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Social responsibility in business in theory and practice
SOCIAL RESPONSIBILITY IN BUSINESS
IN THEORY AND PRACTICE

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Introduction

Currently it is possible to observe regular and coherent evolution of thinking about the meaning of natural and social environment for the contemporary human, as well as about multilateral understanding of health, well-being and quality of life of an individual. This evolution has naturally developed the discourse concerning the issue of place and role of business in society and the contemporary sources of competitive advantage, as well as economic circumstances. The necessity to stop treating environmental and social aspects as obstacles for development is becoming apparent. Instead, there is a trend towards regarding them as an instrument supporting efficient functioning of the economy. Moreover, the importance of non-material factors contributing to the value of a company is growing. Social awareness is growing as well. There are three sources of pressure on commercial entities aimed at boosting their social involvement:

1. The value of a company will to a large extent depend on the social context in which it is created.
2. The society will demand greater involvement in solving social issues and will put pressure on the civic attitude of companies.
3. Growing social and environmental problems will require solutions from efficient commercial entities.

In a community business activity creates the feeling of common goals and the conviction based on the assumption that each person's success depends on the success of others. Both practice and theoretical deliberations show that efficient social responsibility policy of a company is based on common creation of social and economic value. It focuses on searching for economic results of social involvement, as well as partners allowing for operational application of social activities for the achievement of planned targets. This has aroused interest in partnership between sectors as a form of efficient implementation of the company's social responsibility policy.

The goal of this article is to present the evolution of the concept of social responsibility together with its integration with the processes of management of a contemporary company, as well as presentation of intersectoral partnership as a basis for companies' involvement in the environmental and social sphere in practice.
Evolution of the concept of social responsibility in business

Social responsibility in business is a dynamically-developing doctrine in the world of economy. This development took place mainly in the last 50 years of the 20th century, however, social responsibility in business was first mentioned even earlier. We can distinguish between two kinds of responsibility: (1) formal responsibility, that is, responsibility for one’s actions and (2) responsibility for content, that is, responsibility for particular things which engage a person to take particular actions on these things.1

It is this second understanding that is becoming increasingly important in the current socio-economic situation and the post-modern times, when along with natural, i.e. inherent and irrevocable, responsibility, there is contractual responsibility determined by particular external relations between subjects of socio-economic connections2. Shifting the pressure from „moral responsibility” of individuals to the responsibility of an organization as a whole, focused on social, but not interpersonal relations, which is the subject of the doctrine of social responsibility in business.

The doctrine of social responsibility has a broad background and there are multiple justifications for it. The following approaches have evolved from this diversity: (1) efficiency-based approach – based on Friedman’s definition; (2) The concept of social responsibility in business – CSR1 Corporate Social Responsibility; (3) The concept of social responsiveness – CSR2 Corporate Social Responsiveness; (4) Social performance (contribution) of business – CSP Corporate Social Performance; (5) The theory of stakeholder - Stakeholders Theory. This allows us to identify the following forms of explaining social responsibility of a company: (1) ethics in business, which constitutes the individual dimension; (2) social responsibility in business, which focuses on the result; (3) social responsiveness as the process of social activity (4) theory of stakeholders as the basis for the assessment of organizational responsibility and credibility in the area of implementation of basic plans and assessment of efficiency of activity of economic organization from the point of view of accounting.

Social responsibility in business comes from the assumption that companies should support the welfare and development of the society through: (1) aiming at common good based on respect for rights of an individual; (2) taking into consideration the social and environmental aspects in the systems of company management; (3) it results from the fact that a company assumes obligations exceeding the legal framework. The starting point is economic efficiency of companies’ actions as the basic condition for their existence. Economic organization which doesn’t follow the rule of economic viability, doesn’t serve its main function imposed by the society. In economic and management sciences serving this function is treated as the same thing as creating value for owners and shareholders and usually associated with the financial dimension of efficiency in company management. The supporters of the CSR doctrine also point to other social commitments of companies, emphasizing the importance of creating other than just economic values.

