

Significance of Corporate Social Responsibility in the competitive economy

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Introduction

The concept of Corporate Social Responsibility (CSR) has evolved under impact of economic, social, political and environmental changes to become a topical issue, both in theory and practice.

Enterprises understand the need for and benefits from business in line with principles of Corporate Social Responsibility to an increasing extent. An enterprise not only produces and supplies certain goods or provides some services to the market but is also responsible for consequences of its operations: pollution of the natural environment and adverse social effects like lowered sense of security, liquidation of jobs or social differences. A contemporary enterprise is therefore required, besides provision of goods and services, to bear ecological and social responsibility and to assist with solving of complex social problems. It is thus reasonable to include assumptions of Corporate Social Responsibility in its operation strategies.

This paper will undertake a theoretical and statistical analysis of Corporate Social Responsibility in the Polish economy.

History of CSR

The idea of Corporate Social Responsibility can be traced as far back as the ancient times and then to the Middle Ages. A number of thinkers like St. Thomas Aquinas, Aristotle, Plato were interested in economic developments and attempted to analyse and interpret them. References to business ethics are found in a number of religions. The medieval Catholic Church was very thorough at specifying the canon laws demonstrating models of conduct desirable in certain areas of business [Paliwoda-Matiolańska 2014: 158]. The encyclicals, Leo XII's *Rerum Novarum* and Pius XI's *Quadragesimo Anno*, chapter two of the latter devoted to a discussion of social and economic issues, addressed Corporate Social Responsibility [Bernatt 2009: 23].

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The modern concept of CSR emerged in the US in the middle of the 19th century. It was then that A. Carnegie, the American industrial tycoon, published *The Gospel of Wealth*, the first to describe the idea of Corporate Social Responsibility [Rybak 2004: 15]. He believed Corporate Social Responsibility should rely on entrepreneurship and charity. Responsibility of enterprises should consist in philanthropy and help with knowledge acquisition. They should share their resources with individuals who are for some reason poor. The concept of CSR had a different interpretation on the Old Continent. In Europe, CSR was associated with any activities of enterprises intended to improve living standards of other people, not necessarily by financial means [Kostera 2008: 454].

In the late 19th century, the so-called 'era of entrepreneurs', new legislation was developed to govern relations between business, state and society. It was established, accordingly, that corporations were bound by assumptions other than profit maximisation or cost minimisation alone. The roles of enterprise owners were transformed – from greedy capitalists to business people sensitive to needs of other players in the economy.

Huge industrial enterprises focussing on profitability began to be formed in the United States in the early decades of the 20th century. Corporations were typical for that period. They applied enormous pressure on social and cultural changes of communities. It was instantly noted that, as corporations expanded, they began to employ practices that were far from beneficial to the public. They were accused of evading taxes, involvement in price fixing and blackmailing other businesses. The charges became even louder immediately after the Second World War, when the United States became the global economic leader and American enterprises began generating exorbitant profits. Under public pressure, the US government commenced pushing corporations to discontinue immoral business practices [Domańska 1999: 68].

In 1953, H.R. Bowen published his *Social Responsibilities of the Businessman* [Visser, online]. This was the first comprehensive study of business ethics in connection with Corporate Social Responsibility. The author stressed business did not affect only those directly involved but also society as a whole. Consequently, it must be conducted in accordance with general needs. Two social movements, of consumers and ecologists, were born of the impetus of transformations in the 1960s and '70s, referred to as 'the social era'. Social pressure led to introduction of industrial safety measures and instructions on waste disposal, amendments to highway codes were to improve road safety. A document called *The Davos Manifesto* was presented at the third European Management Symposium in 1973, an important contribution to the debate on corporate responsibility going on at the time. It stated generation of profit was not the sole and central objective of an enterprise. Benefits ought to be shared by both business managers, customers, suppliers and partners. A code of good practices, published by L. Sullivan in 1977 and termed *Sullivan Principles*, was an important point in development of Corporate Social Responsibility. The author addressed the principles to enterprises operating in South Africa but based in the United States. The code was signed and put into practice by 125 enterprises. It prohibited discrimination against workers on the grounds of their background or skin colour. Appropriate working conditions and wages proportional to their workload had to be assured. Duties of

an enterprise also included training for black workers and their appointment to positions higher than menial workers only. *Sullivan Principles* were intended to improve living conditions of South African citizens.

