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M25: CORPORATE SOCIAL RESPONSIBILITY IN CONSTRUCTION

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CORPORATE SOCIAL RESPONSIBILITY IN CONSTRUCTION

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CORPORATE SOCIAL RESPONSIBILITY IN CONSTRUCTION

Bolesław Rok

Wioletta Fabrycka

Andrzej Minasowicz

Paweł Nowak

Janusz Zaleski

Poland 2017

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Editors and content related co-operation:
dr hab. inż. Andrzej Minasowicz
mgr Janusz Zaleski

Editors:
MSc. Eng. Jerzy Rosłon
MSc. Eng. Jacek Zawistowski

Cover design:
PhD. Eng. Paweł Nowak

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This manual is part of the Construction Managers' Library – a set of books related to the wide area of management in construction. The books were created within the Leonardo da Vinci (LdV) projects No: PL/06/B/F/PP/174014; 2009-1-PL1-LEO05-05016, 2011-1-PL1-LEO05-19888, and ERASMUS+ project No: 2015-1-PL01-KA202-016454, entitled: "COMMON LEARNING OUTCOME FOR EUROPEAN MANAGERS IN CONSTRUCTION, phases I, II, III and IV – CLOEMC)". Warsaw University of Technology, Civil Engineering Faculty, Department of Construction Engineering and Management was the Promoter of the Projects.

The following organisations were Partners in the CLOEMC I Project:

- Association of Building Surveyors and Construction Experts (Belgium),
- Universidad Politécnica de Valencia (Spain),
- Chartered Institute of Building Ireland (Ireland),
- Polish Association of Building Managers (Poland),
- Polish British Construction Partnership Sp. z o.o. (Poland),
- University of Salford (Great Britain),
- Chartered Institute of Building (Great Britain).

The objective of this project was to create first, seven manuals conveying all the information necessary to develop civil engineering skills in the field of construction management.

The following manuals have been developed in CLOEMC I (in the brackets you will find an estimate of didactic hours necessary for mastering the contents of a given manual):

M1: PROJECT MANAGEMENT IN CONSTRUCTION (100),
M2: HUMAN RESOURCE MANAGEMENT IN CONSTRUCTION (100),
M3: PARTNERING IN CONSTRUCTION (100),
M4: BUSINESS MANAGEMENT IN CONSTRUCTION ENTERPRISE(100),
M5: REAL ESTATE MANAGEMENT (100),
M6: ECONOMY AND FINANCIAL MANAGEMENT IN CONSTRUCTION (240),
M7: CONSTRUCTION MANAGEMENT (100).

The manuals created for the purposes of the library are available in three languages: Polish, Spanish and English. The manuals may be used as didactic materials for students of postgraduate courses and regular studies in all three languages. Graduates from the courses will receive a certificate, which is recognized by all organisations – members of the AEEBC, association of construction managers from over a dozen European countries.

Polish representative in the AEEBC is the Polish Association of Building Managers, in Warsaw.

Partners of the CLOEMC II project were:

- Technische Universität Darmstadt (Germany),

- Universida de do Minho (Portugal),
- Chartered Institute of Building (Great Britain),
- Association of European Building Surveyors and Construction Experts (Belgium),
- Polish British Construction Partnership (Poland),

Within the second part of the project the following manuals were developed:

M8: RISK MANAGEMENT (130)
M9: PROCESS MANAGEMENT – LEAN CONSTRUCTION (90),
M10: COMPUTER METHODS IN CONSTRUCTION (80),
M11: PPP PROJECTS IN CONSTRUCTION (80),
M12: VALUE MANAGEMENT IN CONSTRUCTION (130),
M13: CONSTRUCTION PROJECTS – GOOD PRACTICE (80),

The manuals were prepared in four languages: Polish, Portuguese, German and English.

Partners of the CLOEMC III project were:

- Technische Universität Darmstadt (Germany),
- Universida de do Minho (Portugal),
- Chartered Institute of Building (Great Britain),
- Thomas More Kempen University (Belgium),
- Association of European Building Surveyors and Construction Experts (Belgium),
- Polish Association of Building Managers (Poland).

Within the third part of the project the following manuals were developed:

M14: DUE-DILIGENCE IN CONSTRUCTION (100),
M15: MOTIVATION AND PSYCHOLOGY ASPECTS IN CONSTRUCTION INDUSTRY (100),
M16: PROFESSIONALISM AND ETHICS IN CONSTRUCTION (100),
M17: SUSTAINABILITY IN CONSTRUCTION (100),
M18: HEALTH AND SAFETY IN CONSTRUCTION (100),
M19: MANAGING BUILDING PATHOLOGY AND MAINTENANCE (100).

The manuals were prepared in five languages: Polish, Portuguese, German, French and English.

Partners of the CLOEMC IV project were:

- Technische Universität Darmstadt (Germany),
- Reykjavik University (Iceland),
- Chartered Institute of Building (Great Britain),
- AWBUD S.A. (Poland),
- Association of European Building Surveyors and Construction Experts (Belgium/Great Britain),
- Polish Association of Building Managers (Poland).

Within the fourth part of the project the following manuals were developed:
M20: REVITALISATION AND REFURBISHMENT IN CONSTRUCTION (100),
M21: BUILDING INFORMATION MODELING – BIM (120),
M22: OPTIMISATION OF CONSTRUCTION PROCESSES (120),
M23: DIVERSITY MANAGEMENT IN CONSTRUCTION (100),
M24: MECHANICS OF MATERIALS AND STRUCTURES FOR CONSTRUCTION MANAGERS (120),
M25: CSR - CORPORATE SOCIAL RESPONSIBILITY IN CONSTRUCTION (100).

The manuals were prepared in three languages: Polish, German and English (and additionally English version with summary in Icelandic language).

The scope of knowledge presented in the manuals is necessary in activities of managers - construction engineers, managing undertakings in the conditions of the modern market economy. The manuals are approved by the European AEEBC association as a basis for recognising manager qualifications. Modern knowledge in the field of management in construction, presented in the manuals, is one of prerequisites to obtain EurBE (European Building Expert) cards, a professional certificate documenting the qualification level of a construction manager in EU. The manuals are designated for managers - construction engineers, students completing postgraduate studies "Management in construction" and students completing construction studies. Postgraduate studies got a recognised program, and graduates receive certificates recognised by 17 national organisations, members of AEEBC.

More information:
- about the project: www.cloemcIV.il.pw.edu.pl
- about the EURBE CARD: www.aeebc.org

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LEARNING OUTCOMES
(A. MINASOWICZ, P. NOWAK, J. ZALESKI)

The primary goal of this book is to present a reasonable and holistic approach to Corporate Social Responsibility (CSR) undertaken by companies actively operating in the construction market. The holistic approach also means that the theoretical dimension is closely linked to practical aspects, based on many years of experience working with managers. The basic theoretical framework in this book is based on the presented concept of three pillars: relations – operations – innovation (ROI). According to this concept any company can engage socially, to create social capital (relations), improve the management system to build organisational capital (operations), as well as implement innovative solutions for the common good, in order to create development opportunities (innovation). CSR is not exclusively a matter of charity. The real goal is not only to build a positive image, but above all to improve the ability to compete. Therefore, it becomes particularly important to link CSR activities to the specificity of the company. A company should invest in potentially useful fields of knowledge and innovative solutions, and it should generate demand for its products or services in markets where its position is, or may soon become, extremely strong.

Manual starts introduction showing the importance of CSR for construction market and with basic definitions of Corporate Social Responsibility and presentation of "three pillars concept". Then the pillars are described in details, from different perspectives (business practice, competitiveness, environmental and social aspects). In the final chapter CSR benefits as summarised and discussed.

Students and professionals who have read this manual will attain the following learning outcomes:

1. Understand the dynamics of CSR in construction and its practical applications

2. Understand managerial responsibilities related to CSR implementation.

3. Know how to set responsibilities in CSR management style

4. Know what are the benefits of CSR for construction company.

FOREWORD
(W. FABRYCKA)

Implementing socially responsible strategies for enterprise sustainability as a long-term investment guaranteeing business development and social good propagation.

This is the (long) title of a presentation held by the author of this article during a prestigious event of the construction industry at the end of 2016, organised by the Polish Association of Building Managers.

A short way of saying this is "Good works!", which is the title of a book by Philip Kotler[1], because today, at the beginning of 2017, when in Poland for some companies non-financial reporting is becoming obligatory, no one has any doubt about the fact that engaging in CSR activities should be a cornerstone of long-term strategies. Philanthropic and charity activities, which formed the basis for CSR in the past, are now closely linked to the management of other areas of functioning of enterprises. In his book Kotler states, based on data from 2004 elaborated by Business for Social Responsibility, that companies participating in corporate social initiatives "have experienced a range of bottom-line benefits, including several of the following:

- increased sales and market share
- strengthened brand positioning
- enhanced corporate image and clout
- increased ability to attract, motivate, and retain employees
- decreased operating costs
- increased appeal to investors and financial analysts"[2].

Thus, CSR is not exclusively a matter of charity, with the only goal of "creating a positive attitude towards the environment of the company, ensuring its good press or lifting the employee morale"[3]. The real goal is not only to build a positive image, but above all to improve the ability to compete. Therefore, it becomes particularly important to link CSR activities to the specificity of the company. A company should invest in potentially useful fields of knowledge

[1] Philip Kotler, David Hassekiel, Nancy Lee "Good works!: Marketing and Corporate Initiatives that Build a Better World...and the Bottom Line", Publisher: MT Biznes, 2012 (Polish translation).
[2] Ibid.
[3] "Harvard Business Review on Corporate Responsibility". A collection of articles from the Harvard Business Review, Helion, 2007 (Polish translation).

and innovative solutions, and it should generate demand for its products or services in markets where its position is, or may soon become, extremely strong. Such actions allow for progress and bring benefits not only to the company but to the entire environment: "By creating new products that popularise new technologies, increase productivity and improve the quality of products and services companies are active promoters of progress. They make it possible for an increasing number of people to enjoy the pleasures of life. The driving force behind this process is competition as well as the need to ensure adequate profits to those who risk their money and careers, but in its very essence, the objective of the activities is noble. However, we should go even further. Just as charities do, we should measure our success in terms of the benefits gained not only by us, but also by our environment."[4] Regardless of whether companies engage in CSR by choice, motivated by superior values (they appreciate the standalone value of CSR activities, they go beyond the scope of management aimed solely at the profit of shareholders), or as a result of conforming to norms, laws and regulations (ISO 26000, Regulations of the European Commission, sustainable development, consumer pressure...), they should be active in each of the three dimensions of CSR, which are: employees, society, including the stakeholders of the company, and the environment.

The fig. A and B shows the main reasons why companies engage in CSR.

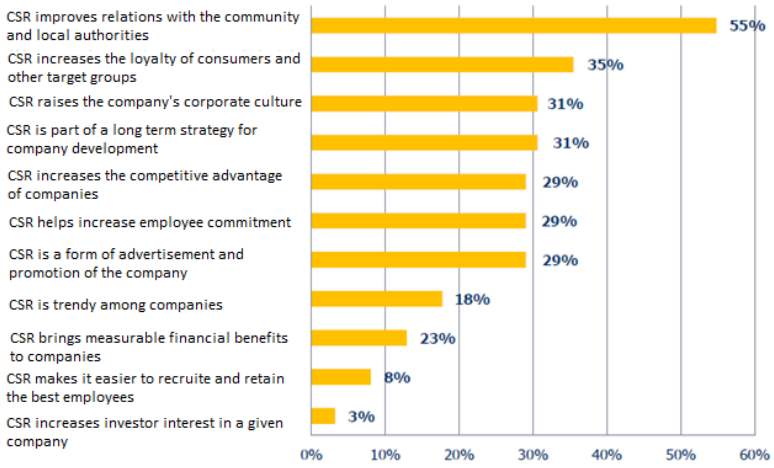

Fig. A. Why companies engage in CSR [According to a study conducted in Poland in 2012 by the company Effective PR[5]]

[4] Ibid.

[5] Report "Communication of CSR activities in Poland", June 2012, www.effectivepr.pl.

According to a study conducted in France by the international consulting and auditing firm BDO in 2013 on the challenges of CSR and sustainable development for companies[6], the primary motivations for CSR and sustainable development include elements shown in fig. B:

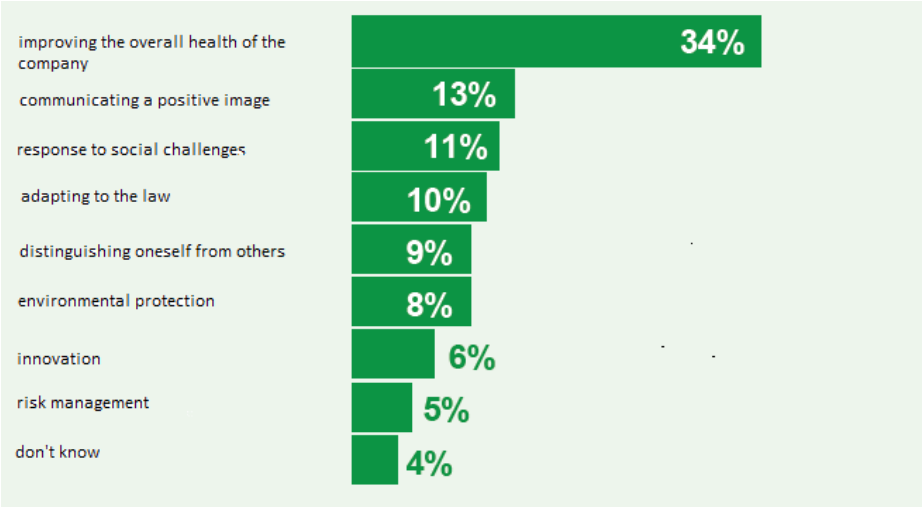

Fig. B. Primary motivations for CSR

While the above two diagrams show the benefits that companies can expect for themselves, the following diagram, by Deloitte[7], goes beyond the scope of business and the research results that it shows are the answer to the question:

Do you agree with the statement that business can have an impact on the social and economic advancement of your country and economy in the following areas? (Fig. C) The same report by Deloitte[8], reversing the situation, also answers the question: why do companies not engage in CSR (which makes us realise that there is still much to be done to raise awareness and educate on CSR) (Fig. D).

[6] "The 2013 challenges of CSR and sustainable development (Les Enjeux 2013 de la RSE et du Développement Durable), www.bdo.fr.
[7] DELOITTE report: CSR Managers Survey 2015 in Central Europe. How CSR has influenced Central European societies and economies. Lessons learnt and future trends.
[8] Ibid.

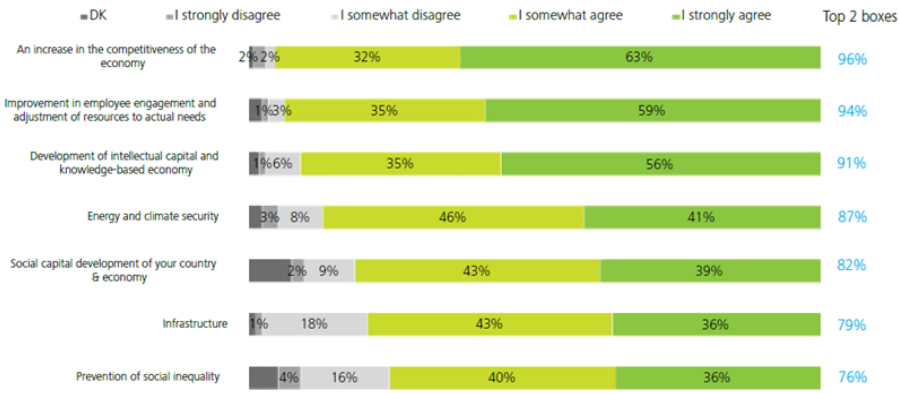

Fig. C. Areas of CSR impact

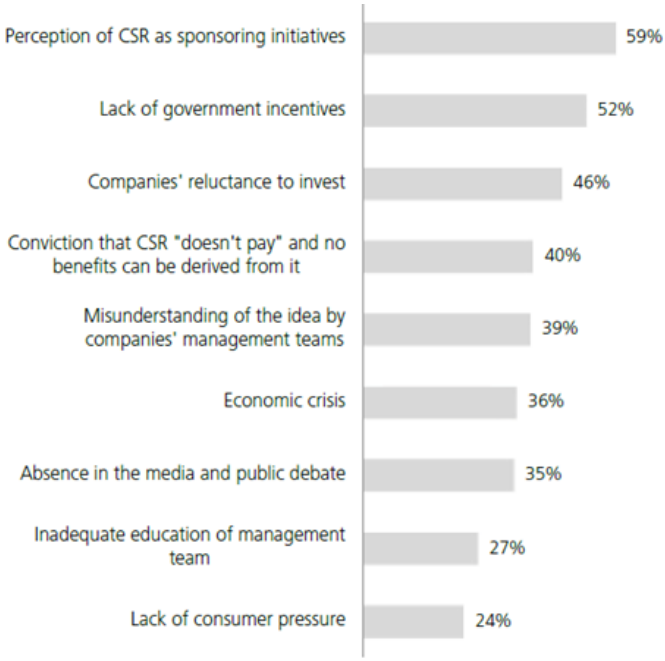

Fig. D. Why not to engage in CSR

A company's engagement in CSR is proof of its sensitivity to social issues, while a lack thereof may pose a risk, mainly for the company's reputation, as is shown in diagrams of another report by Deloitte[9] (fig. E and F).

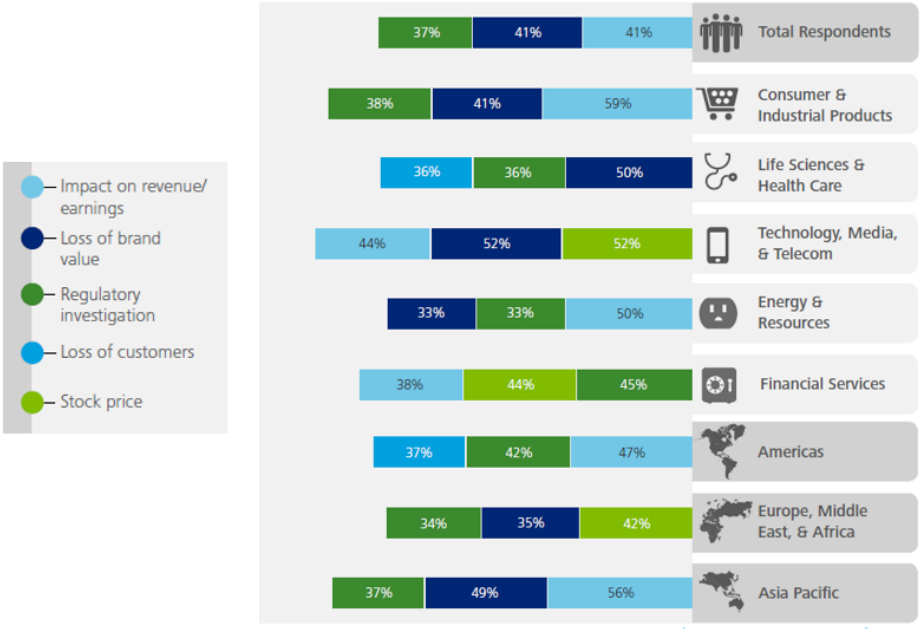

Fig. E. 41% of the companies that had previously experienced a negative reputation event reported that revenue and loss of brand value were impacted most

Issues related to the environment, proximal and distal, as well as the health of our entire planet, are at the root of the concept of sustainable development, which goes hand in hand with CSR and is of particular importance in the construction sector, which the author of this article would like to refer to. The construction sector generates one of the greatest threats to the environment (for example, it is responsible for 17% of drinking water consumption, 20% of generated waste, 40% of raw material consumption, 45% of energy consumption and 50% of CO^2 emissions).

[9] Study conducted by Deloitte in 2014 "Reputation@Risk".

Hence the interest in the construction of ecological "green" buildings, and in particular certified office buildings, the number of which is growing from year to year. The figure G, from the study conducted by Dodge Data & Analytics[10] from the United States, shows the percentage of respondents whose firms have done more than 60% green projects in 2015 and their plans (for growth, also in Poland) for 2018.

