RESPONSIBLE MANAGEMENT IN THE FRAMEWORK OF MARKET ECONOMY

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Abstract

Background. It is more and more evident that long-term sustainable management cannot be carried out based only on financial data. Corporations operating in a market economy environment do not only aim at profit maximization as they have already realized that their performance depends on the sustainability of the environment and society. Financial motivations are the engine of corporate management, however, corporations can still serve common wealth. Capitalism offers ever so many possibilities, opportunities for corporations to be socially responsible.

Research aim. This study was carried out to examine the CSR attitudes and commitments of the management of a corporation operating in the capitalist environment as well as to study their exact CSR practices.

Method. The research is based on the questionnaire carried out among domestically and internationally owned SMEs in Hungary. The so-called snowball sample method was used.

Key findings. The study attempts to find and reveal the reasons for the gap between the manager attitude and CSR practice based on the VoC.

Keywords: Varieties of capitalism, Corporate social responsibility

INTRODUCTION AND BACKGROUND

Systems of Economy - The Varieties of Capitalism

The system of economy is one of the subsystems of society, which became a separate system after long development. We can only talk about an independent autonomous economic system after the development of capitalism. This was the time when the economic processes and events operated according to their own logic and were not dependent on the society.

Modern capitalism has undergone significant institutional changes following its development. Europe’s economic systems are not homogenous, all forms of capitalist systems can be found among them. The study of capitalist systems and the comparative capitalist theory is quite novel, it only goes back a few decades. However, during this period the methodology of the field has undergone significant changes. At the beginning, the focus of the studies was the role of the state and the impact of the society actors; later on the corporation-oriented trend became dominant.

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There are two main forms of the price regulated integrated economy. The free competition market economy and the mixed market, which is linked to state intervention (Szabó, 2007). Their common feature is the interlocking of the capital, capital goods and private ownership, which forms the base of the market coordination; and actually distinguishes the market economy from the feudal economy. In this economic model profit is the engine of the economic activities.

In a free competition market the role of the state is very small. It only ensures the framework and checks that the law is upheld, however, social lobby groups have major roles in the background.

The modern mixed economy is basically a market economy, however, the market processes are supplemented with state coordination. Its main aim is to create and maintain welfare, freedom and safety. The necessity for state regulation is reasoned by the fact that the steady development of all branches of the national economy is not ensured by the market and profit interests.

The necessity for state control is reasoned by the steady development of each national economy branch not being ensured by the market and profit interest. The market competition is limited. The modern mixed economy can be divided into three groups (Katzenstein 1978), market controlled economy, neocorporatist economy and state controlled economy.

The first forms of capitalism, in its narrower sense, are the Rhenish/continental and the Anglo-Saxon model Albert (1993). The characteristic of the continental model is that the thinking of the actors of the economy is far-sighted, and a long-term commitment towards each other, whereas the characteristic of the Anglo-Saxon model is the flexibility originating from the short-term contracts.

Hall and Soskise (2001) studied the behaviour of the corporations with their stakeholders based on the corporate resources. According to this, five dimensions were studied: financial system, corporate governance, inter-corporate relationships, innovation and training education.

Accordingly in their work of Varieties of Capitalism, The Institutional Foundations of Comparatives Advantage, two basic types of market economy were distinguished: the liberal (USA, UK, Canada) and the coordinated (Germany, Sweden). The differences between the two systems lie in corporate governance, training-education, inter-corporate communication and industrial relationship.

The coordination in the liberal market economy is realized through competitive market forces; among the corporations the competition is rather intensive. The corporate financing is based on short term resources, and the liberalised workforce market is the characteristic form.

Conversely, in the long-term financing forms of the coordinated market economy, the role of the banking system is emphasized, and
agreements between the employee and employer, the strong trade union and the R&D cooperations are characteristics.

Hall and Gingerich (2003) further developed these two types of varieties of capitalism based on their empiric research; and stated that the main component of capitalism is the coordination, which is a critical dimension.

Sapir (2006) ranks the countries of the EU-15 members into four models, to which the analysis of Boeri is also used. According to this the Nordic and Anglo-Saxon models are characterised as effective, the Continental and Mediterranean models are characterised as inefficient institutional models. The base of the grouping is efficiency (welfare tools and legal regulations, the motivating factor of employment and the high rate of employment) and equity (low risk of poverty, small differences in incomes and the low rate of the poor.

