Abstract

The evaluation of corporate social responsibility (CSR) becomes the problem. The practice demonstrates that currently there are methods, standards and initiatives that allow evaluating this state. The question is which approach is the right one, because his choice may depend from the findings "whom and to what purpose the evaluation serves", from the object and subject of the evaluation, as well as from the knowledge of current trends in the evaluation. The aim of this paper, based on an analysis, is to identify appropriate approach to evaluating the CSR of the company. The CSR concept is closely connected with ethical, environmental and social audit, sustainable development, management, philanthropy and various forms of donation. De facto, CSR offers a set of principles and values on which is possible to build a more cohesive society and to establish the transition to a sustainable economic system.

1. Introduction

There are many approaches how to define corporate social responsibility (instrumental theories, political theories, integrative theories, ethical theories), since this area does not have clearly defined boundaries and is based on a voluntary basis of the company.

First definition of corporate social responsibility came from the fifties of the 20th century. In 1953, Howard Bowen, the first theorist of corporate social responsibility, in his book Social Responsibilities of the Businessman stated (Bowen, 1953): "Social responsibility is a commitment of entrepreneurs to seek strategies to make such decisions or carry out such activities, which are desirable in terms of goals and values of our society". In the 1966
Keith Davis and Robert Blomstrom in their book Business and its Environment defined social responsibility as (Davis, Blomstrom, 1966) "a person’s obligation to consider the effects of his decisions and actions on the whole social system". The breakthrough came at the end of the sixties and seventies of the 20th century, when with the influence of turbulent social change in western society were created definitions, they were less emphasized on the personality of manager and more focused on the interaction between company and socio-economic system. The proof is the definition from 1973, which is based on the idea of good neighborliness (Eilbert, Parket, 1973): "Perhaps the best way to understand social responsibility is to think of it as good neighborliness". The concept involves two phases. On one hand, it means not doing things that spoil the neighborhood. On the other, it may be expressed as the voluntary assumption of the obligation to help solve neighborhood problems. In the eighties of the 20th century interest was transferred from the general theory in social responsibility on empirical research on corporate social responsibility. As a result of efforts to operationalization was its fragmentation, which has led to the creation of several alternative concepts like social business performance, business ethics, stakeholder theory, or public policy. From the eighties comes definition of T. M. Jones, focusing on a theory of stakeholders (Jones, 1980): "Corporate social responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract. Two facets of this definition are critical. First, the obligation must be voluntarily adopted; behavior influenced by the coercive forces of law or union contract is not voluntary. Second, the obligation is a broad one, extending beyond the traditional duty to shareholders to other societal groups such as customers, employees, suppliers, and neighboring communities".

At the beginning of the 21st century contributed to the definition of corporate social responsibility voluntary associations of business responsibly companies (Business in the Community; Business for Social Responsibility, ...), NGOs (World Business Council for Sustainable Development; The Canadian Centre for Philanthropy; Pontis, ...) and the European Union (Green Paper; European CSR Strategy).

Corporate social responsibility comes in many different shapes and sizes (Carroll, 1979; Buciova, 2008; Dahlsrud, 2008; Kuldova, 2010; Remisova, 2011; Lorinczy, Sroka, Jankal, Hittmar, Szanto, 2015), but it usually be categorized into three areas (Elkington, 1994): the first is economic; the second is social and the third is environmental. Alexander Dahlsrud (Dahlsrud, 2008) in his work "How Corporate Social Responsibility is defined: an Analysis of 37 definitions" identified five main areas of CSR: environmental, social, economic, stakeholders and voluntariness. He found that four of these five areas appear in 80% of the definitions and at least three of the five areas are in 97% of the definitions. For the needs of fulfillment of the aim of this paper, it will be based on the approach of Alexander Dahlsrud (2008). The reason for this choice is also the fact that companies that wish to successfully develop their activities are forced to engage all key partners into the corporate social responsibility (stakeholder), including all links of the production process, item of providing quality products and services, transparent company management (economic), care of employees (social), environmental protection (environmental) and cooperation with the local community (voluntariness).