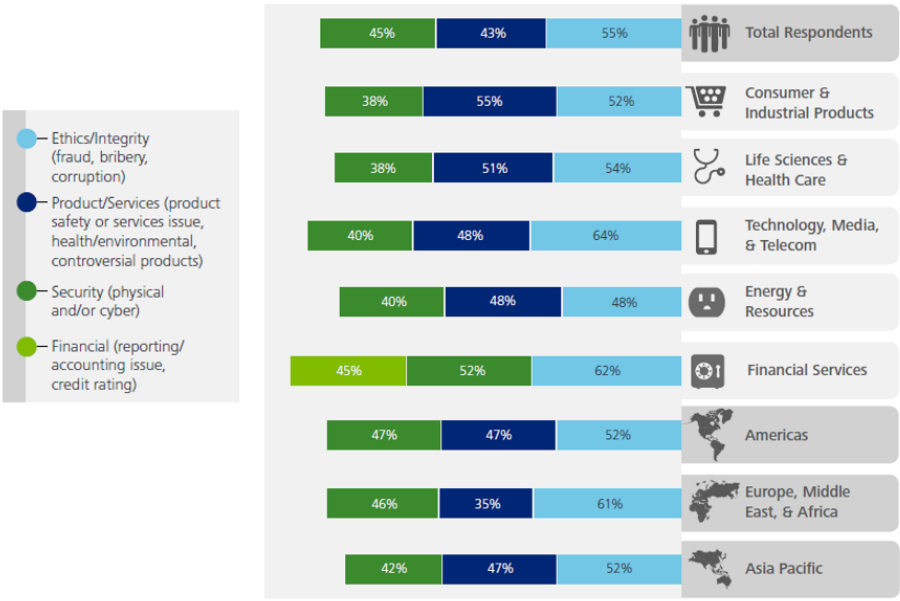

Fig. F. 87% of executives rate reputation risk as more important or much more important than other strategic risks their companies face

Just as a certified office building will find a buyer faster (the fact of having a certification means that certain standards that are of key importance nowadays have been met), a company that includes CSR aspects in its strategy will attract a greater interest among potential business partners who are sensitive to environmental and social issues.

[10] Report "World Green Building Trends 2016", Dodge Data & Analytics (USA).

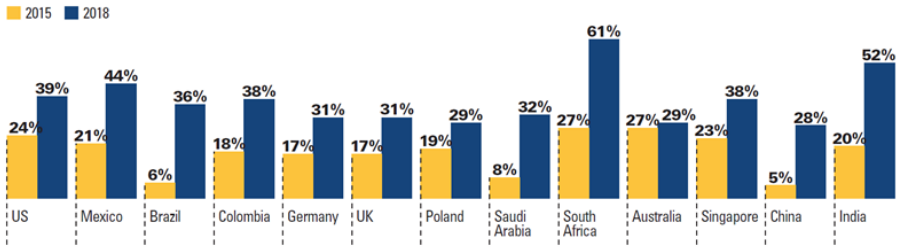

Fig. G. Green projects implementation

An interesting example of this may be the responses in another survey conducted by Dodge Data & Analytics[11] (fig. H) among architects and design firms, contractors and builders, specialists and consultants, and engineering firms from 69 countries (13 of which, including Poland, achieved statistically significant results). They concluded that between 2008 and 2015 the trend among construction companies to engage in CSR has shifted from the category of "the right thing to do" to meeting "client demand".

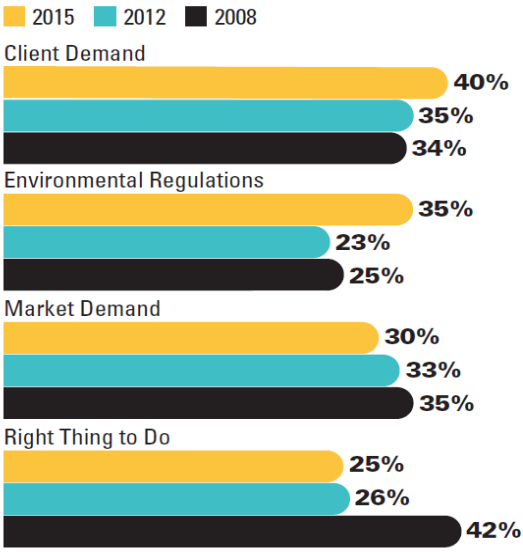

Fig. H. Trend among construction companies to engage in CSR

[11] Ibid.

When it comes to meeting the demands and expectations of clients / stakeholders and since CSR activities are part of corporate strategy, this cannot be done without measuring the effectiveness of such activity. However, such measurements have been conducted only since recently and a full quantitative assessment is not easy – especially for the so-called "soft" aspects of business management, such as integrity, honesty, commitment, loyalty, transparency of action. Nevertheless, the mentioned ethical considerations, along with economic ones, provide a considerable trigger driving CSR activities.

As for the economic reasons – more and more shareholders and decision makers in companies find hard evidence that:

- reputation, brand management and organisational governance resulting from engagement in CSR translate directly into financial benefits;

- a good level of service, quality and product development promoting a more sustainable lifestyle make it possible to create value;

- communicating about CSR activities contributes to increasing access to capital and shareholder value due to increased stakeholder satisfaction;

- social risk management (in recent years social risk has gained as much importance as economic, political and technological risk) is facilitated by aspects of CSR such as taking care of employee rights, motivation and satisfaction, high standards and work safety, equal opportunities and diversity;

- an increased attractiveness of a company as an employer gives it the possibility to recruit, and more importantly, retain the best specialists;

- the trust that it gains among its business partners and consumers increases their loyalty, translating into a greater value of trade transactions;

- CSR helps improve relationships with government agencies, and even avoid certain threats or sanctions (e.g. through ethical behaviour and preventing corruption and fraud).

The above-mentioned benefits are some of the most important ones that companies, irrespective of their sector of activity, can expect to gain in the long term.

Going back to the construction sector, examples of activities that can be quantified quite precisely and that bring tangible benefits both to the company and to the environment include ventures in the field of sustainable building and the circular economy (the three R's – reduce, reuse and recycle / the C2C model – cradle to cradle / innovative building materials – eco-brands, the design and implementation of user-friendly workplaces, etc.). The figure I [12] clearly illustrates the issues related to the promotion of a low-carbon economy, a more responsible use of the environment and its resources, limiting the impact on the quality of water, soil, air, etc., which are of great importance for our and for future generations.

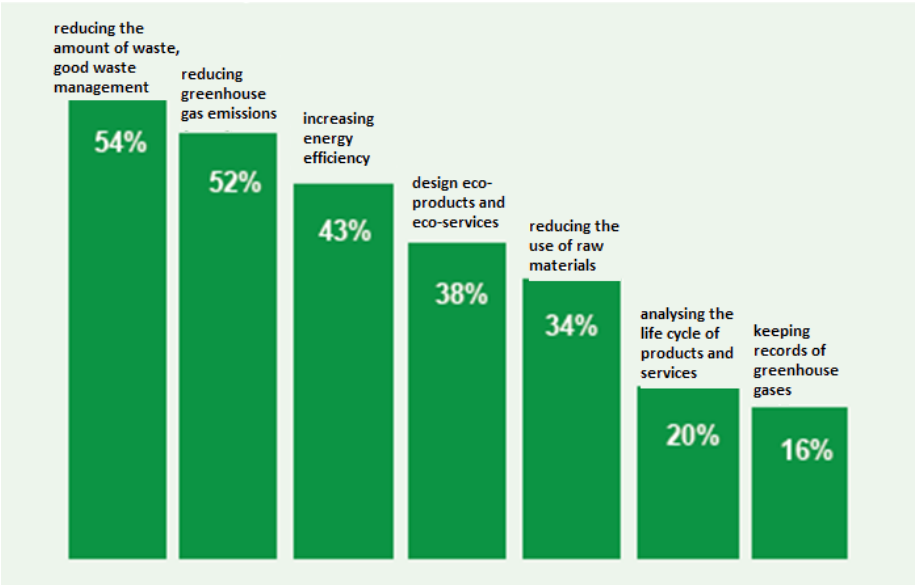

Fig. I. The 2013 challenges of CSR and sustainable development

When it comes to CSR activities aimed at employees and local communities it can also be stated that many aspects are measurable using simple tools such as:

– the number of employees – volunteers participating in noble initiatives, the number of hours of employee volunteering, the number of projects or the number of beneficiaries;

[12] "The 2013 challenges of CSR and sustainable development (Les Enjeux 2013 de la RSE et du Développement Durable), www.bdo.fr.

- the results of employee, business partner, customer satisfaction surveys;
- the number of trainings for employees;
- the number of newly hired employees, data on employee turnover rates;
- the number of internships, apprenticeships, workshops, activities organised to support young talents;
- the number of accidents at work (aiming for "0 fatalities" but also minimising the number of diagnosed occupational diseases or the number of days of incapacity for work);
- the number of held events promoting a healthy lifestyle;
- the percentage of office work stations that meet the ergonomic requirements;
- the amount of reports of abuse, corruption cases, the number of justified complaints, etc.;
- the amount of grants, donations, etc., which have supported local social initiatives;
- the amount of taxes paid to the municipality;
- the number of conducted educational activities for the community;
- the amount of capital expenditures on research and development as well as innovation.

In the case when a given company, being aware of the importance and benefits of implementing CSR principles, measures the value that its activities bring to the company itself and to the environment, it should also remember to effectively communicate these results, both inside and outside the company. The already cited report of the company Effective PR[13] lists the groups that such communication about CSR activities should reach (fig. J).

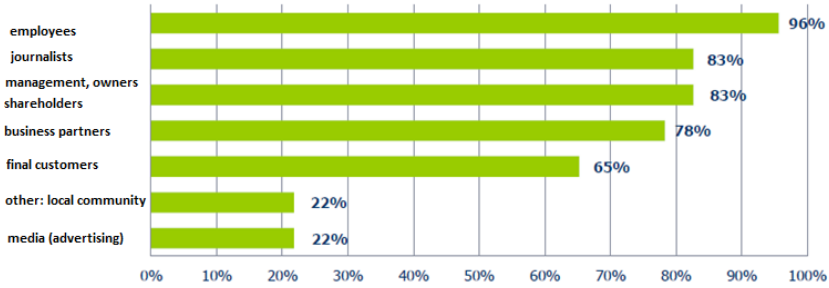

Fig. J. CSR target groups

[13] Report "Communication of CSR activities in Poland", June 2012, www.effectivepr.pl.

It is not without significance that company employees occupy the first position on the above list – without their commitment it is impossible to develop and implement CSR programmes.

For companies it is easier to do something good for society as a whole than for individuals, but we already know that they do not need to transform into non-profit organisations for this purpose. By professing generally accepted ethical principles and requiring compliance with these principles in their business environment, by practicing fair conditions of employment, and by respecting environmental standards, companies show great social awareness, they generate benefits for society as well as for themselves.

With the belief that public expectations of the business world include CSR, company managers can, with the aim to increase their competitive advantage, focus on a proper allocation of resources and efforts in response to the demands and challenges through managing their own human resources, collaborating with stakeholders and caring for the environment.

They can both "do good and do well" – a quote by Philip Kotler from the earlier mentioned book, which seems like a good way to conclude this article. At the same time I believe that with an increasingly better general understanding of corporate social responsibility, with the slowly emerging encouragement from regulatory authorities, this concept will soon truly flourish, "guaranteeing business development and social good propagation".

CHAPTER 1
INTRODUCTION (B.ROK)

1.1 INTRODUCTION THE DYNAMICS OF THE DEVELOPMENT OF THEORETICAL CONCEPTS AND PRACTICAL APPLICATIONS

All over the world, including in Poland, you can see the dynamic development of many different attempts to incorporate social responsibility into management, especially in the biggest corporations. The challenges associated with sustainable development lead to changes in business models and give a new role to businesses and their leaders from various industries. That is why the role of business in society should be viewed in a much broader perspective than has been done thus far. From a business point of view, it is not always important whether such responsibility arises solely from a sense of moral obligation or well understood company interests – both in the short and long term. However, in terms of the transparency of management systems and the perception of external stakeholders, e.g. customers, social and business partners, the various forms and dimensions of this responsibility should be distinguished.

The primary goal of this book is to present a reasonable and holistic approach to corporate social responsibility undertaken by companies actively operating in the market. The holistic approach also means that the theoretical dimension is closely linked to practical aspects, based on many years of experience working with managers. The basic theoretical framework in this book is based on the presented concept of three pillars: relations – operations – innovation (ROI). According to this concept any company can engage socially, to create social capital (relations), improve the management system to build organisational capital (operations), as well as implement innovative solutions for the common good, in order to create development opportunities (innovation).

Corporate social responsibility (CSR) has a long history, but the remarkable dynamics of the various theoretical concepts and practical applications can be seen especially in recent years. There are many studies that present a more or less detailed history of the development of corporate social responsibility in various periods (Crane et al. 2008; Rok 2013). However, the history of the development of this concept is presented differently by theorists of management and differently from the point of view of economics, political science, international relations, corporate law, the sociology of social movements and economic history, to name just a few. An important feature of this concept is its interdisciplinary nature, and even its transdisciplinarity, indicating the need for the integration and conversion of knowledge from different fields of science and economic practice.

In the literature on the history of economic and business thought many statements can be found about corporate responsibility to society as well as the responsibility of business owners, even before the concept of corporate social responsibility really started being analysed scientifically. Typically, reference was made to the concept of philanthropy, although this was not always correct – it would have been better to describe this approach as the social engagement of entrepreneurs. In Poland, this "philanthropic" activity of entrepreneurs developed in earnest already in the second half of the 19th century, with industrial development, mainly inspired by positivist ideas (Leś 2001). The activities of people like Kronenberg, Bloch, Norblin or Wawelberg do not only determine the history of industrial development in Poland, but also demonstrate that the idea of corporate social responsibility – understood as activities carried out by entrepreneurs – is not exclusively an "imported product" here in Poland. Entrepreneurs, together with the representatives of the then Polish aristocracy, outstanding noble families and intellectuals, supported the construction of factory estates, the development of vocational education, healthcare and culture or summer holiday activities for children of poor parents.

A. Carnegie, a steel magnate and at the same time a brilliant author who in 1889 published his first short article, later cited as *The Gospel of Wealth* (Carnegie 2012), became a worldwide symbol for sharing one's wealth with society. It was Carnegie, an entrepreneur known for his craftiness and wit, that became a symbolic figure of America then, and at the same time – as some believe – the forerunner of corporate social responsibility. Carnegie emphasised that it is held to be the duty of the man of wealth to administer all surplus revenues which come to him – after providing for the legitimate wants of those dependent upon him – "in the manner which, in his judgment, is best calculated to produce the most beneficial results for the community". Thus, "the surplus wealth of the few will become, in the best sense the property of the many, because administered

for the common good", becoming "a much more potent force for the elevation of our race than if it had been distributed in small sums to the people themselves" (Carnegie 2012).

Philanthropy – understood in various ways – has become an integral part of corporate social responsibility, while *The Gospel of Wealth* is still part of the canon of required reading in many business schools and many business leaders of today make references to this book. Statements concerning responsibility given by the representatives of the then emerging group of owners of large companies were, in a sense, a response to expressed fears and criticism, and – at the same time, which must be emphasised – an opposition to tightening formal regulations. In this context it is worth mentioning the statement of H. Ford from 1917, when he was sued by shareholders for not pursuing the utmost profits and thus not maximising returns. Ford then stated that the purpose of the Ford Motor Company is "to do as much as possible for everybody concerned, to make money and use it, give employment, and send out the car where the people can use it… and incidentally to make money. Business is a service not a bonanza" (Lee 2008).

His idea of business as a service to society rather than just a commitment to shareholders was not met with overall approval and H. Ford lost this case in court. It is worth adding that eighty years later Henry Ford's great-grandson, William Clay Ford Jr., tried to convince shareholders by saying that "we want to find ingenious new ways to delight consumers, provide superior returns to shareholders and make the world a better place for us" (Lee 2008), and they not only did not sue him, but they found such a development strategy for the Ford Motor Company to be extremely promising. After all, by 1999 shareholders were already convinced of the significant value of a CSR strategy.

When analysing the development of the CSR concept it can be stated that already at the initial stage general declarations of a moral nature and discussions about the scope of the principle of stewardship were replaced with a more holistic vision of CSR as the foundation of a new social contract, already grounded to a certain degree in management theory. The emergence of the CSR concept was a rather obvious reaction to the changes in the market in terms of the rapid development of listed companies, in which ownership had been detached from management, leading to questions about the scope and forms of responsibility.

Towards the end of the 1950s and during the 1960s more and more theoretical studies began to appear, in which models of CSR in management were developed and more precise definitions were given. An author certainly worth mentioning is K. Davis, whose later textbooks, which were repeatedly renewed,

were frequently used in American business schools. It was Davis who formulated many of the first definitions of CSR, referring to what nowadays we call "enlightened self-interest" as a justification for corporate social responsibility. He primarily emphasised the long-term business benefits of corporate social responsibility. Davis introduced the "Iron Law of Responsibility", according to which the social responsibility of business people should be proportionate to their social power (Davis, Blomstrom 1966). Many other arguments still used today in the texts of people that are not even really involved in CSR come from the textbook of Davis and Blomstrom, which in the late 1960s set a way of thinking about the role of business in society among students of economics and management in the US.

Moving the discussion around CSR more and more into the field of management and economic theory, which made it possible to instantiate many issues, was an important determinant of the development of this new field of research. Another important determinant was the need to respond to the growing social pressure regarding actual business practices. It was in the 1960s that corporate malpractice became a public topic, exposing the practices of some of the large corporations that maximised their profits at the expense of the life and health of their employees and consumers. The growing in strength civic movement led to the fact that issues in the field of corporate social responsibility were no longer just something that was suggested to managers by some scientists. It can be assumed that if there had not been such social pressure, which with the advance of globalisation soon spread throughout the world, corporate social responsibility would remain purely declarative.

What proved to be important for the further development of CSR, were the big campaigns held by the increasingly popular non-governmental organisations, mainly as a result of the then rapidly growing consumer movement in the US, and in particular driven by the need to protect weaker entities against unfair trade practices. In the 1960s this consumer movement became an important element of civic awareness and the changing perceptions on the role of business in society, particularly in the context of the growing environmental threat, in terms of the safety of production processes as well as the products themselves for human health, mainly due to the deepening information asymmetry. The loss of confidence in big multinational companies suspected of unfair business practices and non-compliance with international standards regarding, among other things, human rights or environmental standards, has led to a change in the awareness of managers and has forced them to take action in the field of corporate social responsibility, at least in some areas.

1.2 INCORPORATING CSR REQUIREMENTS INTO BUSINESS STRATEGY

Corporate social responsibility can be one of the most important dimensions – if not the foundation – of an effective strategy, resulting from the objectives and priorities adopted by business leaders and managers. Let us assume that based on an analysis of the economic, political, legal and social environment business leaders decide that the ideals of corporate social responsibility fit well into the objectives determining the main direction of the future development of the company. Let us also assume that business leaders recognise not only the moral reasons for engaging in CSR, but also the potential benefits for the development of the company, for increasing sales, building value of the company as well as the economic, social and environmental results related to engaging in CSR activities. However, the question arises of how to proceed in order to implement these priorities that result from the adopted principles of corporate social responsibility. In other words, which important projects should be undertaken in a given period, and in what areas and how should the key resources be allocated among these projects.

It is often said that incorporating CSR principles into a company strategy may lead not only to social benefits, but also – at least in some cases – to tangible business benefits. The question remains, however, how to incorporate CSR into business strategy. Perhaps the CSR strategy should be developed independently and only refer to the business strategy to some extent, i.e. supplement it? In a research study conducted in the international market already a few years ago it was noted that out of 100 randomly selected companies from the Fortune 500 only one third declared in its mission that its goal is to maximise value for shareholders, and the remaining declared that their goal is to maximise the well-being of all stakeholders (Agle et al. 2008).

When reading the strategy documents of some of the biggest companies in the market it can be seen that some CSR priorities already appear at the level of the mission, vision or corporate values statement. For example, the mission of one of the construction companies refers to the way of conducting its business activities, namely "in accordance with the highest global quality standards, taking into account the principles of sustainable construction, guided by the principles of professional ethics and attention to user comfort and satisfaction". In another company the mission was formulated as follows: "By setting new trends, offering unique and effective solutions in the interests of human health

and life, we focus on those business opportunities that are socially responsible, environmentally friendly as well as economically valuable". Such a mission can be the basis for a company strategy, according to which the realised business projects are limited to only those that are in line with the principles of sustainable development, although no information confirming such a hypothesis could be found.