Accordingly the Nordic model includes Denmark, Finland, Sweden and the Netherlands, where there are high subsidies and welfare, extensive social network, universal welfare service and strong trade unions. Incomes are equalized and the willingness of employment is controlled and active employment policy is applied as intervention in the fiscal-based workforce market.

The Anglo-Saxon model which is typical of the UK and Ireland, means that there are a wide range of social services, and transfers towards those of working age. The circle of the subsidised is narrow, however the subsidies are high. Measures helping the activity of the labour supply and measures helping to coordinate to establish workplaces play important roles. The measures motivating activity are strong, they help to gain employment, and moreover, the trade unions are weak. The inequality in incomes are rather wide and increasing, and the number of those receiving low incomes are increasing.

The continental model is characteristics of Austria, Germany, France and Luxembourg. In these countries the social benefits are wide ranging and based on insurance, which are rather focused on supporting unemployment benefits and pensions. Although there are fewer and fewer members of trade unions they remain strong due to the fact that the regulatory system supports collective bargaining, which means that the collective agreements are extended to those who are not members of the trade union. Besides the general welfare, the benefits bound to incomes are fairly big, they have an extensive social insurance system and the social services are insurance based.

The Mediterranean model consists of Greece, Italy, Portugal and Spain. The common features are: their welfare state is primitive, which is based on the protection of the workforce and employees, part of which is early retirement.
The incomes are regulated by collective agreements. Both the welfare and the social expenses of the state are low. The circle of those supported are narrow and the amount of the benefits are also low, and they are bound to income.

The countries of the Central-Eastern region joining the European Union are not easy to group clearly into the models of the VoC. There are more problematic issues and these countries are not as developed economically as the countries of the western region: their institutional systems bear some uniqueness due to their socialist past, and they undergo a continuous change compared to the Western-European countries (Lane 2005, Lane 2007, Bohle & Greskovits 2007).

Ranking these countries is not an easy task even for expert researchers. Some researchers (McMenamin 2004) rank Central-Eastern-European countries among the coordinated market economy, whereas others (Hoffmann 2004) rank them among the liberalised market economy. There are also researchers (Nölke & Vliegenthart 2009, Farkas 2011) who believe that the former socialist countries should be regarded as a separate block regarding VoC. According to Papava (2006) sub-groups can even be formed among the socialist groups.

According to the typology of Bohle and Greskovits (2007) there are three clearly defined subcategories of the post-socialist countries: the clearly neoliberal (Baltic states), the embedded neoliberal (countries of Visegrád), and the neocorporatist (Slovenia) system. The big states of Central-East Europe (Poland, Hungary, and the Czech and Slovak Republic) used their export industry to encourage foreign investment, however, it maintained the social welfare system and has quite a great governmental influence on the industrial politics.

Lane (2007) ranks the former socialist countries into three groups based on privatisation, the rate of the private sector, the development of the stock market and banking system, the incoming working capital, transnationalisation and the structure of the export sector, rate of unemployment and the health expenses. Regarding the above mentioned, the first country group is very close to the continental group (Slovenia, Czech Republic, Poland, Hungary, Slovakia and Estonia), its subgroup would be Croatia, Lithuania, Latvia, Romania and Bulgaria). The second model is rather hybrid, having the features of the state and market Russia, Ukraine, Kazakhstan, Georgia, Moldova, and the third is a region, where the capitalist breakthrough has not yet happened (Uzbekistan, Turkmenistan, Belarus).

The former socialist countries are ranked into two groups according to Papava (2006). The group of those that joined or will join the EU, where capitalism might happen and the group of the soviet successor states which are described as a dead economy or necro-economy.
The countries of this region are hard to fit into any of the categories of the Western European capitalist model, (Luly 2012), and as it can be seen, it also causes disputes among the researchers. This is why the present study does not attempt to rank Hungary into any of the models; Hungary is examined as a independent category and is compared to the coordinated and liberal model as such.

The VoC has not been classified as a universal model (Hancke et al. 2007), in the study of certain research areas. That is why the present study sees the VoC as the theoretical base.

**METHOD**

The research aims were defined after overviewing the literature. The primary aim of the research is to compare the subsidiaries in Hungarian ownership and the subsidiaries of foreign companies operating in Hungary, based on the Varieties of Capitalism. More precisely, the aim is to compare the social responsibility of those subsidiaries belonging to countries of the coordinated and liberal model and those corporations that are Hungarian owned.

