

Social Responsibility Management in Polish Companies

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Abstract: Trends and changes occurring in the environment show that the social responsibility will play an increasingly important role in shaping the economic reality. The influence of non-material factors on the company's value increases, as well as the social awareness. This article presents the evolution of the term of social responsibility, the model of social responsibility system and the practice of Polish companies with respect to CSR from the perspective of a survey among representatives of top management. As a result of the survey it has been determined that top management in Polish companies identifies social responsibility in the context of a model of business management as one of the elements which contribute to the achievement of desirable economic results, and attributes less value to voluntary social commitment in form of charity.

Keywords: corporate social responsibility, stakeholders, social responsibility management, social and economic value

JEL Classification: M14

Introduction

For a long time the scientific literature has emphasised the connection between a company and its environment. Currently there is a strong trend accentuating the necessity to respect the requirements of the environment, which on the one hand – expects its needs to be satisfied, and on the other hand – controls and monitors the organisation's activities in economic, social or environmental aspects. In modern concepts of management it is easy to notice the evolution of the model of a company from a financial to a social one which increases the significance of external factors in the management process. The social model emphasises the existence of interest groups other than shareholders and owners which may influence the company and therefore their interests must be taken into account in the company's decision making

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and management process. That is why modern management should be based on three dimensions: traditional, technical-economic, social-political and ethical.

In the theory of organisation and management the connection between a company and its environment was noticed a long time ago. The dependence of an economic organisation on available resources and the significance of skills for establishing mutual relations is highly emphasised. Currently there is a strong trend accentuating the necessity to respect the requirements of the environment, which on the one hand – expects its needs to be satisfied, and on the other hand – controls and monitors the organisation's activities in economic, social or environmental aspects. This has contributed to the reflection on the complexity and role of a modern company in the context of shaping the social sphere.

Trends and changes occurring in the environment show that the social responsibility will play an increasingly important role in shaping the economic reality. The influence of non-material factors on the company's value increases, as well as the social awareness. It allows to identify three pressure forces acting on business entities in order to increase their social commitment:

1. The value of the company will depend to a great extent on the social context in which that value is created.
2. The society will demand more participation in solving social problems, stressing the civic attitude of the company.
3. The accumulating social and environmental problems will have to be solved by effective business entities.

Economic activity creates in the society the feeling of common goals and a conviction based on the assumption that the well-being of each person depends on the well-being of others. It will increase the interest in CSR, particularly in terms of management, as a value-based management tool. This article presents the evolution of the term of social responsibility, the model of social responsibility system and the practice of Polish companies with respect to CSR from the perspective of a survey among representatives of top management.

Evolution of the Term Corporate Social Responsibility

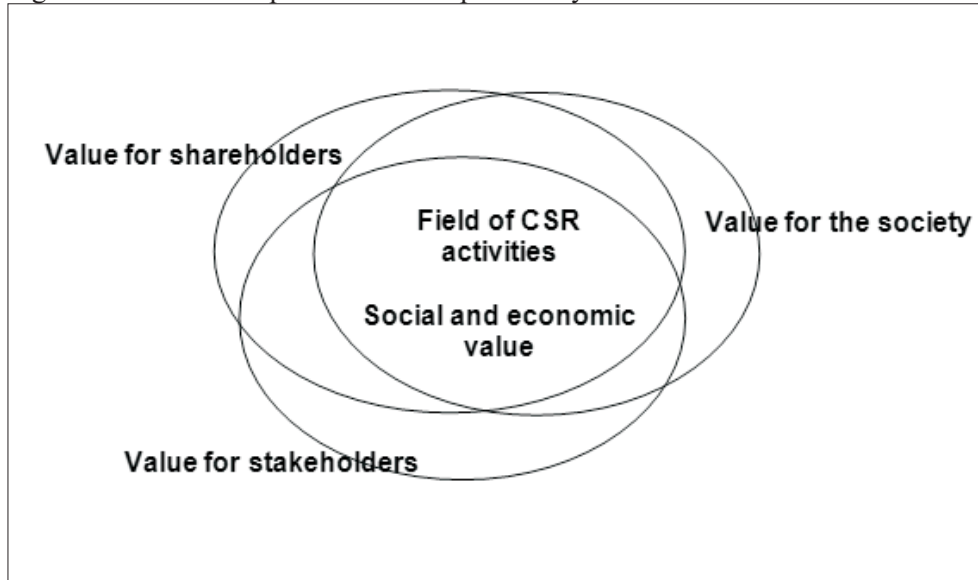
Corporate social responsibility is derived from the assumption that a company should support the well-being and the development of the society by: (1) pursuing the common good based on respect for each individual's rights; (2) taking into account the social and environmental aspects in business management systems; (3) and results from the obligations assumed by the company which go beyond legal

