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Recommended Citation

András, István and Rajcsányi-Molnár, Mónika () "The Evolution of CSR and its Reception in Post-Socialist Environments: The Case of Hungary," *Journal of Environmental Sustainability*: Vol. 4: Iss. 4, Article 1.

Available at: <http://scholarworks.rit.edu/jes/vol4/iss4/1>

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The Evolution of CSR and its Reception in Post-Socialist Environments: The Case of Hungary

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ABSTRACT: Social responsibility is one of the most important requirements in business life. Values and mission statements, community contributions, ethics codes and sustainability reports are staples of the web pages of every self-respecting company. The concept has inspired a burgeoning academic discourse featuring some of the most noted social scientists. And yet, despite some important solutions and achievements, a rapidly changing and globalizing world continues to pose new challenges. The purpose of this article is to identify both achievements and challenges in the specific intersections of western corporate culture and post-socialist Eastern Europe. We first review the western, international academic discourse on corporate social responsibility. Second, we engage the theoretical conclusions of CSR research in Hungary. Third, we further narrow our focus on the empirical findings of a case study on international business culture and CSR in the medium-sized town of Dunaújváros, a former “model town” of the Hungarian socialist era. This top-down approach has two major achievements: on the one hand, it allows us to synthesize and identify the dynamic interconnections, achievements and impasses of global CSR in local social environments. On the other hand, it sheds new light on the discrepancies between western and Eastern European CSR theories and practices. Finally, we make recommendations about how to assess corporate social policy and identify good practices in specific post-socialist environments like Hungary.

I. KEY WORDS

CSR, social environment, corporate business culture, post-socialism, Hungary

II. INTRODUCTION

While the academic discourse on corporate social

responsibility goes back to the 1950's, the concept itself has deeper social-historical resonance. The idea of *noblesse oblige*, that noble ancestry constrains to honorable behavior appeared as early as in Homer's *Iliad*. For hundreds of years of feudalism, the European aristocracy fancied themselves as nobles who were not to spend their time on idle pursuits, but responsibly manage the lives of the less privileged

under their tutelage. The logic of *noblesse oblige* is at the heart of CSR: with wealth, power and prestige comes responsibility.

Today, corporate social responsibility is one of the most important requirements in business life. Values and mission statements, community contribution, ethics codes and sustainability reports are staples of the web pages of every self-respecting company. The concept has inspired a burgeoning academic discourse featuring some of the most noted social scientists. And yet, despite some important solutions and achievements, a rapidly changing and globalizing world continues to pose new challenges. The purpose of this article is to identify both achievements and challenges in the specific intersections of western corporate culture and post-socialist Eastern Europe. Moving from the general to the particular realities of CSR, we will first review the western, international academic discourse on corporate social responsibility. Second, we will engage the theoretical conclusions of CSR research in Hungary. Third, we will further narrow our focus on the empirical findings of a case study on international business culture and CSR in the medium-sized town of Dunaújváros, a former “model town” of the Hungarian socialist era. This top-down approach has two major achievements: on the one hand, it allows us to synthesize and identify the dynamic interconnections, achievements and impasses of global CSR in local social environments. On the other hand, it sheds new light on the discrepancies between western and Eastern European CSR theories and practices. Finally, we will make recommendations about how to assess corporate social policy and identify good practices in specific post-socialist environments like Hungary.

III. THE ROOTS AND THEORETICAL DEBATES OF CSR

The establishment of corporate business structures may be traced back to North American settlers during the early history of the United States. In the eighteenth century, settlers gradually distanced themselves from the colonial control of the British monarchy, and set up a system of government that served as state charters to corporations. States issued charters that clearly stipulated what a corporation could and could not do, how long they could operate, and the amount of capitalization. In general, they were a highly accountable, state controlled, subordinate entity whose role was to serve the public good.

With the general economic and infrastructural boom in the aftermath of the American Civil War (1861-65) and the Industrial Revolution, corporate lawyers increasingly looked for ways to rid corporations of the constraints imposed by state charters. The opportunity to do so came with the 14th Amendment of the US Constitution passed after the Civil War to protect the rights of the newly freed African-American population: the 14th Amendment aimed to ensure that no state could take away the life, liberty or property of any person without due process of law. In response, corporate lawyers cleverly made a case that a corporation was a “legal person,” and thus should enjoy the same rights as a person. As the Supreme Court accepted the ruling, corporations now enjoyed property rights and their protection like any person. Ironically, the Amendment that aimed to secure the rights of a disenfranchised population had a greater role in the protection of capital and corporate property: the routine application of the 14th Amendment to property was a veritable legal revolution, and became a landmark event in the evolution of the global corporate world. Later in the twentieth century, as a result of spectacular

scandals of corporate abuse of human rights and the environment, a widespread social demand for responsible corporate practices emerged.

The first theoretical approaches to corporate responsibility appeared as early as the 1920's,¹ but the concept really started off in the 1950's. The first classic definition of CSR comes from Howard R. Bowen's foundational work *Social Responsibilities of the Businessman*: corporate social responsibility here "refers to the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society."² Keith Davis, another founding authority of the CSR discourse defined CSR in 1960 as "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest."³ Davis' title "Can business afford to ignore social responsibilities?" was a rhetorical question. He saw responsible corporate practice not only beneficial, but straight indispensable for the survival of the corporation. According to what he called "the iron law of responsibility," the absence of CSR will necessarily lead to the "erosion of [a company's] social power"⁴ as society withdraws its confidence from the entity.

1 See Chester, Barnard. *The functions of the executive*. Cambridge: Harvard, 1938; J. M. Clark. *Social Control of Business*. Chicago: University of Chicago, 1926; Kreps, Theodore John, and Kathryn Robertson Murphy. *Measurement of the social performance of business*. US Government Printing Office, 1940.