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2 Ibidem, p. 74 - 85.
The purpose of the policy of social responsibility are institutional views of the valuating and organizational reflection on the moral meaning of personal and organizational activity in relation to identifiable stakeholders of an organization in a particular situation. This allows us to define – as presented on picture 1 - the scope of activities associated with social responsibility in business and associating it with the process of management defined as striving to achieve dynamic balance between three variables: value for shareholders (including owners), value for society, value for stakeholders of a company. The definition of social responsibility has been placed in the context of development processes of economic organization as well as of creation of value: social responsibility of a company is a process of managing relations with stakeholders of the company, which through responding to identifiable expectations, contributes to the growth of the company’s competitiveness providing it with stability and lasting development and at the same time establishes favourable conditions for social and economic development creating both social and economic value.

**Picture 1. The scope of activities of corporate social responsibility**

![Diagram of corporate social responsibility](source.png)


The contemporary interpretation of social responsibility of a company is also closely associated with the concept of balanced and sustainable growth. The concept of balanced and sustainable development appeared for the first time in 1972 at a conference in Stockholm. However, first mentions appeared already in 1969, when in the first report of the Club of Rome titled Limits to Growth the need for creating a global concept for protection of the environment was highlighted. However, only the Stockholm Declaration identified human and natural capital and defined natural environment as a necessary element allowing man to live with dignity and in prosperity. One of the best-known definitions was presented in the report of Brundtland Commission. According to this definition balanced and sustainable development is a process in which exploitation of resources allows us to satisfy both our current needs and the needs of future generations. Balanced and sustainable development is also often interpreted as harmonization between

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economic, natural and human resources. The fifth program of action of the European Community in the area of environment protection presents balanced development as a reflection of policy and strategy of constant economic growth without harm to the environment and natural resources, emphasizing its institutional character. A narrow view of development in economic categories is being abandoned in favour of a three-dimensional approach (triple bottom line). The rule of three dimensions, also known as the 3P rule from the first letters of the words: planet, people, profit, expands the spectrum of measurement of economic success to the social and environmental dimensions.

The concept of balanced and sustainable development is an idea of constant growth, where respect of natural resources and the necessity to satisfy human needs and ambitions, as well as raising the quality of life constitute inherent traits of commercial activity. The goal is to achieve the desired effects and at the same time multiply all main resources. These resources constitute wealth, which can be identified as the following kinds of assets: (1) natural resources: natural wealth and services, (2) social capital; coherent community, interpersonal relations, (3) human capital; situation and status of individual members of a community, (4) physical capital, local infrastructure, (5) financial resources. The effect of such thinking are products and services which satisfy a broad range of human needs, as well as the manner of production, distribution and promotion of goods compliant with the rules of triple bottom line and functioning in harmony with balanced and sustainable development.

Taking into consideration not only economic, but also social and ecological targets, economic organization shapes the quality of life of the modern society, contributing to increasing its prosperity. Good social relations between various entities of economic life constitute a form of binder for building economic success of nations, regions and companies themselves. This way a double loop is created. It allows the society to participate in economic development and it gives the economy the opportunity to create prosperity and raise the quality of life of the society. This is happening not thanks to philanthropic actions, but thanks to cooperation in the area of implementation of the common value. For this reason CSR is regarded as an instrument supporting the strategy of balanced and sustainable development on the European level.

Social responsibility as an important element of company management

An enterprise is able to combine economic and social targets so that it achieves a long-term economic benefit. However, it must revise its social policy through appropriate choice of actions, so that it is not just a set of random philanthropic ventures. Social policy should to a greater extent match the company's strategy. By taking social expectations into consideration in the process of management companies arrive on the path of balanced and sustainable development. This is a transition from a static approach, which involves dealing with effects and regaining balance, to a preemptive, dynamic approach. S. Ghoshal, Ch. Barlett, P. Moran emphasize that the new role of management cannot be built on narrow economic assumptions of the past, but should take into consideration the following facts: (1) contemporary com-

panies are the main economic actors creating value and supporting economic development; (2) growth and development of companies depends to a large extent on the quality of management; (3) the basis for the functioning of a contemporary company is the new „moral contract” between the company, the employees and the society. It is based on creating value and not on intercepting value.

