

IMPLEMENTATION OF CSR IN THE CULTURAL AND CREATIVE INDUSTRIES

Jan Mísař – Jitka Srpová

Abstract

The aim of this paper is to describe a new method for implementation of the Corporate Social Responsibility (CSR) for entities operating in the cultural and creative industries in the Czech Republic. The method is based on a qualitative empiric research, which was conducted among 61 entities, coming from 6 distinctive areas of the Czech Republic. The method, used for this research, was a semi-structured interview that lasted for about 60 to 90 minutes. The main aim of the interview was to analyse how these entities approach CSR: (1) which areas or activities are being targeted and (2) also analyse the way they implement these activities. One of the key results was that they prefer one time activities over long term partnerships. Another interesting fact was that these entities are sometimes on the receiving end of other organization's CSR activities. It was also revealed that all these entities prioritize creative and non-restrictive approach, so any method, in order to be accepted by them, has to resemble these facts. At the same time most of these entities have long term financial issues. In order to develop a method for implementation of CSR, we have decided to try the Lean Canvas model as a template, because it encourages creative thinking while maintaining comprehensive structure. The CSR Canvas is currently being tested on several selected entities that agreed to our partnership proposal.

Key words: Corporate Social Responsibility, Implementation, Empirical Research, Creative Industries

JEL Code: M 14, L 83

Introduction

The aim of this paper is to describe a new approach to implementation of Corporate Social Responsibility (CSR) into small and medium-sized enterprises operating in cultural and creative industries.

The interest in CSR is growing with each year, as it has been supported by the European Union (EU, 2001), which seeks to extend this concept to all companies on the

territory of its member states, thus attracting an interest of governments and companies (Khan, Muttakin & Siddiqui, 2013).

Although CSR is mostly publicized in connection with large companies, recent years have shown that it is on the rise among small and medium-sized companies as well. To small and medium-sized companies is traditionally paid far less attention than to large and multinational companies, as their activities are usually focused on their local areas. The sector of creative industries and its approach towards CSR is another area, which has been neglected and unexplored.

To get insight into this problem, we conducted explorative research among SMEs in creative and cultural industries, focused on the social responsibility of these organizations. We introduce a new method, based on the results and very popular model Lean Canvas.

1 Corporate Social Responsibility

There are a lot of definitions and perspectives on CSR, which is partly due to the fact that CSR is practised in a broad range of different organizations - small businesses, public sector organizations, NGOs, etc. In the following part, we will have a look at the main distinctions between large corporations and small and medium-sized enterprises (SMEs). As the word “Corporate” in CSR indicates, this concept mainly applies to large corporations. One of the prominent issues for thinking about CSR in the context of large corporations is the question of whose interest the company should be run on behalf of by managers: just the interests of the owners or also the interests of society at large, represented by different groups such as customers, employees or local communities?

Spence (2007) thinks that large corporations are far more visible and thus far more vulnerable to criticism from the public than smaller firms. Therefore, they put together formal policies on their responsibilities and their management, which results in structured and formalized approach. The overall result may lead to formulating codes of conduct for employees, establishing of committees and CSR managers and a dedicated annual report. In such a report, the corporation discharges accountability for how exactly they have dealt with different interests and expectations of society.

SMEs on the other hand tend not to communicate externally about their CSR activities (Nielsen and Thomsen, 2009). There are a number of reasons that account for these differences (Spence, 1999; Spence and Schmidpeter, 2002; Spence and Rutherford, 2001; Nielsen and Thomsen, 2009):

- Their structure is more informal in nature, lacking the need for bureaucratic systems and structures due to the advantages of small size and the proximity of business partners and stakeholders. All business systems, including CSR, are rather informal and ad hoc in nature as opposed to the structured, formalized and codified approach of large corporations.
- SMEs are generally rather invisible and fall under the radar of wider society. Their key relationships with society are the personal relations developed between the owner/manager and employees, suppliers, customers, or neighbours. These personal relations, however, are of crucial importance to the SME and therefore much of what we could identify as CSR in this context is targeted at building good personal relations, networks, and trust.
- Nature of the small enterprise means that there is no separation of ownership and control and managers are not obliged to serve shareholders or seek to maximize their return on investment. Owner-managers typically enjoy the autonomy of running their own firm and are not seeking to maximize profit as their reward. This frees them to invest time and resources according to their, and importantly their employees' (seen as key stakeholders) interests..