framework. The starting point is the company's economic effectiveness as the basic condition for its existence. What's next legal responsibilities is demanded by society when ethical and discretionary are in turn expected and desired by society [Caroll, 1979]. An economic organisation which does not operate on the basis of economy does not perform the main function imposed by the society. Economic and management sciences identify performing this function with the creation of values for owners and shareholders, and associate it mainly with the financial dimension of the efficiency of business management. Followers of the CSR doctrine also indicate other social responsibilities of the company, emphasising the significance of creating values other than the economic one.

The doctrine of social responsibility has a wide background and its legitimacy is justified for many reasons. This variety has led to the following approaches: (1) Effectiveness – based on Friedman's definition¹; (2) the concept of Corporate Social Responsibility – CSR1; (3) Corporate Social Responsiveness - CSR2; (4) Corporate Social Performance (Contribution) – CSP; (5) Stakeholders Theory². It allows to identify the following forms of explanation of corporate social responsibility: (1) business ethics which constitutes an individual dimension; (2) corporate social responsibility which focuses on performance; (3) social responsiveness as a process of social action (4) Stakeholders Theory as a basis for organisational evaluation of responsibility and reliability in relation to the achievement of its basic goals and evaluation of effectiveness of economic organisation's operations from accounting point of view.

The essence of social responsibility policy is the institutional approaches to the value-based and organisational reflection on moral significance of personal and organisational activities in relation to the organisation's identifiable stakeholders in a specific situation [Epstein, 1998, p.31]. This allowed to determine the field of activities (presented in figure 1) related to corporate social responsibility and its connection with the management process conceived as the pursuit of dynamic balance between three variables: value for shareholders (including owners), value for the society, value for the company's stakeholders. The definition of social responsibility has been placed in the context of development processes of an economic organisation, as well as value creation: corporate social responsibility is the process of managing relations with the company's stakeholders which through the response to their identifiable expectations contributes to the growth of its competitiveness, ensuring its stability and constant growth, shaping favourable conditions for economic and social development and creating both social and economic value.

