviews and also what is important in the context of the theoretical section.

Due to the fact that in this thesis only 12 interviews were conducted, the analysis could be performed manually using a simple table (see Appendix, *Codes and themes of the content analysis*) In one column there are the codes and we can see in which interview the codes were mentioned, so we know who uttered an articulation of that particular code in the interviews. In addition, there are comments that briefly describe what the code means and why it was mentioned by the respondents. In the following part the codes will be described in more detail. After a careful review of the gathered data 20 codes were identified. All of the codes are based on the interviews described in the previous part of this thesis.

No Responsible personnel

In the sample group of businesses there is nobody appointed to be responsible for implementation of CSR activities and further control of its execution. This could suggest a generally very low, if not non-existent, priority of the concept in the eyes of the companies.

Absence of CSR in company's formal strategy

Apparently, even if a company is responsible towards at least some of its stakeholders and it comprehends what CSR is, it does not have the concept incorporated in its strategy. Properly formulated strategy should help the companies to perform better in this area. And crucially, allow for effective benchmarking, tracking and reporting.

Lack of internal tracking of CSR activities

As companies lack the CSR strategy, they also do not have tools to track their CSR activities. During the interviews, all of the respondents claimed to be responsible, but only one of them was able to support the claim by evidence (concrete examples of what the company does in the area). This suggests that the companies either use claims of being responsible as shallow statements for PR purposes or for whatever reason they do not realize the usefulness in internal tracking of responsible practices for obtaining and retaining clients and boosting PR based on evidence.

No responsibility towards location

All of the respondents claimed to feel strong responsibility towards the region of their business. Unfortunately, in line with what was described above, most of them did not provide any particular examples of actions they undertook in the past which would support these claims (for example by investing in innovative, environmentally friendly tools for their production).

Malfunctioning communication with political representation

Business owners feel that they are not heard by the municipality or that the communication is clearly not working. Of course, the respondents think that it is fault of the other, public sector, side. The author tried to contact municipality representation of villages in the CBR region to have the other side's perspective, but no representative responded with a comment. This further supports the notion that the concept of CSR seems greatly undervalued in the region.

Shortage of employees

Oftentimes, the respondents (all of them) talked about the lack of available workforce. A lot of the issues (no personnel appointed for CSR, the need to hire labor from work agencies etc.) was explained by that. It is difficult to estimate if the situation would be different if there were more potential employees to choose from, or if this was just an excuse to justify low activity or outright passivity in this area.

Action plans of political bodies are inaccessible to regular SMEs

The interviewed businessowners feel no or little support by the government or other state funded institutions, even though the respective bodies seem to offer various actions (described in detail in the second chapter of this thesis) to boost

SMEs in rural areas with emphasis on responsibility. Clearly, this is an issue that should be addressed by both sides. Actions plans should be created with the targeted segment in mind or even better in tandem with the actual businesses. Also, the business owners could make more effort to reach for the support.

Low or missing parameters to check CSR activities

Respondents from the state funded institutions said that the checks to see if their clients act responsibly have a rather low standard. The same goes for the NGOs, whose control is based only on mutual trust. Taken together with the companies' generally low or complete understanding of CSR, low or PR-centered motivation for pursuing CSR strategies, and consequently ineffective or no employment of CSR activities this suggests that for most actors, the CSR concept is for now only a ghost – a fleeting, hard-to-grasp, and supposedly trendy concept which, however, is not worth pursuing in practice.

Low or missing willingness and/or capacities to perform controls in the field

This code builds upon the previous one. NGOs and state funded institutions do not perform controls of CSR activities in the field. Respondents from both spheres said that they do not have the capacity to do so. That most probably is true, nevertheless, nobody perceived it as a big problem. One can, therefore, assume that it is not only the question of capacity, but also of willingness and perceived necessity.

Cost

This particular code is strongly connected to the label of willingness or capacity to perform checks. Even though that most of the respondents were quite ok with the way it is set now, the current setup lacks transparency and relies just on trust and control from the desk. Which ultimately, as was already briefly suggested, makes the entire system rather inefficient and not very credible. However, it is, as they claim, not only a question of willingness and capacity, but more importantly the question of who will bear the costs. It can be the institution which performs the control, that means less money for the recipient. Or on the side of the receiver, and that will most likely lead to an increase in the price of the product. Consequently, that company would need educated and CSR-aware customers who are willing to pay higher prices in exchange for more responsibly made products.

Low or poorly set up targets/goals for receivers of support

In the action plans of the state funded institutions there is a strong emphasis on aiming the support towards responsible SMEs in rural areas, or toward companies that have the ambition to become that. Nevertheless, there is no official framework or guidance on how to distinguish such a company, or what its goals should be. "Responsible company" is a very vague concept to determine if a company gets funding from public budget. The benchmarking goals should be

more precise and clearly defined. It is the responsibility of both the provider and the receiver.

Misunderstanding of the CSR concept

Over the course of the interviews, there were some contradicting information detected. As said before, the sample business owners quite correctly defined CSR in a way this paper considers as correct. However, the NGOs said that many firms that reach out to them still do not understand what CSR is and perceive it as a charity or philanthropy.

PR as a driver to undertake CSR activities

This code is strongly connected to the previous one. Not only that companies think CSR is a charity (as the respondents from NGOs claimed), oftentimes their only driver behind implementing CSR is to boost PR image of the company. This is not necessarily bad, if they perceive it like that, eventually they might realize that it is actually beneficial in more way than just the PR image. However, without evidence which would show they actually embraced certain CSR practices, this motivation for pursuing CSR makes the company's claims unconvincing.