The meeting of Round Table in Caux (Switzerland) in 1994 was another step towards reaffirming the idea of social responsibility with entrepreneurs. Business representatives from the United States, Japan and Europe presented 'principles for business'. The document referred to the CSR theory in the context of economic, social and political changes under way at the time. Participants in the Round Table claimed an enterprise should be guided by such principles as obedience to law, respect for the natural environment or fostering innovation in various areas of its business [online <http://odpowiedzialnybiznes.pl>].

In response to a universal interest in the concept of Corporate Social Responsibility, the European Union decided to provide its guidelines to the member states. In 2000, the Council of Europe introduced a programme known as the Lisbon Strategy for 2000–2010. It envisaged the EU becoming a leader of development respecting all social standards. A year later, the European Commission presented its *Green Paper on Corporate Social Responsibility* in order to initiate a general debate concerning CSR. The EU authorities, enterprise representatives, media and non-government organisations participated in the consultation process. In effect, a *White Paper* was produced, a strategy for realisation and propagation of Corporate Social Responsibility. The idea CSR of continued with a 2010 document: *Europe 2020 – Strategy for smart, sustainable and inclusive growth*. A smart, sustainable and inclusive economic growth is one of its priorities.

Corporate Social Responsibility – theoretical dimension

The current theory of Corporate Social Responsibility is a product of a variety of influences, including both social and economic factors, diverse conceptual constructs concerning e.g. charity, and the idea of sustainable development.

Conscious and voluntary responsibility of an enterprise for its personnel, other stakeholders and the natural environment is at the core of Corporate Social Responsibility. The Green Paper, published by the European Commission in 2001, implies '... enterprises voluntarily undertake actions to improve life of stakeholders... . They do so because ... they are increasingly aware responsible action leads to stable economic success' [Green...2001].

Investments in human resources, protection of the natural environment and good relations with the environment of an enterprise, that is, a voluntary commitment to formation of business surroundings instead of mere fulfilment of formal and legal requirements, are of particular importance in the concept of Corporate Social Responsibility ['*Corporate Social Responsibility begins where law stops having an impact*' [Davis 1973].

Responsibility, the backbone of CSR, comes in a variety of dimensions. A.B. Carroll has proposed a pyramid of responsibilities that comprises its four types [Carroll 1993]:

- Philanthropic – programmes supporting society, such as local or voluntary undertakings,
- Ethical – ethically correct actions,
- Legal – obedience to the letter of the law in all area of enterprise operations,
- Economic (related to profitability) – attempts at maximising income and minimising costs of business.

Having the various levels of responsibility at its disposal, an enterprise moves from socially required actions (economic responsibility) to those desirable to society (philanthropic responsibility).

Definitions of Corporate Social Responsibility normally combine all the types of responsibility listed above as they stress the need to follow ethical, moral and legal standards yet go beyond the traditional frameworks of law and ethics. Specialist literature fails to offer a single, universal definition of the theory. Attempts at defining CSR have been made by both international institutions, social organisations, theoreticians and practitioners of business (Table 1).

Table 1. Selected definitions of Corporate Social Responsibility

Author	Definition
1	2
Standard ISO 26000	Responsibility of an organisation for the impact of its decisions and actions on society and environment, expressed as transparent and ethical behaviour that contributes to social development, health and welfare; commitments undertaken consider stakeholders' expectations, comply with applicable law and international standards of conduct, are integrated into actions of an organisation and practised in its relations with the environment
World Business Council for Sustainable Development	CSR is an undertaking of a business to contribute to sustainable economic development through improving quality of life of staff and their families, as well as of local communities and society as a whole
Business for Social Responsibility	CSR means conducting business in a way meeting or exceeding ethical, legal, commercial and social expectations the environment has towards business
Green Paper 2001	CSR is an idea under which firms voluntarily incorporate social and environmental issues in their business operations and relations with stakeholder groups
Rybak M. (2001)	Duty of management to make decisions that contribute both to own interests (increasing of enterprise profits) and to protection and enhancement of social well-being.
Kotler Ph., Lee N. (2005)	CSR is a commitment to improve social well-being through discretionary business practices and use of resources
Filipp E. (2008)	CSR is a strategy of business management and development, built on values a business recognises, which considers needs of key stakeholders and broadly-defined business environment while minimising risk and achieving long-term business benefits; ability to run an enterprise in such a way as to boost its positive contribution to life of society and minimise adverse effects of its operations; everyday treatment of participants in the market process (i.e. stakeholders): customers and business partners, staff, local community, by a firm