2 Bowen, Howard Rothmann. *Social responsibilities of the businessman*. No. 3. Harper & Brothers, 1953, 270.

3 Davis, Keith. "Can business afford to ignore social responsibilities?" *California Management Review* 2.3 (1960), 70.

4 *Ibid.* 71.

In this early phase, CSR definitions aimed to create public awareness of corporations' impact beyond the legal and economic spheres. In another seminal text, William C Frederick defined corporate social responsibility as "the operation of an economic system that fulfills the expectations of the public."⁵ In his *Business and Society*, Joseph W. McGuire defined CSR as "not only economic and legal obligations, but also certain responsibilities to society."⁶ The import of these definitions lies in the fact that they had a systemic vision that recognized that the impact of business practices went beyond the economic sphere, and affected society in greater depths than previously imagined. In 1967, Clarence C. Walton introduced the idea that CSR must by nature involve a degree of voluntarism.⁷ It was Harold Johnson who first outlined the multiplicity of interests inherent to the systemic view: his identification of employees, suppliers, dealers, local communities and nations laid the groundwork for the stakeholder approach that is so influential in today's CSR discourse.⁸ Johnson was the first to argue that CSR was for "long-term profit maximization," the idea that responsibility is profitable has become another fundamental argument in favor of CSR.

The first twenty years of CSR discourse (1950's-1970's) thus formulated some of the basic assumptions and concepts that still constitute its ethical-philosophical backbone. In summary, these

5 Frederick, William C. "The growing concern over business responsibility." *California Management Review* 2.4 (1960): 60.

6 McGuire, Joseph William. *Business and society*. New York: McGraw-Hill, 1963, 144.

7 Walton, Clarence Cyril. *Corporate social responsibilities*. Wadsworth Publishing Company, 1967.

8 Johnson, Harold L. *Business in contemporary society: Framework and issues*. Wadsworth Publishing Company, 1971.

assumptions include 1) the recognition that the impact of business transcends the economic and legal realms; 2) the corresponding articulation of a need for broader conceptualizations of corporate responsibility; 3) the notion that CSR is profitable; 4) the proposition that it must be voluntary; and 5) the identification of stakeholders. From the 1970's on, the CSR literature was characterized by a shift from theory to practice, by the proliferation of new conceptual elaborations, and by a desire to operationalize concepts and definitions. In his 1975 article "Dimensions of Corporate Social Performance," S.P. Sethi distinguished between "social obligation" as proscriptive, and "social responsibility" as prescriptive, and introduces the concepts of "social responsiveness" and "corporate social performance."⁹ A shift toward the implementation and practice of CSR is well reflected in Archie B. Carroll's 1979 contention: in order to have CSR, businesses need to have a basic definition of CSR, an enumeration of issues for which CSR existed, and a specification of the philosophy of responsiveness to the issues.¹⁰ It is here that he specified the components of CSR as "the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time."¹¹ Inspired by the Maslow pyramid (1954), and accepting Carroll's 1979 definition, Tuzzolini and Armandi created a need-hierarchy framework for assessing and operationalizing corporate social responsibility, and argued that organizations have psychological, safety, affiliative, esteem and self-actualization needs quite similar to the human needs

9 Sethi, S. Prakash. "Dimensions of Corporate Social Performance: An Analytical Framework." *California management review* 17.3 (1975).

10 Carroll, Archie B. "A three-dimensional conceptual model of corporate performance." *Academy of management review* 4.4 (1979): 497-505.

11 Ibid. 500.

identified by Maslow.¹² This conceptualization clearly suggested a hierarchical model of priorities for the successful workings of businesses. Carroll designed his pyramid model in a similar fashion, defining economic expectations as the base pillar of the pyramid, followed by legal expectations, ethical expectations, and finally discretionary or philanthropic expectations on top.¹³

The CSR approaches above are not unanimously accepted: anti-CSR viewpoints have serious advocates in both academic and business circles. Their ideological compass comes from Adam Smith's theory of the "invisible hand," the basis of *laissez faire* economic philosophy, which argues that markets are self-regulating systems, and there is no need for governmental intervention and supervision. Governmental control only prevents companies from the profit making that is in the best interest of society. According to these approaches, it is not the over-regulating state, but the "invisible hand" that discreetly and automatically directs individual interests toward socially desirable ends.

Against the burgeoning pro-CSR literature towers the figure of Nobel Prize winning economist Milton Friedman. His famous dictum that "the business of business is business" has become the slogan of those who argue that a company does most for its environment (employees, families, communities) when it produces the most profit. In his *Capitalism and Freedom*, Friedman calls CSR a "fundamentally subversive doctrine," and says this: "few trends

12 Tuzzolino, Frank, and Barry R. Armandi. "A need-hierarchy framework for assessing corporate social responsibility." *Academy of Management Review* 6.1 (1981): 21-28.

13 Carroll, Archie B. "The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders." *Business horizons* 34.4 (1991): 39-48.

could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.”¹⁴ In his much-cited 1970 New York Times Magazine essay, Friedman argues that CSR does not only go against the very business interests of companies and thus harm shareholders, employees and the environment as well, but removes enterprise from the considerations of the market, and leaves it at the mercy of political considerations. CSR, Friedman writes, preaches “pure and unadulterated socialism.” Only people have responsibilities, he argues; “a corporation is an artificial person,” the idea of “social conscience” is a fallacy, and businesses may only have artificial responsibilities.¹⁵