Figure 1: Fields of corporate social responsibility activities

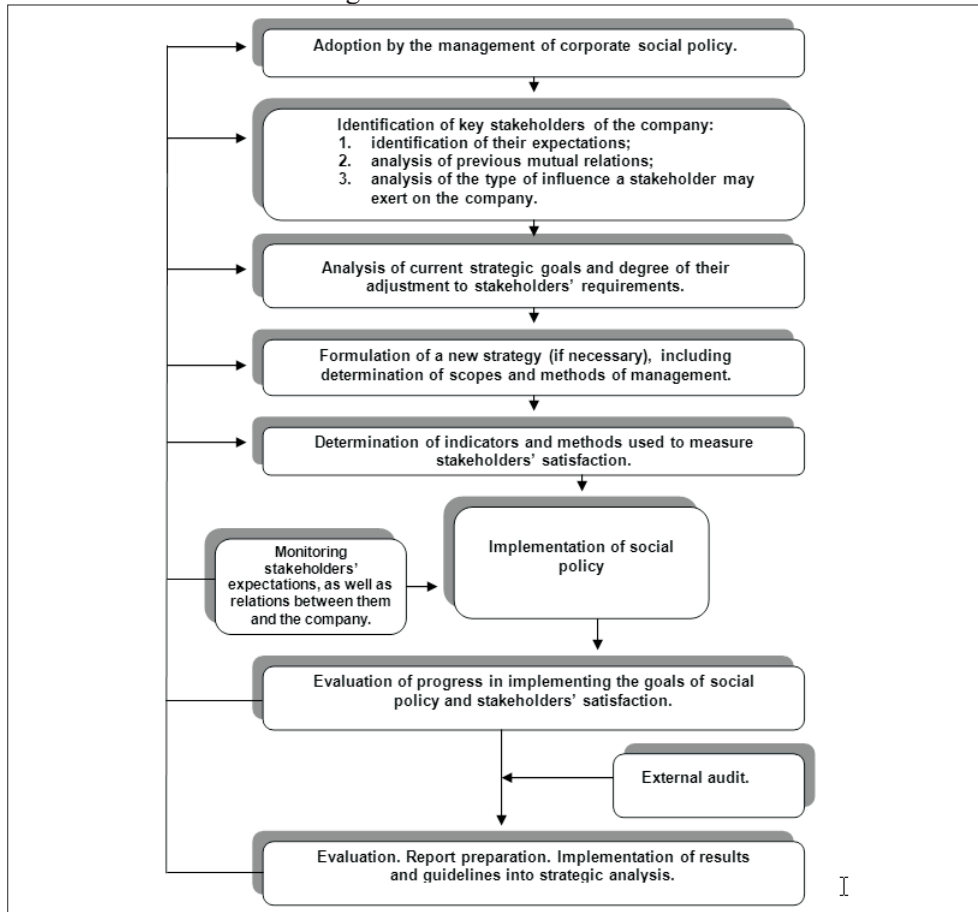


Source: own analysis

Corporate Social Responsibility System

Adopting the stakeholders theory as standard interpretation of the idea of corporate social responsibility has led to placing the definition within the business development management. Social expectations have been identified with the expectations of groups of stakeholders and that allowed to identify the values for various groups as integral parts of the value for the society, and in consequence operationalised the value creation process in the practice of business management. The perspective of creating value for stakeholders allows to build the system of corporate social responsibility strictly connected with the business strategy based on the analysis of relations with stakeholders, and by meeting their expectations – the company achieves the economic, social and environmental value. Figure 2 below shows graphic representation of the system.

Figure 2: The process of building corporate social responsibility system based on stakeholders management



Source: own analysis

Corporate Social Responsibility in View of Practical Survey

The result of accession of new member states to the European Union was an increase of professionalism and efficiency of companies, as well as increased customer orientation. Economic circumstances of modern companies emphasise the social and ethical nature of management. Corporate social responsibility is a way of thinking about conducting business activity. The crucial element here is the social unit, but understood as part of a larger community.

The analysis of social responsibility in the practice of Polish companies was based on the survey on the level of awareness of top management in Polish companies³. The principal thesis of the study is to provide a close link between social responsibility and effective management of the company. The connection is based on identifying and responding to company's stakeholder expectations.

The survey has been conducted on a sample from various regions of Poland. For that purpose the following thematic areas have been singled out as being significant for the identification of important elements in terms of corporate social responsibility:

1. role and form of corporate social responsibility;
2. analysis of socially responsible activities;
3. identification of stakeholders who are essential for the company;
4. analysis of the decision-making process of corporate social responsibility;
5. determination of potential benefits from being a socially responsible company.

Then, mutual relations between the identification of company's stakeholders and the evaluation of potential benefits from social responsibility and the offered actions and decisions of social and environmental nature have been analysed. If the representatives of top management do not express their opinion on the fact of implementing or creating corporate social responsibility policy, it is necessary to look into the general attitude of the top management towards the idea of corporate social responsibility. Furthermore, the collected data has been analysed on the basis of quantity. In consequence, 195 representatives of top management from 152 Polish companies have been surveyed. The tables below illustrate the structure of the sample by type of organisational position, volume of employment and region.