Companies have stopped questioning the justification of the idea of social responsibility itself and started participating in the process of shaping the idea. A good example here is the research conducted by IBM, which presented a curve of social involvement, where CSR in its highest form is regarded as a platform for the growth of a company. Over a half of the surveyed companies have launched research on this matter. Surveys among Polish managers show a similar way of regarding CSR – not only as charity and philanthropy, but as a combination of social involvement with factors that may determine a company’s future success. Research has shown that top management of Polish companies identifies social responsibility in the context of company management model as one of elements contributing to the achievement of desired economic results. At the same time managers attribute lower value to voluntary social involvement bearing traits of charity.

Managing company’s stakeholders constitutes the foundation for implementation of processes on the strategic, tactical and operational levels. Implementation of social aspects in the real process of company management may lead to achievement of constant competitive advantage. It emerges as a result of innovativeness and development of non-material resources such as: social capital, reputation and creating an entrepreneurial environment for the functioning of economic organizations. These relations are shown on picture 2. This way companies can prepare the model for actions in business, which could create a value constant in time (i.e. long-term) and would be accepted by the environment in its broad meaning.

The effect of such action is that companies create economic values which are basic for them, but they also create social and ecological values. The higher the level of awareness of the top management of Polish companies of the importance of stakeholders in the process of company management, the more attention they pay to social and ecological aspects in the decision-making process and are able to identify more benefits from being a socially responsible company. This is exceptionally important, as the existence of independent agencies and institutions taking care of satisfying needs and fulfilling duties supports responsibility and develops social capital. Moreover, governmental institutions and non-profit organizations start being regarded as potential partners for cooperation.

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6 The research was conducted in 2006. It was preceded by a pilot research in September 2005, which made it possible to formulate the final content of the questionnaire. Questions included in the survey were closed questions and concerned the understanding of the issue of social responsibility of companies, assessment of actions as well as decisions taking into consideration social responsibility of companies. The collection of data took place during 10 meetings with managers in 10 regions of Poland. As a result of a previously prepared program of analysis of empirical material, after collecting 195 questionnaires, statistical work was carried out.
Reputation of a company is associated with the assessment of the company\textsuperscript{7} based on comparison with other organizations present on a particular market and with a certain perfect model. Reputation is a coherent and positive image of a company in the eyes of its biggest fans\textsuperscript{8}. In a world of dynamic transactions, short life cycles of products, efficient management processes, the meaning and value of reputation is growing.

Picture 2. The impact of social policy on a company’s competitive advantage

\textsuperscript{7} This valuating trait distinguishes reputation from image, which shows only the way a company is regarded, described, characterised.

\textsuperscript{8} K. Obłój, Strategia organizacji, PWE, Warszawa 1999, p. 226.
Thus, reputation is a resource which can generate future profits\(^9\), because it constitutes the environment's assessment of the value of a company. It constitutes an important factor which can either boost or decrease the efficiency of a company. Generally, we can distinguish between two kinds of company reputation\(^10\): (1) recognizability, that is, the degree to which the activities of a company can be identified with the company itself; (2) credibility – the quality of opinion about a company among those who know it. Managing company's reputation has become one of basic elements for the development of a company's strategy, as it constitutes a tool for development and economic security of a company and provides protection against crises.

An attempt to reconcile environmental requirements with social or economic needs, taking into consideration the interests of all involved groups require much effort, but also stimulate the creation of innovative ideas. Innovations created this way substantially boost companies’ competitiveness. Innovations depend on the activities of a company as a social and economic institution\(^11\). Innovative economic solutions have always emerged from the identifying and satisfying the needs of consumers, potential clients. For this reason the source of innovativeness in a contemporary company may be responding to critical social, economic and environmental issues identified around the world\(^12\).

