

## **PERCEPTION OF CSR AS AN ENTERPRISE BUSINESS OFFER**

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### **A b s t r a k t**

This paper analyses CSR implementation – (Corporate Social Responsibility) in an enterprise as a strategy. In spite of the theoretical and practical applications, there are still methodological concerns regarding its use, particularly as a tool and business model. This paper identifies some important software projects for the promotion of CSR. The conditions were assessed in connection with strategy formulation and objective acceptance in terms of CSR. The results of own research regarding the perception of CSR are also presented and are beneficial for CSR adoption in practice. The search for an effective CSR consensus should be possible and plausible, especially as it relates to P. Drucker's view that „...public interest should be an enterprise's interest”.

## **PERCEPCJA CSR JAKO OFERTY BIZNESOWEJ PRZEDSIĘBIORSTWA**

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Słowa kluczowe: odpowiedzialność społeczna, zmiany, strategia, wybór, badania.

### **A b s t r a k t**

Praca dotyczy problemu oceny znaczenia wdrażania zasad CSR (Corporate Social Responsibility) w przedsiębiorstwie jako motywu strategicznego. Mimo dokonań teoretycznych i praktycznych, nadal pozostają wątpliwości metodyczne co do jego zastosowania, szczególnie jako narzędzia i modelu biznesowego. W pracy wskazano niektóre ważne programowo przedsięwzięcia na rzecz propagowania idei CSR. Oceniono przesłanki związane z formułowaniem strategii oraz przyjmowaniem celów dla przedsiębiorstwa w kontekście CSR. Zaprezentowano wyniki badań własnych dotyczących percepcji podejścia do CSR. Są korzystne, aby je wdrażać w praktyce. Poszukiwanie skutecznego dla CSR konsensusu wśród interesariuszy należy uznać za możliwe i przekonujące, tym bardziej że wyraża ono realizację postulatów P. Druckera „...aby wszystko, co rzeczywiście leży w interesie publicznym, stało się interesem własnym przedsiębiorstwa”.

## Introduction – the necessity of seeking the consensus

The promotion of responsible business is the main idea of a project carried out in 2011 by the RP association of employers (Pracodawcy RP), financed by the European Union. The aim of the project is to create standards for businesses which want to be treated as socially responsible. Although social responsibility can entail a competitive advantage (RASZKOWSKA 2011), the status of social responsibility has to relate to changes of business strategies and redefinition of the business model. According to K. Oblój, the model has three interrelated elements: resources, competencies and the configuration of their connections. With so many possibilities for making choices within those areas, the company may formulate and implement versatile strategies (OBLÓJ 2010, p. 97). Resources that are expanded by CSR (Corporate Social Responsibility) are the main element or condition of those choices.

Seeking business formulas related to social issues has been taking place for years, although two rules – charity and stewardship – stem from the 19th century (RYBAK 2004, p. 15). According to this concept, businesses and their owners supported the idea of corporate charity, encouraging enterprises to unite their efforts to help the poor and needy. Stewardship meant that rich people managed the goods in the name of others, hence their actions were supposed to be in the public interest, based on social confidence.

It should be noted that the CSR formula refers to social economics, known for its long tradition, but its priorities relate to the requirements of managerial economics.

Nowadays, CSR is seen as a concern for the negative consequences of business actions. If they occur, the company should mitigate them. The same rule is applied when the managers take actions towards protecting and supporting social interests even if there are no direct economic or technical benefits for the organization. It is also the reason for challenging whether a business is the right entity to be a participant in socially important projects. In this case, it may be suspected of acting with cold calculation. Another criticism refers to the impossibility of taking into consideration all stakeholders' concerns – the main assumption of CSR. As a result, other dilemmas appear concerning methodology and effectiveness. M. Friedman states that the only manifestation of social responsibility is earning money (the business of *business is business*), and managers have a *so-called fiduciary duty* to shareholders to contribute to the increase in value (FRIEDMAN 1993, p. 127–128). Business skills concern a specific economic activity. Social commitment may result in business exploitation of the environment, improving managerial positions and lead to conflicts of interest (STONER et al. 1997, p. 114).

That is why there is a necessity of consensus for the acceptance of the

theoretical and practical values of CSR. As a starting point, P. Drucker's opinion may be taken into consideration. For him, consensus in social responsibility is found in specific managers actions so that „*everything that is in the public interest becomes the business interest*” (DRUCKER 1994, p. 418). In practice, it means changing the opinions of those who see CSR as a departure from business principles and those who consider it a solution to social problems.

