CORVINUS UNIVERSITY OF BUDAPEST

STAKEHOLDER-FOCUSED RESEARCH OF CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE REPUTATION

Ph.D. dissertation

Supervisor: Dr. Dóra Horváth

Rita Lukács

Budapest, 2015

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TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF APPENDICES

"Character is like a tree and reputation its shadow. The shadow is what we think it is and the tree is the real thing."

Abraham Lincoln

ACKNOWLEDGEMENT

I would like to thank for Dr. Dóra Horváth, my supervisor for her professional and methodological support in preparation of my Ph.D. dissertation and also for her inspiring attitude.

I have to say thank you for my previous supervisors: Dr. Judit Simon, Dr. Mihály Gálik and Dr. Róbert Braun, who supported my academic work during the doctoral programme and preparatory phase of writing my Ph.D. dissertation.

I would like to thank for Dr. Katalin Nádasi for being supervisor of my Scientific Students' Associations papers and Master's thesis, as well as supporting my growing interest in Corporate Social Responsibility and its communication.

I am thankful for Dr. Nóra Nyírő for being my successor co-author and co-presenter during our joint excursions in the field of Corporate Social Responsibility.

Finally, I would like to thank for my family and friends for their support during the last ten years, bearing witness to their endless patience.

I. THE OBJECTIVE AND STRUCTURE OF THIS THESIS

In this thesis of mine, I decided to address the issue of Corporate Social Responsibility, in particular its communication. I will present how and as a result of which factors CSR (Corporate Social Responsibility) has come into view in recent years and how it affects the marketing and communications activity of corporations. I will approach theoretical concepts from a stakeholder perspective and will specially analyse reputation.

I got into contact with CSR some fifteen years ago, when a university assignment made me incidentally drop into a world that, as an adjoining field to communications, appeared definitely timely and interesting in those days. Over the years passing, the picture became ever more tinged, moreover by virtue of economic phenomena faced both globally and locally as well as the increasingly accentuated stakeholder expectations I had the chance to monitor the evolution of CSR in our region and in Hungary. The process, in which Corporate Social Responsibility set out from the context of donations and fair speeches into the direction towards openness, measurability, strategic planning and peer-to-peer dialogue.

For eight years, as researcher and tutor - and seminar-leader of the first CSR communication course in Hungary - I was monitoring the spread of CSR in Hungary and was taking active part in the formation of the process. Besides, as consultant I participated in a number of projects that made it a widespread practice that most Hungarian corporations and Hungarian subsidies of multinational companies increasingly manage Corporate Social Responsibility at strategic level and hear and consider stakeholder opinions. I want to contribute to this process by rendering a research tool that helps align stakeholder aspects with organisational perspectives and channel those into the process of corporate strategic planning.

In the course of writing this thesis, I adhered to stakeholder-centricity invoked as guiding principle in my everyday work. The practical significance of my thesis and the related research lie in the novelty of tools that companies and researchers may employ when exploring CSR-related perceptions of stakeholders. The research approach and the methodology is supposed to be novel in so far that it addresses corporate reputation from the organisation’s aspect and from stakeholders’ perspective at the same time and compares the two images compared. Thereby, differences can be identified in the organisation's intended identity and the stakeholder reputation based on stakeholder perceptions and impressions. For the depth of organisational analysis quantitative research is advised to be replaced by qualitative research, which may veil the traits of neither the organisation, nor certain stakeholder groups.

The thesis is structured as follows: First, I put Corporate Social Responsibility into a context, i.e. I present which factors furthered the emergence and spread of CSR (subchapter II.1.). Afterwards, I will introduce stakeholders (subchapter II.2.), who tend to be often viewed as "target groups" of Corporate Social Responsibility. In fact, they are more of participants and shapers of the processes of CSR and CSR-communication.

The next subchapter II.3 is supposed to draw up the theoretical frameworks of Corporate Social Responsibility. I shall herein scrutinise exactly what pertains to the field of CSR and will present major stakeholder-related theories (subchapter II.4.).

This thesis, however, is not intended to verify that Corporate Social Responsibility is an existent research trend focused on by the academic sphere and a management practice exercised by the business community. My examination shall not cover the short-term and long-term return on CSR, but will concentrate on the value-creating processes of organisation-stakeholder relationships. On account of the marketing-focus of my thesis, I will mainly research into how reputation is affected.

Subchapter II.5 is about the emergence of the stakeholder-concept in corporate life, in which I will unfold which types corporate communications have and which ones are among the major means of CSR-communication. I will also draw up the process, in which the stakeholder-concept has gained grounds in marketing.

Another concept guides the reader into the world of reputation (subchapter II.6), that is mainly about the way Corporate Social Responsibility appears in the lives of stakeholders. Following a differentiation of relationships between a corporation and its stakeholders I will look upon the correlation of CSR and reputation. Thereafter, I will present reputation models that focus on stakeholders.

The concept of the qualitative research I conducted will be detailed in Chapter III. In preparation for the research, I surveyed the typical traits of SMEs from the angle of Corporate Social Responsibility, because I picked a micro-enterprise and its stakeholders as subject of analysis. "Szatyor Egyesület" (Szatyor Association) and "Szatyorbolt" (Szatyor Shop) are special for they make an organisation comprising of a non-profit association and a business that function in symbiosis. The objective of the first one is to raise awareness of conscious eating and food sovereignty, whereby the latter one aims to provide customers with domestically-grown, seasonal fresh fruits and vegetables as well as plentiful other products from responsible sources. I selected this organisation, because its core business itself closely connects to Corporate Social Responsibility. In addition thereto, it pursues business practices and follows many business principles that make their operation exemplary. It has grown from a bottom-up civil initiative and cooperation of friends to a popular Shop, the roots of which recently reflect in the organisation's flexibility, direct communications and the cosy atmosphere of the Shop.

This research is of significance for academics, because it delves into a poorly researched field in Hungary addressing communication of Corporate Social Responsibility and stakeholder reputation. Its methodology is special, for I analyse Szatyor's stakeholder relationships and Corporate Social Responsibility in an innovative qualitative research process not only from the organisation's aspect, but also from stakeholders' perspective by involving them. As the third research element, I compare "the tree" and "its shade" - in the words of Abraham Lincoln -, i.e. I will identify the differences in the aspects of the organisation and its stakeholders. As perception of reality may inevitably become distorted and understanding of reality largely depends on recipient's aspects, it is useful for companies to know how and which details of corporate messages stakeholder grab that are knowingly or unnoticed in operation beamed to them. Learning stakeholder expectations and channelling perceptions into corporate processes may contribute to better compliance with stakeholder expectations, what is supposed to lower corporate reputation risk and resulting business risks, as well as to reinforce trust in the company, thus to enhance business success.

The case study presenting the organisation, its business and intended identity is written in Chapter IV on the basis of in-depth interviews with Szatyor's leaders, document analysis and observations. A collection of stakeholder perceptions on grounds of nineteen in-depth stakeholder interviews is presented in Chapter V.

The intended identity and stakeholder reputation are compared in chapter VI, based on which I also formulate strategic recommendations. Conclusions of this thesis, research limitations and future outlooks of research are summarised in chapter VII.

The completed analysis is special not only for the features of the selected methodology and the uniqueness of the examined organisation, but also for my endeavour to present the story in a way that is as comprehensible, deep and personal as possible. This evokes the traditions of scientific writing from over several decades, when stories, examples, mini-narratives and argumentative essay style were predominating. (Brown [2012]) I aimed to involve the reader into the research process as a major stakeholder of my thesis, so that we jointly explore the stakeholder relationship network and stakeholder reputation of the organisation that is subject to analysis. As I myself am a stakeholder of the thesis and of Szatyor Association and Szatyor Shop, I had deliberately opted for a research strategy, under which I did not endeavour to remain an outsider, but I interpreted my a role in the research as active participant and peer-to-peer partner.

II. REVIEW OF THE LITERATURE ON STAKEHOLDER THEORY, CORPORATE SOCIAL RESPONSIBILITY AND REPUTATION

This chapter is deemed to render the backbone of my thesis. Herein I will review the literature on stakeholder theory, Corporate Social Responsibility and reputation being the most relevant in respect of my research topic. CSR is considered to be a borderland in both the scientific world and business life. It adjoins many disciplines, which is why I shall present here a multiple of approaches, while I will endeavour to remain stakeholder-focused.

The reason why I start reviewing the literature on stakeholders instead of Corporate Social Responsibility is that from the two schools outlining in literature I perceive the stakeholder approach as being of more relevance and I expect it to gain ground in the upcoming years.

Some CSR-related theories focus on companies' environmental, social and economic impacts, whereby deliberation decisively starts out from environmental management and progresses towards social impacts. Therefore, such theories concentrate on impacts and the management thereof.

At the same time, another school of Corporate Social Responsibility has gained ground. This approach starts out from social history and analysing the terms of private and public ownership it ends up with the examination of social embeddedness. Followers of this school consider such examination desirable to be carried out among and in co-operation with stakeholders. Changes in the state of private and public affairs being typical in former eras necessitate a fresh approach that is suitable to grab and influence the interactions between companies and their stakeholders.

So, from among the two approaches described above, my thesis employs the latter on that focuses on stakeholders. Before I present the stakeholder-related theories in details, I shall first briefly recite the phenomena that had contributed to Corporate Social Responsibility's gaining ground in the past few years.

II.1 The emergence and spread of the idea of Corporate Social Responsibility

Corporate Social Responsibility is not a recent catchphrase; it has been present in the lives of business enterprises for ages. Also in the antiquity, it was a general tendency that producers and service providers endeavoured to consider the needs and expectations of local communities. True, though, it was not called "integration of stakeholders' interests into business operations" or "stakeholder relations management" those days and probably no well-weighed and consciously planned strategy preceded such conduct.

Society, however, have been long expecting actors of the business sphere to participate in community life, to take their share of responsibilities, i.e. to be responsible corporate citizens. International literature calls such conduct "Corporate Citizenship".

In the past years and decades, Corporate Social Responsibility has been gaining ground ever more intensively as a result of multiple factors and occurrences.

Changes in the economic environment may be one of the most important such factors. With the business sphere growing ever more significant, pecuniary circumstances altered. By today, world's top 100 economies are likely to include more companies than states. Companies play an important role in economy and are able to heavily affect a state's economy by taking certain decisions, e.g. about realising a foreign investment.

In the world economic crisis, companies that had been considered unshakeably stable went bankrupt; many lost their livelihoods and have become incapable of redeeming their loans. Economic growth has come to a halt and having learnt the lesson of major financial losses, investors have become cautious as they bid their time.

In today's globalising economic and financial world, as consumers, employees or other stakeholders, we perceive the positive or even negative changes in economic processes to our cost. While earlier the success of an economic region or sector did not largely affect the lives of people in the other end of the world, enterprises of recent times in remote continents connect with each other at many points, which is partly attributable to market liberalisation. Beyond the favourable effects, competition growing ever fiercer as a result may, at the same time, mean a threat to the interests of certain stakeholders, e.g. former competitors and, thereby, jobs may be terminated.

Liberalisation as a kind of externality has brought about the violation of former ethical principles from time to time, because the enhancement in companies' influence and importance failed to trigger the ethical development of companies and their leaders. Consequently, legislators around the world tend to increasingly regulate companies' operations and their relations to stakeholders, what in return counteracts liberalisation.

As part of this process, a number of activities formerly included in companies' voluntarily taken responsibilities have been recast as obligations. While presenting Carroll's CSR pyramid, I will analyse this process more in details.

At the same time, the social environment serving as settings for companies' operations has changed. In our globalising information society the number of broadcasts about environmental disasters gravely impairing the environment soars and many news are conveyed to people on corrupt practices by enterprises. Concurrently, plentiful educational and attitude-shaping pieces of information are conveyed people about a more conscious way of living and consumption, which enable them to act and represent their interests more consciously in their multifaceted roles as stakeholders. This is attributable, among others, to the value pluralism of ever more liberal social relations, an idea according to which there are more than one values which may be equally correct.

With the economic system's globalisating the distance between companies and people has widened. The point is no more that the surplus produced is bartered within close geographical boundaries, a process in which actors know each other in person. Many times, consumers, civil societies or any other stakeholders' groups do not even learn where a product was produced, or do not have access to essential legal and economic information on the manufacturing company.

As a result of different scandals, people's trust in companies and managers (further) decreased and the gap continued to widen between expectations of society and the perceived compliance of companies thereto. Companies thus operate in a quite critical environment, in which it is not easy to appear as credible.

Corporate Social Responsibility, if aptly planned and implemented, may represent a tool of credibility. Stakeholders' perceiving that a company merely "green-washes" itself, i.e. pretends to be responsible, without pursuing a business activity and communication that is credible may even spark graver aversions.

II.2 The “target groups” of Corporate Social Responsibility Stakeholders

This subchapter is about those targeted by Corporate Social Responsibility. They are much more than a communication target group - this is why the quotation mark in the heading. The notion “stakeholder” refers to all individuals and organisations that have any kind of relations to a company. Such a relation may be of diverse nature, may not necessarily be based on business and may neither mean defencelessness, nor dependence. Moreover, as against the customary segmentation and target group identification process in corporate marketing, the direction of initiating such a relation may not only be unilateral. Anyone may define himself/herself as a stakeholder from either aspect, also without the company’s knowledge or approval.

That is that I may decide any time that the protection of animal rights represents an important value for me and, for that purpose, I may object to unjustified animal tests as a stakeholder of every pharmaceutical and cosmetics company. This is why stakeholder identification necessitates an approach that differs from customary management methods. This new approach is supposed to focus on mapping corporate affairs instead of socio-demographic variables, since stakeholders can be better identified by starting out therefrom.

Moreover - and it necessitates a paradigm change again - this relationship itself is not unilateral. It means that not only the corporation conveys one-way messages, but in an ideal case, interaction is permanent and continuous, in which stakeholders are supposed to take part as peer-to-peer partners and, as such, they share their expectations with as well as give feedback to the corporation, i.e. they may and do participate in corporate governance in a way. This issue, however, takes too far. I will present the operation, advantages and risks of the organisation-stakeholder relations in details at a latter point in my thesis. This subchapter only aims to set forth the major stakeholder definitions and theoretical concepts.

Here I shall remark that not only profit-oriented companies have stakeholders, but also every organisation such as institutions of the higher education financed from the central budget and non-profit organisations do. Since the frameworks of my thesis are limited to corporations, hereinafter I will not explicitly refer to the fact that not only business-oriented organisations do have stakeholders.

Firstly, I will introduce stakeholder-related static theories that enable us to understand who exactly stakeholders are and in which respect they are important when thinking of Corporate Social Responsibility. In subchapter II.4 I will present dynamic stakeholder theories that, beyond classifying stakeholders into groups, also formulate strategies recommended to follow.

II.2.1 Stakeholder definitions

The word "érintett" [1], i.e. "stakeholder" created after the English word "stockholder" was first committed to writing in an internal memo at Stanford Research Institute (today called SRI International Inc.) in 1963. This word created was intended to express the idea that managers have to be concerned also with groups other than owners. (Parmar et al. [2010])

As regards the international development of the stakeholder theory, Edward Freeman's book published in 1984 under the title "Strategic Management: A Stakeholder Approach" was a landmark. The book presented the stakeholder approach to strategic management, defined stakeholders and identified the three levels of stakeholder management. (Radácsi [1997])

Freeman's interpretation has been preceded and followed by many others. Mitchell et al. differentiated six types of stakeholder definitions organised along the principle of which element of an organisation-stakeholder relationship tends to be emphasized most by the particular definition (Mitchell et al. [1997]).

Definitions formulated by different authors in different eras allow closely following the continuous evolution in the way of thinking about stakeholders and reflect the multifold and, simultaneously, dynamic nature of the organisation-stakeholder relationship. Interpretations cited in Table 1 decisively reflect business ethical and conceptual aspects, but according to the most recent trend it is the business correlates of stakeholder relations that also tend to be analysed and interpreted.

[1] The word "stakeholder" is occasionally translated as "érdekgazda" in the Hungarian literature. Still, I decided to hereinafter use the word "érintett" that may be considered as to be wider spread in business and academic life and appeared first in the Hungarian literature on Corporate Social Responsibility translated by László Radácsi (Radácsi [1997] pp. 79-80).

Table 1: Types of stakeholder definitions

Types of stakeholder definitions	Example
The firm and stakeholder are in relationship	*"interact with and give meaning and definition to the corporation* Wicks et al. [1994] p. 483
Power dependence: stakeholder dominant	*"have an interest in the actions of an organization and ... the ability to influence it"* Savage et. al. [1991] p. 61 *"any group or individual who can affect or is affected by the achievement of the organization's objectives"* Freeman [1984] p.46
Power dependence: firm dominant	*"any group or individual who can affect or is affected by the achievement of the organization's objectives"* Freeman [1984] p. 46
Mutual power-dependence relationship	*"are depending on the firm in order to achieve their personal goals and on whom the firm is depending for its existence"* Rhenman, cites Näsi, cites Mitchell et al. [1997] p. 861[2]
Basis for legitimacy of relationship: - contractual relationship - the stakeholder has a claim on the firm - the stakeholder has something at risk - the stakeholder has a moral claim on the firm	*"benefit from or are harmed by, and whose rights are violated or respected by corporate actions"* Evan – Freeman [1997] p. 100
Stakeholder interests – legitimacy not implied	*"have, or claim; ownership, rights, or interests in a corporation and its activities"* Clarkson [1995] p. 106

Source: Edited by myself based on Mitchell et al. [1997] pp. 860-862

The following, quite fresh definition demonstrates the business correlate of the stakeholder definition. After having reviewed the literature, Ferrell et al. published in 2010 an even more detailed stakeholder definition focusing also on business aspects, in which they drafted the concept of stakeholder-orientation based on the principle of market orientation. (Ferrell et al. [2010]) According to this definition, stakeholders are individuals or groups, to which at least one of the following statements applies:

[2] The definition referred to by Mitchell and co-authors was originally created by Rhenman and translated by Näsi into English.

"1. when the actor has the potential to be positively or negatively affected by organizational activities and/or is concerned about the organization's impact on his or her or others' well-being;
2. when the actor can withdraw or grant resources needed for organizational activities;
3. when the actor is valued by the organizational culture."
Ferrell et al. [2010] p. 94

In my opinion, this detailed definition highlighting business aspects better reflects what kind of an impact stakeholders can have on organisations or organisations' stakeholders to former definitions delving into rather theoretical and ethical issues. Therefore, I will apply this stakeholder definition in my thesis.

It is not simply about a "nice-to-have" ethical principle, because stakeholders' and organisational aspects may conflict in the course of everyday operations, thus may largely influence the business results and reputation of a firm.

Given the basic management principle exclusively observing stockholders' interest and the traditional customer-focused marketing approach, the first one implies a much wider scope as it integrates also the values and interests of groups other than stockholders and consumers into the value-creating process.

Certainly, there are also opponents to the stakeholder theory such as Sternberg and Jensen. Jensen believes in the necessity of a single-valued objective function claiming that it is against logics to strive after the maximum in more than one dimension. Moreover, economic and financial theories and conclusions of the past two decades suggest, in his view, that social welfare will peak, if every business enterprise focuses on the maximisation of only its own market value. (Jensen [2002])

Other authors such as Windsor [2002]) or Wood (Agle et al. [2008]) have found his arguments combatable: On the one hand, markets fail to operate perfectly all over the world, moreover, companies have always pursued activities that were not purely aimed to enhance market value. On the other hand, neither individuals and organisations, nor business enterprises are capable of acting independently from their environment and stakeholders being affected by their operations. Stakeholders mean a sort of social control mechanism, i.e. they actually help companies operate efficiently. (Agle et al [2008])

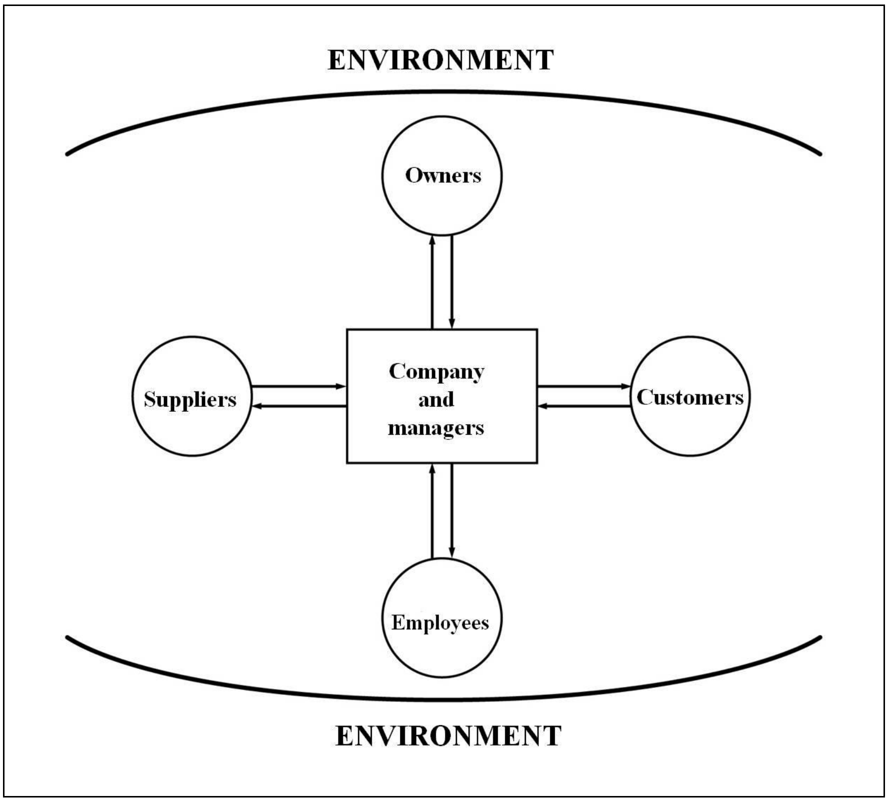
Formal control mechanisms include legislation that hinders firms from e.g. polluting the environment by means of laws. Also a civil society, a conscious consumer or a pragmatic journalist may act as informal control mechanism.

II.2.2 What makes a stakeholder?

Before introducing the diverse stakeholder typologies, I will shortly present, which groups the relevant literature tends to define as stakeholders.

Looking upon a company from a manager's point of view, in addition to managers owners, employees, consumers and suppliers/business partners seem to present themselves as the most palpable stakeholder groups. Freeman presented this idea in Figure 1 as follows:

Figure 1: A company from management aspect

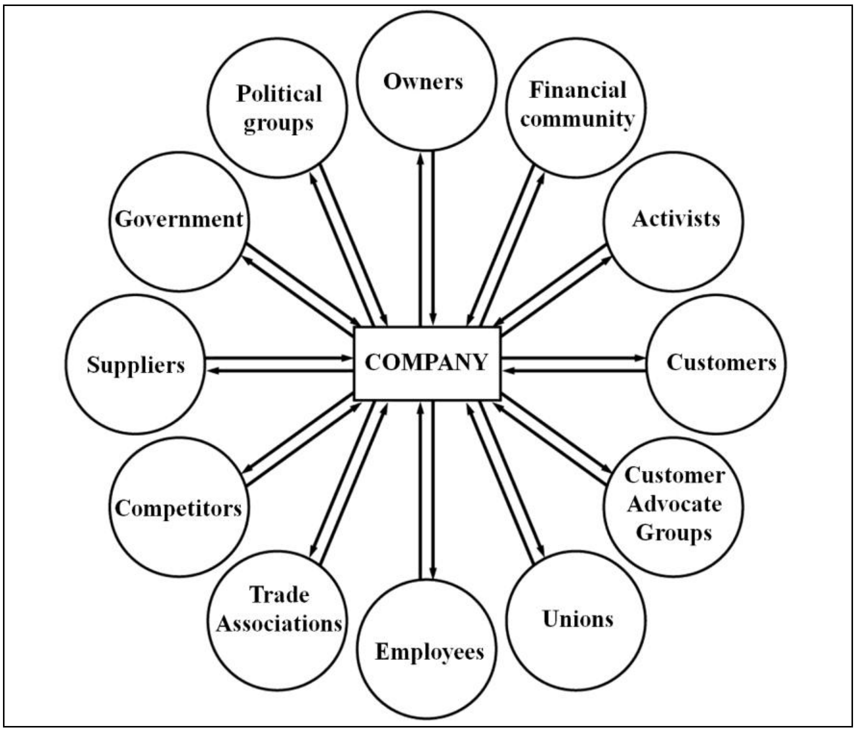


Source: Edited by myself based on Freeman [1984] p. 6

But the scope of those, with whom a company interacts in the course of its operations, is much broader. Therefore Freeman drafted a so-called stakeholder map including all the stakeholders. In 1984 it was a pioneering initiative and it has been profoundly forming the discourse about stakeholders ever since. He plotted typical stakeholders of a typical corporation in a diagram that, for the purpose of general conclusions, neither implies characteristic features to any industry, nor does it indicate the differences in the size and importance of each stakeholder group.

Simultaneously, it is interesting to see that the author drew two-way arrows between the company and certain stakeholder groups with a view to express that interactions and interests have two directions, meaning that these relationships are of mutual nature. Figure 2 below presents a typical stakeholder map.

Figure 2: Typical stakeholder map of a corporation



Source: Edited by myself based on Freeman [1984] p. 55

In addition to the above-described ones, there are further stakeholders identified, and others that are to be classified into larger groups. Based on the literature, thus, I compiled a list that somewhat differs from the typical stakeholder map:

- Stockholders, owners, creditors – private individuals or organisations providing the company with resources.
- Employees being employed by the company in full-time or part-time, based on an employment contract concluded for a definite or an indefinite period of

time. Trade unions advocating employee interests, however, are regarded as to belong to civil societies.

- Contracted partners, suppliers that are in charge of certain responsibilities on behalf of the company, but are not employees.
- Consumers, clients for whom the company produces products and provides services.
- State, local government, authorities, and any other regulatory board that frame the legal environment for corporate operations.
- Non-governmental, i.e. civil societies that – usually advocating a case, a value or interest – are supposed to enforce interests and demand an account as „watchdogs", i.e. try to exercise pressure on the company. They may even act as experts / consultants. Consumer protection professionals, human rights activists or environmentalists do belong to this group.
- Local communities – all those living in the vicinity of the company's headquarters or business premises and being the most directly affected by the operations of the company as polluter, taxpayer, employer ... etc.
- Media – representatives of the media may have diverse roles and responsibilities in relation to a company. It represents a means of mediation in the communication grid between the company and its stakeholders as well as - somewhat alike civil societies - also performs assessing functions.
- Competitors – that offer products or services being similar to those rendered by the company, which may serve as substitutes. If representatives of an industry establish an organisation representing and advocating their interests, it will be regarded as a civil society (such as a chamber or an interbranch association).
- Broadly conceived society or "general public".
- The environment including both natural and built environment. As it is incapable of attaining its own interests, it is usually others, e.g. civil societies, that are supposed to advocate the interests of the environment.

The types of stakeholder a company has largely depends on the socio-economic and cultural environment, in which it operates as well as corporate activities. Anyone can be a stakeholder, who defines itself as a particular company's stakeholder. What is more, it often happens that an individual or an organisation appears in various stakeholder roles in interactions with the company. So, a firm's stockholder and buyer of its products may live in the same settlement, in which the company pursues production.

Freeman wrote about this in 1984 and highlighted that stakeholder groups may be in connection with one another, and even occasional coalitions may evolve in favour of or in opposition to the company. (Freeman [1984])

II.2.3 Major stakeholder groups

Although I shall introduce the detailed concept of stakeholder typologies along with the relevant stakeholder management strategies in subchapter II.4, I deem it important to present a few major aspects of classification in advance.

II.2.3.1 External-internal, broad-narrow interpretations

The first and probably simplest method is to split stakeholders into external and internal stakeholder groups. Internal stakeholders are those acting within the organisation, e.g. members of the management or employees. A national or local authority, civil society is a good example of the typical external stakeholder. Classification is based on the coordination mechanisms being available for the company that differ in respect of internal and external stakeholders. (Radácsi [1997]) Schaltegger et al., however, deem such a distinction becoming ever less relevant in recent times of virtual companies and project organisations. (Schaltegger et al. [2003])

The picture is further tinged if we take account of the fact that companies increasingly tend to involve stakeholders into certain processes, who in return can take active part in corporate operations – e.g. stakeholders may support product development with ideas and may give valuable feedback in test phases. This is called the institution of co-creation. (Bhattacharya – Sen [2003]) In respect of certain topics, civil societies can assist corporate operations as experts. The fact that stakeholders can be present in an organisation’s life in various roles or functions further complicates the clear-cut definition of, i.e. “the drawing of a line between”, external and internal stakeholders.

Freeman and Reed distinguished a “narrow” and a “broad” definition of stakeholders. In their view, the first one is composed of individuals and groups that are vital for the company to survive and succeed. The latter one gathers those, who may be influenced by the company and who may influence the company and its operations in return. (Evan - Freeman [1997] refers to: Freeman – Reed [1983])

II.2.3.2 Primary and secondary stakeholders

In his study on Corporate Social Performance (CSP), Clarkson discerned primary and secondary stakeholders. He identified stakeholders as primary, without the constant support of whom the company would be incapable of sustaining its operations. (Clarkson [1995])

As regards primary stakeholders, the firm and stakeholders are mutually dependent. Although they share different interests and values and have diverging expectations towards the firm, if any one of them left this complex network of relationships, it would either disturb or even wreck corporate operations. (Clarkson [1995])

The group of secondary stakeholders includes those who have influence or impact on the firm or, the other way 'round, are influenced or affected by the firm. They, however, do not have joint transactions with the organisation and are not of crucial importance for the firm to survive. They, in return, are able to broadly mobilise the general public - for or against the company's interest. The company and secondary stakeholders are not mutually dependent on each other, but are able to severely harm the organisation. (Clarkson [1995])

We should only think about scandals around companies sparked off by investigative journalists or civil societies, thus causing grave material damages to the companies concerned - directly in the forms of boycott by consumers or fines imposed by authorities, and indirectly as loss of reputation arising from decreased stakeholder confidence, the long-term impact of which may amount to (USD)millions.

There is a huge gap between primary and secondary stakeholders inasmuch as the latter ones may be counter-interested in the execution of corporate objectives and in complying with corporate policies, or even in meeting the expectations of primary stakeholders. (Clarkson [1995]) These conflicting interests are everyday concomitants of corporate operations, the release of which necessitates many aspects to be weighed, i.e. the interests of primary stakeholders may not necessarily prevail.

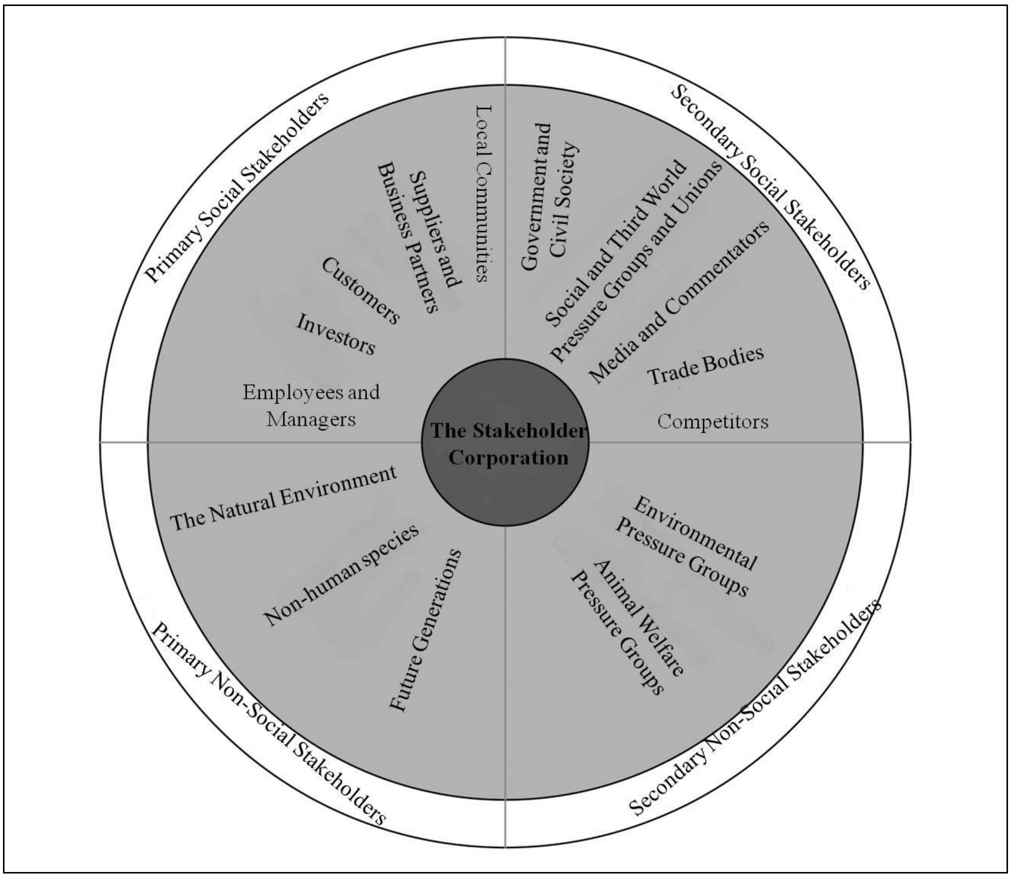
II.2.3.3 Social and non-social stakeholders

Having further developed Clarkson's theory, Wheeler and Sillanpää brought in a second angle: in addition to the primary and secondary categories of stakeholders, they also took it into account whether the organisation is in relationship with natural persons or legal entities. As a result, they defined four stakeholder categories (Wheeler – Sillanpää [1998]):

- Primary Social Stakeholders are persons being in direct contact with the company.
- Persons having less direct relationship to the company have been defined as Secondary Social Stakeholders.
- The category of Primary Non-social Stakeholders marks those directly affected by the company that are incapable of advocating their interests, a challenge performed for them by others.
- The group of Secondary Non-social Stakeholders comprises of those having indirect relationship with the company and the interests of which are attained by others.

The authors plotted the above four stakeholder categories in Figure 3:

Figure 3: Stakeholder typology of Wheeler and Sillanpää



Source: Edited by myself based on Wheeler – Sillanpää [1998] p. 206

II.2.4 A brief overview of stakeholder definitions and stakeholder typologies

In this subchapter, I have presented an overview of stakeholder definitions and the major stakeholder groups, as well as the evolution of stakeholder typologies based on specialist literature. Certainly, every typology tends to be a forced simplification of reality, still it helps companies identify stakeholders and understand their aspects.

In subchapter II.4 that unfolds different stakeholder management theories, I will introduce further stakeholder typologies. Beyond the stakeholder group definitions along various aspects, these typologies also provide a guide to applying the proper strategy to each stakeholder group. Nevertheless, knowing the concepts presented so far outlines the abundance of literature on the stakeholder theory, which also suggests that business ethics, organisation-theory and other disciplines variously approach to and draw up the relationship grid of the company and its environment.

II.3 Theoretical frameworks of Corporate Social Responsibility

After having defined stakeholders, it is worth taking a short by-pass and learning the theoretical frameworks of Corporate Social Responsibility. That is namely the system of rights or even claims, responsibilities and activities that stakeholders expect from the business community and that companies try to satisfy to some extent.

Corporate Social Responsibility may be variously defined, which indicates the constant evolution and formation of the discipline. In this subchapter I will unfold the utmost noteworthy ones.

II.3.1 All that is CSR and that is not

A distinction is needed to be made between the idea of Corporate Social Responsibility and the concept of Corporate Citizenship. While elaborating the typology of business strategies, Weiß concluded that the first one implies active conduct and suggests that the company considers stakeholders' expectations as to be responsibilities, Corporate Citizenship is rather characterised by proactivity and a participation in the reform of social background conditions. Although the two concepts have lately been seen "merge into one another" and be used as synonyms – primarily by businessmen, but increasingly also by academics –, their origins and philosophic background largely differ. (Weiß [2005])

Under the idea of economic liberalism, Corporate Social Responsibility regards the company as a tool and people as homo oeconomicus trading for advantages. The literature on CSR can be traced back to the 1950s, when experts engaged in the research of business ethics started to examine the responsibility of the company and its leader for society. The primary objective of CSR-related communication is the acquisition of social legitimacy and that the company is considered as to be a responsible market operator. (Weiß [2005])

On the other hand, under corporate citizenship emerging as an ideology of republican liberalism dating back to the 18th century, the company as society's peer-to-peer member endeavours to make changes in social background conditions. It regards not only itself, but also people as to be free social beings. The primary objective of communications related to corporate citizenship is to reach social integration and that the firm is considered as to be a committed and active citizen. (Weiß [2005])

Hereby it must be noted that sustainability, i.e. sustainable development (SD) also used as a synonym to CSR became conspicuous in the 1990s, when the Brundtland Commission formed by UN adapted the concept of sustainable forest management to development as follows:

> *"Sustainability development is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs."*
> United Nations World Commission on Environment and Development [1987] p. 42

Sustainable development implies a strive for the balance of economic, environmental and social aspects. Although the concept does not fully accord with Corporate Social Responsibility, the two words are practically used as each other's synonyms. An example of this is the fact that in Hungary the same kind of report is called CSR-report at one company, whereas it is called sustainability report at the other one.

II.3.2 Are companies socially responsible?

In studies reviewing CSR's history in modern days (e.g. Carroll [1999], Andriof-Waddock [2002], Carroll [2008], Melé [2008]), Howard R. Bowen's book titled "A businessman's social responsibilities" published in 1953 is usually considered as to be a landmark followed by many books, articles and theories later on. Bowen, who considered companies as to be powerful organisations being capable of making significant impacts by their decisions, defined social responsibility of businessmen as follows:

> *"It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society."*
>
> Bowen, cited by Carroll [1999] p. 270

It is noteworthy that Bowen regarded social responsibility as a kind of obligation and this approach used to be typical to CSR literature for long. It is a question, however, whether business leaders have such a responsibility indeed.

In papers on Corporate Social Responsibility Milton Friedman's well-known saying has often been quoted and referred to as a counterargument for CSR:

> *"What does it mean to say that the corporate executive has a 'social responsibility' in his capacity as businessman? If this statement is not pure rhetoric, it must mean that he is to act in some way that is not in the interest of his employers."*
>
> Friedman, cited by Boda [1997] p. 15

At the same time, Gallagher argued that an ethically and responsibly operating firm, in fact, follows its own interest, as the impact of socio-cultural changes can be minimised thereby. Business leaders' ethical conduct ambitioning to comply with the macro-environment's social expectations may procure a sustainable competitive advantage for the company. As ethics present themselves as a social norm, ethical companies are supposed to pose a smaller risk to their stakeholders, and the more constant this stability is, the more favourable the financial outcome becomes. (Gallagher [2005])

This approach can be deemed to be widespread by today. Later on, I shall present the direct and indirect advantages that are associated with CSR as a "business case".

Carroll pointed out that many take into account only the first part of the quote, but omit that, beyond profit seeking, Friedman deemed it also important that the laws are obeyed and ethical principles are met. It means that he observed many CSR-related dimensions – the three level of the CSR pyramid of Carroll to be introduced at a later point. (Carroll [1991])

Is it possible that many have misperceived what Friedman meant by his statement? Freeman, reckoned to be one of the greatest minds of the stakeholder theory, attempted to clarify Friedman's CSR-related position in a dispute that has become known as the "Friedman-Freeman debate". Knowing his works, Freeman refers to many points that prove, in his view, that as against the idea taken out of context Friedman, in fact, was a follower of the stakeholder theory and Corporate Social Responsibility. (Agle et al. [2008])

So, as against public thinking, Milton Friedman actually seemed to be a supporter of CSR instead of being an opponent thereto. Of CSR that being embedded in capitalism and corporate basic activity is broadly deemed to be business-oriented. That means that Friedman may only be considered to be an opponent to CSR by those, who look upon Corporate Social Responsibility as including and being limited to donations and other social benefits. It is, therefore, important to make it clear what is meant by Corporate Social Responsibility.

Kotler and Lee defined it as follows:

> *"Corporate Social Responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources."*

Kotler-Lee [2007], p. 11

In this definition "discretionary" is the key-word, meaning that the company exclusively undertakes non-statutorily obligations or refrains from participating in what society expects, spoken or unspoken. It may be identified as a hiatus of the definition that the values and interests of the organisation's environment are not covered thereby. As if the authors put it at the company's discretion, which activity enhancing welfare it selects. It may, however, easily divert good intent, because corporate leaders may not at all surely know what is for the benefit of the community. Neither is it included in the definition of Kotler and Lee, how this sort of commitment appears in corporate life and what motivates the organisation to undertake discretionary commitments.

European Union's Green Book on CSR describes the core of CSR as follows:

"A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."

EC [2001] p. 4

The good point of this definition is that it connects Corporate Social Responsibility and business operations, whereby the relations maintained by the company with its environment are also included. I will apply this interpretation throughout my thesis, even though I am convinced that the ideal CSR definition more intensively focuses on the integration of stakeholder interests and values into corporate operations and substrategies.

II.3.3 Major theoretical models of CSR

In this subchapter I am unfolding theoretical concepts that include a CSR definition and a related model each.

II.3.3.1 Carroll's social performance model

Archie B. Carroll has been a major character of the CSR discipline for decades. Two theories of his tend to be often cited in literature on CSR. The first one of those was published as the three-dimensional conceptual model of corporate social performance in 1979. He brought in three dimensions, plotting which on three axes he created a cuboid. With this model he originally aimed to provide a theoretical framework functioning well as a tool also for practitioners. Critics, however, say it is too complicated to support business decisions. Notwithstanding, this over three decade-old framework renders a basis for many recent theories.

The first dimension (equivalent to CSR_1 in Frederick's model) is made of the below four categories of Corporate Social Responsibility (Carroll [1979]):

- Economic responsibility may be the primary and probably most important responsibility of a corporation, since business actors aim to start and pursue operations for profits. They namely sell products and provide services demanded by society in return for a profit.
- Legal responsibility means that companies in the course of operations have to obey the basic rules set forth as part of the "social contract".

