

## **SUPPORTING CSR ACTIVITIES OF METALLURGICAL COMPANIES IN THE CZECH REPUBLIC FROM EU SOURCES**

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### **Abstract**

The paper is devoted to the issue of co-financing of socially responsible activities of metallurgical companies operating in the Czech Republic from EU funds. The goal of the article is to formulate recommendations for the conduct of companies in this sector of the national economy in the programming period 2014-2020 based on an analysis of projects supporting socially responsible activities of metallurgical companies in the period 2007-2013 and an analysis of relevant government documents and scientific studies. To begin with, the authors identify alternative areas of corporate social responsibility (economic, social, environmental, ethical and philanthropic area) and their activities. Consequently, they present a study aimed at co-financing of CSR activities in companies associated in Steel Federation, Inc. from EU funds in the programming period 2007-2013. Attention is focused on co-financing of CSR activities from Operational Programmes Environment, Human Resources and Employment, and Enterprise and Innovation, which can be considered crucial in terms of co-financing of these activities. Selected indicators are evaluated and inspiring projects identified that can be considered examples of good practice. At the conclusion, recommendations are discussed and formulated for practice of metallurgical companies operating in the Czech Republic, focusing both on the material and procedural aspects of the co-financing of projects supporting socially responsible activities of these companies from EU sources.

**Keywords:** Corporate social responsibility, CSR activities, project co-financed by European Union funds, metallurgical companies.

### **1. INTRODUCTION**

Current social, environmental and economic problems of the world are leading to a growing demand for the implementation of socially responsible behaviour of companies. Particularly significantly, this requirement is reflected in the case of the so-called socially sensitive or risk companies, e.g. mining, chemical, armament, but metallurgical companies [1]. The spectrum of potential socially responsible activities is wide. Implementation of each of these activities is associated on the one hand with certain costs and on the other hand with certain benefits of various scope and nature. These are then reflected in the perception of the company, i.e. its image, or reputation, see more e.g. in [2]. The fact is that the management of each company must primarily consider the interests of their owners and then other stakeholders. In designing the optimal portfolio of socially responsible activities carried out, they thus need to take into account not only their social benefits, but also their economic and non-economic impacts from the perspective of the company itself. A significant opportunity with a positive impact on the economic aspects of the implementation of socially responsible activities is the opportunity to co-finance selected socially responsible activities of the companies from EU sources.

It is thus necessary to discuss opportunities to co-finance socially responsible activities of metallurgical companies operating in the Czech Republic from EU funds. The goal of the authors of the article is to formulate recommendations for the conduct of companies in this sector of the national economy in the programming period (PP) 2014-2020 based on an analysis of projects supporting socially responsible activities of

metallurgical companies in the PP 2007-2013 and an analysis of relevant government documents and scientific studies.

## **2. LITERATURE REVIEW**

Jones [3] states that "Corporate social responsibility (CSR) 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.". According to the Organisation for Economic Co-operation and Development [4], "today, corporate behaviour must not only ensure returns to shareholders, wages to employees, and products and services to customers, it must also respond to societal and environmental concerns". The range of possible CSR areas and activities is wide, as illustrated in literature. See e.g. Carroll [5, 6], Kunz [7], Leisinger [8], Steinerova and Makovski [9] or Tetrevova et al. [1].

A summary of CSR areas is presented by Tetrevova [10]. She differentiates the following five areas: economic area (ensurance of products and services that are useful for the society in the required quantity and quality and for reasonable price, together with generation of an adequate profit for the owners), social area (respecting a wide range of needs and interests of employees), environmental area (preventing occurrence of negative externalities and pro-active environmental measures), ethical area (creation, fulfilment and promotion of wide application of ethical standards), and philanthropic area (implementation of corporate volunteering and corporate giving).

Economic area activities can include applying the principles of corporate governance, ensuring transparency of business, providing high quality and safe products, creating and introducing innovations, and developing positive relationships with stakeholders [11]. The social area includes activities such as creating a good working environment, ensuring safety and health at work, taking care of staff training and development, creating high-quality system of employee benefits, ensuring equal opportunities in the workplace, ensuring freedom of association, supporting work-life balance, fighting against mobbing and harassment, building a healthy corporate culture or outplacement, see e.g. [7, 12]. Environmental area activities include, for example, the implementation of measures to ensure the maximization of energy savings and other resources or the minimization of waste, as well as measures to encourage recycling, investments in clean technologies, measures to promote resource conservation and biodiversity, application of preventive and remedial measures to reduce negative impacts on the environment and community, incentives to encourage initiatives that promote a responsible approach to the environment, measures to ensure compliance with the principles of sustainable development, production and consumption [13] or activities associated with reverse logistics [14]. Ethical area activities include, for example, the implementation of the corporate code of ethics, staff education and training to act ethically, ethical reporting, implementation of ethical audit, the establishment of corporate ombudsman office or a line to report unethical conduct, see e.g. [15, 16]. Philanthropic area activities include, for example, corporate volunteering, corporate giving, including corporate sponsorship and collaboration with NGOs [10]. See more e.g. in [1].

