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Corporate Social Responsibility in the Water Industry Sector

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Abstract

Corporate social responsibility is an important means of achieving sustainability. More and more companies recognize the fact that responsible operation has a number of results that supports sustainability and thereby the long-term competitiveness. The United Nations' Sustainable Development Goal 6 deals with the issue of Clean Water and Sanitation and to ensure sustainable water management. Previous research on the subject have revealed that most of the company executives are not aware of the elements of the CSR concept. This research examines the social responsibility of the Hungarian water industry. We wanted to know whether the water companies- who deal with water in the industrial and service sectors- operate in a responsible way, as the water is one of the Earth's most precious natural resources. The results of the research show the organizational factors that most contributes to responsible operation as well as the formed clusters based on the CSR intensity of the Hungarian water companies.

Keywords: Corporate Social Responsibility, responsible operation, management, water industry

JEL classification: M14

Introduction

Water is one of the most precious natural resources of our planet. Regarding to sustainable development, people around the world deal with the question of the sustainability of water resources. In this research, however, the issue of sustainability is examined from another aspect. We studied whether the water companies contribute to sustainable development with their responsible operation. According to previous research in Hungary, most of the company leaders identify CSR merely with environmental protection, charity and sponsorship. Therefore, we find it necessary to inform the company executives about the concept of CSR because we cannot expect from them to be able to decide in a responsible way and develop the appropriate strategies without knowing this information. Therefore our research goal was to assess whether the leaders of water companies know the CSR approach and its elements. Furthermore, we wanted to map the intensity of CSR in the water sector as well as the organizational factors that most contributes to responsible operation in case of these companies. The research was motivated by the following questions: do the surveyed water companies are aware of the content of the CSR approach, or they identify the responsible operation only with charity and environmental protection? What kind of relationship can be found between the general characteristics of the company and its manager and the socially responsible

operation? Do the water companies can be grouped based on their CSR activities? Quantitative research was carried out and an online questionnaire was used as a method of the research.

Theoretical background

Sustainable development meets the needs of the present, without compromising the needs of the future generations. (Brundtland, 1987) Sustainable development must be based on ecological principles, the honour and morality between generations and the various social interest groups. In order to achieve sustainability it is not enough to operate profitably while reducing environmental impacts, much more is needed: commitment, long-term and responsible thinking which monitors the effects on society as well. (Benn, 2009) Although the conscious and environmentally decisions promoting sustainability refers to the future, they need to be taken into consideration in the present. Since changing the opinions and attitudes is a slow process, it is expedient in case of present decisions to take into account the circumstances with the support of appropriate management techniques in order to enhancing effectiveness. (Lacey, 2010)

Responsible management assumes responsibility for the triple bottom line (sustainability), stakeholder value (responsibility), and moral dilemmas (ethics). (Waldman, 2008) Responsible managers should think of social efficiency as an evaluation criterion of their own management processes. How much social welfare is created? Are the employees satisfied with the working conditions? Are they motivated well? Are they growing as human beings in their work, or are they exploited so that they represent lost social capital? Performance for a responsible manager is defined as a combination of social, environmental, and economic performances. (Laash, 2015) CSR means the activities of a company that support the society while relating to legal standards and the direct interests of the company. Sustainable development meets the needs and expectations of humanity without threatening the future generation. According to World Business Council for Sustainable Development, the definition of CSR is the following: commitment of business to contribute to sustainable economic development, with the employees, their families, local community and society cooperating in order to improve the quality of life. (EC, 2001) CSR is an important means of achieving sustainability. If we take the definition of sustainability into consideration, we can see that the two concepts are related and complementary. The responsible operation has a number of results that supports sustainability and thereby the long-term competitiveness as well. (Szlávik, 2013) CSR is regarded as a set of tools that improves working conditions beyond legal requirements and it is favourable for the society. (Vogel, 2006) Many companies are focusing on corporate social responsibility issues but unfortunately, most companies are still based on self-interest and make CSR the part of their economic calculation, which is the opposite of altruistic ethical behaviour. (Holliday, 2002) The main points of Corporate Social Responsibility (CSR) concepts are; that after mapping who their stakeholders are, the company has to incorporate these CSR values and interests into their business operation while maintaining their profitability. Socially responsible behaviour radiates confidence towards both employees and consumers. (Frank, 2004) Many companies, however, see that a few donations and environmental measures are enough for responsible behaviour. On the other hand, more and more companies see the benefits of CSR such as: strengthening the relations of trust, increasing loyalty and motivation of stakeholders, improving the company's competitive position and reputation.