**Table 1. Comparing the Aims and Hypothesis**

<table>
<thead>
<tr>
<th>Research aims</th>
<th>The hypothesis of the research</th>
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<tbody>
<tr>
<td>A1: Comparing the social responsibilities of the subsidiaries of countries belonging to the coordinated and liberal model and of the companies in Hungarian ownership.</td>
<td>H1: There are significant differences in the CSR practice of the three different type. H2: The liberal model is more outstanding than the other two.</td>
</tr>
<tr>
<td>A2: The aim of the research is to study and compare the motivating factors. The aim of the research is to reveal whether there are differences among the motivating factors of companies belonging to certain categories of VoC.</td>
<td>H3: The Hungarian companies carry out CSR primarily because of direct self-interest H4: The indicator of the social responsibility in the countries belonging to the liberal model is the common interest.</td>
</tr>
<tr>
<td>A3: The aim of the research is study the frequency of the sustainability reports as a way of CSR communication tools.</td>
<td>H5: The use of the sustainability report is significantly higher in the coordinated VoC type of countries than in the other two types.</td>
</tr>
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</table>

Source: own construction

The research was carried out among domestically and internationally owned SMEs in Hungary in 2011. During the research, no random sampling was used; instead, the so-called snowball sample method was used. Although the group of respondents was chosen at random, later on the respondents were collected based on the social network. With this method 164 questionnaires were filled out, of which 96 proved to be useful. The advantage of this method is that at low cost, a relatively large sample can
be achieved. The research is therefore not representative, however, it contains interesting results. Before carrying out the research and checking the hypothesis, the normality test for all the metric variables was carried out. A reliability examination was carried out for the variables on the scale in the interests of the accurate test. During the research, simple descriptive statistical methods and methods with one or more variables were used. For comparison and to show the differences the Non-Parametric Test, K Independent Samples (Kruskal - Wallis) and the $\chi^2$ was used.

RESULTS

The Data and Features of the Corporations

Although the research was extended to several subfields, the present study only deals with the relevant relations of the actual research. The sample consisted of 96 companies: 40% small, 27% medium, and 33% large enterprises. The research excluded those micro-companies having 10 employees and studied the companies arbitrarily based only on their size. The size of the companies was defined according to the number of employees; small enterprises 10-49 employees, medium enterprises 50-249, whereas large enterprises above 250 employees - in accordance with the EU nomenclature. According to the Varieties of Capitalism the corporations in the sample belong to the following categories: 17% coordinated, 11% liberal and the great majority, 72% Hungarian.

The Study of Relation of the Corporate CSR and the VoC

The CSR in its modern sense only appeared in the practice of the Hungarian corporations after joining the EU in 2004. After this access, the political, economic, social, legal and technological background of Hungary has changed significantly, so the international corporations were willing to invest in Hungary.

The research aims to study what differences can be experienced between the CSR practice of those companies which belong to the liberal and continental model and the Hungarian companies. When compiling the questionnaire for the study of the environmental and social corporate operations, an itemised scale has been used. The respondent could evaluate the existing CSR practice of the corporation on a 5-point Likert scale.

In the study of the CSR practice, the two most important components of the social responsibility were under scrutiny: the environmental and social questions. The questionnaire consisted of eight items in the case of environmental behaviour, whereas it contained seven items regarding the social corporation management. The respondent could choose from a
scale of 1 to 5 and 35 points were the total for the environmental behaviour and 40 points for the social behaviour. To be able to compare the data, the total points were decoded and in both cases the maximum total became the same, which gives the total points of the CSR practice. During the study the interpreted means show the weighted arithmetic mean, because of the different number of items in the questionnaire. A reliability test was carried out in order for the measures to be precise. The reliability and the internal consistency in case of the environmental operation was 0.726 Cronbach’s Alpha, whereas the scale for the social responsibility showed 0.842 Cronbach’s Alpha which refers to a very high internal consistency. Out of the 96 corporations achieving the efficient score, 69 are Hungarian owned, 16 coordinated and 11 belong to the liberal model.

Despite the differences in numbers the liberal capitalist corporations achieved the highest total score, of which the mean is 26.65, it is followed by the corporations ranked in the coordinated capitalist model with 24.45 and finally the Hungarian corporations with 23.69.

Hence the research proved that both H1 and H2 were valid: (a) there are significant differences in the CSR practice of the three different types, and (b) the liberal model is more outstanding than the other two.