Friedman did nevertheless emphasize the importance of ethical business activities, while some radical anti-CSR positions argue that ethical operations are a priori impossible due to the laws of business life. In his controversial 1968 article “Is business bluffing ethical,” Albert Z. Carr likened business dynamics to a poker game, and argued that business is based on game ethics, not religious ethics.¹⁶ According to Carr, there is such pressure on the actors of business life that even individuals that consider themselves ethical routinely state half-truths, hide relevant information, or exaggerate—in other words, they bluff. To Carr, the only responsibility a company has is not ethical behavior, but the observance of laws. Others like Geoffrey P. Lantos argue that what is unethical is precisely when a company fails to use

the shareholders` investments, that is property, in their very best interest.¹⁷

Despite some solid and diverse theoretical bases, the CSR concept often produces ambiguities when it comes to practice. Many of its proponents have lamented that CSR may be seen as a loophole that allows corporations to pay lip service to an emancipatory rhetoric. Much criticism, even constructive self-criticism, of CSR is presented in an ironic tone addressed to the inherent idealism, even naïveté, of expecting corporations to pursue anything beyond their own profit. “Did you ever expect a corporation to have a conscience, when it has no soul to be damned and no body to be kicked? (And by God, it ought to have both!),” the First Baron Thurlow (1731-1806), Lord Chancellor of England said back in the eighteenth century. Legal regulations can’t enforce conscience: “while the law recognizes a corporation’s metaphorical personhood,” Banerjee writes, “allowing it to enter into contracts and promote private property rights, the metaphorical soul of the corporation and its corresponding responsibilities cannot be legally prescribed.”¹⁸ But even if they could, it remains naïve to think that laws governing corporations are made in isolation: political lobbying as a corporate strategy has a history of 200 years.¹⁹

Extremely skeptical voices consider corporations unethical entities by nature and beyond repair, embarked on their “pathways to greed.”²⁰ The documentary film *The Corporation* argues that the corporate word has all the characteristics of a

14 Friedman, Milton. *Capitalism and Freedom*. University of Chicago Press, 1962, 133.

15 Friedman, Milton. “The Social Responsibility of Business is to Increase Its Profits,” *New York Times Magazine*, September 13, 1970.

16 Carr, Albert. “Is business bluffing ethical?” *Harvard Business Review* (Jan.-Feb.) 143 (1968): 155.

17 Lantos, Geoffrey P. “The ethicality of altruistic corporate social responsibility.” *Journal of Consumer Marketing* 19.3 (2002): 205-232.

18 Banerjee, “Corporate social responsibility,” 56.

19 Ibid.

20 Alan Greenspan quoted in Banerjee, “Corporate social responsibility,” 63.

psychopath, its pathologies include “disregard for the well-being of others,” “deceitfulness,” and the “inability to form lasting relationships.” All the emancipatory rhetoric and discourses of corporate citizenship, social responsibility and sustainability, Duggar argues, is really nothing but a zero sum game between the haves and the have-nots: “the corporation has evolved to serve the interests of whoever controls it, at the expense of whomever does not.”²¹ It is now generally accepted that “we cannot assume corporations will naturally act in a responsible or even humane manner,” Coombs and Holladay write. “The allure of profit sometimes can be deadly for constituents.”²²

Some commentators point at the failure of arguments that aim to make CSR more popular with companies. One such argument is that “CSR is good for business.” The evidence that it is really beneficial, Banerjee argues, is shaky at best—although it appears to be proven that at least CSR is not *bad* for it. But even if it was true that CSR was indeed good for business and the global economy, the argument still “begs the question: whose globe and whose economy?”²³ Who are, ultimately, the real benefactors of any corporate activity, including CSR? Who is a stakeholder, really? Are stakeholders allies or enemies? The lofty ideals of honesty and transparency, moral citizenship, and the expectations of the corporate world often encounter similar skepticism: “The secrets of success in business are honesty and transparency,” philosopher Marx Groucho says; “if you can fake

that, you’ve got it made.”²⁴ And even if they were willing to make responsible decisions, do managers really have genuine freedom to do so? While CSR approaches have encouraged “responsible” business, Newell argues, they have failed to provide checks and balances on the operations of “irresponsible” businesses. Instead, notions of responsibility have tended to “confer on business the power to set the terms of its own conduct,” i.e. even more power and less accountability.²⁵ Another popularizing idea is that companies should do CSR because if they do not act ethically, society will revoke its license, its legitimacy, to operate. But does it really? Have Union Carbide, Nike, Exxon or Shell gone out of business because society disapproved of their blatant malpractices? They might have had to change some of their practices under social-political pressure, but Davis’ “iron law of responsibility” was in fact rather soft on them: in many ways, these companies actually became stronger.

“CSR can work, for *some* people, in *some* places, on *some* issues, *some* of the time,” Newell argues. “The challenge is to identify and specify those conditions in order that inappropriate models of ‘best practice’ are not universalized, projected and romanticized as if all the world were receptive to one model of CSR.”²⁶ The CSR discourse is an extraordinarily dynamic intellectual dialogue, whose bases and corollaries are routinely discarded, challenged and re-defined. Due to the diverse social, cultural and historical traditions of nations, there is no “one size fits all” CSR model. Suffice it to mention the different approaches of United States

21 Quoted in in Banerjee, “Corporate social responsibility,” 52.

22 Coombs, W. Timothy, and Sherry J. Holladay. *Managing Corporate Social Responsibility: A Communication Approach*. Wiley. Com (2011), 3.

23 Banerjee, “Corporate social responsibility,” 61.

24 Banerjee, “Corporate social responsibility,” 64.

25 Newell, Peter. “Citizenship, accountability and community: the limits of the CSR agenda.” *International Affairs* 81.3 (2005), 542.