Contradicting requirements of funding programs

In one of the previous codes, we explained that some of the action plans designed by state funded institutions fail to meet the needs or expectations of business owners. Building on that, according to the respondent from API some rules even contradict the mission to be sustainable. For example, if receiver of an EU funding would want to limit the area from which he chooses its suppliers, it could not do so without incurring heavy costs due to the anti-discrimination rule.

Emphasis on innovation in responsible production

As we learned in the first chapter of this thesis, there is an unexplored yet unsurprising connection between CSR and innovation (innovative technologies usually lead to more environmentally friendly product, thus more responsible). Except SIC and API, the other respondents did not say much about it. Again, it's the gap between what the action plans and state funded institution offer (support for companies that strive for innovation).

State funded institutions as pioneers

Without a doubt a thing that all the respondents agree on is the fact that state and its institutions should lead by example through implementing CSR concepts into their strategies and day to day activities. The question is whether it should just act based on the CSR philosophy and expect private sphere to get inspired, in other words become *Pioneers* (Duncan & Wurzel, 2017). Or to go further and actively encourage others to do so the same as them, as *Leaders* (Duncan & Wurzel, 2017). Encouraging others would be better, but it has to be done through

soft measures. Posing hard directives would be contradictory, at least in the opinion of the respondents.

Inadequate use of consultancy groups by business owners

NGOs and state funded institutions offer consultancy to businesses in terms of funding, but also on how to move their companies to the next level with the responsibility of their stakeholders in mind (SIC for example wants to encourage companies to grow, but in a sustainable way by using innovative technologies). It seems, based on the interviews, that companies do not use the opportunity to get help to the fullest. It might be due to a lack of awareness, or negative prejudice connected to the already mentioned relatively malfunctioning communication with the municipalities and the public sector in general. The sample business owners tend to extrapolate one negative experience to all other organizations, both governmental and non-governmental.

Visionary leadership

The last code describing important topic in the interviews is the following conclusion. For a true responsible development in rural areas, where both companies and the municipality work together to create a nice environment for its citizens while having good conditions for profitable, innovative and responsible business it is crucial to have visionary leadership. Examples of best practices always came down to a mayor of the village who encouraged business owners to participate in social or environment-oriented projects.

In addition, to lead the municipality to act in responsible way, he/she took the role of a *Leader* described above. It only proves that leading by example is very important in order to have sustainable and responsible development of rural areas. Once the municipality acts in such a way, the businesses will have more incentives to adopt CSR philosophy, as they will be supported to do so, plus they will see that it is actually beneficial for them too.

5.2 Themes

After reviewing the interviews and labeling the most important patterns and topic into codes, we can now separate the codes into thematic groups. As the codes were described quite in detail, the themes will summaries how the codes are linked together and will serve as a basis for the final part of the analysis. Each of the thematic group entails an issue of some sort. In the final part of the analysis is a report which details a series of suggestions on how to deal with the presented issues in a coherent manner.

5.2.1 Implementation

The theme *Implementation* entails the following codes and sub themes:

- *Absence of CSR in company's formal strategy;*
- *Lack of internal tracking of CSR activities;*
- *Shortage of employees;*
- *Low or poorly set up targets/goals for receivers of support;*
- *Misunderstanding of the CSR concept*

All of them are in a way connected to the problem of how should companies correctly implement CSR strategies and activities.

Even though the sample business owners quite correctly defined what CSR is, most of them failed to support the claim that they also implement it by concrete evidence. Furthermore, NGOs said that a lot of their clients (especially those of BFS) do not understand the concept well, they view it as a marketing tool, a way to be trendy and improve their image.

The fact that companies do not fully understand the concept and also the fact that being responsible is not just a charity and that it actually has a positive impact on profit in the long term is striking and quite worrisome (Baron et al., 2011). The respondents from NGOs said that it is not difficult to explain it to the companies, but we have to bear in mind that they explain it to companies who have already expressed interest in it. Therefore, a more comprehensive and inclusive debate for educating both business owners and customers is necessary.

Another issue that is included within several themes (*Implementation, Reality gap, and Controls*) is the fact that state funded institutions do not have the CSR targets set in a way which would be motivating for their possible clients so that they would actually be motivated and incentivized to pursue the CSR activities. For example, in the parameters based on which firms get funding, there is no CSR factor included. That goes especially for API as SIC at least has its segment defined as companies that are ambitious to grow and to have positive impact on their surroundings (even though it is not a mandatory parameter). If the ambition of the institutions is to enact positive change in the dissemination of the positive impacts of socially responsible activities, and it seems that it is, it would make sense to align the factors with the philosophy of CSR.

Last thing that should be mentioned on the topic is innovation. As we saw in the first two chapters of this thesis, innovation plays a major role in the action plans, but also in some modern conceptualizations of CSR.

Nevertheless, the only respondent who mentioned and knew about it was the representative of SIC. Especially, the businessowners were not aware of the support that is supposedly available to them. Innovation is strongly connected to CSR as technologically advanced solutions are, generally speaking, environmentally friendlier. Companies should be educated on the possibilities of

establishing partnerships with the academia and the promotion of such programs should be better targeted.

5.2.2 Controls

Very common code present across the interviews was how the NGOs and State funded institutions perform checks for either their members in case of NGOs or companies they support in case of State funded institutions. The codes are as follows:

- *Missing parameters to check CSR activities;*
- No responsible personnel
- *Low parameters to check responsibility;*
- *Low or missing willingness and/or capacities to perform controls in the field;*
- *Cost*

Currently, checks are usually done based on reports and documents provided by the companies themselves. Controls that are not performed in the field are complicated as they often have to rely on mutual trust or on another official body that does the control in the case that there is some sort of certificate needed for the company to get support.

