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Corporate social responsibility in forestry

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Abstract: In Slovakia the topic of socially responsible business has been little reviewed and described, both theoretically and practically. The article highlights the differences in the definition and characteristics of Corporate social responsibility (CSR) as published by several domestic and foreign authors. Not less significant is the added value of a practical design of the CSR implementation model for forest management, as well as its measurement, evaluation and reporting tools.

Keywords: corporate social responsibility; sustainable growth; continuous growth indicators

Even though we daily encounter the unethical and irresponsible behaviour of entrepreneurs through the media, the topic of corporate social responsibility in Slovakia has been scarcely investigated and described, both theoretically and practically. In the area of legislation, corporate social responsibility is regulated by the Commercial Code (513/1991). It contains legal regulations applying in particular to: business and related institutes, entrepreneurs, companies and procedures for their establishment, business relations and conditions of their establishment, existence, change, extinction, liability for violations. The Commercial Code defines entrepreneurship as a continuous, ongoing and profit-making activity. However, many companies are already aware that maximizing profits is not the only way for successful business activities. For some

companies, it is even an undesirable or literally impossible path. For example, if agricultural and food companies increased their profits enormously, the food quality could fall sharply, or food for low income groups would become inaccessible. Similarly, the same applies to education, science, research, healthcare and forestry. If we do not want the literacy to fall down in order to build a modern, advanced and healthy society, we cannot judge business activities in the above-mentioned areas only by the amount of profit. In forestry, it would lead to increased timber production or increased timber prices. The former would be liquidating for the landscape, the latter for the wood industry. Both routes are therefore unacceptable. Solutions need to be found that are acceptable both for the company (corporate sector) and for the society. Partial

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solutions can be found in the sustainable growth principles or in the principles of socially responsible entrepreneurship.

Due to the various roles and meanings that forests play in the region, it becomes urgent to understand how forestry companies disclose their (alleged) corporate social responsibility activities. As an environmentally sensitive industry, forestry companies often focus their communication strategies especially on environmental issues in order to attain legitimacy to their economic activities (COLAÇO, SIMÃO 2018).

THEORY

The first ideas of corporate social responsibility appeared in the USA in the 1950s. The term “Corporate Social Responsibility (CSR) is a commitment of entrepreneurs to strive for such strategies and to make such decisions or perform activities that are desirable in terms of the goals and values of our society” (BOWEN 1953). Initially, this term appeared only in professional literature for managers, later in the 1980s, the concept was already used in the practice of corporate behaviour in the USA and Western Europe. Among other authors who dealt with the definition of CSR were Elibert and Parket (<https://www.employment.gov.sk>), who came to the conclusion that: Perhaps the best way to understand CSR is to think of it as a “good neighbour”. There are two stages in this concept. At the beginning it means not doing things that could harm the neighbourhood. In the second stage, it is a voluntary assumption of a commitment to help solve the neighbourhood problems (<https://ec.europa.eu/social/home.jsp?langId=en>). Other authors defined CSR as: “the continuous commitment of enterprises to behave ethically, to contribute to sustainable economic development while contributing to improve the quality of life of employees, their families, as well as the local community and society as a whole” (World Business Council for Sustainable Development). In 1966, Keith Davis and Robert Blomström in *Business and its Environment* defined social responsibility as “the commitment of an individual to consider the impact of his decisions and actions on the whole social system. Entrepreneurs apply social responsibility when considering the needs and interests of other people that can be affected by business activities. If doing so, then they can also foresee things that are outside the narrowly defined economic and technical interests of their company.” (NEEDLE 2010).

For Slovakia, the most relevant definition is perhaps the one of the European Commission, which already in 2001 explained such business and corporate behaviour as: “Voluntary integration of social and ecological interests into day-to-day business activities and interactions with corporate entities and stakeholders.” Under the terms corporate and stakeholders are meant: customers, employees, business partners, suppliers and subcontractors, shareholders, owners, and local community around the companies. The CSR forms the basis of the Europe 2020 objectives and makes a major contribution to the objectives of the European Union’s sustainable development and highly competitive social market economy.

PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILITY

The basic activities of CSR include in particular: voluntary activity, initiatives beyond legislation, overall improvement of life quality, sustainable development, regular communication with stakeholders, integration of social partners and economic values into normal corporate practice.

Given that it is not possible to list all CSR-related activities, it is necessary to set out three basic CSR principles that can identify such activities. These are: sustainability, accountability and transparency.

Sustainability needs to be seen in terms of resource exhaustibility. As stocks of raw materials decline, supply is declining and demand is growing. Resources become scarcer, and therefore more expensive, which raises the idea of resource regeneration and the pressure to internationalize costs. An example is forest regeneration. The number of harvested trees should be compensated by planting the number of new trees for the same number of trees in the future (ŠÁLKA et al. 2017). The most important impacts on the ability of a company to behave in a sustainable way include:

- societal impact – the degree of society’s impact on the company in terms of the founding treaty (founders agreement?) and the influence of stakeholders,
- environmental impact – the effect of business activities on the geophysical environment,
- organizational culture – includes the relationship between the company and its employees.

Corporate responsibility is the ability to recognize the impact on the environment and to quantify the

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impacts of the measures taken on the internal and external environment. A necessary requirement is the regular notification of stakeholders in the form of company activity reports. Acceptance of such responsibility enables stakeholders to influence the way of carrying out business activities, to decide whether the activities in question are justified and to consider the impact on all involved parties. This requires increased costs on the enterprise's part in developing, recording and delivering reports, which results in the creation of useful measures whose final benefits outweigh the costs.

