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Contents

Introduction	9
Kazimierz Banasiewicz, Paweł Nawara: Values in the market society and valuation on the free market	11
Kinga Bauer, Joanna Krasodomska: The premises for corporate social responsibility in insolvency proceedings.....	20
Marzena Cichorzewska, Marta Cholewa-Wiktor: The influence of social innovation upon the development of regions and organizations	30
Barbara Fryzel: CSR, organizational identity and behavioral outcomes. A mediating role of perceptions and trust.....	41
Urszula Gołaszewska-Kaczan: Actions for promoting work–life balance as an element of corporate social responsibility	54
Katarzyna Klimkiewicz, Ewa Beck-Krala: Responsible rewarding systems – the first step to explore the research area.....	66
Janusz Kroik, Jan Skonieczny: The use of business models in forming corporate social responsibility	80
Joanna Kuzincow, Grzegorz Ganczewski: Life cycle management as a crucial aspect of corporate social responsibility	91
Ewa Mazur-Wierzbicka: Implementing the work–life balance as a CSR tool in Polish companies	109
Marta Miszczak: The communication of CSR policy to customers by discount stores in Poland on the basis of Lidl and Biedronka	122
Magdalena Popowska: CSR and small business from the international and national perspective	136
Marcin Ratajczak: Understanding the concept of CSR in small and medium-sized enterprises in agribusiness.....	149
Anna Stankiewicz-Mróż: Ethical code and whistleblowing as CSR tools in pharmaceutical companies.....	158
Ewa Stawicka: Corporate social responsibility in the SME sector. An analysis of the key aspects and pillars of developing the CSR strategy.....	170
Tomasz Wanat, Magdalena Stefańska: Company’s CSR activities addressed to its employees – diffusion of CSR to customers by employees	180
Anna Waligóra: Selected legal aspects of social entrepreneurship functioning in Poland in the context of the provisions set forth in the act of 27 April 2006 on social co-operatives	191

Przemysław Wolczek: Development of the CSR concept in Poland – progress or stagnation?.....	200
Grzegorz Zasuwa: Basic values and attitudes toward cause-related marketing.....	215
Halina Zboroń: Social economics – from the profit oriented market to the social entrepreneurship.....	229
Krzysztof Zięba: CSR knowledge and perception in Polish SMEs: Evidence from the region of Pomerania.....	240
Agnieszka Żak: Triple bottom line concept in theory and practice.....	251

Streszczenia

Kazimierz Banasiewicz, Paweł Nawara: Wartości w społeczeństwie rynkowym i wartościowanie na wolnym rynku.....	19
Kinga Bauer, Joanna Krasodomska: Przesłanki społecznej odpowiedzialności biznesu w postępowaniu upadłościowym.....	29
Marzena Cichorzewska, Marta Cholewa-Wiktor: Wpływ innowacji społecznych na rozwój regionu i organizacji.....	40
Barbara Fryzel: CSR, tożsamość organizacyjna a zachowania. Rola percepcji i zaufania.....	53
Urszula Gołaszewska-Kaczan: Działania na rzecz równowagi praca–życie jako element społecznej odpowiedzialności przedsiębiorstwa.....	65
Katarzyna Klimkiewicz, Ewa Beck-Krala: Odpowiedzialne wynagrodzenie – pierwsze kroki w kierunku określenia obszaru badań.....	79
Janusz Kroik, Jan Skonieczny: Wykorzystanie modeli biznesowych w kształtowaniu społecznej odpowiedzialności przedsiębiorstwa.....	90
Joanna Kuzincow, Grzegorz Ganczewski: <i>Life cycle management</i> jako istotny aspekt społecznej odpowiedzialności biznesu.....	107
Ewa Mazur-Wierzbicka: Realizacja <i>work–life balance</i> jako jednego z narzędzi CSR w polskich przedsiębiorstwach na przykładzie Lidla i Biedronki.....	121
Marta Miszczak: Komunikowanie polityki CSR klientom przez sklepy dyskontowe w Polsce.....	135
Magdalena Popowska: CSR i małe przedsiębiorstwa z perspektywy międzynarodowej i krajowej.....	147
Marcin Ratajczak: Rozumienie koncepcji CSR w małych i średnich przedsiębiorstwach agrobiznesu.....	157
Anna Stankiewicz-Mróz: Kodeksy etyczne i <i>whistleblowing</i> jako narzędzia CSR w firmach farmaceutycznych.....	168
Ewa Stawicka: Wdrażanie społecznej odpowiedzialności w sektorze MŚP. Analiza kluczowych aspektów filarów rozwoju strategii.....	178
Tomasz Wanat, Magdalena Stefańska: Działania CSR kierowane do pracowników – dyfuzja CSR na klientów za pośrednictwem pracowników... ..	190