- Ethical responsibility marks elements that are not included in the above two categories and, although not laid down in statutes, present themselves as expectations from members of society towards companies beyond the legal frameworks.
- Discretionary responsibility is meant to cover activities - being rather expectations than responsibilities - that society is unable to describe and, therefore, entrusts the (voluntary) performance of which to the discretion and decision of companies.

All of the above responsibilities are simultaneously present in corporate life. Economic history, however, verifies that economic and legal principles used to come across first, whereas ethical and discretional aspects gain importance later on. Of course, each and every company-related decision may have an economic, legal, ethical and discretional consequence, i.e. these four responsibilities are interrelated. Based on the above, Carroll defined CSR as follows:

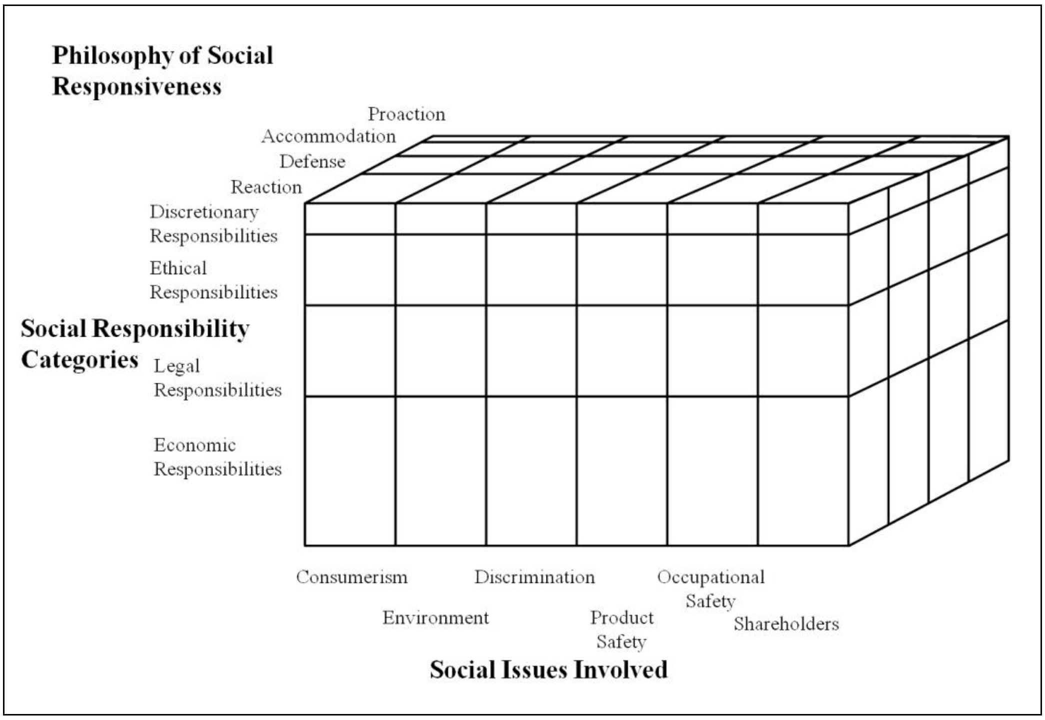
> *"The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time."*
>
> Carroll [1979] p. 500

The second axis is made of social affairs that the company has to manage by virtue of its afore-mentioned responsibilities. Since these tend to remain unchanged over time and are specific to industrial branches, they cannot be exactly described. (Carroll [1979])

The third category covers the philosophy of social responsiveness. It means a strategy, based on which the company and its no. 1 leader responds to social challenges and issues arising. Within this dimension there are four different conducts to be differentiated: reaction, defense, accommodation and proaction. As regards social responsiveness, Carroll refers to Frederick's concept that is introduced later on. According to this definition (that Frederick calls CSR_2), social responsiveness is a corporation's capacity to respond to social pressures. It addresses the mechanisms, procedures, behavioural patterns that are typical to a company when acting with social responsibility. (Carroll [1979])

It is a special merit of this model that it integrated the existing CSR theories in the framework of Corporate Social Responsibility's performance. Former definitions address here the aspects of each particular dimension. Carroll illustrated all these plotted on the three axes of Figure 4 below:

Figure 4: Carroll's social performance model



Source: Edited by myself based on Carroll [1979] p. 503

II.3.3.2 Supplements by Wartick and Cochran to the CSP model

In 1985, Wartick and Cochran added a number of elements to Carroll's original model and also formulated the major objective and theoretical orientation of each one dimension. They regarded the four types of corporate responsibilities as principles reflecting philosophic orientation, corporate social responsiveness as processes reflecting institutional orientation, whereby management of social issues as policies reflecting organisational orientation. In their shared view, principles, processes and policies render the grounds of corporate social participation. It is also them who proposed the dimension of social issues, which they interpreted as operationalisation of social responsiveness. (Wartick – Cochran [1985])

In reference to the literature on issue management, they defined three phases of social issues management: first the issue has to be recognised and identified. Then the identified issue needs to be analysed and learnt in details. And finally, elaboration of a response follows on grounds of information collected. (Wartick – Cochran [1985])

II.3.3.3 Frederick's theory: CSR_1-CSR_4

What Carroll composed as different dimensions of his own concept, Frederick defined as different phases in the theoretical evolution of Corporate Social Responsibility. He called CSR_1 the different types of corporate obligations, i.e. corporate responsibilities for society's welfare and found it typical in the early phase of the evolution of CSR. Meanwhile, many issues arose in relation to society's expectations towards the business community, that have been debated by theoretical experts for ages. (Frederick [1994]):

- One of these dilemmas addresses the issue of what exactly is regarded as Corporate Social Responsibility? Is it only activities that a company takes out with a view to comply with the legal environment, or only initiatives that the company voluntarily undertakes? Is it just passing to meet the expectations or should they also be outperformed? What happens if a company performs well only in certain areas, and absolutely fails to address other problems?
- A second issue concerns the organisational processes of CSR, or to be more precise, focuses on whether market powers should be allowed to prevail, should such processes be put at companies' discretion or are also legislators needed to be involved so that companies are able to meet social expectations.
- The third contested point derives from the so-called trade-off, i.e. the "exchange rate" of environmental and social objectives and costs. In fact, it appears to be impossible to meet every criterion and expectation.
- The fourth dilemma comes from the fact that moral grounds and organisational motivations of Corporate Social Responsibility are not solved.

The above questions are especially interesting, because Frederick put them down on paper in 1978 and, in fact, none of them have so far been reliably and clearly responded, i.e. they continue to set the trends in the evolution of the CSR theory.

As the second phase in the evolution of Corporate Social Responsibility, Frederick identified the 1970s, when the theoretical fundaments reorientated and resulted in corporate social responsiveness, i.e. CSR_2. Instead of questioning Corporate Social Responsibility and leading philosophic discourses about its details, spotlight shifted on companies' ability to manage their social relations. Management-focus, process-orientation, pragmatism and proaction grew important and the "does it exist? is it needed?"-type questions converted into "how?" questions. (Frederick [1994])

The author made a clear distinction between the micro-, i.e. corporate level and the macro-, i.e. economic dimension of corporate social responsiveness. The first one denotes the ways companies can manage their relationships to their own stakeholders ever better, while the latter one examines higher-level systems and processes that business organisations need in order to meet social expectations. (Frederick [1994]) Given the existing CSR theories, it was a new element. Experts in Corporate Social Responsibility formerly tended to raise and tried to solve only macro-level issues.

With ever more corporate scandals leaking out, in the 1980s the importance of business ethics was growing for both academics and practitioners. This is why CSR_{3}, i.e. Corporate Social Rectitude focuses on the moral correctness of organisational actions and policies. Not only corporate social responsibilities and corporate social responsiveness do matter, but also corporate endeavour to make ethics play a role in corporate decision-making, and to make ethical attitude permeate the entire organisation, i.e. to have ethics-related corporate strategies and corporate policies. (Frederick [1986])

The time of CSR_4 came in response to unforeseen events as well as economic, political and social changes and challenges like the split up of the former Soviet block, technological innovations changing economic fundaments, and global environmental problems. (Frederick [1998]) Corporate development in terms of ethics, however, could not keep up with such major changes, so in the current course of corporate evolution technical facilities have largely outgrown ethical consideration and maturity.

In Frederick's view, the abbreviation CSR means Cosmos Science Religion. He interpreted the expressions of the compound one by one as follows: (Frederick [1998]):

- "Cosmos" refers to the extended approach the business community and humankind should follow in order to survive. Frederick is convinced that the accumulated problems and challenges in front of humanity are to be solved by way of a philosophic and intellectual approach ensuring longer-term way of thinking, which necessitates a paradigm on cosmological grounds.
- The word "Science" suggests that such a cosmologic approach calls for scientific methods that point beyond the scope of social and behavioural sciences.

- "Religion" means here that a religious approach is to be applied to issues arising on the relationship between economics and society, such as the objective of mankind or morality.

II.3.3.4 Carroll's CSR pyramid

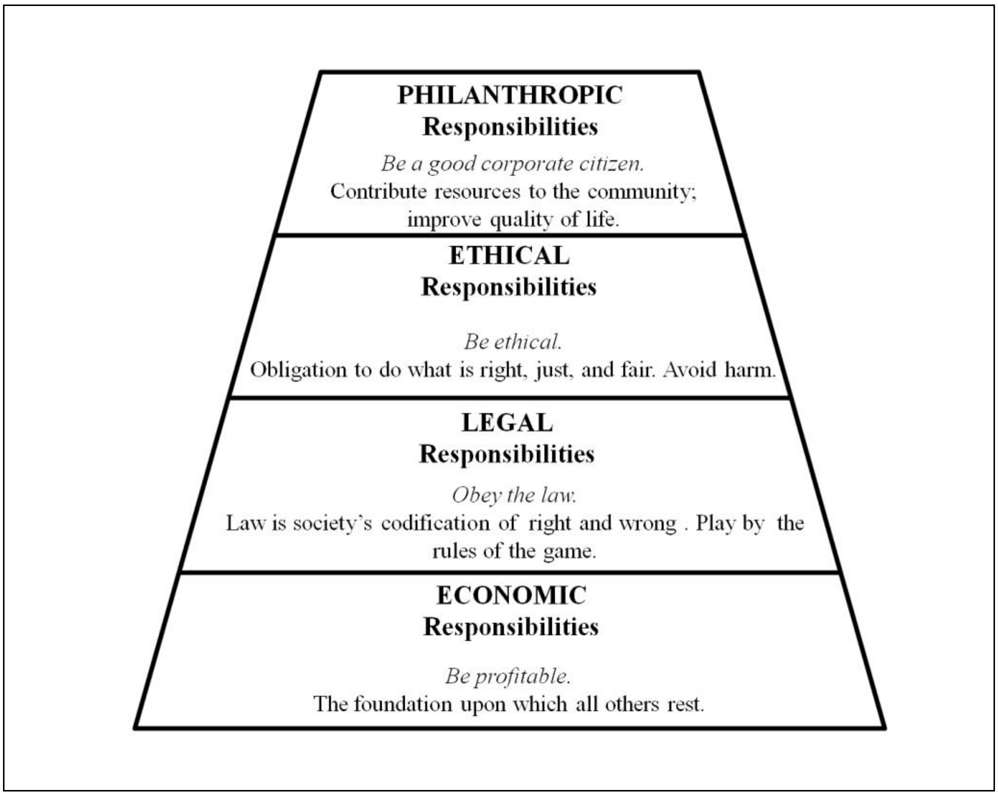
The CSR pyramid published in 1991 may be understood as an advanced version of the corporate social performance model, a result of Carroll's having reviewed his former theory. The four categories of responsibilities have been maintained here, but the last one has been renamed to philanthropic responsibilities and each category has been associated with a level of the pyramid. In this new model "Corporate Social Responsibility" replaces "corporate social performance". Carroll's CSR pyramid consists of the following levels: (Carroll [1991]):

- Economic level:
    - Business enterprises as basic economic units have the primary objective to supply members of society with products and services for a profit. With that missing, none of the other levels are to be defined, which is why it renders the basis of the pyramid.
    - Economic responsibility may be commitment to profit, endeavour to increase efficacy, or maintenance of a competitive market position.
    - These are responsibilities required by society.
- Legal level:
    - Under the "social contract", society not only expects enterprises to produce profits, but also to obey the legal rules of fair business operations. Being prioritised on Level 2 in the pyramid, legal responsibilities historically date back to the same time as economic responsibilities do, and these two levels jointly establish the theoretical basis of the free trade system.
    - Legal responsibility may encompass operations in compliance with the effective rules of law, or observation of regulations set forth by the state or local authorities.
    - These are responsibilities required by society.

- Ethical level
    - This level denotes responsibilities that point beyond the basic economic and legal expectations, but have not yet been enacted. They reflect concerns of different stakeholder groups such as consumers, employees, owners or members of the community.
    - Changes in social values and expectations generated by social disputes used to induce legal changes. Important ethical expectations, however, tend to take shape of legal rules over time. This level is above the level of legal responsibilities, though, it must be noted that the above-described process results in a dynamic relationship between the two levels.
    - Ethical responsibility implies compliance with the ethical expectations of society, recognition of newly emerging ethical and moral norms, as well as preventing company objectives from overwriting ethical principles.
    - These are responsibilities required by society.
- Philanthropic level
    - It is at the top of the pyramid and indicates activities, in which a company participates, as expected by society, with a view to become a good corporate citizen, i.e. an active and honoured member of society. Given the ethical level, there is a major difference inasmuch as ethical responsibilities have converted into expectations, philanthropic responsibilities do not represent expectations towards companies.
    - It is an explicitly voluntary activity including e.g. participation in charity actions, sponsoring arts and education, voluntary work for community objectives that improve community welfare.
    - These are responsibilities longed for by society.

Corporate Social Responsibility tends to be broadly viewed and identified as the top level. It must be stated, however, that CSR and charities are not equivalent, but overlap with each other and charities along with the other three dimensions are an important part of CSR. The CSR pyramid created by Carroll is depicted on Figure 5.

Figure 5: Carroll's CSR pyramid



Source: Edited by myself based on Carroll [1991] p. 42

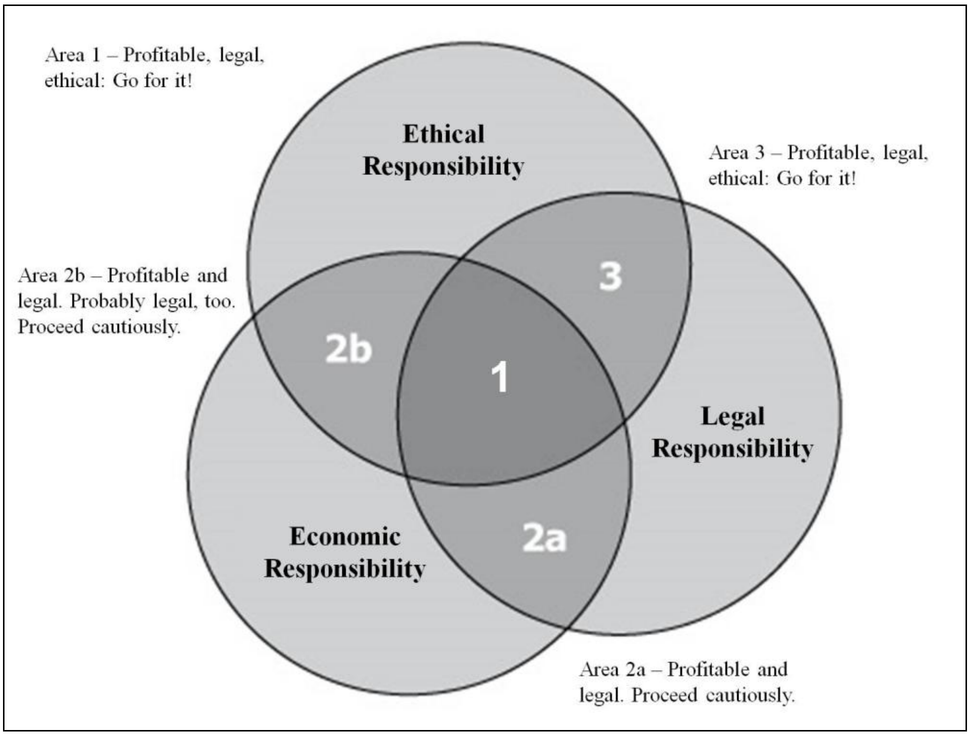
Summing it up briefly, a responsible company is supposed to be profitable, while it obeys statutes, acts ethically and as a good corporate citizen.

Verifying the levels' building on one another, Tuzzolino and Armandi created a concept that draws a comparison with Maslow's model depicting the hierarchy of needs. Pursuant to their theory, individuals primarily focus on the satisfaction of their physical needs just as organisations primarily aim at profitability, i.e. economic responsibility. The pyramid of individuals is topped by self-actualisation, whereby the pyramid of organisations has philanthropy at its peak. (Tuzzolino – Armandi [1981])

Carroll's CSR pyramid is a stakeholder-model at the same time, as each stakeholder gives priority to one type of responsibilities at a time - i.e. a stakeholder-responsibility grid can be set up for each company to be also employed when mapping and analysing the relationship between the company and its different stakeholders. The author's theory, however, fails to explain how the conflicts between stakeholder groups and the dimensions, or responsibilities can be effectively solved.

The latest version of the CSR pyramid of 2003, has only three levels, because Schwartz and Carroll merged the ethical and philanthropic responsibilities. For the purpose of easier use in practice they also modified the elements of each level that were no more arranged in a hierarchy, but partly overlapping in a so-called Venn diagram. (Carroll [2008] and Schwartz – Carroll [2003]) As a result, expectations of society towards companies and trade-offs between decisions related to the different dimensions have become better discernible. (Carroll – Buchholtz [2008])

Figure 6: Venn diagram of ethical decision-making



Source: Edited by myself based on Carroll – Buchholtz [2008], p. 250

II.3.4 A brief overview of the major theoretical models of CSR

In this subchapter I endeavoured to draft the theoretical framework of Corporate Social Responsibility and, in addition to CSR definitions with diverging focuses, I presented CSR theories, the authors of which not only aspired to formulate their own definitions, but also to break down Corporate Social Responsibility into levels/dimensions that can be effectively operationalised. And this helps businessmen a lot in understanding CSR.

It is a common trait of the stakeholder theories presented in this subchapter that all of them are intended to systemize the affairs and responsibilities that are in the intersection of companies and stakeholders. Certainly, in real business life it is usually not so easy to draw such a clear line in between the different levels, but a problem emerging or a decision being under preparation may rather concern more than one dimension at a time in most cases.

Critics of stakeholder theories also tend to remark that the levels of analysis are not fully defined. For this very reason, Clarkson told social affairs apart from stakeholder affairs. In his view, the fact that an affair concerns more than one stakeholder groups does not necessarily mean that it bears relevance to a wide layer of society. The existence or lack of relevant legal regulations represents the borderline between the two categories. Statutes tend to be framed in respect of affairs that are important to society in a particular moment. As long as it fails to happen, an affair remains merely a stakeholder affair. (Clarkson [1995])

Employing relevant specialist literature, in Appendix 1 I present a list that recounts affairs bearing relevance to the major stakeholder groups. Certainly, an issue may be important to more than one stakeholder at a time, which is why I tried to assign such issues to stakeholders for which, I reckon, these tend to primarily emerge as priorities.

II.4 Major stakeholder-related theories

Learning the above theories related to Corporate Social Responsibility helped understand why and how stakeholders got in focus of literature on CSR theories and of everyday activities of corporate leaders. It also connects to this subchapter, because, simultaneously to Corporate Social Responsibility, the stakeholder theory has also undergone continuous evolution. Let alone, some CSR-concepts herein presented can also be regarded as stakeholder theories - e.g. the trend that formed on the basis of Carroll's CSR pyramid that also encompasses stakeholder-related strategies.

This subchapter is intended to present how the relationship between companies and stakeholders were conceived and which stakeholder categories were framed in the past decades, as well as which strategic or tactic approaches are recommended to manage these relationships properly.

Carroll and Buchholtz consider the following fundamental issues of stakeholder management (Carroll – Buchholtz [2008]):

- Who are the stakeholders of the company? (Which main categories and subcategories can be identified?)
- Which interests and values guide them? (Whether they have power, legitimacy or any urgent claim?)
- What kind of an opportunity or challenge a particular stakeholder means to the company? (Is this stakeholder a potential partner? Or is it rather a future threat?
- In which term is the company accountable to stakeholders? (Economic? Legal? Ethical? Philanthropic?)
- Which strategy or action is supposed to be followed in order to properly manage challenges and opportunities posed by a stakeholder to the organisation? (Is direct or indirect action necessitated? Is it worth launching an attack or standing on the defensive? Which one is of more use: persuasion or bargaining? Or is there a combined strategy?)

The stakeholder concepts and strategies to be presented also attempt to respond to these questions.

I will unfold the major theories arranged in three categories. Donaldson and Preston argue in an article (Donaldson – Preston [1995]) that there are descriptive/empirical, instrumental and normative approaches:

<u>Descriptive stakeholder theories</u> use a theoretical framework to describe the corporation as a combination of cooperative and competitive interests of major values. These theories endeavour to describe and explain the characteristics and behaviours of firms. They simultaneously explain the past, present and future evolution of relationships between corporations and their stakeholders.

On the other hand, <u>instrumental stakeholder theories</u> focus on the connection between practical issues of stakeholder management and the achievement of corporate performance goals, and try to explore this connection or the lack thereof in depth. Here it is assumed that companies engaged in stakeholder management usually prove to be more successful in terms of traditional performance indicators. It is also true, though, that this connection is rather implicit, so these theories are not apt to circumstantially discover the cause and effect relationship. Still, these theories point out that managers need to seek the constructive contribution of stakeholders, so that corporate goals such as stability, growth and profitability are achieved. Prescriptive theories, at the same time, do not formulate categorical, but hypothetical recommendations.

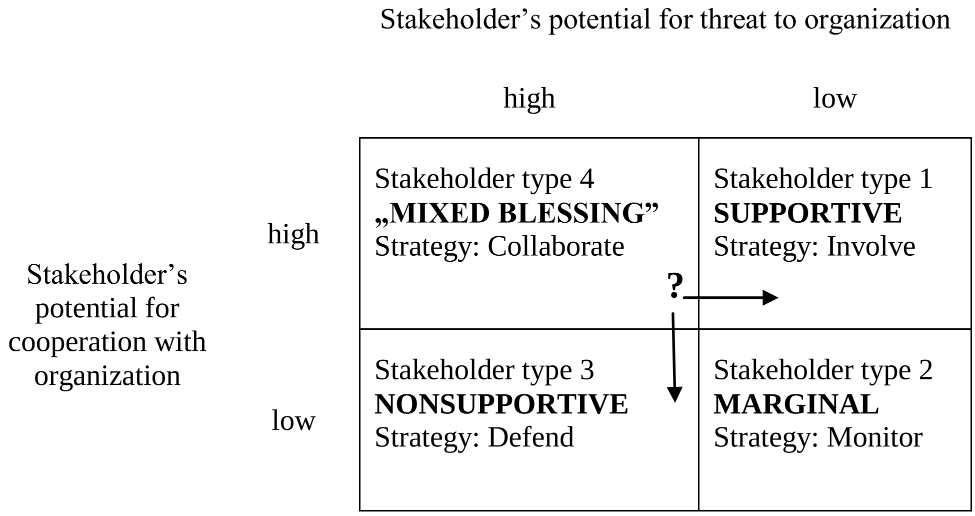
Normative stakeholder theories typically identify stakeholders on the basis of their company-related interests and of how and to which extent the company is interested in such a relationship. Significant values are here attributed to stakes represented by stakeholders. Normative theories endeavour to understand corporate functions, including the identification of moral and philosophical principles in corporate operations and management. The objective here is not to examine the relationship between theory and practice, but to set corporate guidelines and policies.

As my thesis is largely practice-oriented, hereinafter I shall focus on the introduction of major instrumental theories without scrutinising normative and descriptive concepts.

II.4.1 Savage et al.'s stakeholder typology based on potential for threat and potential for cooperation

Instead of traditional primary-secondary stakeholder typology, Savage et al. divided stakeholders into four groups along two dimensions. One major factor they considered was stakeholders' potential for threat to the organisation. The other distinctive factor was stakeholders' potential for cooperation with the organisation. Both factors may take two values: high and low. Summarising the model, they elaborated the grid on Figure 7 that classifies stakeholders and determines, what kind of corporate strategy is applicable to them.

Figure 7: Stakeholder typology of Savage et al.



Source: Edited by myself based on Savage et al. [1991], p. 65

Authors identified and described the following four stakeholder types (Savage et al. [1991]):

- <u>Supportive stakeholders</u>
  - They support corporate goals and, in fact, are the ideal stakeholders. In case of a soundly operating company, creditors, managers and employees pertain to this group.
  - To stakeholders with low potential for threat and high potential for cooperation an "<u>involving</u>" strategy is best to apply. Should they be asked about key issues and involved, they can be convinced to cooperate.
- <u>Marginal stakeholders</u>
  - Stakeholders of an organisation that have neither significant potential for threat to the company, nor do they show significant potential for co-operation. Although they are interested in corporate operations for different reasons, they are not at all concerned about distinct issues. Medium and large enterprises are supposed to address consumers and stockholders as well as trade organisations of employees as marginal stakeholders.

    - The applicable strategy here is monitoring. When preparing strategic decisions, it is worth assessing whether these groups are affected by the particular issue.
- Nonsupportive stakeholders
    - These organisations are perceived as sources of the biggest tension for companies and their managers. As regards major production firms, competitors, trade unions, national and local regulators and, in certain cases, also the media may be nonsupportive stakeholders.
    - To stakeholders with low potential for cooperation and high potential for threat to the company the strategy of defense is recommended to be applied. It is worth endeavouring to decrease the extent of dependence that serves as grounds for stakeholder interests in relation to the company.
- Mixed blessing stakeholders
    - From the company's perspective, they have high potential for both cooperation and threat. In case of a soundly operating company, employees, clients and customers as well as organisations offering supplementary products and services pertain to this group. Looking at the Figure, the arrow in the square indicates two different options available for the purpose of altering the relationship: the potential either for cooperation or for threat can be reduced.
    - As regards mixed blessing stakeholders, cooperation is highly recommended to be aspired after, because their resistance is to be lowered thereby. If involved, they would be less likely to turn against the company.

II.4.2 Mitchell et al. power-legitimacy-emergency typology

Mitchell et al. framed their own stakeholder typology along three aspects and also specified the most effective way of managing each subtype (Mitchell et al. [1997]):

- Stakeholders' power is the extent to which they can influence or put pressure on the firm. By power they meant that in every relationship, either party has or can gain access to coercive, utilitarian or normative resources, by which it can attain its will. Such access, however, is only temporary, because power relations keep changing.

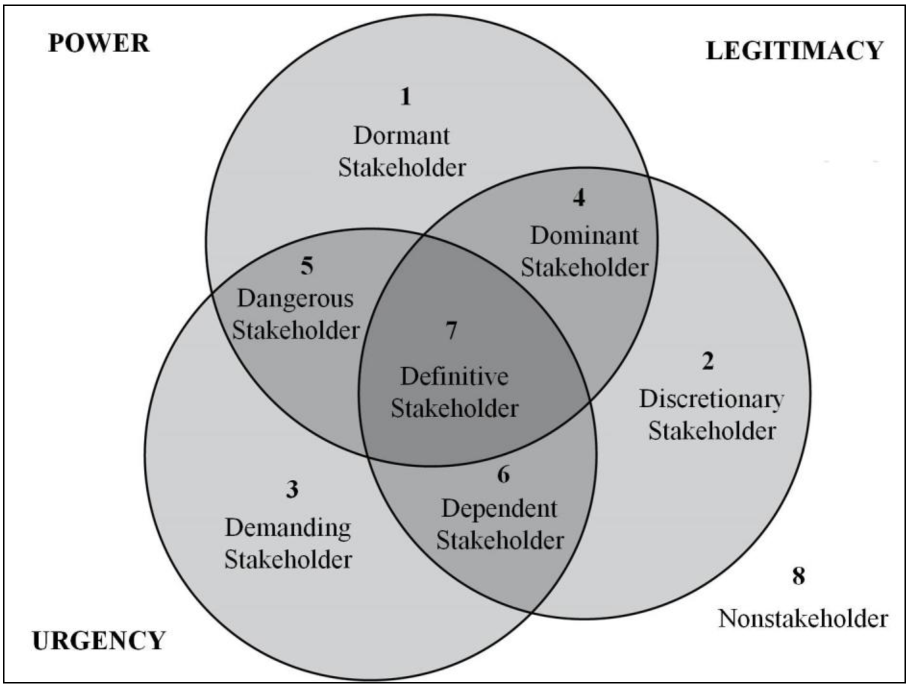
- The legitimacy of a relationship between a company and a particular stakeholder is socially accepted and expected structures or behaviours based on risks, rights, moral requirements and claims. Legitimacy marks desired social goods, an assumption that the actions of a company are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.
- The emergency of a stakeholder's claim on the company refers to the dynamism of interactions there between - this is how the static model converts to a dynamic construction. Emergency is where a relationship or a claim is time-sensitive or critical for the stakeholder.

Within the meaning of this concept, the three variables as a whole show which stakeholder groups managers should primarily pay attention to. The dynamic nature of this theory is verified by the fact that it deems stakeholder attributes not to stagnate, but to be changing over time, moreover, not to be objectively pre-determined, but to depend on social conditions. It does not presume that stakeholders are well aware of their own attributes and utilize those deliberately. These three features complement the theoretical framework of Mitchell et al.

On grounds of the three criteria stakeholders are easy to classify, though, the responsibility to identify each stakeholder group's salience on the basis of their perceptions and impressions lies with corporate leaders.

Taking into account the guidelines specified above, the authors identified eight stakeholder groups. One or two attributes are typical to three groups each, and one group bears all the three characteristics. The eighth group is made of those that have neither power, nor legitimacy, nor any urgent claim on the company, which is why they cannot even be recognised as stakeholders.

Figure 8: Mitchell et al.'s typology of stakeholders



Source: Edited by myself based on Mitchell et al. [1997] p. 874

When assessing the salience of each stakeholder group, the following guideline should be followed: There exists a positive correlation between the importance and the cumulative number of stakeholder attributes (power, legitimacy, emergency), i.e. the more attributes a stakeholder bears the higher its salience. Certainly, it is the case only if corporate managers do perceive these attributes.

- This is why a stakeholder having only one of these attributes is of low salience, therefore is to be defined as latent. Latent stakeholders can be separated into three subcategories:
    - Dormant stakeholder: Dormant stakeholders possess power to attain their interests, but neither have a legitim relationship, nor an urgent claim, which is why their power remains unemployed. They lack interaction with the company, but have the opportunity to obtain another attribute, thus to become a more dominant stakeholder, which is why it is worth keeping an eye on them. In certain cases, stakeholder activization may be forecast and the proper steps can be made in preparation.
    - Discretionary stakeholder: This group has a legitimate relationship with the company, but has neither power, nor an urgent claim. They tend to be

recipients of the actions defined as philanthropic responsibilities topping Carroll's pyramid (Subchapter II.3.3.4). As they do not put significant pressure on the company to engage with them, any active contact is pending on management decision.

  - Demanding stakeholder: From the three attributes, only emergency is typical to demanding stakeholders. They are "mosquitoes buzzing into the ears" of the manager, irritating, but harmless, not worth considering.

- A stakeholder group is deemed to be of moderate salience, if it has two attributes. They are so-called will-be-stakeholders or expectant stakeholders divided into three subgroups:
  - Dominant stakeholder: They possess power and legitimacy, thus their capability to influence the company is ensured, which they either make use of or not. There may be a formal mechanism in place acknowledging the relationship with the organisation or project. Dominant stakeholders expect and receive attention from the company. This is the group that many theories position as the only stakeholders of an organisation or project.
  - Dependent stakeholder: They have legitimacy and urgent claims, but lack the power to enforce their stake – therefore they are dependent on others, e.g. corporate management. As power is not mutual here, advocacy of their interests is provided for by the support of other stakeholders or internal values of the organisation.
  - Dangerous stakeholder: Those with powerful and urgent claims possessing no legitimacy. Being likely to be coercive and possibly violent, also by way of violating legal rules, they have a potential for threat to the company. Mitchell et al. identify these stakeholders for the purpose of prevention, but don't require them to be acknowledged and thus awarded legitimacy.
- Stakeholders having power, legitimacy and urgency at the same time are deemed to be of high salience and called definitive stakeholders. The company immediately reacts to the claims of this group and gives them priority.

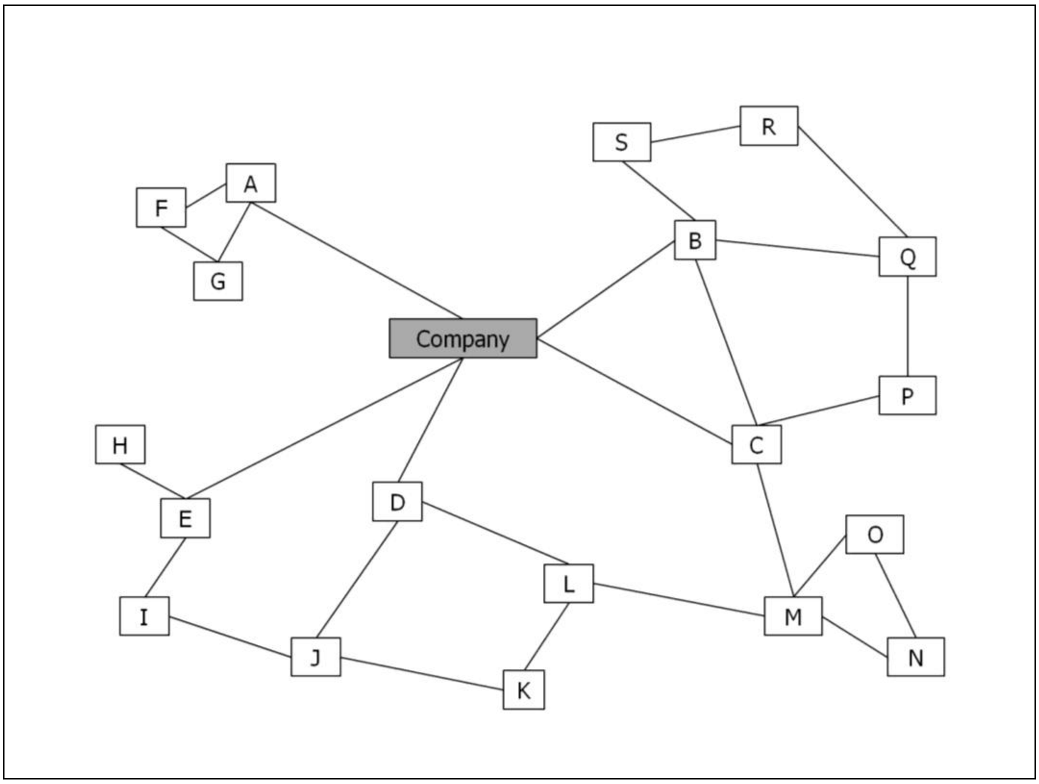
This stakeholder theory is special for it identifies and groups probably the most stakeholders. It also highlights the dynamism of stakeholder relationships.

II.4.3 Rowley's network theory of stakeholder influence

Taking the social network theory as his starting point, Rowley made a distinction of stakeholder strategies, while he also considered that stakeholders have manifold expectations and these are interdependent. Moreover, not only stakeholder-organisation relations may occur, but different stakeholders may also be in contact with each other and they may also have their own stakeholders. (Rowley [1997)]

It was quite an innovative establishment at that time, particularly taking into account that, hardly a decade earlier, Freeman had drawn up a company-focused stakeholder map depicting no such relations (Figure 2). In fact, Rowley set a new direction of stakeholder researches. In my opinion, this approach is very close to everyday life – managers tend to be typically challenged in similar situations of corporate practice. Rowley's stakeholder grid is depicted in Figure 9.

Figure 9: Rowley's organisation-stakeholder relationships



Source: Edited by myself based on Rowley [1997] p. 891

Rowley grouped corporate reactions to stakeholder pressure into four different categories along two dimensions: the density of corporate relations and the organisation's centrality in this network (Rowley [1997]):

- Compromiser strategy: It is applied in situations, in which relationships are of high density and the company is centrally positioned in the network. Stakeholders dispose of significant coercive power and an effective internal communication system, but the company is able to resist stakeholder pressure. Both parties are able to exert pressure on one another, therefore the company will strive for compromises, bargaining and balance with a view to meet minimum expectations and prevent an ally against itself from developing.
- Subordinate strategy: If stakeholder relationships are of high density, but the company cannot acquire a central position in the network, it is stakeholder will that prevails, because stakeholders can effectively communicate with each other and align their views. The company remains on the periphery, accepts the norms developed and makes efforts to meet stakeholder expectations.
- Commander strategy: The company occupies a central position, but stakeholder relations are of low density here. Therefore, the company is able to resist the pressure exerted by its stakeholders. As there is no information flow among stakeholders, no joint position is formed and no coalition develops, stakeholder reaction is expected to be passive. The balance of powers swings to the company, so the organisation as gatekeeper can control information flow and may influence stakeholder expectations.
- Solitarian strategy: If the stakeholder network is of low density and centrality of the company is also low, the company is incapable of influencing the expectations towards it. It is true, though, that a low-organised stakeholder network is hardly able to exert any coercion. Corporate actions are hardly visible, because the company is in contact only with few stakeholders. It follows solitarian strategy, makes efforts to avoid interactions with separate members of the stakeholder network, which is why it becomes independent and isolated at the same time. It is difficult to behave like that on the long

run, since the company is dependent on its stakeholders' resources and it needs to contact them to obtain such resources.

Figure 10 provides a summary of the stakeholder types described above.

Figure 10: Rowley's stakeholder influence typology

		Centrality of the Focal Organization: high	Centrality of the Focal Organization: low
Density of the Stakeholder Network	high	**Compromiser**	**Subordinate**
	low	**Commander**	**Solitarian**

Source: Edited by myself based on Rowley [1997] p. 901

II.4.4 Frooman's typology of stakeholder influence strategies

Based on the dependence theory, Frooman attempted to respond to the question of which strategies different stakeholder types follow and on which basis they select. In fact, he examined the ways stakeholders aspire to assert their interests. (Frooman [1999)]:

- In the theory of resource dependency, the company's need for different resources is a central element that provides others with the opportunity to gain control over the company. The author called related decisions resource control strategies and identified two versions thereof: withholding and usage.
    - Withholding implies that a stakeholder decides not to share its resources with the company, but to withhold those. Stakeholder power is ensured by stakeholder's potential for threat – the stakeholder aspires to influence corporate behaviour in this manner. This strategy tends to be employed if a company is more dependent on a stakeholder than a stakeholder is dependent on a company.
    - Usage strategy implies that a stakeholder supplies resources to a company, but stipulates certain conditions in an attempt to alter corporate

behaviour. This strategy is usually employed if organisation-stakeholder relations are balanced.

- Stakeholders are able to directly or indirectly influence relationships based on resources, which Frooman called the route of influence. Accordingly, this influence may be direct or indirect.
  - Direct strategy is used by the stakeholder in person to influence the resource-flow between itself and the corporation.
  - In case indirect strategy is applied, the stakeholder as member of an ally influences the access to resources over others. Rowley's network theory unfolded above (Subchapter II.4.3) called this stakeholder type indirect stakeholders.

Based on power relations, four cases outline: either the stakeholder, or the corporation dominates the relationship, or they may be interdependent and the extent of this interdependence may be high or low. The selection from the routes of influence is determined by the extent of the company's depending on the stakeholder, whereby the choice of the appropriate resource control strategy is decided by the extent of the stakeholder's being dependent on the company.

Comparing the above strategies to organisation-stakeholder relations, Frooman drew up the below typology depicted in Figure 11.

Figure 11: Stakeholder influence strategies

Is the firm dependent on the stakeholder?	Is the stakeholder dependent on the firm? No	Is the stakeholder dependent on the firm? Yes
No	**Indirect / withholding (low interdependence)**	**Indirect / usage (firm power)**
Yes	**Direct / withholding (stakeholder power)**	**Direct / usage (high interdependence)**

Source: Edited by myself based on Frooman [1999] p. 199

II.4.5 Interest- and identity-based model by Rowley and Moldoveanu

This is the last, but the most interesting theoretical model I have decided to present in this subchapter. It attempts to show the interest-based approach to rationality and the identity-based perspective of rules of conduct in one theoretical construction. Moreover, as against former theories, the authors do not focus on how stakeholders influence corporate operations and corporate decisions, but delve into what influences and motivates stakeholders' actions.

It is an important criterion of the theory that it is limited to the survey of stakeholder groups, i.e. individuals intentionally forming one unit, and does not scrutinise stakeholders separately. It is because Rowley and Moldoveanu assume that those who do not know and are not related to the other members of the group may not be considered as group and being capable of joint action. They emphasise, however, that individuals tend to have multiple identities, which is why they may be members of more than one stakeholder groups at the same time. Their concept on stakeholder mobility rests on three pillars (Rowley – Moldoveanu [2003]):

- <u>Interest-based approach,</u> within the meaning of which stakeholders are preoccupied with their interests based on some sort of rights (e.g. moral or proprietary rights). Stakeholder groups are interested in corporate operations, because they are affected thereby. They are increasingly inclined to advocate their interests, provided
    - it is about concrete interests,
    - they have the necessary material or immaterial resources,
    - they perceive the urgency of intervention,
    - there has formerly been an organised action in place.
    - the stakeholder network is of high density.

  True, though, that stakeholders action or non-action may not exclusively be explained by interest advocacy.
- <u>Identity-based approach</u>: The fact that stakeholder groups are not rational actors gives grounds for this approach. So, as an alternative theory, collective identity may prompt stakeholder groups to become active, which in turn, provides for the commitment of the individual and the feeling of solidarity. Irrespective of the achievable outcome, the action itself for a particular goal,

principle or value may possess symbolic meaning for the group, as it may strengthen he collective identity of group members. Therefore, the group is inclined to advocate its interests, provided

  - it may strengthen collective identity,
  - group activity may contribute to an individual's firm identity,
  - the feeling of solidarity and group culture among members is strong.