1	2
Paliwoda-Matiolańska A. (2009)	Effective process of enterprise management which, by responding to identifiable expectations of stakeholders, contributes to growing competitiveness of an enterprise and assures its stability and continuing development, and provides conditions conducive to economic and social development while creating both social and economic value.
The European Commission (2011)	CSR is the responsibility of enterprises for their effect on society

Source: ISO 26000 Guidance on Social Responsibility, Polski Komitet Normalizacyjny, (online) <http://www.pkn.pl>; World Business Council for Sustainable Development (online) <http://www.wbcsd.org>; Business for Social Responsibility, (online) <http://www.bsr.org>; Green Paper on Corporate Social Responsibility (online) <http://www.eu-lex.europa.eu>; Rybak M., Corporate Social Responsibility – idea and reality, *Gospodarka Narodowa* Nr 3/2001; Kotler Ph., Lee N. 2005, p. 3; Filipp E. 2008, s. 451; Paliwoda-Matiolańska 2009, s. 77; Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Committee of the regions. A renew EU strategy 2011–14 for Corporate Social Responsibility, 25.10.2011. COM(2011)681, (online) www.eur-lex.europa.eu;

CSR is an enterprise's strategy in response to challenges of sustainable development which is expressed as voluntary actions combining economic, social and environmental considerations. Such actions must bring benefits to both an enterprise and the society.

Corporate Social Responsibility can be viewed from the perspective of its scope; namely, internal and external responsibility is distinguished [Sokołowska 2009]. The former refers to groups of interest internal to an enterprise, that is, to owners (shareholders), managerial staff (management and supervisory boards, medium-level management) and other employee groups and trades unions. In turn, external responsibility of an enterprise addresses stakeholders operating in an enterprise's environment, such as customers, suppliers, competitors, financial institutions, retailers, wholesalers, creditors, investors, central and local administration, business organisations and local communities, civic organisations, media and international institutions. 'Virtually everybody is a stakeholder of a firm, since networks of inter-relations are increasingly close in the global world. From the viewpoint of a given business, however, those relations with stakeholders which can be managed are important' [Rok 2004: 19]. Each stakeholder group has specific expectations of an enterprise and their behaviour has considerable effect on objectives pursued by such an entity. It is the fundamental task of owners or managers to maintain a balance between interests of a firm and diverse expectations of a number of stakeholder groups that are frequently contradictory.

As far as motivations of enterprises to accept responsibility are concerned, imposed, enforced and voluntary responsibility can be distinguished [Filek 2006: 8]. Both imposed and enforced responsibility are results of external pressure – of legal norms in the former case and of consumers, citizens or organisations in the latter. Only voluntary responsibility denotes its conscious and voluntary acceptance by a social organisation aware of its role.

An enterprise's attempts at realising the concept of social responsibility is a complex process that consists of many stages [Filek 2006: 8]:

a. Preliminary stage – no awareness of any responsibility,

- b. First (legal) stage – responsibility is imposed by the law, which means an entrepreneur realises responsibility for actions against the law applies,
- c. Second (ethical) stage – an entrepreneur accepts responsibility,
- d. Third stage (beginnings of CSR) – responsibility enforced by society – an entrepreneur accepts realisation of expectations of staff and consumers underwritten by law, yet also considers expectations enjoying strong social support,
- e. Fourth stage (well-developed CSR) – conscious responsibility – an entrepreneur consciously incorporates some social objectives into their activities,
- f. Fifth stage (advanced CSR) – voluntary responsibility – an entrepreneur consciously and voluntarily takes actions to improve quality of life of all community members.