26 Newell, Peter. “Citizenship, accountability and community,” 556.

and European CSR, whose roots are essentially cultural, ideological and historical. Traditionally in the United States, CSR has been defined more in terms of a philanthropic model. The socio-cultural value of individualism and self-reliance, the neo-liberal tradition of *laissez faire* economics, and the political penchant for small government achieved that companies make profits, unhindered except by the obligation to pay taxes. Because state intervention and redistribution is secondary, companies reserve the right to donate considerable sums for charity. The European model, in turn, aims to integrate CSR as a basic operational principle: it aims to do business in a socially responsible way or, as we asserted elsewhere, it favors *corporately responsible companies*.²⁷ In Europe, philanthropy is secondary because there is a tradition of greater governmental intervention: the states create public goods by redistributing fairly high income taxes. Intervention also shows in advanced social welfare systems, a compulsory state social security system, and tax breaks for families with children. The roots of these differences are essentially socio-cultural and value-based: the European approach may take better care of workers and employers, while many in the US would reject an interventionist, paternalistic state as a hindrance to entrepreneurship. These cultural idiosyncrasies must be borne in mind as we move to the discussion of CSR in post-socialist Eastern Europe and Hungary.

27 For reference see András, I., Rajcsányi-Molnár, M. and Füredi, G. A vállalatilag felelős vállalat: A CSR- és a cafeteria-metszet értelmezési lehetőségei a gyakorlatban. In András, I., and Rajcsányi-Molnár, M. Metamorfózis: Globális dilemmák három tételben. Budapest: Új Mandátum Kiadó, (2013): 127-139.

IV. WESTERN CSR IN POST-SOCIALIST HUNGARY

Hungarian corporate culture and corporate social responsibility display a uniquely “glocal” character: they emerged in the intersections of local post-socialist cultural and political environment and the influx of western corporate culture. The 1989 transition from socialism to capitalism was not without difficulty, and the effects of the “socialist heritage” still resonate today in this hybrid corporate environment. The region is still struggling to overcome a sensation of being chronically behind; ten years had to pass after socialism “until we could actually demand social responsibility from the transformed corporations of the Eastern European region.”²⁸

The shift from socialist planned economy to market economy may be considered a paradigm shift in many ways. The corporations of planned economy operated with an infamously low rate of efficiency: they were not liable for sustainable, efficient operation. On the other hand, they did fulfill many CSR-type social functions. Nursery schools, doctors’ offices, vocational schools, sport facilities, summer holiday facilities were an integral part of the socialist factory. They fostered small community belonging and class identity, and ensured employment for everyone. While privatized companies shifting toward market economy quickly eliminated these functions citing production efficiency and rationalization, there remained a certain level of nostalgia for “workplace care;”²⁹ there also remained a mentality of “responsibility avoidance” through the argument that social responsibility and care was the task of the state.

The current issues of CSR, and the integration

28 Sándor Kerekes and Konrad Wetzker. “Keletre tart a társadalmilag felelős vállalat koncepció.” Harvard Businessmanager (2007), 39.

29 Ibid. 41.

of international businesses in Hungary need to be investigated against the backdrop of socialist corporate culture and mentality. Planned economy directed from high political circles instead of the demands of the market resulted in low levels of leadership skills and initiative. In the short run, financial expectations were not met: it is still habitual to blame the lack of CSR on unfavorable economic circumstances. In an effort to reject all things “socialist,” we may also observe a shift to opposite extremes. The emerging Hungarian corporate culture could be often described as uncritically espousing “wild capitalism,” and prioritizing profit as a goal that justifies any means. As opposed to the old, prescribed or “highly encouraged” socialist collective activities, the “voluntary social work” of the communist system, Hungarians now became radically individualistic, selfish and self-centered. They became indifferent to the problems of the community at large. It is typical that the pyramid of CSR stakeholders places the individual above the collective: the employer, the consumer, the supplier, the client and the shareholder is prioritized over the local community.³⁰ According to this logic, the most important objective of CSR is the establishment of good workplace conditions, the handling and control of layoffs, and the protection of workers’ rights. Environmental issues come second. In Hungary, the integration of society, the third pillar of CSR in corporate strategy happens, if at all, after the integration of economic and environmental obligations, and is done by a very limited number of actors.³¹ Other Eastern European problems include pervasive corruption, tax evasion,

30 Ádám Angyal “Vállalatok társadalmi felelőssége, felelős vállalatirányítás (Corporate social responsibility, corporate governance).” Budapest: Kossuth Kiadó, 2009, 182-183.

31 Szilvia Barth-Fehér, “Fenntarthatóság a hazai gyakorlatban.” *Vezetéstudomány* XLIII 10. (2003), 53.

black market economy, and the exploitation of legal loopholes—these may be sadly present even in the corporate culture of companies that otherwise have laudable CSR strategies.³² “The norm has become the disregard of norms,”³³ which explains the deep distrust of consumers towards CEOs. The energies accumulating in the ideological vacuum after the change of regimes, and the spectacular riches concentrating in the hands of a few individuals as a result of privatization, planted the seed of an ethos of “how to get rich quickly.” This ethos undermines precisely the kind of long term strategic planning CSR requires. Rare is the enterprise “patient enough to wait for the end of research, and resist the temptation of immediate profits.”³⁴

The lack of CSR as consolidated corporate culture is often visible in superficial rhetoric, contradictions and inconsistencies. In Hungary, CSR measures are often a result of the initiative of western CEOs (according to Kerekes and Wetzker, it is easier to convince the leadership of a franchise of a socially important cause if they are foreigner than if they are Hungarian³⁵). CSR has become the symbol of the progressive west—as if indeed in the “west,” and especially in the US, corporate social responsibility was a flawlessly operating system. And because in Hungary, too, the positive correlation between ethical behavior and profits has been recognized, the practice of social responsibility has become something of

32 Attila Chikán, “Vállalati versenyképesség és társadalmi felelősség.” *Harvard Business Review* (2008), 11.

33 Zsuzsanna Győri, “A Társadalmi Felelősségvállalás Helyzete Magyarországon.” *Műhelytanulmány*, 59. TÁMOP-4.2.1.B-09/1/KMR-2010-0005.