The efficiency of action in social systems is based on interdependence. Contemporary enterprises try to adapt to changing conditions and create paths of development most beneficial for them. The source of this mobilization and the control of resources is social capital. It emerges as a result of building relations, rarely as a result of a transaction. The central assumption of the idea of social capital is the network of mutual connections and relations as a resource of an organization. Social capital is kindness and others' readiness to cooperate, which can be relied on by individuals and groups. Through appropriate actions, taking into consideration the expectations of stakeholders and managing them, companies can build up their social capital\(^13\). The efficiency of action in social systems is based on interdependence, on enriching relations, education and common creation.

Following the rules of fair competition, transparent actions and supporting local community an enterprise supports the development of regions creating an entrepreneurial environment. M. Porter identifies four components of competitiveness which affect the business environment. Among them are such production factors as: human resources, natural resources, access to capital, infrastructure; purchasing power of the region or country based on the size of the market, standard of products and expectations of consumers; competitive practice, that is, legal regulations supporting investments, preventing unfair

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\(^11\) Ibidem, p. 15.

\(^12\) A good example here is Tesco, which is investing in energy-saving shops. In 2011 the company built the first shop with zero emission of CO2. The shop is located in Jaromer in the Czech Republic. Four similar shops are already operating in Great Britain. They are designed so that they use less energy. The energy-saving hypermarket in Ramsey, Great Britain, consumes 66% less power than a traditional shop of a similar size.

\(^13\) W. Baker defines social capital as such resources as: information, ideas and concepts, leadership, business opportunities, financial capital, authority, emotional support, good will and kindness, trust and cooperation.
competition in form of monopolist practices, bribery etc.; the availability of subcontractors and local partners, as well as their level of activities\textsuperscript{14}. Weakness of one of them may decrease the competitiveness of a region or a country. Thanks to highly-qualified workforce, appropriate infrastructure, both physical and scientific as well as administrative and the availability of natural resources, productivity and efficiency of a company can grow. Low level of corruption on the local market and transparent competition encourage investments. Good partners, suppliers and subcontractors enable efficient functioning and reducing costs of activity, at the same time higher standard of life of local community boosts its purchasing power. All the above mentioned areas of activity can be supported by the actions of companies, which by taking care of social needs build better conditions for their functioning.

**Intersectoral partnership as the basis for building social engagement of companies**

It is apparent that relations between economic organization and the society, regarded as entities representing it, are undergoing a transformation. Many supporters of the idea of social responsibility in business claim that it constitutes a new view of economic activity. Even though such approach may be regarded as exaggerated, CSR has surely contributed to a search for and development of new models of cooperation between three main sectors: public\textsuperscript{15}, private and non-profit\textsuperscript{16} (non-governmental organizations called the third sector). The change in character of mutual relations involves a transition from pure charity to cooperation. Professionalization of social involvement of a company means actions are targeted at certain goals and are associated with the main area of the company’s activity. Activity in the social sphere is not possible without an institution representing it. This makes companies search for social partners willing to establish a lasting relation with them.

Through investments in long-term relation the chances for creation of non-material assets of a company, as well as reputation together with implementation of social targets, grow. For this reason intersectoral partnership is becoming ever more important, as it makes it possible to effectively and fully respond to social problems. It is this partnership that is becoming the main driving force behind the process of solving social issues on the local, regional, national or global level.

Intersectoral partnership as such is not anything new and has already taken place. However, one sector has always been dominant and the participation of the remaining sectors was subordinated to the inte-


\textsuperscript{15} According to the Polish act on public finances from December 20, 2005, the public sector includes (article 4, paragraphs 1 and 2): public authorities, including government bodies, public control and law enforcement agencies, courts and tribunals; territorial administration units and their associated agencies; budget units and auxiliary enterprises of budget units; state and local earmarked funds; state-owned higher education institutions; research and development units, independent public healthcare facilities; state and local cultural institutions; Social Insurance Institution (ZUS), Agricultural Social Insurance Fund (KRUS) and the funds it manages, National Health Fund (NFZ).

