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CORPORATE SOCIAL RESPONSIBILITY (CSR) IN THEORY AND IN PRACTICE. SELECTED ISSUES

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Abstract

The increased interest in creating socially responsible business model results from various reasons. The most important ones include: recently frequently acceptable need to apply the so-called sustainable development concept, need for civil society development, increased clarity of business activity and its consequences, including elimination of corruption and unethical behaviour in business and implementation of good practices in relations with a wide group of stakeholders. The study aims at analysing selected issues related to CSR from the point of view of theoretical assumptions, as well as business practice, and presenting the importance of CSR concept from the point of view of social and economic stability.

Keywords: corporate social responsibility, economy, responsibility, social sphere, ethics

1. INTRODUCTION

At present, economic activity has been run in the world of popularized culture. It means that there are situations where decisions have to be taken and as a result conflicts occur between the manners of business people and the surrounding culture which covers and protects various moral values and sometimes promotes values which are not shared by business people. The past and present times document various conducts and choices of people related to business activity in a situation of conflict between the internal culture rooted in moral values and the external culture resulting from the compromise between different values imposing certain standard of conduct in management.

The economic activity requires making choices since it refers to using resources the access to which is frequently limited. In economy these resources are defined as scarce resources. In such situation, following the economic choices requires favourable social environment and protection of ownership, private security, guarantee for enforceability of agreements and liability for taken obligations.

The CSR concept recognized as the result of reflection on ethical values compared to economic activity is a social product. Historically speaking, the entrepreneurs, bankers and merchants regulated mutual conduct and obligations with the use of customs and ethos. Today, science has been analysing the said regulations, their adjustment to the current situations and development of grounds for explaining why the social, ethical and moral regulations are necessary. It is justified inasmuch as the contemporary economic world provides people with numerous complex decision-making situations. As part of competition, many instruments are applied to exclude economic competitors. Moreover, the sale of products is frequently accompanied by impulse to withhold crucial information. The relations between the employers, employees and stakeholders often involve some friction resulting from conflicting interests. There are also instances where the agreements often include legal loopholes, which lead to misuse and bankruptcy. Such pessimistic image of a managing man was previously observed and defined by W. Röpke (1994), who provided that markets frequently destroyed moral values; therefore the values must all the more be constantly supplemented from the outside. It involves organizing external support which would provide reason and guidelines for how to protect ourselves against unethical behaviour. The role should be assumed by the ethics of business responsibility the main goal of which is to combine various trends in moral philosophy, economy and other social sciences in a logical and coherent group providing obligations for business people. The success of this coherence determines the possibility to pass from CSR management to authentic responsibility. However, it requires comprehensive political grounds, in particular democratic grounds, and the need to intensify actions aiming at the return of the economists and business to social axiological grounds.

This study aims at analysing selected issues related to CSR from the point of view of theoretical assumptions, as well as business practice, and presenting the importance of CSR concept from the point of view of social and economic stability.

2. CSR CONCEPT. THEORETICAL ASPECT

At present, CSR has become the area of scientific research taken not only by the psychologists, moral philosophers, sociologists, and economists but also by the management specialists, winning the status of multi-level branch of science. The majority of works related to the issues concerning CSR concept provide analysis of the idea from the viewpoint of:

- moral and ethical aspects,
- social benefits,
- economic benefits,
- relations between the economic entities and their environment.

The concept of social responsibility has been developing by extending its scope of research compared to the historical information. It has also been the subject of continuous public debate.

The idea of CSR focuses mainly on building relations supporting all stakeholders participating in economic undertakings. Apart from building positive relations between the stakeholders, the concept includes formal and legal aspects and the protection of environment on a voluntary basis. In other words, the concept of corporate social responsibility involves, on the part of the enterprise, on focusing on the following elements: corporate governance, employee behaviourism, human rights, integrity in relations with clients, environmental protection, business reliability and social engagement. More specifically, at that time the enterprise could be recognized as one involved in social responsibility since it meets the following criteria: invests in human resources, cares for environmental protection, maintains legitimate and ethical relations with entrepreneurial environment and informs about taken actions.

The main objective of CSR concept is to protect social and economic life against economic relativism or even „market fundamentalism”, strengthen the sense of human dignity, moral and ethical principles, respect for the law, all forms of social integration and mutual trust among stakeholders taking care of the common good.

In numerous studies, especially in recent years, it is emphasized that CSR has become the concept introducing order into the social and economic life, in particular its ethical and cultural aspect, and providing the course and optimizing the economic thinking. However, relatively many experts on the issue emphasize the need to institutionalize and introduce process-based approach in the relations between business and society. Many of them have already tried to refer to those issues in a theoretical form. As a result, numerous studies have been carried out and many publications related to CSR aspects have been issued.