Elements of CSR can also be seen at the level of values, as the basic value that is often adopted is responsibility, which can be understood in the following way: "As a socially responsible and aware firm we work in accordance with our motto 'people first' and take care to ensure the safety of our workers. We are also an environmentally friendly company, caring for the natural environment at every stage of our development. We implement specific measures to improve the state of our planet". In the corporate values statement of another company we read: "We respect our customers, shareholders, the natural environment and local communities". Such corporate values statements are increasingly being expanded, creating a formal code of ethics, for example.

These statements, however, are often followed by a description of the business strategy, where corporate social responsibility is no longer expressed in any way. Business strategies are usually based on certain pillars or overarching objectives, such as building shareholder value, followed by certain priorities or areas within the framework of which the strategic objectives (e.g. maximising the use of existing infrastructure or strengthening the competitive advantage while reducing external risks), planned or already undertaken actions and measures are presented. Usually the mentioned strategic objectives do not include any objectives that directly refer to the principles of corporate social responsibility, and that means that CSR is not incorporated into the business strategy. While it is the strategic objectives that should determine and enable the implementation of the adopted vision and values.

Some companies, usually those that have a comprehensive mission that includes the principles of corporate social responsibility in greater detail, also have a CSR strategy or a sustainable development strategy. For example, in one of the companies the mission contains the following statement: "Setting the interest of our shareholders, customers and employees as our main priority, we wish to focus on our reliability and transparency as a partner and to develop the Group's values in accordance with the principles of sustainable development". This statement is further expanded as part of the "Sustainable Development and Corporate Social Responsibility Strategy". This means that the company has at least two strategies, i.e. a business one, which focuses on the main objectives,

and another one, which concerns corporate social responsibility, which in a way is a secondary area of focus.

CSR strategies are usually constructed in the same way as business strategies, which means that they describe several important areas of focus, priorities, strategic objectives, actions and measures. Unfortunately, however, they are often similar in different companies, even from different industries, not providing the necessary diversification. Even though it is understandable that certain elements – like important stakeholder groups – may overlap, the main strategic determinants should be the basis for building a unique position in the market.

It seems that a holistic approach to CSR is rather rare among companies. We can try to determine the approach to corporate social responsibility based on the strategic documents of various companies as well as their CSR reports, although then we have to acknowledge the fact that these reports are usually a bit "tailored" to the needs of the recipients of the report. Moreover, such statements often suggest a holistic approach, while practice and the examples given prove otherwise. For example, in the report of a certain company three objectives are given: portfolio development, expansion and the exploration of new business areas. These objectives are being pursued to ensure a stable income, long-term growth and a continuous improvement of the company's value. In terms of CSR the mentioned report also adds that "in Poland we observe a growing awareness of entrepreneurs about the fact that profits cannot be achieved without a credible dialogue with the social, environmental and economic environment. We also operate according to this idea". Thus, we can see that the operational definition of CSR in this case includes only two elements: a dialogue with the stakeholders as a tool for strengthening the generated profits and an emphasis on three aspects of sustainable development, particularly within the context of risk management.

In another report we can read that "corporate social responsibility is seen as a tool that should contribute to responsible company management, improve the image and credibility of the brand and, consequently, improve the financial results in the long term". Here we have both the managerial element concerning management systems and the social element focused on image – although this is not entirely clear. In another report of the same company the given statements are less ambiguous. The company mission is formulated as "maximising the benefits to society by providing services of the highest quality", which clearly contains strategic objectives regarding the implementation of CSR priorities and ensures their operationalization through a clear CSR management structure covering all areas of functioning of the company.

The report of a bank states that "corporate social responsibility is inherent in the nature of our Bank, which with its activities makes a significant contribution to the economic, social and environmental development of the country". Thus, for this bank corporate social responsibility is – on the one hand – "an approach to the management of the organisation, which allows it to contribute to the sustainable development of society", which is basically the core business activity resulting from the "nature" of the bank, and on the other hand, it assumes "going beyond the obligations required by law and caring for: ethical principles, building positive relationships with employees, the social environment and the natural environment". Can we therefore assume, based on the information from the cited reports, that in these companies the operational definition of CSR is explicit enough to clearly formulate their priorities? It seems that it is not, after all.

1.3 A HOLISTIC APPROACH TO CSR-ORIENTED MANAGEMENT

We should pay much more attention than has been done thus far to issues regarding the role of business in society. The challenges associated with sustainable development change business models and give a new role to all businesses and their leaders. Corporate social responsibility is a subject of discussion among managers, although this is a difficult discussion. Mainly due to the fact that CSR is a very vast subject and if it cannot be linked to actual examples from the life of the company, then the discussion becomes abstract. Many of the difficulties that are encountered in these discussions on ethical principles and corporate responsibility are also associated with a certain delicacy and subjectivity of moral judgments, especially in terms of everything that is happening around, both in the closer and further environment of the company.

Everybody is quick to list all the irresponsible behaviours of "other" companies that they have just read about in the papers or seen on TV, but it is much harder to acknowledge the need to create management systems in one's own company that would enable a professional approach to these issues. And although the vast majority of executives still refer to CSR as just one of the elements of image building, which within the framework of political correctness is emphasised mainly verbally, some companies have actually managed to accurately define the requirements for the desired performance standards, followed by detailed procedures and indicators measuring their effectiveness. Those that are truly

convinced of the need for system changes, and are already implementing them to varying degrees, successfully "infect" others with their passion to make such changes.

From the point of view of management practitioners, however, corporate social responsibility is still predominantly formulated in a language that is inconsistent with modern strategic management, whether in the form of more or less radical postulates of a social activism nature, or merely – moral obligations. Discussions about ethics or CSR are too abstract or – on the contrary – too simplified, detached from the real challenges that arise in management here and now. The result is information chaos, where questionable knowledge combined with a fixed view of the economic reality become the basis for developing policies on corporate social responsibility by various companies, sometimes even acting in good faith. At best, the consequences are like after taking a placebo – neutral for the quality of management systems and social performance.

In the Polish market a systematic pursuit of implementing comprehensive systems of corporate social responsibility can be seen primarily in three groups of companies. The first group includes transnational companies that in the global market are assessed – both by investors and e.g. consumers or other stakeholders – taking into account the various aspects of corporate social responsibility. Usually, after the first stage of development of CSR in the home market, such corporations are beginning to expect that their principal subsidiaries operating in other markets will implement the same guidelines for the management of various areas, as well as reporting that takes into account the globally adopted indicators. This group of companies in the Polish market is growing the fastest in terms of quality of CSR management, at first mainly influenced by the guidelines from their parent companies, and later often independently of these guidelines, once the business benefits of CSR become more obvious. Initially, however, the pressure clearly comes from the parent company.

The second group of companies – smaller in terms of numbers – consists mainly of large and rapidly developing private companies with Polish capital. Typically, they begin to seek CSR solutions when they already have solid business partners who have implemented CSR standards in international markets and based on these standards have undertaken to verify their suppliers and other business partners in this regard. A similar situation occurs when such companies try to gain international business partners – sometimes also investment or financial partners – and within the framework of their future cooperation they must document not only the quality of their products, but also

the quality of their management – that is, if those partners attach great importance to CSR. In such cases, the pressure comes from business partners.

The third group primarily consists of the largest companies of the State Treasury, where the management is more sensitive to pressures of a political nature, especially coming from the European Commission within the framework of European economic policy, an increasingly important part of which is corporate social responsibility. Often such companies are also motivated by the desire to improve their management standards, in order to be able to strongly emphasise that they match the European standards in their industry.

However, corporate social responsibility is an important element of the functioning of only a relatively small group of companies. Usually it is just an additional element that mainly occurs in the context of corporate communication, at the level of general-sounding statements, or it is used as a justification to undertake limited charity activities. Even the information given on this topic on various websites suggests that the applied CSR rhetoric often has little to do with the real social or environmental challenges associated with the conducted business activity. Hence, we find ourselves at the beginning of an increasingly probable and significant paradigmatic change in the way business is conducted. That is why it is important to know the holistic approach to corporate social responsibility.

CHAPTER 2
THE BASICS OF CORPORATE SOCIAL RESPONSIBILITY (B.ROK)

2.1 BREAKING STEREOTYPES: CORPORATE SOCIAL RESPONSIBILITY IN MANAGEMENT

Almost till the end of the 1980s issues of corporate social responsibility were discussed nearly exclusively in the US market. It was not until the 1990s that the process of CSR internationalisation and diversification began. From this perspective we can say that CSR came to Poland with only a slight delay compared to other countries, namely already in the mid-1990s – primarily in the scientific community of business ethicists and it was intensively developed and popularised mainly in this environment.

Already in the late 1990s the first meetings were held on this topic in the business community – often inspired by non-governmental organisations, which were created around business, while ten years later the term CSR was used practically on all the websites of the biggest companies in the Polish market. Starting with review articles in magazines for managers (Rok 2000), corporate social responsibility has also become an interesting topic for the media. The European economic policy in the field of CSR has played a major role in the dissemination of this concept. Initially this was on account of the preparations for accession and subsequently – since 2004 – on account of participating in the development and implementation of various European policies.

Analyses concerning corporate social responsibility can be conducted already based on the experiences of a group of large companies, which a few years ago was still impossible. Empirical research can be carried out based on published CSR reports – in Poland more than 300 reports have been published in the last ten years, although not all of them represent a sufficiently high level, yet. At the same time, the group of entrepreneurs and managers that are trying to implement – with varying degrees of success – corporate social responsibility is growing relatively fast, even if guided by intuition only. In terms of the changes

initiated during the recent crisis in global financial markets we can see a growing potential of widening the strategic perspective among a significant part of executives, although there is often a lack of a comprehensive, long-term vision of business development, going beyond short-term gains.

The discussions on corporate social responsibility conducted in the US until the mid-1950s now seem remote and obsolete. It should be noted, however, that these discussions have largely shaped the thematic scope, field of discussion, as well as the terminology, which we still use today. It was in the course of the many years of theoretical discussions held by US researchers – as well as those with the participation of business practitioners – that the basic questions were formulated, which are still being repeated in many studies, although the answers that are given today are completely different. There are five main questions that have appeared successively in the twentieth century. The same questions also served as a basis for discussions on CSR in Poland, so in a sense we repeated one hundred years of world history in the last decade.

- Does a company bear social responsibility?
- What is corporate social responsibility?
- What are the benefits of corporate social responsibility?
- To whom is a company accountable?
- How does a company undertake CSR activities and at the same time survive and thrive in the market?

Each of these questions was accompanied by many additional ones. Can companies at all be socially responsible? Should they be? Does CSR bring any business benefits? What are the limits of corporate social responsibility? All these questions were being asked already in the 1950s in American literature on the subject. In the 1970s more questions arose. Can and should entrepreneurs through their main business activity create better conditions for social development, e.g. in terms of reducing the level of social exclusion or promoting the principles of equality in hiring? Can and should companies prevent the pollution of the environment in a much greater extent than is required by law?

While in recent years also other questions began to emerge. How can strategic priorities in terms of CSR be pursued, e.g. the United Nations Sustainable Development Goals, in order to maximise the benefits for both the company and society at the same time? How should CSR be managed in order to effectively build a competitive advantage? How should managers and other employees be trained in order for them to respond adequately to the changing social and

environmental expectations? The development of the science of CSR mainly involves moving from one question to another. And every such movement raises many new questions. There are no simple answers.

The question that is probably asked the most is a particularly important one. This question concerns the relationship between corporate social responsibility and building the competitive position of a company. In the broadest terms, it is about the search for conclusive evidence that corporate social responsibility leads to business benefits and that there is such a cause-effect relationship. This can be traced back to the popular approach of the US market, according to which good deeds lead to good results, so in other words – ethical behaviour pays off. This popular saying is often also the subject of discussion among business practitioners and is being expanded with other "controversial" questions, e.g. whether bad deeds can also lead to good financial results or whether good deeds at least lead to better financial results than bad deeds. Usually it is added – according to an old Protestant tradition – that ethical behaviour in the long run always pays off and this is the type of view we often hear among practitioners.

In the shorter term this cause-effect relationship is perceived the other way around, as it were, namely that it is good results that can lead to good deeds. Most economists are more likely to agree with the view that by getting richer we also create social value – that is, to quote an old American slogan, "What is good for General Motors is good for America". While other authors sometimes emphasise that "companies can do good and do *well*, even if companies do not always do *well* by doing good" (Margolis et al. 2007). So, we basically have – in a simplified form – three answers in this discussion:

- good deeds lead to good results;
- good results lead to good deeds;
- companies can do good and do well at the same time.

Bringing CSR down to good deeds only is obviously an oversimplification, but the relationship between CSR and business benefits can be perceived in a similar way. Many Polish economists, as well as business practitioners, admit – although more often only informally – that ethics and corporate social responsibility can be dealt with seriously only once we are rich enough. Usually we hear that in Poland we cannot afford corporate social responsibility yet and that only the richest companies in mature markets can afford CSR. As financial results improve and capital is accumulated, there will also be more room for corporate social responsibility, because – according to these authors – good results can lead to good deeds.

Others, however, are more politically correct and emphasise that companies need to do well and do good, even if the good deeds do not contribute to the improvement of economic performance. CSR supporters, in turn, are rather uncritical in adopting the thesis that corporate social responsibility leads to business benefits, in the long term of course. Most often the benefits in terms of image are emphasised, perhaps because they are hard to measure and it is even harder to determine whether or not it is the CSR activities that have had a positive impact on changing the image.

2.2 A MODERN APPROACH TO CORPORATE SOCIAL RESPONSIBILITY MANAGEMENT

The discussions around CSR include many uncertainties that primarily concern the interpretation of the term "corporate social responsibility". Most authors start their comments on corporate social responsibility with suggesting a definition for this term (Chandler 2016). Sometimes they cite definitions that have already been formulated by others, sometimes they list many different definitions and sometimes – which is mostly the case – they suggest their own. As a result, in the literature on the subject we can find at least a few hundred of such, more or less accurate, definitions. In every science there is a deeply rooted belief that giving an accurate definition of the analysed term at the very beginning of a study is a prerequisite for the credibility of the further presented statements. However, in the case of some more complex terms such a belief is fallible. Learning the suggested definition of a given term does not necessarily mean that the reality that this term refers to is understood.

The term "corporate social responsibility" consists of three words, the meaning of which anyone, in principle, understands, although – as it turns out – in many ways. We know that it is about the responsibility of business to society, but in order to understand the entire range of issues associated with such responsibility we need to look at each of them in detail, we need to analyse various situations from economic practice, various theories, conceptualisations, attempts to determine the impact on society and the natural environment, motivations and economic consequences, internal and external determinants, changes in approach over the years, and many other factors. In the case of such complex, multi-faceted and, in a way, fundamental concepts, giving a simple definition does not explain much.

In the academic literature a popular statement can be found from 1973, quoted by A. Carroll, according to which the term corporate social responsibility "is a brilliant one: it means something, but not always the same thing, to everybody" (Carroll 1995). Some practitioners, somewhat humorously, refer to the common definition and say that the term CSR nowadays is used to describe everything that a company does aside from what it has always done, in order to satisfy all stakeholders even more. Business practitioners, in turn, often use the term "CSR programme". This term, introduced by representatives of the PR industry, applies to various social activities, charitable or quasi-sponsorship, undertaken sporadically by companies primarily to quickly build or rebuild a tainted image, or to meet particular interests of selected individuals and institutions associated with the company, covering this using the rhetoric of moral obligation. Social engagement is very much desirable, but that is not the main objective of corporate social responsibility.

One may wonder why the term "corporate social responsibility" causes so much controversy. To a large degree this is because it is a complex term, concerning many different – often ideologically sensitive – aspects of the functioning of companies and the entire economy in society. Usually an axiological differentiation becomes evident here, leading to a polarisation of views and competing paradigms of social and economic development. Some authors simply state that it is not possible to develop an unbiased definition, because each definition is usually charged with a particular perception of economic reality, and corporate social responsibility refers to the social assessment of a company in a variety of dimensions (Dahlsrud 2008).

This inability to precisely define CSR, primarily due to the complexity of the concept, facilitates the task of various authors who present a critical approach to the notion of corporate social responsibility from ideological perspectives. Those who interpret the meaning of this term as an unequivocal obligation of the business sector to solve all kinds of social problems ("corporate responsibility for society") indicate that in fact this is not happening – leading to the conclusion that CSR is a scam – and they demand that far-reaching and legally binding obligations are imposed. While those that interpret the meaning of this term as giving up profits in order to solve social problems ("social responsibility instead of business") argue that companies should not be burdened with additional costs. Since they pay taxes they should insist on greater social responsibility of the State administration, as environmental protection, social welfare, education and other similar areas are the responsibility of the State, not the business sector. Critical studies of this type, in which authors base their ridiculous and not so brilliant postulates on their lack of understanding of the complexity of the concept of corporate social

responsibility, or on a conscious focus on solely their own assumptions, are still quite common in various fields of science, though their scientific value is getting smaller.

Irrespective of the complexity of this basic term, its continuous development and scope of implementation are crucial. In the 1930s CSR was described differently than, for example, in the 1990s. This is mainly due to the fact that the scope of this term is constantly expanding, evolving to include more and more new areas and concepts developed on the basis of other sciences and business practice. But there is another aspect, perhaps the most important one, which causes this term to raise a lot of controversy among theorists. The term "corporate social responsibility" is of an evaluative nature. By saying that a given company is socially responsible, we most definitely make a positive evaluation, and vice versa – by emphasising that a company is not socially responsible, we make a negative evaluation. It is thus hardly surprising that nowadays no company wants to be regarded as socially irresponsible. This has caused managers (especially those working in PR departments or those well-trained by PR departments) to not publicly admit to doubts concerning corporate social responsibility. As a result, this term is used mindlessly, as part of a certain "political correctness", as a nice label that can be used as soon as a company has, even if just once, made a donation to an orphanage, for example.

However, we are aware of the fact that the use of more realistic terms, such as "company undertaking social responsibility" or "company minimising social harm", especially by business representatives, is not very likely. It would definitely be better for the development of research in this field if this term could be replaced with, for example, the term "innovation for sustainable development", or "integrated corporate governance", or "positive impact company". These types of terms would not cause so much controversy and would express more fully the significance of the concept of CSR.

The same goes for another popular term, namely "environmentally friendly company", which is commonly used when, for example, a company producing toxic chemicals implements an environmental management system. Implementing such a system – e.g. in accordance with the requirements of ISO 14001 – means that the company is only trying to limit the negative environmental effects in the process of continuous improvement. At the same time it can be much more harmful to the environment than a company that operates in a different sector and, not even having an environmental management system, has a minimal impact on the environment. The same remarks apply to corporate social responsibility.

The emerging controversies in the Polish market around the term itself as well as the entire concept of corporate social responsibility were caused by many reasons. The first important factor causing various controversies was the memory of our recent history, when all companies were, in a sense, "socially responsible" by definition. This term was and often still is associated with a return to the times of the discredited socialist, or as it is called today, communist economy. At the same time, however, being aware of the evaluative nature of the term "corporate social responsibility", the representatives of most companies eagerly began using this term, although they claimed that the essence of the social responsibility undertaken by their business is primarily compliance with the law and concern for economic performance. Therefore, respondents more strongly identified themselves with the vision of a business where the social consequences of the core business activity are indeed acknowledged, but no additional, voluntary commitments of a social or environmental nature are made.

The second factor that is specific to the Polish market, affecting the emerging controversies, is mainly associated with the difficulties in defining the various positive effects of corporate social activities. The acknowledged measures of success still primarily include financial indicators, rather than benefits for the employees, the local community or the customers. Failing to see the relationship between the growth of social welfare and company performance is mainly caused by the fact that even the managers of the largest companies are convinced that social results or social benefits resulting from company activity cannot be measured. That is why dealing with corporate social responsibility is often entrusted to the staff of communications departments, who often use simple indicators and in addition to the incurred expenditures they report the number of positive press clippings. The result is a kind of "vicious circle" that strengthens managers in their belief that corporate social responsibility only means costs that need to be borne in order to build an image and no strategic reorientation of management priorities is needed here.

Many more factors that are specific to the Polish market, leading to controversies associated with the term "corporate social responsibility", could be listed here, e.g. regarding the expectations in this respect – or rather the lack thereof – on the part of non-governmental organisations, employees, customers. The main underlying factor is the low level of social trust, significantly hindering the development of the concept of CSR, which should predominantly consist in partnership and cooperation, allowing to determine the actual social responsibility, i.e. a participatory management model that takes into account the participation of various groups of stakeholders.