## **3. RESEARCH METHODOLOGY**

The basis for the creation of the present study was a literature review. Its contents were journals, books and conference proceedings as well as documents of relevant government institutions (including methodological materials relating to the support from EU funds in the PP 2007-2013 and 2014-2020). Given the multidisciplinary approach to the topic, these were sources from the areas of CSR, project management and public finance. The selection was influenced by the relevance and timeliness of the resources.

The literature search was followed by a mixed research combining the advantages of qualitative and quantitative research through the application of a combination of methods and techniques of both approaches in a single study. The subject of the study was an analysis of projects co-financed from EU funds in the PP

2007-2013 aimed at promoting CSR activities of metallurgical companies. The research was conducted in January 2017. It focused on major metallurgical companies operating in the Czech Republic. Given the fact that the most important companies in the sector are associated in the Steel Federation, Inc., which is also the only association that unifies steel enterprises in the Czech Republic [17], attention was paid to companies associated in this federation [18]. Identified were members of the Federation who were implementers of projects co-financed from EU funds in the PP 2007-2013. In doing so, the database was used of implemented projects in the PP published on November 4, 2016 by the Ministry for Regional Development CZ [19]. This database was also used as a data source for an analysis of projects carried out by the monitored companies. Based on a content analysis of these documents, selected indicators were evaluated characterizing the scope and structure of financial support for the companies associated in the Steel Federation, Inc. with respect to the above-defined CSR areas and activities. Using analysis, synthesis, comparison and deduction, results were formulated and discussed and recommendations proposed for the practice of metallurgical companies.

#### 4. RESULTS AND DISCUSSION

In the PP 2007-2013, CSR activities of metallurgical companies were financed mainly from thematic operational programmes (OP). Specifically, these were OP Environment, OP Human Resources and Employment and OP Enterprise and Innovation, see more in [20]. There were also other programmes with a positive impact on socially responsible behaviour of companies, but their role was not as crucial.

The research shows that in the given PP the above EU sources were used by 7 out of 11 members of the Steel Federation, Inc., including the Federation itself. In total, they were involved in 56 projects. The largest proportion comprised projects from OP Environment (73 %), followed by OP Enterprise and Innovation (16 %) and OP Human Resources and Employment (11 %). The overall financial support for the monitored companies from the EU amounted to almost CZK 4 billion. The highest number of projects (23) was implemented by TŘINECKÉ ŽELEZÁRNY, a.s., the second highest (15) by ArcelorMittal Ostrava a.s. These companies also received the highest financial support.

All companies in Steel Federation, Inc. give due consideration to the application of the CSR concept, as evidenced by the content of their websites. To co-finance CSR activities in the PP 2007-2013, most of them used EU financial resources. The financial support was used mainly to co-finance environmental CSR activities (45 projects, 96.8 % of the allocated financial support). Also supported were projects in the social sphere (8 projects, 1.2 % of the allocated financial support), economic sphere (2 projects, 1.6 % of the allocated financial support) and philanthropic sphere (1 project, 0.4 % of the allocated financial support). See more in **Table 1**.

In the environmental area, supported were mainly activities aimed at reducing emissions. However, financial support was also given to projects focusing on waste management and saving of resources. The examples of inspiring projects in this area include projects by TŘINECKÉ ŽELEZÁRNY, a.s. entitled "Innovating the Industrial Waste Treatment Process" or "Insulation Greenery Planting" or the project "Energy Savings in the Administrative Building of Vítkovické slévárny, spol. s r.o.". In the social area, attention was paid only to projects focused on employee training. An interesting project was e.g. the project "Staff Education Programme for Members of the Ferrous Metallurgy Association" by the Steel Federation, Inc., the project "Education - A Way to Develop the FERROMORAVIA Company" by TŘINECKÉ ŽELEZÁRNY a.s., or the project "ArcelorMittal Ostrava a.s. Training Centre" by the said company. In the economic area, financial means were intended to support innovations. Therefore, supported were two projects by Vítkovické slévárny, spol. s r.o., namely "Introduction of Serial Production of Innovated Calibration Forged Cylinders" and "Introduction of Production of Innovated HSS (KV5M) Cylinders". In the philanthropic area overlapping into the economic and environmental areas, a single project was implemented, namely the project "Construction of a Modern Energy Centre for the National Cultural Monument Dolní oblast Vítkovice using Non-Traditional Sources of Energy" by VÍTKOVICE, a.s.

