

CORPORATE SOCIAL RESPONSIBILITY AS AN INNOVATIVE CONCEPT OF ENTERPRISE MANAGEMENT

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Abstract

Corporate Social Responsibility should become part of management of all enterprises at present. This theory assumes enterprises focus not only on actions that generate direct profits to owners, but also consider social, ethical and environmental aspects of their activities.

This paper discusses research into the issue of Corporate Social Responsibility as practised by enterprises operating in the Mazovian region and compared to results of a national survey undertaken by KPMG. The research implies a majority of Polish enterprises have implemented the concept of CSR, driven chiefly by improvement of corporate image and reliability. Required financial expenditure, lack of knowledge or of adequately qualified staff are key barriers to implementing CSR, on the other hand.

Keywords

Corporate Social Responsibility, enterprise, stakeholders, eco-management.

JEL Classification

D21, D22

Introduction

Corporate Social Responsibility is a theory according to which enterprises take into account social, economic, ethical and ecological aspects in their strategies and operations, everyday decisions and contacts with their environment. The point of CRS is the social responsibility of a firm for consequences of its actions towards the so-called stakeholders, that is, all parties directly or indirectly affected by operations of a company which treats its rights as moral commitments.

This paper aims to discuss results of research into Corporate Social Responsibility of Polish enterprises.

In the face of heavy market competition and the ongoing process of globalisation, CSR policies are becoming increasingly important parts of enterprise operations. This is due to the fact that this concept is part of building competitive edge in an increasingly demanding and conscious market.

The following hypotheses are posited:

H:1 Application of CSR policies is in direct proportion to size of an enterprise.

H:2 Development of a positive image is the key benefit from applying CSR by Polish enterprises.

H:3 Financial expenditure required of an enterprise is the main barrier to implementation of CSR.

Enterprises following the idea of CSR are fully accountable for consequences of their business activities, their impact on social and natural environment and on sustainable development. When making their decisions, they take stakeholder opinions into account and their actions abide by laws and international standards of conduct.

Theoretical foundations of Corporate Social Responsibility

The current understanding of CSR dates back to 1953, when Howard R Bowen, regarded by some as the father of Corporate Social Responsibility, published *Social Responsibility of Businessmen*. The author was the first to postulate the idea of 'social responsibility' and its definition.

The relevant literature proposes a number of definitions for Corporate Social Responsibility. It normally denotes conducting business in a clear and transparent manner considering principles of ethics, responsibility for customers, staff, investors, society, environment, etc. It must be pointed out that these principles are verified by control mechanisms including internal audit (Lament, 2014; Lament, 2011).

The following interpretations are commonly applied to the notion of Corporate Social Responsibility:

- CSR refers to 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, 1953),
- Businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest (Davis, 1960),
- Corporate social rectitude embodies the notion of moral correctness in actions taken and policies formulated. Its general value referent is the body of sometimes dimly or poorly expressed but deeply held moral convictions that comprise the culture of ethics (Frederick, 1986),
- CSR as actions that appear to further some social good, beyond the interest of the firm and that which is required by law (McWilliams, Siegel, 2001).

In line with ISO 26000, the first international CSR standard, the concept under analysis bases on enterprises accepting responsibility for decisions and actions affecting society and natural environment by means of a transparent and ethical conduct that:

- Contributes to sustainable development including public health and well-being;
- Considers expectations of stakeholders (individuals or groups with a stake in decisions or actions by an organisation);
- Complies with applicable laws and coheres with international standards of conduct;
- Is integrated into actions of an organisation and practised within its scope of impact.

Corporate Social Responsibility is an undertaking by an organisation to include social and environmental aspects in its decision-making processes and accepting responsibility for effects of its actions on society and the environment.

Arguments for and against introducing CSR to an enterprise

Corporate Social Responsibility is an idea whereby enterprises voluntarily combine commitment to social and environmental issues as part of their business activities and relations with their stakeholders.

Specialist literature based on empirical data points to both positive and negative effects of implementing Corporate Social Responsibility. A negative correlation between results in the field of Corporate Social Responsibility and business risk (Orlitzky, Benjamin, 2001), a positive connection between worker satisfaction and effectiveness of an organisation (Baptiste, 2008) and between stakeholder management and improved goodwill (Hillman, Keim, 2001); as well as media interest in principles of sustainable development as reflected in operations of a firm (Bansal, 2005) are emphasised, inter alia.

Table no. 1 Arguments for and against CSR

Arguments for introducing CSR
<ul style="list-style-type: none"> • Business activities create problems, therefore, enterprises should be involved in solving them • Employees make up social groups to which businesses are responsible • Enterprises have the resources necessary to solve social problems • Enterprises are partners in an economy just like the government and society, therefore, they should try to meet social, economic and ecological needs of their partners • By accepting its social, economic and ecological commitments, an enterprise acts in its own interest and in the interests of society
Arguments against introducing CSR
<ul style="list-style-type: none"> • The object of business is to generate profits to owners • Enterprises don't have commitments other than economic, except those stipulated by law • Involvement in social problems helps enterprises to influence their environment • Conflicts of interest are possible • Enterprises lack experience of managing social programmes • All decisions not associated with market activities reduce economic efficiency, waste time and energy of management, which diminishes economic effectiveness

Source: The authors' own compilation on the basis of literature.