Anna Waligóra: Wybrane aspekty prawne funkcjonowania przedsiębiorczości społecznej w Polsce na tle zapisów ustawy o spółdzielniach socjalnych z dnia 27 kwietnia 2006 roku.....	199
Przemysław Wolczek: Rozwój koncepcji CSR w Polsce – postęp czy stagnacja?.....	214
Grzegorz Zasuwa: Wartości i postawy wobec marketingu społecznie zaangażowanego	228
Halina Zboroń: Ekonomia społeczna – od profitowo zorientowanego rynku do społecznego gospodarowania	239
Krzysztof Zięba: Postrzeganie CSR w polskich MŚP. Wyniki badań w regionie Pomorza	250
Agnieszka Żak: Koncepcja potrójnej linii przewodniej w teorii i w praktyce	264

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CORPORATE SOCIAL RESPONSIBILITY IN THE SME SECTOR. AN ANALYSIS OF THE KEY ASPECTS AND PILLARS OF DEVELOPING THE CSR STRATEGY

Summary: Corporate social responsibility (CSR) is becoming the practice within a growing group of entrepreneurs by the year. Aspects concerning human rights, labor standards, environmental protection or ethical market rules are becoming an indicator for different groups of business entities. Due to the benefits that are brought to the environment and society, those companies that want to implement CSR solutions in practice should be specially rewarded. A good example is the co-financing of projects in at least one of the areas of CSR: environment, relationships with employees, social commitment to the SME sector. The goals of this article are to show business entities' interest in implementing the CSR practices using aid programs and discuss the issues of various approaches to the dissemination of CSR practices in the SME sector. In order to write this article, the data available within the project "Enhancement of Regional Competitiveness through Corporate Social Responsibility" in 2012–2015 were used. The project implemented by the Polish Agency for Enterprise Development (PARP), funded by the Swiss-Polish Cooperation Program. Almost all the business entities interested in the PARP aid program and implementing socially responsible actions declared an activity in two areas: employees and natural environment. CSR implementation within the market and society is a less frequent and common action and it occurs as planned or under development.

Keywords: social responsibility, SME sector, CSR strategy.

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1. Introduction

In Poland, CSR activities are still under development; however, more often, not only is it the practice of large companies, but also those in the SME sector.

It turns out, however, that it is more difficult for small and medium-sized enterprises to implement the strategy of corporate social responsibility because they

lack the knowledge of CSR – the concept is then not entirely accepted, and there are few examples of good practice in this sector of enterprises. Still there are few well-informed stakeholders who necessitate a change in the behavior of entrepreneurs in the market. Is then there a need for strong interventionism of countries and a larger number of regulations that enforce ethical and responsible actions of organizations? Or maybe is there a need for more research and conviction for business entities to understand that CSR is profitable.

One of the actions to promote CSR in the SME sector is the project “Enhancement of Regional Competitiveness through Corporate Social Responsibility (CSR)” run by the Polish Agency for Enterprise Development (PARP) in 2012–2015. The project is executed by the PARP and financed by Switzerland as part of the Swiss cooperation program with the new EU Member States. The program consists of several stages:

- briefings, trainings: 2012 2nd/3rd quarter,
- announcing the first round of the contest for the SME: 2013 1st quarter,
- announcing the second round of the contest for the SME: 2013 4th quarter,
- accomplishing the SME projects: 2013–2014,
- evaluating, disseminating good practice – 2015 [www.csr.parp.gov.pl].