2 Creative industries

In recent years there has been growing academic interest in the cultural and creative industries (Howkins, 2001; Florida, 2002; Dostál, Dianová 2012). One of the frequent questions is optimal social and urban environment for the growth of cultural and creative industries: how is the performance of companies affected by the characteristics of their work, why some local milieux thrive while others do not, and how to encourage creation of a suitable environment? As one of the possible reasons are often mentioned the creative industry clusters, serving as "*a possible mechanisms to facilitate the development of cultural industries*" (Zheng, Chan, 2013, p. 608)

The traditional view is that they function (Mommaas, 2004; Scott, 2000) to promote confidence among organizations, stimulate learning and collaboration, promote talent acquisition and competitiveness. Also, the local cultural wealth affects the formation of local culture, resulting in a symbiotic relationship between habitat, culture and economy (Molotch, 1996). Scott (2000) believes that cultural production thrives better in the cities, which are composed of dense, complex and converged positional groups.

In every sector of the creative industries are those who believe that the market should determine the output, and then there are others who feel that this approach is detrimental to their artistic freedom (Fillis, 2002). A great example is the film industry. In this industry, Hollywood studios are competing in the battle to generate record sales worldwide by producing one hit after another (more recent example is the studio Legendary Pictures, founded by brokers from Wallstreet). Opposite to them are small independent (European, Indian, etc.) producers, for who the artistic content is main motivation driving their efforts. Fillis (2002) showed some empirical evidence that for a creative person to respond to a market demand is perceived as a demeaning activity. For these individuals, the need to express themselves through their art completely overrides any concept regarding the efforts of commercial gain.

3 Empiric Research

In May 2012 was conducted a pilot research in Pacov and its surroundings, as a part of project NAKI, aimed at consumers. At the same time there was conducted a separate survey among companies operating in the field of culture, related to the topic of corporate social responsibility. This qualitative research was conducted through a structured interview.

Consequently, further research was conducted in October 2012, this time in Jindřichův Hradec, where were in the same way approached 34 companies. Of this number, we managed to arrange a meeting with 14 subjects. The findings were very important for structuring future research, as it brought - the first ever in the Czech Republic - a view on this business area. Since then the research was expanded into following cities: Kutná Hora, Stříbro, Kladruby and Broumov.

3.1 The Aim of The Research

The aim of the research was to determine the approach of small and medium-sized enterprises operating in the field of culture to CSR. The gathered information will be used in structuring the upcoming method for implementing CSR into everyday business practice.

Each part of the research also had its sub-goals, e.g. the goals of the pilot survey were to check whether the questionnaire is well formulated and also thorough and to obtain information that are essential for formulating further research questions and hypotheses. Completing these goals was very crucial for the following research.

3.2 Methodology

Since this area is fairly unknown, we decided to use the qualitative research through the method of personal interviews. Qualitative research does not mean compliance with a selection strategy for the purpose of representativeness of the data obtained (and possible generalization). During data collection we have to constantly check whether the data really correspond to the research problem. The point is - if possible - to obtain fully comprehensive data on the issue. The best option proved to be semi-structured interview with the semi-open questions. Respondent therefore has a choice of possible answers, but there is also a possibility to formulate his/her own, in case no given option suits him/her.

In the first stage were prepared questions in the questionnaire which were later revised several times and filtered. The result was a series of questions exploring the full spectrum of CSR, but still maintaining maximum brevity and accuracy. The main areas of research are social, environmental and economic activities.

The questions were constructed so that they can be answered without knowing any difficult terminology. Each question first offered range of examples that were supposed to help the respondent to get oriented in that matter and be able to address the situation. As a result of the pilot survey, the questions were reformulated and put into their final form. Each interview lasted between 45 to 60 minutes.

The Mayor's office was contacted prior to each research and informed about the plans for the research and also asked to help with selection of respondents. This way was assured a higher response rate – as being backed by local authority raised prestige and trustworthiness in the eyes of respondents.

