Abstract

This study reviews the history of business ethics and the history of CSR from both the theoretical and practitioner’s perspective and possible lessons it could provide. The concept of CSR is a well-researched topic, however research analyzing the pre-1950 roots of CSR and research in Central and Eastern Europe (CEE) is scarce.

The historical contextualization of social responsibility is crucial in understanding the phenomenon of CSR and how it moved from practice to academia [1]. There are several academic studies analyzing the ‘historic’ CSR in other countries. To add another piece to the mosaic, this study presents a historical analysis of the CSR practice in the Baťa Shoe Company from 1894-1932; representing an intriguing application of CSR prior conceptualization of the subject matter. The analysis of Baťa’s management methods will help in better understanding of the paradigmatic shift of the CSR concept from practice to academia.

Keywords: Corporate Social Responsibility, History, Business Ethics, Synergistic Value Creation.

1. INTRODUCTION

The repeated corporate scandals and the wave of public criticism that inevitably follows corporate transgressions, illustrating greed and rampant materialism, have led to an increased distrust for business leaders [2]. Whether fraud, embezzlement or insider trading, these scandals have led to a lack of faith in the manner in which business is conducted [3] suggesting the lack of business ethics within corporate environment and the fact that corporate governance is often only a hollow concept. The skepticism is evident in literature in the increasing number of academic articles asking whether business ethics is indeed an oxymoron [4, 5, 6, 7].

Business ethics and Corporate Social Responsibility (CSR) are closely connected concepts and ethical responsibility is an inherent part of the CSR pyramid [8]. The pyramid depicts the ethical responsibility as a push and pull factor: expanding the boundaries of legal responsibility and increasing the expectations on business executives “to operate at levels above that required by law” [8].

The concept of CSR as a modern topic of academic discourse was formalized in the 1950s, yet the interest in the subject is apparent in the early 1920s as proved by the articles of Walter Donham- dean of Harvard Business School. Nevertheless, literature agrees the year 1953 which saw the publishing of Bowen’s seminal work, should be considered as the inception of CSR as a proper academic discipline and the start of modern academic discourse.

While much of the research within the 20\textsuperscript{th} century focused on the discovery of a universally agreed definition, the research has yet to agree on a single definition and the concept remains vague [9, 10, 11]. The EU Commission defines CSR as “the responsibility of enterprises for their impacts on society” [12]. The definition changed in 2011 adopting the ‘creation of shared value’
concept developed by Porter and Kramer [13]. The previous EU definition described CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” [14].

The term CSR seems to be very flexible as “it means something, but not always the same thing, to everybody” [15] and since it has been argued that in order to prove successful, companies should choose a suitable concept and definition that would best suit their corporate intentions and strategy [16] should academia give up the quest for universally agreed definition? Okoye concurs with these views and concludes CSR is an essentially contested concept thus “universal meaning for CSR is not necessary”, nevertheless he believes “there is still need for a common reference point or exemplar” [17]. Dahlsrud agreeing with van Marrewijk and Were [16] maintains the challenge is not to achieve the universally accepted concept of CSR, but rather “understand how CSR is socially constructed in specific context” and how to apply this into the strategy development process [18].

This study reviews the history of business ethics and the history of CSR from both the theoretical and practitioner’s perspective and possible lessons it could provide. CSR concept is a well-researched topic, nevertheless, research analyzing the origins of the concept prior the 1950s is lacking [19]. Much of the research conducted in this area is focused on the CSR development in the twentieth century and particularly USA [20].

The historical contextualization of social responsibility is crucial in understanding the phenomenon of CSR and how it moved from practice to academia [1]. The relevance of historical research of ethical agenda to current affairs is questioned, however the lessons learned from the past may provide interesting insights for academics who analyze them [21].

Aiming to fill the research gap in CSR literature, the article analyses the management style and social responsibilities of Tomáš Baťa, outlining the framework of CSR practice in the 1920-1930s Europe.