Corporate Social Responsibility in a competitive economy – the instance of Poland

A survey of social responsibility in Poland was carried out in 2014 by means of interviews with a sample of large and medium-size companies selected in respect of headcount. Top management and lower-level personnel were queried [KPMG, 2014].

The survey demonstrated businesses in Poland (96% of medium-sized and large enterprises) realise the importance of the assumptions underlying the concept of Corporate Social Responsibility. They point out responding to social and ecological challenges is a duty of business. Actions to be undertaken by a socially responsible enterprise include primarily:

- Recycling,
- Protection of the natural environment,
- Development of local communities,
- Science, education,
- Countering discrimination,
- Supporting entrepreneurship,
- Fostering of socially responsible attitudes.

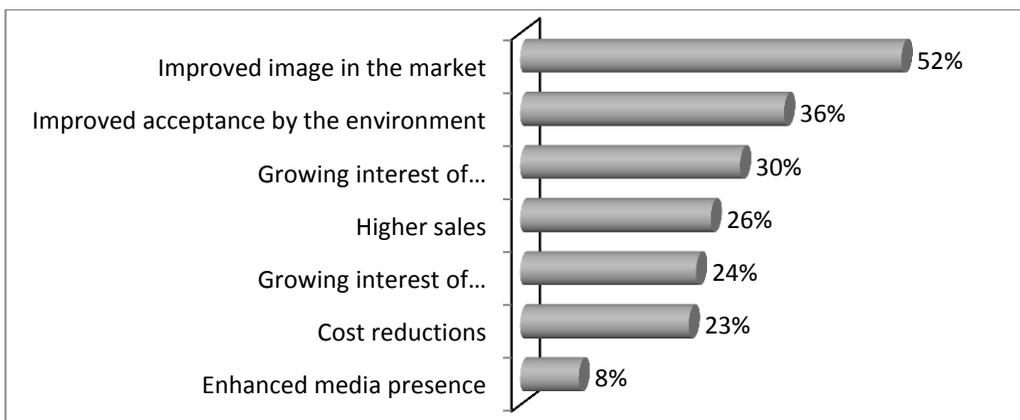


Fig. 1. Benefits of CSR

Source: The authors' own compilation on the basis of [KPMG, 2014]

The representatives of medium-sized and large firms indicate actions in line with CSR improve financial results (77%). This conviction has been expressed by slightly fewer members of top management (73%) than by other employees (81% indications). Awareness of benefits from putting CSR principles into practice is comparable in both the groups. Improved company image in the market is the most commonly selected benefit of such activities (52%). The remaining benefits encompass: growing acceptance by the environment, higher interest of business partners, higher sales, growing interest of potential staff, cost reductions, and increased media presence (Fig. 1).

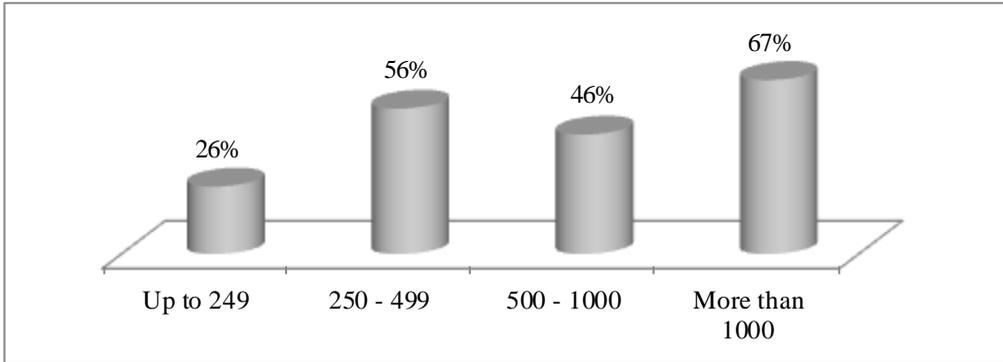


Fig. 2. CSR in enterprises by headcount

Source: The authors' own compilation on the basis of [KPMG, 2014]

The survey implies nearly 46% of small and large businesses conduct Corporate Social Responsibility actions and 15% consider undertaking them, proof of a growing trend for the future. CSR actions are far more often carried out by large enterprises. Nearly 70% of large companies, that is, those employing more than 1000 staff, pursue socially responsible actions. Merely a quarter of medium-sized enterprises (i.e. employing below 249) conduct such actions (Fig. 2).