Nowadays the evaluation of individual items of corporate social responsibility has been recently becoming the problem despite the fact (Jankalova, 2013), that there are currently methods, standards and initiatives which enable to measure this status (Business Excellence models, Dow Jones Sustainability Index, FTSE4Good Index, Ethibel Index, Global Challenges Index, MSCI World ESG Index, DAXglobal Sarasin Sustainability Germany Index EUR, Global Challenges Index, STOXX Global ESG Leaders, STOXX Sustainability Indices, Dax Global Alternative Energy Index, Stoxx Europe Christian Index, Hang Seng Corporate Sustainability Index, UN Global Compact principles, Global Sullivan Principles, OECD guidelines for multinational companies, Ethical Trading Initiative Base Code ...). The problem is not the lack of these approaches, but the fact that not every approach can measure the state of CSR in each area, i.e. in environmental, social, economic, stakeholder and voluntariness. The aim of this paper, based on an analysis, is to identify appropriate approach to evaluating the CSR of the company. Because of the many approaches to the evaluation of corporate social responsibility, this paper reviews only the selected approach as sustainability indexes.

The paper is organized as follows: section 2 describes the theoretical background (studies) on structure, purpose and application of sustainability indexes; section 3 describes the methodology approach; section 4 review the findings about secondary data on structure, purpose and application of sustainability indexes; section 5 is the conclusion and discusses the appropriate approach to evaluating the CSR activities of the company.
2. Theoretical background

Nowadays existing independent agencies (Dow Jones from Switzerland, Ethibel from Belgium, FTSE from UK, Business in the Community from UK, James Ethics Centre from Australia, ECPI from Belgium, EIRIS from UK, OEKOM Research AG from Germany), which deal with the rating of corporate social responsibility. Their contribution is in the creation of own indexes with which they measure the performance of companies that behave responsibly towards society. A decision which companies may be included in these indexes depends on the fulfillment of the criteria of "socially responsible behavior" that is setting individually by the agencies. Between the major international indexes belong Dow Jones Sustainability Index, FTSE4Good Index, Ethibel Index, Global Challenges Index and MSCI World ESG Index. In recent years, increased in importance also indexes applied only at regional level. An example are DAXglobal Sarasin Sustainability Germany Index EUR, Global Challenges Index, STOXX Global ESG Leaders, STOXX Sustainability Indices, Dax Global Alternative Energy Index, Stoxx Europe Christian Index and Hang Seng Corporate Sustainability Index.

Many authors have engaged with the research of individual indexes structure and their purpose. Studies on sustainable indexes can be divided into three sections:

- those that explore the structure of sustainability indexes (Sjostrom, 2004; Mitchel et al., 2004; Hamner, 2005; Kasparova, 2006; …).
- those that explore the purpose of sustainable indexes (Sjostrom, 2004; Beurden, Gossling, 2008; Cerin, Dobers, 2008; …) and
- those that explore other dimension, such as their application by the evaluation of Corporate Social Responsibility activities of companies (Avlonas, 2004; Jankalova, 2013; …).

A combination of the first two approaches is research of Sjostrom (2004), in which he identified thirteen companies providing sustainability indexes for European, American, Asian, and/or Global markets. It was showed that (Sjostrom, 2004) all indexes also do an evaluation of the financial robustness of the companies, because there wouldn’t be much of a point of these indexes if there was a financial trade-off. No investor would sacrifice financial pay-off even if it was for a "good cause", because their one and only mission is to maximize the return on the investment. The different providers draw the index constituents from varying investment universes: Some use "conventional" indexes, such as Standard & Poor’s Global index or Dow Jones World Index. Most sustainability indexes are market capitalization weighted, which means that each stock’s weight in the index is proportionate to that stock’s total market value. Many indexes have a fixed number of constituents, so if one company is excluded it is immediately replaced with another. The number of constituents in the identified indexes varies from 45 to 2,343. The indexes are normally reviewed every three or four months to ensure that the index composition accurately represents leading sustainability companies, and some are also monitored daily for environmental, economic and social crisis situations that may lead to exclusion from the index. The major underlying purpose behind the sustainability indexes is to measure the performance of companies that meet certain sustainability criteria, and to provide investors with an SRI benchmark (Sustainable Responsibility Investment). In other words, they want to facilitate socially and environmentally responsible investments. Some index providers have a more extensive purpose, in that they also want to increase awareness about CSR and SRI and encourage socially and environmentally responsible behavior, and one could suspect that they are not only profit-driven but also values-driven in their pursuit.