In the last two locations – Stříbro and Broumov – we introduced model Lean Canvas to respondents, which we believe – based on our previous results – is the most suitable basis of which can be derived the new method for implementing CSR into business practice.

3.3 Results

The total of 61 SMEs, participated in our research, among which include for example: observatory, art galleries, culture centres, theatre companies, choirs, ateliers, restorers etc.

Most of the companies (44) responded that they have not heard or just barely heard the term „Corporate Social Responsibility“.

Only 17 enterprises knew what this term represents. It proved to be a difficult question as some respondents – at first - held their answers back and looked for alternative –or indirect- ways to give an answer. Although, some respondents claimed to be aware what this term means, further questioning revealed, that they are not able to describe it or give us their

own thoughts on this subject. Therefore, the level of knowledge about this subject is rather superficial and very inconsistent.

Only very few companies are not involved in environmental activities. Other companies prefer recycling and energy saving over more active approach. They take it as a simple and convenient way to contribute to something good. They see energy saving in the first place as a way of saving their own costs, rather than as a targeted effort to minimize the impact on the natural environment.

Half of the companies is trying to somehow support (or encourage) their staff. Most of them focus on facilitating flexible working hours and encouraging further education – mostly language or professional education. Another popular tool is providing vouchers and gifts for life occasions. Last but not least are also provided transport allowances. Among other interesting activities - that are found only in small quantities - are: discount for members of the family, wellness programs, corporate kindergarten.

To receiving CSR from another entity registered 16 respondents, all of these companies also develop themselves their own CSR activities. It cannot be said that one of the forms of support prevailed over the other. The amount of financial and non-financial forms is almost balanced, with many of the respondents receiving both forms. Respondents often mistakenly confuse sponsorship and donations. Many respondents that currently are not already receiving financial support from another company said that in the past someone had supported them this way, but in the wake of the global financial crisis, these donors and sponsors ceased to support them. In addition, there is a trend that large firms can better establish their own foundation, which is then financed by these funds. Respondents often have to settle for a non-financial support, which mostly takes form of old equipment.

Furthermore, it became clear that respondents that stated that they did not practice CSR, in fact, developed a number of activities in this area. This trend can be observed in other studies, so this is no surprising finding but at the same time is also necessary for confirming this fact for this sector. Entities most preferred activities aimed to promote the region and cooperation with the local community. As the most appropriate form of support, seems to be non-financial donations (less than 75% of respondents) in the form of: own products (e.g. raffle, schools), bestowing business premises, organizing cultural activities (dances, competitions). Of course financial form is also used, although, to a much lesser extent (almost 20%).

These activities tend to be focused on one-time events that do not require a lot of planning. The most imaginative activity can certainly include supporting local animal shelter, which was mentioned by several entities.

Most of the companies could not explain what or who is behind these activities. All companies that said they knew the concept of CSR were able to answer this question. In this case, they almost always named as the reason the owner / manager of the company and the second most common was "external pressure" that subjects could not quite define. Apparently this behaviour is nowadays expected and great amount of pressure comes from customers and government authorities (councils).

The companies also indicated that large barrier in the development of CSR activities are finance and know-how, which again confirms the findings of other studies on SMEs. Also there is a fear of underestimation of these activities and the potential of triggering an obligation to continue these activities, although it was not the original intention. Businesses showed interest in cooperating with other businesses for the purpose of CSR activities. Enterprises that have indicated that they do not have the funding for their own activities would be willing to organize and deliver, if they found a partner willing to finance them. The condition would be to focus on supporting the region.

3.4 Implications and Recommendations

The knowledge gained was used to prepare a method that helps organizations in this sector with the implementation of CSR. The main barriers for implementing CSR are:

- Lack of awareness about the topic,
- possible restriction of creativity caused by standard methods,
- overly structured implementation plans that do not allow flexibility,
- the entrepreneurs do not perceive themselves as entrepreneurs but as artists,
- lack of time,
- they usually have no strategy at all.