If there are checks to see if a company performs in line with CSR standards, they are either set very low or are non-existing. On the one hand, if CSR is supposed to be a volunteer activity, then companies should not be forced to do them by hard power. On the other hand, if they want to get support from public budget they should be challenged to perform responsibly as that is a reasonable requirement for obtaining state funds, considering the role of the state. The same applies for a company that wants to be part of a CSR organization

The problem with controls is who will bear the costs (also who will be responsible for it, especially as now it is difficult to find appropriately skilled workforce). If it would be the organization that provides the funding, then they would have less money to support the company with. If the cost is borne by the company, then it would probably have to increase its prices. This means the cost would eventually be shifted onto the customers. Customers then also have to be educated regarding why the product is suddenly more expensive and why following CSR is beneficial for everyone. It is thus very difficult to pinpoint who exactly should be responsible bearing the costs. It is in the interest of CSR active companies to have aware customers, but it should also be in the interest of the government (as long as it proclaims that it wants to support responsible companies) as it ultimately serves its citizens who are to benefit from CSR businesses.

5.2.3 Reality Gap

During the interviews with business owners the issue of malfunctioning communication between municipalities and companies came up. In most cases, there is some established communication between the companies and political representation, but, for the most part, it is inadequate. The codes that are summarized under the theme of Reality Gap are:

- *Malfunctioning communication with political representation;*
- *Action plans of political bodies are inaccessible to regular business owners of SMEs;*
- *Contradictory requirements of funding programmes;*
- *Inadequate use of Consultancy groups by business owners*

The respondents said that they do not feel supported by the government, municipalities, or the EU. The strategies and policies that the EU has come up with in order to help SMEs in the rural areas with emphasis on responsibility was thoroughly described in the second chapter of this thesis. The fact that the businessowners and even the representatives of NGOs said that they do not feel the support clearly indicates, there is a huge gap between the creators of the strategies and the supposed recipients. Respondents from the companies said that they either do not know about the possible help, or they do know about it, but find it very difficult (both time and content wise) to ask for it. Obviously, that is a significant issue. Lots of energy is spent on something that has little efficiency within the targeted areas. The channels of communication of the action plans need to change and adapt more to the needs and reality of regular companies. On the other hand, business owners should pressure from within to educate themselves and if they need support, it should be their responsibility to reach for it.

The problem is not only the fact that the offer of action plans does not meet the needs of the companies, it is also the fact that sometimes it is contradictory. An example of that was presented by the respondent of API and was already mentioned in this thesis – the impossibility to limit the area of suppliers vs discrimination of some countries in the EU. Of course, that this is just the case of companies who get help from the EU budget, anyway such an inconsistency should be eliminated. Plus, State and state funded organizations should lead by example so that their message regarding the positives of CSR is more authentic and believable.

5.2.4 Pioneering and leadership

The last thematic group is focusing on one thing that all of the respondents agreed on. It includes the codes:

- *State funded institutions as pioneers*
- *Visionary leadership.*

During the interviews, when the respondents were asked about suggestions on what the political representation should do better, plus examples of best practices, they usually mentioned two things. First, state should function as an example for all other organizations. It is debatable whether it should just implement CSR activities and hope that others will notice and take it as an inspiration and copy the behavior. Or if it should go further and not only act in that way, but also actively encourage them. Ideally, the encouragement should be done in a positive way through incentives like lower taxes for example, rather than sanctions (that would not be in line of the fact that CSR should be done voluntarily). CSR should be promoted in a positive way by highlighting and showing its advantages. It is very important that business owners do not the chance to view it as a directive, the respondents said.

The leadership/pioneering approach is quite important, because we cannot expect from the majority of companies to act responsibly when the State itself does not either.

In addition, in all the mentioned best practices, there was a leader (usually a mayor), who set an example to all the companies in the area and actively encouraged them to participate in the development of the region and to act in a more responsibly.

The ideal setting would be if this was not just an exception of one visionary leader, but if most of the public sphere work liked that. Eventually companies and other organization would see the benefits and common practices, and most certainly copy it to a degree.

In this subchapter we have grouped the previously created codes into thematic groups, which will serve as a foundation for the last part of the content analysis.

5.3 Report

In this final part of the analysis we will identify the key issues that were uncovered during the phases of coding and grouping codes into themes. Plus, suggestions on how to solve the issues will be proposed.

During the content analysis 19 codes were selected as appropriate representation of the patterns found in the gathered data. Subsequently, those 19 codes were grouped into 4 main themes which capture the most problematic

but also promising areas of the perception and use of CSR in SMEs in Central Bohemian Region.

First problem the we can conclude from the research is that average companies struggle to understand what CSR is. Many of them still see it in a very old-fashioned way as charity or philanthropy and fail to understand that CSR is actually a strategic approach that, if implemented correctly, should be incorporated in all areas of the company's activities. This problem probably occurs due to the lack of a comprehensive and educated discussion in the civil society, at schools, business platforms and etc.

Furthermore, a lot of companies understand CSR only as a tool to boost their PR, to improve their image among possible customers, and other stakeholders like potential employees. Therefore, they try to become members of the CSR associations or other organizations to make themselves look good. However, as was explained in the first part of this chapter, the controls and checks that these NGOs perform are mostly built solely on mutual trust. Knowing the motivation of the companies, one has to question the trustworthiness and transparency of the firms in order to be sure that they are truly acting in a responsible way. Membership in the NGOs/Associations is not enough. Thus, taking together the lackluster motivation of the companies and the lax checks on the side of the NGOs/associations, we have a setup with zero to low probability of real progress.