2. BUSINESS ETHICS AND THE EVOLUTION OF THE MODERN BUSINESS CONCEPT

The long tradition of the trade profession in the simple sense of exchange of goods and services and the system of owner/manager supervising their own enterprise changed at the beginning of the twentieth century. The traditionalist view represented by Mill, who considered trade to be a social act, postulates “society is not founded on a contract, and though no good purpose is answered by inventing a contract in order to deduce social obligations from it, every one who receives the protection of society owes a return for the benefit, and the fact of living in society renders it indispensable that each should be bound to observe a certain line of conduct towards the rest” [22]. The nature of the business model in the early twentieth century transformed as a result of progress stemming from the scientific advancement during the industrial revolution [23]. Donham believed business was facing new challenges and responsibilities “for the future of civilization” [23]. He observed the emergence of the new profession of ‘businessman’ and believed a code of conduct similar to Hippocrates oath was necessary as a guidance for this new social group. The new profession’s most important task was the establishment of group consciousness and sense of responsibility. The rapid scientific progress ushered in new advancements but also new problems as the outcomes of the scientific research required oversight and this control was placed in the hands of the businessmen as dealing with the results of new scientific research fell into their domain. Donham welcomed the emergence of the new profession and called for the establishment of “a social consciousness with the sound evolutionary progress of civilization as its objective” [24].

The belief that social responsibility is inescapable should be reflected in the establishment of business in a broader sense as a field of study. To understand the opportunities and
responsibilities the business must become an established profession, so the newly formed businessmen can balance their economic and social obligations [25].

Donham writes the business in the 1920s is a brand-new kind of business: a product of the Industrial revolution; he outlines the new scope of business and its social significance [23]. He argues business must learn how to handle these changes proposing the solutions lie within the realm of business ethics. Donham believed businessmen as a group must recognize their responsibility towards the society and be accountable for their actions [23]. He acknowledged the recent development of group solidarity within the business circles and maintained the majority of businessmen are ill equipped to handle the demanding profession, observing the failure in developing the sense of responsibility. The need for defense of status quo was still much stronger than the constructive group responsibility [23]. The responsibility of corporations towards wider society was perceived as possible future necessity as without readjustments the current system may be on its way to its own undoing, however until “clear and reasonably enforceable scheme of responsibility to someone else” [26] is devised, the business corporations were responsible to their stockholders [26].

The Roaring twenties saw a complete transformation of structure and practice of the concept of business in America. By the end of the decade two hundred of the largest corporations controlled almost half of the corporate wealth in the country. However, the most important new trend was the emergence of a new profession: the businessman and manager. Family members and entrepreneurs were no longer the decision makers, the control of a company became a responsibility of an outsider. The new manager most often had a large volume of staff and was a graduate of one of the new business colleges and importantly, did not own the company in whole or part. The nineteen twenties was a new era for the new businessmen: new leaders of the society. They believed they could bring a new level of prosperity and usher in a new golden era that would eliminate poverty in the country [27].

Berle observed the transformation in society and wrote “the evolution from enterprises which can be carried on by their owners to engines of production so large as to swallow the individual, and inevitably to separate management power from property rights means that the economic framework of the country is undergoing a distinct change” [28].

New managers completely transformed the corporation following the trends of Frederick Taylor by introducing pensions, recreation facilities, cafeterias, paid vacations and profit-sharing plans. This new attitude was not in any sense altruistic, but it was designed to reduce worker’s discontent and to discourage the creation of labour unions [29]. Here lie the roots of the notion of CSR as a preventative measure and the necessity to assume the responsibility for social welfare to avoid social power erosion [30] and the involvement of interventions from government or labour unions [31]. Planning and business-government cooperation (developed during WWI) was the key to the new corporate structure and it was hoped this would provide a middle ground between collectivism and laissez-faire economy. Despite the planning and the cooperation, the onset of the Great Depression was not prevented, however the system of this modern cooperation survived, and its influence was very significant during the 1930s [29].

3. THE EVOLUTION OF THE CSR CONCEPT

The concept of charitable contributions has been around for hundreds of years, however there is no exact year that could be considered as a “big bang” moment for the social responsibility movement as authors fail to agree on its exact origins. Academics generally agree the formal discourse of CSR as a modern concept traces its roots back to the 1950s and the publishing of Social Responsibilities of Businessman by the “Father of CSR” (aptly named by Archie Carroll) Howard Bowen. Nevertheless, number of authors [32, 33, 19, 34] trace the origins of the notion of social responsibility back hundreds and thousands of years. The roots of the social responsibility concept are evident in Mesopotamia [34] and its steps can be followed to ancient Greece [35] or 17th century England [19].
CSR is a nebulous idea [30] and a concept with different meaning to everyone [15]. The certain level of cynicism towards the concept could be stemming from the lack of consensus on the definition [36]. Definitions of the concept vary among nations, as such, standardization may not be even possible due to the uniqueness of cultures, traditions, laws and regulations [37].