It is necessary to encourage them to start planning and enlighten them on its advantages and on other important aspects of entrepreneurship. To do so, we need a model that goes beyond the stated barriers. The most appropriate basis for the new method seems to be Lean Canvas. The main advantage of this concept is that it is adapted for small and medium-sized enterprises. Its key features are: ease of orientation, does not take much time

and can be quickly explained. At the same time it does not limit the creativity of entrepreneurs, which is in the field of art and culture greatly appreciated. The first reactions were favourable. Respondents expressed interest in this method and said it helped them to organize their thoughts and clarify some of the issues that they had not even thought about (e.g. competitive advantage).

Next task was to expand the original Lean Canvas by social and environmental aspects and yet leave its simplicity and clarity. There is a social modification (Social Lean Canvas) under development but the social and environmental aspects are completely separated from the rest of the key areas – similar to early Carrols “CSR Pyramid”. We find it unsuitable for the same reasons as the “CSR Pyramid” – CSR activities have to be fully integrated into everyday business process instead of being left out at the end as a nice add-on.

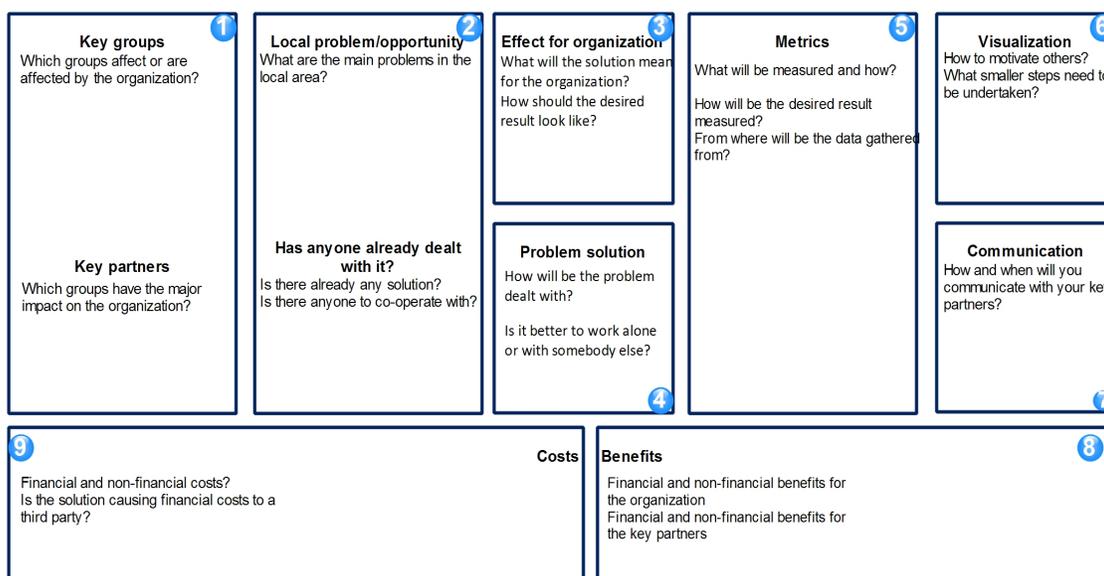
4 CSR Canvas

An organization has much broader impact on its surroundings than just an economic one, in the form of making profits and creating jobs. Entrepreneurs commonly spend finance on environmental and social issues, while their selection is mostly random or based purely according to their personal preferences. They seldom monitor impact of these activities on business, sometimes they even do not want to have an impact, for fear of a backlash or feeling shame for getting something back in return - and thus spoil the sense of the activity (donation etc).

The aim of this model is to help during selection and implementation of these activities, so that they have a strategic and measurable impact, through overall view of the organization and the impact on the environment in which it operates. The model develops the relationship between the key groups (stakeholders) and the organization, their common problems and possibilities to solve them, as well as determining the outcome of these activities and the measurement method, in order to monitor progress and verify the correctness of the result - the effect on the organization.

The model has been tested on over of 100 university students, who chose as minor specialization Small and medium-sized enterprises.