- Overlaps of stakeholder groups: It suggests that the more memberships, interests and identities of two stakeholders in different stakeholder groups overlap, they are the more likely to jointly act to assert their interests. Both Rowley (Subchapter II.4.3) and Frooman (II.4.4) addressed the impact of stakeholder networks earlier. The two main types imply overlap of interests and overlap of identities (Rowley – Moldoveanu [2003]):
  - In case of overlapping interests, a stakeholder group will be increasingly liable to advocate its interests, if these interests and goals accord with those of another stakeholder group and the two groups overlap in membership.
  - In case of overlapping identities, actions of another group make the stakeholder group be less liable to mobilise itself for any purpose. It is because the stakeholder group and members wish to differentiate themselves, and group identity is a key value for them.

II.4.6 A brief overview of stakeholder theories

Instrumental stakeholder theories unfolded in this subchapter share a common feature in as much as they not only typify stakeholders, but also recommend strategies that are worth to be followed in case of each one of the stakeholder groups, in order to better benefit from stakeholder relationships and to prevent potentially emerging risks.

In reality, stakeholders cannot be so unambiguously categorised, because a real-life company's relationship grid is highly complex and neither stakeholder interests, nor stakeholder strategies can be so clearly outlined. Respective stakeholder strategies and tactics are affected by an entangled net of interests, which may also dynamically change on account of changes in power relations.

It is worthwhile considering that companies and their stakeholders are interrelated, therefore they may not only support each other's interests to predominate, but also prevent those from being enforced.

Looking upon the theoretical models of stakeholder relationships, it is easy to see that those increasingly focus on relationship networks, relationships of corporations and stakeholders affected by corporate operations, as well as process insight. The same applies to the evolution of marketing and CSR communications, which is why I will scrutinise in the next subchapter what kind of marketing and communications challenges and tasks underlie compliance with stakeholder expectations.

II.5 Emergence of the stakeholder theory in corporate life

In the previous subchapters I unfolded the major CSR- and stakeholder-related theoretical concepts. With these spreading, corporate departments are multiply challenged – in order to meet stakeholder expectations each corporate function needs to be vested with a role and responsibility. The importance of marketing in the field of CSR may not be negligible, as it is intended to convey Corporate Social Responsibility undertaken by the company to stakeholders and to collect and classify stakeholder feedback for the persons in charge of different corporate functions. Therefore, in this subchapter I shall introduce the CSR-related activity of companies through communications and marketing.

One of the first questions arising is whether it is possible and necessary to communicate about CSR. Thus I shall herein sketch a brief overview of CSR communication. Communicating about Corporate Social Responsibility may hold out promises of many potential advantages for the company such as winning stakeholder trust that is supposed to produce direct material yields for consumers, investors and employees.

It may, however, pose the risk that, by communicating about CSR, the company turns into a target for some stakeholders, who may reveal inconsistencies and deficiencies in corporate operations. Also distrust and scepticism of stakeholders are of notable risk, because they may question the credibility of the firm's CSR activity. (Dawkins [2004])

With reference to Holliday et al., Gergely Tóth identified three communication approaches, to which he adjusted his own approach (Tóth [2007] p. 82 refers to: Holliday et al. [2002]):

1. "Talk the talk", i.e. the company merely talks, but fails to do anything.
2. "Walk the talk" means that the company acts and talks about it.
3. "Talk the walk", i.e. the company first acts, then talks about it with a view to enhance the value of the company.
4. "Just walk" or "Only walk, others will talk" – is the approach by which Gergely Tóth suggests that the company should only do its job in silence and others will spread the news, what is also more credible this way.

From CSR communication's point of view I reckon the second and third approaches to be viable. In the first approach, communication lacks action ensuring credibility and when applying the fourth version, stakeholders do not receive information about the company's CSR activity and quandaries, what prevents the company from winning stakeholders' confidence and fails to promote fact-based conversation and the knowledge of good practices. CSR communication serves various purposes, one of which is the improvement of corporate reputation – it would be a mistake not to confess, but to demurely disguise it.

The long-term stake is to maintain the firm's competitiveness and, at last, its survival through stakeholders' confidence. Without a strategic approach, thus by ad-hoc campaigns, competitiveness and survival of a business may only be influenced temporarily, because "watchdog" civil societies and the media monitoring corporate actions shortly disclose corrupt practices and lies. Certainly the question may arise whether stakeholders are really curious to learn information about companies' Corporate Social Responsibility.

Surveys conducted by researcher MORI in 2002-2003 demonstrated that respondents missed sufficient communication by companies about corporate social and environmental activities. Furthermore, they also had the impression that companies fail to meet stakeholder expectations. (Dawkins [2004])

The joint regional survey by GfK Bulgaria, GfK Hungária, GfK Polonia and Braun & Partners Consulting conducted in 2008 drew similar conclusions. The survey in Bulgaria, Poland and Hungary was representative among total population and aimed to research the demand for and satisfaction with stakeholder information. Respondents proved to be dissatisfied with the corporate social performance of companies operating in their countries in all the three countries. They also found insufficient the volume of relevant information companies had made accessible for them. (Lukács [2009])

I think that companies should avail themselves of the communication and marketing toolkit they dispose of in order to build adequate relationships to stakeholders and to be able to supply the expected volume of information. Corporate Social Responsibility starts with mapping expectations and stakeholders and turns into an endless process by stakeholder engagement and giving feedback to them. This is why I believe that CSR and CSR communication may not be separated from each other, because the latter one is an integral part of the first one. In fact, I do not see the question on the necessity of CSR-related communication arise. It is also underpinned by an article of Réka Matolay, in which she advocated CSR communication as follows:

> *" … These materialized another school of communication and this is where the true relationship of CSR and communication starts. They not only had something to say, but beside (or even prior to) communication, they also had to hear, perceive and listen to stakeholder expectations. All these are the direct preliminaries of what we recently call stakeholder engagement. CSR is inherent in communications with stakeholders."*
>
> Matolay [2010] p. 49

In this subchapter, I shall disclose the gap between stakeholder-focused communication and traditional communication tasks and the reason why stakeholder-focused communication challenges companies. Furthermore, I shall analyse how and why marketing started to focus on an ever vaster group of stakeholders. I will also unfold the major theories related to stakeholder engagement and will systematise also the special toolkit of CSR communication.

II.5.1 The types of corporate communication

From a communication perspective, the stakeholder approach does not urge a major paradigm-change purely on account of addressing a considerably larger target group than the typical target groups of corporate communication are, i.e. consumers/clients, employees, media and shareholders of companies quoted. The direction of identification may turn: by this time, it is no more the company that may only take the initiative to convey messages to a stakeholder group via the most specific channels following a segmentation.

Stakeholders have the opportunity and are entitled to identify themselves as a company's stakeholder and act individually or allied in an effort to advocate their interests and values, or make these permeate corporate operations. Knowing the stakeholder network theory, (Rowley: Subchapter II.4.3, Frooman: Subchapter II.4.4, Rowley-Moldoveanu: Subchapter II.4.5) it should not be omitted that different stakeholders are in mutual contact and discuss their shared interests and joint actions. The scope of fields and issues, about which stakeholders request information, has also considerably risen.

An ever wider spectrum of literature underpins the statement that corporate financial performance is influenced also by stakeholder groups other than clients. This may conclusively establish the need to take into account stakeholder expectations and aspects. (Murphy et al. [2005])

II.5.1.1 One-way communication

It is characteristic to the traditional, one-way corporate communication model that the company tries to deliver its single or tailored messages top down to stakeholders, while it exercises control over both the message and the communication channel. A single message has the advantage of echoing corporate values in a consistent form, whereby a tailored message may be prosperous when the company faces conflicting interests of many stakeholders. Information conveyed to stakeholders in the utmost specific form may help such information be understood - and this is also stakeholders' no.1 task in the process. It is another particularity of this model that it deems the information to be an asset provided by the company and emphasises the communication thereof. Whilst in the case of stakeholder communications, the social process based on discussions and consensus is in forefront. (Crane – Livesey [2003])

II.5.1.2 Two-way communication

Two-way communication has been used also before, for which the Public Relations model of Grunig and Hunt in 1984 renders an example. This model made a distinction between one-way and two-way communication, as well as corporate communication influencing and facilitating understanding. (Morsing – Schultz [2006] refers to: Grunig – Hunt [1984]) Later on, Morsing and Schultz applied their typology to Corporate Social Responsibility communication. (Morsing – Schultz [2006])

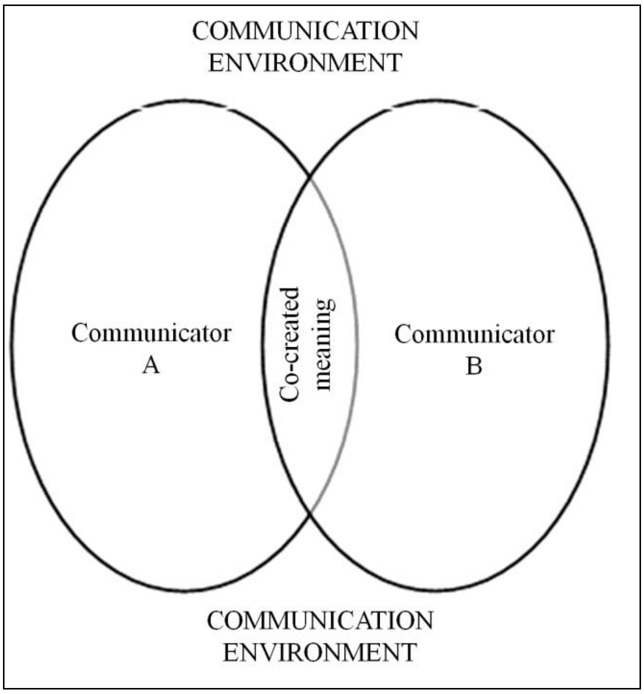
Two-way communication requires both partners to make more efforts and to be increasingly open to persuasion. For a company, for example, listening to what stakeholders have to tell by itself is not enough, it must also respond. (Crane – Livesey [2003])

There are two types of two-way communication: asymmetric or monologic and symmetric or honest dialogue (Crane – Livesey [2003], Morsing – Schultz [2006]):

In the course of asymmetric / monologic two-way communication the two parties do not engage in a meaningful dialogue, but have the opportunity to exchange their opinions. The company has the primary aim to demonstrate that it hears stakeholders, which, however, fails to induce changes in the organisation. The company strives to change stakeholder opinions instead, i.e. just as in one-way communication, the organisation is in the centre and influences actions. (Morsing – Schultz [2006])

On the contrary, symmetric / honest two-way communication is not aimed at mutual, but slightly effective information exchange, but at the co-creation of meaning as shown in the following Figure 12.

Figure 12: Co-creation of meaning in two-way communication



Source: Edited by myself based on Crane – Livesey [2003] p. 49.

Co-creation of meaning requires every communicator to make considerable efforts and has much deeper implications than simple information exchange that is typical to the asymmetric strategy. The keyword is interaction, i.e. a continuous dialogue. The outcome of the process may (ideally) be some sort of a change in both sides, namely the company and its stakeholders may mutually influence each other. (Morsing – Schultz [2006])

The table summarising the main attributes of one-way and two-way CSR communication strategies specified by Morsing and Schultz is in Appendix 2.

II.5.1.3 Network communication

The two-way strategy overwhelmingly considers bilateral (one-to-one) relationships between a company and a stakeholder. Being integrated into the economic and social environment, however, the company may also be perceived as to be an element of an extensive and complicated network, to which multilateral (many-to-many) relationships are typical.

The signs of economic and social changes brought about in the past decades highlight a trend towards networked economy: the hierarchic corporate organisation resembling an upside-down tree – the roots of which is the corporate chief, and the branches signify the organisational levels there under – started to be replaced by a horizontal, networked approach. The resources being of importance to companies are no more physical instruments and equipments, but competitiveness is based on information that is typically difficult to be possessed, but swiftly spreads in a network. New grid-like corporate operations evolve that are more dynamic and flexible than ever and reflect bottom-up design. (Barabási [2003])

Moreover, companies recognise that they are not alone in the world and, subsequently, new partnerships are concluded. Earlier, they appeared to be in contact with the “market”, and interactions of different actors were not in forefront. In a networked economy, however, they have become more significant as they constitute the points of a network – the company is no more in the centre of which. Network characteristics also include long-term commitment and trust.

The network theory of Albert László Barabási may also be translated in the language of stakeholders: In an article, Svendsen and Laberge introduce the operations of the stakeholder network, which calls for a paradigm change of companies in many respects. They defined their starting point, i.e. the stakeholder network as follows:

> *“We define a stakeholder network as a web of groups, organisations and/or” individuals who come together to address a complex and shared cross-boundary problem, issue or opportunity.”* Svendsen – Laberge [2005] p. 92

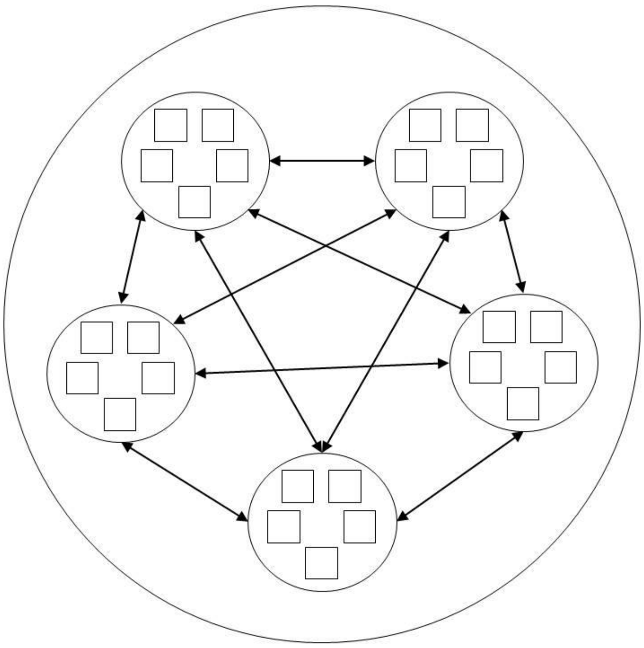
This definition largely resembles the phenomenon described by Carlton and Payne as the Multi-Stakeholder Learning Dialogue (MSLD). MSLD denotes, in their view, an interactive discourse about major issues and challenges. (Calton – Payne [2003])

From a communication aspect, a switch over to networks couples up with the need for a change in corporate mindsets, corporate behaviour and organisational processes, so that the company can tap at the advantages being inherent in networks. (Svendsen – Laberge [2005])

The concept of stakeholders forming a complex network is a step ahead of stakeholder theories. It is because even Rowley's network theory concept (Subchapter II.4.3) fails to embrace the opportunity of a company and its stakeholders co-operating as potential partners when solving an issue. It constitutes another major difference that network operations do not focus on corporate goals, but on a common issue. (Roloff [2008])

Given the existing communication theories, the fact that the firm does not manage here two-way stakeholder relationships, but is member of a complex network including many stakeholders requires a considerably new way of thinking.

Figure 13: Network-focused stakeholder relationships



Source: Edited by myself based on Svendsen – Laberge [2005] p. 97

Formerly, the approach was generally accepted that companies themselves manage their stakeholder relationships. By now, however, a network-based perspective focusing on relations and processes is increasingly widespread that considers interactions between the company and its stakeholders important and endeavours to involve stakeholders to a larger extent instead of managing them from above. (Andriof – Waddock [2003])

In the view of Svendsen and Laberge (Svendsen – Laberge [2005]) the mechanistic perspective being an analogue to Freeman's stakeholder theory (see Figure 2) very much focuses on the company and reflects the perception that the company reacts to stakeholder expectations - in a closed system, which operates irrespective of its environment and in which relationships to internal and external stakeholders can be controlled and managed, so that corporate goals are achieved. At the same time, the network-oriented approach focuses on the network as a whole instead of its parts, as well as on the relationships among the members thereof.

In respect of behaviour, beyond the traditional roles of gatekeeper and benefactor, companies are being called on to be both "warriors" and "midwives". It means that the company should view the world from a broader perspective and build social capital as well as protect the network through trust-based relationships (warrior). Companies are also called on to provide for information flow and the criteria of the network's survival and growth, as well as to tend the network by identifying small systems that are working and to link them together in a manner that is to the benefit of the whole system (mid-wife). (Svendsen – Laberge [2005])

It is vital in corporate processes that consultation, bilateral partnerships, negotiation, mediation being typical to two-way communication are increasingly replaced by outreach, collective learning and joint actions and innovation. (Svendsen – Laberge [2005]):

- <u>Outreach</u> starts with framing of the key issue, followed by identifying and involving stakeholders, defining the goals, agreeing on guiding principles and clarifying responsibilities as well as elaborating the necessary methods.
- <u>Collective learning</u> is another vital aspect of building successful stakeholder networks. It is a social process of building shared understanding. The purpose of collective learning is to increase individual knowledge as well as the collective intelligence and capacity of the network as a whole. It involves

sharing and then integrating information into a common understanding and innovations.

- Joint actions are based on trust, common understanding and collective learning. A community that has succeeded to agree on the goals and a future vision is capable of jointly elaborating an action plan.

By introducing the various types of corporate communication, I have aimed to reveal the discrepancies between corporate activities based on stakeholder engagement and traditional one- or two-way communication. Both network- and stakeholder-oriented perspectives require a paradigm change from organisations, so that the outcome of the communication process is an effective value for each network member.

II.5.2 Major means of CSR communication

By way of the communication-types presented in the preceding subchapter, I shall categorise the most typical means of CSR communication. Methods can be identified that fit in the toolkit of traditional corporate communication. At the same time, other forms have also emerged that are highly different and require a major change in the attitude of the employers thereof.

A good example of the special use of general tools is a CSR-themed event or press release, by using which companies follow customary practice, even though it may not be the best in respect of the topic and also part of the target audience. In the course of execution, there are many chances to take into account CSR aspects. The practice of organising “CSR events”, i.e. event organisation that is responsible in environmental and social terms, has been spreading. Printed invitation cards may, for example, be replaced by electronic ones, food and drinks made from local produces may be offered as catering, but also the carbon-dioxide emission of the event may be set-off. (Lukács [2008])

It is generally true to one-way communication means that an innovative topic requests no significant change in the attitude of companies: they convey their own messages to a predetermined group through channels owned or ensured by others with a view to draw an appealing picture about their Corporate Social Responsibility to different stakeholders.

Two-way asymmetric means typically adjust to the methods employed by companies, but cover a much wider range of stakeholders. So, surveys do not only research into the perceptions and satisfaction of clients, consumers and employees, but also provide all the other stakeholders with an opportunity to give feedback. Even though not on strategic level, but consultations with certain stakeholders also appear. It is important to note here that companies do not want to primarily engage in any kind of internal change based on feedbacks, but aim to present their openness.

The most visible means for the outside world, donation and cause-related marketing, pertain also to this category. These means are intended to directly address consumers and other stakeholders, thus presenting corporate commitment. On the short run, these are more spectacular and easier-to-communicate means than a stakeholder advisory panel. On the long run, however, only strategic-level solutions are apt to obtain and maintain support from stakeholders.

Given the previous categories, two-way symmetric means necessitate a considerable change in attitude. By employing such means, stakeholders are enabled to influence not only the communication process, but also corporate operations. As the point is no one-off, but system-level changes, these engagement processes require intensive preparation and large-scale openness from every communicator. It is typical, however that the company takes the lead in two-way communication, i.e. the organisation "involves" and activates stakeholders, which insinuates no absolutely equal treatment.

If network communication means are used, the company no more is in the centre and loses its dominant, leading role. Instead, the company partners up with its stakeholders as allies and equal members of "joint ventures". In such a partnership, the company ensures resources, expertise and relationships being at its disposal to the network. All these elicit more democratic and equal terms.

It means that operative processes exclusively observing corporate interests and controlled by the company need to be replaced by an interactive community-based approach focused on an environmental or social cause. For this purpose, stakeholders including the company itself may also join forces. In an article published in 2008, Julia Roloff (Roloff [2008]) defined this approach as issue-focused stakeholder engagement and called stakeholder engagement being typical to former, "traditional" corporate communication organisation-focused.

From among the types of CSR communication strategy identified by Morsing and Schultz (Morsing – Schultz [2006]), two-way asymmetric communication coincides with organisation-focused stakeholder engagement, whereby issue-focused stakeholder engagement accords with network communication introduced by Svendsen and Laberge (Svendsen – Laberge [2005]).

Table 2 indicates the major differences between organisation- and issue-focused stakeholder engagement as well as network communication.

Table 2: Main features of organisation- and issue-focused stakeholder engagement

Focus on	Organization	Issue
Point of reference	Focal organization	A mutual problem, a crisis, a conflict, a challenge
Stakeholder definition	A group who can affect or is affected by the activities of a focal organization	A group who is affected by the solution of a problem / crisis / conflict
Aim	Protect the focal organization	Approach an issue, solve a problem
Method	Relationship management	Identification and implementation of a common course of action
Initiator / Organizer	Focal organization	Stakeholder or focal organization
Topics discussed	The conduct and misconduct of the focal organization	Structures that cause or enforce the problem / crises / conflict
Means of communication	Reports, press releases, public discussions aiming at potential customers, personal interactions etc.	Face-to face interactions in groups, inclusion of new participants, personal interactions etc.
Mode of interaction	Strategic action	Communicative action
Type of legitimacy	Pragmatic legitimacy	Moral legitimacy

Source: Roloff [2008] p. 245

Table 3 features the typical means of the four communication approaches. Certainly, the list is not complete and is mainly intended to outline the characteristics of the different categories.

Table 3: Typology of CSR communication's major tools

One-way communication	Two-way asymmetric communication	Two-way symmetric communication	Network-based communication
internal and external newsletters, brochures	questionnaire surveys among stakeholders	**stakeholder engagement, forum** (issue-based or stakeholder-based)	**multi-stakeholder alliances**
corporate website (CSR menu or separate CSR website)	focus groups among stakeholders	**Stakeholder Advisory Panel** (regular meetings, discussing CSR-issues)	**„joint ventures"**
corporate financial reports (annual report, quarterly short report etc.)	ad hoc stakeholder advisory meetings	**online engagement mechanism** (via intranet or internet)	**local sustainable development projects**
corporate non-financial reports (environmental, social, sustainability, CSR etc.)	telephone hotlines	**integration of stakeholders into corporate decision-making processes** (e.g. membership in management or strategic committees)	**deliberative and participatory decision-making processes**
press releases, press conferences, ATL- or BTL-campaign	online feedback and discussion forums	**involvement of stakeholders into the investigation of issues, reporting and policy development**	
speeches, conference presentations and videos	**donation, Cause Related Marketing (CRM)**		
open houses and corporate events			

Source: AccountAbility et al. [2005] p. 97 and pp. 100-108, Morsing-Schultz [2006], SRA [2005] p. 14 and Svendsen – Laberge [2005], edited by myself

In this subchapter I have classified the different CSR communication means on the basis of Morsing and Schultz applying the theory of Grunig and Hunt to the communication strategies of Corporate Social Responsibility. I have also introduced, in which respects equal, network communication also observing stakeholder interests differs from traditional corporate communication. As my thesis examines CSR communication from a stakeholder perspective, in the next subchapter I shall present a model based on stakeholder engagement.

II.5.3 The process of stakeholder engagement

I shall herein present an example of the process of stakeholder engagement that is intended to channel diverse stakeholder expectations into corporate processes.

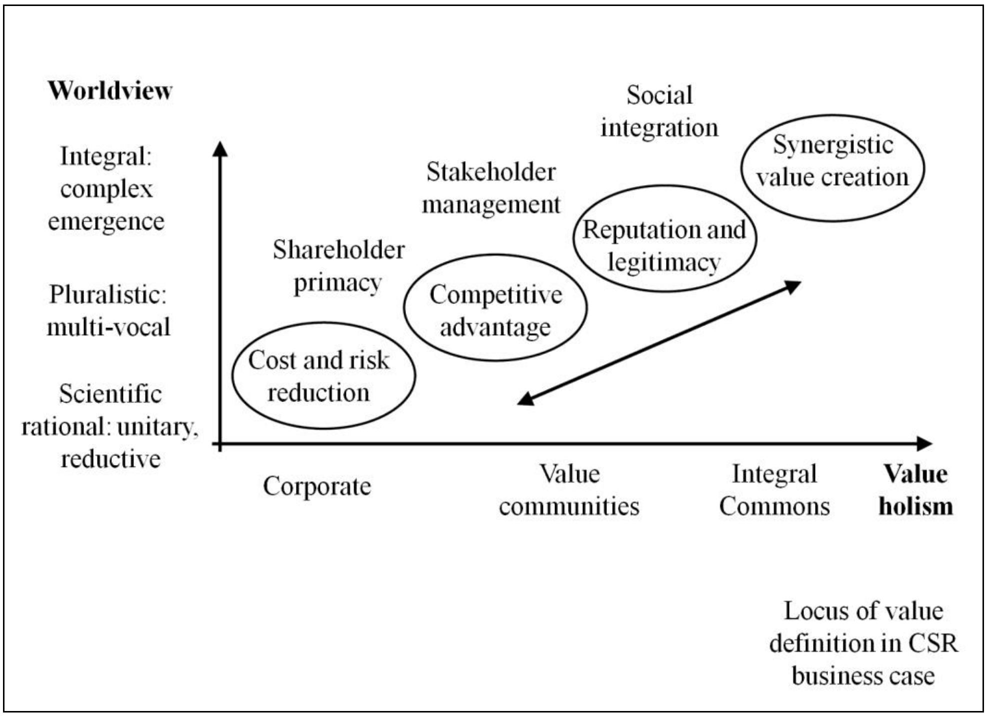
Stakeholder engagement may happen on a number of levels, the classification unfolded in the previous subchapter only represented one example thereof. With the help of co-authors, Kurucz outlined another classification – they depicted the evolution process a company follows when developing its stakeholder relations along the four motivations of Corporate Social Responsibility (Kurucz et al. [2008]):

- If priority is given to the motivation of cost and risk reduction, the company principally focuses on its own interests when translating business advantages and conceives all stakeholder expectations other than those of stockholders as threat. It makes minimum effort to comply.
- When endeavouring to win and sustain competitive advantage, the company takes into account the opinions of many stakeholders in the process of adapting to its external environment. In this level, strategic orientation and mindset are relevant in respect of perceived stakeholder expectations. Therefore, the company makes efforts to activate and involve stakeholders into different corporate decision-making processes.
- Ambitioning reputation and legitimacy already suggests that the company desires to present itself as a socially responsible organisation and that it aims to differentiate itself from competitors by means of a CSR strategy. Value communities form, in which the existence of various interests and values are recognised by the corporation that tries to harmonise those with its own activities.

- In the phase of striving for value-creating co-operation, stakeholders take part in corporate processes as integrated and equal parties. Following the recognition of common interests, a multi-dimensional value creating process is realised by deploying synergies. This is the utmost holistic approach.

The evolution process of stakeholder engagement is depicted in Figure 14 as follows.

Figure 14: Levels and motivations of stakeholder engagement by Kurucz et al.



Source: Edited by myself based on Kurucz et al. [2008] p. 103

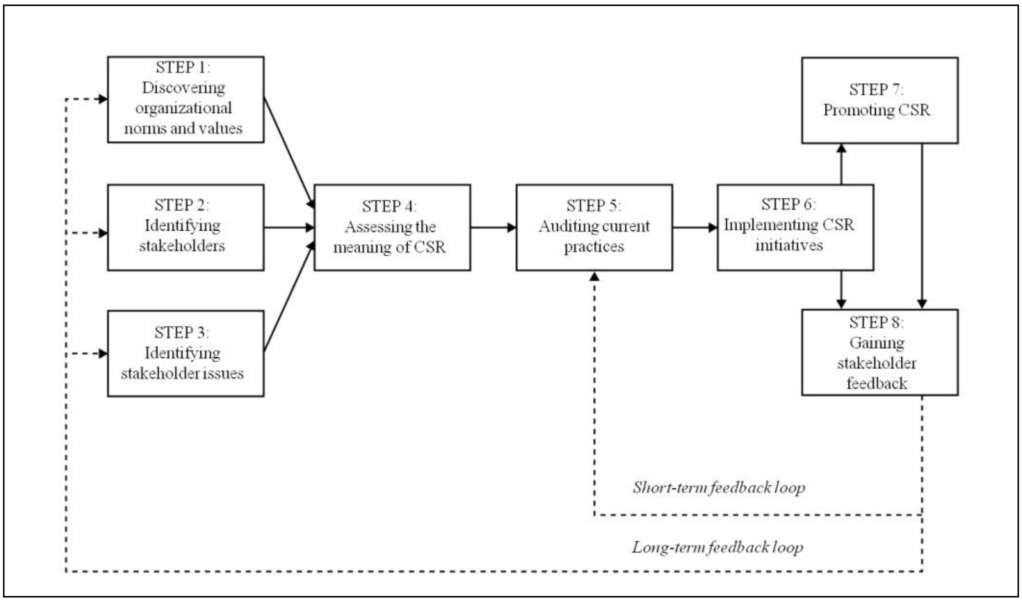
Maignan et al. created a marketing-focused framework on stakeholder management. The concept emphasising organisational norms and values consists of the following eight stages (Maignan et al. [2005]):

1. First, organisational values and norms are discovered. Thereby, a Corporate Social Responsibility strategy and the implementation thereof as well as corporate values may be harmonised. Moreover, corporate values and norms facilitate the identification of stakeholders and issues the company deems to be the most significant.

2. Identifying stakeholders: Beyond mapping concrete groups, also the interests and expectations they advocate are to be recognised.
3. Identifying stakeholder issues: In this phase concerns of stakeholders that have been identified as the most significant should be highlighted.
4. Assessing the meaning of CSR: On grounds of conclusions collected in the first three steps, the company ought to define the exact meaning of CSR and to assess priorities of stakeholders and issues.
5. Auditing current practices: It means a kind of situation assessment, in which stakeholder feedback may be integrated into corporate processes, CSR-related activity may be measured and indices may be defined.
6. Implementing CSR initiatives: Identification of the strategic context is followed by practical actions.
7. Promoting CSR: This last but one category embraces awareness raising and stakeholder engagement.
8. Gaining stakeholder feedback: A company may apply various methods to gather stakeholder feedback, e.g. by conducting qualitative and quantitative surveys on a regular basis.

Figure 15 below renders a summary of the concept of Maignan et al.

Figure 15: The model of stakeholder engagement by Maignan et al.



Source: Edited by myself based on Maignan et al. [2005] p. 966

In an effort to enhance the marketing focus of the model, Maignan et al. accentuated in the end of their study that the stakeholder engagement model they presented is supposed to render grounds for corporate identity and reputation based on stakeholder norms and values. Therefore, in the upcoming subchapter I shall clarify the meanings of related notions. But before, I shall introduce how CSR and stakeholder concepts have emerged in marketing.

II.5.4 Representation of the stakeholder concept in marketing

The consequences of the stakeholder theory have emerged in various fields of marketing. The paradigm change necessitates a broader focus, fresh orientation and emphases in communications, as well as a new-type toolkit in certain cases.

The stakeholder perspective has affected the theories of marketing orientation, relationship marketing, branding, public relations, marketing communication, as well as corporate image, identity and reputation management. (Podnar – Golob [2007]) In the intersection of marketing and CSR new instruments have been instituted such as social marketing, environmental marketing, cause-related marketing (CRM), sustainable consumption, responsible purchasing and sustainable supply chain. (Vaaland et al. [2008])

In an article in 2004, Mária Vágási presented four trends that ensured the background for the spread of CSR-thinking in the world of marketing (Vágási [2004]):

- growing importance of customer value proposition and added value;
- a shift in emphasis from environmental marketing onto social marketing with a broader focus;
- emergence of relationship marketing, i.e. long-term, mutually advantageous customer relationships get in forefront;
- networked co-operations along the value chain.

The fact that the European Journal of Marketing devoted a special supplementary titled “Stakeholder Thinking in Marketing” on the marketing correlates of this issue in 2005 proves the spread and the increase in the significance of the stakeholder perspective. Vaaland et al. scrutinised marketing journals that were published in the period between 1995 and 2005 and found a total of 54 articles exhibiting theoretical or empirical researches on CSR. (Vaaland et al. [2008])

The above phenomena all verify that marketing is a dynamic discipline that discusses the management of relations between corporations and their ever changing environments. In this subchapter I shall sketch an overview of how the different fields of marketing started to focus on the stakeholder perspective as a new challenge.

II.5.4.1 From market-orientation to stakeholder-orientation

A parallel has emerged in between the evolution of management theories and that of marketing theories inasmuch as management of the relationship between a corporation and its environment, i.e. stakeholders, has grown into a significant research area in the past few decades. While the impact of companies on certain groups such as consumers or employees did not constitute any topic of scientific theories, multiactor models have become widespread by these days.

In the second half of the 20th century, corporate thinking was production-oriented, i.e. it was focused on the manufacturing activity of producing plants, cost cuts and sales. Prominence of the marketing function a few decades later brought about a major change in paradigm. In this era of marketing or market orientation, customer orientation advanced to the most important guiding principle. (Bauer – Berács [2006])

Market orientation looked upon corporate operations assuming that sustainable competitive advantage derives from compliance with the expectations of dominant stakeholders and the constantly changing needs of the market. It identified consumers as primary stakeholders and subjected corporate activity to the possibly highest-level service of their requirements. (Narver – Slater [1990])

Even if other stakeholders emerge as important operators, it is still customers that are in the focus here. The company only cares about any stakeholder concern, if it affects or may affect its existent or potential customers. (Ferrell et al. [2010])

Smith et al. identified this phenomenon as the new marketing myopia exactly 50 years after Ted Levitt’s original definition in 1960, who considered it a key business goal that satisfaction of customer demand replaces extreme production-focus. As a result of companies having learnt all the lessons of market orientation, marketing myopia of these days can be diagnosed as follows (Smith et al. [2010]):

- Companies are typically preoccupied with the customer and omit all other stakeholders.

- Customer and customer demand are interpreted in an utmost narrow context, i.e. companies consider customer as an individual endeavouring to satisfy its short-term demands and being driven by its material needs.
- Companies fail not recognise that the social environment has changed in the past decades, in which they, on account of their social embeddedness, are supposed to take into account the interests of various stakeholders.

A survey conducted by Greenley and Foxall in the United Kingdom in 1997 presented evidences to the academic community about the positive effects corporate orientation may have on the success of a company if it simultaneously focuses on the interests of more than one stakeholder. The effect of external factors such as the fierceness of competition on the market, however, turned out to be noteworthy. (Greenley – Foxall [1997])

At the same time, certain elements of marketing focusing on society emerged as a would-be research option in the original version of the theory of market orientation. Narver and Slater reminded in their article published in the Journal of Marketing that the openness of a company toward every stakeholder and every issue that may have a long-term impact on corporate performance is supposed to grow commensurately with the increase in the importance of market orientation. The company also has to respond to concerns rising in relation to such stakeholders and issues. Furthermore, in corporate governance, ethical values and perceived social responsibility are to be in place as guiding principles. (Narver – Slater [1990])

As against the above, <u>stakeholder orientation</u> does not originally prefer any one stakeholder group to the other and gives priority to stakeholder interests in a particular case on an ad-hoc basis. It is the company that should itself solve all the conflicts of diverse interests of different stakeholders. (Ferrell et al. [2010])

The authors defined stakeholder orientation as follows:

“as the organizational culture and behaviours that induce organizational members to be continuously aware of and proactively act on a variety of stakeholder issues”

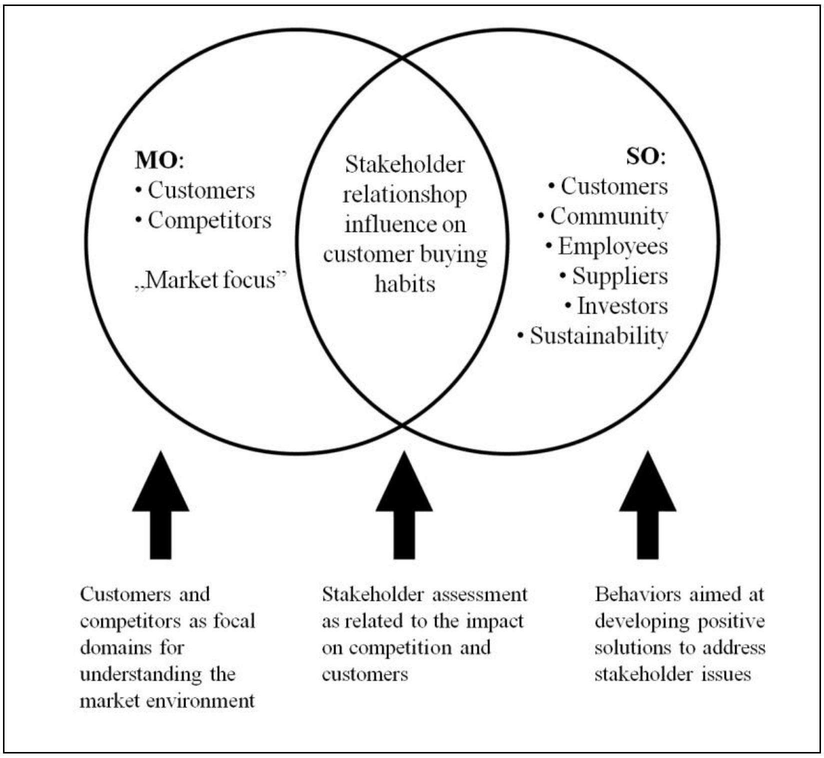
Ferrell et al. [2010] p. 93

Based on a former article, by stakeholder issues they meant the following:
”we define stakeholder issues broadly, as the corporate activities and efforts thereof that are of concern to one or more stakeholder communities”
Maignan – Ferrell [2004] pp. 7-8.

The gaps between the two concepts, i.e. market and stakeholder orientation do not necessarily mean that they are at variance with each other. Maignan et al. verified empirically that the correspondence between socially responsibly behaviour and market orientation is positive. Responsible behaviour positively affects the commitment of employees, customers and local communities, let alone the favourable long-term material results. (Maignan et al. [1999])

It is characteristic to companies exhibiting stakeholder orientation that they learn about stakeholder issues and respond to stakeholder concerns. This is accompanied, though, by different stakeholders better identifying themselves with the company, a more prosperous corporate reputation, that is finally beneficial to business performance. (Ferrell et al. [2010]) Overlaps of stakeholder and market orientation are plotted in Figure 16:

Figure 16: Overlaps of market- and stakeholder-orientation



Source: Edited by myself based on Ferrell et al. [2010] p. 95

To sum up, it may be concluded that stakeholder orientation differs from market orientation mainly in the sense that it more intensively depends on circumstances such as the business, social and natural environment of the company concerned, whereby, even on this account, stakeholder expectations and the inherent opportunities in terms of reputation and business prove to be noteworthy.

II.5.4.2 Extended relationship marketing

In the orientation of companies, changes can be detected also at another point: The focal point of marketing of the 1960-70s focusing on transactions among different actors shifted toward relationships around the 1980s.

In their article published in 2004, Vargo and Lusch described management of customer relationships as a key area to be a major element of the new, service-oriented marketing theory and found it desirable that the consumer is involved in value creation to a larger extent than ever. From products and competences, the focal point shifted over to knowledge. A product or service may be of value only in cooperation with the customer and relationships become ever more significant. (Vargo – Lusch [2004)]

Many authors, however, reminded that focusing only on marketing activities targeted at customers may be simplifying to the extreme, because business processes have many dimensions and form as a coalition of diverse stakeholder interests. This is why relationship marketing should be extended also over stakeholders. (Murphy et al. [2005])

This was, however, partially translated in the definition of relationship marketing formulated by Kotler and Armstrong in 1999. This definition covers stakeholders, but long-term value creation and satisfaction are limited exclusively to customers:

> *"Relationship marketing involves creating, maintaining, and enhancing strong relationships with customers and other stakeholders. Relationship marketing is orientated to the long term. The goal is to deliver long-term value to customers, and the measure of success is long-term customer satisfaction."*
>
> Kotler – Armstrong, cite: Murphy et al. [2005] p. 1050

In an effort to eliminate hiatus in the above approach, Murphy et al. defined the model of relationship marketing as follows:

> *"Stakeholder relationship marketing involves creating, maintaining, and enhancing strong relationships with customer, employee, supplier, community, and shareholder stakeholders of a business with the goal of delivering long-term economic, social, and environmental value to all stakeholders in order to enhance sustainable business financial performance.*
> Murphy et al. [2005] p. 1050-1051

The extension of the focus of marketing over stakeholders other than customers can be traced also in this field - based on the realisation that also groups other than customers may play a role in long-term value creation. Among corporate goals, also value creation for other stakeholders appeared.

II.5.4.3 Marketing based on Corporate Social Responsibility

Certainly, the spread of Corporate Social Responsibility also had an influence on the definition of marketing: in 2004, the official definition of marketing formulated by the American Marketing Association (AMA) included also the word "stakeholder", true though, that it was omitted from the version revised in 2007. Gundlach and Wilkie (Gundlach – Wilkie [2010]) circumstantially examined the background of this decision and the impact thereof on stakeholder marketing. AMA Directory approved of the following definition of marketing in 2007:

> *"Marketing is the activity, set of institution, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."*
> AMA [2007]

Social marketing is a special case of marketing based on Corporate Social Responsibility that avails the profit-oriented marketing toolkit of corporations in order to attain a behavioural change being important for society. In his thesis researching into the theoretical and empirical issues of social marketing, Mitev Ariel analysed the potential toolkit of social marketing related to alcohol consumption: *"For social problems, marketing provides a solution called social marketing that avails the toolkit of marketing in order to attain a change in behaviour, by means of which individual and social welfare may be enhanced."* (Mitev [2005] p. 153) In the course of the narrative analysis, he collected authentic motives and stories among university students that can be employed when planning and implementing social marketing actions.