Hamner (2005) examined and analyzed the structure of 12 indexes (Dow Jones Sustainability Index, Ethibel Global Index, Ethical Global Index, FTSE4GOOD Global 100 Index, HumaniX 200 Global, ASPI Eurozone Index, EthInvest Environmental Index Australia, Jantzi Social Index Canada, Johannesburg Stock Exchange / FTSE 4Good Index South Africa, HumaniX 50 Index Sweden, Calvert CALVIN Social Index USA, KLD Domini 400 Index USA) with the aim to find the core sustainability criteria used by the 12 indexes and to count the criteria by conceptual groups. The results are in Table 1 and it shows the most popular criteria used by the analyzed indexes.
Table 1. Frequency analysis of criteria in indexes of sustainable corporations.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Sustainability criteria</th>
<th>Frequency</th>
<th>Sustainability criteria</th>
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<tbody>
<tr>
<td>9x = 75%</td>
<td>Health and safety</td>
<td>4x = 33%</td>
<td>Communication</td>
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<td></td>
<td></td>
<td></td>
<td>Discrimination</td>
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<td></td>
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<td></td>
<td>Legal compliance</td>
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<tr>
<td>8x = 67%</td>
<td>Corporate governance</td>
<td>3x = 25%</td>
<td>Contracts</td>
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<td></td>
<td>CSR performance reporting</td>
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<td>Codes of ethics</td>
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<td></td>
<td>Labor and union relations</td>
<td></td>
<td>Animal relations</td>
</tr>
<tr>
<td></td>
<td>Pollution prevention</td>
<td></td>
<td>Risk management</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Environmental performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Relations to customers and suppliers</td>
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<td></td>
<td></td>
<td></td>
<td>Energy sources</td>
</tr>
<tr>
<td>6x = 50%</td>
<td>Training and education</td>
<td>2x = 17%</td>
<td>Leadership and incentives</td>
</tr>
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<td></td>
<td>Quality</td>
<td></td>
<td>Management</td>
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<tr>
<td></td>
<td>Compensation</td>
<td></td>
<td>Non-executive director remuneration</td>
</tr>
<tr>
<td></td>
<td>Diversity</td>
<td></td>
<td>Conduct of business</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sustainability assessment</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>Rights Management</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Profit sharing</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Family support</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Product safety</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>Recycling</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Environmental management system</td>
</tr>
<tr>
<td>5x = 42%</td>
<td>Innovation</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Human rights</td>
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</table>

This research provides (Hamner, 2005), that the most significant observation is the strong focus on internal employee relations for sustainability, such as health and safety, labor relations and pollution prevention. Hamner’s point of view, investors understand that good performance is created by a good business culture and sustainability programs should focus on internal development first and external efforts second. It was also being noted that three of the dominant criteria are often integrated: training and education leads to pollution prevention which improves health and safety.

Hamner’s research confirmed earlier realized Mitchel’s research (Mitchel et al., 2004), who analyzed indexes DJSI, Ethibel, FTSE4Good, Domini400 and Calvert. By the comparison of monitoring areas, he came to the conclusion that the monitored area of the individual indexes differed evidently. On the discrepancy of indexes also pointed Kasparova (2006), her research was based on extensive research of Hamner (2005).