Transparency is assessed with regard to the two preceding principles. In the case of sustainability, it is the internationalization which means full-cost support as a result of company's activities. On the other hand, to be accountable and at the same time to act transparently expresses the provision of reports to stakeholders in a clear and timely manner and to give them a reasonable power in a timely manner (Global Reporting Initiative Portal 2010).

IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY IN FORESTRY

As mentioned above, the concept of CSR and its principles are only very slowly transformed into practice. In Slovakia, they are mostly large international companies that have implemented the concept in the form of internal standards. Other large and medium-sized enterprises, including Lesy SR, š.p. (Forests of the Slovak Republic, state enterprise), apply only the concept of sustainable growth and the Code of Conduct (see: <https://www.lesy.sk>), which are at present insufficient due to pressures from the global environment. Current theoretical knowledge as well as practical experience confirms that the introduction of CSR into practice can:

- improve reputation and create a positive image in the general public,
- increase revenues due to good reputation and supply of quality products and services,
- increase the attractiveness for investors, allowing cost reductions and better access to external funding sources,
- increase the attractiveness for potential and loyalty of existing employees, which will allow cost savings in the wage area,
- improve the transparency of procurement and thus improve cooperation with suppliers,

- reduce risk management by introducing greening and health and safety at work programs,
- reduce costs due to the measures taken.

While sustainable development is environmentally focused and the Code of Conduct is part of the economic area, the CSR includes the social area that deals with employee care and security, equality and opportunity promotion, and human capital development. Besides the Code of Conduct, the economic area includes relations with customers, consumers, suppliers and others. In addition to resource sustainability, the environmental area also has the role of monitoring product and service innovations so that environmental criteria and in-house recycling are respected. In order for CSR to be successful in an enterprise, it is necessary to:

- set up an implementation team consisting of internal staff (owners) so that all three areas are represented,
- compare existing internal standards whether they meet the requirements and criteria of CSR,
- adopt those standards that are appropriate and complement them so that all three areas of CSR are covered,
- propose criteria for assessing compliance with the CSR rules by area,
- propose the formal adaptation of reports to CSR compliance.

Reporting provokes aversion in the application of CSR in the enterprise. Many companies see it as unnecessary paperwork and administrative burden, but it is essential for a successful implementation from which a positive benefit is expected. It allows informing the general public about CSR. The information should be presented in a way to highlight a positive image of the company, it should be complete, should not hide the risks, contain misleading and deceptive information, and should not give any deficiencies. Creating a positive image of the company in the society improves its reputation.

The CSR should be verifiable and the degree of its application in the company should be considered, therefore Table 1 contains the proposed basic indicators for each area which may be supplemented when necessary.

Indicators of CSR application in companies need to be evaluated and analysed over a longer period of time and published in the form of reports in order to generate a positive image of the companies and entities in forestry.

Table 1. Indicators of CSR (corporate social responsibility) application in the enterprise

| Area | Indicator |
|---------------|--|
| Environmental | – The rate of water, energy, heat and waste savings |
| | – The rate of recycled material use |
| | – The use of environmental technologies in production and logistics |
| | – Requirement of environmental standards from business partners |
| | – The application of sustainable growth indicators |
| Economic | – The code of conduct application |
| | – The rate of transparent procurement |
| | – The rate of innovations in production |
| | – Fair access to business partners (the share of satisfied / dissatisfied suppliers and customers) |
| | – The extent of support to publicly beneficial projects related to the subject of business (museums, bike paths, educational trails, relax zones, prospects, out-of-the-way walkways etc.) |
| | – Employee support in their volunteering and engagement in business projects |
| Social | – The long-term partnerships with selected non-profit organizations |
| | – The employee protection standards (GDPR, health and safety at work) |
| | – The rate of training and development of employees |
| | – The application of the principles of equal opportunities and non-discrimination |
| | – The extent of employee involvement in business decisions |
| | – Balancing the work and personal life of employees |
| | – The degree of collective bargaining success |

Source: own processing

CONCLUSION

The article deals with CSR and the possibilities of its application in forestry companies. Potential drawbacks and benefits (advantages and disadvantages?) of CSR for companies were highlighted.

CSR is about stakeholders. According to WOOD and JONES (1995) stakeholders are the sources of expectations about which the responsible behaviour in a business constitutes; they experience the effects of corporate behaviour and they evaluate how well firms have met their expectations and how firms have affected the groups and organizations in their environment. Stakeholders are the targets of CSR activities and their expectations influence the CSR activities of forest companies. NGOs and customers in global markets constantly evaluate CSR practices of firms (MATILAINEN 2013).

The implementation process proposed in the article is general and can be applied in various companies in terms of the legal form or size. In the implementation process, we consider only own employees or owners who have the best information about the company. However, it is not excluded that external consultants or specialists who have been dealing with the issue for a longer period and have sufficient theoretical and practical experience with the implementation of CSR are members of

the implementation teams. The goal of implementing CSR in a company is to improve the company's reputation, allowing revenue growth, cost reduction, and thereby increasing profits. To do this, we need to monitor the rate of CSR application in the company and to inform the general public about success. Based on this, 18 indicators were proposed which should be periodically reviewed, evaluated and analysed. This is the only way to ensure that the CSR implementation is successful.

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