The branch of marketing transmitting societal perspective has also gained strength. Instruments mixing marketing goals with social and environmental affairs have been created and have become ever more widespread, out of which Kotler and Lee introduced six blends in their book (Kotler – Lee [2007]). A summary of the six types of corporate initiatives listing also global and domestic examples is shown in Appendix 3. These initiatives are important, because they are intended to be tools used by companies while accomplishing marketing and CSR goals at the same time. Certainly, they are supposed to replace neither a CSR-strategy based on stakeholder and interest mapping, nor the elaboration of any action plan arising from such a CSR-strategy. But, they may contribute to the achievement of organisational goals and awareness raising of stakeholders.

Philip Kotler (Kotler [2004]) believes that the societal marketing concept may be a fresh approach, an improved version of "traditional" marketing that is capable of easening the conflicts of different stakeholder interests and ensuring that societal and ethical considerations are integrated into the marketing practice.

> *"According to the societal marketing concept, the organisation should determine the needs, wants and interests of target markets. It should deliver better value to customers in such a way that it maintains or improves the consumer's and society's wellbeing."*
>
> Kotler [2004], p. 61

In Volume 12 of his marketing-management book, a new, integrated marketing approach appears that is based on Corporate Social Responsibility and is deemed to be a dimension of holistic marketing, in addition to internal marketing, integrated marketing and relationship marketing:

> *"A holistic marketing concept is based on the development, design and implementation of marketing programs, processes and activities that recognize the breadth and interdependences."*
>
> Kotler-Keller [2006], pp. 26-27

Changes seen in this field in the past few years clearly show in the direction marked by the idea of holistic marketing: Corporate Social Responsibility and observing stakeholder perspectives for the purpose of building long-term competitive advantage and stakeholder trust decreasingly constitute a separate element in corporate life. The point is rather a need for a change in how core operation of corporate functions is viewed. So far, these aspects have been integrated in corporate operations.

II.5.4.4 The concept of the socially responsible customer

Taking into account the fact that economic growth is supposed to derive from increased consumption, responsible decision-making should also be scrutinised on individual level simultaneously to the company-level spread of corporate social responsibility. Individuals' decisions on consumption behaviour also bear social and environmental consequences that a socially responsible consumer considers and is well aware of the fact that its consumption decisions may contribute to either resolved or aggravated environmental and social problems. Besides, a socially responsible consumer has a positive attitude towards social partnerships and community activities. (Hofmeister-Tóth et al. [2011]) This consumer base is therefore an ideal target group for companies' corporate social responsibility schemes, thus deserves special attention. Desmond and Crane have defined the concept of the socially responsible consumer as follows:

> *„When making purchasing decisions, a socially responsible consumer takes into account sustainability criteria and weighs the social, economic and environmental impacts thereof. The focus of the societal marketing concept shifts from the short-term interests of consumers over to an endeavour at general social welfare, whereby corporate profitability becomes a long-term objective."*
>
> Hofmeister-Tóth et al. [2011], p. 64 referring to Desmond – Crane [2002]

II.5.4.5 The marketing-focused CSR communication model

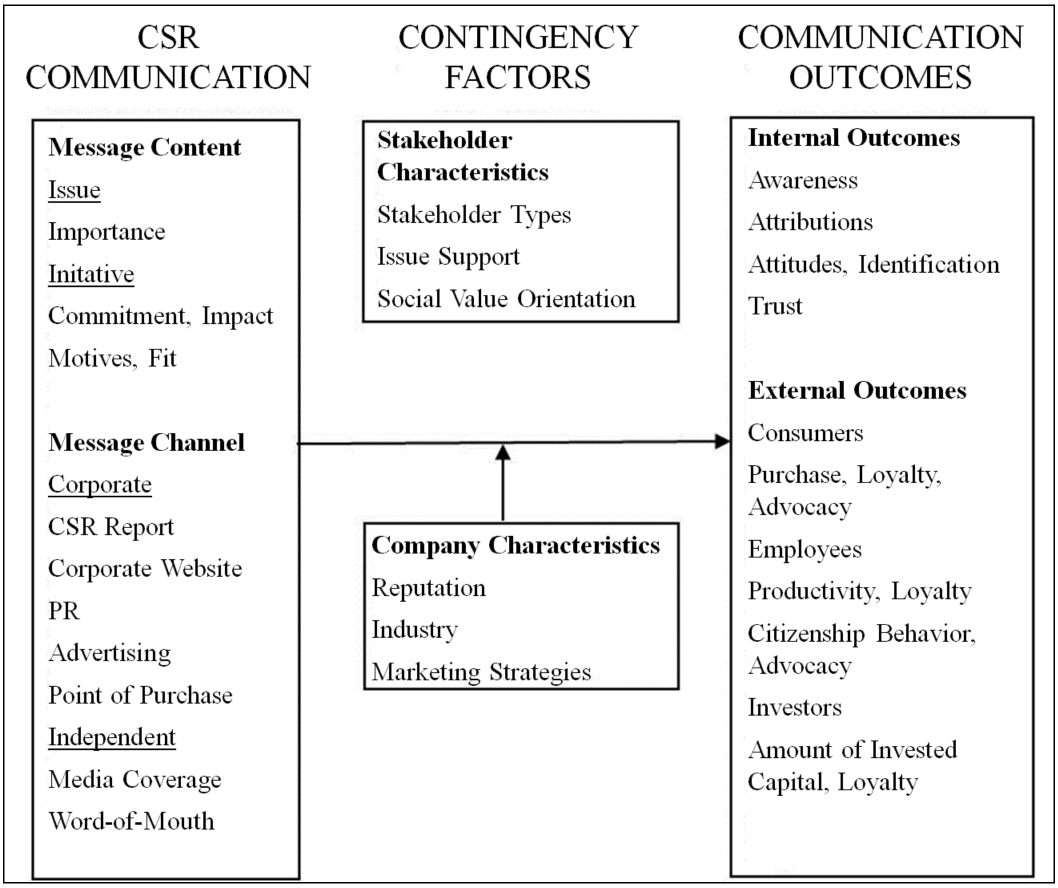
The gap narrowing in between marketing and CSR aspects as well as the extent of integration thereof are also exhibited by Du et al. having created the marketing-focused model of CSR communication in 2010. This model divided the CSR communication process into three phases (Du et al. [2010]):

- The first phase is the act of communication itself that consists of message content, initiative and the relevant message channel.
- Related decision-making is affected by stakeholder and company characteristics.

- As internal and external outcomes of these elements attention, trust, loyalty and supporting behaviour of stakeholders are reached.

This model very well shows that there is no single proper solution for CSR communication. Every company is supposed to find its own way subject to its operations, business plans and stakeholders. As far as communication outcomes are concerned, it also tries to draw attention to the importance of building long-term relationship and trust. The model is depicted in Figure 17.

Figure 17: The theoretical model of CSR communication by Du et al.



Source: Edited by myself based on Du et al. [2010] p. 11

From among influencing factors, I have already presented stakeholder types and their expected behaviours in specific situations in Subchapter II.4. Another factor, of which the company may be in control of, is reputation, i.e. the way the company is perceived by its stakeholders. For this reason, in the next part of my thesis I shall scrutinise the nature of relationship between corporate reputation, Corporate Social Responsibility and related CSR communication of a company.

II.5.5 A brief overview of CSR communication theories

In this subchapter I sketched an overview of theories that deal with tools and issues emerging in corporate life and fall in the intersection of Corporate Social Responsibility and communications, as well as marketing. I presented the process, in which the idea of Corporate Social Responsibility infiltrated into marketing operations, and new-type tools added to the communications toolkit, by means of which companies can lately better meet stakeholder expectations. Stakeholders, in return, get the opportunity to take part in corporate processes and decision-making to a larger extent than ever.

In the wake of the 21st century, marketing and corporate practices have been heading towards the aspects of Corporate Social Responsibility's becoming an integral part of marketing strategy and daily routine. It well reflects that CSR is not a new, separate entity in corporate life, but a perspective that - in ideal case - is fully integrated into corporate operations, i.e. stakeholder aspects appear in every area of operations. This subchapter also suggests that sustainable competitive advantage necessitates that reactive behaviour is replaced by proaction and cooperation with stakeholders.

In the next part I will present the "other side of the coin": I will examine CSR communications from stakeholders' aspect. There might namely be a huge gap between what a company communicates about its plans and results and what stakeholders perceive from such communication.

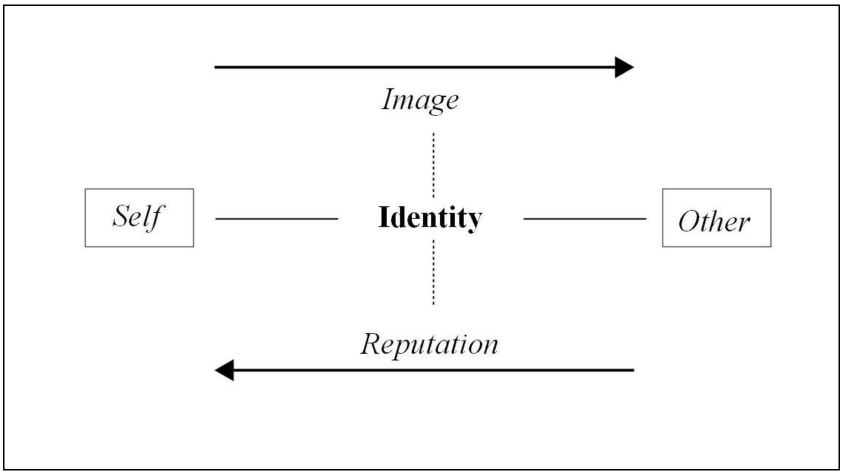
II.6 CSR from stakeholders' aspect, i.e. correlations of Corporate Social Responsibility and reputation

In the previous subchapter I introduced how corporate marketing activity is affected by the spread of Corporate Social Responsibility. This part is intended to outline how stakeholders perceive company activity, in particular its Corporate Social Responsibility. But before, I think it is important to clarify the different concepts related to the assessment of a company.

II.6.1 Identity, image and reputation – us and them

The relationships between different organisations and their stakeholders may be viewed from many angles, therefore may be defined in many ways. Figure 18 below shows the most well-known ones.

Figure 18: Identity, image and reputation



Source: Edited by myself based on Whetten – Mackey [2002] p. 401

Figure 18 allows to conclude that identity is the characteristics of a company or an individual, and image reflects what a company or an individual wants to be seen as by others. Reputation is a kind of feedback from stakeholders to the company / individual about how they perceive the company / individual and how credible they think its identity is. (Whetten – Mackey [2002])

According to what Barnett et al. concluded, the notions identity, image and reputation are often mixed up in specialist literature also these days and there is no consensus on which one reflects exactly what and how far these notions extend. (Barnett et al. [2006])

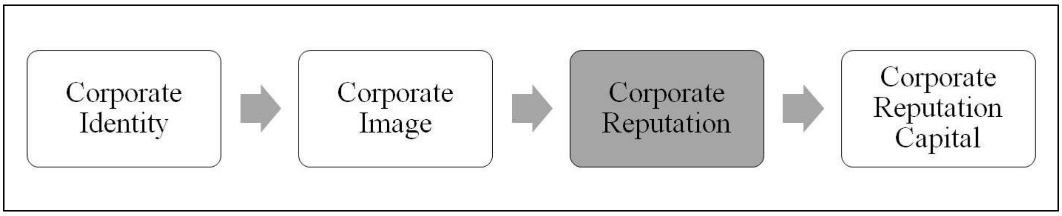
Below, I shall shortly introduce theoretical frameworks that determine the interrelationships of identity, image and reputation.

II.6.1.1 Terminology of Barnett et al.

According to the idea of Barnett et al., the accomplishment of reputation capital may be understood as the end of a process that starts out from corporate identity and leads up to reputation capital over corporate image and reputation. They made this statement after having analysed the literature on reputation written in the past few decades. (Barnett et al. [2006])

As it is shown in Figure 19, corporate identity, i.e. the character and traits of the company, originates from a collection of symbols associated with the company.

Figure 19: The context of identity, image, reputation and reputation capital as per Barnett et al.



Source: Edited by myself based on Barnett et al. [2006] p. 33

A collection of impressions on the company is deemed to make corporate image - and this notion diverges from former ones in meaning in so far as Whetten and Mackey (Whetten – Mackey [2002]) perceived the image projected by the company as corporate image, whereas Barnett et al. understood the imprint thereof in stakeholders' minds as such. In their view, corporate image hallmarks general impressions, i.e. primary associations with the company that the corporation may only be capable of influencing. They reckon the assessment accomplished through stakeholder perceptions as corporate reputation, drawing the past and future conclusions of which may vest the company - ideally - with reputation capital. (Barnett et al. [2006])

In fact, this approach is different from the concept sketched in the introduction in view of the fact that it regards image as a sort of reaction or impression. It is meaningful in that the authors draft the process of how corporate identity converts into reputation capital.

II.6.1.2 Balmer's corporate marketing mix model

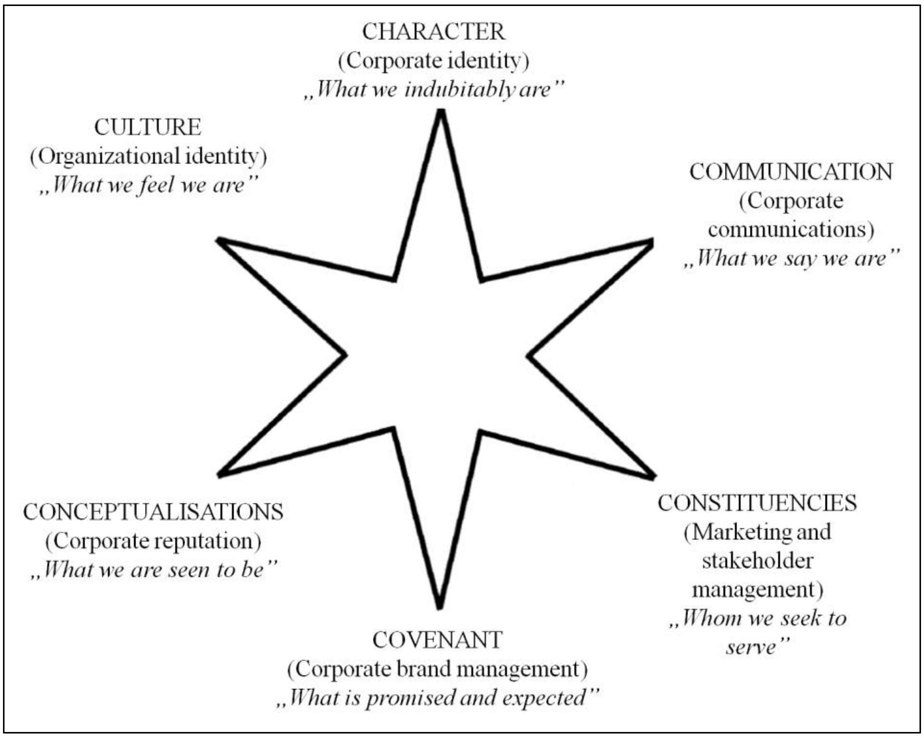
On grounds of the marketing mix model called the "6Cs", Balmer articulated the elements of organisation-stakeholder relationships. The original model contains six notions starting with the letter "C" (Balmer – Greyser [2006]):

- Character: A collection of factors and unique characteristics that differentiate the company from other organisations. Examples: material and immaterial goods, business activities and company owners, company history and policies.

- Culture: A subjective imprint of the company character in stakeholders' minds. It embraces convictions and assumptions nourished by corporate values and historic roots.
- Communication: The set of communication channels used by the company.
- Constituencies: This category encompasses individuals and groups, on which a company's success is dependent.
- Covenant: As an informal contract, the loyalty of different stakeholders underpins the corporate brand, provided the company meets stakeholder expectations. Through brand management, emotional involvement may be enhanced.
- Conceptualisations: It hallmarks the perceptions, with which stakeholders associate the corporate brand.

The 6Cs model is shown in Figure 20.

Figure 20: Balmer's corporate marketing mix model (6Cs)



Source: Edited by myself based on Balmer – Greyser [2006] p. 735

This concept claims appeal in so far as it argues for a clear distinction between corporate and organisational identities, i.e. the actual, objective identity of a company and that perceived by its stakeholders.

This categorisation, however, is beyond the scope of my thesis. Therefore, I shall hereinafter evoke Balmer et al's definitions of identity, image and reputation.

In this subchapter, I aimed to present the various angles the relationships between a company and its stakeholders may be viewed from, i.e. the forms of identity, image and reputation.

II.6.2 The context of corporate reputation and CSR

Adhering to the focus of my thesis, i.e. stakeholders and reputation, in the upcoming subchapter I shall carry on defining corporate reputation more in details and demonstrate the links between corporate reputation and stakeholder perceptions as well as Corporate Social Responsibility.

II.6.2.1 Definition of corporate reputation

Table 4 renders an overview of the discipline-specific meanings and elements of reputation that are accentuated by certain disciplines. It also shows that reputation touches upon corporate organisation and corporate operations in various domains.

Table 4: The meanings of reputation in certain disciplines

Discipline	Definition
Economics	Reputations are traits or signals that describe a company's probable behaviour in a particular situation.
Strategy	Reputations are intangible assets that are difficult for rivals to imitate, acquire, or substitute, and so create mobility barriers that provide their owners with a sustained competitive advantage.
Accounting	Reputation is one of many types of intangible assets that are difficult to measure but create value for companies.
Marketing	Reputation describes the corporate associations that individuals establish with the company name.
Communications	Reputations are corporate traits that develop from relationships companies establish with their multiple constituents.

Organisation theory	Reputations are cognitive representations of companies that develop as stakeholders make sense of corporate activities
Sociology	Reputational rankings are social constructions emanating from the relationships firms establish with stakeholders in their shared institutional environment.

Source: Edited by myself based on Fombrun et al. [2000] p. 243

Although these definitions help understand what reputation exactly is and how it is important, still fail to completely cover the semantic content I have chosen as the topic of my thesis.

While analysing specialist literature on reputation, Walker found forty-three articles delving into the elucidation of corporate reputation and established that only nineteen ones included a definition of reputation. Moreover, there was not a single one, except for the definition by Fombrun in 1996, that had been widely accepted and cited. (Walker [2010])

For that very reason, I shall hereinafter evoke the definition of reputation by Fombrun:

> *"A perceptual representation of a company's past actions and future prospects that describes the firm's overall appeal to all of its key constituents when compared with other leading rivals."*
>
> Fombrun, cited by Walker [2010] p. 72

II.6.2.2 Reputation and CSR

So, reputation is a sort of imprint of corporate actions in stakeholders' minds - an imprint of what the company communicates about and what not. Still the question arises what else other than stakeholders links reputation and Corporate Social Responsibility.

In a recently published article, Hildebrand et al. delivered their view - with reference to the current literature on organisational behaviour, management and marketing - suggesting that CSR reflects in actual, perceived and intended identities and also determines the mutual effects thereof. But while internal stakeholders participate and actively form Corporate Social Responsibility undertaken by a company, external stakeholders mainly obtain knowledge of the company's CSR-activities from company-controlled communication (this is intended identity), the media and other stakeholders. (Hildebrand et al. [2011])

Certainly, the state of being fully informed is never reached, thus stakeholders may only base their impressions on practically disposable information. The positive effect of Corporate Social Responsibility on reputation only shows up if stakeholders regard the firm as to be credible. (Brammer – Pavelin [2010])

Good reputation is important, because a company may obtain stakeholder trust and commitment thereby. Corporate Social Responsibility and good reputation are supposed to facilitate stakeholders to identify themselves with a corporation. By involving stakeholders into corporate processes, stakeholder satisfaction and commitment may also be furthered. (Nádasi – Lukács [2006]) In addition to Balmer (Balmer [2008]), Hildebrand and co-authors (Hildebrand et al. [2011]), also Scott and Lane accentuated the importance of identification with the company. They examined the effects of stakeholder theories on organisational identities. (Scott – Lane [2000])

Surveys conducted in the past few years verify that business leaders tend to increasingly recognise the significance of CSR in how the company is assessed. In the United States, surveys among leaders indicate that eight out of ten top managers agreed with the statement that Corporate Social Responsibility promotes favourable reputation. Through CSR, a firm becomes more attractive not only to current and potential employees, but also to customers. Moreover, CSR serves as a tool that differentiates the company from its competitors and may also provide the firm with further business advantages. For that purpose, reputation building has promoted to the principal motivation of CSR activity in the years gone by. (Reputation Institute [2010])

According to the European Communication Monitor survey, conducted in 41 countries among more than 2000 respondents, dealing with Sustainable Development and Social Responsibility is among the top 10 most important issues for communication management in Europe until 2018. It is interesting to note, however, that while Sustainable Development and Social Responsibility was amongst the top 5 most important communication issues, its relevance fall back significantly with the widening economic crises in 2012. (Zerfass et al. [2015])

KPMG analysed the websites and CSR reports of the top 100 Hungarian companies and concluded on grounds of the contents thereof that CSR reporting, that is currently the no.1 instrument of CSR communication, is motivated by reputation in Hungary in the first place. (KPMG Tanácsadó Kft. [2010])

The increasing importance of CSR communication in corporate reputation well reflects in the growing number of consulting companies and agencies engaged in CSR and CSR communication in the second half of the 2000s, as well as in the launch of a CSR Best Practice competition by the Hungarian Public Relations Association in 2006. This latter scheme aimed to award companies for having distinguished CSR programs. (Szondi [2014])

The spreading of the idea 'CSR communication' among companies operating in Hungary can also be tracked in the shift of emphasis from publishing first Sustainability Reports instead of Environmental Reports and then CSR, Social Responsibility Reports around 2005. These reports, however, did not show significant changes in their contents, as companies usually possess data about environmental issues with high communication potential. Still, several social issues appeared, like discrimination of minorities and human rights. (Kerekes – Wetzker [2009])

Involving stakeholders, Reputation Institute has been assessing the reputation of the largest global companies for many years. From among the seven dimensions under view three ones relate to the idea of Corporate Social Responsibility: corporate citizenship, responsible corporate governance and sound treatment of employees. Surveys conducted in 2008 and 2009, 40 per cent of all reputations were clearly determined by these factors. (Reputation Institute [2010])

What we face here is the question is which one came first: socially responsible company or good reputation? According to Hillenbrand and Money (Hillenbrand – Money [2007]) professional literature is also fairly divided thereabout. One view regards Corporate Social Responsibility as to contribute to the creation of good reputation. In an opinion contrasting to the above-cited view, CSR is a significant element of reputation, thus it is not the consequence, but a part of it.

In an effort to answer the question, the authors conducted a survey among the employees and clients of a British financial service provider company exploring what Corporate Social Responsibility means to stakeholders and what kind of expectations they have towards companies. As a result, they identified three themes and eight clusters of Corporate Social Responsibility, a summary of which is to be seen in Table 5.

Table 5: Categories of Corporate Social Responsibility from stakeholder aspect

Main category	Sub-category
How the company relates TO ME	through communication
	through the kind of benefits it offers to me
	through the way it behaves with integrity, transparency and accountability
	and how that makes me feel
How the company relates TO OTHERS	the local community
	the wider society
	towards other direct exchange stakeholders (ie. employees, customers, suppliers and shareholders)
How the company relates TO ITSELF	long-term business success

Source: Hillenbrand – Money [2007] p. 271

Then they checked up this triple system of relationships against the variables of two methodologies used to measure and analyse reputation. I will present the reputation quotient and the SPIRIT-model in subchapters II.6.3.2 and II.6.3.3 in details, while the categories of CSR and reputation are compared in Appendix 4.

The two authors concluded that the two concepts significantly overlap, because there is hardly any difference in corporate behaviours, on grounds of which a company is held to be responsible and to have good reputation. For that very reason, CSR and reputation do not hallmark two separate categories, but are “the two sides of the same coin”. With this in mind, companies may also apply models of reputation measurement to affairs being important to stakeholders in corporate CSR communication activities. Thereby, they are capable of meeting stakeholder expectations to a greater extent than ever. (Hillenbrand – Money [2007])

After defining the correlation between CSR and reputation, I shall unfold stakeholder-focused reputation models that are up to this purpose, i.e. that can be employed to make out what stakeholders think about a company and its Corporate Social Responsibility.

II.6.3 Stakeholder-focused reputation models

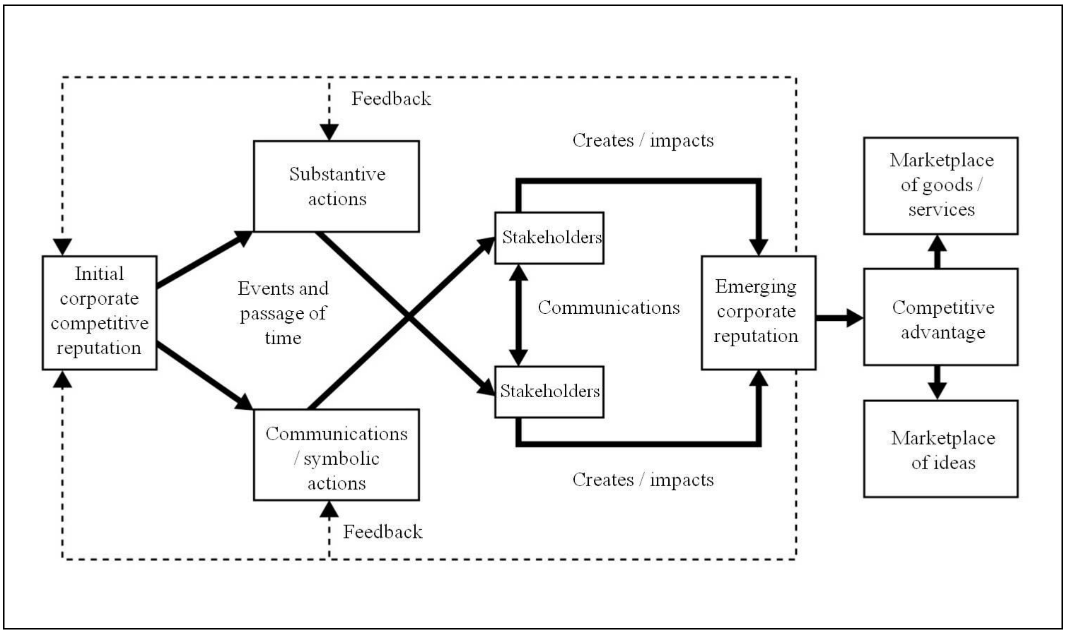
In this section I am to introduce reputation models that are based on the examination of stakeholder perceptions.

II.6.3.1 Dynamic reputation model of Mahon and Wartick

In a joint article, Mahon and Wartick call attention to the importance of perceptions. In their view, not only reputation's change over time, but also the development of the relationships between a company and its stakeholders and among different stakeholders have influence on how an organisation is assessed. Accordingly, reputation partly derives from former events, memories and stakeholder perceptions. Moreover, stakeholders also base future expectations thereon, i.e. they envision the reaction of a company in certain situations. A favourable assessment may be a valuable tool at hand for a firm's management, particularly in the event of a crisis. This credibility is one of their model's pillars. (Mahon – Wartick [2003])

The dynamic model of Mahon and Wartick presents the factors, by virtue of which corporate image in stakeholders' minds changes. It also outlines the means that enable a company to receive feedback from stakeholders and to gain competitive advantage. Figure 21 clearly shows how certain events, communications and substantive actions impact corporate identity.

Figure 21: The dynamic model of reputation



Source: Edited by myself based on Mahon – Wartick [2003] p. 23

By virtue of the afore-described factors and as a result of stakeholders communicating with each other an organisation is - ideally - better assessed, what also produces a potential source of competitive advantage. Not only today, in the market competition of products and services, but also in the "market" of future ideas. (Mahon – Wartick [2003])

II.6.3.2 Reputation Quotient of Fombrun et al.

Charles Fombrun has been researching corporate reputation for a long time. By the late 1990s, he and co-authors have jointly elaborated a reputation measurement system based on stakeholder impressions that they called Reputation Quotient. (Fombrun et al. [2000])

In the course of standardising and validating the methodology they conducted focus group discussions with a view to explore how certain cultures think about corporations in general, how important a role they attribute to corporate reputation and which terms participants use in relation to corporate reputation. (Gardberg – Fombrun [2002])

After the tests they identified the following six dimensions, the first one among which measures emotional appeal, whereas the others rate rational appeal (Fombrun et al. [2000]):

- Emotional appeal: It shows the extent to which a company is liked, admired and respected.
- Products and services: This dimension concerns perceived quality, innovation and reliability of products and services.
- Vision and leadership: It indicates the clarity and visibility of corporate vision and shows how well-managed an organisation is.
- Workplace environment: It relates to an employer's appeal, in point of fact it shows the level of attraction of a workplace, where employees like working.
- Social and environmental responsibility: It captures stakeholders' opinions about how good corporate citizen a company is, i.e. how well it treats its stakeholders.
- Financial performance: It measures perceived profitability, future perspectives and potential risks.

A list of variables of the model is presented in Appendix 5. In a questionnaire, stakeholders rated the companies under view from the above aspects. The outcome, i.e. Reputation Quotient has later been derived from the mean value of scores awarded. This is one of the most widespread methodologies employed when analysing corporate reputation.

II.6.3.3 SPIRIT model

Alike the above, this model is also based on stakeholder perceptions. The system of SPIRIT, i.e. Stakeholder Performance Indicator, Relationship Improvement Tool, has been created by MacMillan et al. They wanted to amalgamate corporate governance, corporate reputation, corporate social reputation and the interrelationships thereof in a theoretical framework, thus encouraging business leaders to become aware of and understand their stakeholder relationships. They reckoned that stakeholders' trust in a company is the key to business success. This idea served as basis for their model. (MacMillan et al. [2004])

As opposed to checklists and assessments, the final goal of which is to quantify reputation, they elaborated a methodology that unveils stakeholder perceptions. Moreover, this methodology is also suitable when identifying cause and effect relationships, thus allowing defects and needs for development to be revealed. They also turned reputation effect into a measurable indicator that hallmarks the intended supporting or non-supporting behaviours stakeholders develop in response to the way the organisation-stakeholder relationship evolves. (MacMillan et al. [2005])

Variables of the model are enlisted in Table 6 and are introduced more in details in Appendix 6.

Table 6: Input-output focused SPIRIT model

Drivers of relationships	Outcomes of relationships
Stakeholder Experience of Business Behaviour: - Service benefits - Non-Material Benefits and Shared Values - Material benefits - Listening and Informing - Keeping Commitments - Coercion - Termination Costs	Stakeholder Behavioural Support towards a Business: - Subversion - Advocacy - Co-operation - Extension - Retention
Stakeholder Experience of Outside Influences: - Outside Influences (combined factor including what the media and other pressure groups say about a business)	Stakeholder Emotional Support towards a Business - Trust - Emotions - Emotional Commitment

Source: Edited by myself based on MacMillan et al. [2004] p. 32

Given the reputation quotient, a distinction is made here between input and output variables, and the diversity of behavioural variables as well as external influencing factors are accentuated.

II.6.3.4 RELATE framework

In 2012, Money, Hillenbrand, Hunter and Money worked out a novel research framework to facilitate the analysis of stakeholder relationships that, unlike former models, not only observed the perspectives of corporations and stakeholders. By means of a two-way research, they also made it possible that the evolution of the relationship and expectations is also examined from the aspects of the company and stakeholders. (Money et al. [2012])

The methodology is novel in so far as it links organisational and stakeholder expectations on empirical basis in accordance with the principle of interrelation appearing in Edward Freeman's stakeholder theory. This approach renders a great model of real-life organisation-stakeholder relationships, moving away from the typical approach of former researches either examining how an organisation views and manages its stakeholders, or how stakeholders perceive and react to the organisation. Money et al. identified the critical factors of organisation-stakeholder relationships and classified those into three main groups on both sides. They interpreted reputation as a mediator variable affecting relationships between stakeholder experiences and reactions that represents stakeholder beliefs of the organisation's identity and that is rooted in former experiences and affects their future behaviour. (Money et al. [2012])

Table 7: RELATE framework

Stakeholders being affected by an organization		**Stakeholders affecting an organization**
through organizational actions		through stakeholder reactions
Stakeholder Experiences and Observations of Business Behaviour		Stakeholder Feelings and Behaviours towards Business
<u>Relationship Fundamentals</u> - Honoured Commitments - Fair Treatment - Tangible Benefits - Identity Esteem Benefits - Being Informed - Being Listened To	REPUTATION - expert - caring - pioneering - prestigious - avantgarde - competent - ruthless - casual	<u>Affective Support</u> - Positive Emotions / Trust
<u>Enforcement</u> - Appropriate use of power - Option to terminate relationship		<u>Main-Taining Support</u> - Staying - Protecting - Not attacking
<u>Lateral Impacts</u> - Influencer support media, friends and family) - Fair treatment of other stakeholder groups		<u>Expanding support</u> - Cooperating - Advocating - Widening, Extending

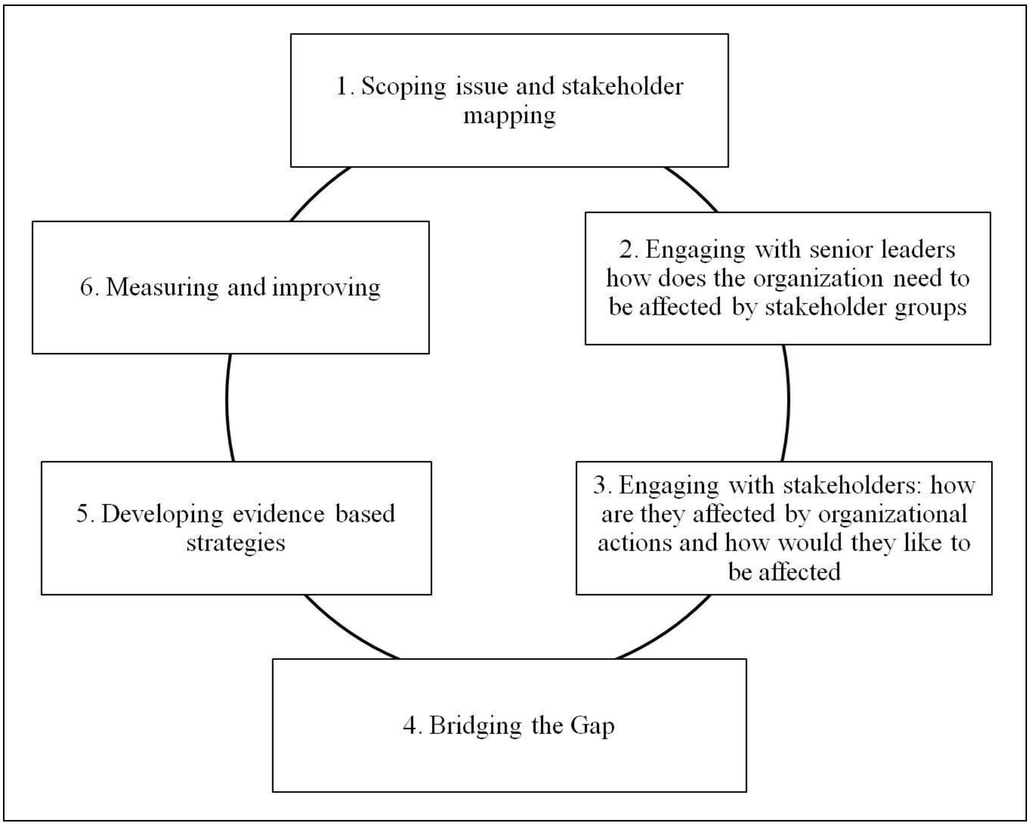
Source: Edited by myself based on Money et al. [2012] p. 10

Beyond the RELATE framework, the authors also drafted a process, by means of which researchers could get insight not only in the views of organisations, but also those of stakeholders (Money et al. [2012]):

1. <u>Scoping issue and stakeholder mapping</u>: An overview of recent organisation-stakeholder relationships and identification of stakeholders threatening or being positive for the organisation.
2. <u>Engaging with senior leaders</u>: Exploring organisational values and identification of stakeholder behaviour that could contribute to the success of the organisation under the circumstances.

3. <u>Engaging with stakeholders</u>: A research into how stakeholders currently perceive the organisation and identification of critical experiences or observations that may end up in future support from stakeholders.
4. <u>Bridging the gap</u>: Specifying the discrepancies between current actions of the organisation (e.g. to which extent these affect stakeholders) and the actions needed to get support from stakeholders (e.g. how they would like to be affected by the organisation's actions and how they would exercise pressure on the organisation's operations as a result).
5. <u>Developing evidence based strategies</u>: Prioritizing organisational actions furthering stakeholder support and strengthening organisational values.
6. <u>Measuring and improving</u>: Another measurement among company leaders and stakeholders examining whether actions specified in Step 5 reinforced each other's support and fostered acquisition of mutual benefits.

Figure 22: Process of the RELATE method



Source: Edited by myself based on Money et al. [2012] p. 11

II.6.4 A brief overview of reputation theories

In this subchapter I recounted reputation analysis methods that examine corporate reputation subject to stakeholder opinions. Critics say that none of these methodologies are suitable enough to track and process stakeholder opinions without distortions. Furthermore, each one of these methods attempts to capture a slice of reality - either from organisation's or from stakeholders' side, which is why it is difficult to see the real picture of how an organisation and its stakeholders are interrelated.

A common trait of these methods is that they start out from various theories when trying to someway explore and analyse stakeholder sentiments. The issue's salience and timeliness well reflects in the fact that currently there is no relevant theory prevailing indeed. Undoubtedly, when setting up reputation orders the business community employs Fombrun's reputation quotient that very much simplifies, but also quantifies corporate reputation and does not aspire to engage every stakeholder or those being truly related to the company. In such surveys, consumers' aspects prevail.

This subchapter is important, because it interlinks the definitions of Corporate Social Responsibility and corporate reputation like

- it interprets Corporate Social Responsibility as a dimension of corporate reputation (Fombrun et al., Subchapter II.6.3.2)
- for stakeholders it is almost the same, but from a somewhat different angle (Hillenbrand and Money, Subchapter II.6.2.2),
- it interprets reputation as a mediator variable between stakeholder experiences and reactions (Money et al, Subchapter II.6.3.4).

Learning each certain method has given me guidance in setting the directions for the research I shall take out. RELATE process presented at last was the one that achieved stakeholder engagement to the largest extent and, what is more, the two-way nature of which enhances research stability and reliability. For this very reason, I will follow the process designed by this model in the course of my planned research and I will consider the concept of Hillenbrand and Money as regards research categories.

III. RESEARCH CONCEPT, FRAMEWORK OF ANALYSIS

I shall devote this chapter to the introduction of my thesis-related research concept on grounds of the specialist literature I reviewed on stakeholder theories, Corporate Social Responsibility and corporate reputation. First, I start with determining the objectives of the planned empirical research along with the theoretical model thereof, which is followed by my presenting the research questions and the selected research methodology.

By way of the planned research integrated in my thesis, I mainly aim to analyse an organisation's CSR and CSR communications activity on grounds of stakeholder engagement, as well as to examine in which terms corporate identity defined by an organisation differs from that perceived by stakeholders, that is reputation.

While I was pondering over research methodology, the idea of conducting a questionnaire-based survey among companies and their stakeholders about Corporate Social Responsibility also came up. In the course of reviewing the relevant literature, however, I sensed more and more intensely that I will not receive responses to my research questions via this methodology.

Critics of reputation-analysis methods (formulated by Bromley [2002], Wartick [2002], Walker [2010]) finally convinced me that summing up distinctive stakeholder opinions would conceal differences, in point of fact it would not enable me to reveal corporate reputation.

Therefore, I was searching for a method that complies with the principles presented in my thesis, i.e. stakeholder engagement, network theory, equivalence and stakeholder perceptions. The planned research is aimed to use a process based on stakeholder participation and to explore what stakeholders think about Corporate Social Responsibility, how they assess the company and what influences this assessment, moreover to survey the differences between the planned / intended CSR-related identity of a company and that perceived by stakeholders, i.e. corporate reputation.

Prior to the introduction of the theoretical model of this three-step research I find it necessary to narrow down the scope of research to small and medium enterprises, because the organisation I selected for this purpose is a micro enterprise. The stakeholder and communication theories unfolded in Chapter II are applicable to such a micro enterprise only to a limited extent. For this reason and ahead of the analysis, I examined the differences potentially arising from the company's size in order to understand its Corporate Social Responsibility, CSR strategy and stakeholder communications.

III.1 Preparing research – features of the SME sector

In the course of preparing the theoretical model of the research, I took out secondary research and checked in the journal database of EBSCO what kind of qualitative and quantitative research projects were conducted into the SME sector's activities in Corporate Social Responsibility and stakeholder relationships in the past few years. Recognising its special traits, I wanted to design a research model that matches the SME sector's CSR-related activities the most.