Actions of enterprises for Corporate Social Responsibility are restricted by economic, social, cultural and religious diversity across countries of their operations. Each enterprise should determine social problems it would be capable of remedying with its actions while attaining competitive advantage. This is emphasised by M.E. Porter and M.R. Kramer (2006), who point out a strategy of Corporate Social Responsibility should bring benefits to both an enterprise and a society.

Methods

In September 2014, KPMG conducted a survey of views held by members of enterprise management and staff regarding questions related to Corporate Social Responsibility (KPMG, 2014).

The survey relied on the method of Computer Assisted Telephone Interview and covered 101 enterprises of medium-sized employment and revenue. Businesses employing up to 249 constituted 39% of all those queried. A majority (46%) of the enterprises earned up to PLN 200m in revenue.

The authors' survey applied to a group of enterprises in the region of Mazovia selected from a database available at www.b2bbank.pl, which includes contact details of enterprises in Poland.

To be representative, the survey was undertaken in a single region, Mazovia, which comprises the capital city of Poland as part of its structure. It is the largest region, with 11.4% of Poland's area and a population of approximately 5m. The region is characterised by the maximum economic potential in Poland, measured with the value of Gross National Product, which reached about 160% of the national average GNP per head in 2013.

The sample for purposes of the survey has been selected at random in accordance with the first and second principles of randomisation, that is, each element of the general population was eligible for the sample and elements of the same category were taken into account.

The simple random selection was applied. A sample is random where all probabilities of selection of sample elements are identical and constant in the entire process of sampling.

A random sample enables to determine a representative sample of a population in probabilistic terms and in all possible respects. Simple random samples are considered the most appropriate to objective research.

Interviews with respondents were conducted by means of electronic mail surveys. The survey questionnaire (research tool) was distributed to 400 enterprises in June 2014. Telephone calls were made to invite to the survey and monitor its progress in parallel. As a result, 106 correctly filled questionnaires were returned by the end of October, producing a return of 26.5%.

Private enterprises, i.e. firms owned by private individuals, and domestic capital companies were queried.

Table no. 2 Division of the enterprises surveyed according to size

Specification	Micro enterprises	Small enterprises	Medium enterprises	Large enterprises
106	38	29	25	14
100%	35.8%	27.4%	23.6%	13.2%

Source: The authors' own research.

Corporate Social Responsibility in Polish enterprises – the results

Nearly a half (46%) of enterprises surveyed nationally engaged in CSR actions, with another 15% considering their commencement. Somewhat more industrial (51%) than service enterprises (43%) had implemented the concept of CSR (table nr. 3).

Representatives of large and medium-sized enterprises active in Poland were of the opinion that business in accordance with the theory of CSR has beneficial effects on financial

performance of their companies. Improvement of the company image in the market (52%) was the most commonly indicated benefit. A potentially rising acceptance by the environment was indicated by more than a third of the respondents.

A prevailing majority of the survey participants found the significance of CSR important (63% regarded it as important and 15% as very important) to creation of enterprise strategy. Only 7% believed the concept of CSR plays a minor role or no role at all in creating such a strategy.

Lack of knowledge and deficit of workers with adequate qualifications were the most commonly stated reasons for failure to realise CSR projects (47%), whereas 45% respondents pointed to ignorance of the CSR concept as a possible cause (table nr. 4)

Table no. 3 Benefits experienced by businesses operating in conformity with CSR*

Improved company image in the market	52%
Growing acceptance by the environment	36%
Rising interest of business partners	30%
Growing sales	26%
Rising interest of potential workers	24%
Cost reductions	23%
Enhanced media presence	8%

*Two responses could be provided

Source: The authors' own compilation on the basis of KPMG (2014).

Table no. 4 Reasons for failure to realise CSR projects

Lack of knowledge and deficit of workers with adequate qualifications	47%
Ignorance of the concept	45%
Absence of clear benefits to the business	44%
Unavailability of sufficient resources or finance	41%

Source: The authors' own compilation on the basis of KPMG (2014).

The national survey implies 96% respondents were convinced it is an obligation of business to face social and environmental challenges.

The authors' survey shows 40 enterprises (37.7% of the total) indicated they do not apply principles of Corporate Social Responsibility. Their operations are harmful to the environment and cause irreversible changes in their surroundings. To solve or prevent the problem, actions should be taken for environment-friendly enterprise management to minimise adverse effects of an enterprise on its environment. 62.3% businesses used the concept of CSR. They abided by principles of human rights, labour standards, natural environment protection, and counteracting corruption and voluntarily conducted socially useful actions. A dependence can be noted: the larger an enterprise, the broader the extent to which the CSR principles are put into practice.