As part of the project, a contest to allocate financial funds for the implementation of CSR in the SME sector was carried out. The competition consisted of two stages; the first call for applications for financial funds for the implementation of CSR took place in March 2013. The second call for applications was announced in December 2013. The financial funds were intended for micro, small and medium-sized enterprises with a registered office within the territory of the Republic of Poland, which had begun their business activities at least six months before applying.

The article uses data available from companies of Polish SMEs that have received financial aids for the implementation of CSR actions under the described program. As many as 53 entrepreneurs were granted funds during the first edition, while 133 entities during the second edition. The aim of this study is to assess the interest of SMEs in the project, analyze the diverse approaches to the implementation and dissemination of CSR practices and attempt to identify directions of socially responsible actions in the SME sector. The article is a contribution to further research and an analysis of developmental trends of CSR in the SME sector.

2. SMEs’ interest in building a competitive advantage with regard to the CSR strategy

Improving country’s economic development and funding the SME sector are economic and political priorities. Social responsibility in business is becoming more and more often a new strategic management way. By the year there is a growing group of supporters of enhancing competitiveness through corporate social responsibility.

The article analyzed a group of entrepreneurs within the SME sector that showed their willingness to embed socially responsible solutions in their actions. The study group consisted of the entrepreneurs from the whole Poland who applied for financial support for the implementation of CSR within the contest “Enhancement of Regional Competitiveness through Corporate Social Responsibility (CSR).” The fund could be allocated to the entrepreneurs who had filed projects involving the activities that were related to the implementation of CSR in the company; however, the action had to be linked to the profile of enterprise’s business activity.

In March 2013, the first call for applications took place, then the second call in December 2013. The project was primarily intended for the SME sector, preceded by numerous announcements and trainings pertaining to the guidelines, opportunities and threats arising from the implementation as well as failure to notice the opportunities and threats arising from being or not being a socially responsible company in a region, country and in the global market.

The issue of CSR is still not very popular among entrepreneurs of the SME sector. On the other hand, the project has brought to light a number of inspiring and innovative solutions to improve the competitiveness of enterprises and regions. So that business is becoming more eco-friendly, transparent, friendly to staff and local communities.

SMEs’ interest in socially responsible actions was not too vast and varied by voivodeships, as shown in Figure 1.

As many as 108 applications were submitted during the first edition, while 322 applications during the second edition of the contest in December 2013. The greatest interest in receiving the aid was shown in Masovian Voivodeship, 26 applications were submitted in the first call, 49 applications in the second one. The least applications were filed in Podlaskie Voivodeship, during the first stage entrepreneurs did not even displayed any interest in that program, and 5 applications were submitted in the second round. Also there was little interest in the program from the entrepreneurs in Opole Voivodeship; no applications in the call first, 8 applications in the second one. Overall, comparing the first and the second call, the largest increase in the number of applications submitted occurred in Greater Poland Voivodeship from 8 to 31 applications; Lower Silesian Voivodeship from 9 to 26, West Pomeranian Voivodeship from 6 to 23 and Masovian Voivodeship from 26 to 49 applications. It can be argued that the awareness of enhancing competitiveness through responsible and transparent business practices is often the tendency of entrepreneurs from the west of Poland. The representatives of companies from the western part of Poland are more likely to have a greater knowledge and understanding of the concept and principles of social responsibility in business than the entrepreneurs from central and eastern Poland. Earlier studies by the author confirm that the knowledge of the concept in the case of the Polish entrepreneurs – in the western, central, eastern part appears to be proportional 47%, 39%, 36% [Stawicka, Wołoszyn 2013, p. 46].