Small and medium enterprises make one of the most important slice of global economy: Over 90 per cent of all the companies pertain to this segment and employ 50-60 per cent of all employees over the world. A portion of SMEs apply quite labour-intensive processes and they have a key role in making profit and curbing poverty. Research data verify that in countries, where SMEs have a considerable share, distribution of profits is highly equable (both in regional and functional terms). (UNIDO [2002])

The European Union defines SMEs subject to the following criteria:

- the number of employees does not exceed 250;
- annual turnover does not exceed EUR 40 million;
- total assets do not exceed EUR 250 million;
- is an independent enterprise, in point of fact the share of third-party capital or votes accounts for 25 per cent at most. (Európai Közösségek [2006] p. 14)

III.1.1 Special features of small- and medium-sized enterprises in terms of CSR and reputation

While special features of Corporate Social Responsibility and stakeholders of large companies are analysed in many specialist publications, stakeholders of and stakeholder management by the SME sector are hardly reviewed. It often occurs that a smaller company's most important stakeholder is a major corporation that the small company is also financially dependent on. In such a case, stakeholder pressure exercised on the major corporation is transferred onto small suppliers forcing them to comply with distinctive CSR standards. (Jenkins [2004])

Table 8: Differences in CSR theory as per large and small enterprises

CSR	CSR by SMEs
Who	*Who*
Responsible for a wide scope of stakeholders	Responsible for fewer / other stakeholders
Perceived responsibility for society as a whole	Perceived responsibility for the local community
Salience of shareholders	Often has no shareholders
Why	*Why*
Protection of brand image and reputation	Protection of consumer business
Pressure from consumers	Pressure from business consumers in the supply chain
Pressure from shareholders, responsible investment movement	Pressure from creditors? Not concerned by the responsible investment movement
Business case / business benefit	No business case / business benefit
How	*How*
Is based on corporate values	Is based on the principles of the owner-managing director
Formal, strategic planning of CSR	Informal CSR strategies
Emphasis on standards and indices	Emphasis on intuition and ad-hoc processes
High-level involvement of CSR experts	No dedicated CSR-specialist
Risk reduction	Risk evasion
What	*What*
Large-scale campaign (e.g. CRM)	Small-scale activity, e.g. sponsoring the local soccer team
Publicity given to CSR-activity	Activity often not recognised as CSR

Source: Edited by myself based on Jenkins [2004] p. 51

Small companies also differ from major corporations in another sense: the business and CSR activity pursued by the SME sector is typically limited to the local community, in which the company holds its seat or the owner or managing director resides. This community provides workforce as well as an essential consumer basis for the organisation. The stakeholder relationships of a small and medium enterprise do not tend to largely differ from those of a major company, the management of such relationships, however, reflects significant differences. Stakeholder relationships of SMEs are less formal, but more personal, are based on trust and characterised by smaller-scale inequality in influence and power of the organisation and of its stakeholders. (Jenkins [2004])

On account of their global impact and ever growing visibility, major corporations and their brands have become forerunners of transparency and accountability, whereas SMEs have remained almost invisible and fail to consider CSR as risk to brand image and reputation. (Jenkins [2006])

Spence and Rutherford reminded that SME leaders have established their enterprises not only for financial reasons - their motivations have been more complex and partly rooted in social background. They think that diversity in aspects needs to be taken into account, provided regulators and support organisations wish to influence SMEs' ethical operations or endeavour to involve them into CSR. (Spence & Rutherfoord [2000])

III.1.2 Former CSR- and reputation-related researches

In this subchapter, I will sketch a brief overview of former researches that explored Corporate Social Responsibility activities and stakeholder relationships of small and medium enterprises. This secondary research primarily aims to add aspects to the planned research that are typical to SMEs.

III.1.2.1 CSR at European SMEs

On demand of the European Commission, KPMG conducted a comprehensive research into corporate social and environmental responsibility as the fourth part of an SME research series. In this research, 7662 European SMEs were involved. Based on the data analysed, the conclusion can be drawn that, in the early 2000s, about half of the SMEs participated in actions related to Corporate Social Responsibility. The degree of their commitments showed positive correlation with company size, whereas researchers detected no significant contrast among the sectors under view. A more intense activity of North-European companies could be seen, however, as against companies being active in South-Europe. The intercountry differences can be explained by diverging cultural traditions, more precisely the role companies play in society. (European Communities [2002])

The most frequent form of active participation in a local community's life was supporting local sports, cultural, health or welfare initiatives. Corporate Social Responsibility actions were usually taken out on an ad-hoc basis and were not in conjunction with any business strategy. Although they reported themselves to be engaged in CSR for ethical reasons, responses still reflect that three fourths of the firms having participating in the research were massively motivated by potentially arising business benefits such as stronger customer loyalty or better contacts to the local community or authorities. It is interesting, though, that the longer the time of a company's life was, the more intense the engagement in Corporate Social Responsibility proved to be. (European Communities [2002])

III.1.2.2 CSR and reputation at SMEs and major companies

In 2003, in the Journal of Communication Management Nigel Sarbutts identified practical criteria that are identically relevant to multinational corporations and small and medium enterprises (Sarbutts [2003]):

- Enlightened self-interest - Corporate Social Responsibility serves purpose of evading costs, regulations and litigations.
- The lack of a dedicated general business risk manager or department.

It is a difference, however, that as against SMEs major corporations have fewer institutional stakeholders, are flatter in organisational hierarchy and swifter in reacting, which is why they can hold their more personal and more direct reputations to their own benefits.

In case of Corporate Social Responsibility by small and medium enterprises, two guiding principles can be identified: the way stakeholders perceive the social goods provided for and communicated by the company, and the extent, to which the goods provided reflect corporate behaviour and corporate values. Linking these two criteria means the beginning of CSR's being translated into practice. (Sarbutts [2003])

III.1.2.3 CSR activity by SMEs in Portugal

In 2011, Maria Santos published the main outcome of her survey conducted with Portugese SMEs. In this research, she asked 235 companies to fill in a questionnaire and she also drafted a number of case studies. The majority of responding SMEs considered CSR as an act of complying with the relevant environmental and social regulations. Their approach was fairly practice-oriented and focusing on business issues, therefore they were primarily engaged in the improvement of consumer relationships and employee motivation as well as in cost cutting. The most typical activities included: product and service development with a view to satisfy consumer demands, providing employees with health services at the workplace, donation, waste recycling. (Santos [2011])

Business sensitivity of Portuguese SMEs may arise from the fact that many of them are suppliers to major international companies, which is why they have to do their best to come up to international standards. The reason why they turned out to be susceptible for CSR's internal dimension may be the recognition that employees represent strategically important resources that are supposed to foster the achievement of their goals. In case of external CSR actions, as local community members they endeavoured to support the accomplishment of local goals. Their primary motivation was to enhance business performance – through improving sales results and cost cutting. At the same time, these also meant the indirect benefit that can be reached via CSR. For research respondents, better reputation with clients and business partners represented the primary benefit, whereby they viewed lack of financial means and state support as the main obstacles to Corporate Social Responsibility. They reported that sharing of best practices and state incentives would be of support for them. (Santos [2011])

III.1.2.4 CSR activity by SMEs in Spain

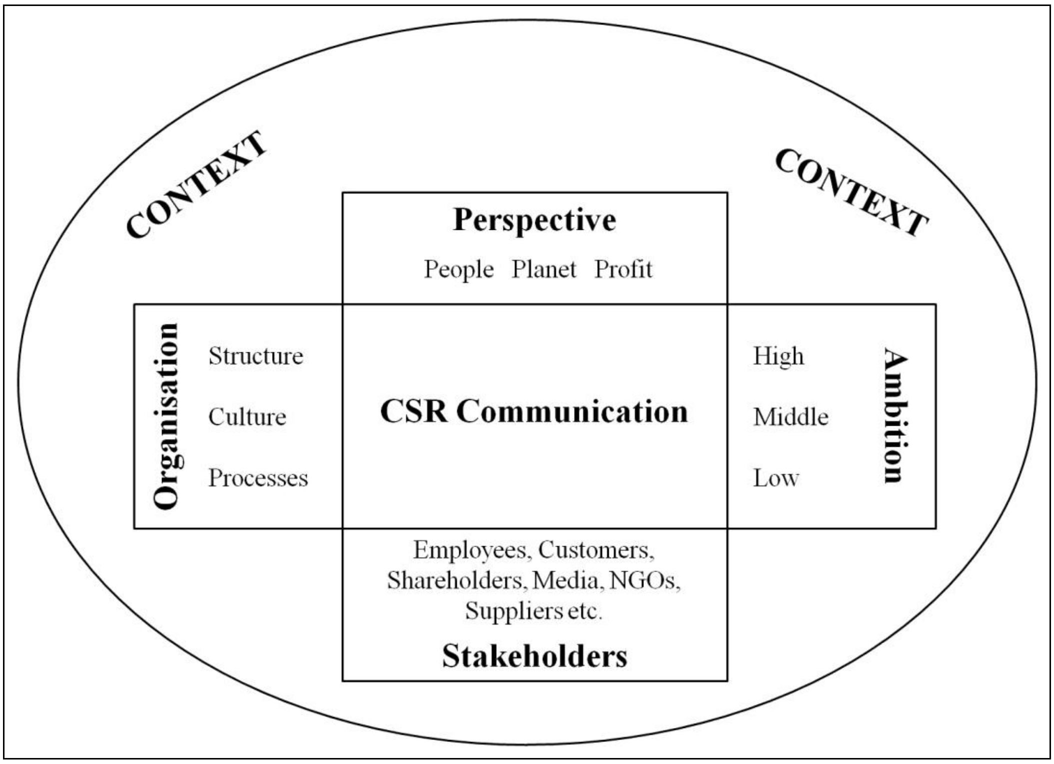
In 2006, David Murillo and Josep M. Lozano published their qualitative research study based on the "Grounded Theory" methodology, in which they made in-depth interviews with the leaders of four Spanish SMEs that take out recognised CSR actions. On grounds of the interviews, they articulated theoretical statements. The term CSR was not really known by the interviewees, who considered the actions taken out by their companies related to Corporate Social Responsibility as being an inherent part of corporate culture. The selection of CSR action was largely influenced by the beliefs of the company's founder. Company leaders also recognised that CSR may be a good tool to differentiate themselves from competitors. They could not quantify it, though, still saw a positive correlation between the Corporate Social Responsibility actions they took out and profitability. As an additional result, their employees could more identify themselves with corporate goals, work environment improved and fluctuation decreased. It is only of secondary interest that the relationship also to external stakeholders improved. Furthermore, it was typical that beyond the internal communication of Corporate Social Responsibility, the companies under view made no substantive efforts with the purpose to let stakeholders know about their CSR-related activities. (Murillo – Lozano [2006])

III.1.2.5 CSR communication by Danish SMEs

Based on their theoretical concept framed in 2007, Anne Ellerup Nielsen and Christa Thomsen conducted a qualitative research with three mid-level executives of two Danish SMEs with a view to explore the special features of CSR communication taken out by small and medium enterprises.

The theoretical model, on which the research was based, is shown in Figure 23.

Figure 23: The theoretical model of CSR communication



Source: Edited by myself based on Nielsen – Thomsen [2009] p. 87

Beyond that, they also analysed the results of a former quantitative research involving 1,071 Danish SMEs. At every second company filling in the online questionnaire, Corporate Social Responsibility is an issue delegated to top-level management. Only half of the respondents involved their employees into CSR operations - the smaller the company was, the more typical this attitude proved to be.

Respondents did not tend to take out CSR communication towards external stakeholders, or not on a regular basis. Only one third of the respondents did communicate about their CSR activity to stakeholders. Every second respondent had the opinion that consumers and business partners were aware of the values the company stood for, even if the company failed to pursue CSR communication on a regular basis. SMEs that were of the opinion that favourable financial results and engagement in CSR were interrelated preferred to deal with CSR communication to those who did not share the same view. Good reputation turned out to be the main driver of CSR communication. The quantitative research study concluded that CSR was more of a practice than a strategy for SMEs and the values advocated by the company executive largely influenced this practice. In order to better understand these values, the authors in-depth interviewed three executives, who were also in charge of CSR communication at their companies. (Nielsen – Thomsen [2009])

In this research phase, the interviewees were focusing on the internal dimension of CSR based on corporate culture. When defining CSR, they typically mentioned employees and human relationships and considered employees more as being individuals than manifesting human capital. Corporate communications were not integrated into the business strategy, whereby ad-hoc governance and personal communication replaced formal strategy and communications. The same was true also to the company's marketing and PR operations, including CSR communications. They held it an ego-trip to talk too much about the latter one. They expressed not to perceive any threatening from stakeholders - true, though, by proaction they probably got ahead of stakeholder expectations. They are locally very much committed and take an active part in the local community's life. The research study highlights that Danish SMEs still have a vast potential in upgrading corporate and CSR communications and in rendering those more formal, more organised and increasingly conscious. (Nielsen – Thomsen [2009])

III.1.2.6 Small business champions of CSR

In 2006, Jenkins made semi-structured in-depth interviews with the managing directors or managing owners of 24 small enterprises about their CSR practices. He involved representatives of SMEs into the research with case study perspective who received or were entered for any sort of CSR-related awards for e.g. a community-based initiative, environmental management activities or the speciality in their treating employees. The in-depth interviews featured the following topics: CSR-terminology, the nature of CSR activities, motivations, benefits, challenges, the marketing of CSR, CSR support, the impact of managerial values. (Jenkins [2006])

Based on the ideas of executives being successful in CSR, he defined four steps of strategy development (Jenkins [2006]):

1. <u>Interpreting CSR and translating it into business principles</u>: The companies involved into research defined CSR informally and attempted to create an own definition of the term. The values and principles followed by the company were dependent on the managing owner's personal values. CSR is the practical implementation of the company's ethos, and the executive is responsible to formulate a corporate vision and harmonise it with the organisation's interpreting CSR. Involving stakeholders would, however, be of importance - the research concludes that asking stakeholders helped executives decide on emphasised points in CSR activities and develop strategic stakeholder relationships.
2. <u>Properly approaching CSR actions</u>: Making CSR be accepted within the company a "champion" is needed, who undertakes pioneering and gains support from employees. When formulating their CSR program, the respondents involved were focusing on the deepest possible impact generated by their business operations, and developed the program step by step accordingly.
3. <u>Mastering challenges</u>: The SMEs participating in the research agreed that CSR aspects should be placed in the focus of business decisions and should be integrated in business operations. Special features such as flexibility, adaptability, creativity, innovation and personal involvement of the managing owner in corporate operations as well as a flat organisational hierarchy may help SMEs overcome challenges. Interviewees believe that further SMEs may be persuaded to undertake CSR activities by making them aware of the possible benefits.
4. <u>Business benefits</u>: Every respondent reported to have benefitted from CSR activities, even though the original motivation for such activities was different. The majority of business benefits have not been palpable and respondents have seen cost savings only in a few instances. The external

pressure from large companies has not yet been considerable and satisfying their expectations in terms of CSR still implies competitive advantage.

III.1.2.7 CSR activity by SMEs in Hungary

On behalf of UNDP[3], in 2007 a research project was taken out in eight member states that newly acceded to the European Union and in a candidate country and explored the status of corporate social responsibility. In addition to Hungary, also Bulgaria, Croatia, Poland, Lithuania, Macedonia, Slovakia and Turkey were involved. International experts concluded that for local SMEs economic sustainability represented the greatest challenge ever since the change of the socialist regime. As a result, hardly any time and resources remained for them to undertake social and environmental issues and neither did the public expect them to do so. (UNDP [2007])

From the Hungarian outcome of the research Zsuzsanna Győri concluded that small and medium enterprises tend to pursue “implicit” CSR activity, meaning that although they are not experts in CSR theory, they nurse good relationships to their local environments with a view to maintain credibility and to survive. (Győri [2010])

On behalf of the ILO[4] Commission, Réka Matolay, György Pataki and Attila Petheő researched into the CSR activity of small and medium enterprises in 2007. They conducted semi-structured interviews with managers of twenty responsible companies. Managers’ motivations for Corporate Social Responsibility derived from internal source and were based on awareness or enlightened self-interest instead of having been triggered by stakeholder pressure. The CSR activity taken out by them was of instinctive and often ad-hoc nature, but it was by no means preliminarily deliberate or planned. Corporate operations and social responsibility turned out to be highly influenced by business managers’ personal values and beliefs: they consider their employees as to be the key to business success, which is why they tend to involve staff into decision-making processes. Each one of the companies under view was supporting organisations and institutions of the local communities in a way. Corporate Social Responsibility, however, was controversially assessed: business leaders supported responsible conduct, competitors, members of the local community, and family members of managers, at the same time, expressed their disapproval saying that such

[3] UNDP: United Nations Development Programme, a development scheme by the UN
[4] ILO: International Labour Organization

responsible behaviour needs too much time and energy - this in turn increased business managers' motivation for carrying on with their CSR activity. (Matolay et al. [2007])

In her thesis, Noémi Csigéné Nagypál conducted a questionnaire-based survey among 55 SMEs that had been certified under ISO 14001 environmental management system standards. These companies mainly took out corporate social responsibility on grounds of responsibility felt for the local community and local stakeholders. Besides, they held it important to meet corporate values and to contribute to sustainable development. As regards commitment to society and the environment, the company rated reduced environmental load and emission, enhanced energy efficiency, reduced energy consumption and increased use of renewable energy as the most salient. Targeted fields of CSR activity were selected as part of strategy-making, but stakeholders were not involved into the process of defining these fields. Most contributors to the survey reckoned that corporate social responsibility rather supports than hinders business success. They proved to have rarely applied a corporate codex, whereby they employed employee- and external stakeholder oriented tools at a higher rate. The overwhelming majority of interviewed companies were supported by their stakeholders in corporate social responsibility. (Csigéné [2008])

As part of the „Rhetoric and Realities: Analysing Corporate Social Responsibility in Europe" survey, financed from the sixth framework-programme of the European Union, the SME sector was reviewed between 2004 and 2007. A major conclusion of the survey is that companies regarded CSR as being a tool of cost-cutting and deemed job creation as its key role in the local community. They deemed CSR strategy's importance to lie in the reduction of environmental impacts. Neither did they know, nor use the CSR toolkit and expected relevant support from sectoral alliances. (Milton [2010])

III.1.3 A brief overview of researches into SME'S CSR activities

Above I have sketched a brief overview of the key conclusions of former researches that explored SMEs' Corporate Social Responsibility and stakeholder relationships. Making an overview of these researches was of major importance, because learning the special features of small and medium enterprises in CSR helped me put the planned research into context. The methods and processes relevant to CSR management and stakeholders that I unfolded in chapter II are in accordance with large companies' considerations.

It is a major conclusion of the subchapter that Corporate Social Responsibility emerges for SMEs as a less salient issue and probably in a less organised form, whereas small and medium enterprises are capable of more effectively reacting to true stakeholder demands and expectations due to the increased transparency of their stakeholder groups and the direct relationship thereto.

Taking into account that small companies tend to be less exposed to assaults by stakeholders, they have many opportunities to proactively build relationships and solve arising problems jointly and in an innovative manner. For this very reason, it may be useful also for large companies to study the Corporate Social Responsibility practices exercised by small companies, because they managed to elaborate quite a number of pioneering solutions.

III.2 Theoretical model of the research and research questions

While planning the research process, I followed the below steps in accordance with the book of Dóra Horváth and Ariel Mitev on qualitative research methodologies that was published in 2015 (Mitev [2015]):

1. Identifying the problem, research objectives and research questions (Subchapter III.2.1)
2. Defining the role of the researcher (Subchapter III.3.4)
3. Selecting the place of research and participants (sampling) (Subchapters III.3.2 and III.3.3)
4. Selecting research methodologies (Subchapter III.3.1)
5. Data preparation and data processing (coding) (Subchapters III.3.2 and III.3.3)
6. Interpretation and presentation (Subchapters III.3.2, III.3.3, III.3.4)
7. Setting the quality criteria (Subchapter III.3.1)

III.2.1 Research questions

The main issues of the research being part of my thesis can be divided in three major fields as far as the organisation I selected to analyse is concerned:

- Organisational identity: A collection of an organisation's perceptions about itself and its expectations towards stakeholders.
- Stakeholder reputation: The perceptions about and the expectations towards an organisation formulated by its environment.
- Corporate Social Responsibility: An organisation's Corporate Social Responsibility, the communication and stakeholder perception thereof.

I conducted the qualitative research with the following goals in mind:

- to examine the organisation (its stakeholders, stakeholder communications, as well as its CSR-activities and its resulting) CSR-relevant corporate identity
- to analyse the (perception of stakeholder communications and CSR-activities as well as resulting) corporate reputation by involving stakeholders
- to compare analyses presenting organisational and stakeholder aspects with a view to identify differences in identity and reputation
- to formulate recommendations on the organisation's future strategy (with a view to foster stakeholder support)

Setting out from the research objectives, I am going to herein analyse the following research questions:

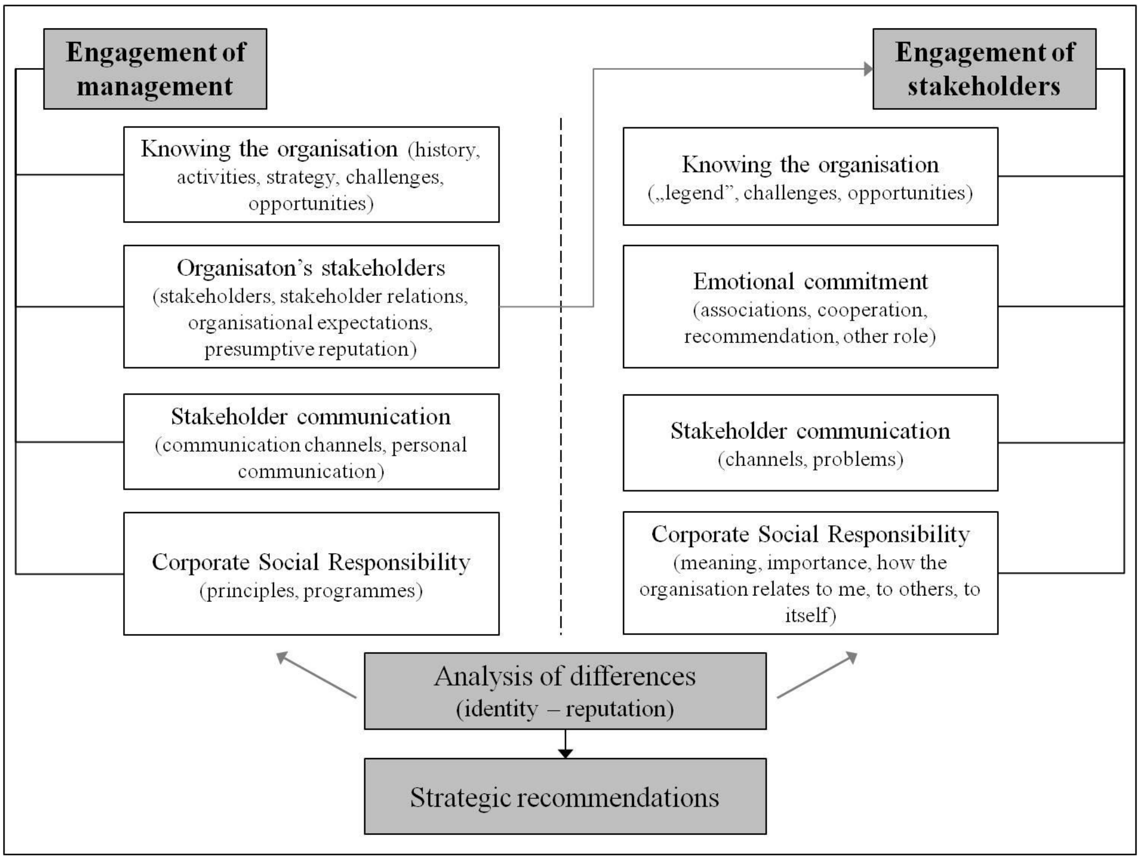
- What is the organisation engaged in and how it was established?
- Which opportunities and challenges is it supposed to face in the future?
- Who are the organisation's stakeholders? What is the current relationship to them like and which future expectations present themselves as regards the possible improvement of this relationship?
- Which communication tools the organisation currently uses and what kind of messages they convey?
- Which elements and principles make the organisation's Corporate Social Responsibility?

I will do my best to find the answers to the above questions from the aspects of the organisation and stakeholders. For the purpose of creating an image, in point of fact an intended / projected identity, I have drafted a case study. And in order to understand stakeholder impressions and expectations, i.e. reputation, I made in-depth interviews with the organisation's stakeholders.

III.2.2 Theoretical model of the research

The dimensions of the qualitative research rooted in research objectives and research questions are summed up in the following theoretical model. These are the main dimensions, on the basis of which I will prepare the analysis.

Figure 24: Research dimensions



Source: Edited by myself

- Knowing the organisation: While drafting the case study and in-depth interviewing, I examined the organisation's knowledge with a view to find out, to which extent the knowledge levels of executives and stakeholders differ about the initiative and the history thereof, and how they perceive the opportunities and challenges to be faced by Szatyor.
- Stakeholders of the organisation: With the executive in-depth interviews and the analysis of documents, I also had the aim to identify the organisation's stakeholders. First, only stakeholder types were identified, followed by the identification of the concrete interviewees later on. Meanwhile, the executives interviewed also recommended a number of stakeholders by name

who play an important role in the organisation's story. Beyond that, I also examined the expectations the organisation articulated towards the various stakeholder groups; and the kind of support it presumed to receive from stakeholders, so that the initiative attains its goals. I also asked executives' opinions on what the various stakeholder groups are supposed to think about the organisation's reputation.

- Emotional commitment: I also wanted to figure out, to which extent stakeholders are emotionally committed to the organisation, i.e. whether they plan to co-operate with Szatyor on the long run, whether they recommend it to others, whether they protect Szatyor from assaults, and whether they can imagine themselves in a role other than the current one in the organisation's life.
- Stakeholder communication: I delved into the tools of stakeholder communication and the potential communication failures from both sides of the organisation and stakeholders with a view to render possible the identification of differences between intended and perceived communication.
- Corporate Social Responsibility: I analysed with executives and stakeholders what this term means and why it is noteworthy, as well as explored, along which environmental-economic-social principles the organisation operates and what kind of a Corporate Social Responsibility plan the association, i.e. the shop has. In the course of stakeholder in-depth interviews I endeavoured to figure out which CSR-programs or principles stakeholders had ever perceived in relation of the organisation's operations.

III.3 Research methodology

I will scrutinise the afore-mentioned research questions by means of a three-element qualitative research process, subject to the process of the RELATE-method introduced in details in subchapter II.6.3.4.

Considering that I have taken out a qualitative research, I will not probe and test any hypotheses. Through an analysis of the selected organisation and its stakeholder, I intend to present the differences identified between the organisational (intended) identity and the stakeholder reputation, while focusing on Corporate Social Responsibility.

III.3.1 Applied research methods

This methodology is special for I will survey the organisation and its reputation from the aspects of not only business leaders, but also stakeholders on grounds of the model I unfolded in the previous subchapter. Based on a comparison of the researches I will sketch the differences in two different perspectives, i.e. the identity intended by the organisation and its stakeholder perception that is stakeholder reputation. The methods employed in the course of research are summarised in Table 9 below.

Table 9: A list of methods employed in research

Method	Tool	Goal	Field of use	Date of data-taking
Executive in-depth interviews	3 in-depth interviews with the two leaders and further free conversations	To learn the organisation and its intended identity	Case study	Jan 15 - Mar 19, 2015
Document analysis	Organisation's website	To better understand the organisation and its operations	Case study	Dec 29 - Dec 30, 2014
Observation	Weekly in-Shop visits	To learn stakeholder relationships	Case study	Jan 15 - Mar 19, 2015
Stakeholder in-depth interviews	30-90 minute in-depth interviews with 19 stakeholders	To explore stakeholder perceptions	Research summary note	Jan 26 - Mar 23, 2015

Source: Edited by myself

A special trait of mixed methods researches is methodological triangulation through combining methodologies, what enhances research quality. If a case study is part of a larger research and the research specialist scrutinises the same research questions with the help of a different method, it is worthwhile comparing the research outcome from the two different sources. (Yin [2009])

Comparing the case study describing organisational aspects, stakeholder interviews disclosing stakeholder aspects and information from these two sources allow for the bi-lateral observation and analysis of the same phenomenon (operations of Szatyor Shop and Szatyor Association). This way data triangulation is achieved that supports construct validity. Moreover, the joint employment of distinctive research methods, i.e. methodological triangulation, improves research accuracy, thus makes the process increasingly reliable. (Yin [2009])

Invoking different sources when preparing a case study and the fact that the organisation's leaders reviewed the case study; contributed to construct validity of the research. When taking out the analysis I considered Yin's recommendation (Yin [2009]) and availed my own technical experiences acquired earlier in order to enhance research quality. Certainly, this knowledge and my personal attitude to the organisation and the topic may distort the interpretation of research results. For this very reason, I endeavour to elucidate my role as research specialist in Subchapter III.3.3.

III.3.2 Case study

The first element of the qualitative research is a case study that I drafted with the purpose of understanding the surveyed organisation.

Case study as a qualitative research routine has been an ever spreading social research method. It is used when the research object is hard to be separated from its complex environment. Taking into account the context not only renders deep and ample information, but also results in difficulties in observation and analysis. Case study researches may survey one or more cases and may be aimed to explore, describe or explain a problem. (Yin [2009])

From among these versions, the research I conducted can be viewed as to belong into the group describing one case, because I explored one organisation taking Corporate Social Responsibility and its stakeholder reputation, i.e. I herein detail one particular phenomenon in context.

From among these versions, the research I conducted can be viewed as to belong into the group describing one case, because I explored one organisation taking Corporate Social Responsibility and its stakeholder reputation, i.e. I herein detail one particular phenomenon in context.

With a view to learn the organisation, I wrote an e-mail asking Szatyor Shop to take part in the research and sent it to the address indicated on the company's website.

The association's leader was enthusiastic about being involved into the research, the timing of which she felt expedient and opportune for the ongoing organisational restructuring. The conversations led with her helped me a lot not only better learn the organisation and its stakeholders, but also narrow down and specify research questions.

Beyond free conversations, I made two in-depth interviews with the association's leader in the course of drafting the case study. I also in-depth interviewed the business leader. These interviews make the backbone of the case study. The in-depth interviews featured the following topics:

- Leaders' background and roles
- The history and activities of the organisation
- The organisation's strategy, goals and Corporate Social Responsibility
- The organisation's major stakeholders, stakeholder relationships and expectations towards stakeholders
- The main communication tools in use

The guideline of the executive in-depth interviews is laid down in Appendix 7.

Beyond in-depth interviews, I also analysed the publicly available documents of the organisation and, upon in-Shop visits, I made observations in relation to the organisation's stakeholder communications.

Observation has been characterized as *"the fundamental base of all research methods"*, (Angrosino & Pérez [2003] p. 107 referring to Adler & Adler [1994], p. 389), because research specialists engaged in social sciences also observe the body language and gestures of their interviewees, the activities pursued on the spot of an interview and the physical environment. It is typical to modern-day social research that a research specialist attempts to appear as a member of the community subject to research instead of traditionally acting as a third party. It means that a researcher recognises that the aspects of an observer and those of an "insider" cannot be harmonised as "ethnographic truth" and it considers the observed more as co-operating partners instead of as "subjects" to research. (Angrosino & Pérez [2003])

A researcher does not assess social interactions on grounds of compliance with the prevailing social and cultural norms, but on grounds of their consistency that is a perceived sample being understandable in a way in a certain social situation. A researcher does not enter a fixed and pre-determined position, but its behaviour and mutual expectations form parts of a dynamic process, thus keep changing. People participate in interactions, whereby they presume situation-dependent identities that meet their pre-conceptions and serve their own interests. These identities are more dependent on context than on social and cultural norms. (Angrosino & Pérez [2003])

Taking into account the above, the aspects of observation are listed in Appendix 8.

When selecting the sources of information I weighed the strengths and weaknesses, as well as the availability thereof (based on Yin [2009]):

- As regards documents: with available internal documentation missing, I could only analyse the information published on the organisation's website. An argument for analysing documents is the stability and accuracy thereof, and the fact that they are at hand irrespective of the case study. A drawback of applying this source of information is that there are only few such documents and they are difficult to obtain. Furthermore, the possibilities arise that documents are not unbiased selected or the researcher reports thereon one-sidedly.
- Interviewing is beneficial, because it enables the researcher to concentrate directly on the case study's topic and allows many details and correlations to be understood. Its potential weaknesses include one-sidedness arising from wrongly formulated questions, biased responses, inaccuracy deriving from selective memory and the interviewee's endeavour to meet the researcher's expectations. As I could obtain only little information from other sources, I made efforts to eliminate the potential weaknesses of in-depth interviewing by strengthening the conversational nature thereof and by creating a direct atmosphere. Beyond that, I paid many out-of-appointment visits to the shop, where I had conversations with the executives and also touched upon research issues.
- Direct observations have the advantage of making possible real-time observation of events and of contributing to the understanding of the context of events. Weaknesses, however, encompass observation's time-consuming nature, its influence on events as a result of the process of observation and the fact that not every event can be observed at the same time. I tried to eliminate the potential drawbacks by making observations for several times, by having limited the observation's topic to communication with stakeholders and by not revealing to participants the fact of their being observed.

III.3.3 Interviews with stakeholders

In-depth interviews with stakeholders make the second element of the qualitative research. I made semi-structured interviews with a view to gather similar information on the research topic from all stakeholders and to ensure flexibility of the interviews and to collect in-depth information. While interviewing, I did my best to act as a participating stakeholder instead of a stand-offish rational researcher and to create a direct atmosphere, thus to gain trust. I attempted to frankly respond to their questions and I let myself be influenced by personal feelings in the course of conversations. (Fontana – Frey [2003])

I made in-depth interviews with nineteen of the stakeholders of Szatyor Shop and Szatyor Association in the period between January 26 and March 23, 2015. The guideline of the stakeholder interviews is to be found in Appendix 9.

The stakeholder categories being relevant to the organisation's operations have been jointly identified on the basis of interviews underlying the case study. The interviewees were selected as a result of consultations. After I had collected and taken over contact details, I called most stakeholders per telephone and e-mailed some of them. From among the stakeholders originally selected, I did not manage to interview two ones. One of them did not want to contribute to the research, which is why I had a conversation with another interviewee. The businessman supporting Szatyor Shop as business angel failed to react to my letter of request; therefore I could not learn his perspective. Moreover, attributable to his unique role, I could not replace him in the research.

All the other stakeholders had a very positive attitude to my request and were glad to contribute. At our first appointment and right before the start of the interview, I let them know about the research objective and the approximate length of time needed by the in-depth interview. Beyond that I also made them sign a declaration of approval containing the research objective and my statement about their responses' being referred to in the analysis in a way that would not allow them to be identified. For this very reason, in the study I will identify each respondent with the stakeholder role he/she holds at the time the interview was made (i.e. I will refer to them as Supplier 1 or Journalist). Certainly, it is largely a simplification of reality, because most of the contributors to the research hold more than one stakeholder role in their relationships to Szatyor Association and Szatyor Shop.

The length of these in-depth interviews moved between 30 and 90 minutes, mainly depending on the interviewee's character, "talkativeness" and the closeness of his/her ties to Szatyor Association and Szatyor Shop. With one exception, I made the interviews in person in the Szatyor Shop or at the interviewee's workplace, incidentally home. In the case of one stakeholder this was impossible, which is why I led a conversation with it via Skype and I recorded the interview by means of a software called MP3 Skype recorder. With the volunteer of Szatyor Shop I talked in English, all the other interviews were made in Hungarian.

I recorded the interviews by a digital dictaphone. Literal transcriptions were made of the sound recordings, whereby the English interview was also translated into Hungarian. I analysed these texts by means of Version 10 of the NVivo qualitative research software. Stakeholder citations related to the questions and issues have been systemised through open coding for the purpose of easier tracing back. Following coding of the interview transcripts, I reviewed the list of codes and pooled significantly overlapping codes in order to decrease the number thereof and to ensure perspicuity of the system of codes.

I did not modify the ideas articulated by the contributing stakeholders, but edited the citations referred to in my thesis by removing colloquial phrases and repetitions of words in order to get full and comprehensible sentences.

III.3.4 My role as researcher

At the outset of the research process, I collected the ideologies, beliefs and the possible reasons for my personal prejudice that may have an influence on the research process and the interpretation of the outcome. I consciously endeavoured to switch off or eliminate all those influences evoked by the fact of my being involved as researcher. (Mitev [2015])

Since August 2014 I am a customer of Szatyor Shop and, prior to the research, I used to take over weekly delivery at a pick-up point in District 13. Since that time I have been planning this research, I pay regular visits to Szatyor Shop, also with a view to get to know better the place, its atmosphere and to have a better view of its stakeholder relationships.

Formerly, I joined a community-led organic box scheme, ProLecsó, in the framework of which I received fresh and processed seasonal fruits and vegetables every week in return for a monthly fee. Unfortunately, this initiative ceased to work after two years of operations, and I was looking for an alternative.

For me, healthy eating is of utmost importance. I have been eating under the guidance of a traditional Chinese medicine specialist. My menu is focused on additives-free seasonal fruits and vegetables. This is how I can completely identify myself with the values and goals of Szatyor Shop.

Beside that I have been dealing with Corporate Social Responsibility and sustainability, within that the communication thereof. I wrote many university assignments and a Scientific Students' Association (TDK) assignment about this issue, just as I devote my thesis thereto. In 2004, within the framework of the EU's Leonardo da Vinci program, I was a trainee in Bonn for three months and worked for the Ketchum Pleon Bonn communications agency in the CSR communication field.

After graduation from the university, for eight years I was employed as consultant by a consulting firm engaged in Corporate Social Responsibility and CSR communication, actually being a pioneering company in this field in Hungary. In the course of my being employed, I was collaborating with many multinational companies and their stakeholders and I had the opportunity to get some insight into the operations of a number of social societies, as well as to learn pioneering best practices in Corporate Social Responsibility from within and beyond the borders of Hungary and the actors of the Hungarian CSR settings. I saw not only good, but also bad examples of civil societies' operations, co-operations of civil and for-profit organisations and stakeholder management. As consultant, I arranged and conducted market development researches into CSR, reputation and stakeholder perception, the findings of which I analysed and presented in conferences and publications.

Simultaneously, I was leading seminars on "CSR communication" in the bachelor and master education of the Corvinus University, Budapest for seven years. Here I did my best to convey students the experiences and knowledge I obtained as consultant.

When planning and making the interviews underlying my research work, I invoked this knowledge accrued from different sources in nearly fifteen years.

IV. CASE STUDY: SZATYOR ASSOCIATION AND SZATYOR-SHOP

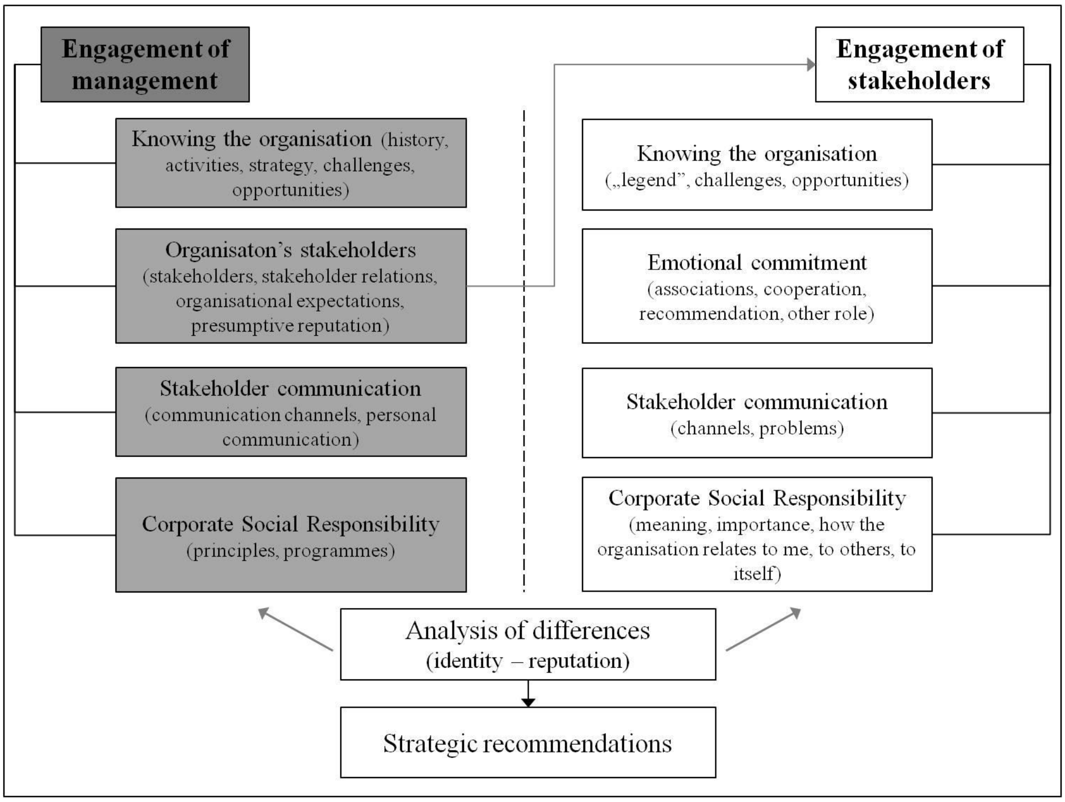
This chapter depicts Szatyor ("Szatyor") Association and Szatyor Shop in the form of a descriptive case study based on in-depth interviews carried out with the leader of the Association and with the manager of the shop and based on the website of the organisation. Where the source of the quotation is not given, I cite the ideas of the leader of the Association.

In this chapter I am going to examine the four dimensions on the left side of the research model depicted in Chapter III:

- knowing the organisation (subchapters IV.1-IV.4, IV.8)
- organisation's stakeholders (subchapter IV.5)
- stakeholder communication (subchapter IV.7)
- Corporate Social Responsibility (subchapter IV.6)

The elements of the research model, which are examined in this chapter, can be seen with dark background in the following figure, with number 25.

Figure 25: Dimensions of case study research



Source: Edited by myself

IV.1 Szatyor Association and Szatyor Shop and their leaders

The Szatyor initiation consists of two basic elements: the Szatyor Association involves those who are interested in environmentally-driven way of living and eating and the association offers them team-building and awareness-increasing programmes; while the Szatyor Shop is a community of customers, in the frame of which people can reach products appropriate for the principles of environmental-awareness.

Curiosity of Szatyor Association and Szatyor Shop is that besides being a representative of slowfood movement, it also shows characteristics of collaborative enterprises (based on Tencati – Zsolnai [2012]):

- More balanced and democratic governance, integrating a network-
- Follows multiple bottom line approach and strives to implement principles of good, clean and fair (good quality food, from clean source, fair treatment).
- Involves and engages stakeholders in an innovative economic network.

- Long-term perspective – looking for new business opportunities to save traditional experiences.
- Fits into its social, natural, cultural and institutional environment.

