



**CORPORATE SOCIAL RESPONSIBILITY AS AN INSTRUMENT
OF SUSTAINABLE DEVELOPMENT OF PRODUCTION ENTERPRISES**

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Abstract:

The paper deals with the issue of corporate social responsibility as an instrument of operationalising the paradigm of sustainable development on the microeconomic level in the sector of production enterprises. It presents a genesis and importance of CSR and indicates the most relevant essential instruments of CSR implementation on an enterprise level. The paper also analyses endogenous and exogenous benefits from implementing CSR into the business practice.

Key words: CSR, sustainable development, production enterprises

INTRODUCTION

The issue of corporate social responsibility is nowadays one of the most important aspects of sustainable development referred to in public and research discussions. Strategy "Europa 2020" placing this new paradigm of development as the main indicator of development process until 2020, clearly defined the direction of scientific search for effective methods of the paradigm's operationalisation on a microeconomic level. Scientific references approach CSR as a method of management which by negotiating important political issues with the local society, has not only an influence on increasing the corporate competitiveness on a global level, but also contributes towards improvement of conditions promoting sustainable economic and social development of the space surrounding the enterprise. Corporate responsibility is first of all an increasing contribution into environmental protection, human resources and contacts with the company's surroundings, that is stakeholders. Furthermore, enterprises, using various instruments and tools, can check how they affect social and economic development and implementation of corporate social responsibility strategy. By means of CSR instruments, companies acquire a better "resistance" and are provided with a capability to prevent possible problems and thus are able to react faster to their occurrence.

Corporate social responsibility is more and more frequently implemented by big Polish production enterprises, yet it is advisable to stress that medium and small companies can also offer space for its development. Thus, an important aspect in analysing implementation of CSR in the sector of production enterprises, no matter how big they are, should first of all be both internal as well as external advantages offered by this philosophy of acting. This is because, as evidenced in book references, such advantages can become a basic instrument of improving corporate image, reducing costs or introducing innovations. Therefore,

the present paper attempts to analyse the CSR issues in the sector of production enterprises focusing attention on the genesis of the phenomenon, its basic instruments as well as benefits from implementing the CSR philosophy into the business practice.

GENESIS AND IMPORTANCE OF CSR IN THE CONTEMPORARY ECONOMY

The concept of Corporate Social responsibility (CSR), is one of the most frequently referred to when discussing entrepreneurship. It is based on a relation between entrepreneurs and the society. According to the European Commission, corporate social responsibility is nothing else but responsibility enterprises bear for the effects they have on the society. It appears that companies have an influence not only on a consumer himself by satisfying his needs. As Gadomska-Lila [8] claims, CSR is not only satisfying social needs, but complying with legal and economic norms and caring for natural environment as well as following the ethical rules when carrying out one's duties.

In recent years corporate social responsibility has gained a growing popularity, therefore companies, with the intention to keep their positive image, should bear the concepts of CSR in mind. An opinion given on a company depends, to a great extent, on the value of services rendered or products supplied to the market. This value is determined by the employees of this company. According to the CSR philosophy they should be paid the most attention to. Rules respecting and abiding by the employees translates into their involvement and efficiency. And growing expectations of stakeholders, as far as the company's transparency and responsibility are concerned, are a condition for measuring and revealing the effect the corporate decisions have on the society and natural environment [9].

According [8], the origin of CSR dates back to the sixties of the 20th century. At the time the companies were mainly

focused on economic aspects of their activities. However, as pointed out by Visser [17], companies still lacked an adequate motivation to endeavour to implement CSR into their activities, because the changes being brought were not noticeable enough to improve the company's profits greatly. Therefore, he presented a new systematic approach to CSR praising innovativeness, creativity, ability to react quickly and to perceive the occurring obstacles as an opportunity for development and, first of all, for opening to a wide group of stakeholders.

According to the information furnished by the Ministry of Economy [12], there are four categories of areas in which the idea of corporate social responsibility is pursued. The first of these categories is an organizational order, which means following rules of ethics and conduct in particular situations, preventing corruption, creating social reports that aim at revealing not only financial information. The second category focuses on the above-mentioned employees. Their comfort, safety and rights should be cared for and respected. Employers should make it possible for their employees to reconcile their work with private life and to provide them with adequate working conditions. Companies should also care for environment by limiting hazardous emissions, use of water and energy and properly manage wastes. The last of the categories referred to above concerns products. Companies should manage a delivery chain in such a manner as to be able to solicit and transport both raw materials and semi-products in a responsible and reasonable way.