Another issue that emerges from the research is that the action plans, strategies and policies that aim to support businesses in rural areas, with the emphasis on sustainable growth, do not meet the expectations of the targeted companies, at least in the opinion of the research sample and the NGOs working in the defined area. Both sides should be more active in order to find a suitable solution which fits both parties. The problem is that the biggest representative of SMEs the ASMP, which regularly communicates with the government does not have any CSR agenda enshrined in its official strategy as was explained in the previous chapter. That indicates that responsibility of SMEs is not the top priority.

Also, as was mentioned before, in the strategies of the EU and the government is a focus on sustainability and responsibility. Nevertheless, the state-funded institutions who help businesses get support from the action plans, do not check what will the companies do in order to be responsible. That in a way contradicts the mission of the action plans. These strategies should be aligned with the needs of businesses and also with the concept of responsibility and sustainability in a more tangible and comprehensive way (like creating a set of parameters that sustainable/responsible company has to meet in order to be eligible for receiving support).

Last thing that is necessary to change the perception of SMEs towards CSR is that governments and municipalities have to exhibit socially responsible best practices. Otherwise most of the small medium companies in the rural areas will not have a motivation to act responsibly on their own (of course, there are exceptions of companies that are aware that they can actually benefit from being responsible). Without it, all other suggestions (controls, strategy alignment,

education) will most probably not work. Plus, on this fact, all of the respondents fully agreed on.

To conclude, in this chapter key issue were identified in the poor perception of CSR by SMEs in rural areas. They are the following, misunderstanding of the concept, malfunctioning communication between companies and municipalities/other political bodies and the fact that state representation fails to serve as an example of best practice.

To those issues, couple of suggestions were proposed. First one is that business owners and also political representatives need to be more educated in the field of responsible entrepreneurship (government should be behind the initiative). Secondly, action plans and strategies should be better aligned with the needs and expectations of the targeted groups, otherwise it is just waste of resources. And lastly, best practices need to be implemented in municipalities and by the government.

Conclusion

The purpose and scope of this thesis was to find out how relevant is CSR for SMEs present in rural areas. How they understand their responsibility towards all kinds of stakeholders, consequently how the perception can be modified and improved.

The reason for choosing rural areas was simple. In all EU those specific areas face many difficulties from ageing of population, to urbanization and climate change. Businesses play an important role in their development, as they can attract more people to stay in the regions, they can also persuade political representation to invest in infrastructure. EU and other international organizations are aware of these problems and thus create action plans and strategies to support those businesses (EU Commission, 2014). That being the case, this thesis also wanted to explore how is this support accepted by the relevant businesses and if it does meet their expectations.

The theoretical background covered in first chapters of this thesis, therefore, focused on an exploration of what the concept of CSR is and what is the history behind it. In addition to describing the relevant strategies for EU's rural areas.

Field research was executed through interviews with representatives from private businesses, state funded institutions and NGOs. They spoke about support of businesses, emphasis and importance of CSR and examples of best practices within and outside the country. Based on this collected data, content analysis was performed to capture overarching themes and underlying issues and thus define particular patterns. These were subsequently analyzed against each other and against the context to, ultimately, identify key problems and propose solutions to them.

All of the above could be applicable to most regions in the EU, however, one thesis cannot cover all of that, hence, for the purposes of this thesis, the scope was limited to one particular region in the Czech Republic – the Central Bohemian Region (CBR). Due to this fact, in the theoretical part of the thesis, one can also find information on the specifics regarding rural areas in the Czech Republic.

Furthermore, the respondents were selected based on their connection to the particular region. Nevertheless, as this thesis should be also relevant for international management, the representation of companies in the CBR was also carefully selected to have some international exposure. The companies they represented have either expanded abroad, have the ambition to do so, or their customers/suppliers/clients are from outside Czech Republic.

To summarize the main outcomes of content analysis, and thus from this thesis, it would be the following.

Reality Gap There is a strong emphasis on support of businesses in rural areas by the EU and also the local governments. This support usually takes the form of funding and consultancy from state related/funded institutions. Unfortunately, the targeted groups are not aware of it or consider it as too complicated and hard to grasp. Better alignment of goals and expectations is thus necessary.

Implementation. CSR is an important topic for a lot of companies (and their partners abroad), but usually they are not capable of proving their claims by concrete evidence, so it is often difficult or outright impossible to validate their claims against reality. Also, the non-business owners respondents think that lot of companies misunderstand the topic of CSR and thus cannot implement it correctly. Educating the companies to truly understand what CSR is and how to implement it correctly would be the step forward. The responsibility for that is shared among both the business owners and governments but could be for example executed by the NGOs like ASR.

Controls. Combination of the two above mentioned issue is that fact that the state funded institutions and also NGOs do not have enough willingness or capacity to perform checks on the companies, who claim to be responsible. Therefore, from any (potential) stakeholder point of view it might be difficult to estimate how trustworthy the company is. Better controls and checks should be in place. Creating a checklist or framework on the controls and make it public might be a good start. Such a task could be a topic for another thesis or any other research in this field.

Pioneering and leadership. All of the respondents said that state and its institutions should implement the CSR concept into their strategy and thus lead by example, as is done in some countries and cities outside the Czech Republic. Without that, most of the companies do not have the incentive to act responsibly on their own. The question is whether the state should do it in a way of pioneering – just act responsibly and expect that the others will follow. Or as leaders and add to acting reasonably also the active encouragement of others to do the same thing (Duncan & Wurzel, 2017). If state chooses the latter, it needs to do the encouragement in a saddle soft way, so that CSR is still implemented on a voluntarily basis.