Fig. 1 CSR Canvas



We recommend the following procedure for creation of the first canvas:

1. Print or rewrite the model on a paper (preferably A4), or create it in electronic form (e.g. Excel).
2. For the filling, use self-adhesive office papers - sticker. It is easy to work with them and forces you to be concise.
3. Start to fill in the boxes in the order from 1 to 9. What you do not know now, you can skip and then to come back. The core part is the identification of key partners, their problems and finding ways to either fix them or alleviate its effects. Therefore give these fields your maximum attentions. For these activities to be effective, they must be very precisely targeted.
4. Search for continuity and relationships between different fields.
5. It is important write down the idea so when you read it out loud, it still makes sense. The fields are small on purpose, forcing you to write clearly and concisely.
6. After completion of the first attempt, try to focus on areas that proved to be problematic.
7. Create a separate model for each group for which you have found the problem or opportunity and extend it in detail.
8. Evaluate what you think is the best option and begin with implementation.

Explanation of each area:

1) Key Groups

Among the key groups include those groups that are affected by the organization or have an impact on it.

- Which groups have the greatest impact on the organization?
- What do you know about them?
- How can you specify them?
- What kind of relationship does each one of them require from us?
- How costly is to ensure the functioning of these relationships?
- The key partners - those on which the activity is being developed; Who will be most affected by it; Who we need to get for our cause

2) The local problem / opportunity

Small and medium organizations should have their activities directed at their immediate surroundings in which they operate.

- What kind of problems are your key partners dealing with?
- Is any of them common for the organization?
- Are there already any solutions somewhere? And that includes other organizations which already addresses the problem.
- Find an example that works - it was successful and it was possible to achieve. People see that change in that scale and pace is possible, which also works a little bit like a challenge: "If someone else did it, so why should not we too?"

3) What is the effect on the organization?

- Where does it meet with interests of the organizations?
- Are you sure that it is not just a fulfilment of personal desires?
- How is the problem connected with the mission and vision of the organization?
- It is a short or long-term effect?
- Can it somehow negatively backfire?

4) Problem solution

- How is it possible to solve?
- Is it better to solve the problem alone or find partners?
- Who can participate?

- Where do we get the necessary info?

5) Metrics

- What do we measure?
- How do we know that we are actually doing what we wanted?
- Where will we get the data?

6) Visualization

Here it is advisable to use the method VISTA, which states that every goal should be first visualized. It means proactively create very specific ideas about the state in which we find ourselves, after we reach the goal. Thanks to the imagination, the final goal is better stored in the brain and sets him on this achievement.

A vision closely linked to the experience and emotions are very important to ensure that the human brain itself starts the process towards a given goal. Furthermore, the objective should be inspiring and aspiring to something new, to change, to progress. The key is to be specific, very concrete and elaborate detail, as well as the idea. It is also important to continually measure the progress, we have made, to be able to determine whether we really met the objective as it was defined. Aim should also be linked to a specific timetable, for example a month, a year or several years.

- How will the final output look like?

Change is easier when you know where you are going and why it makes sense. Simple helper is so called postcard from the goal, which has stimulative effect and thus is able to strongly motivate.

- How do you motivate others for your goals?

Man is a social creature. From birth man learn by imitating. So, if in their area a lot of people behave differently, either consciously or unconsciously individual will accept this behaviour as their own. It is therefore important for the synergic effect to surround by people who have the same goal and infect each other with their behaviour.

- What smaller steps will have to be taken?

Outlining the critical steps is crucial for the process, because people sometimes get the decision paralysis. This term refers to a situation where one simply cannot decide what to do next, because of a large number of different scenarios. The gradual breakdown into individual steps not only aids in obtaining an overall view, but also in decision-making and the actual activation.

7) Communication

People react strongly to communications that resonate with emotions. Sometimes it is not enough that we just know something, we also have to feel it. It is therefore necessary to give the person the "taste" of what you think. We have to produce something concrete and tangible, so people are able to create personal relationship.

- How will you communicate with key stakeholders?
- In which phases is it appropriate?
- Which communication channels are best?
- Is the solution to the problem presented as thoughtful and important for your organization, or just a casual activity - shot in the dark / marketing?

8) Benefits

- What are financial and non-financial benefits for the company?
- What are financial and other benefits for the key partners?
- What are the unintended / side benefits?

9) Costs

- What are the financial and other costs?
- Which sources you can / must use?
- Does the solution cause incidental costs to other key partner?

Conclusion

The sector of creative industries seems to be slightly different than other sectors. Entrepreneurs often choose their artistic goals over the profit. At the same time a lot of these organizations struggle with finances and overall sustainability.