34 Sándor Kerekes and Konrad Wetzker. “Keletre tart,” 39.

35 *Ibid.* 42.

a ‘movement.’³⁶ According to another study, one of the companies indicated that the establishment of an ethical code “was kind of motivated by a factor of ‘fashion.’”³⁷ At the same time, at the level of small and medium scale enterprises, directors and business owners are often quite unaware even of the conceptual meaning of corporate social responsibility. Moreover, the systematic study of the social effects of corporate operations is practically non-existent.³⁸ Unfortunately, CSR is only rarely a basic corporate disposition: more often than not it serves marketing purposes and belongs to the activity scopes of PR departments, which delegates CSR to the level of communication. And while we may detect improvement in the area of ethical institutionalization,³⁹ the preparation of codes of ethics and the posting of sustainability reports is not to be equated with CSR as corporate strategy.⁴⁰

While in the west consumer demands and expectations seriously motivate corporations to behave responsibly, CSR in Hungary is spearheaded by the corporations themselves, 80% of which are owned by foreign businesses. In Hungary, the expectations and demands of the civil sphere and NGOs is unfortunately low. There has emerged a civil, scientific and media environment, but it is not strong enough, and social dialogue remains enervated. Hungarians care less about global environmental issues than in western Europe;⁴¹ for

36 Angyal, *Vállalatok társadalmi felelőssége*, 188.

37 Krisztina Szegedi, “Amagyanagyvállalatok etikai intézményei,” Workshop study, no page numbers. TÁMOP-4.2.1.B-09/1/KMR-2010-0005.

38 Angyal, *Vállalatok társadalmi felelőssége*, 189.

39 Szegedi, “A magyar,” 2010.

40 Chikán, “Vállalati versenyképesség,” 11.

41 Szlávik, *A Vállalatok Társadalmi Felelősségvállalása*, 70.

consumers, the most important factor for purchases is price rather than the sustainable or ethical practices of the company that produced the product.

But what are the everyday CSR realities of those large-scale foreign companies that occupy 80% of Hungary’s business sphere? We now turn to the embeddedness and integration of international companies in a specific post-socialist locality, Dunaújváros.

CSR in a Post-Socialist Town: The Case of the Former “Stalin’s City”, Dunaújváros

Dunaújváros is a town that was born “within seven hundred days in the place of cornfields.”⁴² Not counting its early history as a Roman border settlement and a fishing village on the Danube riverbank, the Hungarian “Stalin’s City,” as they first called it out of homage to the Soviet Union, can trace its origins back to the early 1950s. The town was inspired by the ambitions of the socialist government to industrialize Hungary through its newly inaugurated plant called the Danube Iron Works. “Stalin’s City” was in every respect the prototypical model socialist town.

Today, Dunaújváros (they changed the name to “New Town of the River Danube” in the 1960’s) has a population of about 55,000. Once a paradigm of socialist-style town building, today it has an eclectic international business scene. ISD Dunaferr is one of the largest manufacturing groups in Hungarian industry. As part of the socialist plan of heavy industrialization, its legal predecessor was founded in 1950, and was named *Dunai Vasmű* (Danube Iron Works). It was this factory that constituted the city’s reason-to-be, as workers from all over Hungary

42 Tamás Horváth, “Kommunista honfoglalás: Sztálinváros építői.” <http://mult-kor.hu/cikk.php?id=9584> March 27 2011. 2005.

moved to Dunaújváros in search of employment. The company has now about 7500 employees, and a consolidated turnover of almost 1 billion euros. The company was privatized in 2004. Its major shareholder is the Ukrainian Industrial Union of Donbass (ISD Corporation). The foundation of the South Korea-based Hankook Tire Hungary manufacturing plant was laid in 2006 in Hungary, and the plant started production in June 2007. The number of employees at the firm is 1900, and the annual turnover of the company exceeds \$ 1 billion. Hamburger Hungária is the legal precursor of the paper-manufacturing complex that started operating in 1962, which had been another emblematic employer of socialist Dunaújváros. Hamburger Hungária belongs now to an Austro-German group. The annual turnover of the company is approximately 40 billion HUF, while the number of its employees is about 300. And finally, Ferrobeton produces concrete and ferroconcrete. At the end of 1994 the firm went from state to stockholder ownership, and merged with the Irish CRH group in 2008. Its number of employees exceeds 800, and the company's annual turnover is nearly 20 billion HUF.

With the transformation of the political regimes in 1989, with privatization and the influx of foreign capital Dunaújváros, therefore, turned into a hybrid entrepreneurial environment featuring international business culture in a post-socialist locale. How did unfamiliar trends, cultures, social changes, modes of production and conflictive new transformations fare with the local social environment? What kinds of social policies and CSR measures did foreign companies use to facilitate integration in that social environment? How do locals view these measures and policies? In the following, we briefly summarize the outcome of our research projects with regards to local integration through corporate social policy and CSR in Dunaújváros. In this discussion, we will specifically

focus on the “soft,” human side of interaction and its main stakeholders: the companies' social environment consisting of workers and city residents.

V. LOCAL WORKERS IN GLOBAL COMPANIES

As mentioned before, employees are generally considered as some of the most important stakeholders in a corporate environment. Conflicts between ownership, managerial and employee interests generate tensions not only in firms of foreign ownership, but also in national corporations. Admittedly, there is much room for improvement in the way of lobbying, the representation of interests, and social dialogue. This is also confirmed by the report issued by the ISES research group, which conducted research on Hungarian labor culture within a globalized environment.⁴³ The researchers argue that the weakness, disarray and unsatisfactory operation of corporate workers representation have a number of reasons. They pointed at the general lack of social contract in Hungary, a social contract that ought to clarify the rights and obligations of subjects. Workers' rights, duties and obligations remain less transparent in Hungary. The number of organizations, institutions, and networks to lobby for employee interests is by now very limited.