CHARACTERISTICS OF THE SELECTED CSR INSTRUMENTS

Enterprises that implement the idea of corporate responsibility apply a wide range of instruments that ensure an efficient company management. One of these instruments are ethics programmes, which were created as a response to a worsening business image received by the society. These programmes aim at improving business image among people and at strengthening the efficiency of the activities run, and on a longer perspective, at elaborating an adequate competitiveness of a company. Application of ethics programmes itself contributes towards lowering the possibility of conflicts with a local community, whereas following the rules prescribed by them ensures making right decisions as well as avoiding to hurt others, which in consequence leads to satisfaction with one's own work and one's own achievements [15].

Ethics programmes comprise, among other things, formulating the company's vision and mission, elaborating a manual of occupational standards or an ethics code, which is the most frequently used instrument of CSR. The code comprises the most important principles and values, the employees of a particular company should pursue. The best codes of ethics are those in which the code of values is linked to the conduct and norms that should be respected. A well elaborated code of ethics gives a chance for lowering costs and increasing profits, because it increases trustworthiness of the staff as well as it significantly helps improve the company's reputation.

Another popular instrument of corporate social responsibility is social marketing, otherwise referred to as social campaign. Its purpose is to focus attention on a particular social problem, taking advantage of marketing experience acquired by a concrete company. Social marketing usually involves cooperation of various entities, such as business, media, government institutions or social organizations. A company, when carrying out its social campaign creates a

positive image, yet by not selling products or services that take part in the campaign. As an example of this CSR instrument one may point out the "bad touch" campaign, that alerts the society to the problem of child sexual abuse, which in our society is still a taboo subject [5].

Another significant CSR instrument is cause related marketing (CRM). It helps create a product or a company's image in connection with a concrete social issue. It is a significant instrument of CSR, because it contributes greatly towards achievement of bigger economic benefits. Thoroughly analysed or well run CRM campaign helps generate high economic benefits as well as increase consumers' satisfaction. As an example of a cause related marketing can be the Polish TV action "Give Sun to Children", the mission of which is to offer a part of a given product sales profit to solving a children related problem.

A very popular instrument with producers that has been widely applied lately is eco-labelling and social labelling. It means placing information on a product's label about the producer's actions taken with respect to such issues as, for example, caring for environment, respecting human rights, respecting animal rights [9]. Types of social labelling can be created by individual producers or non-governmental or business organizations. Unfortunately, use of this instrument is often challenged by the problem of independent verification of labelling [3].

CSR in an enterprise can also take a formalized form. Standard ISO 26000:2010 has been recently gaining a growing popularity among companies that implement this philosophy into its business practice. The works on the standard were initiated in 2005 by the International Standardization Organization ISO by appointing the biggest in history ISO working team in charge of social responsibility. The team consisted of 450 experts and 210 observers from 99 countries members of ISO and 42 related organizations. The result of the works done was creating and publishing on November 1st, 2010 the *ISO standard 26000 Guidance on Social Responsibility* [11]. The aim of the standard is to make it easier for organizations to function in a socially responsible manner, being a practical guidance through the idea of corporate social responsibility originated in the seventies of the previous century [13].

Summing up, corporate social responsibility requires application of certain instruments the effects of which can be measured with various benefits. Elaboration of a company's strategy with these instruments will definitely lead to an increase in the company's recognition and thus, to an improvement of the company's competitiveness and efficiency of the activities performed. Owing to CSR instruments, a company will acquire a better resistance and an ability to solve problems more easily.

CORPORATE SOCIAL RESPONSIBILITY IN POLAND

Corporate social responsibility known to be implemented by American or British companies is also finding its way into the Polish business. Although responsible business is mainly related to big entities, it is more frequently introduced into medium or even small sized, local enterprises [4].

In comparison with Western companies, in our country *"smaller role is played by regulations and a bigger importance can be attached to a strong belief, that it is necessary to provide conditions which will motivate to implement CSR and facilitate this process. An important drive of this change are financial benefits and profit prospects. Therefore the incentives such as PARP from Swiss funds designed*

for development of CSR strategy are allocated to small and medium sized businesses that comprise 90% of all the Polish companies" [10].

Poland, takes part in, for example the project entitled "Sustainable Production through Innovation in Small and Medium sized Enterprises in the Baltic Sea Region, SPIN". The purpose of the project is to promote new solutions for sustainable development, including environmental technologies, eco-innovations and CSR [2].

As far as the issue of responsible business is concerned, one cannot fail to notice the developing cooperation between enterprises and all kinds of institutions and government administration. New programmes are elaborated and are directed to certain social groups with the purpose of improving their situation. An example can be "Big Family Charter" an incentive that supports families with at least three children, which, as assumed, will contribute to an increase of population numbers. "The Charter is a perfect tool for companies for a practical implementation of social responsibility. Joining the programme, companies directly help big families, but also gain regular and loyal clients" [6].

According to the bulletin of Responsible Business Forum issued in 2014 15 Polish examples of corporate social responsibility in terms of CSR multi-sectoral partnership in Poland can be divided into five categories:

- going out of the private sector,
- selecting partners,
- planning, resources and barriers,
- terms of cooperation and communication,
- effects and evaluation.