There are also many controversies regarding the CSR concept. So far, the concept has got more opponents than supporters. The supporters can see benefits arguing that:

- today many consumers identify themselves with pro-social and pro-ecological activities, therefore they will, first of all, purchase goods from socially responsible businesses (Bretyn, 2014, p. 72-73),
- implementation of CSR concepts into the enterprise encourages stakeholders to cooperate, since it provides them with more certainty that the cooperation will be stable and free from irregularities and fraud,
- employees are given more certainty that liberal principles in human

relations are going to be respected; namely the idea of tolerance but the one with rights and freedoms of other individuals,

- application of principles included in the CSR concept provides employees with stability of employment and encourages them to diligent work, which, in turn, provides the enterprise with possibility to acquire and keep the best employees,
- ethical, pro-social and pro-ecological behaviour affects greater efficiency and improvement in organizational culture,
- as a result of activities respecting the concept of CSR the trading brand becomes more distinguishable and respected.

Whereas the opponents, in particular businessmen, are convinced that the implementation of CSR concept will generate losses since:

- it refers to costs regarding the implementation of the concept, including e.g. changes in management and strategy, whereas such activities usually bring about expected results only in a long term perspective,
- expenses for CSR-related activities can ultimately be included in the price of sold goods and services, and the costs will be incurred by the consumers (Bretyn, 2013, p. 63-66),
- higher prices of offered goods, resulting from incurred costs of CSR concept implementation, will limit the competitiveness of enterprise,
- involvement in the CSR concept will hinder free, obligation-free management, resulting in the loss of some profit, whereas so far profit has been the most important goal of the company activity,
- freedom will be limited, especially since the assumptions of CSR concept stand in opposition to the statements and assumptions relative to the mainstream theory and the ideology of liberalism and neo-liberalism,
- the concept of corporate responsibility indicates the social and creative role of business entities, and obliges them to solve social issues, which may bring inconvenience, dilemmas and antinomia.

The opponents of CSR arguments indicate that the concept is contrary to the principles of market economy, referring to the Nobel Prize Winner Milton Friedman (1993, p. 127-128), claiming that economic entities should produce goods and render services effectively, but social problems shall be settled by the related people and governmental institutions.

In conclusion, while discussing CSR ideas it is worth remembering that when we refer to particular context of beliefs, connected to the discussed CSR issues, we need to discuss their particular form. When we discuss observations revealing that the concept fails to operate as expected, we need to remember that we are not discussing the theoretical model but the content of social experience which constitutes

3. IMPLEMENTATION OF CSR ASSUMPTIONS IN ECONOMIC PRACTICE

The usefulness of following the CSR concept not only by enterprises but also by the state in order to improve the competitiveness has already been presented in the works of: John Harry Dunning, Francis Fukuyama, Christopher Bartlett. Moreover, the leading international competitiveness rankings are aware of the role of CSR in building the competitive advantage by the enterprise, region and country. In recent years, we have also been observing the need, more often verbalized by the scientists, to increase the clarity of business activity, eliminate corruption and unethical behaviour in business and the use of good practices (Freeman, Velamuri & Moriarty, 2006; Loew & Clausen, 2010). Even though the implementation of CSR principles may help achieving those goals, the concept is not commonly applied. The events which occurred in the first decade of the 21st century clearly reflect the abovementioned opinion. In particular, the crisis which broke out at the turn of 2008 encouraged explicit opinions. It would be too simplified since it is difficult to indicate one or even more origins of conflict. However, we may assume that the system collapsed as a result of excessive complexity and consequently incomprehensibility of managing rules. Yet, the crisis revealed how severe consequences may result from failure to obey market rules and standards. It has been clearly emphasised by the institutional ethics representatives who claim that the market exists thanks to the standards which ensure actual competition and maintain the economic system which guarantees benefits for all interested parties. In fact, it turned out that not all of the entities on the market accepted those arguments. There are many examples to prove it, such as: Lehmann Brothers, WorldCom, Arthur Andersen and approx. 493 other banks and rating agencies which frequently contrary to the facts granted the highest rank. Also auditors and accountants (management accounting) neglected the ethical principles.

Whereas, John C. Bogl (2009, p. 139), particularly fiercely criticized the auditors who gradually switched to rendering very profitable consulting services to the clients whom they audited. As a result the independent and professional auditors following the generally accepted accounting principles turned into specific business „partners”, participating in the management of enterprises audited by them. The collapse of Arthur Andersen in 2003 and the preceding bankruptcy of the client of this consulting company – Enron, and then Lehman Brothers constitute examples which indicate consequences arising from such relations.