In Dunaújváros, a city where working class identity and trade unionism had a strong historical tradition, and where dialogue between factory management and workers' unions was an expectation, some foreign companies failed to recognize the importance of interest groups. While there exists a trade union at the South-Korean Hankook Tire, for example, its vice president had this to say:

43 Ferenc Miszlievitz, *A magyar munkakultúra állapota és alakításának lehetőségei globális környezetben*. ISES Research Group. Savaria University Press: Szombathely, 2009.

“The two labor cultures are very different, a fact that the Hungarian Human Resource management has not properly handled. The multinational firm was obviously convinced that once they moved in to Hungary, they could do whatever they liked. This was the point when we said ‘no’! We support investments. It is very good that the plant was built in our country. But in Hungary the Labor Act stipulates workers’ rights. They cannot generate a Korean environment in Hungary because we are culturally anchored in a different way.”⁴⁴

Cultural differences impacted labor relations in the other companies of Dunaújváros as well. As we investigated the integration of firms in foreign ownership, we concluded a marked, and surprising lack of desire to get acquainted with and understand different labor cultures. Foreign companies arrive, and basically expect to operate as they have operated elsewhere, without considering local traditions, life worlds and *habitus*.

In turn, how do foreign companies view Hungarian labor culture? Our investigations concur with the conclusions of the ISES research group, which identified the following deficiencies cited by foreign CEOs with reference to Hungarian employees: inefficiency of foreign language competence, improper professional training, lack of competences, lack of practical, critical thinking, lack of mobility and flexibility, low motivation, a culture of excuses, reluctance and/or avoidance of taking responsibility and initiative, passivity, conflict avoidance, insufficient communication skills, insecure self-evaluation, weak company loyalty, short-sighted attitudes, lack of holistic approaches, inconsistency or lack of values, lack of intercultural understanding

44 “Leaders Have Been Mistaken. An Interview with the Vice President of Trade Union of Chemical Engineering about Hankook, Organization.” Dunaújvárosi Hírlap.07.12.2007.

and interaction, lack of trust, readiness to complain, inflexibility, exclusion and self-exclusion. It was especially at Hankook where differences of work ethic became marked. The general manager said about Hungarian employees that they were “satisfied with the training and skills of Hungarian workers,” but they were “surprised at absenteeism and sick leaves. In South Korea they simply do not have absences like that.”⁴⁵ These characteristics identified by foreign managers in the Hungarian workforce summarize the “socialist heritage” of an uninspired, languid work ethic resulting from the paternalistic, big-brother type control-culture of socialist production.

In conclusion, we may argue that international companies are unquestionably significant from the point of view of regional employment, since they mostly employ local workers. The recognition of these companies by the local population, however, is contradictory. Interviewees generally agree that the presence of firms is important from the point of view of city development and living standards. Nevertheless, the majority of them think that foreign businesses represent foreign interests, and local employees are vulnerable because of the lack of cooperation with trade unions.

VI. COMPANY—SOCIETY RELATIONS

Firms are an integral part of the society that envelops them. Their social responsibility and constitutive activities should be integrated elements of corporate operation. It is the management’s chore to select, incorporate, publicize, communicate and socially activate a social issue that matches corporate profile. Leaders have to join initiatives and set examples for workers and for the environment. Managers

45 “Loyal to the Firm. A Chemist Turning into an Engineering Consultant: the New Acting Head of Hankook.” Dunaújvárosi Hírlap, 2008, April 8.

of firms are often called driving forces of regional commitment. Owners and company managers might understand regional commitment as a moral imperative that is related to the system of values and to value preferences.⁴⁶ The strategic goal for socially responsible firms is continuous development, the extension of infrastructure, activities beyond the product-service-supply chain, and a high level of environmental commitment.

With two feet on the ground, however, the picture is less ideal: ambitions to maximize profit have to be harnessed for the sake of socially responsible operation. What remains most popular in Dunaújváros is socially targeted endorsement such as supporting sports, culture and activities with public utility. Dunafer has had a particular tradition in sport endorsement for decades: supporting several elite level clubs in various sports earned Dunaújváros the title “sport capital of Hungary.” Such social policies are, too, the costs that a company cuts the moment it needs to cut something. Valeriy Naumenko, the CEO of ISD Dunafer in 2007 said this with regards to company operation and responsibility toward stakeholders:

“The basic goal of ISD Dunafer is to generate value. We should not miss the point that the firm is an important enterprise within a town, within a locality, within a region and as such, it is responsible primarily to its workers, its owners and, naturally, its close environment. We consider part of our CSR activity the environmentally friendly developments we initiated, as well as a social security system that is unique in the country, and secured by our collective labor contract. Promoting sports and sponsoring the

46 See Ágnes Borgulya, “Az európai egység kulturális sokszínűsége az értékrendek és a kultúraközi kommunikáció kutatása szemszögéből.” EU Working Papers. Budapest: BGF, Külkereskedelmi Főiskola,

*region constitutes a part of corporate responsibility. We should also keep in mind that, even though it is an obligation, 20-25% of the city’s budget is covered by the industry tax paid by ISD Dunafer Ltd. I can also say that for the sake of sustainable development, we will standardize the corporate responsibility system at the firm; we will rearrange means so as to operate most effectively.”*⁴⁷

When the interviewer asked if, with the foreign takeover, Dunafer would continue to be the thus far ever-so-reliable helping hand everyone turned to in case of trouble, the CEO remained elusive: “Since September 2004, the state can no longer rule over Dunafer’s money like it used to when it was still a state-owned large scale enterprise. Everyone has to understand that this will always happen when a plant is sold, while it will keep fulfilling its obligations.”⁴⁸

We investigated inhabitants’ evaluation of corporate social responsibility the companies practiced. Interviewees think that large firms do not participate in activities within this field sufficiently. They emphasized that only ISD Dunafer Ltd. established a sufficient relation with local educational, cultural, civil and municipal institutions, but even this engagement was shrinking. This points at the role of Dunafer as the flagship company that has defined the identity of the city: its CSR is not just a business strategy, but a tradition that resonates with the past, and creates a sensation of continuity in an fast-changing environment.