Due to the length of the thesis, there had to be a regional limitation, so for further research, broader areas could be explored. Not only in Czech Republic but across the whole union. Most of the chapter describing the action plans of EU and also the literature review could be applied to most countries in the union. Also, it would be interesting to focus also on MNCs in rural areas (although one of the respondents was an employee in a small branch of a foreign MNC). Such a research would most probably require more time and a different method of analysis.

All in all, this thesis presents a clear overview of the perception of CSR by SMEs present in CBR, set in an international (European) context. Furthermore, it identifies key issues in this topic and proposes suggestions on how to improve the situation.

List of references

- A. B. Carroll, (1991), *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*. Business Horizons 39–48
- Akademie Věd České republiky (2018). *ESIF a Horizont 2020*. Available at <https://www.avcr.cz/cs/veda-a-vyzkum/mezinarodni-vztahy/esif-a-horizont-2020/>
- Albert Postma, Elena Cavagnaro, Ernesto Spruyt, (2017) *Sustainable tourism 2040*, Journal of Tourism Futures, Vol. 3 Issue: 1, pp.13-22, <https://doi.org/10.1108/JTF-10-2015-0046>
- Alhaddi, H. (2015). Triple Bottom Line and Sustainability: A Literature Review. *Business and Management Studies*, 1(2), 6-10. doi:<http://dx.doi.org/10.11114/bms.v1i2.752>
- Astra O., Mitoula R., Theodopolou E. (2015). *Corporate Social Responsibility: A marketing tool and/or a factor for the promotion of sustainable development for companies? A review of Athens Stock Exchange*. International Journal on Strategic Innovative Marketing. 2. 17-23.
- Barić, A. (2015) "Corporate social responsibility and stakeholders: Review of the last decade", *Business Systems Research*, vol. 8, no. 1, pp. 133-146
- Baron, D., Agus Harjoto, M., & Jo, H. (2011). *The Economics and Politics of Corporate Social Performance*. Business and Politics. 1-46. doi:10.2202/1469-3569.1374
- Barta, D. (2015), *Metodika Konceptu inteligentních měst*. Brno: Ministerstvo pro místní rozvoj, [cit. 2018-07-23].
- Beckett Andy (2015). *No Such Thing As a Free Gift: The Gates Foundation and the Price of Philanthropy by Linsey McGoey – review*. Retrieved from <https://www.theguardian.com/books/2015/oct/24/no-such-thing-free-gift-gates-foundation-philanthropy-review>
- Bogovic, F., Szanyi T., (2018). *EU should extend 'smart cities' to 'smart villages'*. The Parliament Magazine
- Brammer, S., Jackson, G., Matten, D. (2012), "Corporate social responsibility and institutional theory: new perspectives on private governance", *Socio-Economic Review*, Vol.10 No. 1, pp. 3–28.
- Braun V., Clarke V., (2006). *Using thematic analysis in psychology*. Qualitative Research in Psychology 3, 77-101. doi:10.1191/1478088706qp063o
- Carroll, A. (1979). *A Three-Dimensional Conceptual Model of Corporate Performance*. The Academy of Management Review, 4(4), 497-505. Retrieved from <http://www.jstor.org/stable/257850>

- Carroll, Archie & Shabana, Kareem. (2010). *The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice*. International Journal of Management Reviews. 12. 10.1111/j.1468-2370.2009.00275.x.
- Carroll, Archie. (1979). *A Three-Dimensional Conceptual Model of Social Performance*. Academy of Management Review. 4. 497-505. 10.2307/257850.
- Cicioc, N. C., & Gabrea, R. (2014). *Corporate social responsibility - integral part of modern organizational culture*. Valahian Journal of Economic Studies, 5(2), 15-20. Retrieved from <https://search-proquest-com.zdroje.vse.cz/docview/1699251682?accountid=17203>
- Cristobal R, Bodewig CH. (2018), *Technological change and growing divide in Europe*. Brookings.
- CSR Hub. *Methodology*. https://esg.csrhub.com/csrhub-ratings-methodology?_ga=2.260291149.1733245952.1552382036-346019198.1552382036
- ČT24. (2016) *Češi mizí z venkova. Odcházejí za pohodlím*. Ct24 [online] [cit. 2018-12-27]. Dostupné z: <https://ct24.ceskatelevize.cz/domaci/1763919-z-moravy-a-prihranici-se-lide-stehuji-do-prahy-odsud-ale-prchaji-do-malych-mest>
- CTK. (2018) *Vylidňování venkova mají zabránit nové dotace. Dosáhnou na ně i spotřební družstva*. Česká tisková agentura
- De Fransechi, A (2016). *European Contract Law and Digital Single Market: The implications of the Digital revolution*. Doi: 10.1017/9781780685212
- Delloite. *Tech trends 2018* [online]. 2018. [cit. 2018-07-23].
- Deutz, P. (2009), *Producer responsibility in a sustainable development context: ecological modernization or industrial ecology?* The Geographical Journal. Vol 175, Issue 4, December. doi: 10.1111/j.1475-4959.2009.00330.x
- Duncan Liefferink & Rüdiger K.W. Wurzel (2017) *Environmental leaders and pioneers: agents of change?*, Journal of European Public Policy, 24:7, 951-968, DOI: 10.1080/13501763.2016.1161657
- EIP SCC. *EU Smart Cities* [online]. [cit. 2018-07-23]. Available at: <https://eu-smartcities.eu/>
- Eisenbeiss SA (2012) *Re-thinking ethical leadership: an interdisciplinary integrative approach*. Leadersh Quart 23(5):791–808
- Elkington, J. (1997). *Cannibals with forks – Triple bottom line of 21st century business*. Stoney Creek, CT: New Society Publishers.