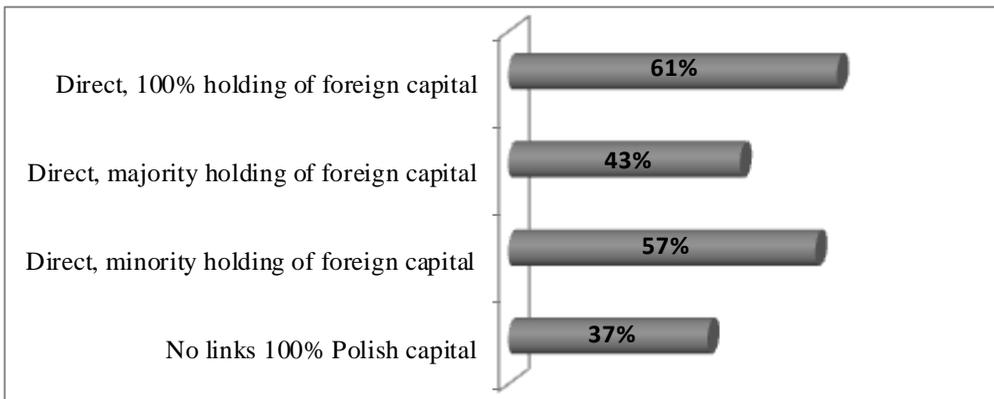


Fig. 3. CSR and share of foreign capital in enterprises

Source: The authors' own compilation on the basis of [KPMG, 2014]

Differences of CSR actions by enterprises across sectors are not substantial, on the other hand. Industrial manufacturing enterprises prevailed to some extent over service businesses (51% and 43%, respectively). Joint-venture firms exhibit a greater diversity. Socially responsible actions were most commonly undertaken by enterprises wholly owned by foreign capital (61%) or with a minority foreign ownership (57%). Enterprises owned by domestic capital were the most unwilling to conduct such actions (37%). These tendencies point to corporate social responsibility as a global trend, mostly brought to Polish firms via contacts with foreign capital (Fig. 3).

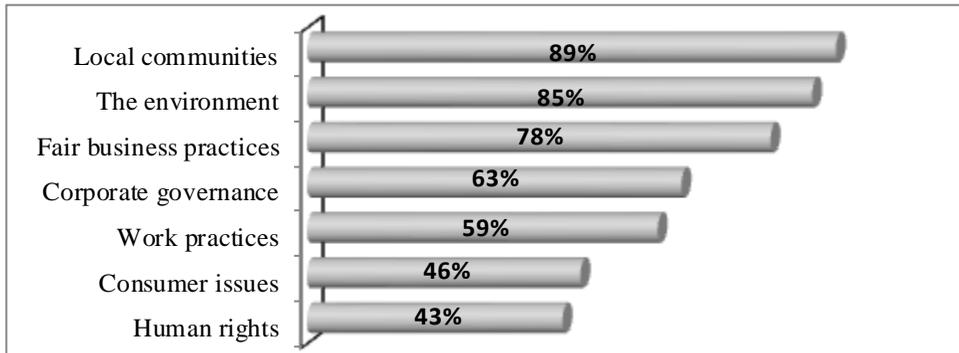


Fig. 4. CSR by areas of support

Source: The authors' own compilation on the basis of [KPMG, 2014]

Socially responsible actions of enterprises most frequently involve support for local communities (89%), initiatives to foster protection of the natural environment (85%), and fair business practice in dealings with customers and business partners (78%). Actions with regard to human rights and consumer issues were undertaken the most rarely (43% and 46%, respectively) (Fig. 4).