A significant difference can be shown in the CSR practice of the studied corporations. The CSR practice of the liberal model is substantially higher ($\Sigma$ 26.65 points), as opposed to the other two models. The difference according to the Non-Parametric Tests, K Independent Samples, (Kruskal - Wallis) is significant (p<0.045).

**Studying the Motivating Factors of the CSR Practice**

Reviewing the literature, it can be seen that several researchers deal with the motivation for the CSR, as it seems to be rather interesting how corporate leaders choose to take on social responsibility above profit maximisation. The empiric researches identify several motivating factors (e.g. primary or financial interests; secondary or indirect interests, extending the market, gaining new consumer segments and their reputation; the image of the company is improved by applying CSR in their practices hence there are more investors, the market risk decreases, or that CSR $\neq$ PR. Other indicators are the moral commitment, the ethical operation of the corporation, and the company’s values; or the stakeholder pressure etc., out of which the present study highlights three factors: the primary or financial motivation, the secondary motivation and the common interest.

The primary researchers examine the basic aim of each organization to increase profit. According to several empiric researchers, the financial interests are the most important motivating factors (Hart & Ahuja, 1996,
Miles & Covin, 2000; Porter & van der Linde, 1995; Hoffman, 2000; Graafland, 2004; Graafland & Smid, 2004; Garriga & Mele, 2004; Bergo, 2006). The financial motivation is not the only reason for realizing the CSR practice. Graafland & Smid (2004) point out a secondary or indirect CSR motivation; by applying the CSR, the social acceptance of the corporation may increase and its market role may also strengthen.

In many cases the corporation feels moral commitments towards the society – that is their stakeholders – and this ethical behaviour or attitude builds in the culture of the corporation, and it's business practice (Etzioni, 1988).

The fundamental question is whether the self-interest of the corporation (direct or indirect) and the common interest can be felt together within the framework of the market economy. That is why the present study focuses on these three motivating factors.

The present research used a questionnaire of seven statements to reveal the motivating factors of taking social responsibility of the corporations, which can be divided into three subgroups regarding their content (primary or direct self-interest of the corporation, secondary or indirect self-interest of the corporation and common interest). The direct self-interest of the corporation contained financial statements. The indirect self-interest of the corporation, which contained motivating factors regarding the reputation of the company, the creation of an image, improving competitiveness and creating new market possibilities. The common interest group contained statements on the moral and ethical issues that are important from the viewpoint of the society.

The research examining the motivating factors of the multinational companies belonging of the continental and liberal capitalist model and the Hungarian companies gave the following results on a scale from 0 to 1 observed one by one by Kruskal-Wallis (comparative samples ANOVA non parametric). Concerning the primary or direct self-interest, the Hungarian companies achieved a higher total score, of which value is 0.4130. That means that for the Hungarian companies, the main motivation of CSR can be described by financial advantages. The difference based on the Kruskal Wallis K Independent Sample Tests is significant (p<0.05). Hence H3 was reinforced - the Hungarian companies carry out CSR primarily because of direct self-interest.

Concerning the secondary or indirect self-interest, the liberal companies achieved higher total scores (p<0.05) so it can be stated that the motivation for CSR among the liberal companies in the sample is to utilize the secondary advantages. According to the respondents of the liberal companies using CSR practice, the judgement of the company improves and a positive image is created for the stakeholders and as a consequence, new market segments can be gained, investors are looking for the company, and the market risk decreases. The result of the common
interest is not significant according to the Kruskal – Wallis K Independent Sample Tests, so the study does not interpret the results. The H4 was disproved, therefore the indicator of social responsibility in the countries belonging to the liberal model is the common interest.

The result can be seen in Table 2. The means in the table are weighted arithmetic means due to the different item number in the questionnaire.

### Table 2. Comparison of the Motivating Factors Towards CSR in the Corporation Based on the Varieties of Capitalism

<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>The countries examined according to the VoC model</th>
<th>The method applied and the extent of probability/ the level of significance</th>
</tr>
</thead>
</table>
|                          | Hungarian | Liberal | Coordinated | Kruskal – Wallis K Independent Sample Tests | p= 0.013  
| Primary or direct self-interest | 0.4130   | 0.3623  | 0.3116      | Kruskal – Wallis K Independent Sample Tests | p= 0.013  
| Secondary or indirect self-interest | 0.2000   | 0.5667  | 0.5000      | Kruskal – Wallis K Independent Sample Tests | p= 0.024  
| Common interest          | 0.1563   | 0.4792  | 0.3438      | Kruskal – Wallis K Independent Sample Tests | p= 0.247  

Source: own construction

### Sustainability Standards

The research studied the sustainability tools of corporations, particularly the use of sustainability standards in the corporations in the sample. The examined standards were the ISO 14001, the EMAS, the AA 1000 and the SA 8000.