The second section on studies focuses on the purpose of sustainable indexes, which explore the link between sustainable indexes and areas as Corporate Social Performance (CSP) and Sustainable Responsibility Investment (SRI). Beurden and Gossling (2008), also in line with Sotorrio and Sanchez (2008), describe CSP as a concept of three categories (Comincioli, Poddi, Vergalli, 2012): CSP1: social disclosure about social concern (Orlitzky et al., 2003; Wu, 2006); CSP2: corporate action, such as philanthropy, social programs and pollution control; CSP3: corporate reputation ratings or social indices that may be provided by social rating institutions, such as KLD, EIRIS, Fortune, Moskowitz or ad hoc indices drawn up by the researchers themselves (Beliveau et al., 1994; Brammer, Pavelin, 2006; Hillman, Keim, 2001; Johnson, Greening, 1999; Mahoney, Thorne, 2005; Moore, 2001).

Cerin and Dobers (2008) in their study The contribution of sustainable investments to sustainable development mentioned (Cerin, Dobers, 2008): In the last decade there has been a surge of new sustainable investment mutual funds and indices (SiRI Company, 2004; Sjostrom, 2004). This has spurred critical research on their compositions, including ratings (Koellner et al., 2005; SustainAbility, 2004; Figge, Schaltegger, 2000). Cerin and Dobers (2001a) found that other factors than sustainability (e.g. market capital size and back casting methodology) explained the Dow Jones Sustainability Group Index (DJSI) out performance of Dow Jones Global Index (DJGI). The likely reason is the fact that DJSI has selected its components mainly on the basis of information from the companies.
themselves (Cerin, Dobers, 2001b). Illnitch et al. (1998) evaluated environmental ratings and found them to rely on public reactions rather than on precise and measurable outcomes. Instead the subjectivity in their formulations may raise a dangerous circularity where the rankings are based on reputation and the reputation is partly based on the ranking. Hawken and the Natural Capital Institute (2004) have, moreover, detected that almost identical constituents have been chosen (as of Oct. 2003) in the combined portfolio holdings of American SI mutual funds as of the 30 largest market capitalization size firms composing the Dow Jones Industrial Average. Some researchers (Cerin, Dobers, 2001a; Louche, 2004), however, also conclude that sustainability indices have indeed contributed to making sustainable investments a viable commercial project and transformed sustainable investments to an element of the broader Corporate Social Responsibility field.

The last groups are studies dealing with the application of the sustainability indexes by the evaluation of Corporate Social Responsibility activities of companies (Avlonas, 2004; Jankalova, 2013). It is especially this research field that indexes are the tools of reporting, self-assessment and assessment of CSR activities of companies (Table 2).

Table 2. Research on CSR models, standards, guidelines and indexes (a comparison by Avlonas, 2004).

<table>
<thead>
<tr>
<th>CSR approach</th>
<th>Tool for reporting</th>
<th>Tool for self-assessment</th>
<th>Tool for assessment</th>
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<tbody>
<tr>
<td>The EFQM Excellence Model</td>
<td>++</td>
<td>+++</td>
<td>+++</td>
</tr>
<tr>
<td>Social Accountability - SA 8000</td>
<td>+</td>
<td>+</td>
<td>+++</td>
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<tr>
<td>ISO 14000</td>
<td></td>
<td>++</td>
<td>+++</td>
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<tr>
<td>EMAS</td>
<td>+</td>
<td>++</td>
<td>+++</td>
</tr>
<tr>
<td>AccountAbility 1000 (AA1000)</td>
<td>++</td>
<td>+</td>
<td>+++</td>
</tr>
<tr>
<td>Global Reporting Initiative (GRI)</td>
<td>+++</td>
<td>++</td>
<td></td>
</tr>
<tr>
<td>Value Management System (VMS)</td>
<td></td>
<td>++</td>
<td></td>
</tr>
<tr>
<td>Dow Jones Sustainability Index</td>
<td>+</td>
<td>++</td>
<td></td>
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<tr>
<td>FTSE4good</td>
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</table>

3. Methodology approach

The aim of this paper, based on an analysis, is to identify appropriate approach to evaluating the CSR of the company. The fulfilment of the aim was preceded by:

- CSR definition and identification of CSR items,
- analysis of sustainability indexes in point of view selected studies,
- analysis of approaches to evaluating the CSR in point of own research and experience.