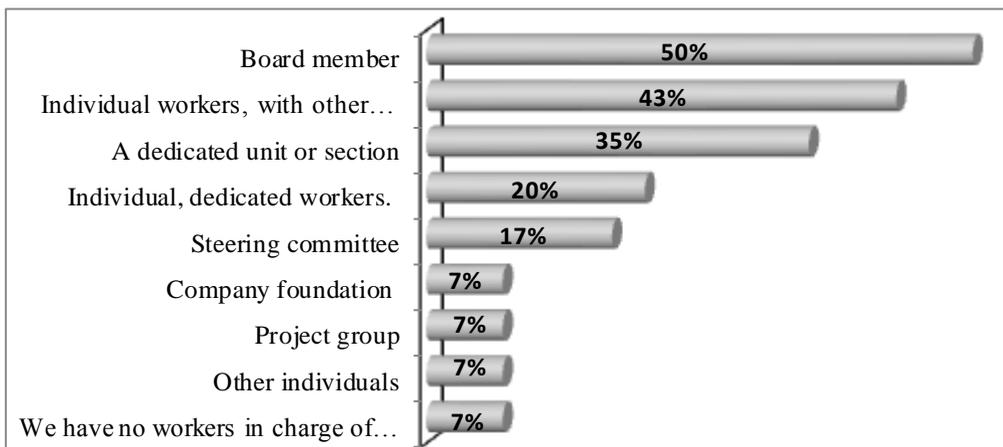


Fig. 5. Personnel responsible for socially responsible actions in enterprises

Source: The authors' own compilation on the basis of [KPMG, 2014]

Half the enterprises queried pointed to board members as those responsible for implementation of CSR. It shows the importance of the matter to enterprise development and its part in development strategies of the enterprises. In effect, CSR actions are formal parts of strategies of as many as 63% entities in Poland. These are cases of both dedicated staff and employees combining these and other actions (Fig. 5). A third of the businesses interviewed had a dedicated unit or section in charge of socially responsible actions. As few as 7% firms had no personnel responsible for CSR.

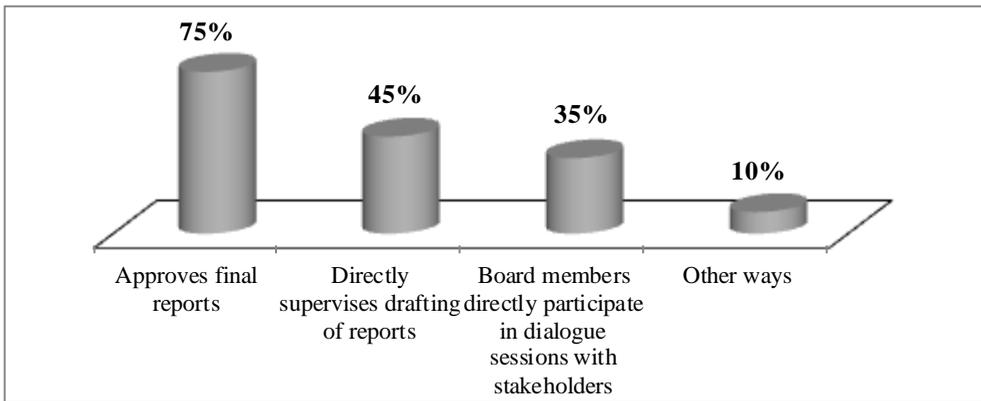


Fig. 6. Commitment of board members to preparation of reports

Source: The authors' own compilation on the basis of [KPMG, 2014]

Almost a half of the enterprises pursuing socially responsible actions report their activities and 4% plan to do so. Absence of the need (58%) and ignorance of reporting methods (21%) are mentioned as reasons for the failure to draft social/ sustainable development reports. Management board members take a dominant part in the process of report compilation (91%). It is normally top management who approve final reports. Management of nearly half of the firms are directly involved in preparation of the reports, with board members of a third participating in dialogue sessions with their stakeholders (Fig. 6).