There are on-going works strengthening the methodological basis of CSR, for example, M. Porter and M. Kramer's business proposal called CSV (Creating Shared Value) (PORTER, KRAMER 2012). As far as methodology is concerned, CSV is a way of defining HVC (Hybrid Value Chain) which symbolizes the connection of „two different drivers” of the business model (BUDNICH, SERENEELS 2012, p. 8). Another interesting proposal is R. Kanter's concept of social institution. This concept is a result of research over 20 years across four continents on the activities of socially-oriented enterprises (KANTER 2012).

### **Support from institutions and programs**

The project realized by RP employers is another link in the chain of various initiatives that aim to promote CSR. This topic is also often discussed in the Harvard Business Review (Polish edition). The two cases combine previous international initiatives, for example: *European Manifest of Enterprises* (rejecting the isolation of the business world from social problems), the United Nations (UN) program *Global Compact in 1999 the Green Paper of Corporate Social Responsibility* and the Polish *Forum Odpowiedzialnego Biznesu FOB* (Forum of Responsible Business) that started in 2000. It is worth mentioning the program *European Friendship for Responsible Business 2005* which included 63 projects in 29 European Countries.

Throughout 10 years of the FOB's (Forum of Responsible Business) existence, the following have resulted: conferences and executive meetings, publications about theoretical aspects of corporate social responsibility and best practices used in Polish enterprises (including small and medium ones) (MAZUR-WIERZBICKA 2008, p. 147, 148). The results of empirical research showed that businesses which use CSR tools and procedures are more effective, whereas their employees are more enterprising and mobile. International research on the influence of social risk management on business value provided similar results. In spite of many positive premises, the question arises as to whether it is a manifestation of political correctness or a civic attitude<sup>1</sup>. Argumentation about the positive influences of CSR may be

valid when CSR takes places in the process of formulating and implementing business strategy. This opinion is shared between many managers and management theorists.

### **Business creators – avoiding principality**

A significant author for CSR is P. Drucker. The combination of two elementary interests (public and business) should be analysed in detail. Its objective is to show that the union of those interests is possible and effective.

Based on reports of the Social Invested Forum, J. Gustafson states that CSR implementation has become a motto and element of the strategy for innovative businesses. This brings positive results as shown in the form of measurable and qualitative data. Moreover, assets connected with ethics, environmental protection, and corporate social responsibility increase dramatically. This enables enterprises to obtain access to capital which otherwise would be out of their range (GUSTAVSON 2007, p. 191, 192).

Research among consumers from 23 countries carried out in the early 2000s indicated that there was a concept of business „citizenship”. This means that enterprises which only care about their reputation and turnover put themselves at risk when clients discovered the enterprise’s attitude towards social activities.

Another crucial matter is risk assessment related to the implementation of CSR strategy. If enterprises deal with too many CSR activities, their results may have a lower business value. They focus on risk identification and management instead of exploring strategic differentiation of CSR activities.

G. Gibbons pointed out that strategic differentiation requires a planning scheme of economic activity that matches specific conditions. The aim of the scheme is to maximize the possibilities resulting from social issues and provide protection against the risk. The effect of the scheme is a program that leads to social activities and, therefore, boosts business resources.

J. Surdyk links the problem of CSR strategy with the increasing attention of enterprises paid to reports by the Global Reporting Initiative. The implementation of a CSR strategy must overcome many obstacles and doubts. An enterprise that achieves its objectives may be seen as not fully committed. Further concerns relate to a reduction in business development while incurring additional expenses. At the same time, talented managers may be focused on burdensome additional tasks, while less-talented rivals are not so encumbered (SURYK 2007, p. 198–201).

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<sup>1</sup> Subtitle of a conference organized by Wrocław University of Economics, Wrocław 9–10.05.2011.

Moreover, strategic CSR assumes that moral principles are obeyed. An example of that is the Ethical Code of Conduct created by RP Employers (RASZKOWSKA 2011). S. Newell suggests the following: „If we have an ethical dilemma related to immoral solution, we may answer several questions, such as: what will happen when the stakeholders discover the solution and its results? Will the decision influence the long-term interests of the company? Are unethical organizations attractive for employees?