Table no. 5 Structure of enterprises applying principles of Corporate Social Responsibility (%)

Specification	Micro enterprises	Small enterprises	Medium enterprises	Large enterprises
Yes	60.5	65.5	68.0	71.4
No	39.5	34.5	32.0	28.6

Source: The authors' own research.

Businesses were chiefly motivated to address Corporate Social Responsibility by the need to enhance their image. As many as 90% large firms and more than 80% SMEs pointed to this benefit out of the enterprises to have implemented principles of the CSR. Improved reliability was another benefit of using the principles of Corporate Social Responsibility, stressed by 81.8% micro-entrepreneurs, 76.5% small businesses, 88.2% medium-sized and 90% large organisations.

Enterprises attempt to improve their image since they know consumers to be increasingly aware of various threats and sensitive to any unethical behaviour. In addition to good pricing and quality, they expect products and services to be as environment-friendly as possible and to give rise to positive associations and manufacturing processes to follow the principles of Corporate Social Responsibility. Customers and consumers appreciate socially responsible business, are more loyal to and trust responsible brands.

In the opinion of large companies (80.0 %), increased investor interest and good relations with the surroundings also contribute to long-term success of an enterprise.

It should be noted investors are interested in cooperation with enterprises able to boast not only of good financial performance but also transparency and fair development of their own image and positive relations with their environment. Such responses from managers of major Mazovian businesses are proof of their growing knowledge of CSR ideas.

Table no. 6 External and internal benefits of applying the concept of CSR* (%)

Specification	Micro enterprises	Small enterprises	Medium enterprises	Large enterprises
External benefits				
Positive image	86.4	82.4	88.2	90.0
Good relations with the environment	54.5	41.2	41.2	80.0
Improved reliability	81.8	76.5	88.2	90.0
Efficient functioning in local communities	31.8	41.2	29.4	30.0
Improved loyalty of existing and acquisition of new customers	63.6	70.5	76.5	70.0
Internal benefits				
Higher wages	31.8	29.4	70.5	60.0
Improved work safety	68.2	76.5	76.5	60.0
More professional development and prospects	31.8	58.8	64.7	70.0

Specification	Micro enterprises	Small enterprises	Medium enterprises	Large enterprises
Improved welfare facilities	63.6	58.8	64.7	70.0
Improved motivation, satisfaction and commitment of staff	36.4	64.7	64.7	60.0
Greater employee identification with their firm	31.8	70.5	58.8	60.0
Firm's perception as an attractive employer	59.1	82.4	88.2	70.0

* Several responses could be provided

Source: The authors' own research.

Analysis of the internal benefits derived by enterprises introducing the principles of Corporate Social Responsibility indicates questions in the area of management and HR policies prevailed. Most micro-enterprises (68.2%) found improved working conditions to be the key benefit, while personnel of small (82.4%) and medium-sized enterprises (88.2%) began perceiving their firms as attractive employers.

Table no. 7 Barriers to implementation of the CSR theory* (%)

Specification	Micro enterprises	Small enterprises	Medium enterprises	Large enterprises
Need for financial spending	68.2	54.7	35.9	20.0
Lack of staff knowledge and skills	36.4	31.2	35.4	40.0
Lack of owner/ management commitment	31.8	29.4	21.5	30.0
Lack of benefits	45.7	36.5	33.3	20.0

Source: The authors' own research.

The results concerning barriers to implementation of the concept of Corporate Social Responsibility point to financial expenditure required of an enterprise as the fundamental reason for such a state of affairs. Poorly educated human resources, particularly of micro and small enterprises, additionally obstruct introduction of the idea to enterprises.

Conclusion

Corporate Social Responsibility does not have a clear-cut definition, either in its theoretical or practical aspect. Various interpretations of CSR are accepted by different groups of interests, which results in evolution of the notion. This concept is a voluntary practice, though a range of legal regulations and guidelines point to its obligatory nature.

Results of the survey among enterprises in the Mazovian region are similar to those of the national query. More than 60% of the Mazovian enterprises examined have implemented the concept of Corporate Social Responsibility while nearly 50% of large and medium-sized enterprises in the national sample were carrying out CSR actions, with another 15% considering their implementation.

The hypotheses posited by this article have been proven in full. Results of the Mazovian and national surveys show that:

- There is a dependence between company size and application of the CSR theory. The larger an enterprise, the more willing it is to implement CSR ideas. In Mazovia, approx. 60% of micro-enterprises and more than 70% of large entities put this concept into practice.
- Building of a positive company image is the key benefit from application of CSR, as confirmed by 52% enterprises queried in the national survey and 80-90% enterprises operating in the Mazovian region.
- Micro-, small and medium-sized enterprises in Mazovia find the necessary financial spending (68.2%, 54.7% and 35.9%, respectively) to be the principal barrier to implementation of CSR, whereas larger businesses point to lack of worker knowledge and skills (47% in the national and 40% in the Mazovian survey).

Enterprises operating in line with the concept of Corporate Social Responsibility voluntarily include social and ecological questions into their business and relations with stakeholders, which contributes to improvement of the life of local communities. It is for this reason that actions need to be taken to propagate the ideas of CSR.

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