Despite the opinion enterprises should consider social and environmental aspects in their operations, more than a half of the enterprises examined failed to carry out any actions in this area. This was especially true of the smallest businesses, without involvement of foreign capital. The group of enterprises mature about CSR (18%) encompassed those undertaking a range of actions in this area, reporting them and incorporating such issues in their strategies. Those were large companies with foreign capital shareholdings.

Conclusion

Advancement of globalisation processes in the world economy has contributed to dramatic socio-economic transformations [Filip, Grzebyk, Kaliszczak 2010]. Public trust in enterprises in on the decline. In the circumstances, it is necessary to put princi-

ples of Corporate Social Responsibility in practice. The awareness increases that an enterprise eager to secure its development should care for social interest and base its relations with all social groupings on dialogue and confidence.

As defined by the European Commission, social responsibility of enterprises denotes responsibility for their impact on society. This impact is multi-dimensional and refers not only to care for the natural environment, staff and working conditions, but also business relying on similar values and seeing people in processes of production, consumption and distribution. This means implementing principles of social responsibility in all aspects of a firm's operations.

'Social commitment of an enterprise is the most effective wherever interests of an enterprise and society are combined' [Jakubow 2008: 118]. Due to economic, social, cultural and religious diversity of states worldwide, actions of enterprises in respect of corporate social responsibility are limited. Each enterprise should identify social issues it could be capable of relieving with its actions while acquiring competitive advantage. This is emphasised by M.E. Porter and M.R. Kramer [2007: 174, 177], who point out a strategy of Corporate Social Responsibility should bring benefits both to an enterprise and to society.

Specialist literature states enterprises are managed in the interests of all stakeholders. As a matter of fact, though, most weight is attached to interests of shareholders and top management. It must be remembered managers from various parts of the world perceive the role and objectives of enterprises differently. Regarding the drive towards own benefits as an overarching objective prevails in business practice, with service to consumers and society coming behind.

The survey conducted in 2014 gives rise to the following conclusions:

1. More than a half of the enterprises queried (54%) do not undertake any CSR actions. However, nearly all (96%) believe business should respond to social and ecological challenges,
2. Incidence of CSR action rises with size of companies. 46% of large and medium-sized companies in Poland carry out, and 15% plan to introduce socially responsible actions,
3. Shareholdings of foreign capital exert considerable influence on undertaking of socially responsible actions. A majority of enterprises owned by foreign capital (61%) are socially responsible firms. Enterprises owned by domestic capital were distinctly less eager to conduct such actions (37%). It can be said, therefore, that CSR is a global trend,
4. CSR activities of enterprises mostly relate to local communities, protection of the natural environment and fair business practices,
5. Out of large and medium-sized enterprises conducting socially responsible actions, 63% represented them in their strategies and almost a half (48%) prepare social reports,
6. Socially mature enterprises, which conduct CSR actions, incorporate them in their strategies and publish reports, account for a fifth of all enterprises.

There are a number of divergences between the theory of Corporate Social Responsibility and economic practice. Enterprises are not socially responsible in most

cases. The growing awareness and readiness of managers to undertake pro-social actions, as well as rising numbers of enterprises involved in such activities, are the positive developments.

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Znaczenie społecznej odpowiedzialności biznesu w warunkach konkurencyjnej gospodarki

Streszczenie

Społeczna odpowiedzialność biznesu jest koncepcją, dzięki której przedsiębiorstwa na etapie budowania strategii dobrowolnie uwzględniają interesy społeczne i ochronę środowiska, a także relacje z różnymi grupami interesariuszy. Bycie odpowiedzialnym nie oznacza tylko spełnienia wszystkich wymogów formalnych i prawnych, ale również zwiększone inwestycje w zasoby ludzkie, w ochronę środowiska i relacje z otoczeniem firmy, czyli dobrowolne zaangażowanie. Społeczna odpowiedzialność biznesu to efektywna strategia zarządzania, która poprzez prowadzenie dialogu społecznego na poziomie lokalnym przyczynia się do wzrostu konkurencyjności przedsiębiorstw na poziomie globalnym i jednocześnie kształtowania warunków dla zrównoważonego rozwoju społecznego i ekonomicznego.

Słowa kluczowe: społeczna odpowiedzialność biznesu, konkurencyjność