Methodology

CSR has several definitions but there is no precise determination of its areas. We collected the guidelines and standards (such as the European Commission's Green Paper with the title 'Promoting a European framework for corporate social responsibility', the UN Global Compact, the Global Reporting Initiative (GRI) and the ISO 26000:2010) related to CSR into a table to see what are the core subjects they have in common.

Table 1
CSR Guidelines and Standards

European Commission (2001)	UN Global Compact	GRI	ISO26000	Core subjects of CSR
Social responsibility integrated management			Organizational governance	1. Leadership
Adaptation to change		Economic		2. Employee
Human rights	Human rights	Human rights	Human rights	3. Environment
Human resource management/ Health and safety at work	Labour	Labor practices and decent work	Labour practices	4. Society
Management of environmental impacts and natural resources/ Global environment concerns	Environment	Environmental	Environment	5. Product and service
	Anti-corruption		Fair operating practices	
Local communities		Society	Community involvement and development	
Business partners, suppliers and consumers			Consumer issues	
Social and eco- labels		Product responsibility		
SRI (Socially responsible investment)				
Quality in work				
Social responsibility reporting and auditing				

Source: authors research data (2016)

The core subjects of the CSR concept served the basis for the online questionnaire. Beside the general questions about the organization and the manager, the questionnaire included a set of criteria about the CSR activities along the elements of the CSR concept (Table 1). During the questionnaire survey, we were interested to know:

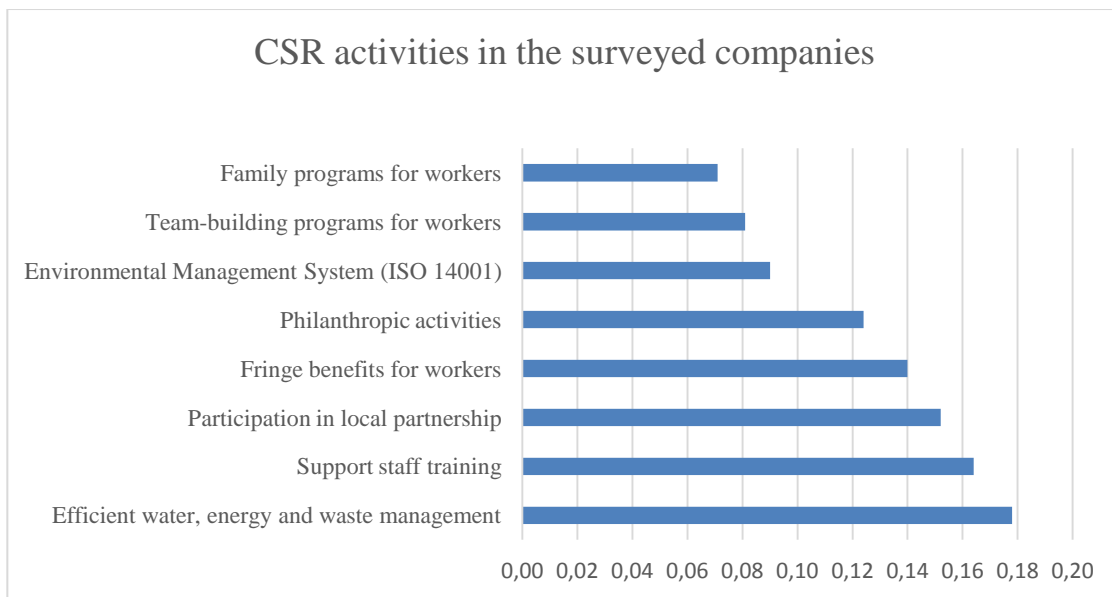
- Whether the surveyed water companies are aware of the content of the CSR approach, or they identify the responsible operation merely with charity and environmental protection?
- What kind of relationship can be found between the general characteristics of the company and its manager and the socially responsible operation?
- Whether the water companies can be grouped based on the CSR activities?

Samples were selected from the contact database of the Soós Ernő Water Technology Research and Development Centre that is part of our university campus. 556 water companies (both industrial and service providers) were selected. The on-line questionnaire was sent to them, from which we received 118 evaluable samples. We used Microsoft Excel and SPSS software to analyse the received data. From the analytical statistical methods, cluster analysis was used to group companies based on their CSR activities and cross-table analysis for further correlation studies.

Results

Figure 1 illustrates the CSR activities of the surveyed companies, the socially responsible activities that can be found in their everyday operation. It was not surprisingly that water companies identified the efficient water, energy and waste management (17.8%) as their priority. We would like to point out that water companies also consider important the responsible behavior towards their employees. This is a positive result as in our previous research that we carried out in other business sectors, most of the CSR activities merely covered environmental protection and sponsorship. CSR activity should not be only outwardly directed (towards society, the local community, consumers ...), but it should also have the inward focus on employees, as it is also a decisive element of the approach.