During the process of preparing the case-study, I carried out in-depth interviews with the leader of the association and with the leader of the shop; I will refer to them as the Association Leader and Business Manageress in the text. I will introduce both of them in the followings as understanding their background and their motivation greatly contributes to the understanding of the organisation they represent.

The Association Leader has been actively participating in the initiation since the beginning, she considers herself as 'a creative person of civilian nature who is always searching for new things'. Besides having a degree in master of arts, she has studied a lot about corporate development and that was the time when she found her real occupation. Her interest turned towards 'green things', at that time she was trained in the field of human-ecology, sustainability, in-depth ecology and eco-psychology. She defines conscious consumption in the following way:

> *"Conscious consumption is primarily when we possess adequate information on the given food product, how, from where and from who it has reached us. So, it has arrived into the shop. And based on that information* ***we are able to decide consciously*** *about whether to buy or in certain cases not to buy that product."* (Association Leader)

The Business Manageress joined the team of Szatyor Shop in January 2015. Previously she was working for a multinational company for 11 years. First she was working in the field of HR then after 9 years she switched to another position within the same company, but finally she had enough of that as well. She is a qualified lawyer, but never wanted to work as a lawyer. She has a small vinery, where she makes wine as her hobby. She could resolve her personal career crisis by trying herself out in a completely new field; she loves learning. She left her leading position in order to be the Business Manageress of the Szatyor Shop.

> *"I do accept to see how the start-up company* ***is operating*** *and how I can contribute to that. Therefore the knowledge I gained at a multinational company or anywhere else, reflects my personality and also what I can contribute to that."* (Business Manageress)

She sees her still forming role in making the structures and processes more effective, she believes she is really good at that. As a business manageress, her aim is to make the operation of the business easier and to help informing more customers about their initiation.

IV.2 The short history of Szatyor Association and Szatyor Shop

The customer-community in its original form was established 8 years ago, when a green conscious circle of friends (the Association Leader was member of it) decided to buy fresh vegetables for the community directly from the Hungarian growers. As time passed, more and more members of the community moved to the countryside, and the Association leader stayed in Budapest alone; and the activity to get the fresh vegetable stopped for almost a whole year.

Based on the previous positive experience, the Association Leader decided to start organizing the initiation again, where in the beginning only her friends took par and receiving the ordered goods was available in a basement on Dohány Street once a week. Soon the community of customers started to develop due to the word of mouth. Meanwhile it became trendy to be green-conscious, thanks to which the popularity of Szatyor sharply increased. The system, which was based on voluntary work, was pushing the envelope; thus the initiation has reached its significant milestone, as this formation was not sustainable any more:

> *"In the beginning it was just the friends, then their friends and then acquaintances of friends. Later more and more people came, the majority of them we did not know. So the former circle of friends really* ***widened****. And then, 3.5 years ago the so-called green conscience somehow entered the media. It was the time when bio products started to be seen as something normal, and not something esoteric. More and more people began to search for them. When we saw* ***that this wave also reached us****, we* ***were almost on the edge of burnout****. The plural in this case means that I was always involved and somebody was always with me in this project, and we were pushing it in a really crazy way. Really it was awfully a lot of organising and a lot of work. (...) We were talking about the two possible options at that time: either remaining a small team with*

20 people and the rest will solve themselves or we should ***give it a try and step to the next level,*** *which for sure will have its compromises and the operation will be different there, but principles will always remain the same. It is very interesting to note that at that time, when we started to think about it, a* ***business angel*** *found us and gave us a lot of money to be able to make this shop and this place."* (Association Leader)

Thanks to the business angel, the development of the organisation could start and the activity of the shop started to separate from the activity of the association. Fortunately there is no pressure on the organisation from the side of the supporter; he considers this initiation as a long-term project, in which he saw creativity. It is still a question where this unique start-up idea will move.

As regards the form of organization, it is mainly about a social enterprise, which has one civilian and one business side, and the two operate together in a symbiosis. The aim of the association is to provide mind framing programmes in the fields of food-autonomy, environmental awareness, food, community and people in the city. Community-centeredness is rather determining in this non-profit activity. Apart from this, there is the shop, which operates as a separate legal unit, a separate profit-oriented enterprise. The gained profit is then turned back to do improvement and further programmes are organized from the participation fees of programmes organized by the association.

The present association is under a major change: the management of the association and the shop was also formally separated from January 2015. In the future the Association Leader, who is involved in the operation of Szatyor from the very beginning, will rather concentrate on the work of the association and the community; while the Business Manageress coming from a multinational company will make the operation of the shop more efficient.

Summarising the story of the social enterprise, which is standing on two feet, we can conclude that it has grown out from beneath with the help of community initiation, and after reaching a certain point it stepped out from the closed community circle and made its mind framing programmes and also its quality products available for a wider circle of audience. Therefore it has become an alternative business from a community of customers reacting to individual customer needs.

IV.3 Strategic objectives

Szatyor Shop defines[3] its own strategy and its own principles in the following way:

"1. We purchase the products ***directly from the growers.*** *We know the growers. Therefore we have the opportunity to get to know and to understand how growers grow and make the food.*

2. ***We sell seasonal*** *vegetables and fruits, mainly outdoor vegetables.*

3. As far as possible we are in touch with ***local growers****, especially with regard to fresh vegetables (vegetable, fruits, dairy products and bakery products), thus the fee of* ***delivery*** *and its harmful effects on the environment will significantly decrease.*

4. We intend to ***reduce*** *the* ***packing*** *to* ***the most necessary level.*** *We do our best to have wrapping either re-cycling or re-exchanging.*

5. We do ***not operate a „we always have everything kind of shop",*** *as that type of operation would result in a lot of food waste.*

6. We use ***the least energy*** *in storing as we offer freshly arrived products every week.*

7. We intend to do delivery in an ***efficient way****; we use* ***bicycles*** *in the inner districts when we deliver the products.*

8. ***We organize trainings, shows and workshops,*** *which give the chance to get to know the process of food growing and processing in more details and to learn about chemical-free canning, about bread-baking and fruit-drying. Therefore, those who have time and the opportunity to do these things at home will be able to make the most of their own food at home."*

The core of Szatyor Shop is its website and its web shop, which is not a traditional web shop in the sense of ordering, as you can only pre-order the goods you choose, but you cannot buy them there. Based on the information they receive, they calculate the amount of the products they would need the following week from certain growers. The future plan is to be able to totalize and to forward the order to the suppliers in a similar system. In case of the organization, the expansion is the strategic priority, for which it is required to make the processes transparent and more effective:

“First it is to enlarge ***the circle of customers****, and to create more* ***distribution points,*** *because we know there is demand for it. And there is demand for cooperation with similar organisations. (...) It is possible to develop it in the future, but the* ***ground of the shop*** *should stay the same. All the processes have to be transparent, for the sake to be able to develop. (...) We need* ***development*** *to step further, we always have to offer products, and it cannot happen that we have no goods.”* (Business Manageress)

The development of business activity is supported by the tendency that the world is towards a more responsible and more conscious direction. But if the organization wants to be the winner of this trend, it has to expand in the good time and in a good pace. It also has to count on the fact that more and more similar shops are about to open just because of its being trendy, thus the fight for conscious customers will soon start. Of course Szatyor Shop will have its own limits as regards expansion, such as the size of the shop or the capacity of the growers is also limited. This is the reason why they considering new business directions as well.

The relatively new catering-service means one of the best sources of income for the organisation within the framework of which communal, mind framing eating facilities are provided, using the foodstuff available at Szatyor Shop. Just few people know about this opportunity so far, but as the word of mouth operates, mainly civil organizations and eco-conscious companies order food from them.

With regard to own-made food, further developments are planned in the direction of preparing and distributing healthy cold foods; moreover the organisation is trying to find growers who deal with producing baby-food as they see favourable market opportunity in this aspect. Above all, there is a further plan regarding expanding delivery on bicycle in the inner districts. As a consequence of this, Szatyor Shop would become more visible and more known. As far as long-term plans are concerned, a new shop and a breakfast or a bistro-type of restaurant is among the plans.

The communal place and the kitchen of the association are sometimes rented for company events, for team-building and for different cooking organizations. Based on the positive feedback participants prefer that place for *”its easy atmosphere, and for the recycled, creative and cool things.”*

Among the strategic aims of the association regarding its future, the development of an urban greenhouse is among its long-term plans as well as the common operation with divided property of the initiation.

IV.4 Mission

The association determines its mission on their website[3] the following way:

"At ***Szatyor Association*** *we believe that* ***we have opportunities and choices that impact our everyday eco-conscious life****. We want to create space for common learning, experience sharing, community being in order to live our lives - in a city or in the countryside) in what we can consciously decrease our impact on environment and build a brighter future.*

We ***organize*** *trainings, farmers' visits, experience sharing's, common jam makings, cooking, natural cosmetics workshops."*

Szatyor Shop defines its mission on its website[3] the following way:

"Shopping community for us means ***a group of people come and cooperate together*** *on the same goals and values and for their* ***own demands*** *and request they purchase food together. Members of the community can* ***share their opinion; take part*** *in the organizations and/or logistic task.*

Feedbacks are important both for the coordinators and the farmers as well. Here at Szatyor Shop it is absolutely not a problem to bring back products we are not happy with, we encourage people to express problems but appreciations as well.

Long term we are working on a 'style' or 'habit' of shopping where the customer, the farmer and us - the organizers - want the same output on same values: ***healthy, sustainable life, production and consumption.*** *Where the* ***priority*** *is not necessarily the growing profit, but* ***content farmers and customers and happier environment*** *(where we reduce human impact big time. We do not want that customers purchase more and buy unnecessary stuff, but they buy as much as they just need. We aim that those who buy from Szatyor Shop know who and how produced, farmed that food and know that everyone in* *the chain from the farmers' land to the shopping bag, did it with care and respect for other and himself as well."*

The border-line between the two "feet" of the organisation can be clearly seen based on their missions: the association represents a kind of mind-framing; while the shop represents a unique shopping form, where environmental and social interests are also reflected besides business factors.

IV.5 Stakeholders of the association

According to Ferrel and his co-authors (Ferrell et al. [2010]) the stakeholders of an organization are all those, who might be affected by the activities of the organization, or who ensure the necessary resources for its operation or who are valuable participants from the corporate culture's point of view.

Beyond defining the circle of the stakeholders, it is also important to recognize the importance of that given person in respect of the organizational operation and what he might think of the organisation.

IV.5.1 Customers

The customers are the most affected stakeholders of an organization, who regularly or not regularly, but buy the products of the shop; many of them are foreigners living in Hungary. The primary target audience of the initiation is the group of middle- or upper-class young couples, between the age of 30-40, with small children or with no children yet, who „buy such products for the sake of their families' and for their children's health".

A further category of customers is the youngsters between the age 20 and 30, who consider consciousness important, because they think it is trendy and because they encounter this topic more often. There is another category with significant number of customers who do their shopping in Szatyor Shop because they are on special diet due to any kind of allergies, illnesses or food intolerance. The proportion of the group at present is quite low, who chooses Szatyor Shop simply because of eco-consciousness; and our aim is to increase their number in the future.

"We have customers who enter our shop with paper-bags or with back-packs and they are definitely aware of our aims and buy what they really want, and not because the jam looks nice." (Business Manageress)

Clients from companies form a special sub-category of the customers, who use the catering-service or organize team-building events in the communal space of the association for a cooking together evening. Their number is still quite low, but developing and popularizing the catering-service is part of the future plans.

IV.5.2 Members of the Association

The members of the Association are the primary target group of the mind framing and community-building activities of the association. The aim is to show more people the possibility to be eco-conscious and to reach food-autonomy; "*it would be nice if people came here being open-minded to try such things*".

The yearly membership fee is 6000 HUF, in exchange for that members are given 10% discount from the total price, they can participate at the programs of the association at a discount price and they can also take part in voluntary programmes, Hungarian and foreign study-tours.

A certain circle of customers being interested in Szatyor Association has already been developed, yet their connection is quite ad-hoc – one reason of it can be that the communication of the association towards them is rather casual and imperfect. We have not been able to tighten the connection with them yet, but it is unequivocally considered to be the fault of the organisation itself. One reason to separate the management roles was partly due to develop the community of the association.

"I cannot expect it from anybody until we ourselves do nothing for it. It is the development of the community, which has received just ***reduced capacity*** *of ours. I cannot expect it from anybody to create a community just by himself. (...) People will not come and say that they want this and that until we take the first step. "* (Association Leader)

In case of the members of the association the obvious future task and aim of the initiation is to make the connection more systematic and more intensive.

IV.5.3 Members of Advisory Board

Members of Advisory Board form a special group among the members of the association; they support the Association Leader in elaborating and fulfilling the strategy of the association. At present there are 10 members, all of them have different background and because of this they are active in different fields of the association. Every month they have a board meeting, where they discuss the status of the tasks in progress and they agree on the expected tasks of the following month; furthermore they accept voluntary tasks and responsibilities. The members might change from time to time due to changes in their life situations or in their field of interest. There are older and new members in the team.

Apart from the above mentioned this is rather an informal, „change the world" type of conversation as well, which is a real communal experience for them: „*they like this type of atmosphere and style, they like being part of it and adding new things to it".*

IV.5.4 Small farmers

Two main groups of small farmers can be distinguished. One of them "*absolutely understands what we are doing and why we are doing that and they think the same*" inasmuch they could also work at the organisation as he represents similar style.

The other group of the small farmers "*sees us as just sales markets*", although they too observe that they are never swindled, which usually happens in trade; moreover their money is always paid beforehand. They do not know much about the operating principles and the initiations of the organisation

The Association Leader puts much energy in developing and maintaining good connection with the suppliers. The small farmers are particularly important participants as their qualitative products strengthen the reputation of the organisation:

> *"This guarantee is our trademark, our insurance, we trust our growers 100%."*
> (Business Manageress)

IV.5.5 Employees

At present the group of the employees is in the progress of formation at the organisation as the Business Manageress joined the company in the beginning of the year, and shortly afterwards the colleague responsible for catering joined the company. "*Now it seems that we have a really super group to be formed*." At present Szatyor

Shop has three workers: the Business Manageress and two employees; one of them is responsible for the catering-service and for the own products prepaid in the shop; while the other is working as the deliverer of the products and as a salesperson in the shop.

The team and the personal motivations are highly different: there is one who thinks that he can realize himself here based on his personal field of interest and would like to reach self-fulfilment in food-making; the organisation also had the plan to open towards that, so this can be seen as a successful reunion. And there is the other, who considers this new field as an occupational challenge to cope with, with the aim to validate business aspects more than before in the operation of the business. And there is also the type of employee, who needed variety and wanted something new beside his stabile and old workplace. And this is what he found at the organisation. What they have in common is that all of them can identify themselves with the mission of the organisation and they are devoted to reach the required aims.

IV.5.6 Civilian organisations

Civilian organisations are important cooperative partners of the initiation, they know about each other, moreover they popularize each other's events and they continuously intend to search for cooperating possibilities with each other. There are some organisations among them, which are much strongly connected to the topic of eco-consciousness and food-autonomy, either as cooperative partners or procurer of any catering-services.

The Association offers the free capacity of its communal places to different civilian organisation for their programmes, such as for the Slow Budapest movement, for the eco-circle assemblies of Conscious Customers' Association (Tudatos Vásárlók Association) or for the so –called Responsible GastroHero initiation, together with whom they have already developed a sustainable library in one corner of a coffee shop. *"We have noticed that people like this place, especially when it is not cold. (...) Maybe because it is not that strict, not that severe like a kitchen-studio."*

On the website[3] of Szatyor Shop, in the „Our Friends" menu, the most strongly cooperating civilian partners are enumerated, such as Eco-Service Foundation Hungary (Ökoszolgálat Alapítvány Magyarország), Responsible GastroHero (Felelős Gasztrohős), Pandora Association (Pandora Association), Telescope Association (Messzelátó Association), Small Communities Programme (Kisközösségek Program) and Everness festival.

IV.5.7 Partners

The operators of open and closed places of departure are also among the partners, who –on a weekly basis- give free run of their places to the organisation, where customers can take over and pay for their ordered products.

Apart from the shop of Szatyor Shop, at present there are open places of distribution in the IVth district in cooperation with an association of families (Káposztási Családok Associatione), in the Vth district in the non-profit eco-shop of Eco-Service, in the „Green Corner" („Zöld Zug"), at a private house in the XIth district, in the Noha Studio and Art Workshop in the XIIIth district. There are closed places of distribution at Prezi and at CEU. The closed points are available only for those who are working there, but this service can be reached at any organisations in case of ample number of applicants.

The number of open and closed places will continuously increase; expanding the circle of partners is a future strategic plan and is part of the future market expansion. The aim is that more and more people could reach the products of Szatyor Shop with less travelling.

> *"New* ***distributing points*** *have applied, so it starts to reach more people; a lot of new customers register in our system. I think it* ***starts to become important****."* (Business Manageress)

IV.5.8 Local community

The shop of Szatyor Shop can be found on the basement of a 100-flat apartment complex, in the Palotanegyed part of the VIIIth district. The personal attachment is stronger as the Association Leader once was living there: "*the shop, just like me has grown out of the community*". Those who do not know this place, may consider it quite strange and mysterious, which might be a rather expensive shop or restaurant as sometimes there are many people eating there. Those who were brave enough and enter could see that it is a bio-greengrocery, which is a bit more expensive than a „traditional" grocery, but not as much as people would think. At the same time there are people who "*are very happy that we are there, so they can do their shopping at us*".

People living in the neighbourhood could see that fig and grapes were planted right in front of the building and there is a bench placed there, where "*elderly ladies and men sit down when they get tired on the road."*

IV.5.9 Volunteers

The organisation frequently receives volunteers within the framework of international programmes. Juan has recently left Hungary after spending one year here as participant of AVS-program and at present René is here to support the operation of the organisation for two months. She helps in compiling the packs of the weekly orders and also in organising different events. Originally she came to work for another organisation, but unfortunately she did not have work there, so Szatyor Association decided to "take her over" and she is really grateful for that.

Apart from the foreign volunteers, Hungarian volunteers are also welcome and their help is required mainly in the following fields: helping in event organising, editing the website, doing marketing activities or some seasonal physical work at the growers'.

Beyond the above mentioned, the community service, which is compulsory for secondary school students in order to have the final exam, can also be fulfilled at the association, more precisely it can be done at the growers' either individually or in small groups.

The employment of the volunteers is useful and instructive for both sides of the two parties, as they learn a lot from each other; this also contributes to the open and receptive operation of the initiation.

IV.5.10 Academic sphere

The connection with the academic sphere is not that strong and formal yet, however *"there are a lot of higher educational institutions in our neighbourhood. There are people coming in, who consider our mission important. It would be very good if we had people on our programmes."*

The name of András Takács-Sánta, responsible for policy administration at human-ecology at Eötvös Loránd University has come up in the conversation. His human-ecological andragogy contributed to the mind-forming of the Association Leader and of the Business Manageress as well.

The future developmental direction of the stakeholders' connections can be the common thinking and learning from each other: "*I have learned a lot about it and I also have heard about it on conferences, but it would be really good to work together with people who have the so-called economic-type of approach. (...) It can be exciting in the future as well."* György Pataki from Budapest Corvinus University, the leader of Social

Entrepreneurs' course can be like that, where certain case studies are elaborated: "*I would really appreciate if once we were chosen. This would be a great business development, business opportunity. (...) I think we should also be more prepared if we want to be interesting enough for them.*"

IV.5.11 Regulating organisations, authorities

Among the regulating organisations and authorities influencing the life of the association, the role of the Local Government of Józsefváros is the most significant as the space of the shop is rented from them and they also operate as their prudential supervisor. Apart from this, the role of the National Public Health and Medical Officer Service (ÁNTSZ) and the role of the National Food Chain Safety Office (NÉBIH) are also remarkable as these organisations gave permit for and at present supervise the operation of Szatyor Shop.

Beyond the formal relationship, a stronger, but rather professional relationship has also been developed with the official veterinarian, "*he understands what we are doing, but this is rather due to his own personality*". Previously there had been an idea about sending the foreign students coming for professional practice to Szatyor Shop, so they would see its operation in practice, but it has not yet been fulfilled.

Previously there was another idea emerging on the side of the government regarding establishing a growers' market in the district based on the connections of the association. The market was finally established, it operates some hundred meters from the Szatyor Shop on Saturdays, but the cooperation unfortunately could not be developed. The participating parties still have not discussed that case and the reasons for the failure of the cooperation, not to mention the conditions of a possible future cooperation. At present this can be considered the only relationship in the organisation, which does not operate with the common satisfaction of the two parties.

IV.5.12 Media

As far as media interest is concerned, a certain change was observed approximately 3-3.5 years ago, when environmental awareness suddenly entered the centre of attention and consequently the organisation itself became very much focused on as it was the first Hungarian pioneer in the initiation of the conscious shopping community. At that time their operation was presented on TV, in the radio, in online and printed press. Since then there have been regular requests, which the organisation tries to fulfil.

Appearing in press does not happen in an organized and planned way, it is rather ad hoc, and of reactive type; developing the connection with press is not a conscious activity.

IV.5.13 Presumptive reputation with the eyes of the stakeholders

When examining the stakeholders, it is also worth considering what they might think about the organisation they are in connection with. These presumptions can be later compared to thoughts phrased by the stakeholders.

Table 10: The presumptive reputation of the organisation with the eyes of the stakeholders

Stakeholders' group	The presumptive reputation of the organisation
Customers	*"young and happy team selling food originating from genuine and reliable sources. They know a lot about it."* *„it is not from the wholesale market and I like that there are programmes as well and they approach things in a new way"* *"hopefully there are some customers, who see the eco-conscious approach here that we are trying to use less wrapping paper and trying to sell measured things, which is not an option at other places"*
Suppliers	*"we pay immediately, friendly atmosphere, if there is any problem, then we can talk about it"* *„sometimes we order criss-cross"*
Representatives	*"it is different from and it is more than a friendly meeting, however its atmosphere is rather friendly and trendy, it is a kind of connection to things about the future"*
Local community	*" 'aro' branded products are* not on *'Salgó'* shelves, *for sure it is very expensive"* *„too many people judge beforehand, and they say it is not suitable for them for this or that reason"*
Civilian organisations	*„finally there is an organisation, which gives something genuine, tasty, good and nice"*
Regulating organisations, authorities	*„a bit freak"*
Media	*„cool team, good atmosphere"* *„there was no hesitation… it was flexible and cool, there was no embarrassment"*

Source: Edited by myself

IV.6 Corporate Social Responsibility

As regards Corporate Social Responsibility, the Association Leader phrases the following mission:

> *"Making profit is not the number one issue from business aspect, but it also takes such factors into account, which may influence the given place, its surrounding and the people living there, where the shop is operating. However it is social responsibility, I also involve its impact on the environment, because it goes back to people.* ***Cooperation and strengthening locality.*** *It is also social reasonability of some kind when I choose my business partners, let's say suppliers not just taking into account that is the cheapest in price-value proportion; but I also consider the fact that it is close to me. I don't just think of delivery now, that it means less fuel, but I am really positive that strengthening* ***local economy*** *can be made stronger with mutual cooperation's."* (Association Leader)

The interesting aspect of the unique definition is given not by its complexity, but that fact that several elements of CSR appear in that: social and environmental aspects besides economic ones, taking the stakeholders into consideration and the principle of cooperation. Furthermore, the need to integrate into local environment and the validation of the principles of Corporate Social Responsibility in basic activities are also involved. What is another important element of the CSR-strategy of the organisation is the long-term approach:

> *"This systemic and* ***long-term thinking*** *creates most important part of our social responsibility. (...) Therefore, if we want to support happier, healthier and more balanced lives, we should help or demonstrate"* (Association Leader)

IV.6.1 Mind framing programmes of Szatyor Association

Mind framing programmes organised by the association and organised for the members and for anybody is interested are for the urban residents, who have gone far from home-made food-processing die to their lifestyle. Our aim is to show them how to do canning, how to prepare organic cosmetics, how to bake bread or how to grow vegetables. We would like to make people be able to supply themselves with certain products and to encourage them to make use of their acquired knowledge at home as well. First they have believed that they are able to do this.

There are different groups as regards practical team works:

- canning, food-processing
- eco-conscious cleaning supplies, preparation of organic cosmetics
- gastronomic programmes: cooking school, preparing food from seasonal vegetables
- introduction of alternative gastronomic cultures, such as macrobiotics, vegetarian food, vegan cuisine or healing cuisine

Apart from the above mentioned there are regular communal programmes, which have the aim to let members meet – these occasions are for example: birthday party, information days, Christmas or other holidays and preparation for the holidays.

It was in 2014, when the first programme-designed especially for children-was held. The future plan is to strengthen this direction, which is they want to involve more and more children into different programmes regarding preparing food. Such program was the making of cane-cane in terms of preparing for Christmas and also the preparation for Easter.

Previously there were growers' visits organised, within the framework of which those who were interested not only could get an insight into the farms of the growers, but they could also do voluntary job at the same time, they helped in where it was necessary. Another form of this is when the grower comes to the communal place of Szatyor Shop and he gives a presentation there with a gastronomic show.

While he himself works as a social enterprise, the organisation itself has social corporate responsibility:

> *"If we have the chance, we try also giving the chance to people and social groups* ***to participate in this type of work,*** *who cannot really do this because of certain obstacles. I tell you an example: for example we had a project, where we did cooking together with women living in mothers' shelter or in crisis centres and we were talking about the topic. The news about our programmes usually does not reach them. Therefore we are trying to reach groups, which are not in our indirect environment and we believe that this topic affects everybody."* (Association Leader)

IV.6.2 Responsible operation of Szatyor Shop

During its operation, Szatyor Shop tries to reduce its harmful environmental and social effects and tries to strengthen its favourable environmental and social impacts.

During the creation of the scale of products, the principles of sustainability put into the centre of focus, even by reducing the possible profit with that. This is the reason why they are not selling certain products, such as banana, orange, avocado, not even originating from bio-farms. Probably there would be demand for such products, but the credibility of the organisation is guaranteed by the fact that it keeps the rules it has determined: *“seasonal vegetables, fruits, coming from organic farms, small scale”*. There are certain cases in their operation, when persuasion is overwritten by business interest.

The chance is given to growers who are not that assertive and who cannot sell their good-quality products on the market. One example for this is, Dávid –baker from Isaszeg- who is one supplier of the organisation. After a youthful accident, he was put to wheelchair. Based on business business interest, Szatyor Shop may not have chosen his products, but because of its Corporate Social Responsibility, growers at a disadvantage are preferred. They are preferred even it requires sacrifice from the colleagues, as it requires more resources in the field of communication, administration and logistics. In spite of this, it is rather important for the organisation to give advantage to these suppliers.

An important factor in choosing a small farmer is that they should have a small-scale farm, which produces vegetables and fruits in a humane, eco-friendly way; it is not a criterion for them to be a qualified bio-farm. They get the fresh products, such as vegetable, fruits, dairy products and bakery products within a 50-km distance. This is said to be the so-called „threshold limit” of sustainable food taking the emissions of harmful gases stemming from transportation into account, as regards professional literature of sustainable diet.

In case of processed products, the rule is not that strict as not all the products in the required quality are available within the distance of 50 km. For example, seed oil, which previously was procured from Őrség, but the supplier, has recently been changed to a company from Nyírség because of social aspects, which “*specifically employ women and it provides work places in disadvantageous villages”*.

It is an obvious requirement that rational compromises are necessary in the development of the range of goods, as for example coffee, tea and olive oil can be procured only from abroad. As regards these products, good quality and their qualification of bio-products is a requirement.

IV.7 Communication with stakeholders

Two types of communication with the stakeholders can be differentiated: one is rather formal, which happens via different communication channels and mainly focuses on one target group, while the other type is the personal communication, which is fulfilled primarily in case of the communication with the stakeholders being in direct connection with the organisation. The accidental imperfection and desultoriness of organised communication is compensated well by the personal communication of the leaders, colleagues, voluntary workers, which is kind, frank and inquisitive.

IV.7.1 Communication channels

Customers are weekly informed about the programmes and about the new or seasonal products available in the shop via a newsletter. At present 1700 registered readers get that newsletter.

At present 4890 people like the Facebook-site of Szatyor Shop (reflecting the condition on 08.04.2015.), where followers' attention is drawn to information in connection with products and programmes. Apart from this, there is an open group with the name Szatyor, which primarily focuses on community-building and on mind framing. It has 3598 members (reflecting the condition on 08.04.2015.). As far as foreign customers are concerned, a site called Local Food in Budapest was established, and at present it liked by 362 people. (Reflecting the condition on 20.04.2015.).

The notice-board found in the shop is open, anybody can pin any type of information he considers important; and of course information about any programmes can also be seen there.

There is no special communication channel for the small farmers only, orders are given in e-mail, by telephone or in SMS, and it is possible to meet personally on the occasion of receiving the goods.

The team of workers, which is under development, now checks the actual tasks every Monday.

The representatives of the association meet every month on a Monday afternoon, when they discuss the strategic plans and agree on the fulfilment of the next projects.

Szatyor Association and Szatyor Shop also possess own website. The former shows the activity and the programmes of the association, its main aim is mind framing. The latter one informs customers regarding the different products and programmes available in Szatyor Shop. Its ordering surface does not operate as a classical web shop as only the orders can be made there, but payment happens only on receiving the goods. Thus it estimates customers' demand and totalizes their orders, which is a great help for the small farmers and for the workers in the shop during preparing the order. Paying for the goods in advance would be difficult as it is not possible precise quantities from apples or potatoes.

At present the situation is that the website of Szatyor Shop is more elaborated, its operates actively; while on the website of Szatyor Association only the programmes and a short summary is available out of all the menu points.

IV.7.2 Personal communication

Since January 2015 I go to Szaytorbolt on a weekly basis – on one hand I go there to get what I have ordered and to make the interviews with whom we have agree on doing so in the shop; an on the other hand I go there to get insight into the connections of Szatyor Shop. In this subchapter I am going to briefly summarize the experiences of my observations gained in the shop.

Communication in all cases was very informal and friendly, both concerning customers and growers as well. The workers of Szatyor Shop know their customers by their names, employees know what their customers usually buy, they remember their previous orders, and thus they ask them whether they liked the product they bought before. Customers move freely in the shop, they are very curious and the most practical customers measure their goods themselves and pay in the honesty box, when they see the sales assistants are busy doing something.

Growers and suppliers coming with their goods are always welcome in Szatyor Shop, and the small farmers, who are selling and showing their goods in the shop offer their products by heart and they talk about their ingredients and the modes of processing with pleasure.

On the occasion of my first visit, I immediately experienced an extremely familiar atmosphere and as weeks passed by I met familiar faces, some of them were my interviewees once. I think that this kind of immediacy, honest inquiry and enthusiasm are the secret of the success of Szatyor Shop.

If it was about a bigger company, a chain Shop, then different regulations would define communication principles for the employees, pretending the make-believe of directness. A typical gesture of it is when for example in Starbucks café, the salesperson asks the name of the customer, then writes his name on the paper-cup, thus not only they guarantee that orders will not be changed, but they can also call their customers on their names when they bring their coffee. This makes the whole process more personal.

Big, international hotel chains have database about the customs and special needs of their guests, thus they can provide the same comfort for them at another hotel in another country – for instance preparing the type and size of pillow they like or setting up their favourite drink, food or magazine.

In case of such small business like Szatyor Shop, all this attention comes naturally and not consciously.

IV.8 Future challenges and opportunities

People are very grateful for the facilities provided by the organisation, the leaders usually get the feedback that "*it is so good that we can have you*. *This of course gives a lot of energy."* For sure they cannot see how challenging it is to start an initiation like this, but they see that there is a lot of effort in that.

It is challenging for example to find the common denominator with the growers of all kinds, but they are more flexible and more understanding just because of the <u>responsibility for small farmers</u>. This is the reason why more energy is spent on keeping the connections and on managing accidental conflicts.

One of the major challenges with regard to customers is <u>marketing</u>, which is to make the initiation more marketable widely. While it is a strategic aim to increase the number of customers, it easily happens that they cannot address the present consumers well. Apart from the newsletter, at present there is no other method to follow and to address costumers leaving the organisation. Although it would be important to know why they have not become regular customers, this would be an important feedback for the organisation.

The communication of the programme is usually ad-hoc, they are not advertised well and not advertised in time, it should be made regular, too. Besides this, mutual cooperation should be utilised more; common marketing activity should be strengthened.

The operation pursuing responsibility may mean a competitive edge from the aspect of the customers, but in several cases it also goes with their own limitation. As by restricting or disqualifying certain products, they would lose the profit made out of it. For them this is rather part of self-identity than resignation.

> *"There are so many things, which are not advantageous the way we are operating. But we could not operate any differently, it is not a compromise, not resignation, rather this is what we are."* (Association Leader)

What is the future plan for the organisation if they manage to meet the requirements and manage to take the advantages? According to the long-term plans, the development of the organisation is continuing in the future:

> *"This is a well-known initiation with a lot of people. And it divides as cells. It is not us who are always in the centre of everything. People are concerned about its importance more and more. It is a very cool, and community supporting system. "* (Association Leader)

IV.9 Summary

Szatyor Association and Szatyor Shop can be determined as special small enterprises with one non-profit and with one business foot,; they can be defined as social enterprises the most, of which significant peculiarity is that its basic activity is its Corporate Social Responsibility (mind framing, food-autonomy). While it has no formal Corporate Social Responsibility strategy and conscious stakeholder management as it is characteristic of small enterprises, it has managed to combat the challenge, which leading companies in the field of CSR were not able to suit all the time. Besides this, it does not only try to meet the requirements of its stakeholders, but it also intends to implement equal relations and mutual learning by developing net of stakeholders' relations and also intends to implement mutual sales. Its aim is not to create an organisation-focused, but rather an issue-focused process involving stakeholders; it mobilizes the net of its stakeholders' relations for the sake of conscious consumption.

The shortcoming of the stakeholders' communication is at present compensated by the sympathy towards the organisation, although for the successful implementation of the planned increasing process it would be necessary to determine strategic directions and priorities in the field of Corporate Social Responsibility and stakeholders' communication, too. Furthermore, more conscious planning and development of more organised and two-way communication channels with the stakeholders are also very important.

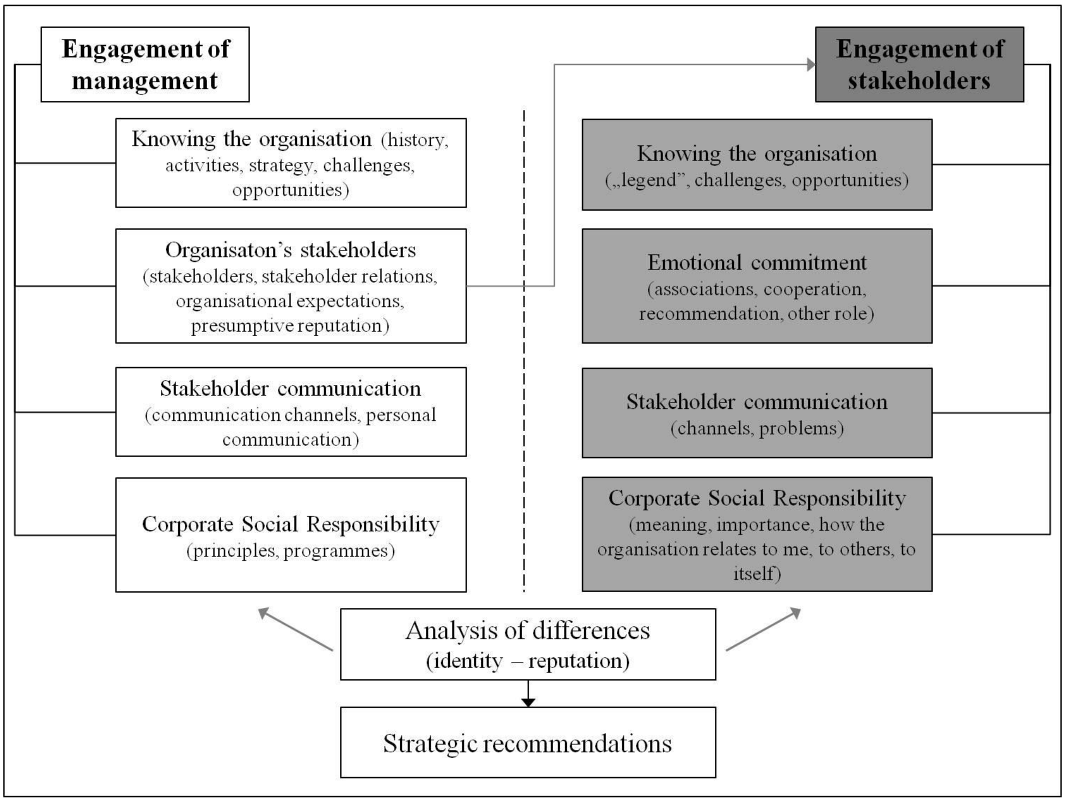
V. QUALITATIVE RESEARCH AMONG STAKEHOLDERS

Based on interviews with the stakeholders, this chapter shows how stakeholders view Szatyor Association and Szatyor Shop and what knowledge and requirements they have about them. Following the sub-chapter V.1, which demonstrated the participants of the qualitative research; in this chapter I am going to examine the four dimensions on the right side of the research model from Chapter III.

- knowing the organisation (subchapters V.3.1.1., V.3.1.3., V.3.3., V.6)
- emotional commitment (subchapters V.3.1.2, V.3.1.4., V.5)
- stakeholder communication (subchapter V.4)
- Corporate Social Responsibility (subchapters V.2, V.3)

The elements of the research model, which are examined in this chapter, can be seen with dark background in the following figure, with number 26.

Figure 26: Dimensions of stakeholders' qualitative research



Source: Edited by myself

V.1 The stakeholders

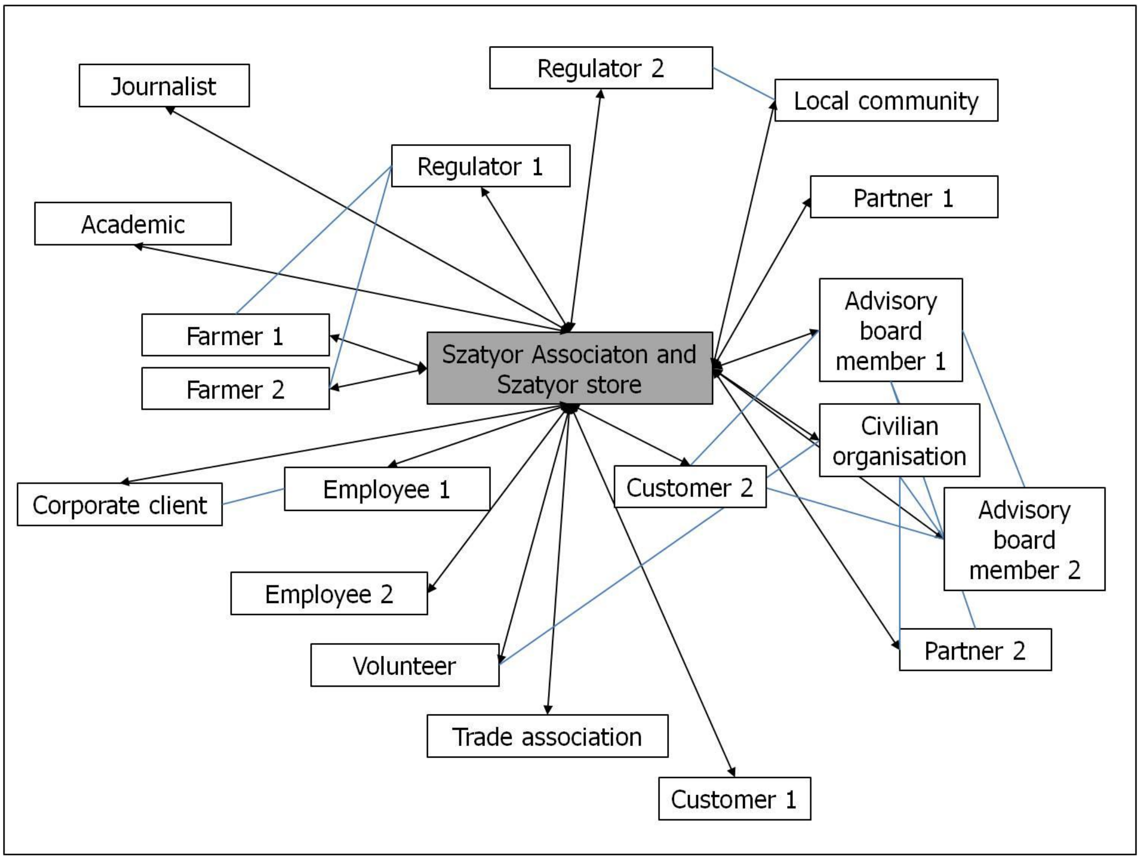
Prior to presenting the research results in details, I would like to introduce the stakeholders of Szatyor Association and Szatyor Shop, with whom I had carried out the in-depth interviews. Knowing them in more details contributes to knowing their background, their motivation, thus it supports the interpretation of the research results.

What was really interesting and at the same time surprising during the process of the interviews was that the majority of the stakeholders are connected to Szatyor Shop with more ties, for example they can be members of the association and members of the advisory board and local community at the same time, while doing voluntary job in the Shop and doing shopping there as well. The list of stakeholders participating in the research is shown in the following table with the number 11. The primary roles of stakeholders are enumerated there; where I have asked the interviewees and I will refer to them in the future with this name. Moreover I will present their other roles, which they have in Szatyor Shop. For each participant I tried to find a quotation, which is the most characteristic for them based on our conversation.

Apart from this, the stakeholders are frequently connected to each other as well, either due to their job or due to their personal interest. I could not map all these connections totally, therefore I will only show those attachments, which were mentioned by the interviewees. Figure 27 shows the connections and the presumed distance of the stakeholders form Szatyor Shop.