\textsuperscript{16} According to the definition adopted in international statistics, non-profit sector includes entities satisfying the following requirements: durable organizational structure; affiliation with the private (non-public) sector, non-profit character (profit is not one of the organization's goals); self-management, voluntariness (of participation in an organization). Source: *Handbook on Non-profit Institutions in the System of National Accounts*, Statistics Division, Department of Economic and Social Affairs, United Nations, New York 2003.
rests of a sector dominating a particular relation. Nowadays intersectoral cooperation is usually built on the community of interests and this substantially changes its character and the manner of management. As Googings and Rochlin point out:

- Intersectoral partnership enables creation of significant, mutually connected systems of skills and resources for the purpose of implementing plans and bringing results, which would normally be hard to achieve by each sector alone;
- Intersectoral partnership also constitutes a response and justification for leveling out disproportions between sectors in the area of distribution of power. Partnership understood this way will enable the transformation of conflicting interests into a source of innovative solutions and showing relations between all sectors and their efficient cooperation.

Partnership is a cooperation between a company or a group of companies and an organization or organizations from the public or non-profit sectors, which cooperate on working out solutions for problems concerning all of them (however, the same problem may affect them on different levels). These problems exceed the traditional borders of sectors and solving them is beneficial for all sides. Moreover, the partners have to engage all their resources, not only financial assets. This relation – partnership should have the purpose of achieving a goal, which would normally be unattainable for entities establishing the relation on their own. Thus, it is based on the pursuit of the effect of synergy and the advantage based on it.

J. Austin defines three levels of cooperation between enterprises. The levels of engagement are described in detail in Table 1.

- The first level are philanthropic, charitable actions, which result from a traditional view of the process of cooperation between sides – non-profit organizations search for and obtain donations in order to finance their activities. A good example of such engagement are the laureates of the philanthropist of the year award. In the category of cooperation with a non-governmental organization in 2010 the winner was BP Europa SE, which was rewarded for cooperation with Stowarzyszenie WIOSNA and Mebik Sp. o.o. and for support for PAH (Polish Humanitarian Action). The company supported the PAH Water Campaign by financing the construction of a well in Southern Sudan.
- The second level is transactional in character – it is a kind of agreement between a company and a non-profit organization based on exchange of resources for the purpose of supporting companies in Poland. Among companies rewarded in the contest there are enterprises which efficiently carry out social activities in cooperation with non-governmental organizations, support these organizations in various ways (not only financially), provide them with services, there are also companies which have included social activities in their strategies. [source: http://www.dobroczyncaroku.pl/okonkursie.html, date of reading 09.02.2011].

21 The contest for the title of „Philanthropist of the Year” is the biggest program promoting charity and social involvement of companies in Poland. Among companies rewarded in the contest there are enterprises which efficiently carry out social activities in cooperation with non-governmental organizations, support these organizations in various ways (not only financially), provide them with services, there are also companies which have included social activities in their strategies. [source: http://www.dobroczyncaroku.pl/okonkursie.html, date of reading 09.02.2011].
a particular activity. An example of such activities are campaigns of socially involved marketing. The campaign „Podaruj Dzieciom Słońce” (ed. Give Sun to the Children) organized by Procter & Gamble and Fundacja POLSAT is one of the first and the biggest projects of this kind now conducted in Poland. Consumers can take part in the project by buying products of 14 well-known and popular brands of Procter & Gamble. P&G allocates a part of profits from the sale of these products to financing statutory activities of Fundacja POLSAT. Another good example is the Water for Sudan campaign which has been conducted by the Polish Humanitarian Action and the producer of Cisowianka mineral water (Nałęczów Zdrój Sp. z o.o.). Thanks to funds collected through sales of a special 0.33-litre bottle of Cisowianka, already 5,000 inhabitants of Southern Sudan have access to potable water. The Water Action is also supported by the Water Education Program, which is supposed to raise awareness of problems associated with water.