2.3 THE LIMITS OF CORPORATE RESPONSIBILITY AND THE SPHERE OF INFLUENCE

Since including CSR in a company's activities is voluntary, then in principle we should only talk about positive and forward-looking responsibility. It is the companies that set the direction of their responsibility, of course in line with the "identifiable" stakeholder expectations. But what about negative responsibility? Can executives be criticised for not undertaking activities that are not required by law, since business practice often uses the well-known "what is not prohibited by law is allowed" formula?

Analyses of CSR quality focus on, for example, the need to take into account negative responsibility for violating social values or the principles of common good. Common examples include when companies declare their positive responsibility – i.e. going beyond the law and beyond economic responsibility towards their owners – in terms of e.g. supporting environmental education, but they are strongly opposed to taking responsibility for the working conditions of people that are not directly employed, referring to the absence of such legislation.

Determining the limits of responsibility is extremely important for the management of a company that takes on social responsibility, and it is the ambiguity in this area that causes a number of significant controversies. Let's start with an example. Recently, an industry trade union in Poland has repeatedly publicly addressed several companies – emphasising their serious treatment of corporate social responsibility – about fair remuneration of security personnel. One company responded explicitly that it does not directly employ the security staff, and that all claims should be directed to the security agency with which it had signed a contract. Another company claimed that it had signed a contract with the building administrator and that it was the administrator hiring the security agency. So in both cases the companies did not want to take any responsibility for this problem, claiming they had no influence on the salaries of security workers. Similarly, when a big company was accused of destroying the natural environment, the company responded that it did not conduct any activities that could harm the environment. It turned out that one of its subsidiaries, located on the same site, was engaged in such activities.

What can and should a company take responsibility for, especially in situations involving a violation of the principles of responsible conduct? In scientific

debates on corporate social responsibility greater importance has always been attached to the fact of responsibility being taken on voluntarily than to direct effects or long-term impacts. This is understandable, since these discussions have, for many years, primarily focused on whether implementing corporate social responsibility is at all permissible, needed, beneficial or a "fundamentally subversive doctrine". It is worth mentioning, however, that the issue of the limits on corporate social responsibility was already discussed by P. Drucker in the 1970s. N.C. Smith reconstructed Drucker's view and writes about two types of social responsibilities: those to do with social impacts or what business does to society and those to do with social problems or what business can do for society (Smith 2009).

In the first case the limits on corporate social responsibility had to do with seeking an optimal trade-off in the costs and benefits involved, unless it was possible to eliminate or drastically reduce the undesirable social impacts of business activities. Thus, this was a discussion on external costs, being passed on – even lawfully – to society. Drucker would most likely not consider a trade-off to be optimal in the case when a company generates huge profits as a result of large infrastructure projects that cause catastrophic destruction in the local natural environment, while at the same time donating relatively small amounts to e.g. tree planting programmes or restocking water bodies. Managers need to know – as Drucker said – the minimum profitability necessary for the business to sustain the activities required to realise its mission, provided that there is no false – according to Drucker – belief among managers about the need for absolute profit maximisation, resulting from – as we would say today – greediness.

When analysing the example given above, it can be estimated that raising security costs – as a result of social pressure – would not significantly affect the financial results of the respective companies, while at the same time protecting those companies from the risk of their image weakening, which, after all, could lead to lower revenues. An optimal trade-off is the obvious solution here – and in this case such a trade-off was actually implemented, in order to calm down the situation as quickly as possible. The limits on corporate social responsibility for a negative "by-product" are determined by social perception, regardless of whether there is a legal responsibility or not. In the event of causing widespread damage to the environment as a result of the company's activities and at the same time undertaking local environmental actions, the solution is no longer so obvious.

Smith asks the following question: Would it be permissible for an apparel company sourcing clothing from suppliers using sweatshop labour to continue

to do so if alternative suppliers known not to violate labour rights are more expensive and going to these suppliers would reduce profitability to below the estimated minimum required? We could also add a question from another industry: Should a company producing building materials take on responsibility for eliminating negative environmental impacts, e.g. in terms of contributing to climate change? It is quite difficult to answer these questions without a thorough analysis of the case in question and that is why it is not possible to determine – on a theoretical level – clear limits on the type of responsibility that is associated with the impact of the activities of a company.

The second type of corporate social responsibility, according to Drucker, concerning proactively addressing social problems that are not directly related to the legitimate business activities of a company, is even more complicated (Smith 2009). Here the problem is solved mainly by creating business opportunities, i.e. moving away from the approach based on solely taking on social responsibility towards an approach that allows to pursue own interests as well. However, not all social problems can be used for the development of one's own business. In other words, not all social problems can be turned into social challenges that can be taken on by companies as part of their core business activity.

Thus, the question remains – going back to the above example – can and should a company contribute to the improvement of the salaries of security workers across the market if it perceives that the salaries of these workers are far too low and lead to a variety of social problems? By changing the contract with the security agency or the building administrator and by voluntarily raising the pay rates above the market rates, in a sense the company would "spoil" the market, since other security agencies could start dictating higher prices for their services to clients (assuming, in simple terms, that they will pay their employees more, leaving income at the same level). As a result, such a voluntary change of contract on the part of the company can theoretically lead to all security workers in the given market receiving a higher salary – of course, provided that certain assumptions are met. Negative responsibility can thus be turned into positive responsibility, even assuming that in this case it is not about responsibility in the area of direct influence, in addition used to accomplish one's own interest, but about solving important problems of general social welfare.

N.C. Smith argues that even though Drucker in fact suggested demands for social responsibility be "resisted" when this would impair the performance capability of the business, nowadays few big corporations can afford to "lie low" and not engage with society, because business "may be the only institution capable of addressing some of them to any significant extent". Adequate

answers to the question concerning the limits of corporate social responsibility, both positive and negative, may only be found on a case by case basis, because – as N.C. Smith continues – "The answers are also likely to change over time and vary from issue to issue and industry to industry. It is likely that there would have been far less requirement for the actions taken by Mars, Nike and GSK only ten years ago; for what is responsible and what is enough will in large part be dictated by social norms and pressures" (Smith 2009). And it is precisely social norms regarding corporate social responsibility that undergo constant changes and an increasing group of products and businesses can be considered controversial. The social license to operate in the market is not granted forever.

The types of corporate social responsibility were presented by Drucker in the 1970s, under different market and social conditions than those with which we are currently dealing. It is therefore increasingly important to clearly specify the limits of responsibility and how the notion "sphere of influence" is understood. This issue is addressed in, among other things, the ISO 26000 guidelines as well as other self-regulation standards, in order to refer not only to the responsibility for the process of taking on responsibility, but also for the effects and impact of the taken on responsibility. Since business can be an extremely powerful factor for positive social change, it is not enough to just assume that business should protect and, where possible, contribute to improving the environment. Because that which is possible is defined differently by e.g. the energy industry in Poland and differently by the European public opinion. Hence the growing popularity of innovative business models that radically lead to, for example, a full reduction of environmental impact in a specific aspect (e.g. "zero emissions").

2.4 THE ISO 26000 GUIDELINES AND OTHER STANDARDS

In order to build a mature, comprehensive and fully effective governance system that takes into account corporate social responsibility, it is important to identify the adopted commitments, implementation methods, specific procedures and evaluation indicators. It is, however, particularly important to present a holistic CSR concept that reflects current trends and sets future directions.

Since many years already we can read in the literature on the subject about the approach known as total responsibility management (TRM), which refers to systems and procedures to ensure responsible business practices and management (Waddock, Bodwell 2007). The TRM concept is used to define the principles and requirements of various systems introduced by organisations in order to manage social, environmental and ethical responsibility in response to stakeholder pressure, emerging international standards, the expectations of organisations and the institutional environment.

It is an extension of a comprehensive quality management approach, but in this case the main question is not about customer satisfaction, but is formulated as follows: How can we adapt the management system to meet the needs of our stakeholders while maintaining profitability? In management practice many successful attempts at self-regulation have been made, often industry-related, involving companies voluntarily adopting corporate social responsibility principles that limit the broadly understood freedom of business, defined in the form of specific requirements for the respective elements of the management system (e.g. the FSC standard in the paper and timber industry, which confirms that a product was made from raw material coming from certified forests, in accordance with sustainable forest management standards).

The CSR management system is not yet uniform enough to be able to refer only to commonly used standards, suggested by organisations granting and supervising such standards. At the same time, it has to be noted that in recent years a number of important CSR standards have been developed in various areas – e.g. AA1000, SA8000, GRI – describing the different principles, how they are best implemented, audited and communicated.

However, the challenges outlined above point to a need for a clearer definition of the limits of responsibility, which has been reflected in the works on CSR guidelines, nowadays known as ISO 26000. Despite the many years of work it has not yet been possible to adopt a standardised CSR management system that

can be certified, but the in 2010 developed standard provides guidance on corporate social responsibility. Based on these guidelines various CSR standards have been developed already, which are subject to independent certification (e.g. IQnet–SR10, AS8003, ONR192500 or DS49001). With the help of ISO 26000 businesses can determine the theoretically necessary steps that need to be taken in order to ensure that the CSR principles are fully implemented in the management systems. In general, ISO 26000 proposes five elements of a management system that takes into account corporate social responsibility:

- a values statement including the following principles: transparency, accountability, respect for human rights and stakeholder interests, respect for the rule of law, respect for international norms of behaviour, ethical behaviour;
- the management's commitment to: formally recognise corporate social responsibility as a basis for the functioning of the company as well as the need for various stakeholder groups to be involved at all stages of management;
- ensuring inclusion in the management system and respecting: human rights, the rights of employees, consumers, environmental protection rules, honest business practices, social engagement;
- implementing instruments to ensure: credibility, transparency of communication, continuous improvement, adequate procedures, performance and impact assessment methods;
- defining a vision of the company contributing to sustainable development.

In principle, this is a holistic approach, but from the point of view of strategic management, it is unfortunately not fully useful. When adapting the ISO 26000 guidelines to the requirements of a typical process, and assuming that the main elements here are: initial audit, strategy building by defining the mission, vision, strategic goals and strategic scope, and subsequently implementation and evaluation, it becomes evident that ISO 26000 raises more questions than it gives answers – primarily in terms of strategy (Hahn, 2012).

According to these guidelines corporate social responsibility is an organisation's responsibility for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that: contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law

and consistent with international norms of behaviour; and is integrated throughout the organisation and implemented in its relations. A similar definition now applies in the latest documents prepared by the European Commission.

This holistic definition of CSR, as presented in the ISO 26000 guidelines, has raised many doubts, especially in terms of the difficulties in the process of building multilevel governance with the element of corporate social responsibility (Ashley 2011). However, here we will only discuss one issue that is important in terms of economic practice, namely the scope of responsibility. The ISO 26000 guidelines stipulate that the social responsibility of an organisation in relationships refers to the organisation's activities within its sphere of influence. Already while working on ISO 26000 a significant challenge arose regarding "complicity" and the "sphere of influence" in terms of human rights. This challenge was taken by the team of prof. Ruggie from Harvard, who worked for the United Nations. However, the in 2008 presented "Protect, Respect and Remedy" framework on business and human rights, which sought to define the scope of responsibility for both national governments and supranational institutions, as well as for corporations, led to even greater controversy over corporate social responsibility (Taylor 2011).

Ruggie declared that the era of "empty" CSR is coming to an end, because the human rights accountability of transnational corporations must apply to all activities of these organisations as well as their relationships with other parties (Ruggie 2011). Business should be held accountable if it directly or indirectly leads to human rights violations. Such an approach would mean that corporate social responsibility, at least in terms of human rights as defined in international declarations, ceases to be voluntary and becomes a binding minimum standard for business conduct concerning the need for companies to take responsibility in this regard. In his subsequent speeches Ruggie seemed to be less radical. However, the discussion in this regard is only just beginning to develop and could lead to significant changes in the perception of CSR.

The ISO 26000 guidelines – in addition to human rights – also list other areas, such as environmental protection, fair trade practices, consumer relations. If, therefore, the earlier proposed human rights perspective is also adopted in other areas, then corporate social responsibility would become not only a moral duty to conduct business in line with ethical standards or an effective strategy to strengthen the competitive position, but also an obligation that businesses should be held accountable for. Ruggie did in fact stress that he only meant corporate responsibility for respecting human rights with due diligence, in order to avoid any infringements in this respect. However, this was still met with

strong opposition from business partners, who were accustomed to the soft term "sphere of influence," as used, for example, in the Global Compact principles, i.e. the largest and most popular CSR initiative created by more than nine thousand companies around the world. The companies that adopted these principles, among other things, signed a declaration where they are asked to embrace, support and enact, these principles within their sphere of influence, but this term is usually understood as limiting their responsibility to the activities conducted directly by the company in question.

In the final text of the ISO 26000 guidelines also the concept of the "sphere of influence" is applied – known from many CSR self-regulation standards. At the same time, it is defined as the "range/extent of political, contractual, economic or other relationships through which an organisation has the ability to affect the decisions or activities of individuals or organisations". The question regarding the limits of responsibility has, in fact, been left unanswered, although it is emphasised that the ability to influence does not imply a responsibility to exercise influence. Only exemplary forms of this influence have been given, such as dialogue with stakeholders, investment decisions, the dissemination of knowledge, cooperation with the media, the promotion of good practices, as well as factors determining the degree of influence – e.g. physical proximity or the strength of existing relationships.

The concept of the sphere of influence leads us back to the "Iron Law of Responsibility", according to which responsibility should be proportionate with social power, i.e. the ability to influence. In the case of analyses regarding human rights, it has been assumed that the greater the power, control or influence a given company has on a situation in which human rights are being violated, the greater its responsibility, while the closer the perpetrators of human rights violations are, the greater the need for action on the part of business. As a result, this holistic approach to corporate social responsibility contained in the ISO 26000 guideline has only to some degree facilitated operationalization, and at the same time one of the most important questions has been left unanswered.

By adopting social responsibility in a corporate strategy it is therefore necessary to clearly define the "territory", i.e. the limits of responsibility – what is our business and what we will not do. The point is to clearly define the limits of corporate social responsibility, at least in the adopted perspective, because these limits may change over time, as social expectations grow. Can "our business" include, for example, responsibility for the salaries of the employees of a company that we, or our partner, sign a security services contract with? Can "our business" include, for example, taking on responsibility for the progressing

climate change? If we decide that it is "our business", our role, part of our strategy that we set for ourselves within a well-defined value chain, then we know how to formulate goals, priorities, and account for them. However, if we decide that "we should only act where possible" and "do as much as we can" in terms of CSR, then the entire strategic process will be different. Besides, when the limits are imprecisely defined, in economic practice this is usually accompanied by an approach to CSR as just an addition to the image.

S. Wood made an interesting attempt to clarify the limits of corporate responsibility from a theoretical perspective in the context of the term "sphere of influence" that is used in the ISO 26000 (Wood 2011). First of all, he noted that responsibility can be positive (do good) or negative (do no harm), and the decisions and activities of an organisation can contribute to impacts directly or through its relationships, but also through leverage on changes made by other actors. Combining the impact/leverage and negative/positive distinctions, it is possible to characterise four varieties of "influence-based" social responsibility (Table 2.1):

- the responsibility of an organisation to avoid contributing to negative social and environmental impacts, either directly or through its relationships with other actors (impact-based negative responsibility);
- the responsibility of an organisation to contribute to positive social and environmental impacts, either directly or through its relationships with other actors (impact-based positive responsibility);
- the responsibility of an organisation to use its leverage to avoid or minimise the negative social and environmental impacts of the decisions and activities of other actors with whom it has relationships, regardless of whether it is contributing to such impacts (leverage-based negative responsibility);
- the responsibility of an organisation to use its leverage to increase or maximise the positive social and environmental impacts of the decisions and activities of other actors with whom it has relationships (leverage-based positive responsibility).

	Negative	Positive
Impact	Impact-based negative responsibility	Impact-based positive responsibility
Leverage	Leverage-based negative responsibility	Leverage-based positive responsibility

Table 2.1. Scope of responsibility. Source: own elaboration based on (Wood 2011)

The ISO 26000 defines the sphere of influence through a wide "range/extent of political, contractual, economic or other relationships", which implies a very broad perspective of corporate social responsibility, although this is not explicitly stated. What Drucker saw as influence exerted by companies within the framework of business activities, for Wood becomes a positive or negative social and environmental impact, either directly or through business relationships with other actors. Whereas solving social problems through business becomes exercising leverage to increase the positive and avoid the negative impacts of the decisions and activities of other actors with whom the organisation has relationships.

If the impact of an organisation, in accordance with ISO 26000, affects the decisions or behaviours of individuals and organisations, then it can be assumed, drawing practical conclusions from Wood's analysis, that e.g. as part of an organisation's own positive responsibility to exercise leverage it strongly encourages its customers to participate in a socially engaged marketing campaign, with some of the proceeds going to environmental education for children. However, it is this kind of pressure to change the behaviours of individual customers that is often criticised as a form of "tricking" people into giving money. After all, it is believed that primarily companies should make charitable donations from their own resources. Within the framework of negative responsibility a company may e.g. encourage various organisations to give up their disposable packaging in order to make those organisations less harmful.

In both cases the exercised leverage is a form of social activism undertaken by the company. This is not charity, but it does not always lead to maximising the

economic benefits for the company either. The company may of course also take responsibility by exerting direct influence by, for example, introducing environmental criteria in its supply chain (positive responsibility), or by withdrawing from selling – as part of CSR – its highly toxic and pathogenic products to future users (negative responsibility).

It can therefore be said that the ISO 26000, despite the extensive discussions during the development of this standard by a multi-stakeholder body, does not provide a clear operational concept of corporate social responsibility. In fact, it opens up a new field of controversy regarding the role of business and even the vision of political economy and global order. Various authors are trying to fill this field by offering their suggestions, which allow us to treat companies, especially the big ones with the greatest potential impact, as an important player in corporate social responsibility in the broad sense. Their sphere of influence. e.g. in terms of disseminating sustainable patterns of consumption and production, goes far beyond their own production or commercial activities, including, for example, the entire industry or the business sector in general, or shaping social awareness about the need to protect the environment. But how can we combine positive and negative, direct and indirect, social and corporate responsibility within a single coherent CSR model that will be useful for management theory as well as practice?

2.5 THE CONCEPT OF THE THREE PILLARS OF CSR

The presented approach highlighting the coexistence of three levels of responsibility refers to many of the important questions that arise in business practice. The analysis leads to the conclusion that corporations undertake social responsibility at three levels: within the sphere of direct influence exerted through their own activities, and subsequently they take indirect responsibility arising from their influence in their relationships with partners, both contractors and non-profit organisations, as well as – responsibility resulting from the ability to exert pressure (use their leverage) on other actors in terms of their impact. At each of these levels we can be dealing with positive responsibility, associated with increasing the positive impact, and at the same time with negative responsibility, i.e. minimising the negative impact.

This three-level model is not sufficient since it does not take into account the various forms of responsibility. Therefore, a fairly transparent division into three different forms of corporate social responsibility has been proposed,

namely the approach based on broadly-defined philanthropy, as an extra activity outside of a firm's core business; the approach based on integration, i.e. close to the existing core business; and the third approach, which uses, among other things, the concept of including socially disadvantaged groups within a society while simultaneously creating new business opportunities for companies (Kourula, Halme 2008). According to the authors referred to above, this approach makes it easier to study the economic and social impact of a company, which is presented by analysing the cases of various companies, which simultaneously implemented the three discussed forms of CSR. In the studied cases the greatest benefits, both business and social, appear in the third form, namely innovation, but these benefits are more likely when the innovation approach is combined with the other two.

Another integration approach was presented a few years later as the concept of three theatres in which corporations practice CSR: strategic philanthropy, reengineering the value chain, and fundamentally changing the business's ecosystem (Rangan et al. 2012). This is one of the few articles on management departments taking on corporate social responsibility that explicitly refers to a practice that is already noticeable in the market, which unfortunately does not happen very often in scientific literature. While conducting postgraduate studies for CSR managers at the Harvard Business School in the academic year 2011/2012, the authors collected information from the attendees from different countries about the types of CSR projects that were implemented in their companies, and about the forms of their organisation. Based on this survey they noticed that CSR programmes are currently undertaken in various places across the organisational structure simultaneously, with varying motivations that can be considered complementary.