Considering Rowley's network theory of stakeholder influence (its detailed description is in chapter II.4.3., we can state that the organisation follows a strategy, which aims to have compromise as it has a central role in the network, but there is a strong connection between its stakeholders. Accordingly both the organisation and both the stakeholders can influence the other's operation, therefore it is their common aim to make deals and have compromises by keeping the balance.

Figure 27: Stakeholders' map of Szatyor



Source: Edited by myself

Table 11: Introducing the participants of in-depth interviewees

Name	Roles	Characteristic quotation
Academic	academic sphere, customer, thinking-together person	*"I have been interested in environmental issues for more than 20 years, such as ecologic crisis and the activity of mankind for changing biosphere. And more exactly in the last decade I am rather interested in solving these problems, how to find ways of creating another type of ecological society and economy."*
Farmer 1	supplier	*"I would mainly mention its spiritual proceeds. I don't think they have more profit from this which exceeds the average profit in a standard shop. No. It is rather about the consciousness that they are doing something good and they serve as examples for others and more and more people join them."*
Farmer 2	supplier	*"Listen, I do care about my children a lot. I have 6 kids and they grow up differently. They know how chickens and pigs look like alive, as there are kids in Budapest, who do not have the slightest idea how many legs chickens and pigs have"*
Corporate client	corporate client	*"As a procurer I think that trust and loyalty is very important for me. If I work with them, I know what quality products I will get from them and I know that I will get what we have discussed; and it is very important."*
Civilian	civilian, caretaker, customer	*"It is a bit difficult for me. We are working for one aim, and I really like that we are teaching so many things at this level as well. But as regards organisational level, I think that I do not get back enough from Szatyor that I should put more efforts in. At this level, I cannot be involved more in finding out more programs for Szatyor, as I don't want to..... (*note: make it similar for another similar organisation, where I am also working)
Local community	local community, thinking-together person	*"But I think, things are going rather slowly, but things could be developed and the main aim of the institutions' meetings would be strengthening each other in the field of communication. Because if we all reach our own circle, and we sum it up, then the possibilities will be multiplied. And we are partners in that. "*
Employee 1	employee, customer	*"I do enjoy preparing food, it is rather physical work. It is good, but what I really like is telling how the food was prepared and from what ingredients. People really like it, because we make tasty foods."*

Name	Roles	Characteristic quotation
Employee 2	employee	*"I like driving and I also like being within frames. We have opening and closing times, I like if something is strict like this. And I also like the eco-consciousness, that we make compost at home, thus we produce less waste."*
Volunteer	volunteer, customer	*"I wanted to deal with supplying customers with local food and I was very happy when my application was accepted. I was happy to be able to come to Hungary, because it is a great opportunity to live here."*
Partner 1	partner, civilian, supplier, customer, thinking together person	*"We deliver products to each other mutually. We have agreed on no to operate parallel, but rather work together. We get the food from them and they get the cleaning supplies mainly from us. Sometimes if we still have time –it rarely happens due to lack of human resources- we are thinking together about possible future programs. We have already put some of our common ideas into practice."*
Partner 2	partner, business client, thinking-together person	*"For me it means that I am trying to use commodities, which are grown in Hungary, are mainly seasonal and I know the farmers. What I usually say is that I know it is home-made pastry, it was not me who prepared that, but I know who did."*
Regulator 1	regulating authority	*"We usually meet on more occasions, where we do counselling, so we know about the plans and ideas, which arise on customer-meetings. And we usually meet at the place of the suppliers. They also get their goods mainly from certified market sellers, retailers; small companies and we might bump into each other there."*
Regulator 2	regulating authority	*"It is not only a food shop that can be operated like this. I think their example is an example to be followed. Thus, when a local entrepreneur comes to me with his plan to open a shop here, then I usually tell him to visit Szatyor and have a look at it how it is operating. What they are doing in Szatyor can be considered a kind of 'ars poetica' or business philosophy."*
Trade association	trade association, civilian	*"Maybe the whole started with my devotion to animals and plants and I always liked gardening. And I am really worried about the decreasing biodiversity. I was born in the countryside and when I moved to Budapest I realized how much different it is from the countryside. I saw that the city's business affects the everyday life of people, they are frustrated, because there is no green area nearby, the air is also polluted and what they consume is usually full with different compounds."*

Name	Roles	Characteristic quotation
Journalist	journalist, customer	*"I am trying to find known and less known people for a serial, and Szatyor has become one of my choices. The aim is definitely to show how one can operate a business without exploiting anybody and with being sustainable. It is absolutely possible to appear on the market by having these principles on mind."*
Advisory board member 1	advisor, customer, volunteer, corporate client	*"I am an enthusiastic customer and I sometime say, but say it with pleasure that I take my money here in wheelbarrow. I really like things from the market. It can operate like this, when the shop and the association meet. So I really like when it can operate as a for-profit shop, which has a message and it can put a service next to it, with the help of which the message can be conveyed."*
Advisory board member 2	advisor, customer	*"My friends know that I am interested in dietary issues. I quite frequently cook for them if they come to me or when we travel somewhere together. I like if we go somewhere for a long weekend and I do the shopping in Szatyor and cook for them. We prepare food from what I buy here and we eat that."*
Customer 1	customer	*"I come from a big and Christian family. We usually do voluntary work and I was brought up with high social responsibility awareness. Even in the school I organize the community service, which grammar school students have to do. In fact, in the broader community, where I was brought up, being eco-conscious was rather obvious. Since I have my own household, I have been trying to find the ways to be eco-conscious."*
Customer 2	customer, association member, volunteer, advisor, local community	*"It turned out that she is my neighbour (Association Leader). She decided to establish the Shop here in this house. And as I live in this house, it was obvious for me to help her. (...)At that time I was still here in Hungary, but then later there was the idea of delivering goods from the shop, and as I had a bike I could help in the beginning."*

Source: Edited by myself

V.2 The meaning and importance of taking responsibility

A significant part of the in-depth interviews was when I wanted to map what social responsibility, conscious lifestyle meant for the stakeholders and why they think it is important. As the interviewees have different background, they approached the question from different aspects, mainly paying attention to individual responsibility. Their answers can be put into 5 main categories:

- <u>responsibility</u>: we all should know that our individual decisions can affect others and our natural environment as well, thus social responsibility does not appear on individual level, but we are all responsible for each other. Moreover, those who have more possibilities should have more responsibilities.
- <u>local commodities</u>: Such commodities and foods should be preferred, which come from Hungary and are mainly seasonal. With this solution it is possible to put the countryside and the city closer to each other.
- <u>information, being informed</u>: Although it is extra energy and money, but it is worth finding out who produces the goods, where and how and what ingredients it has.
- <u>environmental aspects</u>: Taking environmental aspects into account means self-command, because we should buy only the quantity we really need and at the same time it means that the environmental load of the chosen products should be as low as possible. For example their delivery should have the least environmental load and they should not be thrown out as waste. Quite a lot of people become conscious as regards their food, and then they become conscious in choosing their cleaning supplies and beauty products.
- <u>consciousness</u>: If you want to live in an eco-conscious way, you will have to pay attention to a lot of things, such as what goods to buy and you should also consider the environmental effects of the chosen goods. Besides being attentive, you will have to have a critical approach as regards the saying, that 'we just get the land from our granddaughters to use." Decisions in connection with dietary issues will influence our physical and mental health as well.

I would highlight two definitions given by the stakeholders: one emphasizes environmental, while the other emphasizes social aspects.

> *"The most important is the sustainable consumption; the first principle of conscious consumption is to* ***consume less****. So, temperance is the reduction of considered consumption. Then comes, what we consume, it should be* ***as eco-friendly as possible.*** *So we should pay attention to choosing products with the smallest ecological footprint."* (Academic)

> *"Considering that we are not alone on this planet, we all* ***should take responsibilities****. From a transcendent point of view and from a social view, we are all responsible for each other and what we do with the things we have."* (Customer 1)

The stakeholders saw the personal importance of social responsibility in preventing threatening environmental and social catastrophes, in preserving their personal health and quality of life and in having long-term goals for securing suitable conditions for the next generations.

> *"The* ***ecologic crisis,*** *I can simply explain it, the climate change, extinction of different species, air pollution, harmful synthetic compounds, soil erosion – these are the five most threatening environmental problems, which draw our attention to the fact that it can lead to more serious* ***social crisis****, social catastrophe, so we have to live and consume somehow differently."* (Academic)

V.3 Categories of Corporate Social Responsibility from stakeholders' point of view

Hillenbrand and Money put the corporate and stakeholders' network into three categories, which were defined as main dimensions of reputation and main categories of Corporate Social Responsibility. The theory is presented in details in chapter II.6.2.2.

Table 12: CSR- and reputation dimensions

Main category	Sub-category
The corporate's connection to ME	What it says, the communication
	Advantages provided for me
	Its attitude to integrity, to transparency and to accountability
	How I feel myself
The corporate's connection to OTHERS	Local communities
	Society in the broad sense
	Such stakeholders, with whom it has indirect connection based on transaction (employees, customers, suppliers, investors)
The corporate's connection to ITSELF	Long-term business success

Source: Edited by myself based on Hillenbrand – Money [2007] p. 271

In this subsection I will examine how the stakeholders view Szatyor Shop in these dimensions, how they value it from the aspect of Corporate Social Responsibility and reputation.

V.3.1 Corporate's connections to stakeholders

Based on the theory of Hillenbrand and Money, the stakeholders define their own connection to the organisation with 4 subcategories. These are the following: communication, personal benefits, the organisation's attitude to integrity, to transparency and to accountability and their personal feelings.

V.3.1.1 Communication

In connection with the observed communication, I examined what the organisation communicates about itself according to the stakeholders. Therefore I asked them what they knew about the history of the initiation. Among the 19 stakeholders participating in the in-depth interviews, 14 stakeholders - surprisingly a lot- knew the „legend" of Szatyor more or less and 3 of them took part in the initial work of the organisation as volunteers. Among the others, 4 could tell the history of the organisation in details, while 4 had just partial information.

The following elements of the „Szatyor-legend" were mentioned:

- family and friends' get-togethers, who

- ordered together form agricultural farmers or growers
- to order healthy food,
- to connect conscious customers living in the city to farmers
- first they collected the orders in an Excel-file, without any background IT knowledge
- orders could be received once a week at temporary places,
- where volunteers helped in packing the ordered goods
- later they started to develop and they had new distributing points and home-delivery service also started
- finally the business place of Szatyor Shop was developed

"I know that it was established by the Association Leader and her friends 8 years ago. I think it had already been operating for 2 years, when I came here. It was a brilliant idea to do the shopping together. First they had the Excel-file. They were just 12. In the beginning they were in Dohány utca 57, in a cellar, where we could go on Thursdays between 5-8 and we had to ring the bell and we could buy or anything and they had the laptop and we could buy from boxes. At that time it was the ***customers' community****. Then the association was established and then the shop, as its* ***physical location*** *and more distributing points, and they deliver to Prezi."* (Advisory board member 1)

We can state that the majority of the stakeholders were absolutely aware of the history of the organisation because of the formal and informal communication of the organisation. It is obvious that the stakeholders who are tied to the organisation more strongly possess more thorough knowledge of it, although it is not sure that the communication of the organisation reaches Szatyor's stakeholders in a wider circle and they know their „legend" in such details. Knowing and sharing the organisation's history with others is a typical feature of the brand-communities, thus the members of the brand-communities know the „legend" quite well and spread it to others. (Muniz & O'Guinn [2001]

V.3.1.2 Personal benefits

The personal benefits phrased by the stakeholders can be put into the following 6 categories:

- approval
- inspiring
- buys here
- good feeling
- net of connections
- community

The approval was mentioned as personal benefit by the partners, belonging to the circle of Szatyor's suppliers –based on the quality of their products- is a kind of trademark or rank for them.

> *"People usually say it is credible market. It is also good from moral aspect. It is a secure point that I can supply my goods there, it is a kind of* ***trademark****."* (Partner 1)

Some of Szatyor Shop's friends considered the shop as an example to be followed, which inspires them. It is a unique, kind and valuable initiation, besides they consider all the participants in this cooperation inspiring:

> *"As a journalist I am very happy that I can do this documentary, this is my personal favourite among those cases I am dealing with.* ***I am always delighted when I have the chance to speak with people like this.*** *And it always turns out that there are people who are devoted to such things."* (Journalist)

Perhaps the most concrete personal benefit is that stakeholders have the possibility to buy the products of Szatyor Shop. According to them there are more products available in the shop, which could only be bought from somewhere else after long searching. Due to the connections, they can get quality commodities easily:

> *"I take the food from here all the time, it has its advantages, because we only* ***have good quality things at home****, and I am really proud of that..."* (Employee 1)

Viewing from different stakeholders' aspects, it is a good feeling to have a connection with Szatyor Shop, it can be from the aspect of an employee (body-tailored, lovable field of activities), or member of the advisory board (voluntary job), or a customer (mind-framing):

*"On one hand **I feel good** that I am responsible and at the same time I know that I get good quality and fresh goods for my money."* (Customer 1)

Beyond the good feeling, the <u>net of connections</u> can also be considered as benefit and people share it with pleasure with the stakeholders:

"I think these connections are good for me. There is a certain data-base here, and I ask the Association anytime whether she suggests XY grower or does not or where I can find this or that farmer. They give advice and give us information." (Civilian)

However the most significant personal benefit was the <u>community</u>, which was developed in the neighbourhood of Szatyor Shop and where stakeholders have active and voluntary roles, such as supplier, representative of a civilian organisation, partner, volunteer or advisory board member:

*"I really believe that in our world it is very good to be a **member of a group** like this. Just like it was religion or something else a long time ago. It is the same, it attracts you and you belong to a group."* (Advisory board member 2)

*"I do the shopping or if I have half an hour, I help here, when the others are busy, because there are so many customers. I scale the goods, and the customer pays. I simply need it for my **social life."*** (Advisory board member 1)

V.3.1.3 The organization's attitude to integrity, to transparency and to accountability

Hillenbrand and Money focused on the aspects of big companies and its stakeholders in establishing their theory. In case of a company with the size of Szatyor Shop, honesty, transparent operation and accountability appear in different dimensions. The importance of personal trust and credibility is a lot more significant instead of the systems and institutions, which ensure them.

The Association Leader has personal credibility, recognition and an extended net of connections in „green circles" – more stakeholders stated; some were advisory board members or representatives of civilian and academic sphere. This is one main source of trust of high level:

"I think due to the communication of the association Leader, their credibility is valid, so we ***are a credible organisation*** *and we are worth cooperating with."* (Advisory board member 2)

The other main source is the positive experiences, which were obtained by the stakeholders in different customers roles: in the majority of cases they were given good quality goods, and if there were any problems, it could be solved immediately on the spot. Their credibility is further intensified by the fact that on the website there is a menu point, where you can get to know the farmers: you can see their names and also there is a photo attached (their photo and the photo of their products), and you can find the necessary information about from where and what products they deliver to Szatyor Shop. There are farmers, who have a short introduction and their own ars poetica. The fact that they do not only give their names, but their photos as well is rather soothing for those who still do not know them, their operation and their leaders:

„I really like that I can see the ***pictures of the growers*** *as well. So I absolutely trust this company and I believe in them. I want them."* (Customer 1)

In the field of transparent operation, stakeholders found some shortcomings – it has arisen mainly in case of those who have a daily connection with the organisation and participate in their life somehow:

„As regards its profitability, the things is whether it is sustainable or not. From economic point of view. I don't know. I don't even know how much we sell within a week, or what about our turnover; ***I don't know anything about this****. I think it is a problem. But just a small one."* (Employee 1)

„I am an economist, and I am interested in everything. I am interested ***in the turnover of the shop, how many employees it can have or also where are we on the market****. But I don't know the amount people order a week. I don't know and as we are members of the association, we are rather aware of the financial situation of the association. The shop is totally a for-profit enterprise."* (Advisory board member 1)

V.3.1.4 Personal feelings

When I asked the stakeholders about how they feel themselves in the relation with Szatyor Shop, most of them shared their positive feelings in connection with that.

„I think it is a very positive community. It was good to see, even when the shop was about to start, how many devoted people were doing voluntary jobs there and really they were very enthusiastic and it could be seen on them that they were absolutely devoted to that issue And I guess it could have been very good to experience it as a leader. ***We are also motivated by them****. And their success is our success as well."* (Partner 1)

„It is a good feeling that I can get all these products, and it could be good that everybody would feel that. ***We can meet so many nice and interesting people here.*** *They have events here; meetings and you can see many aspects and can hear about different topics."* (Customer 2)

There were only two stakeholders, who had negative feelings, but neither of them can be directly linked to the attitude of Szatyor Shop; but rather it is about given situations.

One of the regulators would like to cooperate with Szatyor Shop in the long-run as regards the operation of the local market, within the framework of which the organisation would help in winning the growers, but it has not happened yet.

„Not too good, I would rather prefer a continuous intensive connection. Sometimes it is quite difficult to manage, but there are too many things in that; people have thousand different other things to do, I do not want to hide my own imperfection in this matter, because I also have mistaken ***in not having and intensive connection****. Sometimes it is very hard to find the way through the bureaucratic system in concrete cases. But when we are on the top of a wave, and we are in an intensive communication with Szatyor, then it always has future perspectives how good it would be to cooperate together, but the practical implementation takes too much time."* (Regulator 2)

The representative of the civilian organisation participates parallel in the work of Szatyor Association as an advisory board member and as a leader of another civilian organisation, which deals with sustainable lifestyle and nutrition. His negative personal feeling comes from this identity-conflict:

"This is my first child, and Szatyor is the second, so I am saying I am like a ***double agent****, but where it is possible, I try to keep it, but on the other hand I*

don't think it will make me happy in the long-run, if we are so similar." (Civilian)

As a summary we can state that the stakeholders of Szatyor Shop possess positive personal feelings towards the organisation, there were just two exceptions, but both stakeholders feel doubts originating from their own personal roles; the problem is not the communication or the attitude of the organisation.

V.3.2 The corporate's connections to other stakeholders

The corporate's connections to others can be analysed with three sub-categories: local communities, society in a broader sense, and those direct stakeholders who are in transactional relation with the organisation– for instance: employees, customers, suppliers, investors.

V.3.2.1 Local community

The local community of Szatyor Shop is the block of flats, where the organisation is operating on the basement in a shop owned by the local authority. During the process of making the interviews, I could talk with somebody-who lives in that block of flats- and he said that he is in very strong relation with the organisation, and he had helped in the redecoration of the shop previously; and besides this he supports this initiation as a member of the association, as an advisory board member and as a volunteer. For him Szatyor Shop means the primary source for his goods besides local network.

"Well, what is difficult now is to try to remember ***where exactly I did my shopping before****. (...) the range of goods has expanded continuously, and now you can buy almost everything there, except for lemon, banana, and toilet paper, because I buy them somewhere else."* (Customer 2)

Considering local community in a broader sense, it is the so-called Palotanegyed region of the VIIIth district. The number one communicational tool is the group of people who visit the shop day by day. Therefore more attention should be paid to seduce local people into the shop, as far as the opinion of an advisory board member is considered. Local people should be encouraged to enter the shop first of all:

"Anybody, who comes into the shop from the street, creates a picture about the shop, it is quite obvious; I always say that we should invite people in and we should write it on a board who we really are. Because they might say that „yes, I know you are doing something bio, and may be it is too much for them. Because it should work like, ***people entering the shop, simply the neighbours****, as they live here in the block of flats, where there are 100 flats."* (Advisory board member 2)

The community life of Palotanegyed is joined by an association called Civilek a Palotavárosért Association (Civilians for Palotanegyed Association) and Szatyor Shop is an active member of it; thus it is connected to the local community at an organisational level:

"Just as I have said, there is the association, the CAPE (Civilek a Palotavárosért Association), and they ***cooperate with a lot of others*** *besides them, civilian life operates quite well here, which is generated by CAPE somehow. And they are in this circle. But I know the exact form of their cooperation."* (Regulator 2)

"It was not long ago, exactly last year, when the Association Leader told me that they would like some kind of ***grower's garden*** *in their neighbourhood. We asked about the possibilities in this issue."* (Local community)

V.3.2.2 Society in a broader sense

The organisation implements a lot of things for the sake of the society, which is a society in a broader sense and in terms of sustainability; their activity can be divided into two parts: the mind-framing programs, which are organized by the association and making the operation of the shop sustainable.

Based on the reports of the stakeholders, the following mind-framing activities and events have been organized, the majority of which focused on preparing food popularizing more conscious lifestyle:

- common potting, preparing syrup
- cooking courses (such as cooking based on the methodology of traditional Chinese medicine)

- participation in the initiation of Restaurant Day (open day for the restaurant, when anybody can open a restaurant for one day)
- mini market: providing opportunities for farmers growing products in really small quantities to sell their goods
- exchanging seeds and plants for city gardeners
- programs especially designed for children, such as preparing Christmas candy
- permaculture-course (permaculture is an agricultural system imitating ecological processes)
- meeting with farmers and chatting with them: when farmers talk about their own methods, and their products can be tasted or when their plant is visited by people and they can do voluntary job there
- film club
- course for preparing natural soaps and beauty supplies or preparing eco-friendly cleaning supplies,
- developing a corner for library with books on topic of sustainability
- communal space: the space of the shop itself can be used for communal events

One aim of the programs is to get income, so the organisation can finance other events from that money. However, there are other possibilities where you can participate at cost price. The programs of the association principally, but not solely target the members of the association, thus any enquirer can participate following a prior registration.

> *"Not only cooking courses are organised here, but there are other activities as well. We do these cooking courses mainly for gaining income, it is not really non-profit, but we would have some money to* ***plough back****. (...) We have programs, which are absolutely of* ***non-profit type,*** *such as potting together; when you buy the tomatoes or any fruits on prime cost, then we will make jam from it here."* (Employee 1)

These programs mean in the first place social responsibility, as they provide different possibilities for people to develop, to learn, although indirectly they implement environmental aims as participants who acquire the principles of sustainable lifestyle, will not load the environment so much in the future in case they live, eat and clean in a more eco-conscious way. Furthermore the association strengthens the local economy by popularizing the local and eco-conscious growers and their products. All in all, the environmental, the social and the economic dimensions of Corporate Social Responsibility are present in the operation and in the programs of the organisation. The Szatyor Shop is trying to make its own operation more sustainable in different ways. The stakeholders identified the followings out of them:

- certain products are not available (for example: banana, orange), because they are not domestic, seasonal products
- soft drinks are sold only in glasses and not in plastic bottles
- shelves are not stuffed with stocks
- special attention is paid to using less wrapping paper, and if the use of wrapping paper is inevitable, they try to use eco-friendly paper (refundable bottles, paper-bags made of recycled materials, etc. . .)
- a lot of products are available not only in pre-packed version, but in measured portions as well (for example: oil, yoghurt)
- the furniture of the shop is made of recycled materials (e.g.:. lamps made of bottles)
- products, which are about to expire soon, can be bought on half price on Saturdays (less waste and also people, who otherwise cannot afford to buy in the shop, can buy certain things there)
- waste can be composted
- a significant portion of dairy products come from within a 50-km circle in order to decrease the emission of harmful gases generated by transportation
- the aim is to work with growers, who can become suppliers of the shop after a careful ’qualification’ process
- cold cuts and sandwiches are prepared for different events from the products of the shop, and the aspects of sustainability is always a top priority

Paying attention to environmental, economic and social principles is not only an autotelic activity, but it can also mean a competitive advantage in the battle for conscious customers and this is what distinguishes the initiation from other, maybe „more permissive” competitors:

“So why Szatyor Shop is better than other places? Well, because we ***had to go through a very strict process*** *and this of course means extra energy and it is*

very important for us to have good quality things almost constantly, and from reliable sources." (Employee 1)

The consciousness represented by Szatyor Shop requires a kind of openness and ability to change attitude from the side of the stakeholders, and especially from the side of the customers, as there are not too many on stock in order to protect environment, and this differs from the usually stuffed shelves:

"What was quite surprising for me is ***that there were not too many products****, or at least any time I was there I didn't see that the shelves were full of goods. This was really surprising for me. But after I had spoken with the Association Leader, it turned out that there is reason for that. Because one way to avoid waste is simply to have small amount of goods. But as customers, it was astonishing to enter a shop where the shelves are half empty." (*Journalist)

From the activities enumerated by the stakeholders, we can state that the environmental, social and economic dimensions are also present in the operation of the shop apart from the operation of the association.

V.3.2.3 Direct stakeholders

According to the theory of Hillenbrand and Money, direct stakeholders are the stakeholders who are in a direct relation with the organisation, and their connection is based on transaction, such as employees, customers and investors.

In case of Szatyor Shop, only very few people know that there is an investor who supports the activities of the organisation from the background, thus we did not talk about the type of connection during the in-depth interviews. There are only few employees (one leader and two employees); therefore the participants of the research had just some information about the relation with stakeholders. But what quite a lot of people mentioned was the relation of the Szatyor Shop customers to its suppliers and the always positive reception, which can be experienced in the shop.

It was very good to see during the interviews that the unique, friendly atmospheres of the shop can be felt not only by those who know the organisation well, but also by those who are indirect stakeholders:

"Familiar and friendly. Just like a community, so the borderline is really obscure. It can clearly be seen what is right and what is not. There are just

minor problems there. Absolutely small ones.. (...) Just like a wedding party in the countryside, where ***everybody knows everybody****, so this is how I can depict this picture."* (Employee 2)

As regards those who are not yet in the „circle", and do not know the colleagues of the shop, it can easily happen that they feel they are outsiders and the world of Szatyor Shop may seem a bit closed and very insider for them:

"I felt that the employees communicated in a friendly way with those who are in the circle, but the circle is a ***bit closed*** *for others, although it would be important to communicate well also with those who are just enquirers, but possible would-be customers"* (Journalist)

One possible reason for this is that the organisation is struggling with lack of human resources and sometimes its relation with the regular customers is hectic, and communication is only occasional. Stakeholders judged suppliers' connection very positively, they know that the products, which are provided by the farmers, are the base of the reliable operation of the organisation, and therefore Szatyor Shop pays special attention to them:

"If I know it well, the relation with the suppliers is very good, because ***the whole story is based on them,*** *and they pay enough attention to them. And there can be one more group of the stakeholders: the potential partners, but I don't know how they build this relationship with them."* (Journalist)

V.3.3 The corporate's connection to itself

The corporate's connection to itself can be observed mostly in the field of long-term business success. Although the interviewees of the research trust the business concept and they contribute to its success also with their own resources (products, professional knowledge, time), it was already conceived by more people whether this exemplary initiation can stay alive in the long-run. The establishment of long-term success was determined as one future challenge for the organisation:

"I think it is also a challenge whether this can be sustained financially. How many people will buy here, how much they will spend here or how many programs will be organised, how they could pay the employees. These are the big questions, these are really challenging issues. Anyway, this is an investment.

A very strong investment ***humanly and financially as well,*** *where the responsibility is only on very few people and they don't want to fail, they want it to be successful."* (Civilian)

The role of the business angel was arisen during the interviews, and he is the one who at present gives financial support to the operation of Szatyor Shop. It is still a question whether the initiation would survive independently, without his support:

"Well, I don't really know their financial situation, but it can be a challenge to stop at cash-flow level, whether the amount of income is enough for the expenses. And if it is not, then ***for long they can solve it from other sources, for how long someone else will sponsor them****?"* (Partner 2)

According to the representatives of a rather optimistic view, it is the unique business model, which can bring long-term success for Szatyor Shop:

"This can for sure have a long-time effect. If something gives profit in a very short time, then it will soon die. Only few products will maintain on the market out of those, which enter the market suddenly and very quickly. I think they are the type of enterprise, which will be successful ***in the long-run****."* (Corporate client)

Judging the chances of long-time success, the history and the development of the organisation has to be taken into consideration. Actually the organisation can be very proud now to have achieved significant development as they could implement Szatyor Shop from a friendly initiation, from a voluntary cooperation:

"As a matter of fact the whole started as voluntary work and now they can pay for the employees, so they ***established workplaces****."* (Partner 1)

And if we take one of the company's major values, namely sustainability into consideration, the judgement of long-term success will have a new dimension. Maybe it is not the aim for Szatyor Shop to grow as big as it is possible, maybe self-sustainability and stabilizing its operation is in the focus for them:

"It is a question what we consider success, if it is maximizing profit, then it is not, but if we say success for us is to be ***self-sustainable,*** *then it is a real success if it can be fulfilled. They won't grow rich out of this."* (Partner 1)

V.4 Communication with the stakeholders

During examining the stakeholders' communication, I asked the stakeholders about the tools the organisation applies in the process of communicating with them; and I also wanted to reveal whether they experienced any kind of communicational problems and how much they know about the communication with other stakeholders and what suggestions, requirements they have in connection with communication.

V.4.1 Communicational tools

As regards communication with different stakeholders, the major tools are telephone and e-mail and also personal arrangement is frequent.

- In case of <u>partners</u>, orders mainly happen in e-mails in order to be able to trace them back. On receiving the goods, it is also possible to have arrangement on the spot personally in the shop, this is the time when they can get feedback or they can discuss any other issues.
- For the <u>employees</u>, there is a weekly meeting, and personal communication is the most significant in their cases. They do the scheduling of their tasks with the help of different online platforms (e.g.: Google Drive, Task Manager).
- A new application has been just introduced for the <u>advisory board members</u> in order to follow their on-going projects and to follow their tasks, which they discuss on their monthly meetings. *„I don't know whether it will really help us, but it is like an attempt to implement a bit more professional communication."* (Advisory board member 2)
- In case of <u>regulators</u>, there are personal meetings, which are arranged beforehand. And if it necessary there are field-visits previously in order to discuss the current issues. Of course official inspections are exceptions as they need no prior notice.
- In case of <u>customers</u>, personal communication deserves top priority and one customer regularly visits the website of the shop just to check it. Previously there was a recipe-card in the weekly vegetable-pack, but at present there is no card unfortunately, which that customers really liked and misses it so

much now, as he thought it was very useful., mainly because he got to know a lot about the new products and ingredients.

Apart from asking about what communication tools are used in their given stakeholder's role, I also asked them during the in-depth interviews, what they know about the organisation's communication to the other stakeholders. They had information only about consumers' communication, and they were completely aware of its tools:

- *"Facebook, website, personal meeting. People* ***offer*** *it to each other, the word of mouths really works. And this is the most important tool."* (Volunteer)
- *"But I think personal meeting is significant, as Szatyor Shop is a meeting place, which is perfect for personal meetings. Moreover they organise programs, where people can meet others personally. I think it is very important to move to* ***personal from impersonal direction****. "* (Academic)
- *"What I don't like is the flyers. I think it is good that it is* ***on the wall*** *of the shop and programs are listed there. There is a Facebook Szatyor group, and there is a Szatyor Shop website and newsletter, too."* (Civilian)

V.4.2 Communicational problems

The present shortcomings of communication can be clearly seen from the answers the stakeholders have given for the question how the current connection could be further developed. The stakeholders mentioned the field of communication is the majority of the answers.

- It would be helpful for the growers if their job was able to be scheduled. If it was possible to discuss the products and the required amount of them right before the season.
- The division of tasks between the Association Leader and the advisory board members is not yet clear, it is not clear who is responsible for what.
- The cooperation with the partners is not always without problems; it sometimes happens that they cannot promote the others' programs.
- For an outsider, the mind-framing programs of the association (workshops, growers' visits) are sometimes not traceable, as there is no precise schedule to be followed, they are advertised and organised in an ad-hoc way, thus the number of participants is sometimes quite low.

- A more intensive communication would be necessary than the present one. More people should be informed about his initiation, on more platforms. It is also important because of the more and more intensive communication and appearance of competitors.
- Appearance in press would be better if the organisation was more prepared to provide information about itself.
- During the operation of the organisation, most of the tension originated from the shortcomings of communication: "*Personally, as well, but the Association Leader is only rarely in the shop, that's why the communication is bad, because we meet rarely and anytime we meet, she always has something else to do. Not just one thing, but many.*" (Employee 1)
- As part of the professional operation, communication should be put into a regulated form; more attention should be paid to it.

Some communicational problems have already arisen during its operation so far, which should be prevented by both parties, at least this is what the reports say:

- In case of the partners, it already happened that the supplier could not deliver the given product, but he found another farmer instead of himself. It also happened that the order was not given correctly: *"instead of 7.6 kg cucumbers, it was 76 kg in the order and I transported that amount here. (…) The rest of the cucumbers were handed on consignment."* (Farmer 1)
- The organisation representing the local community would be happy to share news about the activities of the organisation and programs in its own newsletter and on other communicational platforms, but he gets no information about it from Szatyor. Although at the same time they find their own communication something to be developed, thus they created their own institutional meeting in order to strengthen their communication and they would like to get in closer connection with the organisation in order to get to know each other more.
- In case of the employees, the arising problems are solved on the spot, as it is the most obvious for them; and the shortcomings of inner communication refer rather to organisational issues.
- Based on the feedback of the partners, sometimes it is difficult to get in touch with Szatyor because of the disorganised manner of the organisation

and the accounting of the orders is sometimes late, too. There is one partner, who usually orders from Szatyor by the gross, and it already happened to him that he received completely different quality goods from what he had ordered; and it made his work more difficult. Their solution for this kind of „vis maior" situations is that they do not order any goods of critical importance, they just order extra things, which belong to the so-called „icing on the cake" category.

- In case of the regulators, there was a more significant communicational misunderstanding in connection with developing a growers' market; according to the stakeholder there was an impression created in the organisation that their solution was not good. On the contrary, it is the slowness and circumstantiality of clerkly processes, which hinder cooperation. According to the promise of the regulator, more attention will be paid on communication and on keeping promises in the future.
- The advisory board members do not consider their own operation efficient enough; they think that they are not able to implement the already discussed plans (in time). It is usually the Association Leader who helps them out in very urgent cases, but it is not the optimal solution in the long-run as she already has too much burden on her shoulder. According to them, the stem of the problem is that the advisory board members are volunteers; therefore hauling them up for the tasks is quite difficult. The solution to the problem is if the association undertakes fewer tasks and consequently fulfils the duties it undertakes.
- In case of the journalist, the association did not turn up on the agreed time because of a misunderstanding, and although the interview was made later via telephone, and association leader impressed the journalist in her favour; he thinks that it would be worth arranging the communication of Szatyor in a more professional way in the future. Appearing in press is important for the organisation, but the journalist cannot or do not make extra efforts in order to get the necessary information.
- More customers had communicational problems: due to a technical problem, the amount of ordered goods was multiplied on the ordering platform, but with the help of a set of friendly and helpful emails, the problems could be solved. It once happened that the corporate client did not receive the ordered

amount and it turned out only when the presents were delivered. In this case, it was the lack of communication, which was responsible for the problem: *"I mentioned it in time, so you can say yes or no, or you can say a price I will think about, if it is too high."* (Advisory board member 1)

Summarizing the certain groups of stakeholders and the communicational problems, we can say that there are difficulties in the operation in spite of the good will, but the organisation is able to solve all the problems with kind and sincere communication in most cases. Although a lot of problems could be prevented with a more organised and more precise communication.

V.5 Emotional commitment

An important feature of the stakeholders' relations is that factor how much the stakeholders of the organisation are committed emotionally to it. It means what they think of the organisation, whether they have long-term plans with them or if they can imagine any other types of relations with it, whether they offer it to others or protect it from others.

Figure 26 shows the stakeholders' association of ideas in connection with Szatyor. It can be clearly seen that only positive adjectives were enumerated during the in-depth interviews, moreover it turned out that stakeholders know and acknowledge its activities and efforts and they appreciate the positive atmosphere experienced in the shop.

Figure 28: Stakeholders' association of ideas in connection with the organisation

Source: Edited by myself

One of the important sources of emotional commitment is the association Leader, who has been participating in the work of the organisation for years. The stakeholders emphasized her kind and inspiring personality, her perfect skill to make connections, her professionalism in the field of conscious nutrition, her extended net of relations in „green" circles and among growers. For some people, she is Szatyor herself; she is the main source of credibility: "*On one hand Szatyor is tied to the Association Leader personally, and on the other hand there is ecologic agriculture, but the two are inseparable."* (Academic)

Those who have deeper insight into the operation of the organisation, such as the employees and the advisory board members, have already experienced that one reason for the present problems in organisation is that the Association Leader has too many duties, which she cannot delegate effectively. One stakeholder phrased his appreciation owing to the fact that the Association Leader –being a good leader-already recognized this problem and is trying to solve it somehow. All the stakeholders, with one exception only, answered yes to the question whether they plan to stay with Szatyor and plan to cooperate with them in the long-run. The stakeholder with the name „Farmer 1" will stop cooperating with the organisation in the end of the year due to personal reasons.

All the other stakeholders unanimously stated to continue the cooperation with Szatyor and they were really enthusiastic about it:

> *"Moreover, I have a word in choosing the direction where to go, it is really a* ***tight relation****, and I* ***don't know what should happen*** *to stop this connection."* (Advisory board member 2)

Almost all the stakeholders had already offered the products of Szatyor to others. Of course there is difference in the intensity of their offers; some of them just mentioned the possibility, while others were very enthusiastic to go into details about the initiation.

> *"Well,* ***reactively****. It is not like I am going on the street asking people „Have you already heard of Szatyor", but if it comes into question, of course I start talking about it. I am a Szatyor fan."* (Partner 2)

> *"Yes. At present I am working on having a* ***distributing point*** *at my workplace, and if 10 people ordered a week, their things would be delivered. It is not impossible to reach it, but people usually realize things slowly."* (Advisory board member 1)

The latter quote is a demonstration of an interesting phenomenon. While multinational companies spend a lot of money on winning the opinion-leaders relevant at their field to be brand-ambassadors, in case of Szatyor the enthusiastic and committed stakeholders do their activities voluntarily and simply because they are convinced about it and thus they become their trademark-evangelists.

There were only some situations so far, when the organisation had to be protected, as people basically reacted in a very positive way to the initiation, at least according to the stakeholders' reports, so it is quite difficult to find anything they don't agree with. Two stakeholders mentioned that their acquaintances considered Szatyor's products expensive: one of them referred to the outstanding price-value ratio, while the other stakeholder had to agree with the previous statement, thus he could not protect the organisation. Another enthusiastic customer could reason well in favour of the initiation by using his own positive experiences, when he had to face the negative opinions of his acquaintances:

"I may change the opinions of others, because I was surprised to bump into two people who had negative experiences. I did not have any negative experiences. ***I was really trying to defend the organisation****."* (Customer 1)

Defending and offering the organisation (either as a trademark-evangelist) is a characteristic feature of brand-community. Muniz and O'Guinn identified this phenomenon as communal responsibility and keeping the members of the community. (Muniz & O'Guinn [2001])

It was surprising for me that some stakeholders were thinking about deepening their relation with the organisation sometime in the future, and that they would appear in new roles in the life of Szatyor Shop. It is not the concrete role, which is important, but rather the intention, the open attitude. Fourteen out of the participants of the research would not seclude themselves from the possibility to try themselves in other roles, for example as customers, as suppliers or as employees. Of course, buying in the Shop means a completely different commitment level; it means a looser relation than becoming a supplier for Szatyor.

"Yes, I have been thinking about it recently. ***I would really help them somehow****. (...) I would go to farmers with pleasure, for the goods, or just to do the delivery. I really enjoy doing this..."* (Farmer 1)

V.6 Future challenges and possibilities

After examining the future plans of stakeholders, I was curious to know how they view the challenges and possibilities, which the organisation will probably encounter.

The most significant challenges were said to be the changing of people's attitude and the lack of resources characterizing the organisation, namely the capacity-limits originating from the operation. As far as people's attitude is concerned, which means what people usually think in short term and they prefer comfortable and cheap shopping opportunities and do not think of the aspects of sustainability.

"I think here in Hungary it is still a big fight, because all participants had to be convinced at the same time about the benefits of it. So the farmers, the customers

as well, and as far as I know even the regulating circumstances do not help them to do it easily. So it is a ***fight from three sides*** *at the same time."* (Journalist)

If we suppose that the attitude of many customers can be changed and they might become customers of Szatyor Shop, then a new challenge is expected in the life of the organisation: with the present organisational form, it is difficult to meet more customers' demands, moreover the suppliers' circle also has its limits; and it cannot be extended too much.

The followings were identified as further challenges:

- More and more competitors appear on market that specifically targets the conscious customers. There is no point in considering Szatyor Shop as professionally outstanding if they do not communicate actively when its market is threatened by its rivals. Additionally, more green products are available in the traditionally conceived retail trade as eco-consciousness is becoming a trend.
- Operating principles which are different from the average principles require a lot of energy and care; apart from finding the suitable suppliers and enquirers, not only customers, but also the farmers have to be educated as well, because a responsible operation is a process requiring continuous development: *"You can never stop and say that I am finished. You can always buy more ethical products with less wrapping."* (Advisory board member 1)
- There are products, which are significantly more expensive in Szatyor Shop than in "traditional" retail Shops and it can discourage some price-sensitive customers, even they are among the conscious ones.