The partnerships try to react to particular social problems, such as malnutrition or exclusion. Transformation into a multi-sectoral work is a basis for the search for more effective solutions within corporate responsibility [5].

ENDOGENOUS AND EXOGENOUS BENEFITS OF IMPLEMENTING CSR INTO PRODUCTION ENTERPRISES

Nowadays, the concept of corporate social responsibility gives numerous production enterprises a possibility to solve their social and ecological problems, taking into account the benefits that implementation of this ideology can bring along. It is crucial, however, to define in which particular area the company can gain such benefits, which in turn, can help improve the company's image as well as reduce costs, introduce innovations or affect the surroundings, including, especially natural environment [14].

Corporate social responsibility makes it possible to separate endogenous (internal) and exogenous (external) benefits a production company may get after its implementation. It is a result of a direct relation between CSR and the concept of stakeholders, defined by R.E. Freeman as "each definable group or an individual (institution as well as natural environment), which may affect or is affected by a company (organization) through its strategy, products, services, manufacturing processes, systems of management and procedures". Thus, it is the whole environment of a company, which, according to the above-mentioned to kinds of benefits, can also be divided internally and externally. Internal stakeholders of a company comprise, among others, its owners, investors, managers and employees. External stakeholders are clients, suppliers, competitors, local authorities, non-governmental organizations, local community, trade and brand associations, media, courts, schools and colleges as well as natural environment which is often referred to as a mute stakeholder [7].

The above classification of stakeholders presents a classic picture of a company environment, which leads to the conclusions that all the resources, namely all the information about the enterprise, belong to the internal environment, whereas all the elements that affect and have an influence on the company, but are not directly its internal structure, form its external environment. Within the area of the above-mentioned stakeholders a company is able to obtain measurable endogenous as well as exogenous benefits as a result of CSR implementation.

Endogenous benefits originate directly from activities undertaken for the needs and expectations of the company's internal stakeholders. Activities performed in the internal environment are also shown outside the company. Though, they do not affect relations present both in the internal environment of the company as well as outside it. Therefore, in our perception of internal and external environments we should not separate them. Furthermore, the majority of activities taking place in the internal environment affect greatly the external environment.

The most important inside corporate benefits include:

1. Shaping and strengthening an image of a good employer,
2. Improving the corporate culture,
3. Increasing the employees' satisfaction and content leading to an increase in their efficiency and productivity [18].

As far as exogenous benefits are concerned it should be noted, that they result from performing activities that aim at meeting external stakeholders' expectations and needs. Benefits from implementing CSR in this area are shown both within the company as well as in its external environment. They, first of all, include:

1. Financing environmental protection,
2. Creating new jobs,
3. Lowering prices of products,
4. Improving product's quality,
5. Complying with legal regulations,
6. Fair competition,
7. Improving communication,
8. Reducing pollution.

Implementation of corporate social responsibility determines many benefits. The basis for undertaking socially responsible actions is, first of all, naming and defining the company's stakeholders knowingly and adequately. Every activity performed by a company should go in two directions, namely it should aim at achieving the goal set out earlier as well as it should have its potential receivers. However, if companies decide to make such a step, they must bear in mind, that costs related to undertaking socially responsible actions may be higher than the benefits they can bring.

It is also important to underline that businesses must be patient, because when applying the idea of corporate social responsibility, the objectives cannot be achieved overnight and are hardly noticed straight after conducting a socially responsible activity, yet undertaking a social activity is related to many benefits which are both internal and external. It is important to know that, if a new idea is not approved by the company's environment, then it should not be implemented. It should be remembered to regularly monitor and analyse the company's environment. Companies that undertake to implement social responsibility need to remember that the activities they perform must be coherent with the other company's tasks and that all the activities should be run on all levels following the same phi-

osophy. Therefore corporate social responsibility is said to be multi-level and comprehensive. It must be stressed that companies cannot implement CSR occasionally and only once, because then it is perceived as the company's intention to become rich, and not as a will to create and build the strategy of corporate social responsibility. It is worth remembering that "socially responsible actions do not only and exclusively serve building an image" [16].

SUMMARY

Rules of responsible business in production enterprises have become very important due to the growing social expectations related to corporate responsibility, which are a result of the occurrence of global social and ecological problems. Implementation of CSR by a company depends, first of all, on people managing a particular company and its employees.

It is noteworthy, that companies are not focused only and exclusively on achieving economic benefits, but also remember that by increasing its positive social involvement they can lower pejorative human and environmental impact. Thus, social responsibility is to a great extent connected with socio-ecological responsibility. However, the biggest barrier the companies must challenge when implementing or applying the rules of sustainable development is insufficient awareness concerning benefits that can be obtained through CSR and its instruments.

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