Table 1: Structure of participants by organisational positions

Organisational position	Participation (%)
President	28%
Vice President	6%
Chief Executive Officer	36%
Owner	5%
Functional Director	16%
Manager	7%
Others	2%

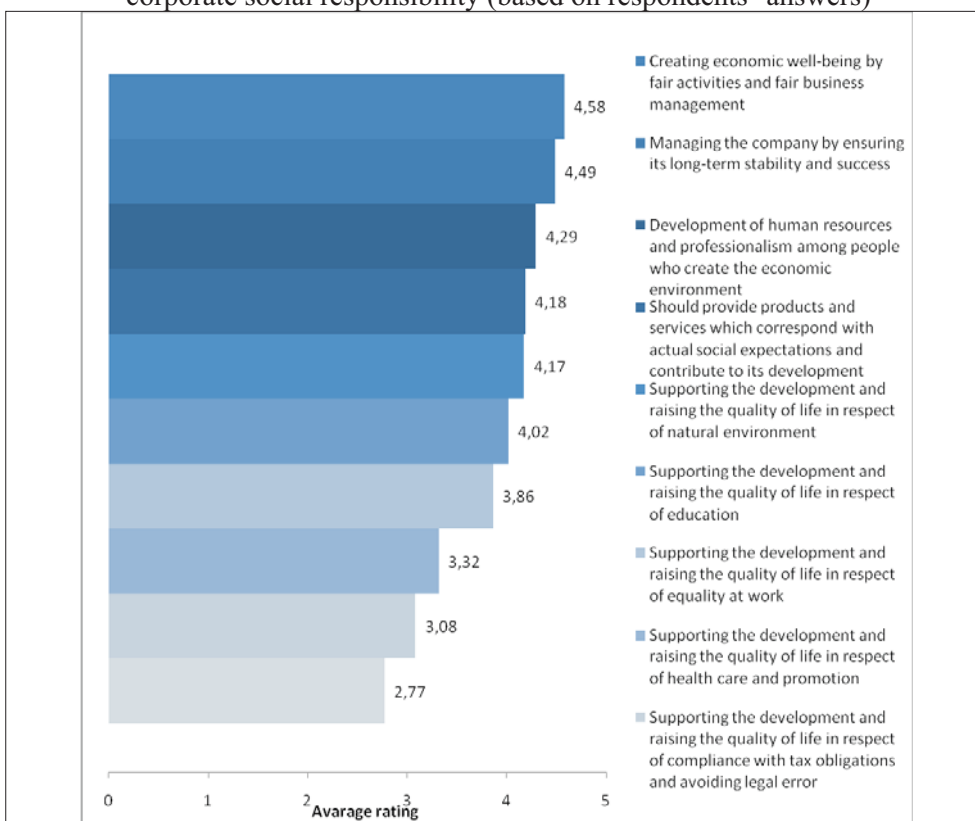
Source: own analysis

Table 2: Structure of participants by volume of employment in their companies

Volume of employment	Participation (%)
0 - 49 employees	17%
50 - 99 employees	22%
100 – 249 employees	34%
250—499 employees	9%
more than 500 employees	5%
no data available	14%

Source: own analysis

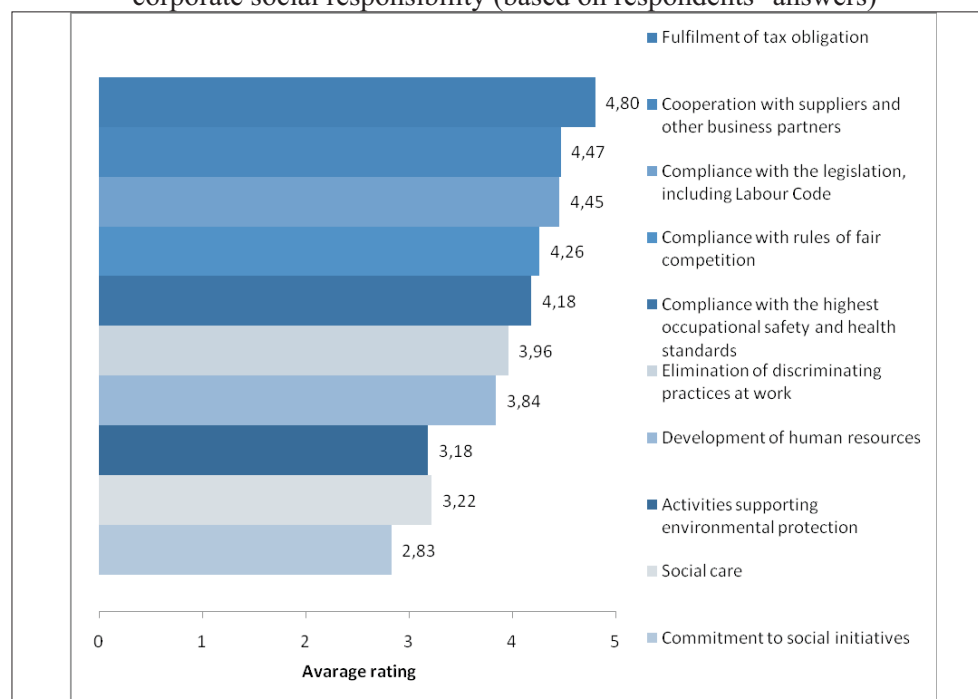
Figure 3: Averaged rating of values considered by top management expressed in corporate social responsibility (based on respondents' answers)