Another example of fraud resulting from failure to obey principles defined in the CSR concept, sometimes seemingly insignificant but conducted on a large scale, is manufactured information in mortgage loan applications and ignoring the procedures. In order to reveal irregularities and frequently concealed true intentions, in 2013 the British weekly magazine „The Economist” published an article on fines amounting to hundreds of millions of dollars which the Americans imposed on large British banks operating in the USA. It turned out that the fines were not imposed for causing the crisis but for money-laundering

for Cuba, Iran, Sudan and Mjanma. The magazine certainly referred to the formula „too big to fail” which constituted guarantee for large-scale business entities operating on the financial market for many years providing that in case of financial crisis the governments would come to their rescue.

Yet another example of activities contrary to CSR assumptions, including first of all the ethical assumptions, is the experiment conducted by the European Central Bank (ECB). At the turn of 2015, ECB conducted the simulation of crisis which involved performing balance sheet stress testing at the largest banks. The aim was, first of all, to verify whether the banks would remain solvent, if macro-economic environment rapidly deteriorated and the investors withdrew capital from the market. It was also verified whether the bank assets were really worth the amounts stated in the balance sheet. From among 130 banks, 25 failed the stress-tests, mainly the banks from southern Europe, e.g. the Greek Eurobank, the Italian Monte dei Paschi di Siena and the Portuguese BCP and the owner of the Polish Millenium bank. In Poland, who participated voluntarily in the simulation, the minimal shortage of capital at the end of 2013 was observed only by a branch of BNP Paribas and Getin Noble (Smoczyński, 2014, p. 6).

The most hypocritical in the above mentioned examples is that previously all of these economic entities emphasised that they greatly support the CSR concept and respect its assumptions. They all developed programs for the implementation of CSR concept, but they failed to follow them.

4. CSR IN POLAND. CASE STUDY

In recent years, we could observe the more often verbalized need to increase the clarity of business activity and its consequences, including mainly the elimination of corruption and unethical behaviour in business and the use of good practices (Bortz & Döring, 2003). Even though the implementation of corporate social responsibility concept may help achieving these goals, the concept is not commonly applied in Poland. The above mentioned opinion was confirmed by the results of studies. In 2014, pilot surveys were carried out, and as a result 850 questionnaires were received with 558 filled in correctly, which resulted in feedback amounting to 65.65%. Whereas, in 2016 more thorough studies were performed, and as a result 1269 questionnaires were received with 1089 filled in correctly, which resulted in feedback amounting to 86.22%. We need to add that the questionnaires covered every employee, i.e. not only the managers and owners but also other employees. The main objective of survey involved learning the level of knowledge on corporate social responsibility. The tables present: share of people employed in particular types of enterprises (table 1), structure of respondents holding particular position in enterprise (table 2), level of knowledge on the implementation and completion of the concept of corporate social responsibility by enterprises operating in Poland (table 3, 4)¹.

¹ Survey was conducted in December 2014 and 2016 in Poland by the Department of Economy of the Faculty of Management and Economics of Services, University of Szczecin.

Table 1

Share of people employed in particular types of enterprises in Poland
in 2014 and 2016 in %

Poland	Micro (1-9 people)	Small (10-49 people)	Medium (50-249 people)	Large (250 and more people)	Don't know
2014	24.01%	22.04%	24.73%	22.58%	6.63%
2016	14.14%	24.52%	21.67%	29.84%	9.83%

Source: own report under questionnaires carried out in 2014 and 2016 in Poland by the Department of Economy of the Faculty of Management and Economics of Services, University of Szczecin.

Table 2

Structure of respondents holding particular position in enterprise in
Poland in %

Position held	2014	2016
Owner	13.44%	5.69%
Manager	27.24	14.69%
Other*	58.96%	79.61%
No reply	0.36%	0%

* Lower-level employees who have no direct influence on defining and achieving the company's goal.

Source: own report under questionnaires carried out in 2014 and 2016 in Poland by the Department of Economy of the Faculty of Management and Economics of Services, University of Szczecin.

Table 3

Structure of answers to question: Are you familiar with the CSR concept?

Poland	Yes	No
2014	35.48%	64.52%
2016	44.44%	55.56%

Source: own report under questionnaires carried out in 2014 and 2016 in Poland by the Department of Economy of the Faculty of Management and Economics of Services, University of Szczecin.

Table 4

Structure of answers to question: Does your place of employment follow the
principles of corporate social responsibility (at least in some areas)?

Poland	Yes	No	Don't know
2014	45.34%	19.35%	35.31%
2016	27.92%	19.46%	52.62%

Source: own report under questionnaires carried out in 2014 and 2016 in Poland by the Department of Economy of the Faculty of Management and Economics of Services, University of Szczecin.