CSR managers typically undertake projects in the field of philanthropy or, possibly, strategic philanthropy, which are designed to boost the company's brand reputation, but are in fact an essential part of increasing employee motivation while at the same time generating new business opportunities. While operations managers, e.g. from the supply chain management or marketing departments, manage entirely different CSR projects, especially those that aim to minimise the negative environmental impact. The priority in these CSR project is increasing business opportunities and profitability or sales revenue, while also creating social and environmental benefits, by improving operational effectiveness throughout the value chain be it upstream in the supply chain or downstream in the distribution chain.

In the third CSR domain the authors included projects that put the priority first on crafting a solution to a societal problem, which would then lead to financial

returns in the longer run. Unlike the first and second CSR domains, corporate endeavours within the third domain may not return immediate business profits, but are rather a form of investment that creates an important social value, they expand the opportunities for the development of new business projects in the company, leading to fundamental changes of its business model and developing new skills and strategies. These types of projects are usually managed by business development departments or are run at the top decision-making level, as they require radical strategic changes to be introduced successively. The motivation in this case is based on the perceived business opportunities, but also on the creation of useful solutions to major social challenges in line with the vision expressed by the key executives or founders of the company.

The typology presented by the American authors, and a similar one presented by the Finnish authors, is very much like another typology presented much earlier by the author of this book (Rok 2007), which refers to the term CSR by adopting three different perspectives, then referred to as CSR 1.0, CSR 2.0 and CSR 3.0:

- The social perspective, i.e. "corporate SOCIAL responsibility": social engagement, building good relationships in the short term in order to minimise harm and sometimes even do good.
- The management perspective, i.e. "CORPORATE social responsibility": responsible management, excellence in pursuing the strategic goals of the company, taking into account the necessary factors of success in the medium term.
- The ethical perspective, i.e. "corporate social RESPONSIBILITY": sustainable development of the organisation, i.e. corporate citizenship through innovative business models, for the common good in the long term.

These perspectives are interdependent in terms of integrated corporate governance, which makes it possible to build a dynamic balance in three areas: in relationships with current stakeholders; in economic, social and environmental terms; as well as in the process of protecting and developing the resources needed in the future. It seems that this type of approach to the challenge related to the need to integrate various approaches to CSR can be of educational value. When presenting this concept in 2007 it was emphasised that "in practice, the elements of each of these models could be successfully used in parallel by managers building their corporate social responsibility strategy" (Rok 2007).

The concept of the three pillars of CSR presents a general understanding of corporate social responsibility, according to which any company can engage socially, in order to create social capital (relations), improve the management

system, in order to build organisational capital (operations), implement innovative solutions for the common good, in order to create development opportunities (innovation). Thus, in the presented approach the first pillar consists in creating relations through a continuous process of learning and, where possible, taking into account the changing expectations of various groups of internal and external stakeholders, as well as monitoring the impact of this process on the trust and reputation of the company on the market. The second pillar consists in the improvement of management systems, procedures and indicators in all areas of functioning of the company, making it possible to effectively build an ethical organisational culture and a lasting value on a competitive market. Finally, the third pillar consists in a long-term maximisation of the positive impact of the company's activities by delivering innovative products/services, the implementation of new business models, new structural solutions, reinforcing further social development.

Each of these pillars has three levels, i.e. the direct influence exerted through own activities, the influence in relationships with partners, and the influence resulting from the ability to exert pressure (use leverage) on other actors in terms of their impact. At each of these levels we can see positive responsibility, associated with increasing the positive impact, and at the same time negative responsibility, i.e. minimising the negative impact. As a result, we obtain a specific 3 x 3 matrix that describes the holistic approach to corporate social responsibility presented in this book.

By combining the concept of the three pillars with the model of the three levels of responsibility we obtain nine areas (tab.2.2). Each of the nine areas represents a different understanding, a different aspect of the concept of corporate social responsibility. Introducing nine different areas makes it possible to e.g. distinguish, in the first pillar, between the approach to CSR based on selfless charity (area 7) and activities that combine the creation of social value with value for the company (area 1). Similarly, in the next pillar, actions undertaken by a company concerning e.g. strengthening the organisational culture through an ethical programme for employees (area 2) can be distinguished from activities that – especially in the case of large organisations – promote environmental standards among various groups of stakeholders (area 8). The impact is definitely different. Also in the last pillar, the introduction of different areas makes it possible to distinguish innovative corporate social responsibility, such as broadening the group of customers by introducing new products that are better suited to their needs (area 3), from the approach where, for example, a company uses its power of influence, lobbying for the introduction of partnership principles in shaping the principles of sustainable development in the country's economic policy (area 9).

	Pillar I: relations	**Pillar II: operations**	**Pillar III: innovation**
Exerting pressure	7. Charity Selfless cooperation for the common good through donations and grants (e.g. supporting wide-ranging educational campaigns, corporate foundations)	8. Participation Encouraging voluntary solutions that make it easier for others to undertake responsibility (e.g. sharing good examples)	9. Citizenship Supporting changes at the national level, which make it possible to better achieve development, environmental and social goals (e.g. corporate advocacy, lobbying)
Indirect impact	4.Socialisation Long-term social investments in terms of partnerships with non-governmental organisations (e.g. ongoing cooperation with selected organisations undertaking security projects)	5. Partnership Pressure on contractors to implement environmental standards in the supply chain, to conduct ethical audits of suppliers	6. Cooperation Cross-sectoral, multilateral partnership for the development of new and the implementation of common, socially innovative business solutions
Direct impact	1. Activity Business ventures in the social environment (e.g. socially engaged marketing, employee volunteering, sponsorship)	2. Excellence Systematically and comprehensively perfecting the company management systems (e.g. diversity management, eco-efficiency, ethical programmes)	3. Response New socially useful products and services tailored to the needs of new customers, a "win-win" situation (e.g. e-invoices, solutions for socially-sensitive consumers)

Table 2.2. The nine areas of corporate social responsibility.
Source: own elaboration

CHAPTER 3
SHAPING SOCIAL RELATIONSHIPS AS THE FIRST PILLAR OF CSR (B.ROK)

3.1 THE EXPECTATIONS OF STAKEHOLDERS

The first pillar refers to undertaking a variety of activities in order to build relationships primarily with external stakeholders, with the social environment, strengthening the social capital or stakeholder capital. In corporate practice this pillar is often referred to as corporate community involvement (CCI). As part of this form of corporate social responsibility, companies use a variety of tools to create a balance in their relationships with current stakeholders. In the context of these type of activities, terms such as partnership, dialogue, cooperation, inclusion, engagement, participation, listening, sharing, support and help are often used. This is by far the most popular pillar of corporate social responsibility.

The concept of company stakeholders was created in the early 1960s and was soon being used in the system theory, the organisation theory, and planning. These achievements were used and developed in the mid-1980s in the form of the stakeholder theory (Freeman 1984), and further modified in many other works. In the initial version, Freeman emphasised economic motivation in building relationships with stakeholders, referring to what is now called social risk management, but other studies that pointed to the normative basis of the stakeholder theory prompted Freeman to make significant modifications.

The development of the stakeholder theory has become one of the significant factors in developing the concept of corporate social responsibility. Freeman's thesis – referring to the need for managers to take into account the expectations of various stakeholders, i.e. all those organisations and individuals that are influenced by the company or have the ability to influence the company's operations, contrary to classical views resulting from the agency theory regarding pursuing shareholder interests exclusively – contributed to the development of many research studies on e.g. motivating employees through social engagement, participative management, socially engaged marketing,

tripartite dialogue, or even a new corporate definition. The stakeholder theory has also become an important area of research because, regardless of its descriptive function rooted in the rapidly evolving business practice, it served an explanatory function based on which the best – from the point of view of the organisation's goals – methods for creating relationships with stakeholders and taking into account conflicting expectations were pursued.

This is why the practical dimension has become an important determinant of CSR. In the American market in the early 1970s a period started of CSR integration with management practice. It was emphasised then that CSR is no longer just about what should be done but is becoming a holistic way of looking at business reality, taking into account the diverse expectations in a given situation. This could be seen not only in the changes in the management approach in big corporations that started the process of adapting to external expectations, but also in the emergence and development of new companies.

For example, in Great Britain in 1976 the Body Shop was born, which quickly became synonymous with the new wave of responsible business. Another example is Ben & Jerry's in the United States in 1978. Both long-standing and new companies began to implement various systems supporting stakeholder engagement or social reporting. Ben & Jerry's first comprehensive corporate social responsibility report, which was verified by an auditor, concerned the year 1988 and described goals, tasks, implemented procedures and achieved results – environmental, economic as well as social. Previously, individual industries or groups of companies had already implemented self-regulation standards, such as the Sullivan Principles, which were developed to apply economic pressure on South Africa in protest of its system of apartheid. But the examples of the Body Shop and Ben & Jerry's clearly demonstrated that corporate social responsibility can be fully implemented for stakeholders, while at the same time developing a new business, gaining recognition from customers and later also shareholders.

The number of voluntary codes of conduct, at enterprise level as well as in individual industries, began to grow rapidly in the 1980s. This was the effect of, among other things, the fact that some years earlier lectures on business ethics had become part of managerial education programmes (primarily in the US), but to a large extent this was also a response to yet another wave of fraud committed by corporations. The most publicised was probably the boycott of Nestlé's children's products. During this boycott that lasted over 10 years Nestlé tried to, also through court, force NGOs to end The Baby Killer (and later Nestlé Kills Babies) action against the company, which ended with an

agreement signed in 1984 and Nestlé's commitment to comply with the rules agreed under the "International Code of Marketing of Breast Milk Substitutes".

It was primarily this case, which is described in detail by e.g. Sethi (1994), but also many other bad corporate practices disclosed by NGOs and good practices undertaken by some companies as a result of voluntary initiatives, that contributed to a slow but consistent change in the way of thinking about the principles of running a business and dealing with stakeholders. Some said that these changes stem from better risk management in companies, somewhat forced by the growing (in power) non-governmental organisations, "breathing down the neck" of corporations. Others argued that this is a natural response to social expectations. Regardless of the motivation – and the actual degree of compliance with the adopted principles – the development of detailed codes of conduct in relations with stakeholders has become a quite common management tool, having assumed the nature of voluntary self-limitation.

Further discussions regarding stakeholder theory mainly concern two issues. The first issue has to do with the actual definition and classification of stakeholders, and the second issue – the tools for building relationships with particular groups of stakeholders. In the literature on the subject many classifications of stakeholders can be found, but in practice they come down to two different groups. The first group consists of employees, customers, contractors, investors, so those who the survival of a given company primarily depends on, providing capital, work, revenue –i.e. primary, contractual, technical, internal stakeholders, etc. The second group includes local community representatives, non-governmental organisations, the natural environment, the media, public administration, and many others that influence or are influenced by the company's activities. Those stakeholders we call secondary, contextual, institutional, external stakeholders, etc. However, these divisions are increasingly blurred and complicated, as much depends on the specific characteristics of individual industries, markets and the degree of development.

The ISO 26000 guidelines emphasise that there are two important commitments underpinning corporate social responsibility. First, the management or owners of a company acknowledge corporate social responsibility as the actual basis of their operating activity or, in other words, they consciously undertake corporate social responsibility, e.g. in the form of a resolution of the board, as in the process of adopting an environmental policy. Acknowledging corporate social responsibility is a form of responsible leadership, that is, advocating a specific vision of business in society, a vision in which the role of business is to create benefits for all stakeholders. It is also a conscious, theoretical and practical

choice, which results in a multiplicity of consequences for the overall management and operations of the company. Taking responsibility is directly linked to accountability. And the primary entities that in this case hold entrepreneurs or managers accountable are the stakeholders. It is the stakeholders who set the minimum corporate social responsibility standards.

That is why the second commitment underpinning corporate social responsibility is stakeholder identification and engagement. Recognising corporate social responsibility as the basis for the functioning of a company is inextricably linked to allowing stakeholder engagement, as it is their job to, among other things, co-create and account for this responsibility. One could say that corporate social responsibility differs from enlightened corporate imperialism in the sense that the first concept is about stakeholder engagement at all stages of strategic and operational management, while in the other concept the enterprise imposes its perspective on social relations, completely omitting the engagement of the other party, i.e. the stakeholders, in assigning tasks and priorities in this respect.

3.2 SOCIAL ENGAGEMENT VS. STAKEHOLDER CAPITAL

The inclusion of stakeholders allows companies to build ethical capital, which may prove to be a kind of insurance or collateral – similar to reputation capital or even the commitment and loyalty of employees – in crisis situations, when a company has undertaken an activity that has not received positive feedback from a group of stakeholders. Research shows that in situations of strong ethical capital built by a company as part of long-term corporate social responsibility, stakeholders are more willing to overlook or forgive occasional irresponsible behaviour, especially when the reasons for such lapses are not clear (McWilliams, Siegel 2011).

Other researchers use the term "stakeholder capital", which determines the level of mutual appreciation, understanding and trust in a company's relationships with stakeholders. Stakeholder capital is an intangible asset that grows over time as a result of the formal and informal engagement of stakeholders, influencing the company's current material value and securing goodwill in the case of negative events. The level of this capital is determined by the willingness expressed by stakeholders to continuously support the company's activities or even to defend it in critical situations (Henisz, Dorobantu, Nartey 2011).

This is a well-known psychological mechanism that often takes place when those who feel genuinely connected to an organisation are more likely to defend it in critical situations. Therefore, skilfully building this relationship with stakeholders, i.e. creating a high level of stakeholder capital, can bring many benefits to a company. A concept that is being mentioned more and more often is stakeholder social capital, which is defined by at least four dimensions: structural, relational, cognitive and evaluative (Cots 2011). This type of multifaceted analysis of stakeholder social capital gives not only a better understanding of a company's actual relationships with its stakeholders, but also a more effective way of introducing various forms of stakeholder engagement.

The question is, however, what is real stakeholder engagement? Is stakeholder engagement that leads to the implementation of the minimum corporate social responsibility standards in the long term at all possible? In practice, the applied models of stakeholder engagement are usually the result of individual managerial experience, or even personality type, and they are not based on sound knowledge in the field of organisational behaviour. There is still too little reliable research on, for example, the impact of the internal processes of a company on shaping its relationships with external stakeholders, or the relationship between managerial skills to acquire relevant information about stakeholder expectations and the success factors in developing and implementing a comprehensive CSR strategy.

With the organisational theory we already know much more about how to develop the skills of individuals and organisations in terms of changing and learning. We know that these skills are essential for the success of an organisation – in the context of integrated and coordinated organisational systems and structures, and this is what the system of corporate social responsibility is. In accordance with the solutions developed based on the organisational theory, in order to develop and implement a corporate social responsibility strategy, a company must involve many internal and external stakeholder groups in this process, in order to ensure that its activities are in line with their expectations. The way in which the CSR strategy is developed and implemented in an organisation depends to a great extent on its managers and employees, on how they perceive social and economic changes, how they translate them into the organisation's norms, values and procedures that support the organisation's commitment to implement the principles of corporate social responsibility.

It is worth noting that corporate social responsibility is formed in a process of dialogue. Many research studies confirm that there are large discrepancies in the assessment of the level or the quality of corporate social responsibility

conducted by executives and other stakeholders. These discrepancies also arise from the already mentioned controversial nature of the term "corporate social responsibility". This, in turn, is closely linked to the complexity as well as the evolutionary and value-based nature of the term itself. Perhaps by making better use of the dialogue with stakeholders it would be possible to jointly analyse the responsibility in each area, which could lead not only to the identification of CSR priorities, but also to the indicators of their implementation.

By collaborating with stakeholders and establishing, through a process of dialogue, the significant areas of corporate social responsibility, an organisation could expand its ability to create its own future in the best possible way, by developing adequate adaptation techniques and increasing the resources of the necessary knowledge. Active stakeholder engagement would also make it possible to address the changing context of the functioning of a company, to define the scope that is consistent with market minimum standards at a given time, allowing a company to stand out from others – but above all to jointly define the minimum standards of corporate social responsibility. In practice, the process of companies engaging stakeholders is a gradual one, which consists in expanding the number of stakeholder groups and the range of issues, as well as the level of participation. Consultants indicate in their reports what actions in this regard can be undertaken in order to achieve the desired results, i.e. strengthen corporate social responsibility, how shareholder engagement can be designed and what specific solutions can be applied in practice.

An important basis for the concept of corporate social responsibility is the belief that it should contribute to the growth of company value by creating a shared value. M. Porter and M. Kramer write explicitly that CSR can be much more than a cost, a constraint, or a charitable deed – it can be a source of opportunity, innovation, and competitive advantage (2006). So if we approach corporate social responsibility strategically, then it can become a source of significant social progress, because companies invest a certain share of their resources, their knowledge and skills in activities that benefit society. Once CSR is implemented in a company it starts to increasingly change its long-term strategy, and collaboration with various stakeholders is perceived as a basis for creating value for the company and not just for society. Companies cannot co-create value without a programme of active cooperation, because competitiveness requirements make cooperation necessary.

This approach is often referred to as the strategy of accomplishing a double, mutual benefit – the so called win-win situation. A company really wins when those who helped building its success also win, i.e. its employees, customers, suppliers, cooperating NGOs, and the local community. In other words, the

development and the growth of value of a responsible company should translate into increased satisfaction and quality of life for all stakeholders. This is often referred to as "strategic philanthropy" or "strategic charity", because this approach applies simultaneously to important social and economic goals and tries to impact those elements of the competitive context within which – by using the available resources – the company can bring benefits both to society and to itself.

In Poland and in other European countries this approach is referred to as "social engagement" or "social investment". It takes various forms, such as financial support, material assistance, employee volunteering, and most often it has a strategic dimension, which is, however, not always explicitly formulated. In recent years, a growing number of such initiatives could be observed. They are usually described as activities for the benefit of society, and the expressed motivation comes down to the statement: "you have to share with others", "it is the right thing to do". However, such a motivation, i.e. focusing solely on the benefit of society, can be justified if the financial support provided comes from a taxed profit. Corporate philanthropy is sometimes an unclear area of activity. Managers typically avoid clear answers to questions about the benefits for the company resulting from such initiatives. It is still believed that questions about the profitability of philanthropy are simply inappropriate, because it is the anonymity of the gift that is the ultimate guarantee of pure intentions.

But the fact that companies do not conduct a detailed evaluation of cooperation initiatives with stakeholders in terms of the benefits for the company indicates at most that there are some shortcomings in the reporting system. In addition, there is also no real social impact assessment of these types of initiatives, and the focus goes mainly to the amount of money spent. It is absolutely necessary to call for a greater transparency in such initiatives, with a specification of the actual benefits for the groups of beneficiaries and for the company itself.

The purest form of strategic philanthropy is cause-related marketing (CRM). CRM refers to commercial activity conducted by a company, taking into account both the marketing objectives of that company and social needs. It allows the company to sell its product or service while benefiting a supported cause or social organisation. For example, by selling a certain product the company also commits to donate a small portion of its sales revenue to earlier specified activities conducted by a selected non-governmental organisation. In principle, this is only possible in the case of fast-moving consumer goods (FMCG), but also for some banking products (affinity cards).

Cause-related marketing is an effective tool for achieving a greater revenue in a purely economic sense, while also supporting social goals. In CRM various

models of cooperation between parties are applied. The most popular form is to involve the company's customers in co-financing specific NGOs or their social programmes by shopping for the products of the company participating in the campaign. Often elements of CRM are used as part of customer loyalty programmes. CRM can bring tangible social as well as business benefits, provided that it is conducted well.

3.3 FORMS OF STAKEHOLDER PARTICIPATION IN THE MANAGEMENT PROCESS

In many NGO reports and academic publications it is emphasised that company management that does not take into account the new challenges and expectations of various stakeholder groups can lead to social tragedies, and insufficiently responsible companies constitute a serious threat to society, especially in developing markets. There are legitimate concerns, usually expressed by social activists and academics, about the potential for social and environmental conflicts to intensify, especially in the conditions of rapidly accelerating globalisation and at the same time deepening economic integration. As the famous economist N. Stern writes: "The two greatest problems of our times – overcoming poverty in the developing world and combating climate change – are inextricably linked. Failure to tackle one will undermine efforts to deal with the other. […] we need to construct strategies to reduce those risks and create a viable and attractive alternative to the high-carbon growth path we have been following. […] the relevant actions will mostly be from private investors, big and small" (Stern 2007).