Ethics is also classified. The lowest level is social duty (as defined by legal regulations), a higher level is social sensitiveness (influenced by stakeholders' opinions), and the highest level is social responsibility (a program of proactive actions aiming at improvement of social conditions).

These opinions show the clear benefits associated with CSR strategy. Extreme caution is also recommended due to the need for starting „from scratch” and to resist being satisfied with superficial actions or their excessive diversity. Comprehensive management models have been formed related to CSR where the process of creating and implementing strategies binds them together. Consensus exists only when CSR effects are planned and measured.

### **Agreement with business targets**

In theory, we may distinguish three methods of creating business targets: normative, systemic and behavioural. In the normative method, the maximizing of profits is the basic and standard criteria. Other objectives may act as constraints. In the behavioural method, the premises resulting from research indicate target versatility and even their lack of clarity. Alternatives for the normative method (profits-driven) are varied. For example, there is only one non-profit objective or there is a number of equally-important targets (ADAMKIEWICZ-DRWIŁŁO 2010, p. 190–192).

Among the opinions supporting the standard method, A. Thomson distinguished seven criteria of business orientation (ADAMKIEWICZ-DRWIŁŁO 2010, p. 191): satisfying profit, maximizing sales volume, market share (increasing customer satisfaction), survival (associated with development or crisis situation), maximizing business utility for managers, business social responsibility and business growth. A. Thomson states that social responsibility is a crucial element in shaping business behaviour. P. Drucker points out that achieving relevant economic results is an important task, but not the only one. Without positive economic output, an enterprise cannot fulfil its duties to be a good employer, good citizen and good neighbour (ADAMKIEWICZ-DRWIŁŁO 2010, p. 192). The process of identifying business targets is influenced by intellectual capital, which is often the most important resource in terms of its competitive-

ness (NOGA 2009, p. 205). Having considered the above assumptions, the following targets may be distinguished (OBLÓJ 2007, p. 300):

- Guarantee of safety at work, which is possible when a company is bound to market contracts. This supports quality and innovative activity;
- Assurance of a salary increase under the system, so as to form a clear relation between client satisfaction and level of salary;
- Aiming at relevant level of job satisfaction resulting from a positive impact between the client and employee satisfaction.

O. Williams sought to separate the owner's functions from the manager's functions by introducing a utility function for managers which is slightly different from the owner's function. The basis for creating „managerial utility” are the elements of management process, i.e. prestige, status, authority and salary.

In the concept of business, treated as a union of social groups, coalition functioning is the optimum. In this case, business objectives are an effect of a compromise which can be changed. These groups consist of employees, society, government, managers, shareholders, customers and creditors. (ADAMKIEWICZ-DRWIŁŁO 2010, p. 207). This point of view is similar to the CSR concept and its rule of seeking benefits for all business stakeholders.

This gives room for a CSR consensus. The consensus considers business profit criteria as a crucial tool for meeting other important higher level aims. These include: social acceptance, a satisfactory level of self-fulfilment, business survival and development.

## **Employee support – research results**

Many factors point out that CSR should be accepted by employees, especially knowledge workers. This idea was a starting point in the research carried out in 2010<sup>2</sup>. Respondents of the research were people employed in Poland in different enterprises and organizations. The research was cross-sectional and referred to: executive and senior executive staff, journalists, politicians, doctors, teachers, etc. The result analysis was based on 106 questionnaires. Each questionnaire had 27 questions. The layout of the questionnaire was prepared by J. Kroik and M. Bachorski-Rudnicki. The research was conducted in February and April 2010.

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<sup>2</sup> The research was performed by Marek Bachorski-Rudnicki. The work was conducted for the „Forum of Responsible Business”, entitled „Realization of the Concept of Responsible Business in a Selected Enterprise” Department of Informatics and Management, Wrocław University of Technology 2010.

The specific areas of the research were:

- general awareness and knowledge of CSR standards,
- knowledge and use of social responsibility tools,
- knowledge of CSR in terms of ethics, ecology, society and law,
- benefits resulting from the status of being a social responsible organization,
- CSR's role in creating a competitive advantage,
- CSR's influence on business reputation.

### Knowledge and importance of CSR

The level of general awareness of CSR among respondents was high (estimated at 90%). The estimation was made on the basis of questions regarding the scope of social knowledge at respondents' work. The predominant opinion is that top managers have knowledge of the issue. The other workers' knowledge of CSR is estimated at 30% and their knowledge is considered superficial. Table 1 presents the data.