**Table 1** Support for CSR activities of companies in the Steel Federation, Inc. from EU funds in the PP 2007-2013 (the number of projects/allocated funds in CZK)

Company	CSR Area					Σ
	<i>Economic</i>	<i>Social</i>	<i>Environmental</i>	<i>Ethical</i>	<i>Philanthr.</i>	
ArcelorMittal Ostrava a.s.	0	1	14	0	0	15
	0	6,750,700	1,595,236,419	0	0	1,601,987,119
Hutnictví železa, a.s.	0	1	0	0	0	1
	0	13,236,281	0	0	0	13,236,281
VÍTKOVICE STEEL, a.s.	0	0	1	0	0	1
	0	0	116,898,702	0	0	116,898,702
FERONA, a.s.	0	0	0	0	0	0
	0	0	0	0	0	0
ArcelorMittal Tubular Products Karviná, a.s.	0	0	0	0	0	0
	0	0	0	0	0	0
Vítkovické slévárny s.r.o.	2	1	9	0	0	12
	62,800,000	1,762,943	22,418,214	0	0	86,981,157
SANDVIK CHOMUTOV PRECISION TUBES s.r.o.	0	0	1	0	0	1
	0	0	1,527,684	0	0	1,527,684
Třinecké železářny, a.s.	0	3	20	0	0	23
	0	11,919,880	2,086,063,866	0	0	2,097,983,746
VÍTKOVICE, a.s.	0	2	0	0	1	3
	0	13,852,804	0	0	15,255,800	29,108,604
VÚHŽ a.s.	0	0	0	0	0	0
	0	0	0	0	0	0
Z-Group Steel Holding, a.s.	0	0	0	0	0	0
	0	0	0	0	0	0
Σ	2	8	45	0	1	56
	62,800,000	47,522,608	3,822,144,885	0	15,255,800	3,947,723,293

Source: Processed by the authors using the data obtained from [18, 19].

In meeting strategic goals in the CSR area, the management of metallurgical companies should always assess the possibility of using EU funds. In view of the current PP 2014-2020, they should also take into account the following recommendations. Even in this PP, three national operational programmes play an important role in co-financing of CSR activities. These are OP Environment, OP Enterprise and Innovation for Competitiveness and OP Employment [21].

Within the OP Environment, metallurgical companies can receive funds to co-finance environmental CSR activities. Particularly, the support can be given within the priority axes: "Improvement of water management infrastructure and reduction of flood risks", "Improving the quality of air in towns and cities", "Wastes and material flows, environmental burdens and risks" and "Energy savings". The support can be given, for example, for reducing the environmental risks and developing the systems of their management, reducing emissions into the atmosphere or activities to prevent industrial waste, activities to reduce it or increase the use thereof.

Within the OP Enterprise and Innovation for Competitiveness, metallurgical companies can receive funds to co-finance the implementation of CSR activities in the economic and environmental areas, possibly overlapping into the social area. This OP can be used to co-finance CSR activities mainly within the priority axes: "Promotion of research and development for innovation", "Development of SMEs' entrepreneurship and competitiveness" and "Efficient energy management, development of energy infrastructure and renewable energy sources, support for the introduction of new technologies in the management of energy and secondary raw materials". In particular, supported are investments in product and service development, technology transfer, social and environmental innovation as well as networking and clusters e.g. through the cooperation with universities and research institutions, efficient use of energy, activities to reduce its consumption and use of renewable energy sources and introduction of new technologies.

Within the OP Employment, metallurgical companies can get support to implement CSR activities in the social area. In particular, they can use the priority axis "Supporting employment and workforce adaptability". Therefore, supported can be e.g. activities to improve qualification as well as the creation of educational clusters, work experience and placement in enterprises, cooperation with educational institutions and outplacement. The support can also be obtained for work-life balance, e.g. in the form of creating more flexible forms of employment or building children's groups. Funds can also be given to projects to innovate the workplace or exploit the potential of migration. In the process, metallurgical companies can be not only direct applicants and project investigators, but they can receive the financial resources to co-finance CSR activities as partners when engaging in projects run by other organizations.

To expand the use of these resources and increase the probability of obtaining thereof, it is necessary for the management of metallurgical companies to specialize the staff in this issue, or use the services of specialized consulting firms. That will allow them to track the latest information on the various challenges and conditions of the support. At the same time, it will allow them to prevent potential problems associated with the failure to comply with the established rules. These specialized workers should also focus on the possibility of obtaining support from alternative public resources at both the national and international levels. To increase the success of project management, from the perspective of metallurgical companies operating in the Czech Republic, they need to educate their staff in project management. It is also necessary for them to develop and subsequently expand organizational standards for project management support. They also need to use the methods and tools of project management in an adequate extent with respect to relevant phases of the project lifecycle, the type of projects and the efficiency of the entire project management process. It is also necessary to develop a project environment leading to increased pressure on the adherence to the Project Management Triangle.

## 5. CONCLUSION

The research shows that metallurgical companies operating in the Czech Republic in the PP 2007-2013 failed to use the full extent of all possibilities to co-finance their CSR activities from EU sources. However, a number of metallurgical companies implemented a large number of inspirational projects that can become an example of good practice for the future. To transfer know-how, it is also expedient if the companies are members of professional associations, such as the above Steel Federation, Inc. In the PP 2014-2020, it seems advisable for the metallurgical companies operating in the Czech Republic to implement the recommendations made in this paper. These measures should subsequently lead to broadening the spectrum of the utilized potential resources for co-financing CSR activities, to expanding the factual focus of the projects, but also to greater success of the projects submitted and carried out.

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