It can be assumed that discussions about corporate social responsibility are in principle a form of response to one of the most important dilemmas in economics, in management theory as well as in business ethics. Does the only role of business come down to effectively engaging resources to maximise profits, without violating the law, or is the role of business much broader nowadays, primarily consisting in looking for solutions that are beneficial to all stakeholders? If we assume that the role of business is to create benefits for all stakeholders, then we can say that the science of CSR is becoming a theory of corporate ethics, while the practice of CSR consists in finding the best ways to build a dynamic equilibrium in the time and space of stakeholders. This

approach is about balance in the economic, social and environmental dimensions, in relationships with current stakeholders, but also in the process of protecting and developing the resources needed in the future.

Over the past 20 years many different guidelines have been developed on the different forms of stakeholder engagement, and actual business practices have been critically analysed. The point of reference is the model of the "ladder of citizen participation", proposed more than forty years ago (Arnstein 1969). All existing stakeholder engagement models, to some extent, indirectly refer to this "ladder of citizen participation". Arnstein defined eight levels of participation – from the lowest to the highest – in the following way: manipulation, therapy, informing, consultation, placation, partnership, delegation, citizen control.

From a managerial perspective, these "ladder rungs" can be slightly modified, grouped, and somewhat simplified into four basic levels of participation. Stakeholder engagement may consist in: informing those stakeholders, conducting consultations, i.e. initiating the process of exchanging information and listening to expectations (in practice, this is usually in the form of a dialogue with stakeholders), making joint decisions, and finally, joint action in certain situations. In the practice of strategic management often various levels of engagement of different stakeholder groups in different situations are applied, e.g. informing employees in a transparent manner about the strategic plans of the organisation, exploring the expectations of the social partners or formulating strategic documents for joint decision-making by all employees (full participation in management). While in the context of operational management it is possible, for example, to engage with NGOs in jointly running projects in this area.

At each of these levels many tools have been developed to facilitate the effectiveness of the process of engaging various stakeholder groups, as well as methods for measuring this effectiveness, and also e.g. detailed rules for the engagement of various stakeholder groups at the same time, principles of cross-sectoral dialogue, or rules for the formal establishment of various organisational structures consisting solely or partially of stakeholders. In recent years, many examples have been collected from various companies, and a comprehensive set of detailed rules and practical guidelines on stakeholder engagement have been developed (e.g. Freeman et al. 2007).

However, there is no best way to do this, as everything depends on the set goals and the capabilities of the company leaders. It is the company leaders that make sense of the changes in the company environment and set new goals depending on their state of mind, view of reality, knowledge and perception. That is why often you hear about at least three natural filters applied by managers, which

can have a significant impact on the risk involved in the process of stakeholder engagement (Pedersen 2006).

The first filter is the selection filter, since in practice it is not possible to engage all stakeholders. However, excluding some stakeholders can be dangerous – both in terms of the development of an organisation and its corporate social responsibility. Therefore, much attention is given to the classification of stakeholders, properly determining their impact strength and prioritisation, i.e. determining which groups should be included and which do not have to be. The second filter is the interpretation filter, i.e. the transformation of stakeholder engagement into business decisions. In management reality it is important to what extent expectations are in line with current trends, issues, events, or with the managerial perceptions of significant challenges. In addition, the process of stakeholder engagement usually results in a complex map of different, often contradictory, expectations and a certain interpretation needs to be made. The third filter is the response filter, which usually relates to the divergence between the intentions declared at the managerial level and the observable action at the lowest level, i.e. the "Chinese whispers" effect. Another important limitation are the rapidly changing operating conditions of a company in a complex and unpredictable social and economic environment.

However, regardless of the challenges that come up in practice, striving for maximum stakeholder engagement, rather than merely informing or conducting a limited dialogue, is an important part of corporate social responsibility and shaping the foundations of responsible leadership. Stakeholder engagement facilitates the assessment of the degree and quality of corporate social responsibility in a given company, as well as setting the minimum CSR standards. It is also a serious challenge for the way in which managers operate, especially when it influences leadership models. Research studies on leadership have become especially important in recent years in the context of determining an adequate leadership model in terms of the basic organisational performance parameters in the process of stakeholder engagement.

3.4 TOOLS FOR SHAPING LEADERSHIP IN RELATIONSHIPS WITH STAKEHOLDERS

It is often emphasised that the prerequisite for corporate social responsibility is the commitment of the company leader. Responsible leadership becomes

important in the context of the ever-bigger corporate scandals primarily involving the irresponsibility of corporate leaders when it comes to the natural environment and society. It is the irresponsible behaviours of corporations led by well-known and respected leaders, along with beliefs in the indispensable role of individual morality, respect for economic freedom, private property and the limited role of the State, that have made the public aware of the fact that a leadership model based on business efficiency in the short-term is insufficient.

In this context it is about commitments to stakeholders, to society as a whole, not just to shareholders and owners. A responsible leader, one that fully implements the principles of corporate social responsibility, must often forget about the overriding role of maximising profits in a business. We are currently facing a whole range of interrelated challenges, both in Poland and around the world. Business leaders, as well as leaders from other sectors, can no longer act based on the same principles as usual. If we want to effectively solve environmental and social problems, counteract exclusion and marginalisation, then we need to develop and implement a new model of responsible leadership.

In recent years it has become increasingly clear that business leaders have ceased to be positive heroes, at least in those democratic societies that have consistently developed the market economy for decades. When discussing a number of conducted public opinion surveys on the diminishing trust in capitalism, the role of transnational corporations and their leaders, D.A. Waldman points out that we primarily identify capitalism with the way all major corporations operate, and all we see is hypocrisy, fraud, malpractice, unbridled greed and the arrogance of business leaders. But what we are actually criticising is not the market economy, but irresponsible leadership. This irresponsibility, however, concerns those characteristics of a leader and those areas of influence that were not discussed much in earlier literature on leadership (Waldman 2011).

What characteristics should a responsible leader have? The classical leadership paradigm was about exerting influence through dominance and absolute power, based on the subordination of the members of the organisation, such as company employees. Transactional leadership focused primarily on seeking mutual interests and benefits through negotiated, agreed upon mutual expectations, but with full control. Visionary leadership, on the other hand, has many variations, both pathological, based on emotional manipulation, and transformational, when a visionary leader is able to successfully get employees to develop and implement changes, motivating them to strive for the presented vision of business development. A newer model of leadership is organic leadership, consisting primarily in building the commitment of all participants,

integrating them around common goals and desirable values, while leaving many decisions at the individual level. None of these models is sufficient anymore (Rok 2009).

In times when it is increasingly important to meet the growing expectations of various stakeholder groups, when it is important to evaluate the diverse impacts of business activity, and not just the financial effects, also the expectations of the leaders are much higher. The phenomenon of sustainable development changes the business model and puts companies and their leaders in a completely new role, where they have to take into account social and environmental responsibility. That is why some authors call for a new model of leadership, namely sustainability leadership. In practice, this kind of approach is very difficult, even if public declarations and commitments are made, or comprehensive CSR strategies are disclosed. Leaders take on a safe and watchful attitude, carefully monitoring the market, and in particular the leading players in their industry, taking on responsibility only to the extent that it is necessary to avoid any risk on the part of the most active stakeholders.

If the leader of an organisation does not have a clear vision regarding the need to maximise stakeholder value and is not convinced of the need for such a vision, then it can be hardly expected that corporate social responsibility will become the primary factor based on which the leadership model is built. Responsible leadership is defined as a process that is based on ethical values and principles, and consists in managing the relationship between leaders and stakeholders, integrating them around a shared goal that they both establish to be important. In this process there is a mutual reinforcement of the common motivation and commitment to building sustainable value and social change. Responsible leadership is therefore the art of building and maintaining ethical relationships with all stakeholders. These relationships are based on a sense of justice, the recognition of mutual value, the concern and responsibility for a wide range of economic, social and political tasks. Other authors emphasise that responsible leadership is about sustainable relationships between the leaders in an organisation and the stakeholders, leading to benefits for society and the natural environment.

Responsible leadership is associated with, for example, building social trust, walking the talk, integrity in management, ethical profit-making, creating value for stakeholders, implementing ethical standards, motivation resulting from values aimed at building a better future for all, acting for the common good, etc. The basic challenges for a responsible leader consist in a full inclusion of stakeholders, even if this leads to conflicts; creating an organisational culture oriented towards sustainable development; strengthening organisational learning

processes in the field of sustainable development management; measuring results and a transparent communication of those results to all stakeholders (Crews 2010). This process should be accompanied by widening the organisational boundaries, taking into account cultural diversity and multidimensionality, as well as encouraging a better dialogue between the organisation and its environment.

Research conducted in the field of responsible leadership shows that in the face of the major challenges that have been identified by the boards of some of the largest corporations already in the past decade, a group of leaders has emerged in the business community who consistently undertake actions and are beginning to implement strategies that until recently were characteristic only for the most progressive social activists and "enlightened" political leaders (Gitsham et al. 2012). Researchers at Ashridge have conducted a series of in-depth interviews with a group of leaders, among which: John Brock (Coca Cola Enterprises), Lord Browne of Madingley (Riverstone Holdings), Ian Carter (Hilton Hotels), Neville Isdell (The Coca Cola Company), Mark Moody Stuart (Anglo American), Richard Reed (Innocent Drinks), Stuart Rose (Marks & Spencer), Paul Walsh (Diageo). The report of this study, presented at the Rio+20 summit, clearly showed that in the circle of a selection of business leaders there is an important shift in the approach to corporate social responsibility – from a defensive and sometimes charitable attitude towards the most important global social and environmental problems to a strategic approach to solving these problems through a broad understanding of the role of business.

The research shows a progressive change in three areas concerning the leadership model. First of all, it is a completely different perspective on the role and tasks of business leaders – primarily in terms of partnerships with different stakeholders, leading to the creation of value for business and society at the same time. Second, the change concerns the need for radical changes in corporate culture – providing support for corporate social innovation, propagating new forms of employee engagement, e.g. through volunteering. And finally, the last area of change concerns leadership beyond the traditionally understood boundaries of a company, consisting in publicly advocating for a new role of business and actively encouraging customers to change their consumption model (Gitsham et al. 2012).

Responsible leadership is still more of a theoretical vision – desirable but not yet practiced in business very often. The dilemmas concerning responsible leadership largely stem from the traditional management approach, based on the idea of a stable hierarchical structure and a prominent personality at its head.

Today, however, it is increasingly emphasised that leadership is situational, organic, and can be implemented differently in different management areas and different market situations. An important issue here is the need for an active engagement of companies, management boards, leaders, in solving significant social problems in an economically efficient and effective manner.

The first important feature of a responsible leader is the ability to perceive the economic, social and environmental consequences of the conducted business activities – both the positive and the negative consequences. Responsibility in this case is to minimise or completely eliminate the negative consequences, and to reinforce the positive consequences. While the ability to build mutually satisfactory relationships with stakeholders is primarily about balancing conflicting interests through participation and real dialogue. The basis for the future development of companies is a process of establishing the rules of conduct between management, employees at all levels and other external stakeholders, the effect of which is a full – based on understanding – engagement of all. And finally, the third element of responsible leadership is the ability to perceive long-term challenges, to implement innovative solutions to these challenges, to contribute to the creation of an intergenerational dialogue space, in other words, an imagination that allows for the acknowledgment that future generations will also want to meet their needs using a variety of resources.

It can therefore be said that the concept of social responsibility in management provides three additional attributes of responsible leadership: perceiving economic, social and environmental consequences; balancing conflicting interests through stakeholder participation; implementing innovative solutions that are adequate to long-term social challenges. The outstanding leadership researcher J. Ciulla points out that companies that take on the currently most important challenges do not need saviours but they need leaders who are willing and know how to engage all stakeholders in a dialogue about the values related to the protection of the natural environment, the directions of economic development as well as improvement of the quality of life through innovative solutions. Thus, the main task of leaders is to understand the global challenges and the role of individual actors, and not just to set the course of action. That is why, according to J. Ciulla, in a period of major transformations – and we are currently dealing with such – we need leaders who can initiate change by actively and creatively involving and supporting employees and other stakeholders, and not the kind that want to strengthen their own position using growing fear in the face of uncertainty, hoping that these difficult times will soon pass (Ciulla 2013).

A key factor is the actual engagement of stakeholders in the long-term horizon. Corporate social responsibility can be successfully implemented only if value is created for all stakeholders and if the individual moral values of all participants are fully expressed in this process. Corporate social responsibility cannot be implemented in an organisation that is not based on participatory management in all areas, because a responsible organisation is the common good of all stakeholders. However, a broad approach to the issue of stakeholder engagement has many essential consequences. It signifies a certain kind of business socialisation, or a participatory vision of company development, based on implementing the principles of dialogue. Such concepts are not met with the positive response of traditional managers, which has long been clearly visible.

It is important to realise that responsible leadership is a difficult challenge for corporate executives, who often operate in the conditions of a dynamically changing market environment and ambiguous regulations, low consumer awareness, and poorly established moral values in the economy. At the same time, they have to deal with various forms of pressure from stakeholders, often undeserved criticism or dislike expressed in social media. That is why support from public administration is needed in the dialogue process, which often leads to building a competitive advantage based on relationships with stakeholders.

3.5 SOCIAL ENGAGEMENT IN BUSINESS PRACTICE VS. COMPETITIVENESS

Everywhere in the world, both in Europe and in non-European countries, initiatives are being undertaken to develop and implement CSR solutions that, on the one hand, are to strengthen the responsibility of companies, their value and market competitiveness, and on the other hand, enable effective cooperation between different stakeholders in selected areas, as well as contribute to the sustainable development of economies. The long-term goal of these initiatives is to start a civic, multisectoral dialogue with the participation of key stakeholder groups, supporting the pro-development role of business in society, with a particular focus on the environment.

CSR practices for developing positive relationships with stakeholders are obviously not a universal tool and it cannot be expected that they alone will solve the major social challenges that we are facing. They will not replace the measures undertaken by public administration, but they may – to a greater or

lesser extent – contribute to achieving many important social objectives, such as:

- increasing the level of social inclusion by, for example, employing people from marginalised groups;
- investing in skills development, lifelong learning and ensuring employability, which are necessary to build the competitiveness of a knowledge-based economy;
- strengthening the process of building intellectual capital, especially social capital, civic participation, trust by propagating methods of dialogue with stakeholders and participatory forms of management;
- improving the quality of life and public health as a result of voluntary corporate initiatives;
- more rational use of natural resources and reducing pollution levels;
- greater respect for human rights and core labour standards, poverty reduction and support for suppliers in complying with these rules.

In public administration, corporate social responsibility is increasingly being taken into account. It is also argued that since social responsibility is becoming an increasingly important dimension of the functioning of society as a whole, and not just a challenge for corporate executives, public administration wants to be more active in this regard. As a result of all these factors, a strategy for the support of the development of CSR by the European Commission is successively being built, as the EC is an important factor for strengthening socially responsible management and the partnering of important stakeholder groups for the implementation of the principles of sustainable development. Companies implementing greater social and environmental responsibility is to be one of the key elements of the European social model and the European sustainable development strategy, as well as of the process to meet the social challenges of economic globalisation.

European policy on CSR is heterogeneous and has undergone various changes in recent years. At first it seemed that it would lead to strict regulations, but in subsequent years it was mainly self-regulating and companies were only encouraged to take more active measures in terms of corporate social responsibility. Acknowledging the link between economic competitiveness and corporate social responsibility is an important step in determining the direction of economic development. Simply measuring the wealth of countries – or the speed of change – using indicators like GDP is no longer enough for a credible assessment of a country in terms of the standard of living and quality of life of

its inhabitants, the accessible education and broadly understood security. When analysing the world's most advanced economies, more and more attention is being paid to the ability to manage the earned prosperity and the ability to further increase it, as well as the impact of management quality on competitiveness.

Corporate social responsibility can be one of the drivers of a country's competitiveness. The fact that there is a relationship between a country's competitiveness and it implementing the principles of corporate social responsibility is confirmed by the correlation between competitiveness and CRS indices. The Growth Competitiveness Index, for example, examines countries in terms of three areas: technological advancement, public institutions, and macroeconomic indicators. Competitiveness is understood here as a set of institutions, regulations and factors determining a country's level of productivity.

The Responsible Competitiveness Index (RCI) shows how different countries deal with the implementation and promotion of CSR activities. The RCI measures the progress of individual countries in implementing the principles of responsible competitiveness in their economies through a set of variables grouped into three interrelated areas, i.e.: business strategies, public policy and effective civic engagement. The first category refers to the level of implementation of corporate governance, social and environmental performance, management systems and principles (at corporate level). The second category concerns the presence of regulations that support responsible competitiveness and the attitude of public authorities towards CSR. The third category measures the broadly defined social and political environment in terms of supporting companies, administrations and civil society organisations in building effective coalitions striving to transform markets.

Responsible competitiveness is treated here as a concept that assumes that the implementation of sustainable development principles affects competitiveness on a global, national, regional or corporate scale. This means that a market (e.g. of a given country) with a high level of responsible competitiveness awards business practices that are based on a sense of responsibility towards stakeholders and the environment. This is also followed by the economic success of the countries where such practices are supported by public actions, social norms and civic activism. Responsible competitiveness is characterised by forward-looking strategies, innovative public actions, and a committed and creative society. RCI demonstrates how in practice strategies based on responsible competitiveness serve the economy by ensuring a balance between global and national interests, and public and private benefits.

Measures undertaken by public administration to propagate corporate social responsibility are important for social integration processes or, in more recent terms, inclusive development. Increasing employment in marginalised groups and implementing higher employment standards can bring tangible benefits, such as cutting fixed expenses from the State budget, which are provided in the form of benefits or other support to the unemployed. CSR is also an element of building a civil society that is socially responsible and active, which leads to a growing social sensitivity, a sense of duty and co-responsibility for the economy and the State, and more activity in public debates.

An important element of economic policy in some European countries is to increase the transparency of important strategic information on the impact of business activity at the economic, environmental and social level. In the Polish market the level of transparency in this regard is relatively low. Public reporting in the field of CSR is not well developed in comparison with other European countries – and, consequently, probably neither is internal reporting – which reduces the competitiveness of Polish companies in more mature markets where CSR reporting is more expected. This also blocks foreign investments of some economic entities in the Polish market.

Changes in this area entail a long-term process, therefore it is important to consistently develop, as part of multisectoral as well as transnational partnerships, detailed recommendations on the principles for the implementation of selected CSR standards and tools, registries of organisations with such standards, and subsequently also self-regulatory models for the application of adequate CSR instruments. Admittedly, currently there is a great deal of freedom in terms of any restrictions that companies voluntarily impose on themselves. Therefore, it can be said that the less regulation there is in a given market, the easier it is to seem socially responsible.

In the European Union, a trend has developed in recent years to in fact gradually introduce CSR-related regulations, e.g. in the field of environmental protection for the chemical industry, or consumer protection standards. Slowly but surely new regulations are being introduced that force businesses to take certain measures in relevant areas. An example is the EU Non-Financial Reporting Directive adopted by the European Parliament in 2015, which introduces non-financial reporting requirements for some of the largest companies in a given country. This directive has been transposed into Polish legislation and shall apply as of 2017. As a result, about 300-400 of the largest companies in Poland will have to report on environmental and social indicators. The adopted methodology includes dozens of indicators. The foundation for such measures lies in the belief that if a company is required to disclose relevant

non-financial indicators, it will want to improve them. If, for example, the number of unwanted employee departures is high and the company is obliged to disclose this indicator, then it will put effort into building a positive organisational culture so that in the next reporting period this indicator will be better.

Competitiveness is increasingly linked to innovation in the pursuit of sustainable development and active responsibility. This means that the costs of failure to support responsible corporate competitiveness can be disproportionately high. They will primarily involve the deterioration of the competitiveness of small and medium-sized enterprises operating both in the internal and external market. But they can also involve the deterioration of the natural environment as a result of irrational resource management.

It is increasingly evident that various social, political and legal factors in the macro-environment have a significant impact on building the competitiveness of enterprises, industries and the economy as a whole. In early literature on CSR, however, these factors were omitted because it was primarily pointed out that corporate social responsibility is an approach that goes beyond legal obligations (McWilliams, Siegel 2001). This theoretical perspective, in which the political and legal factors are decisive, was highlighted later, demonstrating that there is empirical evidence for a much greater CSR activity in those countries where public administration sets clear and measurable targets in this area for the business sector (Wolff et al. 2009).