The lack of consensus on terminology and classification contributes to the "confusion regarding how CSR should be operationalized and measured" [38]. The concept of CSR itself is seen as a barrier preventing a worthwhile discourse. The idea that CSR has failed and should be replaced is supported by the notion that the roots of CSR lay within the field of economics and "fail to include, among others, history, religion, and culture" [39]. In contrast to this viewpoint, Hoffmann's [40] analysis of the evolution of CSR in the 1920s argues the origins of the corporate social responsibility are "inextricably involved in the historical, socio-economic, political and organizational features of the society". These contrasting views support the need to review the historical roots of the social responsibility concept and its evolution in different national contexts as it may help to identify the common patterns and help to clarify the meaning of CSR.

The intricate relationship between society and corporations has been rapidly evolving throughout the 20th century. The increasing power and influence of corporations changed the public perspective and organizations are increasingly facing the argument that the pursuit of profit should not be their only concern [41].

Corporations are scrutinized from all angles and their every step is analyzed thus any possible transgressions are immediately made public via social media. Recent corporate scandals, such as 'sick cow' meat from Poland, Volkswagen emissions or Facebook data breach suggest there is a need for stronger social responsibility. Some corporations have a very dubious past, others operate within "sin" industries (alcohol, tobacco, gambling) and therefore are prone to being held responsible for "actions once considered outside their traditional boundaries of responsibility" [42]. The societal expectations on corporations are changing and CSR is often seen as a strategic necessity that helps to build corporate reputation and profitability [43].

Historical studies of CSR unearth the origins of the concept and underpin the modern interpretation of CSR. Historical analysis of individual organizations could provide guidance to the new generations of business executives and could be essential in current and future performance evaluation of organizations [21].

In the broadest sense, history of CSR can be viewed from two different angles: 1. Theoretical perspective: the evolution of CSR as an academic concept and theoretical framework and CSR reporting. 2. Practical application: the history of corporate social responsibility practice with focus on corporations and businessmen who incorporated the CSR principles within the core of their business operations.

The CSR history from the theoretical perspective is mainly focused on the analysis of the evolution of the CSR model and concept as an academic discipline [20].

The CSR history from the practical application perspective has been the subject of a number of studies [44, 20, 45, 46, 19]. The focus has been on the role of an industry [44], CSR practice in a single country [20, 45], or CSR within a company [46]. The history research is conducted through analysis of primary (original) and secondary sources and the authors present a comprehensive overview of the evolution of CSR practice since 1600s [19], 19th century [47, 45] or early 20th century [48, 44, 49]. The focus on tracing the roots of CSR prior to 1953 is important as it could assist with the elusive concept definition and framework classification development and as many historical articles only analyze the post war era [50, 51] this research will provide an insight into the early CSR application and thus fill the existing gap in research. The literature reports the lack of CSR research outside of Northern American and Western Europe [52, 53] and in the Central and Easter Europe (CEE) context [54, 55]. This paper aims to fill the research gap as identified by
Lindgreen and Swaen recognizing the need to “examine how CSR is conceived and practiced in diverse institutional contexts” [56].

Husted presents a broad overview of CSR practice within business firms in UK, USA, Japan, India and Germany from the 19th century to WWII [20]. To provide a more rounded picture of the CSR history; the current study presents a portrait of CSR practice in Austria-Hungary empire and Czechoslovakia represented by the Bata Shoe Company from 1894-1932. The study draws on both secondary and primary resources to outline an overview of business management system that would be an ideal representation of today’s shared value creation model.

4. SYNERGISTIC VALUE CREATION

Synergistic value creation can be simply paraphrased as a search for the win-win situation. The focus is on: “seeking opportunities to unearth, relate, and synthesise the interests of a diverse set of stakeholders, broadly conceived” [57].

Porter and Kramer define corporate value creation as number of policies implemented enhancing the organization’s competitiveness and simultaneously improving the social and economic conditions. The creation of shared value aims to identify and expand the “connections between societal and economic progress” [13]. Successful creation of shared value requires the existence of social purpose, a defined need, measurement, the right innovation structure, and co-creation. All these elements work in synergy with one another and companies such as Nestle, Novartis, Mars or Intel apply them in their pursuit of creating shared value. It could be a path towards the win-win scenario that results in social progress and more profitable corporation simultaneously [58].