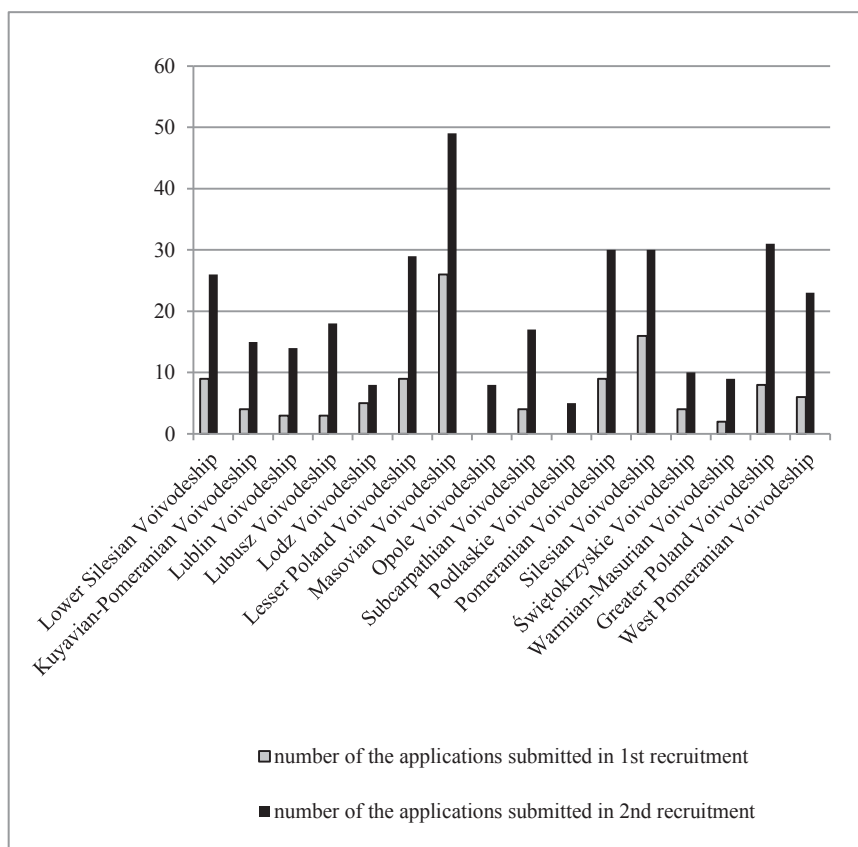


Figure 1. Number of applications submitted (pcs.) as part of the contest for financial aid for the implementation of CSR by voivodships

Source: own work based on: Announcement about the number of applications submitted as part of the contest for financial aid for the implementation of CSR in the SME sector. The project “Enhancement of Regional Competitiveness through Corporate Social Responsibility (CSR)” by PARP, last updated on 09.06.2014.

The submitted applications were subjected to a formal and substantive evaluation by the PARP Contest Committee. The projects had to fit in at least one of the areas of corporate social responsibility, that is, environment, relationships with employees or social commitment. The maximum amount of the financial aid for one company was PLN 100,000, the subsidy could stand for 70% of the total eligible cost of a project. Considering the fact that applicants had to make their own contribution at a minimum of 30% of the total eligible cost of a project, interest in the contest should be strong. The limitation, however, was still low awareness of the benefits from building a competitive advantage based on the principles of CSR.

Finally, after two editions of the contest, the financial aid was allocated to 53 entrepreneurs from the first recruitment and 133 from the second recruitment, which is shown in Figure 2.