Source: own analysis

Business management by creating long-term stability and success has been most valued by respondents – the average value is 4,56. This result shows the development of perception of CSR not only as charity and philanthropy but also confirms its connection with aspects such as protection and safety of job, quality or success of company in the future. Top management value the most those forms of corporate social responsibility which are directly connected with the business management process and influence its success. Figure 3 shows graphic representation of respondents' answers.

Figure 4: Averaged rating of values implemented by top management expressed in corporate social responsibility (based on respondents' answers)

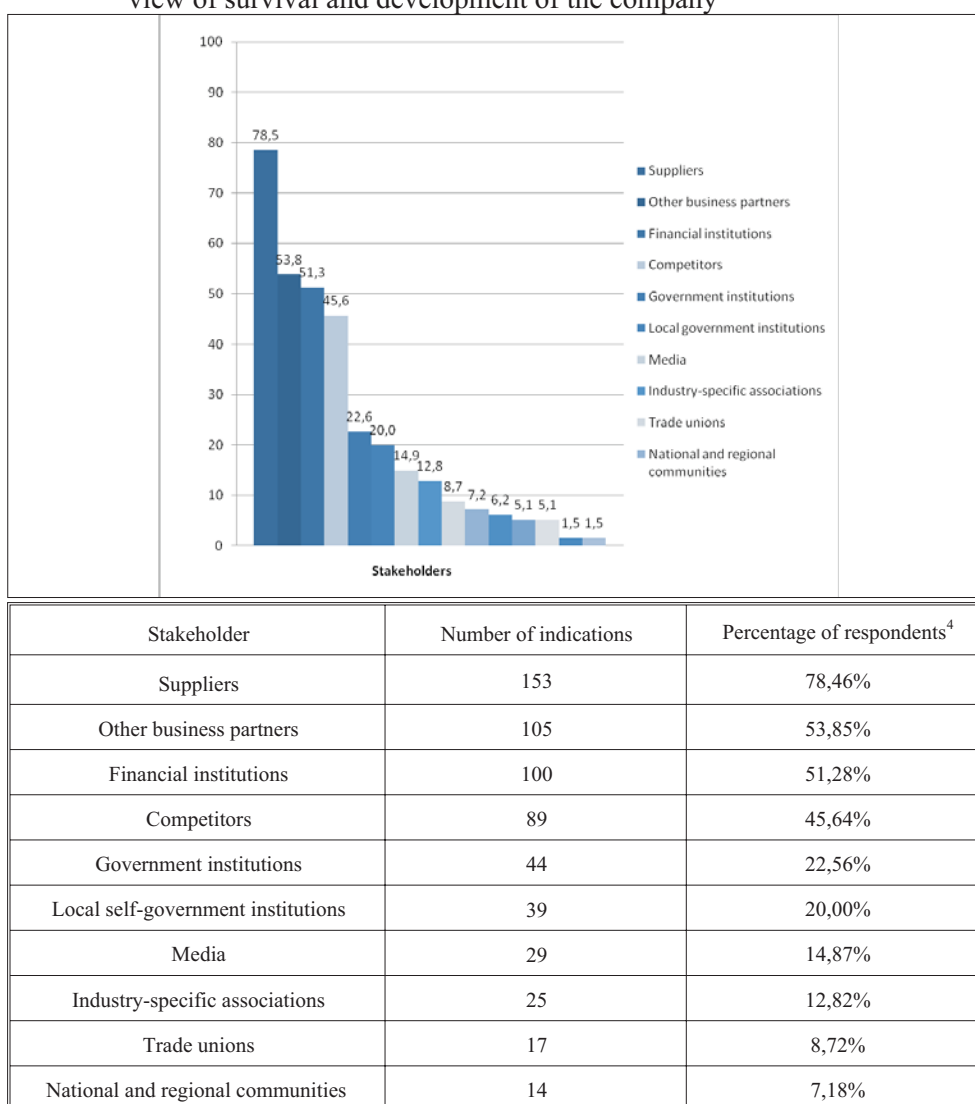


Source: own analysis

As regards the performance of operations relating to social activity, according to information given by top management of Polish companies we may say that performance of tax duties towards the state is carried out with the utmost diligence - 4,8. Co-operation with suppliers and other business partners has been ranked second - 4,47. The first highest value is regulated by the law and the fulfilment by Polish entrepreneurs of this obligation is strongly enforced. Cooperation with suppliers and other business partners, ranked second, clearly shows that the trust and image of a

responsible partner is essential for business management process and may indicate an increasing role of connections between companies in management process and therefore the role of the social dimension in mutual relations. The subsequent value is constituted by compliance with legislation, including Labour Code, observance of the rules of fair competition and the highest standards of occupational safety and health. Figure 4 shows graphic representation of respondents' answers.