The concept of CSV (creation of shared value) has been widely accepted by both academia and practitioners; however, it has been argued CSV disregards previous CSR research, simplifies social and environmental issues, omits value chain complexities, and assumes corporate legal and moral compliance exists [59]. Voltan et al concur and identify the similar weaknesses in the CSV framework citing “its lack of originality, seductive nature, tendency to oversimplify, and the naïveté of its assumptions” [60]. The idea that “creating shared value presumes compliance with the law and ethical standards” [13] could be seen as very problematic [59] given the endless corporate scandals occurring on an almost regular basis, thus raising the question of validity of their presumption [59]. Porter and Kramer acknowledge the successful implementation of CSV is possible only with governmental assistance as “regulation will be needed to limit the pursuit of exploitative, unfair, or deceptive practices in which companies benefit at the expense of society” [13].

The positive acceptance of governmental involvement is in contrast with the previous view on CSR, which proposed CSR as a preventative and inevitable measure for individual corporations if they wish to avoid governmental or labour interference. As Safire stated “the only way for Big Business to stay a powerful force in our society is for each individual businessman to leap onto the social responsibility bandwagon” [31]. Davis, Steiner, Levitt, Alexander and Matthews [61, 62, 63, 64] agree with this view in seeing CSR as a preventative measure or defense mechanism preventing the possible curtailment of corporate freedom as Davis argues if “businessmen do not accept social responsibility obligations as they arise, other groups eventually will step in to assume those responsibilities” [61].

5. SYNERGISTIC VALUE CREATION BATA STYLE

The notion of the win-win situation represented by the synergistic value creation approach is reflected in the business model proposed and implemented by Tomáš Bata as confirmed by the letter considered to be his moral legacy: “We saw development and securing prosperity for the whole region through the development of our business. It was our pride and push towards further and tireless work seeing that through our business we bring new, until now unknown life to our region, and that through its development increased general well-being and education of our
people. It was the yearning to create, to provide participation on benefits to larger amount of people that our business provides to both its employees and customers. As long as you serve this idea, you will live in accordance with natural and human laws. The moment you start thinking only of yourself, the moment you stop serving to the common good with your factory, you will become useless and fall inevitably” [65]. Tomáš Baťa (1876-1932), was a ninth-generation shoemaker and founder of Baťa Shoe Company, founded in 1894. Today the company is a successful global corporation operating in over seventy countries, across five continents. The company manufactures shoes in twenty-three Baťa-owned facilities and employs 35,000 colleagues [66].

The company still follows the mission statement of its founder stating business should be “considered a public trust not a source of personal profit” [67].

Baťa admired Henry Ford and was strongly influenced by his own experience working in America and American industrial practice. His admiration for the specialized skills and speed of production of American workers (production was ten times faster in US in 1904 than in the Austrian-Hungarian Empire) was reflected in his specific style of management [68].

His experiences shaped him into a rare individual who created his own unique blend of management: Baťa Management System [69]. “This participative, human-oriented system was decades ahead of its time, including concepts such as empowerment, worker participation and quality improvement” [69]. BMS (Baťa Management System) is a strategic management system which has CSR interwoven within its core values [69].

Zelený sees BMS as a unique system which deviates from the traditional business model which is focused on either the shareholders, customers or employees [69]. The principles as BMS propose: 1. All employees are co-workers, 2. Substitutability (working positions must be substitutable, avoiding dependence on individual, focus on team-work), 3. Self-government of departments, 4. Daily overview of the company situation, 5. The co-worker participation in profit and loss, 6. Co-worker must be able to estimate his salary for each day, 7. Co-worker must know how to increase his salary [70].