The research studied how the above mentioned standards are applied at the corporations, ranked according to the VoC. Based on the results, it can be stated that in the corporations belonging to the Coordinated model, the use and existence of the sustainability standards are much higher than in the other two models and hence H5 were proved – that the use of the sustainability report is significantly higher in the coordinated VoC type of countries than in the other two types.

Out of the 96 corporations of the sample, 68% of the Coordinated model, 46% of the Hungarian model and 30% of the Liberal model had one of the sustainability standards. The difference is significant based on the $\chi^2$ test ($p<0.027$).
DISCUSSION AND CONCLUSIONS

Based on the research results, it can be stated that the corporations of the three types – Liberal, Coordinated and Hungarian – show significant differences regarding their social responsibilities. These differences can be reasoned by the different developmental, chronological and political background, and the different corporate environment.

In Europe, corporations are more historically embedded in the society, which forms a peculiar relationship among the economic actors, the society and the state. The economic activity and risk taking of the state, the smaller influence of the markets and the regulated workforce market are all manifestations of the mutual responsibility system.

The social responsibility of the corporations is actually a comprehensive concept, which serves different aims and values in the national framework (Habisch et al., 2005).

The study focused on the motivation for the CSR and it can be stated that regarding the motivation, there are significant differences among the examined capitalist groups. Based on the research results, in case of the liberal model the CSR motivation is rather explicit, as emphasized by Moons and Matters (2008), as the secondary motivations were emphasized – opposing the voluntariness suggested by Zsolnai. The corporations practise CSR due to outside pressure from the stakeholders to come up to their expectations and this may be clearly seen in their communication. For the liberal corporations a positive corporate image is important, which brings secondary advantages for the company (the trust towards the corporation increases, the possibility of market extension, and the willingness of the investors also increase etc.)

The CSR practice of the Hungarian corporations in the sample is motivated by financial advantage. This can be reasoned by the special economic and historical background. It seems that all corporations in this new economic and political environment, both in the market economy and in the capitalist world, act in the hope of financial advantages. As if they try to take revenge for the chronic lack that they suffered during the previous period of socialist lack economy (Kornai, 2010) because the decision making power is in their own hands now. Of course the study does not suggest that for all Hungarian corporations this would be the only and exclusive indicator, however, its outstanding motivating factor is rather thought-provoking.

The research dealt with the sustainability standards as a communication tool and tried to reveal the frequency of its application among the capitalist corporations. It might not be surprising that the research proved that the corporations belonging to the coordinated model excel over the other models, as these corporations follow the rules.
REFERENCES


ODPOWIEDZIALNE ZARZĄDZANIE W RAMACH GOSPODARKI RYNKOWEJ

Abstrakt

Tło badań. Coraz wyraźniej widać, że nie można realizować długoterminowego zrównoważonego zarządzania jedynie w oparciu o dane finansowe. Korporacje działające w środowisku gospodarki rynkowej mają na celu nie tylko maksymalizację zysków, ponieważ zrozumiały, że ich użycie zależy także od zrównoważonego środowiska i społeczności. Motywacje finansowe są siłą napędową zarządzania korporacyjnego, jednakże korporacje mogą nadal służyć wspólne dobro. Kapitalizm zawsze oferował korporacjom wiele możliwości i okazji do wykazania się odpowiedzialnością społeczną.

Cel badań. Badanie zostało przeprowadzone w celu poznania postaw związanych ze społeczną odpowiedzialnością biznesu (CSR) oraz zobowiązań kierownictwa korporacji, działającej w środowisku kapitalistycznym, jak również przeanalizowania faktycznie stosowanej praktyki społecznej odpowiedzialności biznesu.

Metodyka. Badanie jest oparte na badaniu ankietowym przeprowadzonym wśród małych i średnich przedsiębiorstw, zarówno krajowych i zagranicznych działających na Węgrzech. W badaniach została wykorzystana tak zwana metoda „śnieżnej kuli”.

Kluczowe wnioski. Badanie jest próbą określenia i pokazania przyczyn dysproporcji pomiędzy postawą menadżerską a praktyką CSR opartą o odmiany kapitalizmu (VoC).

Słowa kluczowe: odmiany kapitalizmu, społeczna odpowiedzialność biznesu