Figure 5: General rating of significance of company's stakeholders from the point of view of survival and development of the company



Social organisations	12	6,15%
Consumer organisations	10	5,13%
Charity organisations	3	1,54%
Political parties	3	1,54%
None of the aforementioned	10	5,13%

Source: own analysis

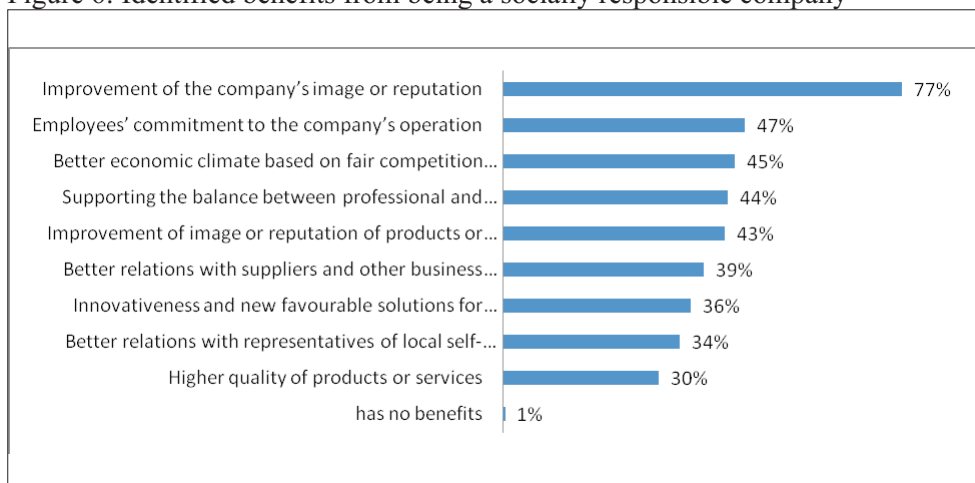
It is obvious that the best performance regards the tasks which imply legislative obligations of the company, which means that this attitude results from a social obligation rather than social reaction⁵.

The company's stakeholders may have a significant influence on its policy. In each company, and in its surroundings, there are people or groups of people who influence the company's actions and who are interested in its operation. Shareholders and owners have always been the essential entities. Moreover, employees and customers also constitute an important group as far as survival and management of the company is concerned. These groups were excluded from the analysis (they were not considered in selection options in questions) as the most identified entities in the practice of business management. It is interesting to see what other groups play an important role in business management and ensure its stability for further development⁶. 78,46% respondents ranked suppliers to be the most important, and 53,85% ranked other business partners. As a result of high valuation of cooperation with suppliers and other business partners we may assume that respondents strongly identify the significance of mutual relations. Financial institutions also received more than fifty percent indications which means that more than half of respondents regards those stakeholders as important for the survival and development of the company. Detailed specification is in Figure 5 above.