The analysis of sustainability indexes is presented as review of studies on structure, purpose and application of sustainability indexes in text-by-text. The results of these findings are stated in the following part 4.

This study is based on information gathered through extensive literature review (research publication, research studies, documents about sustainability indexes using internet and research databases and the author’s own experience.

4. Results and findings

The main results and findings of this study are:

- The problem of the individual indexes (Jankalova, 2013) is the objectivity of the data collected, since the source of them are personal interviews, websites, annual reports, reports on sustainable development and proper environmental protection of analyzed companies. Despite verification by the independent auditor, these reports often show signs of subjectivity due mainly mutual incomparability of data. Another problem is transparency in
the evaluation of corporate social responsibility provided by rating agencies, since these agencies often use a methodology which is not disclose, because it is their know-how. Some rating agencies published indexes that assess only the company's reputation. In this case, the starting point is stakeholders' views on the company obtained especially by questionnaire survey. The problem in this case is known favoring of large companies, as these communicate with the public more often than small, of which beneficial activities know often only closed group of people.

- Mentioned indexes are also the basis for sustainable investments. The problem is that, since individual indexes are different in analyzed areas and also in indicators in the various areas and scales defined for each area, it is very difficult to compare these indexes.

Incomparability of indexes also cause:

- The various definitions of corporate social responsibility that ambiguously identify the desired behavior of the business entity. While in overseas countries, we can talk more about corporate philanthropy (for many companies is that donations to foundations and support non-profit projects) in Europe CSR reflected in integration of principle areas of corporate social responsibility into the business strategy of the company.

- Different views on the identification of the areas of corporate social responsibility, what is proven by statements of domestic and foreign authors as Lakin, Scheubel, Mutz, Buciova, Dahlsrud, Remisova, Kuldova, Trnkova, Prskavcova.

- Various purpose of sustainable indexes.

5. Conclusion

Praxis is proof of the fact that there are currently methods, norms and initiatives that enable evaluation of the corporate social responsibility. Guidance can be Business Excellence models, indexes, standards and initiatives used to evaluate this state.

Business Excellence models are models with fixed scale of criteria, which has recently, with the increase of importance of corporate social responsibility, also became the basis for his evaluation. Example is The EFQM Excellence Model in Europe and The Malcolm Baldrige Model for Performance Excellence in the USA. Regarding the structure and method of evaluation The EFQM Excellence Model and The Malcolm Baldrige Model for Performance Excellence, are almost identical and are based on the three fundamental TQM pillars – people, processes and results. The idea of corporate social responsibility is tied in the context of both models and is in its principles, methodology RADAR (for The Malcolm Baldrige in methodology ADLI and LeTCI) and in criterions, respectively sub-criterions. According to the own comparative analysis, The Malcolm Baldrige Model for Performance Excellence is more suitable tool for the evaluation of corporate social responsibility activities of companies (the "economic" item is present in each criterion of The EFQM Excellence Model and the item "stakeholder" is present in each criterion of The Malcolm Baldrige Model for Performance Excellence; in the case of The EFQM Excellence Model the item "voluntariness" has the lowest representation and in the case of The Malcolm Baldrige Model for Performance Excellence it is the "environmental" item).

The area of the corporate social responsibility evaluation also includes a number of standards and initiatives, which differ in scope and purpose for which they were created. The examples are UN Global Compact principles, Global Sullivan Principles, OECD guidelines for multinational companies, Ethical Trading Initiative Base Code and ISO 26000 corporate responsibility standard. For company reporting are essential standards as Global Reporting Initiative, World Business for Sustainable Development Reporting Project and AA1000 AccountAbility/Assurance Standard.