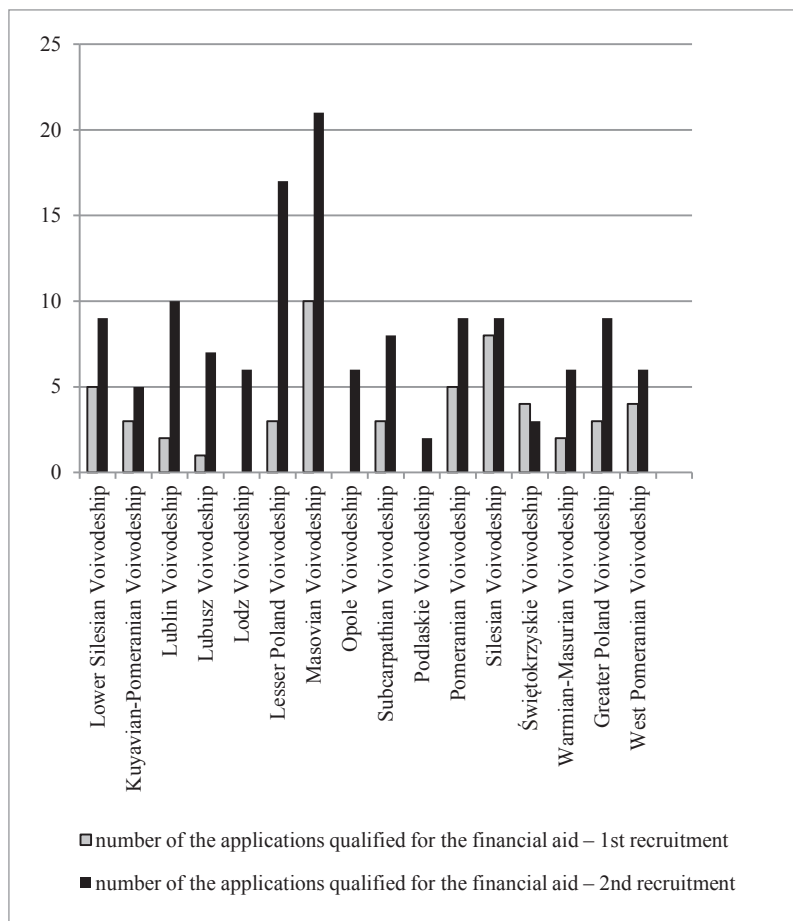


Figure 2. Number of applications evaluated positively (pcs.) as part of the contest for financial aid for the implementation of CSR by voivodeships

Source: own work based on: Announcement about the number of applications submitted as part of the contest for financial aid for the implementation of CSR in the SME sector. The project “Enhancement of Regional Competitiveness through Corporate Social Responsibility (CSR)” by PARP, last updated on 09.06.2014.

The number of applications with the financial aid allocated for the implementation of CSR was proportional to the number of applications, and so the most positively evaluated projects were in Masovian Voivodeship with a total of 31 applications, in

Lesser Poland Voivodeship with a total of 20, in Silesian Voivodeship 17 applications, in Greater Poland 12 applications. The least applications and the acceptance of their correctness were in the case of the entrepreneurs from Podlaskie Voivodeship (2 applications), Opole Voivodeship (6), Lodz Voivodeship (6), Kuyavian-Pomeranian Voivodeship (8), Warmian-Masurian Voivodeship (8). A total of 186 entrepreneurs from 430 projects filed received the financial aid.

The analysis of practical knowledge and behaviors of entrepreneurs in the SME sector towards CSR form the basis to conclude that the concept does not have many followers, but has gained in importance. Enterprises are afraid of the cost and they often associate CSR activities with increased costs and philanthropic activities. Companies carry out social activities on an *ad hoc* basis and often unconsciously, not containing them in a broader management strategy. In contrast, many entrepreneurs appreciate the importance of the subject and the actions to promote the CSR investment facilitate the change in the perception of responsible activities. The programs supporting good CSR practice because of the benefits they bring to the environment and society are just specially rewarded. In this way, the number of good CSR practices in small, micro and medium enterprises is growing. Also, entrepreneurs are beginning to notice the impact of responsible actions on the organizational efficiency of an organization throughout trainings. Providing goods, services, knowledge in a responsible way, entrepreneurs invest in the community, which also contributes to an increase in the wealth of society and, consequently, results in a greater and more responsible consumption. Entrepreneurs are beginning, albeit very slowly, to regard CSR as a business strategy, which generates more sustainable competitive advantage although it is a long-term one.

3. Examples of practices and areas of social responsibility in the SME sector

Corporate social responsibility in small and medium-sized enterprises is under development. Entrepreneurs generally observe the actions of others and follow good practice depending on the specifics and industry to a greater or lesser extent. Most SMEs are in the process of creating a CSR strategy and identifying and mapping stakeholders, few have created a CSR strategy, which is being implemented mostly in two areas: the environment or employees.

Although the GRI guidelines are user-friendly, understandable even for people without much experience, they apply most often to the large enterprise sector. Also, the guidelines concerning social responsibility like the standard ISO 26000 defining standards for: organizational governance, human rights, labor practices, environment, fair operating practices, consumer issues, commitment and development of local communities, are more often met by the sector of large entities.