- Elo, S., Kääriäinen, M., Kanste, O., Pölkki, T., Utriainen, K., & Kyngäs, H. (2014). *Qualitative Content Analysis: A Focus on Trustworthiness*. SAGE Open. <https://doi.org/10.1177/2158244014522633>
- Essays, UK. (November 2018). *Corporate Social Responsibility: The case for Defensive CSR00*. Retrieved from <https://www.ukessays.com/essays/management/corporate-social-responsibility-the-case-for-defensive-csr00-management-essay.php?vref=1>
- EU Commission (2013). *Common Agriculture Policy*
- EU Commission (2017). *Action for Smart Villages*
- EU Commission (2017). *Digital Single Market*
- EU Commission (2018). *ESIF*
- EU Commission (2018). *What is SME*
- EU, *Cork Declaration 2.0*, Luxembourg 2016, ISBN 978-92-79-63528-1
- EU. *Horizon 2020*. Work Prgrame 2018 – 2020
- European network for rural development, (2018) *Chytrý venkov: Obnova a rozvoj služeb na venkově*.
- European network for rural development, (2018). *Supporting Rural Business*. 2017.978-92-79-68628-3
- European network for rural development. (2018) *Digital and social innovation in rural services*. ISBN 978-92-79-85647-1
- Eurostat (2015). *Regions in the European Union - Nomenclature of territorial units for statistics NUTS 2013/EU-28*
- Eurostat, (2017). *Statistics on rural areas in the EU*
- Eurostat, (2018). *Europe 2020 indicators – R&D Innovations*
- Fassin, Y., Van Rossem, A., & Buelens, M. (2011). *Small-business owner-managers' perceptions of business ethics and CSR-related concepts*. Journal of Business Ethics, 98(3), 425-453. doi:<http://dx.doi.org.zdroje.vse.cz:2048/10.1007/s10551-010-0586-y>
- Fellmann, T., Witzke, P., Weiss, F. et al., (2018) *Mitig Adapt Strateg Glob Change* 23: 451. <https://doi.org/10.1007/s11027-017-9743-2>
- Franke, T., Lukowicz U., (2018), *Smart crowds in smart cities: real life, city scale deployments of a smartphone based participatory crowd management platform* [online]. [cit. 2018-07-23].
- Frelich, J., (2012) *V českých městech žije skoro tři čtvrtiny obyvatelstva*. Statistika a My, ČSÚ,

- Goel, P. (2010). *Triple bottom line reporting: An analytical approach for corporate sustainability*. Journal of Finance, Accounting, and Management, 1(1), 27-42.
- Henderson, R., Macomber, J., Reindhart F. (2011), *Investing in cities of the 21st century: urbanization, infrastructure, and resources* [online]. BUSINESS AND ENVIRONMENT INITIATIVE, Harvard Business School, [cit. 2018-07-23]. Available at [z:https://www.hbs.edu/environment/Documents/Investing_Cities.pdf](https://www.hbs.edu/environment/Documents/Investing_Cities.pdf)
- Hosnedlova P., (2017). *Ztráty českých zemědělců za sucho zaplatí Česko I EU*. Euractiv
- Jentsch, B., (2017) *Young People in Rural Areas of Europe*. Taylor & Francis, ISBN 1351870653.
- Juhasz A (2008) *The tyranny of oil: the world's most powerful industry – and what we must do to stop it*. New York: William Morrow
- Karcagi-Kováts, Andrea & Katonáné Kovács, Judit. (2012). *Factors of population decline in rural areas and answers given in EU member states' strategies*. Studies in Agricultural Economics. 114. 49-56.
- Kettle Martin. (2017). *Mass tourism is at a tipping point – but we all are part of the problém*. The Guardian. <https://www.theguardian.com/commentisfree/2017/aug/11/tourism-tipping-point-travel-less-damage-destruction>
- Kitzmueller, Markus, and Jay Shimshack. (2012.) *"Economic Perspectives on Corporate Social Responsibility."* Journal of Economic Literature, 50 (1): 51-84.
- Knopf J., a B. Mayer Scholl. (2013) *Corporate Social Responsibility for Small and Medium-Sized Enterprises* [online]. European Union, [cit. 2019-02-01]. ISBN 978-92-79-27959-1
- Koblovský, P., (2018) *Lék na rostoucí ceny bytů ve městech? Digitální venkov. Deník N* [online]. [cit. 2018-12-27]. Available at <https://denikn.cz/23527/lek-na-rostouci-ceny-bytu-ve-mestech-digitalni-venkov/>
- Koen Salemink, Dirk Strijker, Gary Bosworth, (2017) *Rural development in the digital age: A systematic literature review on unequal ICT availability, adoption, and use in rural areas*.
- Kotler P (2011) *Reinventing marketing to manage the environmental imperative*. J Mark 75(4):132–135
- Krippendorff K., (2013). *Content Analysis: An Introduction to its Methodology*. Third Edition. London: Sage