Baťa saw the reason for his company existence as service to the society, means to better life for everybody in Zlín (the city of the company headquarters). He practiced what is now known as the stakeholder approach, rather than the then prevalent shareholder approach which is focused on accumulation of profit and synonymous with the Vanderbilt’s cavalier ‘public be damned’ optics of the early 1920s [71]. He saw money as means to an end and his life’s motto was public service. He passed the importance of public service on to his employees in his unique system of social capitalism. Even during the hardest times, Baťa had in mind the physical and moral wellbeing of his employees, whom he proposed to call colleagues. The social aspect of his management remains the example of the correct employer approach toward one’s employees [72]. Baťa was well known abroad and his approach towards his employees was praised by foreign press. Echo de Paris called Baťa the Napoleon of the shoes and self-made genius and Journal des Debats called him an apostle acknowledging his American flair, Czech good-naturedness and his strenuous work ethic [73]. After WWI the economic situation in Europe was influenced by the transformation from war production and creation of independent states following the dissolution of Austrian-Hungarian Empire. Baťa adapted his factory production from military to civilian shoes and planned to continue selling cheap shoes despite high demand and limited supply. His buyers did not want to accept the low selling prices, and this led Baťa to a bold move: he began opening his own shops that allowed him to keep the prices low [68].

1922 proved to be a tough year for Czechoslovakia economically, it was in the middle of Rašín’s (Finance Minister) currency reform and the fluctuation of the exchange rate had a negative impact on exports [74]. Baťa had an original solution to the crisis: he cut his prices by fifty percent, reduced his staff salaries by forty percent (it should be noted his staff agreed to the pay cuts), to allow him to keep the factories open without downsizing. He also promised his employees they would be provided with food, clothes and daily necessities for fifty percent of market price. Baťa
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said himself: “I have decided for this solution, because I do not see another way out. The industry- primarily our corporation - will be operating with great losses at first…. I am certain the increased production will soon turn the losses into profit”. The gamble paid off, Baťa sold out his stock, managed to keep production at the same level, lowered overheads and losses [68]. Since 1923 the Baťa enterprise began its triumphant journey to put shoes on the feet of the world [75].

The basis of BMS can be traced back to 1923/1924, during this time the idea for the crucial cornerstones of the BMS were formed: autonomy of workshops and worker’s participation in profit and loss. The underlying motif for this step was the assumption that a reduction in production costs would result in cheaper shoes ergo workers could earn higher wages. Participation in profit and loss and workshop autonomy meant departments were working independently and were not influenced by losses made by other departments. Baťa wanted his employees to care about their work and this incentive aimed at motivating them to increase production. He believed each worker should become a capitalist and should understand business. He asked his staff to use their higher salaries to improve living conditions of their families and their own education [68].

In 1930 the International Chamber of Commerce asked Baťa to describe his business philosophy. His answer which was published in English, German and French version of the magazine shows his deeply humanistic approach to management. His focus was not on empire creation, but creation of capable employees providing excellent customer service and he argued these employees built his business. He believed the biggest loss in a corporation is caused by the incorrect approach to work, colleagues and customers. Baťa did not see any existing methods in books that would teach him how to build an enterprise based on the moral and psychological basis that allows development to its employees, so he decided to build his own system, which he called 'example' [68].

Weinberg believed that a company director “must recognize broad social responsibilities he has to the general public and the country” [76]. This belief is reflected in Baťa’s approach to his corporation as he noted he always made the most profit when he followed the direction most beneficial to the public. The company under his direction implemented number of measures which are now classified under CSR. The company focused on number of areas including social and health, employee welfare and education. The company employees had access to free medical care, low-cost grocery stores and company-built sports facilities [77]. In the 1930s the employees lived in low-rent modern houses (built by Baťa and still in use today). Among the houses were ‘single’ houses for unmarried men, boarding houses for the young people and the students and family homes. The family houses were divided to: one family homes, ‘quarter’ homes (one house for four families) and most often ‘half’ houses (one house for two families with separate garden and entrance) [78].

The existence of poor standards of living and the lack of modern amenities meant harsh labour for women, insufficient time for children upbringing and was detrimental for family relations overall. The aim for Baťa was creation of modern housing with all amenities (running water, electricity, gas, laundry) so women could be rid of the physical drudgery. Technical innovations, he argued, should increase welfare of all people, but mainly women and children [68].

It has been speculated that corporations with positive CSR rating develop a competitive advantage, because they can attract [79, 80, 81] motivate and retain [82, 83, 84, 85] a higher number and better caliber of potential employees. Baťa knew this already in 1930 as he believed companies that look after their employees perform better and thus, they attract employees who are innovative [68].

The employer has a duty to compete with other employers to pay the highest salary possible, employers should not join employer association with the aim to collectively push the salary levels down. Salary in combination with cheap industrial and agricultural products equaled prosperity, which can only be achieved if all producers would implement the ‘service to the public’ approach. He hoped that in the future all private companies would not only publish information about
shareholder dividends, but also the salary increases and products price decrease statistics of the firm [68].