Managers from the top levels of management identify more and more groups and individuals who may actively determine the management processes of an organisation. The presented structure has a general scheme of various stakeholders but managers are aware that by meeting or ignoring the expectations of specified stakeholders they may alter the stability and development process of the company they manage.

An important element is the identification of potential benefits from being socially responsible. The awareness and orientation of top management is particularly significant in this respect as it will shape the future policy of the company.

Figure 6: Identified benefits from being a socially responsible company



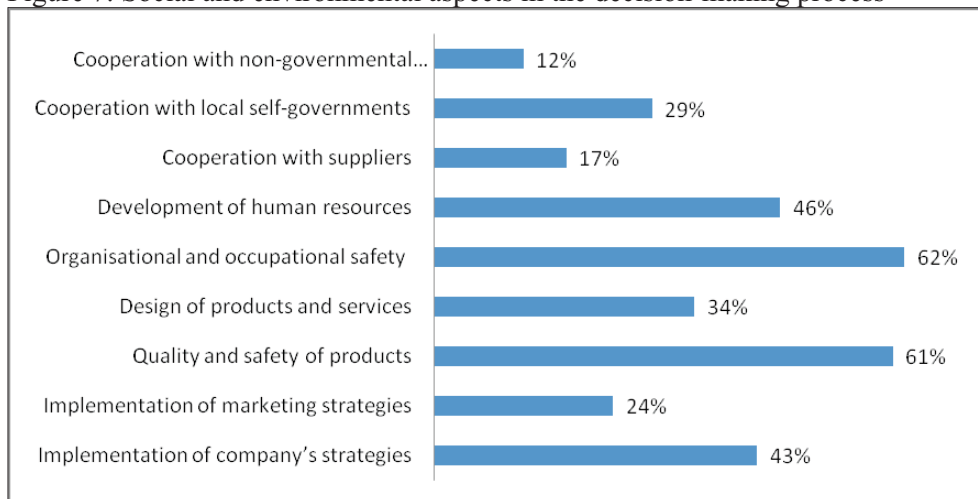
Source: Own analysis

The highest benefits from socially responsible activities identified by respondents include the improvement of the company's image and reputation - 77% (it is the greatest benefit identified by respondents). It is also related to the decision-making aspect and actions indicated by respondents. These benefits alone have been indicated by more than half of respondents. High indication rate (more than 40%) was obtained by the following aspects identified as benefits: employees' commitment in company's activities - 47%, better economic climate based on fair competition and transparency of economic activities - 45%, supporting balance between professional and personal life of employees - 44% and improvement of reputation and image of company's products or services – 43%. The choice of these benefits indicates an essential aspect of human resources management in the process of shaping the corporate social responsibility policy. Only 1% of respondents do not see any benefits from being a socially responsible company.

One of the most important roles played by top management is decision making. Managers, by making determined decisions, shape the decision-making process in the entire organisation and set out specific measures. Most respondents pay attention to social aspects of marketing strategies, which means that such activities are concentrated on obtaining specific benefits and decisions relating to quality and safety of products – indicated by more than 60% respondents. It is connected with direct reflection of the results of those decisions in the company's reputation, image, its products or services. The influence on the implementation of the company's strategies was indicated by 43% respondents, which is a relatively low result, considering the fact that the respondents were representatives of top management.

46% respondents indicated decisions relating to the development of human resources, and 34% - to the design of products and services. Both low indications of the aforementioned decisions and less than 50% indications of the company's strategy may result from the fact that corporate social responsibility is not treated in a future-proof context, progressively, but it is based on the adjustment to the current social expectations. It is confirmed by previous identification of the attitude of top management to social responsibility as a social duty, not a social fact. Figure 7 below presents a graphic form of respondents' answers.

Figure 7: Social and environmental aspects in the decision-making process



Source: Own analysis

The analysis of significance of the correlation coefficient showed [the results are presented in descending order of statistical correlation coefficient in table 4] that:

1. There is an important correlation between the number of decisions considering social and environmental aspects and the number of identifiable benefits from being a socially responsible company. It means that a high number of decisions made by a respondent where social and environmental aspects are considered increase the number of benefits the respondent identifies with socially responsible activities.