- Lyon, T. P., & Wren Montgomery, A. (2015). The Means and End of Greenwash. *Organization & Environment*, 28(2), 223–249. <https://doi.org/10.1177/1086026615575332>
- Mařík V., (2016) *Průmysl 4.0: výzva pro Českou republiku*. Praha: Management Press, ISBN 978-80-7261-440-0.
- Matten, D., A. Crane and J. Moon (2007) 'Corporate Responsibility for Innovation: A Citizenship Framework', in G. Hanekamp (eds.), *Business Ethics of Innovation* (Berlin: Springer):63-87.
- MMR. (2013) *Strategie regionálního rozvoje ČR 2014–2020*
- Mohan, Sushil. (2009). *Fair Trade and Corporate Social Responsibility*. Economic Affairs. 29. 22-28. 10.1111/j.1468-0270.2009.01943.x.
- Munasinghe, Mohan. (2007). *Sustainable Development Triangle*. Encyclopedia of Earth, <http://www.eoearth.org/view/article/156365>
- Murillo, D. & Lozano, (2006). *J Bus Ethics* 67: 227. <https://doi.org/10.1007/s10551-006-9181-7>
- National Geographic. *Urban Threats*. <https://www.nationalgeographic.com/environment/habitats/urban-threats/>
- Nigel Sarbutts, (2003) "Can SMEs “do” CSR? A practitioner's view of the ways small- and medium-sized enterprises are able to manage reputation through corporate social responsibility", *Journal of Communication Management*, Vol. 7 Issue: 4, pp.340-347, <https://doi.org/10.1108/13632540310807476>
- Nová, E., (2018) *Rychlý internet zabrání vyhlídnování venkova*. Available at https://www.lidovky.cz/rychly-internet-zabrani-vylidnovani-venkova-chytri-jsou-tady-vsichni-krome-statu-tvrdi-bizkova-im1-/zpravy-domov.aspx?c=A180513_173804_ln_domov_ele
- Nowell, L. S., Norris, J. M., White, D. E., & Moules, N. J. (2017). Thematic Analysis: Striving to Meet the Trustworthiness Criteria. *International Journal of Qualitative Methods*. <https://doi.org/10.1177/1609406917733847>
- OECD. (2006). *Reinventing Rural Policy*
- Pedersen, E. R. (2006), "Making Corporate Social Responsibility (CSR) Operable: How Companies Translate Stakeholder Dialogue into Practice", *Business and Society Review*, Vol. 111 No. 2, pp. 137–163.
- Porter ME, Kramer MR (2002) *The competitive advantage of corporate philanthropy*. Harvard Bus Rev 80:57–68
- Preuss L. (2011). *Innovative CSR. A Framework for Anchoring CSR in the Innovation Literature*. University of London.

- Reverda, Nol & Hospers, Gert-Jan. (2015). *Managing population decline in Europe's urban and rural areas*
- Salemnik K., Dirk S., Bosworth, G., (2017) *Rural development in the digital age: A systematic literature review on unequal ICT availability, adoption, and use in rural areas*. Journal of Rural Studies Volume 54, Pages 360-371
- Schon, O. (2018), *Rychlý internet pro Česko podle plánu EU, který se má uskutečnit již za dva roky, je zatím na hranici reality a utopie. Ihned* [online].[cit. 2018-12-27]. Available at <https://archiv.ihned.cz/c1-66101340-rychly-internet-pro-cesko-podle-planu-eu-ktery-se-ma-uskutecnit-jiz-za-dva-roky-je-zatim-na-hranici-reality-a-utopie>
- Schwartz, M.s & Carroll, Archie. (2003). Corporate Social Responsibility: A Three-Domain Approach. Business Ethics Quarterly. 13. 503-530. 10.2307/3857969
- Seoki Lee, Kiwon Lee, Yixing (Lisa) Gao, Qu Xiao, Martha Conklin, (2018). *Do a company's sincere intentions with CSR initiatives matter to employees?: A comparison of customer-related and employee-related CSR initiatives*, Journal of Global Responsibility, Vol. 9 Issue: 4, pp.355-371, <https://doi.org/10.1108/JGR-03-2018-0009>
- Sörensson, Anna. (2011). *Sustainable mass tourism: Fantasy or reality?* International Journal of Environmental, Cultural, Economic and Social Sustainability. 7. 325-333.
- Soundararajan, V., Jamali, D., & Spence, L. J. (2018). *Small business social responsibility: A critical multilevel review, synthesis and research agenda*. International Journal of Management Reviews, 20(4), 934-956. doi:<http://dx.doi.org.zdroje.vse.cz:2048/10.1111/ijmr.12171>
- Statista (2017). *Total contribution of travel and tourism to GDP in Europe from 2012 to 2028* (in billion usd)*. Available at <https://www.statista.com/statistics/617528/travel-tourism-total-gdp-contribution-europe/>
- Středočeský kraj. *Program rozvoje územního obvodu Středočeského kraje 2014 – 2020*.
- Stupp, Catherine (2017). *Rural areas have bad internet access in most member states*. Euractive.
- Surmanová, K. (2016). *Češi mizí z venkova. Odcházejí za pohodlím. Česká pozice:*
- The Guardian' s editorial (19.8.2018). *View on over-tourism: an unhealthy appetite for travel.*

<https://www.theguardian.com/commentisfree/2018/aug/19/the-guardian-view-of-over-tourism-an-unhealthy-appetite-for-travel>