The critics of his business methods believed the company excluded older workers and prevented his employees from joining labour unions. Baťa refused this critique stating he never terminated an employee’s contract due to old age and he was able to employ people over sixty. Nevertheless, he believed it was his duty to pay his employees enough so that they did not need to labor this long and could live off their savings and from gained experience after the age of forty (through property or land ownership etc obtained from the savings). He believed it was possible to rely on savings rather than manual labor after the age of forty if one started working and managing the earnings at fourteen. Unlike many others during this era, Baťa believed it was his duty to pay the highest salaries possible and his company also published information relating to salary levels. Baťa believed that making salary information public would lead other companies to compete and increase the salaries of their employees [68].

The holistic approach towards the employee well-being is reflected in Baťa’s approach towards the youngest generation. Each employees’ child received 1000 crowns in a savings book at 5% p.a. interest at birth that they were able to withdraw on their 21st birthday. He saw this as another approach to teaching the art of money saving. Another example of support to employees’ children was a scheme providing dentist check-ups available to all children up to the age of fourteen [86].

Education represented an area of utmost interest to Baťa. He was not satisfied with the existing system of education and he decided to create his own schools that would educate young workers accordingly. He opened wide range of schools focusing on continuous education of staff, there was a wide range of programmes that were accessible to employees: career and educational system (boys as young as 14 could apply for a place in Baťa school, girls were not disregarded, but their education was more focused on cooking, clothes making, running the household and bringing up children) [68]. The School of Work opened in September 1925 with its first cohort of eighty boys. The school combined boarding school upbringing, practical work and school education. Students within the school achieved very good results and in 1929 Baťa school opened its doors to young women (by 1933 there were 4500 female students in three boarding schools). The education was a three-year programme and by 1934 there were nineteen thousand applicants (schools accepted 1000-1500 students per year) from all over the world. The motto of the school stated: students must be self-sufficient from the age of fifteen. Each student had a year book that showed income (weekly wages) and expenses (insurance, accommodation, school fees, food, shopping expenses, pocket money or money given to parents). Each week the book was checked by boarding school staff and if there was money left over, it was lodged into a personal account (internal Baťa bank) with ten percent interest rate. To encourage savings, permission was necessary to withdraw funds. Some of his methods would be criticized now, his disciplinarian approach towards his students would not be acceptable today [77].

After two years the control of expenditure was reduced to random checks as young men and women learned how to manage their finances. Specialized schools for mechanical, civil and chemical engineering and others were opened later. The best students had the option to continue their education and obtain leaving certificate [87].

Bata saw the main aim of the school as education of young people to earn more money than their parents but with less drudgery [68]. Baťa believed young men should have high expectations for not only their future earnings, but also for upbringing, education and preparation to become pioneers whose goal is to introduce improved business morals to the world. Reflecting the current view on CSR as a source of competitive advantage, he proposed high moral principles in business bring not only honour but also benefits [88].

The company published a magazine called ‘Zlín: Magazine for Circulation of Social Responsibility Principles’, this included updates about company, world news, city news, Monday special “Průkopník” for young people and woman’s section. The newspaper provided advice to young
people, Baťa himself was a contributor. The newspaper focused on the work organization and structure, introduced observations and experiences from abroad, work plans for Baťa Corporation, city development. The newspaper was a source of information, inspiration, entertainment and entrepreneurship. For its time the newspaper showed progressive views on women. In 1932 the editorial article proposed women should seek source of pride and independence in paid employment, should they marry this experience would help them to understand their husbands [89]. Men were still seen as the main breadwinners during this era, but it is evident there was a new view on the traditional role of women in society.