2. There is an important correlation between the number of indicated stakeholders and the number of decisions which consider social and environmental aspects. It means that the more stakeholders being important for the survival and development of the company have been indicated by a respondent, the higher the number of decisions made by the respondent in a higher number of decisions he makes consider social and environmental aspects.

3. There is an important correlation between the number of stakeholders indicated and the number of identified benefits from being a socially responsible company. It means that the more stakeholders being important for the survival and development of the company have been indicated by a respondent, the more benefits are seen by the respondent from being a socially responsible company.

Table 4: Test of significance of correlation coefficient

	R	t	p - value
The relation between the number of decisions considering social and environmental aspects and the number of identifiable benefits from being a socially responsible company.	0,56	9,30	2,92E-17
The relation between the number of identified stakeholders important for the survival and development of the company and the number of decisions considering social and environmental aspects.	0,49	7,96	1,40E-13
The relation between the number of identified stakeholders important for the survival and development of the company and the number of identifiable benefits from being a socially responsible company.	0,39	5,95	1,21E-08

Source: Own analysis

Summary

As a result of the survey it has been determined that top management in Polish companies identifies social responsibility in the context of a model of business management as one of the elements which contribute to the achievement of desirable economic results, and attributes less value to voluntary social commitment in form of charity. From the values declared by top management we may identify that both activities and decisions tend to rank Polish companies at the level of the attitude of social duty, that is fulfilment of their basic social obligations. However, one can notice that the group of identified stakeholders who are important for the survival and development of the company is becoming larger, and the degree of their identification, together with the level of making decisions considering social and environmental aspects and the degree of identification of benefits from being a socially responsible company, are strictly related. It means that the higher the degree of awareness of top management in Polish companies in respect to the importance of stakeholders in business management process, the more they consider social and environmental aspects in the process of decision making and identify more benefits from being a socially responsible company. It proves the principal thesis to be right. In practice, there is a close link between social responsibility and effective

management of the company. The connection is based on stakeholders identification and management.

NOTES

¹ According to Milton Friedman, the only social responsibility of business is generating profits for owners, as this is the basic goal of the company's activities.

² The stakeholders theory is the concept of conducting business activity by building transparent and solid relations with all the interested parties (stakeholders), that is with: owners, employees, customers, suppliers and other business partners (partners), with local community and representatives of various organisations which may influence the company's activities.

³ The decision on the choice of a sample was determined by the role and significance of management, their values influencing the company's social policy, as well as the company's general policy and strategy. When collecting empirical data, a survey addressed to top management was used. The basic selection criterion was the organisational position. The survey was carried out in 2006. It was preceded by a guidance survey in September 2005 which allowed to formulate final contents of the questionnaire. The questionnaire contained Yes/No questions concerning the understanding of the concept of corporate social responsibility and the rating of activities and decisions which consider social responsibility of companies. The data was collected during 10 meetings with managers in 10 regions of Poland. As a result of previously prepared programme for the analysis of empirical material, after collecting 195 questionnaires, statistical works began. At first, general distribution of answers to questions was performed. Then, basic statistics of data blocks were carried out, as well as R. Spearman's test of order correlation, sectorial analysis based on Kruskal-Wallis test by specific industry, where the company operates, the size of company (number of employees), organisational position and region.

⁴ According to R.W. Griffin, four types of attitude may be distinguished in relation to social responsibility: (1) resistance; (2) social duty; (3) social reaction; (4) social contribution. Companies assuming the attitude of resistance, usually do not get involved in solving social problems, and in extreme situations they refuse to have anything to do with the activities or hush up the matter. In the strategy of social duty, the corporation seeks legitimisation for their activities by means of economic and legal criteria. The company believes to be only responsible towards shareholders and firmly opposes any attempt to regulate its activities. The attitude of social reaction is reflected in a company which in some situations undertakes philanthropic activities. The highest level of social responsibility is ensured by the strategy of social action (social policy). The basic rule is playing the role of a good citizen, a responsible member of society who actively attempts to bring its individual contribution for the improvement of general well-being.

⁵ Respondents were allowed to select multiple responses.

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