The evaluation of large international firms and their partnership has been considerably negative, as

47 “In a Unique Position. Interview with Valeriy Naumenko, CEO of ISD Dunafer,” Dunaújvárosi Hírlap, 2007, November 30.

48 “If the Factory is Alive, the Town is also Alive. Interview with Valeriy Naumenko, Dunaújvárosi Hírlap, 2009, February 8.

investigations variously confirm. On the one hand, the appeal of firms in foreign ownership tends to last until people start working for them; in time, this appeal slims down considerably, to the extent that people working for the new firm often end up wanting to work in Hungarian ones. The reason why these firms have moved to Hungary or why they have bought out Hungarian firms is also seen rather negatively. People think that the primary reason is low wages and the access to market, while the technical standards of the Hungarian economy and the quality of workforce play an insignificant role. In view of all this, it would be important for large international firms to integrate in the local, regional or national social and economic circulation. The Chambers of Commerce and Trade could also promote this. “Hamburger Hungária Ltd,” the local daily wrote in 2009, “has joined the club: it has signed a contract for co-operation with the local Chamber and, this way, has set an example for Hankook (...) Hamburger Hungária proves that the firm in foreign ownership wants to co-exist with the town, and sets an example to Hankook, which is only considering membership offered in the Chamber.”⁴⁹ In sum, in Dunaújváros like in much of Hungary, we rarely come across CSR systems that structure the total operation of a firm; we do see, however, various panels of CSR in corporate operation with increasing frequency.

VII. ASSESSING SOCIAL POLICY: STAKEHOLDER SATISFACTION IN DUNAÚJVÁROS

As Howard Schultz wrote in the mission statement of Starbucks, “In business, success is mostly measured in numbers. But for us it is equally important to produce value, and the values we live by. We have

⁴⁹ “Mutual Benefits. Agreement. Hamburger Ltd. Has Become Member of Chamber,” Dunaújvárosi Hírlap, 2009, September 25.

been building a company with a conscience for forty years now, whose objective is the fair and human treatment of people, of the small communities that surround our business, and the service of our shared global environment.” “Our Human Rights Statement,” Coca-Cola wrote in its own, “is guided by the United Nations Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and related international covenants. While governments are responsible for protecting human rights through legal frameworks, businesses have a corporate responsibility to respect all human rights. Our Human Rights Statement recognizes this commitment.” McDonald’s has this to say about its social responsibility: “From the start, we’ve been committed to doing the right thing. And we’ve got the policies, programs and practices in place that allow us to use our size and scope to help make a difference. Because what’s good for us is good for us all.” At the level of rhetoric, international companies go out of their way to convince us of their sustainable practices and socially responsible operation. Many CSR systems, however, are the pinnacle of hypocrisy. Self-righteous and profit-centered investments often dominate the market. It is especially frightening that, while the use of child labor is a major negative factor in the evaluation of CSR, internationally esteemed, flagship brands turn out to be implicated in it. Often, the concept of voluntariness applies only when expected profits materialize. The question therefore arises: how do we really know responsibility reports and mission statements are not mere lip-service to a fashionable and obligatory rhetoric? In case of profits, policy efficiency is reflected by the bottom line at the end of each fiscal year. In case of environmental protection, the task to decide when measures are satisfactory and when they are not is fairly straightforward as well: emission and negative externalities should be quantified, monitored and avoided. But how do we know what is good social policy? How do we

measure its effects, its resonance with the social environment?

We propose that the assessment of social policy should be fundamentally sociological, localized, and tailored to specific contexts: ask those most directly affected, i.e. the immediate social environment of corporate operation. Systematic, independent sociological surveys of public opinion and stakeholder satisfaction may not only yield invaluable data with regards to the integration of foreign business cultures in local environments; the public dissemination of results may also serve as an important mechanism of “checks and balances” for corporate operation.

In the following, we briefly present the methods and findings of a larger research project we conducted in order to measure residents’ satisfaction with the “soft,” i.e. human-related social policies of foreign corporations in Dunaujváros. We designed a Complex Culture and Communication Research⁵⁰ project, which paid special attention to culture, communication and leadership-management. Our complex questionnaire method featured various dimensions of a corporation’s engagement with their social environment: prior cultural attitudes and prejudices, opinions about the companies in the region, communication and social dialogue, co-habitation of local citizens with foreigners, workplace collaboration, and cross-cultural marriage.

The most important priority of sampling was

⁵⁰ For a detailed description of this research project see Rajcsányi-Molnár, M. and András, I., “Conflicts of Embeddedness in Post-Socialist Environments: Global Firms,” in *Metamorphosis: Glocal dilemmas in Three Acts*, edited by I. András and M. Rajcsányi-Molnár, 10-43 (Budapest: Új Mandátum, 2013).

the creation of a heterogeneous sample with the objective of a high number of questionnaires (1698). While the sample was not representative, random sampling suited the objectives of this research: identify problems and relationships that may serve as a point of departure for later studies and research questions. We did not pretend to follow the rules of representativeness, but the implementation of research through various stages and through random sampling stressed problem detection and identification.⁵¹ We formulated our hypotheses with regards to the four major international companies featured above (Dunaferr, Hankook, Hamburger Hungária and Ferrobeton) We evaluated the results by analyzing questionnaire data through one variable methods and cross-tabulation analyses. The research questions revolved around four basic hypotheses:

- Hypothesis 1: From the perspective of the development of the Dunaujváros region and the subsistence of its inhabitants, the presence of foreign owned companies is crucially important.
- Hypothesis 2: For their social environment, it is important that foreign companies integrate in local society and cooperate with local institutions.
- Hypothesis 3: It is typically the business culture of the country of the foreign owner that gets introduced through the organization of trainings.
- Hypothesis 4: The collaboration between foreign companies and interest groups needs improvement.