The analysis of good practice in the SME sector shows that small and medium-sized enterprises are becoming more consciously interested in socially responsible

activities. Companies are beginning to relate to the aspect of transparency and fairness in their actions with ever greater commitment. The projects for the implementation of CSR activities in the sector of small and medium-sized enterprises, as previously mentioned, are primarily focused on creating a strategy. Entrepreneurs' knowledge of CSR is scarce, which means that they do not feel at ease in this regard. They need professionals to create a strategy and implement socially responsible actions, and display the committed attitude more and more often. There is also a growing group of entrepreneurs from the SME sector, they can be described as "leaders," which approaches the changes in the most creative way. The analysis shows that this group of leaders has a CSR strategy based on the guidelines of ISO 26000 and works systematically on expanding and improving the range of responsible and transparent practices. Such entrepreneurs are, however, very few.

In practice, the actions towards CSR in the case of entrepreneurs from the SME sector include mostly work on creating maps of stakeholders, building stable and transparent relationships with contractors, determining the rules for dialogue with different groups of stakeholders. There can be also observed a tendency for implementing responsible actions in four areas: the market, the environment, society and employees, although most practical solutions are being implemented in the area of the environment and employees.

The analysis of the examples of SMEs, which applied for the financial aid for the CSR activities as part of the project run by PARP, showed that about 30% of them had previously created a CSR strategy before applying, so it can be concluded that this group of entrepreneurs undertook earlier structured activities in this field. The other entrepreneurs were doing something in this regard, but those were mostly occasional and often chaotic actions.

In contrast, the projects of CSR activities and specific CSR practices as part of the contest "Enhancement of Regional Competitiveness through Corporate Social Responsibility (CSR)" mostly touched upon:

- creating a CSR strategy;
- establishing partnerships with local non-governmental organizations (NGOs);
- initiating cooperation with stakeholders based on the standard AA 1000 SES;
- developing employees' competence, committing employees to implement the CSR policies, employee volunteering, counteracting low culture in the workplace;
- modifying internal information channels and dialog with employees, purchasing and implementing an intranet;
- maintaining a balance between private and professional life of employees (WLB – work–life balance);
- keeping acquired certificates;
- obtaining certificates, such as ISO 20121:2010, PN – EN ISO 14001, PN-EN 18001, ISO 9001, HCL (Hardware Compatibility List), EMAS Easy, ISO 26000, green office certification, FSC Reclaimed Wood, Fair Play Enterprise, Health, Safety, and Environment Management System SCC:2011, NORSOK M-501;

- environmental policy: reducing the use of paper, toners, electricity, water, improving waste management, developing pro-environmental attitudes, using energy-efficient sources, expanding the green areas around the company, creating an eco-office, limiting the amount of CO₂;
- creating ethical codes;
- analyzing the supply chain and product lifecycle;
- preparing for reporting on CSR in accordance with the requirements of the GRI and ISO 26000;
- creating a website and informing about CSR activities;
- social policy: open days for the local community.¹

Implementing CSR solutions in the SME sector is not an easy task. Small, medium-sized and micro enterprises must adopt global corporate practice of adapting them to their sector. This sector lacks specialists, people with knowledge of CSR, and instruments that would help implement the strategy. In contrast, the main motivating factor in implementing CSR mentioned by entrepreneurs is still the image aspect, but also the focus on the employee as one of the key resources in developing a company. Among entrepreneurs there is also growing interest in environmental issues.

CSR as a new and strategic approach to managing an organization derives from the ecological and social challenges that occur on the global market. Among the activities of the entrepreneurs in the SME sector, a tendency for reducing the risk of loss of reputation, improving the image and above all, reducing the likelihood of adverse social and economic events can be observed. Enterprises also attempt to undertake business activities more optimally and efficiently. They reduce consumption of energy, materials, raw materials, reduce waste production and greenhouse gas emissions, which benefits not only the environment but also their companies.