As the starting point in this area can be considered ISO 26000 corporate responsibility standard, even though it does not serve to evaluate the level of corporate social responsibility and even it is not designed for the purposes of certification. It is "only" a framework for social responsibility and is used by a large number of companies as a way of strategizing and managing performance in this respect. It helps (ISO, 2014) clarify what social responsibility is, helps businesses and organizations translate principles into effective actions and shares best practices from around the world relating to social responsibility. De facto, it is a voluntary guidance in the area of the management,
protection of human rights and the environment, labour practices, responsible business and to support the development of relations with stakeholders. By adopting the requirements of this standard, companies undertake to comply with the rules of social responsibility in all three dimensions of sustainable development – economic, environmental and societal.

To the group voluntary standards can be included standard AA1000 AccountAbility/Assurance Standard, which aim is to examine the management of corporate social responsibility of company (i.e., principles and communication with stakeholders), including reports on corporate social responsibility in economic, environmental, social and ethical responsibility. It is a framework for an organisation to identify, prioritise and respond to its sustainability challenges.

Between the important institutions whose aim is to achieve an increase in the reliability and usability of Corporate Responsibility Reports belong World Business Council for Sustainable Development (WBCSD) a Global Reporting Initiative (GRI). The GRI Sustainability Reporting Guidelines (ISO, 2014) are the most widely used sustainability reporting framework in the world and enable all companies and organizations to report on their economic, environmental, social and governance performance. GRI’s mission is to make sustainability reporting standard practice. The fourth generation of the GRI Guidelines (G4, was launched in May 2013) helps organizations to set goals, measure performance, and manage change on order to make their operations more sustainable. The main contribution of guideline is a list of quantitative and qualitative performance indicators by which the organization characterize its corporate social responsibility. A sustainability report is (GRI, 2015) a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. Sustainability reporting helps organizations to set goals, measure performance, and manage change in order to make their operations more sustainable. A sustainability report conveys disclosures on an organization’s impacts – be they positive or negative – on the environment, society and the economy. In doing so, sustainability reporting makes abstract issues tangible and concrete, thereby assisting in understanding and managing the effects of sustainability developments on the organization’s activities and strategy.

The aim of the paper was, based on an analysis, to identify appropriate approach to evaluation the achieved level of corporate social responsibility of company. In view of the facts set out in this paper and realized analyzes of various approaches, the most appropriate approaches for evaluation of corporate social responsibility are Business Excellence models, and mostly The Malcolm Baldrige Model for Performance Excellence.

Acknowledgements

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References


2. Corporate Social Responsibility. The CSR is a subjective concept and it has been characterized by lack of a universally agreed definition. Different approaches have been proposed in order to clarify the social responsibility concept. Freeman (1984) introduces the stakeholder theory in relation to social responsibilities of companies stating that the companies’ responsibility is to any group or individual who can affect or is affected by the achievement of the organization’s objectives. As regards the evaluation of predetermined group companies, the DJSI derives from and is fully integrated with the Dow Jones Global Indexes while the ESI and the FTSE4Good cover Global stock indexes. Corporate social responsibility (CSR for short) is the internationally regarded concept for responsible corporate behavior although it is not clearly defined. In a nutshell, CSR refers to the moral and ethical obligations of a company with regards to their employees, the environment, their competitors, the economy and a number of other areas of life that its business affects. Contents. Developed and detailed definition of corporate social responsibility. If it becomes known that a company voluntarily commits itself to a good cause, this improves their public image. For this reason, however, the concept of corporate social responsibility is repeatedly criticized: many companies do not embrace CSR as a result of genuine altruism, but rather to develop their own image. The concept of corporate social responsibility (CSR) has a long and varied history. It is possible to trace evidences of the business community’s concern for society for centuries. Formal writing on social responsibility, however, is largely a product of the 20th century, especially the past 50 years. William C. Frederick was also an influential contributor to the early definitions of social responsibility as he wrote, [Social responsibilities] mean that businessmen should oversee the operation of an economic system that fulfills the expectations of the public. And this means in turn that the economy’s means of production should be employed in such a way that production and distribution should enhance total socio-economic welfare.