Through Hypothesis 1, we examined to what extent

⁵¹ Following the approach of Tamás Rudas (TÁRKI), we considered randomness more important than representativeness during this research (see Tamás Rudas, *Közüvélemény-kutatás*. Budapest: Corvina. 2006: 43–71.)

respondents believed that the settlement of foreign companies and managements was advantageous for the city, and if so, for what corporate feature. The analysis shows that in case of Hankook, respondents basically found the company's settlement advantageous for employment opportunities. Those who think this way tend to associate foreign-owned companies with higher wages, advanced technology, strong work ethic, and sufficient collaboration with interest groups. In case of Dunaferri, however, responses were less positive: most respondents deem that its foreign ownership has not been beneficial for the city. They associate the new foreign ownership with the service of foreign interests, and the vulnerability of workers. Once again, it is important to stress the company's historical role and its CSR functions in terms of social life and employment, which have gradually dissipated with private leadership.

In Hypothesis 2 we examined the integration of foreign companies in the local environment, and their collaboration with local institutions. We examined integration in local society from perspectives that we believe most influence it: the attitude of locals toward foreigners, the perception of the characteristics of foreign-owned companies, the relationship between companies and local, municipal and cultural institutions, the active involvement of foreign workforce in public life and their visibility in the everyday life of the community. We concluded that respondents considered big companies primarily as employers that were crucially important for residents' subsistence due to the provision of labor. The involvement of these companies with the city hall, with educational and cultural institutions and NGOs, the presence of foreign workforce in the everyday life of the city was considered by respondents as either effectively irrelevant, or invisible.

Through Hypothesis 3 we examined the introduction of foreign business culture in the local labor environment, and the organization of trainings for the dissemination of that culture. The results of this investigation are ambiguous due to the historical trajectories of the companies. Newly settled companies tended to introduce their own foreign business culture, while older ones significantly accommodated local ways of conducting business. In case of Hankook, for example, respondents indicated that Korean labor culture was introduced, and the company organized trainings for Hungarian employees. In case of Dunaferri, the introduction of Ukrainian labor culture is not so obvious according to respondents. The difference may be partly attributed to the different pasts of the two companies. While Hankook settled only recently (2007), it has had a Korean management right from its inception. Dunaferri on the other hand is a formerly state-owned company that had operated under Hungarian leadership for half a century, and was privatized in 2004. The Ukrainian management inherited a deeply rooted labor culture, and accommodated it with more or less success.

Through Hypothesis 4 we examined how respondents viewed the cooperation of foreign companies with interest groups. We concluded that, despite the great historical traditions of trade unionism in Dunaújváros, companies' cooperation with interest groups needs improvement. Respondents believe interest groups have no sufficient power in the operation of the companies, and do not efficiently support their activities.

We must emphasize that our research questions were specifically tailored to our object of study: the Dunaújváros region, and the integration of foreign companies in the local social fabric. This brings us once again to the importance of local focus. Companies' engagement with local social

environments has to consider intimately local social facts: the identity of a region, the historical trajectory of companies, and cultural idiosyncrasies.

VIII. CONCLUSION

This article aimed to bring together western CSR theory with Eastern European practice through the specific intersection of international corporations in post-socialist Hungary. By way of conclusion we propose that, despite considerable improvements, it remains imperative to further develop ethical institutions through real feedback like the surveillance and ranking of ethical behaviors and processes,⁵² or the establishment of “social trademarks” awarded by stakeholders.⁵³ Among the more specific recommendations we may also mention the maintenance of diversity in order to establish resilient ecological and social systems;⁵⁴ the promotion of innovation and research and development as part of a company’s responsible behavior;⁵⁵ or the proper tailoring of media and advertising laws so that the consciousness-forming effects of the media may be better exploited through the dissemination of success stories and best practices.⁵⁶ The shaping of consumer mentality, the changing of social norms is one of the most important objectives in Eastern Europe and in Hungary: “if the social environment articulates great expectations, social norms will prompt consumers to

52 László Zsolnai, “Versenyképesség és etika.” Epilogue, “Versenyben a világgal” research program, volume Z2. Budapest Corvinus University, 1997.

53 Györi, “A társadalmi felelősségvállalás,” 71.

54 Kerekes, “Fenntarthatóság és társadalmi felelősség—a globalizálódó világ megoldatlan problémái,” 10.

55 Angyal, *Vállalatok társadalmi*, 188.

56 Szlávik, *A vállalatok társadalmi*, 76.

step up and demand that corporations enhance their competitiveness by respecting these norms, through socially responsible behavior.”⁵⁷ In Hungary too we are challenged by the universal anomalies of global capitalism and consumer society: object fetishism, competition, lack of cooperation, and humans’ “desire for possessions.”⁵⁸ After the transition from socialism to capitalism, Hungary once again stands before a paradigm shift with regards to norms and values; corporate social responsibility, namely, “is a kind of ‘thinking’ that has an entirely different conception of the meanings of ‘success,’ to whom a company owes liability, and in what lies the identity of a corporation.”⁵⁹ Engagement with the local social environment and systematic sociological assessments may help create the kind of “responsible thinking” that considers not just financial and environmental expectations, but also the “soft” social demands and critical approaches of civil communities.

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