4. Conclusion

Poland is a country where many positive economic and social changes have been made. The concept of corporate social responsibility in business emphasizing sustainable development in the economic, environmental and social area is becoming more and more significant. Not only the material values within an organization, but also aspects such as human rights and environmental protection are emphasized. In order to bring attention to the importance of the 3XE aspects (cost-effectiveness, efficiency and ethics) and 3XP aspects (people, profit, planet), the state, governmental and non-governmental organizations increasingly use mechanisms to encourage and promote CSR. An example of the activities promoting CSR in the SME sector is the project “Enhancement of Regional Competitiveness through Corporate Social Responsibility (CSR).” The project run within 2012–2015 by PARP, funded by the

¹ Author’s own analysis based on PARP, description of the projects filed as part of the first call for the application for implementation of CSR, www.parp.gov.pl (09.06.2014).

Swiss cooperation program for the new EU Member States. SMEs' interest in socially responsible activities and the program was not too big and varied by voivodeships. The greatest interest in obtaining the financial aid for the implementation of the CSR strategies was displayed by the entrepreneurs from the western and central part of Poland. They were also more likely to possess greater knowledge of the concept and principles of corporate social responsibility as compared to the entrepreneurs from the east of Poland.

In practice, the action towards CSR in the case of the entrepreneurs from the SME sector is mostly work on creating maps of stakeholders, building stable and transparent relationships with contractors, determining the rules for dialog with different groups of stakeholders. One can also observe a tendency for implementing responsible actions in four areas: the market, the environment, society and employees. However, entrepreneurs undertake CSR actions in the area of the environment and employees more frequently than in the areas of society and the market. The deliberate and active actions taken by organizations, among others by PARP, to develop, disseminate and promote the social and environmental standards are justified. Due to poor reinforcement of ethical behaviors and a low propensity of business for self-regulation, it is necessary to establish mandatory standards, as well as inform about the benefits from being ethical in the market. In this way, these measures are given high priority and should be taken in a planned, coherent and long-term way.

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www.parp.gov.pl

WDRAŻANIE SPOŁECZNEJ ODPOWIEDZIALNOŚCI W SEKTORZE MSP. ANALIZA KLUCZOWYCH ASPEKTÓW I FILARÓW ROZWOJU STRATEGII

Streszczenie: Społeczna odpowiedzialność biznesu (CSR – *corporate social responsibility*) z roku na rok staje się praktyką coraz większej grupy przedsiębiorców. Aspekty dotyczące praw człowieka, standardów pracy, ochrony środowiska czy etycznych zasad rynkowych stają się wyznacznikiem dla różnych grup podmiotów gospodarczych. Ze względu na korzyści jakie płyną dla środowiska i społeczeństwa należałoby specjalnie premiować te przedsiębiorstwa, które chcą wdrażać rozwiązania CSR w praktyce. Dobrym przykładem jest dofinansowanie projektów wpisujących się w co najmniej jeden z obszarów CSR: środowisko naturalne, relacje z personelem przedsiębiorstwa, zaangażowanie społeczne dla sektora MŚP. Celem artykułu jest ukazanie zainteresowania podmiotów gospodarczych wdrażaniem praktyk CSR

z wykorzystaniem programów pomocowych oraz omówienie kwestii różnorodnego podejścia do upowszechniania praktyk CSR w przedsiębiorstwach sektora MŚP. Do napisania artykułu wykorzystano dostępne dane w ramach projektu „Zwiększanie konkurencyjności regionów poprzez społeczną odpowiedzialność biznesu” w latach 2012–2015. Projekt realizowany przez Polską Agencję Rozwoju Przedsiębiorczości (PARP), finansowany ze Szwajcarsko-Polskiego Programu Współpracy. Niemal wszystkie podmioty gospodarcze zainteresowane programem pomocowym PARP i wdrażaniem działań społecznie odpowiedzialnych deklarowały aktywność w obszarach: pracownicy i środowisko naturalne. Wdrażanie CSR w obszarze rynek i społeczeństwo to działania rzadsze i występujące jako planowane lub w fazie rozwoju.

Słowa kluczowe: społeczna odpowiedzialność, sektor MŚP, strategia CSR.