The results of conducted research (table 3 and 4) indicate that it would be too optimistic and too hasty to think that corporate social responsibility is a standard in the Polish enterprises. The opinion has been confirmed by pilot studies conducted by Katarzyna Szelągowska-Rudzka (2016, p. 148) among selected organizations in Pomorskie Voivodeship. They indicate that the majority of organizations fail to fully implement the organized and systemic activities related to the concept of corporate social responsibility. Forty per cent (40%) of the respondents claim that their organization implements the strategy but these are mostly big enterprises (58%), the lowest level of implementation is observed in small enterprises (26%).

The presented results of research make us wonder why despite the discussion on benefits of corporate social responsibility conducted recently in Poland, the concept is still not really appreciated and often simply underestimated. And it does not involve purely theoretical sophistication, but the answer defining reasons for such behaviour. There are many reasons, but the most significant include the lack of understanding among the majority of Polish entrepreneurs for CSR assumptions and, first of all, the belief providing that following the principles of corporate social responsibility is economically unprofitable. It is even more two-faced as we could say, since according to Edyta Spodarczyk and Katarzyna Szelągowska-Rudzka (2015, p. 437), these enterprises are encouraged to participate actively in the said concept, by both the European Union following “Horizon 2020” strategy and local governments promoting the concept and including it in their regional development programs. Moreover, the enterprises are granted subsidies for developing CSR strategy. Another, equally important reason involves the lack of professional CSR structure, the structure aiming at education covering all levels affecting social awareness, namely from national organizations to economic entities.

However, infrastructure, especially one related to such sensitive issues as corporate social responsibility, including ethics and morality, will play its role only when not only enterprises but also the whole society believe that following the said principles is reasonable and really brings about positive effects. But solely good organizational solution is not sufficient, but also, or perhaps first of all, we need to prepare ground in human minds explaining to the society:

- Why is the concept so important?
- What are the values and meanings behind it?
- What kind of awareness generates such concept?
- Why is the concept an important complete instrument on the international market? (Wolska, 2015, p. 589).

5. CONCLUSIONS

The CSR concept has been still undervalued by nearly all societies and authority representatives, despite the fact that it is a logical and practical result of the concept of human responsibility. Nevertheless, the CSR concept, though criticized,

seems to undergo rather slow but steady growth, despite significant conflict with the assumptions of the current trends in economy, namely liberal, neo-liberal and mainstream. The popularization of the concept requires, first of all, changes in the paradigm of economy, including confronting the theoretical models with practical reality without oversimplifying and primitivising the observation area. It is even more necessary since the absolutization of assumptions of the liberal, neo-liberal, and mainstream economy moved the economy away from the origins of philosophy and humanities, emphasizing the approach expressing inclination to more and more complex mathematical and econometric. It fails to encourage development of responsibility which is a much broader category than only lawful compliance with the laws which often contain flaws and gaps and as such, turn out to be insufficient for the harmonized development. However, it is not enough to issue decrees on responsibility since technocratic approach will fail to bring the expected result. Therefore, we need to create proper environment for the said concept, and, first of all, the social relations and institutions which develop the concept most effectively should enjoy privileged treatment.

The symptomatic quality of modern economy includes on the one hand, significant changes in management principles and technological progress, and on the other, unsustainable economic growth and increasing development inequalities on a global scale. The examples thereof include unemployment and large-scale poverty with wealth concentration at the same time, incorrect relations between the role of the state in particular countries and the power of transnational corporations. The list grows to include more threats to the natural environment and its sustainability, and numerous ills in economy, society and politics. Moreover, particularly dangerous are the conflicts resulting from differences in civilization and extreme diversification of the world. Despite many initiatives taken on a global scale, focused on reducing inequalities and degradation in economy, so far no country has been able to introduce satisfactory and effective solutions for these issues. Although in the world there are many transnational and local programs defining the course for solutions within the area of sustainable development, programs on corporate social responsibility, programs aiming at reducing poverty and unemployment, the results are unfortunately minor and frequently contrary to the planned results.

After recent crisis we cannot delude ourselves that similar situation would be most unlikely to happen again. Therefore, we need the CSR concept closer to the economic reality and more realistic in terms of human motivation, aware of the impact of numerous circumstances, for example the political and cultural ones on the managers' behaviour. The source of inspiration may include e.g. the German institutional ethics (*Ordnungsethik*) focusing on the rules of the game, and not on the behaviour of particular entities in the economic world. Following this line of reasoning, the social responsibility should be reconciled with social thinking and should not yield to business under simple utilitarian reasoning, namely: in business we need to be ruthless, greedy, and egoistic since we are forced to act like that by the competition, but after all such approach generates economic growth. On the contrary, the concept should include in its scope of interests the economic aspects, historical changes, systemic conditions and impact of demographic process on the shape of economy.

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