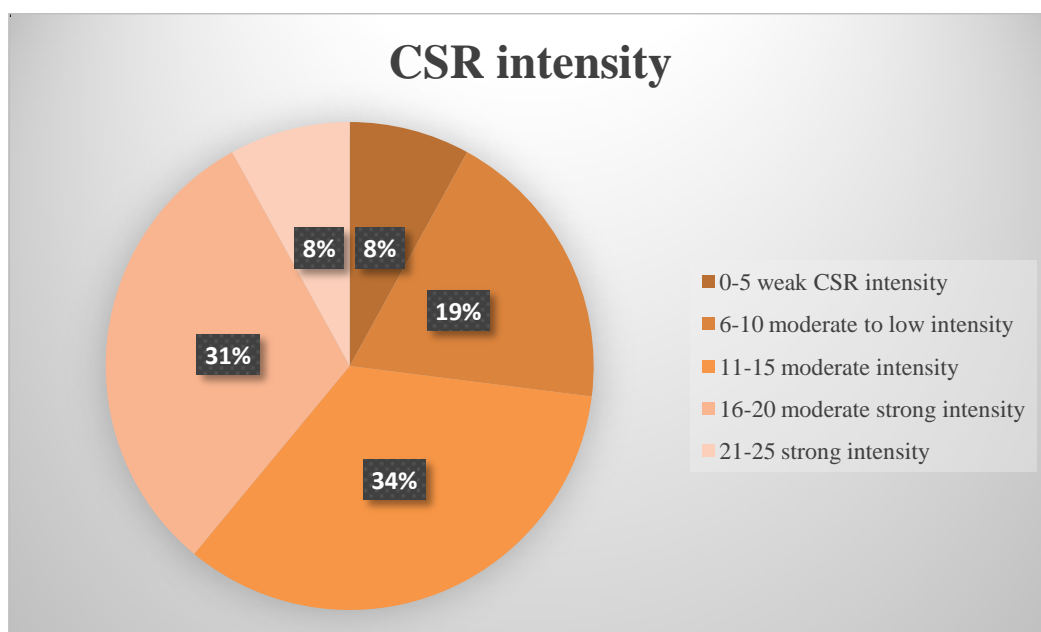
Figure 1
CSR Activities in the Surveyed Companies



Source: authors research data (2016)

For each elements of the CSR concept - responsible leadership, employees, environment, society, product & service - we made five statements in the criteria system, from which the respondents had to mark the options that are typical of their company. The scores of the companies were recorded in an Excel table. The maximum score was 25. Based on the results, the companies were grouped into five categories: 0-5 => weak CSR intensity, 6-10 => moderate to low CSR intensity, 11-15 moderate CSR intensity, 16-20 => moderate strong CSR intensity, 21 -25 => strong CSR intensity.

Figure 2
CSR Intensity of the Surveyed Companies



Source: authors research data (2016)

Nine companies were grouped into the weak intensity group, 23 to the moderate to low intensity group, 40 into the moderate intensity, 37 to the moderate strong intensity, and 9 companies were in the strong CSR intensity group. The result shows that the vast majority (34%) of the water companies that were involved in the research, belongs to the moderate intensity group, which is a promising result as the use of the approach is still unfolding in Hungary. As a continuation of the research, the general characteristics of the organization and the manager were individually compared to the indexes obtained, thus studying the factors affecting the CSR intensity in more detail.

Discussion and Conclusion

Summing up the results of the research it can be stated that the surveyed water companies are aware of the content of the CSR approach, and they also have the inward focus on their employees, not just the outwardly directed activities like charity and environmental protection. The results also show that correlation can be seen between the size and the year of establishment of the company and the socially responsible operation. Managers between the age of 31-40 with university degree are the most active in CSR. The majority of the studied water companies are not always conscious in their CSR activities, but they apply the elements of the concept, especially the medium-sized companies with Hungarian ownership structure founded between 1990 and 2009. The water companies operating in Hungary can be divided into three distinct clusters (CSR beginner / intermediate / advanced) according to their CSR activities. The majority of the companies belong to the moderate and moderate to strong CSR intensity category, which is a very positive and encouraging result. On the basis of the results, the water companies find it important to deal with the CSR approach because they have recognized that responsible corporate behaviour is not only essential for competitiveness, but it is one of the most important tool for sustainable development as well. As for further research, it would be worth comparing the results of water companies with the results of other business sectors.

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