- Tittle P., (2000). *Ethical Issues in Business: Inquiries, Cases, and Readings*. Broadview Press
- Tramba David (2018). *Průměrná velikost zemědělského podniku v Česku stále překonává unijní průměr*. Businessinfo.
- UN Department of economic and social affairs. (2018) *68% of the world population projected live in urban areas by 2050*. New York
- UNESCO (2019), *Sustainable Tourism Development in UNESCO Designated Sites in South-Eastern Europe*
- Visser V.(2010), *The Ages and Stages of CSR: From Defensive to Systemic CSR*
- Visser V.(2014) *CSR 2.0, Transforming Corporate sustainability and Responsibility – Chapter 2 stages of CSR*.
- Visvizi A., Ytras, Mllitiadis D. (2018). *It's Not a Fad: Smart Cities and Smart Villages Research in European and Global Contexts*. *Sustainability* 10, no. 8: 2727.
- Visvizi, A.; Lytras, M.D (2018). *It's Not a Fad: Smart Cities and Smart Villages Research in European and Global Contexts*. *Sustainability* 10, 2727
- Waddock, S., Googins, B. K. (2011), *The paradoxes of communicating corporate social responsibility*, in Ihlen, Ø., Bartlett, J. L., May, S. (eds). *The Handbook of Communication and Corporate Social Responsibility*, New York: Wiley, pp. 23-43.
- Wang, W., Fu, Y., Qiu, H., Moore, J. H., & Wang, Z. (2017). *Corporate Social Responsibility and Employee Outcomes: A Moderated Mediation Model of Organizational Identification and Moral Identity*. *Frontiers in psychology*, 8, 1906. doi:10.3389/fpsyg.2017.01906
- Yan, W., Chen, C., & Chang, W. (2009). *An investigation into sustainable product constructualization using a design knowledge hierarchy and Hopfield network*. *Computer and Industrial Engineering*, 56(4), 617-626.<http://dx.doi.org/10.1016/j.cie.2008.10.015>
- Zadek S. (2007) *The Path to Corporate Responsibility*. In: Zimmerli W.C., Holzinger M., Richter K. (eds) *Corporate Ethics and Corporate Governance*. Springer, Berlin, Heidelberg
- Zavratnik V., Kos A., Duh E., (2018). *Smart Villages: Comprehensive Review of Initiatives and Practices*. *Sustainability review*.

Appendix

	Business owners	NGOs and State funded institutions
Introduction	<ul style="list-style-type: none"> - Focus of the company, Industry etc. - Stakeholders - Structure 	<ul style="list-style-type: none"> - Clients – characteristics - Services they provide
CSR	<ul style="list-style-type: none"> - Understanding of CSR - Implementation of CSR + examples - Motivation to implementation CSR - Costs behind CSR - Responsibility towards nearest area - Cooperation with non-Czech companies (both in and outside Czech Republic) 	<p>State funded institutions</p> <ul style="list-style-type: none"> - CSR as a topic - Process of picking and attracting clients (parameters, factors, controls) - Comparison from abroad - Special concern/program for primary sector companies <p>NGOs</p> <ul style="list-style-type: none"> - Process of picking and attracting clients (parameters, factors, controls) - Special programs designed to focus on specific areas/regions - Perception of CSR by clients - Differences between SMEs and MNCs - Special concern/program for primary sector companies
State/municipality	<ul style="list-style-type: none"> - Communication with municipality - Support by EU/governments - Knowledge of action plans 	<ul style="list-style-type: none"> - Opinion on action plans - Improvements for the action plans
Comments	<ul style="list-style-type: none"> - Suggestions - Best practice - Examples/inspiration/experience from abroad 	<ul style="list-style-type: none"> - Suggestions/criticism - Best practice - Examples/inspiration/experience from abroad

Table 1 Structure of the interviews

		Codes that appeared during the interviews						Source: The interviews & author's analysis
Themes	Codes	Business owners	API	SIC	ASR	BFS	Others	Comments
Pioneering	No responsible personnel	x						Responsible person for CSR is not clearly defined
Implementation	Absence of CSR in company's formal strategy	x	x	x	x	x		How is CSR implemented in the strategy of businesses, lack of transparency
Implementation	Lack of internal tracking of CSR activities	x						Businesses claimed to be responsible, but only one was able to prove it with concrete actions
Implementation	Responsibility towards location	x						Business owners claim to feel very much responsible for the location they are based in
Reality Gap (Communication malfunction)	Malfunctioning communication with political representation	x						Business owners do not feel that they are heard by the political representation
	Shortage of employees	x	x	x				Companies struggle to hire much needed employees
Reality Gap	Action plans of political bodies are inaccessible to regular business owners of SMEs	x			x	x		Business owners do not feel supported by the gov, even though the respective bodies seem to offer various action plans to boost SMEs in rural areas with the emphasis on responsibility
Control	Missing parameters to check CSR activities		x	x				API and SIC do not check if CSR activities are in place, controls only on paper, not field controls
Control	Low parameters to check responsibility				x	x		NGOs function on mutual trust level
Control	Low or missing willingness and/or capacities to perform controls in the field		x	x	x	x		Respondents are not performing controls in the field. It is unclear whether it is due to lack of capacity or willingness.
Control	Cost	x	x	x	x	x	x	Who should bear the costs. Unsurprisingly, nobody feels obligated.
Implementation	Low or poorly set up targets/goals for receivers of support		x					Small emphasis on the goals of the client companies
Implementation	Misunderstanding of the CSR concept		x	x	x	x	x	Many firms apparently do not understand what the concept means
Implementation	PR as a driver to undertake CSR activities	x	x	x	x	x	x	Very often the driver to perform CSR activity is to boost PR
Reality Gap	Contradictory requirements of funding programmes		x					Eg. Local suppliers vs discrimination
Implementation	Emphasis on innovation in responsible production		x	x				Emphasis on innovation in the action plans and strategies of publicly funded institutions
Pioneering	State funded institutions as pioneers	x	x	x	x	x	x	State funded institutions should be an example to businesses. They could serve as a driver/motivation for companies.
Reality Gap	Inadequate use of consultancy groups by business owners		x	x	x	x	x	Companies do not fully utilize the opportunities offered by NGOs
Pioneering	Visionary leadership		x	x		x		Best practices come down to visionary mayors, who can bring together businesses and municipality

Table 2: Codes and themes of the content analysis