- The third level – the highest degree of engagement – is cooperation between companies and non-profit organizations, where missions of partners are integrated and the character of activity is to a large extent based on collective actions rather than individual activities. A good example here is the cooperation of Unilever and Oxfam started in 2003. The aim of the project is to reduce the problem of poverty in the world. Unilever regards developing countries as an important part of the company's strategy. It is based on the forecast that the citizens of developing and emerging countries will in the future constitute 90% of the world's population. The company has long been present on many emerging markets. For this reason the concern has realized that its future development will depend on its readiness to deal with the issue of social and economic development in developing countries, including the reduction of poverty. Oxfam is one of the best known non-governmental organizations (NGO), which has focused its actions on fighting poverty. That's why despite often antagonistic relations between corporations and non-governmental organizations, both institutions based on common interests, have started research on the role of business in reduction of poverty, in particular by analyzing the activities of Unilever in Indonesia.

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22 Socially engaged marketing involves building a partnership between a company and a non-profit organization, which is supposed to bring mutual benefits.
23 http://www.cisowianka.pl/k/sudan_03 [date of reading 09.02.11].
The policy of social responsibility of companies and the form of cooperation may take various shapes. An integrated model based on a high level of involvement seems to be most interesting due to a substantial social value. From the business perspective it allows a company to build a distinctive model of reputation of the company and to include social targets in the company’s strategy and current process of management. This way intersectoral partnership has a chance to become the main driving force behind social responsibility of a company. At the same time its social involvement and the character of this involvement constitutes the main source of creating economic and social value. Intersectoral partnership in this meaning, bearing integrative traits, should involve the following elements:

- Focusing attention on a company’s strategic area;
- Focusing on the areas which are important for potential partners of a company;
- Choosing appropriate social partners (public organizations or non-profit organizations);
- Engaging all resources of a company (material assets, human resources, information, financial assets).

Social engagement based on the above-mentioned rules can bring substantial benefits for the company. It exceeds the borders of patronage or sponsorship and enables access to expertise, strategic knowledge and non-material assets. Government bodies and non-governmental organizations may be a source of knowledge based on research which for companies is usually either hard-to-get or very expensive. It could also have a positive impact on the culture of organization of a company and boost the spirit of entrepreneurship and innovativeness. Detailed meaning of intersectoral partnership from the point of view of commercial and non-profit organizations is shown in Table 2. However, the most important advantage of intersectoral partnership is combining forces for efficient solving of social problems (including problems associated with the protection of environment), which threaten the functioning of social and economic spheres.
In the nearest future the number of cooperations between the non-profit and public sector and the business sector will grow, enabling the creation of social effects and boosting the economic efficiency of commercial organizations. The choice of social partners substantially affects the shape and efficiency of the social responsibility policy of a company and to a large extent determines the reception of social involvement both in social and economic aspects. However, the biggest advantage coming from intersectoral partnership is combining forces in order to efficiently solve social problems (including environmental problems), which threaten the functioning of the social and economic sphere.

**Conclusion**

Social and ethical dilemmas the world of business has to face are not subject to substantial changes. However, when they appear in a broader context they point to new areas of potential tensions between business, society and morality. These problems greatly expand the meaning and role of the ethical and social dimension of managing a contemporary company. Shifting the pressure from „moral responsibility” of individuals to the responsibility of an organization as a whole, focuses on social relations rather than interpersonal relations. The notion of social responsibility in business or companies boosts the moral and social character of business and gives a special meaning to the economy. The role of companies in the society is gradually evolving towards a search for balance between actions aimed at maximizing profits and actions involving creation and maximization of social wealth. Nowadays the doctrine of social responsibility focuses on the ability of a company to combine economic and social targets in such a way that a long-term economic benefit can be achieved. For this purpose companies should revise their
social policies so that they match their strategies to a greater extent, as social policy shouldn’t be just a set of random philanthropic ventures. This means that companies have to abandon the traditional form of corporate philanthropy in favour of integrated intersectoral partnership. The choice of social partners substantially affects the shape and efficiency of the policy of social responsibility of a company and to a large extent determines the reception of social engagement both in terms of society and economy. Partnership enables boosting the efficiency of implementation of assumed targets – both for public and non-profit organizations and for economic organizations. It also constitutes a practical dimension of incorporation of the idea of CSR in the management processes.

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