Table 1

Knowledge of CSR in the analysed organizations

Question: Is the term „Corporate Social Responsibility – CSR known in your organization?	Number of selected organizations	Share in all indications [%]
Yes, the term and its meaning is known to managers.	52	49
Yes, the term and its meaning is known to all workers.	18	17
Yes, the term is known to managers, but its meaning is superficial.	13	13
Yes, the term is known to all workers, but its meaning is superficial.	12	11
No, in my opinion, the term is unknown.	11	10

Source: Adopted from: M. BACHORSKI-RUDNICKI (2010).

Another interesting issue is the number of organizations which have put CSR into practice. The problem was revealed with a question about the organizations' engagement towards the CSR concept. Only a small group of 17 respondents (16%) answered positively, the remaining 89 (84%) stated they had not noticed CSR activities. It must be stressed that this only concerned significant CSR activities. Table 2 shows that there is a difference between an accidental engagement with CSR and a real system of CSR practices. Only 40 respondents observed its implementation (using the rules of CSR system) by their organizations. A major group of respondents were uncertain and the rest did not notice any kind of CSR activity.

Table 2

General opinion about obeying CSR rules by the organizations

Question: Does your organization obey the characteristic rules of CSR?	Number of selected organizations	Share in all indications [%]
Yes	40	38
No	21	20
I don't know	45	45

Source: Adopted from: M. BACHORSKI-RUDNICKI (2010).

### Perception of business profit

Another analysed aspect of the research was the estimation of business profit from different perspectives. The results of this are shown in Table 3. There was a possibility to provide alternative answers.

Table 3

Striving for profit as a premise and criteria of business actions

Question: Which concept of profit is used by your organization while striving for profit?	Number of answers for selected criteria	Share in all indications [%]	Share in total number of respondents [%]
Income for development	63	29	59
Income for owners.	77	36	73
Income gained under the laws and regulations.	21	10	20
Striving for income is as important as for skills and social targets.	17	8	16
Income should be gained according to the rules of ethics.	24	11	23
I do not know	12	6	11

Source: Adopted from: M. BACHORSKI-RUDNICKI (2010).

The results suggest that there is a wide spectrum of opinions which stray from the simple „income for owners”. Numerous options treat income as an instrument for organization development [63 indications and shares (29%, 59%)]. This option is close to the above statement about the two main criteria for business functioning such as sustainable existence (preservation), survival and development. A small fraction is the balance between striving for income and striving for social targets (17 indications and shares (8%, 16%)). The lack of numerous indications in this case may suggest disbelief in implementing the objectives.

### Symptoms of activities for social responsibility

The research indicates that there is a multilevel opinion of the attributes connected with the idea of being a responsible business. The issue was specified by three choice alternative – as provided in Table 4.

Table 4

Main attributes of enterprise activity towards social responsibility

Question: What should be done in order to be a socially responsible organization?	Number of answers for selected criteria	Share in all indications [%]	Share in total number of respondents [%]
Be ethical for stakeholders.	50	18	47
Considering the welfare of: workers, local society, natural environment.	71	25	67
Adequate salary to workers' needs and qualifications.	54	19	51
Protecting the environment.	41	15	39
Protecting workers' health.	34	12	35
Supporting charity organizations.	20	7	19
Others.	0	0	0
I do not know.	9	3	8

Source: Adopted from: M. BACHORSKI-RUDNICKI (2010).

The analysis of the indicated structure shows preferences for activities toward the worker's welfare. Three attributes directly (second, third and fifth) and one indirectly refer to the employee aspect. The alternative that covers three important CSR elements [71 indications and selected shares (25%, 67%)] was highly evaluated. Higher importance pointed out the meaning of salary and health protection. The acquired results correspond with the principles that were discussed in terms of the formula of the ethical code of conduct prepared by the „RP employers” (RASZKOWSKA 2011).

### Strategic dimension approach

Strategic elements in CSR were exposed in the research by several questions. One of them tries to describe the reasons for social engagement. Promotion gains a dominant role [68 indications and shares (30%, 64%)], which does not mean departing from the basics of CSR, because business image is a standard element of strategy. The other two elements related to the differentiation context in market competition are significantly distinguished. They are situated on the second [competitive advantage, 38 indications and

selected shares (17%, 36%)] and third place [market success results not only from economics, 36 indications and shares (16%, 34%)]. An enterprise's aiming at reversing the attention from its own troubles and mistakes, which are mentioned by CSR opponents, was also noticed. Although it is insignificant, it is enough to signal the threat. These issues were specified by three choice alternatives – as noted in Table 5.