We believe that our approach would really benefit any entrepreneur from the sectors of art and culture, as we have learned that they prefer creative ways over the strict ones. This way they would be able to put their ideas together on a paper in a creative way and yet remain structure. When put into canvas, the idea is tested through series of question which help to develop the whole concept before it is implemented. This way, entrepreneurs in culture are slowly pushed to the economical way of thinking about their enterprise and sustainability, but at the same time they would not feel forced to do something they do not like. The model is

currently under development and has been so far tested on over 100 students and several organizations, which helped greatly with the development.

Acknowledgment

This paper was done as a part of the project „*Efektivní metodiky podpory malých a středních subjektů sektoru kultury v prostředí národní a evropské ekonomiky NAKI registrovaného u Ministerstva kultury České republiky pod evidenčním číslem MK DF11P01OVV024*“.

References

- DOSTÁL, P., DIANOVÁ, M. (2012). European Context of Czech Cultural Sector. 1. vyd. Slaný : Melandrium, 175 s.
- FILLIS, I. (2002), "Barriers to internationalisation: an investigation of the craft micro-enterprise", *EUROPEAN JOURNAL OF MARKETING*, Vol. 36 No. 7, pp. 25-44.
- FLORIDA, R. (2002). The Rise of the Creative Class, New York, Routledge.
- HOWKINS, J. (2001), The Creative Economy: How People make Money from Ideas, London, Allen Lane.
- KHAN, A., Muttakin, M., & Siddiqui, J. (2013). Corporate governance and corporate social responsibility disclosures: Evidence from an emerging economy . *JOURNAL OF BUSINESS ETHICS*, 114(2), 207-223 . doi: 10.1007/s10551-012-1336-0
- MOLOTCH, h. (1996), 'LA as product: how design works in a regional economy', in A. Scott and E. Soja (eds), The city: Los Angeles and Urban Theory at the End of the Twentieth Century, Los Angeles, University of California Press, Los Angeles, 225-75
- MOMMAAs, h. (2009), 'Spaces of culture and economy: mapping the cultural-creative cluster landscape', in L. Kong and J. O'Connor (eds), Creative Economies, Creative Cities: Asian-European Perspectives, s. 45-59; scott, a. (2000), The Cultural Economy of Cities, London, Sage.
- NIELSEN, A., THOMSEN, C. (2009). Investigatin CSR communication in SMEs: a case study among Danish business managers. *BUSINESS ETHICS: A EUROPEAN REVIEW*. p.83-93
- SPENCE, L. J. (1999). Does size matter? The state of art in the small business ethics. *BUSINESS ETHICS: A EUROPEAN REVIEW*, p.163-174.

SPENCE, L. J., RUTHERFOOD, R. (2001). Social responsibility, profit maximalization and the small firm owner-manager. *SMALL BUSINESS AND ENTERPRISE DEVELOPMENT*. p.126-139.

SCOTT, A. (2000), *The Cultural Economy of Cities*, London, Sage

SPENCE, L. J., SCHMIDPETER, R. (2002). SMEs, social capital and the common good. *JOURNAL OF BUSINESS ETHICS*. 93-108.

SPENCE, L. J. CSR and small business in a European policy context: the five “C“s of CSR and small business research agenda 2007. *BUSINESS AND SOCIETY REVIEW*, 2007. p.533-552.

ZHENG, J., CHAN, R. A (2013). Property-Led Approach to Cluster Development: 'Creative Industry Clusters' and Creative Industry Networks in Shanghai. *THE TOWN PLANNING REVIEW*, vol. 84, no. 5. pp. 605-632

Contact

Ing. Jan Mísař

Fakulta podnikohospodářská

Katedra podnikání

Vysoká škola ekonomická v Praze

nám. W. Churchilla 4

130 67 Praha 3,

Česká republika

Email: xmisj900@vse.cz

doc. Ing. Jitka Srpová, CSc.

Fakulta podnikohospodářská

Katedra podnikání

Vysoká škola ekonomická v Praze

nám. W. Churchilla 4

130 67 Praha 3,

Česká republika

Email: srpova@vse.cz