In surveys conducted among executives in many countries there is often a belief that the main barrier to the development of corporate social responsibility as an important factor for building competitive advantage is the lack of a supportive State policy in this area. Economic development is becoming more and more dependent on the quality of public administration. As long as the authorities of a given State are unable to ensure a fully responsible market, through appropriate economic policies and various instruments eliminating irresponsible practices and encouraging responsible practices, corporate compliance with the principles of responsible management in day-to-day activities will be an exception rather than a norm. Corporate social responsibility is an investment in society, in raising the quality of life of all stakeholders, which pays off in the long run.

CHAPTER 4
IMPROVING MANAGEMENT SYSTEMS AS THE SECOND PILLAR OF CSR (B.ROK)

4.1 A PRAGMATIC APPROACH TO CORPORATE SOCIAL RESPONSIBILITY

The second pillar primarily concerns changes at the management system level. It is therefore a matter of building a balance at the environmental, social and governance level (ESG) or, more broadly, in the economic, social & societal, governance and environmental dimension (ESGE). It is therefore an approach to corporate social responsibility that seeks to create sustainable value, assuming that a CSR strategy can be successfully implemented only when it affects all decisions and all activities at all levels of the organisation and in all areas of operation.

In the context of this pillar the following terms are often used: improvement, sustainable development, quality of management, ethical infrastructure, responsible competitiveness, lasting value, comprehensive responsibility management. Applying CSR principles to operational activities leads to a decrease in the negative social or environmental impact and is nowadays often referred to as corporate sustainability. Another term that is used in this context is "triple bottom line", which measures a company's degree of social responsibility, its economic value and its environmental impact.

How does a company undertake CSR activities and at the same time survive in the market? This is an important question, which is discussed in the description of this pillar. Undertaking corporate social responsibility within an enterprise management system is an important challenge, although still insufficiently described in the literature on the subject. As already discussed, a lot of controversy arises especially when defining the limits of corporate social responsibility and the sphere of influence, and this can lead to executives adopting a limited CSR approach. As a result, discussions on both the economic benefits of CSR and the social as well as environmental effects cannot lead to clear-cut conclusions.

All of this makes it difficult to establish an unambiguous approach to corporate social responsibility at the level of business practice and management systems. At the same time it should be added that since at least a few thousand major companies in the world take social responsibility seriously, the task of scientific literature is not only to present more or less justified normative judgments on the subject, but also to give a detailed analysis in terms of exploration and application. It is the shareholders of companies or the managers who decide on the company strategy and the form of incorporating CSR principles, at least in the case of those forms that are not obligatory in the given market.

The normative approach, in the face of the – practically ineradicable, at least at this stage of development – ambiguities at the descriptive level, usually adopts two extreme versions: sceptical or idealistic. The sceptical approach believes that CSR is a false doctrine. However, we have the impression that the circle of scientists who think this way is not very big these days. The tireless critic of CSR, A. Karnani from the University of Michigan, consistently believes that CSR, by definition, leads to lower profits and that, therefore, only changes in the law can, according to him, lead to socially desirable business behaviours. The normativity of this position is based on a number of assumptions that are arbitrarily accepted irrespective of their empirical status (Karnani 2011).

Another form of the sceptical approach is, for example, to believe that CSR is unattainable, an impossible to achieve ideal of running a business, in other words, it is believed that even though ethics and corporate social responsibility are an extremely desirable approach, it is unfortunately unrealistic in business, for many reasons. This is invariably accompanied by a vision that can jokingly be described using the statement of an MBA student expressed at the beginning of a course conducted by the author: "Corporate social responsibility? Corporate morality? In business money is the religion, and whoever believes otherwise, will quickly change their mind. Business is not a sandbox. Moral brotherhood in business is the last thing I can believe, having learned a little bit about the market already".

The idealistic approach also usually has two forms. The first one can be found in the advisory literature on the subject, often published in the major business press and also presented at numerous conferences for "CSR practitioners", where CSR is presented as a panacea for risk management and building competitive advantage. This approach is sometimes uncritically transferred to the scientific literature on the subject. In its second form, idealism is expressed in the belief that notwithstanding the lack of clear evidence and the lack of knowledge, CSR is a necessary, socially and morally appropriate way of operating a business in a changing world, especially in the face of increasingly

serious civilisation challenges. Even if it does not lead to increased economic benefits for businesses, it most likely does not diminish these benefits in the long run. Therefore, according to such authors, every company should undertake CSR.

In our opinion, both the sceptical and the idealistic approach can, to a small extent, be applied to the analysis of a functioning business, at least when it comes to the largest, well-run businesses. We therefore believe that a pragmatic approach is needed where, without questioning the moral dimension, especially at the level of managerial motivation, the important application role of research on CSR is emphasised. Since in practice CSR is becoming an increasingly important dimension of the management of an enterprise, one of the tasks of science should be exploring the different ways in which CSR can be integrated into a business strategy in order to provide knowledge about what action can be taken to achieve the desired results.

Here we primarily use terminology that is characteristic of management theories and we talk about the fact that under conditions of generalised uncertainty, certain CSR decisions and dedicated resources allow for a better adjustment or adaptation to market, political and social conditions. This uncertainty also applies to many important, increasingly visible, changes in the business environment. That is why CSR decisions are very important in achieving strategic goals, although their effectiveness depends primarily on management skills. Since CSR can lead to the creation of economic and social value simultaneously, as well as to strengthening the organisational culture, it is worth looking for the best solutions in this regard. Obviously, this does not exclude inquiries asking questions about business ethics, which can bring refreshing ideas to the rapidly evolving debate on the need for a paradigm shift in the global economy, management theory and the financial markets.

The pragmatic stance, which is extremely important when we look at corporate social responsibility in the context of the second pillar, i.e. the conducted operations, is based on two additional beliefs. First, we assume that corporate social responsibility, just as business itself, is largely locally conditioned, linked to the social and cultural context of corporate functioning, and dependent on the expectations expressed by the various parties, and especially by business partners. An important part of such a pragmatic approach is, for example, to analyse a situation when tools are used that, despite the expenditure involved, do not contribute to significant social or business benefits. This is most often the case in those transnational companies where the CSR approach and specific activities developed in the headquarters are uncritically implemented in the

local market, while in other management areas the executives understand the need to adapt to the specifics of a given market.

Approaches developed in other markets, within a different context and at another time, do not necessarily have to be universal and at the same time work on a local level. From a theoretical point of view, as well as management practice, such a statement is trivial, yet among those who discuss implementing CSR in companies operating in a local market it is too often overlooked or disregarded. CSR is a phenomenon that, despite its global dimension, is closely linked to the role and position of business in a given society, to the development of institutions, to the shape of democracy and the market, to social capital, to historical determinants and to the present conditions of doing business.

Second, we believe that in science on CSR it is not possible – and even not necessary – to unequivocally and universally prove that "good deeds lead to better results" or that corporate social responsibility alone makes it possible to gain advantage over other competitors in a competitive market. The study of the dynamic and multi-layered economic reality in the context of responsibility is not subject to the simple principles of traditional economics or business ethics. Rather than going back to that eternal question regarding the unambiguous relationship between CSR and financial performance, more relevant for the development of management theory and practice is the search for interdependencies between specific business and social benefits resulting from the implementation of the right CSR tools under specific conditions.

4.2 ETHICAL CORPORATE CULTURE AND ITS INFLUENCE ON RESPONSIBILITY MANAGEMENT

Improving organisational culture is usually important in many companies, but when ethics is mentioned as the basis of this culture, doubts start to arise. Ethics in business is often seen as a threat. At the level of declarations many assurances can be heard, both from managers and lower-level executives, about the need to adhere to ethics, but when push comes to shove, current priorities usually dictate ethical thinking. The fear of voluntarily introducing the principles of ethics into corporate reality is essentially a fear of innovation. We like stability and we try to keep a status quo at all costs, while the world, the business conditions as well as management and economic science have already undergone radical changes.

Professional ethical management requires managerial knowledge about the organisation itself and about the external conditions, as well as a good selection of tools and indicators. Poor behaviours of people in organisations are not caused by the fact that people are inherently unethical, but by the fact that managers place too little importance on the improvement of the organisational culture. Unfortunately, we are most often dealing with the so-called dominant logic of the manager. Although it is not usually noticeable at official meetings or public conferences, but during coffee breaks, in the hallway, you can hear the same, boring melody over and over again. And it sounds somewhat like this: "Everybody knows that no one follows these beautiful principles written in the codes of ethics. In business it is impossible to follow the rules of ethics. Ethics is good for the naive only, because in business, in order to stay in the game you need to hustle, you need to fight for what is yours. Therefore, all methods are allowed. It is a fight for survival. They expect above-average results from us, so we have to achieve them somehow. Business and ethics do not have, and should not have, anything in common, because the goal of business is profit and the goal of ethics is to interfere with that."

It is clear that ethical organisational culture is difficult to discuss. This is mainly due to the fact that this is a very broad topic and involves discussing specific, sometimes sensitive, examples from the life of a company or even from the lives of specific people working in the company. Many of the difficulties encountered when discussing the principles of ethics also concern a certain subjectivity of moral judgments, especially in relation to all that is happening around. Ethics is a process of improvement, the same as any other management process. We can learn from our own mistakes and those of others. For that you need meetings, training, conferences, awards – a normal learning process. Employees need to be guided, they need to be instructed about what they should do in various situations and how they should do it – in a purely operational sense. In a bad company even the most ethical people will start to "stray" with time. In a good company, however, even the least ethically sensitive people become better or are at least under control.

The science of management increasingly emphasises the need to build the engagement of all employees by integrating around common goals and desirable key values, while leaving many decisions at the individual level. Such an ethical organisational culture takes into account the interdependencies between the company and its stakeholders in terms of creating economic, environmental as well as social values simultaneously. This is particularly important in large companies where employees do not have frequent contacts and communication channels are not always available to everyone.

A full implementation of an ethical programme requires consistent work and continuous collaboration with all employees in the form of long-term ethical education. The effectiveness of such a programme will be all the greater, the more attention we give in our daily functioning to promoting ethical behaviour, monitoring compliance with ethical norms and standards of conduct, and actively involving employees in undertaking educational initiatives. Ethical programmes can be beneficial to companies not because they reinforce a positive image but primarily because they create a new quality of organisational culture.

Very often breaches of ethics in organisations start with social consent for various minor malpractices. Such attitudes are hardly surprising, since most people working in the business sector are convinced that it is a "moral jungle" out there, with a constant struggle for life and death, and survival is about adapting. In Poland, studies show a relatively high level of social acceptance for inappropriate behaviour. The Polish Public Opinion Research Centre (CBOS) conducted a research study in May and June of 2016 on ethics of employees. The study was conducted among a representative random sample of adults living in Poland. They were asked about their attitude to different behaviours in the workplace. If we assume that consent to certain behaviours is both "I do not mind" and "I do not care" – and that assumption seems reasonable – it is evident that in Poland there is a serious problem with ethical principles at work.

39% of the respondents have no problem with using company equipment and materials for private purposes. 38% of the respondents think that there is nothing wrong with using the Internet during work hours for non-work related purposes. And the only consolation may be that only 4% of the respondents are fine with coming into work after drinking alcohol. As far as the actual behaviour of the respondents is concerned, a fairly significant group admitted to being dishonest towards their employer: 31% dealt with private matters during work hours and 27% used company materials for private purposes during work hours. To make matters worse, these are higher percentages than five years ago. Perhaps it is becoming easier to admit such misconduct, because the environment does not condemn it.

There is a need for a systematic cooperation between multiple stakeholders in order to create the possibility of ethical behaviour in business. When there is no ethical infrastructure in the business environment, the ethical behaviour of business leaders can at best be an act of moral heroism. Heroism is a beautiful thing, but it can hardly be expected that the board members of all companies will demonstrate such attitudes. Unfortunately, the business environment, the legal environment, the difficulties in business cooperation with public

administration – all these hinder the implementation of ethical standards. Most companies do not implement ethical programme management systems or ethical risk management systems – to use different terminology. There is a lack of tools for catching economic offenses and most frauds are detected by accident.

In order to effectively combat fraud certain warning lights must be "built in", which give the comfort of being able to avoid situations where fraud or a violation of ethics has already occurred. It is said that prevention is usually cheaper than treatment. You can also put it this way: if a company cannot afford to install warning lights, i.e. a compliance system, then you have to accept that you will have to extinguish fires, which is usually much more expensive. It is good to use standards (e.g. ISO 19600, ISO 37001), to look for the best practices in different areas of activity, and to pay attention to bad practices – to openly discuss them, not to mothball anything and to be open to change. But perhaps the most important thing is to have daily support from the management and to listen to what the employees have to say.

4.3 BUILDING SUSTAINABLE VALUE FOR STAKEHOLDERS IN PRACTICE

Violation of ethical principles will sooner or later attract public interest. It is therefore important not to turn away from the ethical dilemmas faced by the company. We usually talk about ethics in business when we analyse the extent to which universally accepted moral norms are respected in business behaviours. The starting point should be the leaders realising that there are two types of value systems in companies. On the one hand there is organisational ethics – the ethical infrastructure of a company, and on the other hand there is personal ethics – that is what people do with their lives when they run a business or work in a business. Experience shows that ethical behaviour at the individual level (managers or employees) is not sufficient for the ethical functioning of an enterprise. In short, even if we have morally pure people, some company actions may still be judged to be in conflict with the currently socially accepted ethical standards. However, personal morality of employees is a prerequisite for a company to act ethically.

Achieving a higher ethical level in a company requires a framework of ethical integrity, i.e. selecting the dominant ethics. Ideally, organisational ethics should be in line with the ethical principles recognised by the employees and management. Then the dissonance and pretentiousness of ethical codes is avoided. It is worth realising that ethical integrity is an effective tool for creating value for stakeholders. However, this happens only when the individual

moral values of all participants are reflected in all the processes of the organisation.

When we embark on the process of building ethical integrity within a company, we will encounter a variety of mental barriers. Two concepts of behavioural assessment can be mentioned here: the "bad apple" and the "bad barrel". Proponents of the first concept believe that people can be good or bad, but they are responsible for their own unethical behaviour and there is not much organisations can do to change this behaviour of individual people. An organisation should be able to identify the people that are behaving unethically (the "bad apples") and get rid of such employees or even better – not hire such people in the first place. Proponents of the second concept believe that it is the organisation that can have the biggest impact on the ethical choices of people and thus these choices depend primarily on the organisational culture. In a "bad" company even the most ethical people forget about their principles. Neither of these concepts fully reflect reality, which is why it is necessary to combine them.

It is commonly believed that ethics is a human characteristic, rather than one of organisations or institutions. That is why you can often hear: "There is no point in teaching adults about morality – why should a company have to deal with this?" "We are trying to do the best we can, but we operate in an irresponsible environment created by ineffective public institutions and an uneducated society." This, in the opinion of managers, prevents the implementation of ethical standards. These are very comfortable attitudes, but they pose a serious threat to businesses.

The often adopted maximalist approach to ethics leads to the belief that business is intrinsically immoral. If, in business, we achieve profits for ourselves at the expense of others, then we go against the basic moral principle that requires us to give to others without receiving anything in return. We can, however, propose a slightly more modest approach to ethics, derived from T. Kotarbiński and W. Gasparski (2007), who wrote about the "small ethics" of business, serving business professionalism without aspiring to the missionary vision of "converting business cannibals into economic vegetarianism". Here, the ethical integrity of the organisation becomes essential.

The relationship between individual ethics and organisational ethics can be viewed through the prism of four possible interactions between them (Tab. 4.1). In each of these four fields very different challenges arise.

	There is a corporate policy on ethical standards in a given area	The company does not have standards in a given area
The employees have a specified value system in a given area	A. Contradictory or consistent standards – fixing inconsistencies or using synergies	B. Individual dissonance: something that is important to the people is ignored by the company.
The employees do not have such a system in a given area	C. Corporate dissonance: something that is important to the company is not appreciated by the people.	D. Grey zone of amorality, i.e. we pretend that there is no problem until someone starts asking questions.

Table. 4.1. Ethical integrity framework in an organisation (own elaboration)

The first situation concerns areas in the company activities (field D) where ethical challenges have never occurred before, and workers and managers have not experienced any moral dilemmas. For example, in a company in the construction industry no one has ever dealt with the issue of child labour practices of suppliers. However, sooner or later customers may require the company to take a firm stand on the matter. Another example: In the United States, as a result of the recent debate on the rights of homosexual couples, business executives began talking about whether they were for or against gay marriages. Previously, they had never dealt with this issue, but the environment forced them to make a statement. Such fields should be identified well in advance.

The second option is that the company has specified values in a certain area, but its employees do not declare any beliefs about this matter (field C). Thus, no one is questioning what the company does, but there is no synergy between the aspirations of the employees and the goals of the company. Transnational companies often bring environmental values to the local market and take them very seriously. While the local management team does not deal with such issues at all. In such a situation the question arises as to how the company should influence its staff. When does the harmless transfer of values end and indoctrination begin? Each company should answer these questions individually.

Another possibility is that in a certain area the employees have a well-defined value system, but the company does not (field B). For example, employees have expectations regarding work-life balance, but for the management this is not an issue that is worth considering at all. If in such a situation there is no dialogue

between the parties and no agreement on common rules, then sooner or later the employees will become frustrated or even discouraged to continue working.

The last – most important – area of issues concerns those areas (field A) where both the company and the employees profess certain values. If these values are in line with each other the situation is perfect. Then we can talk about classical synergy, about full ethical integrity. Most cases that are described in world literature concerning values occur under such circumstances. If a company communicates to its employees – the majority of whom are parents – that its important goal is to improve the quality of family life, the employees will most certainly have a positive attitude. The problem arises when there are contradictory values in this field. An example could be a tobacco company where most managers are non-smokers. How can they increase the sales of products that they do not even want to use? Such a company must find a way to tackle this incompatibility. For example, it can assume that the main value in the company is not to provide harmful pleasure, but freedom of choice – this is a value that probably most of the managers will agree with.

The analysis of these areas overlaps with four points of the moral backbone of a company, which is the core of any organisation. Ethical integrity can thus be considered based on the following four points of the moral backbone of a company: the business model, the limits of responsibility, the approach to employees and the vision for the future.

The basis of the moral backbone is the business model. The business model is an indication of the company foundations, the way the business is run and the decisions that are being made on a daily basis in order to survive in the market. This point of the moral backbone is a form of giving meaning to one's own operations, a justification and at the same time a licence to operate. This allows a company to be credible to the stakeholders.

The second point of the moral backbone concerns the limits of responsibility. Nowadays much is said about the responsibility of companies in the supply chain. International standards are being developed that help companies monitor the activities of suppliers and subcontractors. In this area more and more questions arise about shared responsibility. Should the company, in the opinion of customers and other stakeholders, undertake responsibility and participate in the process of creating better working conditions among suppliers? Most companies are not able to clearly define the limits of their moral responsibility, they avoid questions about responsibility in the supply chain. Meanwhile, practice proves that consumer boycotts tend to start because of ethical violations in the supply chain.

The central element of the moral backbone concerns the heart of the company. Namely the employees and associates, interpersonal relationships. In order for the heart of the company to function well, it must be fuelled by a number of factors: the daily rules of behaviour, building proper relationships, ethical behaviour standards and patterns are important here. The question is, however, whether the desirable behaviour patterns are in conflict with behaviours that are imposed by e.g. sales targets? If we expect employees to fully inform customers about a product and at the same time we remunerate depending on sales, a difficult to solve dilemma occurs, because those sellers that fully inform about the possible risks – in line with the declared company values – will have lower sales and consequently a lower remuneration.

The entire backbone keeps the head in place, and the head must take care of the vision of the company's development, look for answers to future challenges, decide on the role that the company wants to play in its social environment. It is good to properly assess the current expectations of stakeholders that are relevant for the development of the company. Every company, at some point in its operation, is confronted with dilemmas that have an ethical dimension. These dilemmas – if not taken seriously – lead to a disintegration of the organisational culture, a moral dissonance among the staff and consequently a decrease in the value of the company. Organising the internal ethical infrastructure in a well thought-out way is much more important than hiring consultants to quickly prepare an ethical code for the company. The pretentiousness of many codes does not reinforce ethical integrity, but only increases the level of corporate hypocrisy. Building integrity involves a systematic search for consistency between the personal ethical standards of employees and organisational ethics. This is a long process, but it should be started in time and not when reality forces us to.