Table 5

## Premises of business engagement in social activities

Question: Does your organization engage in social activities and for what reason?	Number of answers for selected criteria	Share in all indications [%]	Share in total number of respondents [%]
No, there is no reason for engaging in CSR.	4	2	4
Yes, because it is an element of promotion.	68	20	64
Yes, because a company tries to reverse attention from its own mistakes, troubles and breaking labour laws.	24	11	23
Yes, a company is aware that economics is not enough to achieve market success.	36	16	34
Yes, because organizations are sensitive to social problems.	10	4	9
Yes, because there is such a fashion (trend) now.	31	14	29
Yes, because it enables a company to gain a competitive advantage	38	17	36
Yes, but for other reasons.	1	0,5	1
I do not know.	14	6	13

Source: Adopted from: M. BACHORSKI-RUDNICKI (2010).

The CSR concept introduces an area of creating profitable relations with business stakeholders. Generally, the concept concerns everybody who has direct and indirect influence on business functioning. Finding a balanced solution was taken into consideration by both CSR opponents and CSR supporters. In the research, the issue was considered as the indications of the elements of competitive advantage. Among the indicated alternatives, there was a possibility to choose: creating proper relations with all stakeholders [36 indications and shares (15%, 34%)]. It was not pointed out in the first place (Table 6), but it was caused by caution for these activities or by taking into consideration specific stakeholders i.e. workers [35 indications and shares (15%, 33%)]. The highest position achieved was related to clients [45 indications and shares (19%, 42%)].

The problem of social responsibility is multidirectional and needs a balance among the benefits of all business stakeholders. This multidirectional aspect of CSR is often raised by opponents against the practical use of CSR. But in

Table 6

## Competition factors realized and discovered by CSR

Question: What factors build business competitive advantage by adopting the CSR concept?	Number of answers for selected criteria	Share in all indications [%]	Share in total number of respondents [%]
Relations with customers.	45	19	42
Relations with business partners.	33	14	31
Relations with employees.	35	15	33
Relations with all stakeholders.	36	15	34
Economic area.	20	8	19
Laws and regulations.	7	3	7
Ethics.	14	6	13
Philanthropy.	6	3	6
Environment protection.	11	5	10
CSR is only a trend used by departments of Public Relations.	10	4	9
No opinion.	14	6	13
I do not know.	7	3	7

Source: Adopted from: M. BACHORSKI-RUDNICKI (2010).

reality, businesses support their stakeholders in an adequate way to market, economic and social situation.

The presented opinions of the respondents suggest that CSR concept may be adopted in order to meet business strategic targets. As confirmed by 50%, CSR use is beneficial in the long run. Some of them underlined only its image character which could not be exploited economically. The topics presented in Table 7.

Table 7

## Enterprise's benefits from adopting CSR

Question: Does organization achieve economic benefits by engagement in CSR?	Number of selected organizations	Share in all indications [%]
Yes, in the long term perspective it brings market and economic benefits.	55	52
No, but organization can achieve an image advantage.	26	25
No, there are no economic benefits.	19	18
I do not know.	6	6

Source: Adopted from: M. BACHORSKI-RUDNICKI (2010).

The conducted research pointed out that knowledge workers may accept the implementation of CSR strategy. Some opinions show that employees' disbelief for the effectiveness of CSR concept. It may originate from: lack of personal experiences, multidirectional aspects of CSR and treating CSR as an element of business image.

The perception of CSR by the selected respondents is similar to the expert R. M. Grant's opinion that it is a real context of modern enterprise strategy. The compatibility of empirical research results at the level of strategic motives suggests that enterprises should take into consideration clients' attitudes. They should be treated as „tough players” and it should be visible in business decisions, reports and other documents. The results also pointed out two ways of the integration CSR with strategy; one that attributes CSR to business products or services in a wider business portfolio, and the other – more innovative – incorporates CSR into business model.

In this article the problems of the changes in formulating and implementing CSR strategy are symbolically between two of P. Drucker's opinions. On one hand, the most important target for an enterprise is gaining substantial economic benefits, but on other hand, an enterprise should combine its own interest with the public interest.

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