Baťa believed business and enterprise should be conducted with the spirit of service to the public that was in his view the source of honour and power for everyone and the only source of wealth for an individual and society [68]. In 1924 he said: “The greatest obstacle to overcome for entrepreneurs is to realize that they must divide profits resulting from advances in production justly among their employees, customers and enterprise…Even the best social legislation may be sometimes more to the detriment that to the benefit of the working people, because while laws can order entrepreneurs to be charitable, they cannot force people to become or to remain an entrepreneur” [68]. This view is reflected in Davis’ Iron Law of responsibility stating: “To the extent businessmen do not accept social responsibility obligations as they arise, other groups eventually will step in to assume those responsibilities” [61]. In line with his view on business as a service to the public Baťa went one step further and in 1923 decided to run in the local election. He was unhappy with the current elected representatives and he criticized their expenditure (most notably the development of a new town hall at a cost of six million CZK), he won the election and became the mayor of Zlín, he promised to create Great Zlín aiming to provide wellbeing to all its citizens. In 1927 he ran again, and his candidacy was based on fulfilling all of the last election campaign promises. He managed to accomplish all his commitments to the people of Zlín during his term in office (these included securing a loan for the town at promised interest rate, building roads and sewage system). His commitment and social responsibility were not limited to his employees but also to the citizens of the wider community as reflected by subsidizing public services. In his 1923 programme Baťa offered to build an alternating electric current net for a local village free of charge and supply of electricity 20-30% cheaper than electricity supplied by competitors and free street cleaning service at the expense of his company. Both tasks were successfully accomplished as evident in the 1927 programme.

Baťa continued on this path of great city creation, his goal was to create a “garden city, full of sun, water……city with the highest wages, prosperous enterprises, city with the best schools. Our ambition is to free all our women from the last remnants of home drudgery and to help them build a home that would be their pride” [68].

The Baťa enterprise expanded and grew under the careful management of the CEO and the city grew as well. After he became the mayor in 1923, the company-built shops, hotel, cinema, hospital, school buildings, science buildings, film studios and new houses. The number of inhabitants grew from 4678 in 1921 to 21582 in 1930. The new developments transformed the city into a modern vibrant industrial city, built according to modern architectural plans. Many important architects of that era participated on the transformation and the town became a unique European city [90].

Despite his strong social conscience and belief in public service Baťa’s rule was that money should be earned, not given [68]. He believed that the experience gained during the development of his business empire should be passed on to future generations. His ideal man was a worker who sees his work as joy and moral duty and who seeks happiness in the perfection of his tasks and service to others: service to the public. His aim was to provide his employees with the ability to earn a sufficient salary within eight hours of work. The idea of social responsibility lied in the service to the whole world, as Baťa believed the use of inventions of others binds his workers to work for others [68].
The idea of service was interwoven in his approach to life overall. No achievement was too small, he held the belief that the whole world exists to serve humanity and people are born to serve the world. No task was unimportant if it was accomplished as best as it could have been and with integrity [68]. Following Emerson, Bat'a observed: “If a man can make a better mouse trap than his neighbour, the world will make a beaten path to his door” [86]. His mouse trap were his shoes and during his lifetime he managed to become the “Napoleon of shoes” [73].

5. DISCUSSION AND CONCLUSION
The study of management methods of businessmen like Bat'a is crucial for our understanding of the origins of what we now call CSR. It is evident from literature that CSR can be traced back centuries and studying its origins allows scholars to determine the paradigmatic shift from practice to academia and provide tried and tested CSR initiatives to practitioners.

There is an increasing understanding of the growing importance of history research for CSR theory and practice [91] as the research fails to engage “reflexively enough with its past” [92]. Academia have failed to agree on a single definition and the term itself has been criticized and described as “essentially contested” [17, 93]. Combined with the increasing expectations society has on business it leads to a “discursive struggle” between the field of academia and business [94].

CSR definitions point out CSR should be an answer to expectations of society [95, 10, 8, 96], however it is crucial to question what was here first “corporate practices or public expectation of thereof?” [97]. The current study confirms Bat'a implemented number of CSR practices (i.e. employee welfare programmes, training and development, accommodation, free medical care, low cost grocery store) in advance of academia accepting CSR as a topic of research interest. Jonker and Marberg argue that business is in control over the CSR narrative thus the institutionalization of CSR is virtually certain “under its business case definition” [94]. The case of Bat'a Shoe Company confirms their argument, as CSR has been practiced decades before the academic debate started.

The leitmotif of the corporate CSR engagement is the notion of its implementation on the corporate terms and conditions, as evident of its use as self-defense [63, 98, 64]. Levitt, a staunch believer in the classic economic theory of maximizing profits, sees the impetus of social responsibility to be defense mechanism to mounting criticism from the public [63].