Because of the strict social and environmental aspects, the range of goods is narrower, the shop depends largely on suppliers due to the short marketing chain and there is no significant amount of goods on stock. *"All of them are of good quality, controlled and sustainable, etc., and this is why the goods are not in pile and they are quite seasonal."* (Partner 2)

More stakeholders asked about the optimal size of the organisation. In traditional sense, the aim of an organisation is to increase continuously, but Szatyor Shop is not a traditional Shop, moreover its circle of suppliers cannot expand without limits: *"I don't know, maybe it is operating well because it is cute and loveable, but when it becomes a lot bigger, maybe it wouldn't be like this."* (Journalist)

The attitude of stakeholders to the initiation can be well characterized by the fact that among future possibilities they mentioned those projects the most often, which they would start in cooperation with the organisation:

- support in catering for camps popularizing ecological lifestyle
- mutual trainings in the field of eco-consciousness
- development of communal kitchen in Szatyor Shop, where beginning growers can produce their own products under legal and safe circumstances
- supporting the background of growers' market in Józsefváros
- launching new common campaigns based on some previous successful common campaigns
- appearing as professional advisors in press

Winning new circle of customers is a good opportunity for development from the aspect of the organisation: catering-service for instance would open towards places organizing different events, but having no concrete catering service provider, and the products of Szatyor Shop could be offered to restaurants. An important customer group can be the families with young children, who can be addressed with different programs for children; hipsters, for whom conscious shopping is a trend; foreign customers, who are more eco-conscious than Hungarians; people suffering from illnesses and allergies, and they have to be more careful about food. A further opportunity can be to open towards people, who do not cook regularly and they could be inspired by recipe cards and cooking tips. Or surprisingly a bit, but retired people as well, who rather buy smaller portions of something, but stick to the tastes and quality they are used to – for example to farm eggs or home-made sausages: *"There are many people, about whom you would think for the very first glance not to be target-audience, and you can win the retired people only with what affects them. For sure they will not buy paprika jam, but they will buy sausages."* (Advisory board member 1)

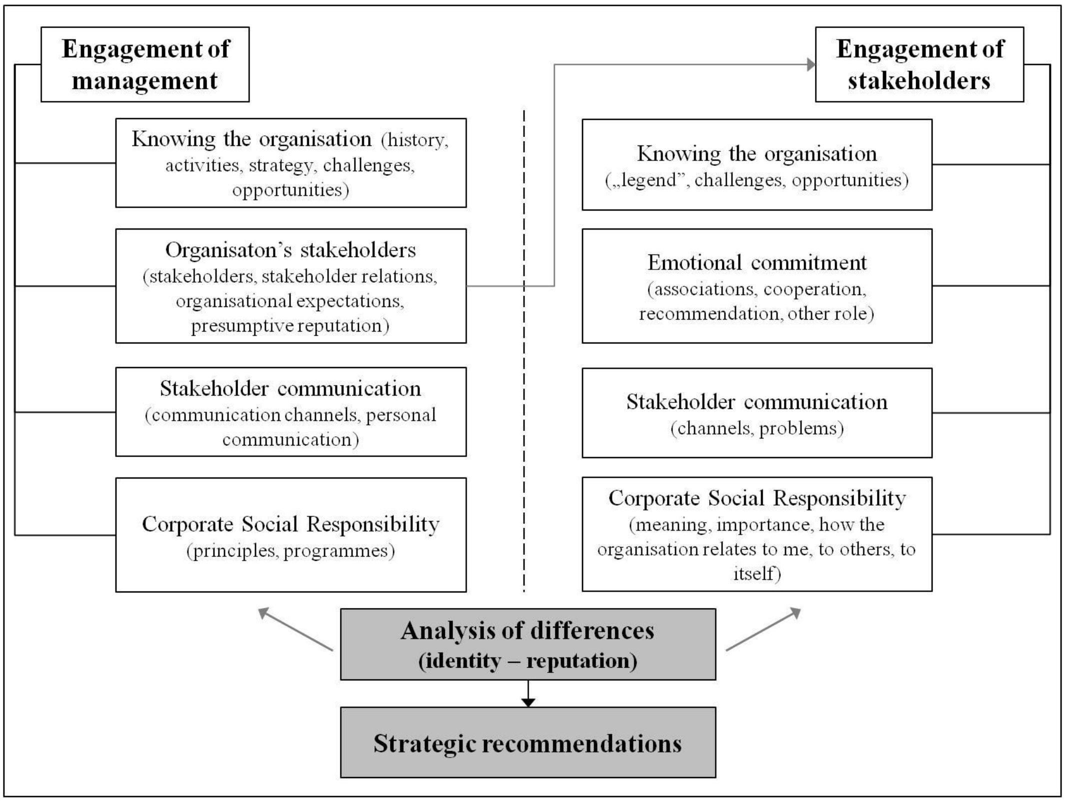
Szatyor could further spread as a network, either in cooperation with other organisations or developing more distributing points, which can be created with local help. Later they could move to a bigger place, where there is space for more things. The future of the organisation could be secured by expanding the different sources of income and by having more mind-framing programs.

VI. COMPARATIVE ANALYSIS OF THE RESULTS OF THE RESEARCH

I intended to introduce Szatyor Association and Szatyor Shop in the case study of IVth chapter through the eyes of the leaders of the association; while in the Vth chapter my aim was to characterize the organisation from the aspect of the stakeholders. In the present chapter I will compare the intended identity from the organisation with the stakeholders' reputation, which means that I will compare the organisational and the stakeholders' standpoint in connection with judging the same dimensions.

The elements of the research model, which are examined in this chapter, can be seen in the following figure, with number 29.

Figure 29: Dimensions of comparative analysis



Source: Edited by myself

VI.1 Knowing the organisation

It is obviously the Association Leader out of the two leaders, who know the organisation more, as she has been working there since its foundation and the Business Manageress has just joined Szatyor Shop recently. The Association Leader knows the circumstances and the initial difficulties of the foundation of the company and she is also aware of the process, thanks to which the net of distribution points and the parlour could be developed in the previous years. She clearly sees the present situation of the initiation and its future challenges and opportunities. She possesses several plans for the future, but at the same time she experiences difficulties. Primarily it is the lack of resources, which makes the life of the organisation more difficult. At present this is what sets back the development of the community the most as it is the organisation itself, which should first do something so that its members could be committed to it more.

Out of the stakeholders, those stakeholders know the organisation more, who have known it for longer time and are in tight connection with it. As this is an important factor of Szatyor's identity, the success story should get more attention in the future, during which Szatyor has grown into an organisation from a civilian initiation coming from beneath which has a non-profit and a business side as well; moreover it was among the first to provide good quality products to the conscious customers.

Not all the steps of the initiation are transparent for the stakeholders, many people are interested in its financial success, but at present there is no information about it. There are business figures, which might also be communicated and shared in the press, and it would not even offend the business interests of Szatyor, but the stakeholders would be interested in that: for instance figures regarding quantities certain products are sold in a year.

The leaders of the organisation and the stakeholders view their problems and their challenges they are facing in the same way: the presently ad-hoc type of communication has to be strengthened, the marketing activity has to be strengthened also in order to have more customers and because of the intensifying appearance of rivals. Moreover, the problem of resource-deficiency has to be solved somehow and it would be desired to find the optimal size of the organisation, where the appropriate range of goods, the efficient operation, profit and the presently used personal atmosphere is ensured.

Finding the identity of Szatyor Association and Szatyor Shop would mean a challenge from communicational point of view in the future as the borderlines are not always clear at present. Basically it is the association, which carries out the mind framing work, while the shop is the manifestation of its consciousness. Although at the same time it is not always clear for the stakeholders whether it is about one or two organisations. During the process of doing the in-depth interviews and writing the thesis, sometimes it was not clear also for me whether a certain activity belonged to the association or to the shop. From the aspect of managing the stakeholders' expectations it is not the same whether it is about a programme of the association or a programme of the shop, therefore it would be worth dividing the two organisations more precisely.

In connection with the opportunities, the stakeholders mentioned the development of business activity (new distribution points, new shop, and new target audience as regards customers, expanding the circle of services) and the systematization and development of programmes; this roughly corresponds with the strategic scheme of the organisation. Of course Szatyor has long-term plans, thus the operation in common property has already been conceived by the organisation, as a future plan.

VI.2 Stakeholders' reputation – real and presumptive

The leaders of the organisation trusted that their stakeholders have positive opinion about them, although at the same time they were aware of the shortcomings of the organisation, for example of their default in the field of community development within the circle of the members. The following requirements-to be expected were phrased in connection with the different groups of stakeholders:

- increasing the rate of conscious customers as regards customers
- being open-minded as regards the members of the association and those who are generally interested
- supporting the operation of the association as regards the representatives
- guaranteeing quality products as regards small farmers
- being devoted to the organisation as regards employees

- mutual cooperation as regards civilian organisations
- expanding the circle of partners as regards partners
- acquiring the shop and its aims as regards members of the local community
- mutual learning from each other as regards volunteers
- the thinking together as regards academic sphere
- arranging the common issues as regards regulators (for example the case of the growers' market)

Compared to the presumed reputation by the organisation, the reputation developed based on the perceptions of the stakeholders' is at least as favourable as that. And what is more, in spite of the anxiety of the organisation („we are considered to be a bit strange"), the two interviewees reported rather approvingly about the initiation, they considered it as an example to be followed. In case of the customers it was justified that they know just few concrete issues about the Corporate Social Responsibility of Szatyor, while they are very enthusiastic about buying its good quality products.

The stakeholders' reputation is obviously positive; preparing the analysis was almost made difficult by the fact that the interviewees were extremely positive about the organisation, besides phrasing its shortcomings and suggestions for development. They said the organisation is very credible, inspiring, it is an example to be followed and it is very professional. They recognize its efforts and enthusiastic approach, they experience that the organisation is trying to develop good connections with others and also to solve the arising problems as well. We can conclude that the stakeholders who have been developing good and direct connections with the organisation since the very beginning, have become completely devoted and they feel the Szatyor initiation and its issues as their own initiation.

There is one thing I would specially like to emphasize as regards the stakeholders of the organisation: it is the extremely positive attitude, with which they support the operation of the organisation and the solving of the problems. While the organisation could spend less energy on formal community development due to lack of resources, a certain group of customers, so-called brand-community was developed by itself as a consequence of the favourable reputation of Szatyor, which is a very strong and tight community who offers, protects and knows the organisation. This is a strong base, on which it is possible to build in the future. During my counselling work I could participate in more stakeholders' researches, primarily I was examining the stakeholders of multinational companies, but I have never experienced such a strong tie and emotional commitment just like in case of Szatyor.

Of course the picture is distorted by the fact that my interviewees were chosen from the stakeholders (after agreeing with the organisation) who are directly in connection with it and they know the organisation well. As far as stakeholders, who broke the relationship with the organisation previously due to any kind of conflict, would get into the research, – for example disappointed small farmers, customers, then it would have helped a lot in finding the root of the problem, but at the same time it would also have been possible that they reflect their negative opinion received in one field to the whole of the organisation. Consequently, their added value would be quite questionable when analysing the stakeholders' reputation of the organisation.

During the interviews the stakeholders talked about their negative opinion experienced in connection with the organisation – being unorganized, enthusiastic amateurship, planning too many tasks, which cannot or just can be realized in a rush and the shortcomings of the communication. Therefore in spite of their positive commitment, they could remain objective when they were asked about the shortcomings they experience.

VI.3 Stakeholders' communication

Although from the side of the organisation, it is a long-term plan to operate the initiation as common, divided property where Szatyor is not in the centre of the net, but the possibility of this is not ensured yet. The stakeholders cannot really get a clear insight into the operation of the organisation, they are not involved in the decision-making processes, their responsibly in the operation and in the development of the organisation are not clear yet. If they were provided <u>more information</u> on the operation of the organisation, which is not confidential and is not business secret, then it would definitely help their work in the cooperation with different groups of stakeholders.

While the organisation considers <u>feedback</u> important, its process is not institutionalized. The stakeholders do not know about how they could give back in an organised form and how their feedback is channelled back into the operation of the organisation. So far there has been no <u>stakeholders' research</u> carried out, which would be rather important in order to get to know the opinion of the customers, the suppliers and their requirements and satisfaction.

A certain communication strategy and communication tools would be necessary in the future by preserving the advantages of the nice, kind and indirect communication (judged by the stakeholders), which secures the fulfilment of the equal and two-way communication, the involvement of stakeholders, the effective division of information and the defining of circles of responsibilities. Of course strategy has to be further divided into part-strategies in case of all the groups of stakeholders and the aims, tools and messages have to be clearly defined.

The communication activity has to be planned beforehand in the future, as this is the only way that information can reach the customers, the members of the association and those who are interested as regard the programmes, products and plans of the organisation. One of the major reasons for dividing and accepting information is the lack of resources and according to the plans of the organisation the Association Leader will focus largely on this issue, namely on community-development in the future.

Those who are receptive should be more involved into the communication about the organisation more than before. The positive attitude I observed during the process of making the stakeholders' interviews could be a good starting point for a communication –system based on brand-ambassadors /brand-evangelists, which is already in operation, but only informally. This could be more organized by the identification of the potential ambassadors and by regularly ensuring the information and messages, which can be communicated towards those who are interested. Ambassadors can be representatives, members of the association, customers and suppliers who have extended net of connections, are talkative and promise to support the organisation this way in the future.

VI.4 Corporate Social Responsibility

Corporate Social Responsibility and its significance were observed a bit differently by the leaders of the association and by the stakeholders. The former group approached the topic from a rather business-like aspect (profit-oriented operation, but not in all cases, taking social and economic factors into account together), while in case of the latter group it was the personal aspect (own quality of life and the living conditions of offspring's) which dominated.

With regard to the Corporate Social Responsibility of the organisation, two main groups of the stakeholders can be differentiated: one group meets the programs of the association and the responsible operation of the shop occasionally, therefore they have just partial information; while the other group, who is much closer to the organisation, such as the representatives and the employees. Consequently they know more about the operation of the organisation. The latter group can be characterized by knowing the fields more where they are active participants, although it is impossible for them to be aware of everything with regard to the organisation. The stakeholder representing civilian organisation, who is one representative at the same time, once noted that it is sometimes impossible to see through the casual programme-offers.

It was revealed during the preparation of the case-study that the Association Leader, who is responsible for the programmes –being the heart of the whole association- admitting her doing so many things at the same time. The various environmental, social and economic activities probably are compiled in her head into a complex unity, which comprises the Corporate Social Responsibility; although the stakeholders know just a little about it.

People should know more about the Corporate Social Responsibility beyond being aware of its familiar atmosphere and its top-quality products mainly because of the ongoing expansion and because of the process of rivals entering the market more quickly. With this it would be possible to address a new group of conscious customers, moreover it would be easier to find cooperative partners among its stakeholders in order to realize its plans regarding Corporate Social Responsibility inasmuch as it would share its future plans with the stakeholders and involve them in planning and in implementation. Of course it is possible only after defining the main priorities of the strategy regarding Corporate Social Responsibility.

VII. RESULTS AND CONCLUSION

My aim with this thesis was to present the stakeholder-focused research and the tightening relation of CSR and marketing. By discussing the literature related to stakeholders, Corporate Social Responsibility and reputation I intended to emphasize the significance of stakeholders' perception in case of Corporate Social Responsibility.

The topic of the PhD thesis was provided by the analysis of Corporate Social Responsibility, its communication, management of stakeholders, furthermore the corporate (intended) identity and the analysis of stakeholders' reputation. After introducing the main concepts and theories of the relevant literature I presented the research, which I carried out with leaders and stakeholders of Szatyor Shop and Szatyor Association. This chapter summarizes the main results and the conclusions of the research.

VII.1 Results of the research and conclusion

During the research I intended to fulfil the following aims:

- I examined the stakeholders of an organisation, its communication and its CSR activity, moreover I examined its identity, which was developed on the basis of that with regard to CSR;
- I analysed the stakeholders' communication by involving the stakeholders of the organisation; and its observation with regard to its CSR activity; furthermore I analysed the stakeholders' reputation based on that;
- I compared the analyses representing the aspects of the organisation and the stakeholders in order to identify the differences between identity and reputation;
- I gave suggestions as regards the future strategic plans of the organisation in order to strengthen the support of stakeholders.

The qualitative research consisted of three main parts: the case-study presenting the aspects of the organisation, a summary of the research summing up the opinions of stakeholders based on in-depth interviews and the comparison of the two in order to identify the differences between corporate identity and stakeholders' reputation. During the planning phase of the research process, I took the RELATE reputation research framework and process into consideration (subchapter II.6.3.4).

The case study was based on in-depth interviews with the leaders, other informal conversations, analysing public documents regarding the organisation and observations with regard to happenings in the shop. The case study presents the activity, the strategic aims, mission and Corporate Social Responsibility of Szatyor Association and Szatyor Shop. The association's activity with regard to Corporate Social Responsibility primarily focuses on organizing programmes, which support mind-framing and food-autonomy, while the shop validates social, environmental and economic aspects in its operation.

We could identify the stakeholders' groups with the help of the leaders of the organisation, considering Ferrell et al.'s stakeholder definition (subchapter II.2.1). During the in-depth interviews the features of the stakeholders' communication and relations and the requirements of the organisation towards the stakeholders was also discussed. The stakeholders' communication was further analysed based on observations in the shop.

One of the major observations of the case study is that the leaders of the organisation see it clearly what their stakeholders think about them and they try not only to meet the stakeholders' requirements, but also to exceed them. The association's and the shop's present activities of Corporate Social Responsibility originates from their professional and personal experiences, during which they want to pay regard to each stakeholder. A realistic view was also depicted about the shortcomings as regards the operation of the organisation: enthusiastic operation, limited resources, incomplete communication, versatile activity and further future plans.

The leaders were completely aware of the fact that the only way they can expect more involvement from their stakeholders is if they provide the preconditions for that first. The intended identity of the organisation therefore shows the picture of a responsible company, which is an example to be followed, but of which business, communication and social responsibilities have not yet been cleared.

During establishing the stakeholders' map, it was revealed that most of the stakeholders are in connection with each other and the net of organisation and stakeholders is rather similar to the net-theory of stakeholders' influence phrased by

Rowley (subchapter II.4.3). As the density of the relations is high and the organisation has a central role in the net at present, Szatyor pursues a strategy to reach compromise. However, the aim is to give fewer roles to the initiation and to give more roles and responsibilities to the stakeholders, which corresponds to subordinate strategy.

Based on the <u>in-depth interviews with stakeholders</u>, the reputation of the organisation is very positive in the circle of stakeholders. The organisation is considered to be credible and professional by the stakeholders, which supply the conscious customers with good-quality, seasonal vegetables and fruits purchased from local growers. The goods can be received in a shop, which has perfect atmosphere and enthusiastic and kind workers. Their experiences in connection with communication and respect were very positive independent of belonging to the stakeholders' group. During the cooperation and communication, of course there were some smaller or bigger problems arising, but all of them could be solved effectively and positively so far. Besides their being just partly informed, the stakeholders had a realistic view about the condition and they were rather aware of the challenges and opportunities, with which the organisation has to cope in the future.

I analysed the stakeholders' reputation and Corporate Social Responsibility of Szatyor Shop and Szatyor Association in the circle of the stakeholders on the basis of the categories depicted by Hillenbrand and Money (subchapter II.6.2.2). Accordingly, an organisation is considered to be responsible and having favourable reputation according to similar aspects.

But what was quite a surprising result of the in-depth interviews, was the very tight emotional commitment and relation, how the stakeholders were attached to the organisation. In spite of the temporal shortcomings as regards communication and in spite of the shortcomings as regards community development, the stakeholders themselves established a very tight trademark community, where they support the operation of the organisation as voluntary members. It means a very strong base, on which they can build in the future planning of the communication and marketing activities of the organisation. Having seen the stakeholders' commitment, their ability to cooperate and also their skills, it is absolutely worth involving them into the planning and implementing processes of strategy more than before.

Considering the interest- and identity based model of Rowley and Moldoveanu as the starting point (subchapter II.4.5), the stakeholders' willingness to tighten their relations with other participants is intensified by one common aim or interest: healthy and seasonal nutrition and healthy lifestyle. The active participation in the initiation can further intensify the collective identity, consciousness and solidarity, as well as the identity of the individuals. As being socially responsible customers (subchapter II.5.4.4) plays an important role in identity of the customers of Szatyor Shop, it is really worth putting special emphasis on their engagement.

During the comparison of corporate (intended) identity and the stakeholders' reputation developed by their perception, I compared what similarities and differences can be identified in the field of knowing about the organisation, stakeholders' communication and in the field of Corporate Social Responsibility between the organisation's ideas, plans and the stakeholders' impressions. During interpreting identity and reputation, I applied the terminology of Barnett and his co-authors (subchapter II.6.1.1), as well as the reputation definition of Fombrun (subchapter II.6.2.1).

It is obvious that the leaders of the organisation possess more information than the stakeholders about the future plans and activities, but at the same time they expressed their intention that they want to engage the stakeholders in more things in the future. Consequently the efforts show into the direction of issue-focused stakeholder engagement and into the direction of network-based communication tools (subchapter II.5.2). The managers' plan to operate the organisation as common property is rather similar to the concepts of stakeholders' joint ventures, to local sustainability development projects and to the deliberative and participatory decision-making processes.

The positive stakeholders' relations were established by the credibility of the organisation and by the positive issue it supports, furthermore by the fact that the stakeholders acknowledge the efforts made for setting up and for maintaining the initiation. The identity and reputation of the organisation show an almost too favourable example to be followed; there is no significant conflict or conflict of interest. The future strategic suggestions primarily refer to making the activities, the programmes and the communication activities more organised and more planned, by involving the stakeholders more. The latter is also able to release the resource-problems of the organisation besides developing a more favourable reputation, inasmuch it is possible to develop a platform, where the rights and responsibilities are clear for all participants.

VII.2 Theoretical and methodological significance of the research

The theoretical significance of the research is what connects the concepts of stakeholders, Corporate Social Responsibility, identity and reputation and examines them together. Apart from the previously mentioned, it emphasizes the significance of communication, equal conversation and the significance of stakeholders' involvement. Moreover it draws the attention to the fact that CSR is not at all different from the company's previous activities, although it requires a new type of approach, where the stakeholders are equal partners of the companies. Thus stakeholders become participants, creators and decision-makers in the processes in connection with Corporate Social Responsibility. Therefore, they become active participants and developers of the processes. They are no longer „target audience" of the communication processes; rather they are members of an equal communication. This is also important as the corporate reputation is created based on stakeholders' perception.

These topics are among the less frequently studied ones in Hungary; their common analysis is absolutely pioneer and contributes to the Hungarian development of this field. The process of developing Corporate Social Responsibility into business practice from a trend is happening at present; within some years the significance of the management of stakeholder's connections is expected to increase. The involvement of stakeholders into marketing processes (co-creation) is also expected to change in the future in a way that the borderline between the company and its stakeholders will fade.

Therefore, I consider it very important to underline the approach of the network theory, which requires the company to recognize that it fulfils its activities in stakeholders' network, moreover with the involvement of the stakeholders not only conflicts can be prevented, but also they can develop social values together during the operation and this can be advantageous for both parties.

The stakeholder-focused research –built on involvement of stakeholders, which I carried out as part of my thesis, is almost as recent as the paradigm-change, which is required by the involvement of stakeholders' interest into corporate processes from the side of companies The methodological significance of the research is that it analyses the stakeholders' aspect besides analysing corporate aspects. Moreover it identifies the differences coming from the two views and makes strategic suggestions based on them.

During the qualitative research more methods were used; the different methods, such as in-depth interviews with leaders, document analysis, observation and stakeholders' in-depth interviews helped the most thorough understanding of the complex corporate identity and its stakeholders' perception. I analysed the same phenomenon, the Corporate Social Responsibility and its stakeholders' net of connections from the side of the corporate and stakeholders as well, which strengthen the conceptual validity of the data's triangulation.

Using more types of resources also strengthened the conceptual validity of the research and it was further supported by the leaders' checking the case-study. The quality of the research was further intensified during the research and the analysis by using my previous professional experiences, which I gained as a company counsellor. The application of various research methodologies, that is the methodological triangulation, increased the preciseness of the research and made the research process more reliable.

VII.3 Practical significance of the research

The practical significance of the qualitative research, which was carried out during writing the thesis is that it presents criterion and direction to the practical professionals, with the help of which the stakeholders' perceptions can be revealed and the can be compared to the identity demonstrated by the company. This makes the process of meeting the stakeholders' requirements and the integration of stakeholders' aspects into the strategic planning and prioritizing process easier.

Based on the analysis, in case of Szatyor Association and Szatyor Shop, the following future strategic plans have been phrased:

- The knowledge in connection with the company is partial among the stakeholders and it is distorted by the subjective perception, but at the same time the reputation can only be formed from impressions and information, which the stakeholders have.
- Making the activities with regard to Corporate Social Responsibility more transparent and a more dynamic communication can intensify the stakeholders' recognition, it can strengthen stakeholders' reputation and it

can also lead to identification of further cooperative possibilities from the side of the stakeholders.

- The awareness and commitment of stakeholders who are in direct connection with the organisation, is higher than of those who have loose connection with the company. Although with the eyes of outsiders, the company may sometimes seem to be rather closed.
- A more organized communicational activity than before will result in more effective operation and information-flow and also more satisfied stakeholders. More information would increase stakeholders' reputation as well, which is quite favourable at present.
- A more significant involvement of the stakeholders into the strategic planning processes of the organisation may further increase stakeholders' commitment; it may turn the processes more effective and may enrich the operation of the organisation with useful feedback.
- A certain trademark-ambassador system can be developed –based on the committed stakeholders-, where the chosen stakeholders, as informal communicational channels, would be able to share more information with the other stakeholders and with those who are interested in the operation of the organisation. The process of offering the company or protecting it and finding new opportunities for development is in use already at individual levels.

VII.4 The obstacles of research results

The main obstacle of generalizing the results concluded from the qualitative research is that it is rather difficult to draw general conclusions based on analysing an organisation and its stakeholders, which can be applied in case of any organisation and its stakeholders. This was not the aim of the research, which intended to analyse the intended identity of a given organisation and its net of connections deeper.

Each organisation has to develop its own Corporate Social Responsibility by adjusting it to its own field of activity, and by preventing the effects caused by itself and by reacting to them, while taking the economic, social and natural environment into consideration, where it operates; moreover it has to get to know the requirements phrased by its own stakeholders and it has to try to meet those requirements.

A quantitative research can give index-numbers, which can serve as indicators for stakeholders' satisfaction or for the priority of CSR-strategy; although considering the numeric data in connection with the stakeholders will inevitably disclose the differences between certain groups of stakeholders, too.

A further obstacle of the research is that even though it is about a small organisation, it has several stakeholders, among whom we chose the interviewees discretionarily after a mutual agreement with the leaders. Because of this it may easily happen that some stakeholders were left out from the research, which could enrich the perceptions of the stakeholders with more aspects in connection with the initiation. Maybe if we really intended to involve more crucial stakeholders, then they could have given us useful feedback regarding the present failures of the organisation and a more realistic picture could have been presented in connection with judging the Szatyor from stakeholders' aspect.

The fact that I have shortened the topic of the research, which was carried out examining the leaders and stakeholders, to the topic of intended identity and stakeholders' reputation, more exactly to the topic of Corporate Social Responsibility and stakeholders' communication, means a significant simplification of the examination of stakeholders' connections, but it was necessary to simplify the examined topic for the sake of feasibility of the analysis.

A further narrowing of the research topic was that I did not have the opportunity to analyse the stakeholders with regard to their versatile responsibilities and roles, although a significant proportion of the stakeholders are connected to the organisation in more roles. It was not possible to analyse their views and impressions from all aspects during the process of making the interviews and later analysing them, therefore I focused on their primary role, through which I contacted them. Even the interviewees themselves did not manage to separate their experiences gained in their different roles. As for the future, it might be an interesting research methodological question how it is possible to take the multiple identity of the stakeholders into consideration during planning and implementing similar researches, as in contrast with the theoretical examples under realistic circumstances there is real chance for stakeholders' having more connections with the organisation.

VII.5 Future research opportunities

The correspondence between Corporate Social Responsibility and its communication, the (intended) corporate identity and the stakeholders' reputation cover such complex topics, of which analysis has started to develop recently in the international literature as well, thus it is an extremely current issue, which is worth examining globally and at local level, too.

From methodological point of view, it can be an interesting challenge for the future to plan and to implement researches analysing corporate and stakeholders' aspects parallel in case of bigger companies than Szatyor, which are more complex and have a very diversified net of connections loaded with more conflicts, and which has a more versatile field of activity and more precisely elaborated strategy for Corporate Social Responsibility.

It would be worth carrying out the research with other organisations in favour of tuning the research process and research questions. With repeating the qualitative research on bigger sample it would be possible to identify the general industrial challenges characterizing each sector and the typical requirements phrased by certain group of stakeholders. The statements appropriate for concluding general consequences cannot substitute the recognition of concrete organisations and its stakeholders' connections and the involvement of the real stakeholders of the organisation into corporate processes, it can only provide a base for preparing these processes.

As far as the future is concerned, the application of personal research approach in case of qualitative researches examining other topics can be a further research possibility. The appearance of the professional experience of the researcher and his/her personal impressions and values in the research process can enrich the qualitative research processes and the interpretations of the resulting outcomes with new aspects.

VIII. APPENDICES

Appendix 1: Typical corporate affairs and stakeholder issues

1. Company

<u>General</u>

- Company history
- Activities of the company (geographic breakdown, markets served, legal aspects)
- Industry background
- Governance structure and processes
- Operational structure
- Economic performance
- Competitive environment
- Mission or purpose
- Corporate codes (e.g. Code of Conduct)
- Other corporate issues

<u>CSR-specific issues</u>

- Role of CSR in corporate life and strategy
- Short, middle and long term sustainability goals, strategic priorities
- Main economic, social and environmental challenges, impacts, opportunities, planned methods and processes for their management
- Direct economic value generated and its impact on stakeholders
- Indirect economic impacts (development of infrastructure and services for public benefit)
- CSR governance and management systems, policies
- Participation in the work of external stakeholders in connection with a CSR-related issue
- Management system for stakeholder and social issues
- System for identification of stakeholders and their engagement into corporate processes

2. Employees

<u>General issues</u>

- General policy
- Benefits
- Compensation and rewards
- Training and development
- Career planning
- Employee assistance program (EAP)
- Absenteeism and turnover
- Leaves of absence
- Relationships with unions
- Collective bargaining agreement, trade union and other processes supporting
- Dismissal and appeal

- Termination, layoff, and redundancy
- Retirement and termination counselling
- Day care and family accommodation
- Employee communication
- Part-time, temporary, or contract employees (ratios, policies etc.)
- Other employee or human resource issues

CSR-specific issues

- Respecting human rights (e.g. freedom of association, prevention of child and forced labour, fairness towards employees and non-discrimination)
- Code of ethics (definition, adherence and ensuring a platform for safe way for reporting misuse of ethics)
- Women in management and on the board
- Special guidelines for employees (e.g. mothers returning to work, atypical employment forms, employments of people with disabilities, work-life balance, corporate volunteering)
- Healthcare, including workspace programmes
- Occupational health and safety, ergonomic workspace
- Positive discrimination of local workforce, increasing local employment

3. Shareholders

General issues

- General policy
- Shareholder communications and complaints
- Shareholder advocacy
- Shareholder rights
- Other shareholder issues

CSR-specific issues

- Environmental, economic and social impacts of investments, developments and management of impacts
- Transparency of operations and of the organization (processes, responsibles)
- Accountable operations (platforms engaging regular communication)

4. Customers / clients

General issues

- General policies
- Customer communication
- Management of customer complaints
- Special customer services
- Other issues important for customers / clients

CSR-specific issues

- Environmental impacts of products and services and management of impacts
- Product safety (processes, communication)
- Life cycle stages from health and safety point-of-views
- Sharing product or service information, correct and responsible marketing communication
- Customer education for conscious use of the product / service
- Customer privacy
- Vulnerable consumers, consumers with special needs (e. g. children, people with disabilities, the elderly)

5. **Suppliers**

<u>General issues</u>

- General policy
- Relative power
- Other supplier issues

<u>CSR-specific issues</u>

- Guidelines about positive discrimination of local suppliers
- Positive discrimination of special suppliers (e.g. companies that employ people with disabilities)
- Joint CSR programmes, educating and supporting suppliers in developing their CSR-activities

6. **Public stakeholders, media, NGOs**

<u>General issues</u>

- Public health, safety and protection
- Corruption (prevention, management)
- Participation in public policy development and lobbying
- Anti-competitive behaviour (prevention, management
- Other environmental and social issues

<u>CSR-specific issues</u>

- Protection of nature, biodiversity
- Conscious use of sources
- Emission and waste management
- Environmental assessment of capital projects
- Monetary value of fines for non-compliance with laws (e.g. labour rights, environmental, consumer protection, competition law)
- Community relations
- Social investment and donations

Source: Clarkson [1995] pp. 101-102, GRI [2011], Maignan et al. [2005], edited by myself

Appendix 2: CSR communication strategies as per Morsing and Schultz

	Information strategy	**Response strategy**	**Involvement strategy**
Communication ideal	one-way	two-way asymmetric	two-way symmetric
Stakeholders	Request more information on corporate CSR efforts	Must be reassured that the company is ethical and socially responsible	Co-construct corporate CSR efforts
Stakeholder role	Stakeholder influence: support or oppose	Stakeholder respond to corporate actions	Stakeholders are involved, participate and suggest corporate actions
Strategic communication task	Inform stakeholders about favourable corporate CSR decisions and actions	Demonstrate to stakeholders how the company integrates their concerns	Invite and establish frequent, systematic and pro-active dialogue with stakeholders
Corporate communication department task	Design appealing concept message	Identify relevant stakeholders	Build relations
Identification of CSR focus	Decided by top management	Decided by top management. Investigated in feedback via opinion polls, dialogue, networks and partnerships	Negotiated concurrently in interaction with stakeholders
Third-party endorsement of CSR initiatives	Unnecessary	Integrated element of surveys, rankings and opinion polls	Stakeholders are themselves involved in corporate CSR messages

Source: Edited by myself based on Morsing – Schultz [2006] p. 326

Appendix 3:The CSR marketing-toolkit as per Kotler and Lee

Category	Short description	Global example	Local example
Cause Promotion	Supporting social causes via promotional sponsorship	Dove Movement for Self-Esteem (the company supports mothers and their daughters with ideas and a workbook in order to make a positive difference in girls' self-esteem)	Magyar Telekom „hello holnap" (programme for sustainable development: application for NGOs and individuals, collection of individual pledges etc.)
Cause-Related Marketing	Sales promotion, donating a certain percentage of sales to a social cause	(RED) (companies like Apple, GAP or Nike offer campaign products, half of the profit will be spent on fighting against AIDS)	Danone Tegyünk Együtt a Gyermekekért (the company donates 1 HUF after each yoghurt sold to support rehabilitation of children suffering from cancer)
Corporate Social Marketing	Supporting a campaign about changing the public behaviour	The Body Shop „Break the Silence on Domestic Violence – Talk to a Friend" campaign (the company supports women affected by domestic violence with donations and advices)	Richter Egészségváros Program (free of charge healthcare programme for families with health screening and healthcare advisors)
Corporate Philanthropy	Donating money to social causes	Patagonia 1% for the Planet (the company has pledged 1% of its sales to the preservation and restoration of the natural environment since its establishment)	Vodafone Főállású Angyalok Program (the Full-time Angel Programme offers opportunity for people committed to social goals to spend a year focused entirely on an activity which they undertake for the benefit of the public)
Community Volunteering	Voluntary services benefiting the local community	Starbucks Pledge 5 (a campaign for employees and customers to pledge 5 hours of volunteer time)	Coca-Cola Vállalati Önkéntes Alap (employees can apply with their own volunteering ideas, the corporate fund supports them with money and communication)
Socially Responsible Business Practices	Voluntary socially responsible business practice	Ben & Jerry's „Caring Dairy" (ice cream processed from locally sourced milk and cream without use of growth hormones)	MagNet Magyar Közösségi Bank Szféra közösségi betét (special savings deposit, the bank finances environmental or social programmes from the money)

Source: Edited by myself based on Kotler - Lee [2007] p. 37

Appendix 4: A comparison of the fields of CSR and corporate reputation

Themes of responsibility	Cluster of responsibility (Hillenbrand – Money)	SPIRIT-model (MacMillan et al.)	Reputation quotient (Fombrun)
…how it relates to ME	Communication	Experience of business behavior (Communication)	
	The kind of benefits it offers to me	Experience of business behavior (Material and non-material benefits)	Products and services
	The way it behaves with integrity, transparency and accountability	Experience of business behavior (Keeping commitments, fairness and lack of coercion)	Vision and leadership
	And how that makes me feel	Stakeholder feelings towards a business (e.g. trust and positive emotions)	Emotional appeal
… how it relates to OTHERS	The local community	Experience of outside influences – application of the model to the local community	
	The wider society	Experience of outside influences – application of the model to the wider society	Social and environmental responsibility
	Towards other direct exchange stakeholders (eg. employees, customers, suppliers and shareholders)	Application of the model to employees, customers, suppliers and shareholders	Workplace environment
… how it relates to itself	Long-term business success	Stakeholder intentions towards a business including behavioral support such as retention, extension, advocacy, cooperation and lack of subversion	Financial performance

Source: Edited by myself based on Hillenbrand – Money [2007] p. 271

Appendix 5: Variables of the Reputation Quotient

Emotional Appeal

- I have a good feeling about the company.
- I admire and respect the company.
- I trust this company.

Products and Services

- Stands behind its products and services.
- Develops innovative products and services.
- Offers high quality products and services.
- Offers products and services that are a good value for the money.

Vision and Leadership

- Has excellent leadership.
- Has a clear vision for its future.
- Recognises and takes advantage of market opportunities.

Workplace Environment

- Is well-managed.
- Looks like a good company to work for.
- Looks like a company that would have good employees.

Social and Environmental Responsibility

- Supports good causes.
- Is an environmentally responsible company.
- Maintains high standards in the way it treats people.

Financial Performance

- Has a strong record of profitability.
- Looks like a low risk investment.
- Tends to outperform its competitors.
- Looks like a company with strong prospects for future growth.

Source: Fombrun et al. [2000] p. 253

Appendix 6: Variables of the SPIRIT-model

Drivers of relationships

Stakeholder perceptions of experiences of business behavior

- Material and non-material benefits: financial, service and intrinsic benefits received in relationships.
- Coercive power: avoid taking unfair advantage of stakeholders and avoid using the power coercively.
- Termination costs: economic perspective of evaluating the costs of leaving a business or staying with a business.
- Shared values: whether the values demonstrated by a business are viewed favourably and shared by business stakeholders.
- Equity of exchange: business behavior that exhibits equity and reciprocity towards stakeholders.
- Communication: informing stakeholders about business activities, listening, sensing, evaluating and responding to stakeholder concerns.
- Past-trust-related behaviors of a business:

Stakeholder experience of external

- External influencing powers (what media and other pressure groups say about the business)

Result of the relationship

Stakeholder intended behavior towards a business

- Cooperation: stakeholder intention to share information, use conflict in a functional way and seek mutually beneficial opportunities with a business.
- Stakeholder loyalty: the intention and motivation to stay with the business and remain committed.
- Stakeholder extension: whether stakeholders intend to put further effort into the relationship.
- Stakeholder compliance: intentions not to harm or take unfair advantage of a business.
- Other trust-related behaviors: recommending or defending a business.

Stakeholder commitment and trust

- Trust: future-oriented construct related to stakeholder expectations, expectation that the business will be reliable and dependable and will continue to act in their interest even in an uncertain future.
- Emotions: positive emotions such as satisfaction, caring and happiness and negative emotions such as anger, sadness and fear.
- Emotional commitment: an individual believing it is important to a business.

Source: MacMillan et al. [2005] p. 221, edited by myself

Appendix 7: Guideline of the executive in-depth interviews

Personal story

- Education
- Background
- Previous experiences
- Why are you here?

Thoughts about CSR and consciousness

- What does it mean for you?
- Why is it important for you?
- What is your connection to CSR?

History of the organisation

- Why, how and when was it established?

Your role in the organisation

- How did you became part of the story?
- What did you know it about earlier?
- What is your role?

Business strategy

- What are the differences, compared to a traditional business?
- Advantages-disadvantages
- Opportunities-challenges
- Plans, vision

Corporate Social Responsibility

- How and to what extent does this appear in everyday business operations?
- Activities of Szatyor Shop and Szatyor Associations?

Your stakeholders

- Who are they, what do you know about them?
- Characteristics of the relationship?
- Plans, expectations, desires?
- How do they see you?

Communication

- Tools
- Messages
- Evaluation

Appendix 8: Aspects of observations in the shop

- How does the furniture of the Shop look like, how does this support the friendly atmosphere?
- How do a new and a loyal customer behave in the Shop?
- How are problems solved by employees?
- Are employees responsive?
- Are employees competent in answering customers' questions?
- How are foreign customers handled?
- How are new, potential customers welcomed?
- How are loyal customers welcomed?
- How are other stakeholders (e.g. advisory board members, civilian partners) welcomed?
- Is it a typical situation that other stakeholders (besides customers and suppliers) visit the Shop?
- How can the relationship between employees and suppliers be characterized?
- How can the relationship between customers and suppliers be characterized?
- How is the cooperation between employees-volunteers-suppliers?

Appendix 9: Guideline of stakeholder interviews

Warm-up question

- Could you please tell me something about yourself?
- How would you define Corporate Social Responsibility / conscious consumption with your own words?
- Why is this important for you personally?

Szatyor Shop

- What is your role in the co-operation with Szatyor Shop?
- How do your feel yourself in this relationship?
- Is there something that could be developed in the co-operation?
- Can you recall the moment when you heard about Szatyor Shop for the first time? How, when and what have you heard about it? What was your first idea?
- Has your opinion about Szatyor Shop been changed since you are in relationship with them?
- How would you describe Szatyor Shop?
- What do you know about history of the organisation: who, when and why did they establish it?

Corporate Social Responsibility

- Do you know about any initiatives, programmes of the organisation, supporting more conscious consumption and sustainable lifestyle?
- Have you ever heard about any social or environmental principles, programmes, supporting more responsible operations of Szatyor Shop?
- What do you think about available advantages for Szatyor Shop as a result of its responsible operations? Do you think this can be a successful business strategy for the long term?
- What do you think about potential challenges for the short term (everyday's operations) and for the long term (strategy) as a result of responsible operations?
- What do you think about potential personal advantages for yourself in this co-operation?

Stakeholders

- According to your opinion, what other types of organisations is Szatyor Shop in connection with? What kind of other stakeholders have you met during your co-operation?
- Based on your experiences, how is the relationship between Szatyor Shop and other stakeholders? How do they treat others? (e.g. employees, customers, suppliers, local communities)

Communication

- Based on your experiences, what kind of communication instruments, channels have been used by Szatyor Shop to communicate with you?
- Have you ever experienced any problems in the communication? How as this managed? How could be this prevented?
- What do you think, what kind of instruments and channels are used to communicate with others stakeholders?

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