There are plethora of other reasons why corporations engage in CSR: cost and risk reduction, profit maximization and competitive advantage, reputation and legitimacy, synergistic value creation [67] or positive impact on corporate financial performance [99, 100]. Sprinkle and Maines see CSR as a risk management tool as it can be used as “effective lever for easing legal or regulatory constraints” and “thwart legislation that could impose even tighter standards” [101]. Bat'a's perspective on business as a ‘service to the public’ was more pragmatic, he believed that fair treatment of employees and customers and public overall is beneficial as it prevents arguments about wages, arguments about losses stemming from consumers haggling about prices of products [68]. High labour turnover has often negative effects on organizational performance and profitability. Bat'a believed employee welfare and high wages result in competitive advantage, since companies known for employee welfare are able to attract skilled and innovative people and thus are more resilient in face of adversity.

Bat'a was a capable and successful businessman with a very strong social conscience. The accomplishments he made during his lifetime are summarized by the following statement: “…….the proper “social responsibility” of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well paid jobs, and into wealth” [102]. The CSV concept echoes this view and supports the stakeholder perspective on management and increased social responsibilities.
He argued that businessmen focused only on self-interest and own profits are condemned to loss in the long run and believed moral businessmen cannot be created by law. He was opposed to charity as he believed money should be earned. Kaplan (2015) argues the concept of corporate responsibility is corporate invention created only to prevent government intervention. In Bata’s case it was rather government incompetence as demonstrated on the mismanagement of the 1920-1922 crisis [69].

Bata managed to “tame the dragon” [102] as he created something unique during his lifetime, a management system that survived and is still operational within Bata companies today. He was one of the first pioneers faced with the task of managing a large international corporation in times when business management as a profession and an academic discipline was in its infancy. His main legacy is the importance of employee welfare. He believed that companies have the responsibility to look after their employees and pay the highest salary possible. His employees enjoyed a number of benefits, sometimes unavailable to employees today, such as free medical care, low-cost grocery stores, low-rent modern houses or company-built sport facilities. He also focused on the role of motivation in increasing performance. The validity and value of CSR has been argued over for decades and disregarded as a “subversive doctrine” [103] and there are number of arguments supporting and disproving the assumption of social responsibilities by business [104]. Nevertheless, this is an ongoing academic debate.

Bata was not an academic, he was a businessman who did what he believed would best serve not only his employees, but the wider public, thus implementing the stakeholder management perspective. He was not a philanthropist and source of charity. He believed money should be earned, not given and employees should enjoy their work, but at the same time see work as a moral duty.

The failure of academia to provide a functioning and practical definition of CSR is evident in literature. The ongoing debate about universally accepted model, definition or measurement hinders its implementation. Business is expected to behave responsibly, now more so then ever before; given the seemingly never ending corporate scandals. If the academia fails to provide directions for CSR concept and its implementation, the business will find their own solutions. Bata shows that CSR can be designed and successfully implemented resulting in benefits for all the stakeholders involved: employees, customers and the wider public.

In conclusion money for Bata was means to an end and his life’s motto was public service. He passed the importance of public service on to his employees in his unique system of social capitalism. Even during the hardest times, Bata had in mind the physical and moral wellbeing of his employees, whom he proposed to call colleagues. The study of early CSR practitioners such as Bata supports Kaplan’s view that the notion of corporate responsibility is a business invention and a method of power redistribution within the society [97]. It confirms the existence of CSR as a tool of humane management practices prior the academic theoretical conceptualization.

The comparative analyses of early CSR implementation allows the academia to fully understand the roots of CSR and unearth the complexity behind the concept. The CSR origins are deeply rooted within the business practice as demonstrated in this study. The theoretical debate on CSR definition, measurement or classification seems to be no closer to agreement today than ten, twenty, thirty years ago. The concept of CSR has been hijacked by the ‘greedy corporation’ and it could be argued it has lost all its original meaning and is often used as a PR tool. As Votaw argued this wonderful term means many things to many people [15].

This study shows the origins of CSR lie in the practical world and it is the studies of the ‘proto’-CSR that enable the understanding of its inception. Bata’s success shows CSR does work and brings number of benefits: employee attraction and retention, increased performance and employee motivation. It is evident the concept of CSR needs a radical overhaul and studies of its origins will provide the necessary guidance. CSR is an ethical concept and is shaped by historical, cultural, political and socio-economic conditions in a particular country [105, 106].
Future research should thus look how the CSR has been conceived and practiced; specifically in the regions outside of the Northern America and Western Europe due to lack of research thereof [52].

6. REFERENCES