4.4 MATERIALITY MATRIX FOR STRATEGIC PRIORITIES

Corporate social responsibility is implemented primarily by larger enterprises once certain choices have already been made, such as the selection of a market domain. Therefore, the important question is primarily whether CSR can lead to the need to modify or even significantly change the business strategy. K. Obłój points out that every change in strategy must be linked to changes at the level of four essential processes: understanding and interpreting the business environment, setting goals, defining company boundaries, and building a

business model (Obłój 2010). In all these processes it is necessary to broaden the perspective, primarily to understand the market challenges related to the changing environment in the context of sustainable development, and to formulate or change the strategic objectives and the business model.

The CSR concept clearly defines this change: striving to optimise the value for all stakeholders. Companies that implement corporate social responsibility have various ways of formulating their business goals, but often they refer to – at least in the global market – creating stakeholder value or sustainable value, although sometimes only at the mission level. This sustainability is a big challenge in practice, but its basis is the principle formulated by C. Laszlo, among others: "sustainable value occurs only when a company delivers it to shareholders while not destroying value for other stakeholders" (Laszlo 2003).

From a stakeholder perspective, a company's activities cannot be seen only in terms of value creation for that company, but also in terms of sharing that value between various stakeholder groups and consequently achieving an adequate level of consistency. Creating sustainable value means accepting a commitment describing a specific vision of the desired future that the company strives for by merging the company's superior shareholder value with stakeholder value. In the management practice of socially responsible companies value optimisation is often based on Freeman's stakeholder strategy matrix (Freeman 1984), or on other similar tools, such as an assessment map of the company impact on stakeholders and shareholders (Laszlo 2003). Prioritisation is an important element influencing the formulated strategic objectives and it relies heavily on the various results achieved in the – previously discussed – process of involving stakeholders.

The degree to which stakeholder expectations are taken into account is a very important business issue, although it often comes down to identifying the strength of individual stakeholders and the potential threats to company activities – thus, it is considered in terms of risk management. The materiality matrix can be defined in a variety of ways, particularly when it comes to the actual practice of developing or modifying a strategy, rather than just some acceptable, usually simplified, form that can then be presented in a public CSR report (Figure 4.1).

For example, on the shareholder axis, instead of the traditional business case-based approach, i.e. the profitability for the company, measures are used that refer to the impact on sustainable development goals or the relevance of the economic, environmental and social, including long-term, impact of the company. On the axis of other stakeholders also certain changes are introduced, going from a typically reputational approach, when we determine the impact on

the assessment made by stakeholders, to an assessment of the importance attached to the objectives and the resulting future actions that can be undertaken by the stakeholders, and ending with the relevance of the actual challenges concerning various aspects of sustainable development. The materiality matrix for strategic priorities allows us to focus on the area (A) that is essential both for shareholders and stakeholders, e.g. primarily undertaking actions that concern the most important forms of company impact on the natural and social environment, while also responding to the greatest challenges of sustainable development.

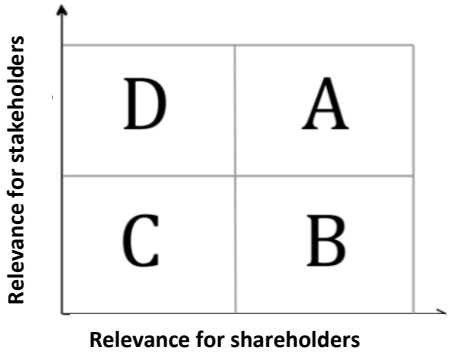

Figure 4.1. Materiality matrix for strategic priorities – shareholders/stakeholders

Source: own elaboration

Therefore, in companies where the conclusions gathered in the process of dialogue with stakeholders serve not only to assess the CSR strategy or the undertaken measures, but also to introduce possible changes in the business strategy, a properly used materiality matrix can actually be a useful tool. This process also contributes to strengthening the organisational learning process, and even if at a given stage, for whatever reason, not all challenges can be addressed, it is important to be aware of the relevance and to know the long-term approach. This is also an important factor in shaping the motivations of company leaders, resulting in a broadened perspective and a subsequent transformation of the organisational culture shaped by the leaders and recognising the importance of the company taking on social challenges.

If such a transformation process starts in a company, then changes in the innovative approach to undertaking new business ventures also become more likely. In addition, contrary to the often expressed belief about the need for

strong, centralised leadership or to strive for the unification of organisational culture, more and more decisions about new ventures and the way they are executed are made by individual managers. Studies show a great diversity among managers in terms of the perception of corporate social responsibility, the motivation to implement this responsibility, deciding on the relevance of the various trends in the environment, even within one company – even one that represents a unified view on CSR. This leads to the implementation of innovative projects, with some scepticism among other management representatives, and obviously provided that they have a positive impact on creating company value.

If the approach based on corporate social responsibility is not to remain solely at the level of high-sounding declarations, a clear, unambiguous and comprehensive specification is needed of the procedures and expected results, which will allow for a good planning and execution of the key projects for achieving the set objectives. A CSR approach is needed that allows for operationalization. The point is to move from a descriptive perspective, i.e. describing the various possible approaches implemented by business practitioners, towards an application perspective, i.e. determining what specific actions will be undertaken and what results will then be achievable. Determining the desired results as part of a holistic approach should be done by the management.

What is important is how the management actually perceives CSR and how priorities change depending on the degree of maturity of the comprehensive CSR strategy in the company, and also how precisely and clearly the priorities are formulated within the adopted strategy. The starting point is to develop a certain "organisational sensitivity" to social and environmental challenges and an openness to the expectations of different stakeholder groups. So it is about "perceiving social responsibility as an opportunity rather than as damage control or a PR campaign, which requires dramatically different thinking" (Porter, Kramer 2006). In this sense, creating a positive and constructive approach to CSR-driven management is a key challenge for businesses, especially for the largest ones.

4.5 A MODEL FOR CREATING BUSINESS AND SOCIAL VALUE

There are already examples of new business ventures that in a model way combined business and social values. This can be seen in the case of, for example, the construction of buildings that meet the requirements of "sustainable construction", creating conditions for improving the quality of life and the quality of the environment. When reconstructing this approach, several elements need to be focused on that are important in the process of creating business and social value simultaneously (Figure 4.2).

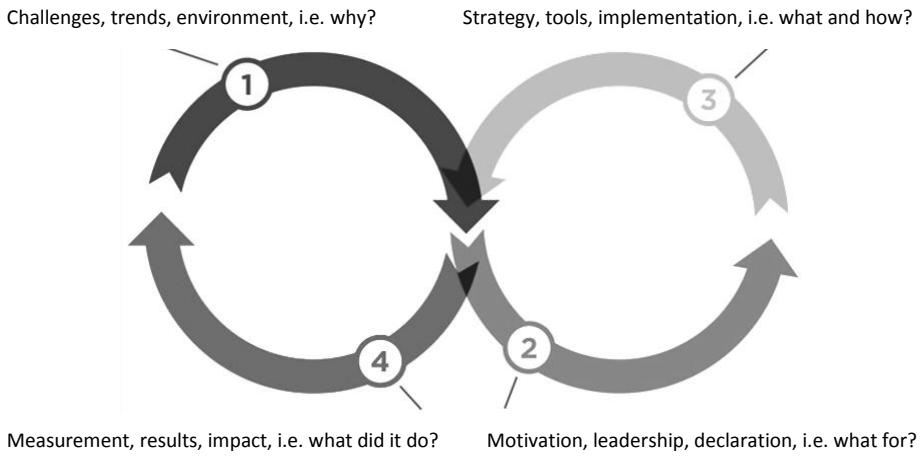

Figure 4.2. Model for creating business and social value

Source: own elaboration

The starting point is usually the identification of a significant social challenge, which in the perspective of further company development – if not taken on – could be a significant barrier to e.g. increasing sales in the future. We are not talking about purely market challenges here, but about those that concern broadly understood sustainable development, i.e. a desired state of equilibrium that ensures a socio-economic and environmental order, justice between generations and within generations. Such challenges are often the focus of attention of both the external and internal stakeholders of a company. They may be due to demographic trends (e.g. aging population, which may indicate the

need to adapt the manufactured products to the future expectations of the growing social group of seniors) or current events affecting possible changes in customer attitudes (e.g. criticism of aggressive marketing of financial products). While it is often claimed that CSR is a response to stakeholder expectations, what actually matters is to what extent the expectations "fit in" with trends, important topics and events. It is also important to what extent managers are able to predict probable future expectations, not yet expressed directly. That is why at this stage it is important to provide a clear answer to the following question: why is this challenge important to us?

The second element of the presented model is the decision-making process resulting from a certain type of perception and motivation. The "change agents" are often CSR managers, provided that their position within the organisational structure allows them to influence important business decisions, which in practice usually means that they are directly subordinated to the board or the chairman of the board. However, an additional factor is the ability to find the right allies within the company that have the same approach to CSR (buy-in).

This is also dependent on the market domain and the challenge itself that has been identified – some challenges are easier to recognise as very important both for society and for the company (e.g. e-education), others seem unrealistic (e.g. reducing global hunger). Decision-making can be influenced by how others perceive the alignment with the company strategy or code of values, the benefits of compliance with "soft regulations", the possibility for further developing an existing product or programme, profitability, moral and social norms, trends and political correctness, enhancing employee loyalty or achieving individual goals. One could say that this process of preparing or influencing decisions is of a typical business nature. At this stage, however, we need to find a satisfactory answer to the question: why do we at all take on this challenge and what do we want to achieve with it, i.e. why do we do it?

The third element is the answer to the question: what exactly do we do and how do we do it? Here it is important to develop a coherent business strategy, to define how to achieve the planned goals – so we are dealing with a typical approach, usually obvious for e.g. teams preparing a new product or service. This strategy can be linked to the strategy of corporate social responsibility – if the company has one – but this is not necessary if we were able to provide a clear answer to the two previous questions. The bottom line is to plan the necessary resources, implementation tools, and indicators for measuring the business results in relation to the expectations and the set goals. Thus, we are evaluating the effectiveness, i.e. the ratio of effort to results. It is from the point of view of effectiveness that innovative solutions such as partnerships with

NGOs or public organisations are taken into account at this stage to increase the chances of reaching the target group while minimising costs. At the same time, however, it is important to point out that such solutions typically require specific competences, as incompetently established partnerships can lead to many controversies that make it impossible to complete projects. As a result, in addition to effectiveness it is important at this stage to make a clear reference to the principles of ethics.

The last element of this model is measuring the impact, evaluating the effectiveness, i.e. finding the answer to the question: how do we know that this benefited the target social groups? Impact indicators should be specific and measurable, where possible, and not in the form of e.g. "overall increase in the quality of life of the inhabitants of the country". The impact can be indirect or direct, achieved in the short or long term, it may concern economic factors (e.g. the creation of high quality jobs in the region), environmental factors (e.g. a reduction of the total emissions of pollutants at city level), or social factors (e.g. increased availability of selected products for marginalised groups).

Impact measurement is a rapidly developing new reporting area, one that is very important for increasing social value or sustainable value. With these types of projects it is not just about business results – or at least no loss – but it is also about an attempt to assess the actual contribution to reducing a given social problem, e.g. whether the introduced innovative service for previously marginalised people has reduced the scale of exclusion in the target group. Achieving measurable success motivates to broaden the scope of activity, to modify important tools and also to maintain such projects in the long run. Thus, it allows for effective operationalization while gaining new allies among the management staff. Because nothing persuades managers better than effectiveness – also in terms of solving social problems using business methods.

If we were to transfer these considerations to a more general level and make a reference to the basic structure as presented by e.g. K. Obłója (2010), we would be dealing with a certain broadening of the strategic perspective (Figure 3). The management executives in companies that implement corporate social responsibility assume a broader perspective at the stage of interpretation and giving meaning to changes in the environment. Based on, among other things, the conclusions drawn from an analysis of the materiality matrix as well as a PESTLEE strategic analysis, which takes into account political, economic, social, technological, legal, environmental and ethical factors, they focus primarily on the most important social or civilisation challenges that may be relevant to the company's further development. The starting point in this process is to identify and propose business solutions to – or ways to at least contribute

to some extent to minimising – significant challenges in the environment, rather than just trying to understand trends that we have no influence on anyway. This makes it possible to create real value for shareholders and at the same time for other stakeholders.

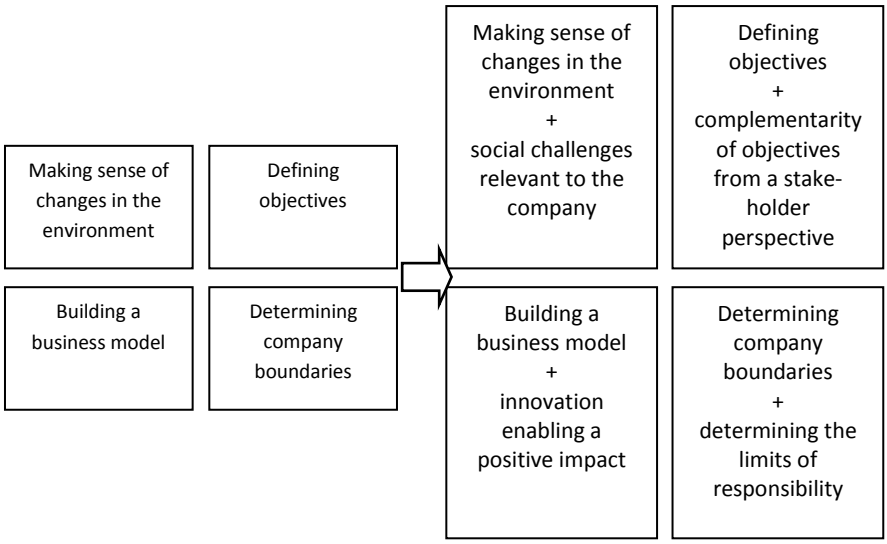

Figure 3. Building a strategy – broad approach

Source: own elaboration based on (Obłój 2010).

At the stage of leaders defining strategic goals and priorities in companies that include, e.g. in their mission, declarations regarding a positive contribution to the global project of sustainable development, broadening the perspective primarily involves determining the overriding goals and creating a set of complementary goals that allow for the sustainability or optimisation of value for all stakeholders. This, in turn, should be ensured by an adequate business model, enabling sustainability innovation, e.g. for the efficient, economic and ethical use of material and non-material resources. That is why not only the assessment indicators of the key financial results (KPIs – *key performance indicators*) are important here, but also indicators of economic, social and environmental impact (*key impact indicators*). And finally, in terms of defining the boundaries of a company, broadening the perspective involves answering the question about the limits of corporate responsibility, i.e. what we take responsibility for and what we do not. It is pointed out more and more often that

the boundaries of a company do not coincide with the limits of responsibility – an issue that we have already mentioned.

The ability to include CSR issues in management systems and the effectiveness of CSR strategies are also increasingly subject to independent evaluation, particularly in the case of global listed companies. While the multiplicity of the applied evaluation methodologies creates a lot of ambiguity here, we are still dealing with a completely new dimension where many different companies participate in a competitive game. The published rankings in a way encourage individual companies to implement CSR to an ever-greater degree. This is primarily linked to the rapid development of a new dimension of financial markets – especially in Europe – namely sustainable investment, also referred to as responsible investment.

Managing corporate social responsibility in a company, contributing to a continuous improvement of the achieved results in environmental, social and corporate governance (ESG) issues, significantly facilitates access to capital. Even though here we will not discuss issues related to responsible investment – in the Polish market this is just starting to develop – it is important to point out that access to capital is a key external factor that leads to various global listed companies implementing CSR in their management.

In practice it can hardly be expected that consciously implementing corporate social responsibility in a radical way, virtually overnight, will lead to a significant change in priorities and the allocation of basic resources at company level, or will cause a significant change in the company strategy, leading to a full merger of business and social goals. Over a decade of experience in implementing the principles of corporate social responsibility as an important management dimension in major companies shows that the changes are slow, perhaps even too slow for the huge market dynamics, especially since the beginning of the global recession.

However, broadening the perspective in the process of developing a business strategy contributes to a number of important changes, above all at the business model level, especially in the case of new ventures. A business model that incorporates CSR principles is a form of organisational innovation, provided that it truly provides value for shareholders and other stakeholders at the same time. From a strategic perspective this means that this type of innovation of the business model should lead to creating a competitive advantage through a higher value for the customer, contributing to sustainable development at both the level of the company and of society.

CHAPTER 5
POSITIVE SOCIAL IMPACT OF BUSINESS ACTIVITY AS THE THIRD PILLAR OF CSR (B.ROK)

5.1 CORPORATE SOCIAL INNOVATION

The third pillar involves innovation that allows for creating a dynamic balance in the process of protecting and developing a variety of resources that are needed in the future. It is emphasised here that companies play an important social role not only by contributing to economic growth but also by e.g. including people at risk of poverty in the value creation chain, innovative solutions that are replicable in other parts of the world, and working together to build and implement a comprehensive social development policy. This leads to the creation of business opportunities, enabling the implementation of new, innovative solutions that are economically justified and socially useful to various groups of stakeholders.

Thus, the third pillar is about the active and economically justified participation of a given company in solving the most important global problems. In this way, CSR becomes a method of generating social good for all stakeholders, rather than a method of generating bigger value for the company. In the context of this pillar the following terms are often used: social added value, transformation, radical social innovation, clusters of responsibility, business models of social inclusion, collaborative governance, cross-sectoral partnership. This type of approach is referred to as corporate social innovation, corporate citizenship, corporate political responsibility.

An important challenge is to better understand the role of social innovation in the economy and the extent to which it has a real impact on solving social problems. In order to measure the effects of social innovation it is therefore necessary to use both "product" indicators and those concerning changes in social relationships as a result of shaping attitudes and behaviours that build the foundations of a responsible civil society. It is not just about business results – or at least no loss – but it is also about an attempt to assess the actual contribution to reducing a given social problem, e.g. whether the introduced

innovative service for previously marginalised people has reduced the scale of exclusion in the target group. Achieving measurable success motivates to broaden the scope of activity, to modify important tools and also to maintain such projects in the long run. Thus, it allows for effective operationalization while gaining new allies among the management staff.

The impact assessment can be conducted at three levels: within the sphere of direct influence exerted through own activities, and subsequently – indirectly, i.e. an impact assessment based on the relationships with partners, both contractors and non-profit organisations, as well as – based on the ability to exert pressure (use leverage) on other actors in terms of their impact. At each of these levels we can be dealing with an increase in the positive impact while minimising the negative impact at the same time.

Climate change and shrinking natural resources, the pressure to constantly lower production costs, often leading to social discontent and the resulting higher expectations arising from supply chain management – all affect not only the changing conditions in which each company operates, but also changes in economic and social policy, as well as e.g. entrepreneurial attitudes among young people, or the prospects for development of individual regions.

We live in an increasingly difficult world in which various "crises" occur simultaneously – climate, demographic, social, financial, environmental, etc. Taking on challenges as part of social innovation is supposed to, on the one hand, strengthen companies, their value and competitiveness in the global market, and on the other hand, contribute to ensuring social cohesion, improving the quality of life for all citizens by enabling effective interaction and cooperation between various groups of stakeholders. In order to achieve this, it is first and foremost necessary to be aware of and understand the daily social challenges.

Responsible management requires an accurate diagnosis conducted by senior managers regarding the organisation itself and its environment. Comparing knowledge from different areas of management, i.e. creating relational knowledge, must be accompanied by situational knowledge, which is based on picking up the various signs of coming changes, especially those appearing in the business environment. The uncertainty and unpredictability of changes in the technological, economic or political environment cause an increased emphasis on flexibility and the ability to respond quickly to social expectations. It can be assumed that in the long run social values and expectations will have a much greater impact than e.g. technological changes on the process of building strategies and management systems that are increasingly more in line with social priorities and values.

Many loud discussions that were still going on only recently among economists, management theorists and managers about the purpose of the existence of companies and responsibility for the negative social consequences of business activities are now becoming a thing of the past. For management executives, an analysis of development opportunities in the context of social innovation is often an important supplement to carrying out strategic analyses that are meticulously tailored to a specific company. Such an analysis deals with, for example, the socio-cultural dimension of development and the degree of dissemination of knowledge about the changing role of business in society.

This type of knowledge leads to – as pointed out by R.M. Kanter (2010), among others, when introducing the concept of "corporate social innovation" – real, rather than just marginal, social changes and at the same time the development of expectations. The approach of this author contributed to the emergence of an important trend in management literature as well as in the economic practice, consisting in treating social challenges as "knowledge-creation laboratories". Such an approach makes it possible to create social value through innovative business solutions that simultaneously build value for the company by creating, for example, new markets.

In management science, already since Schumpeter, and then Drucker, the role of innovation is emphasised as a driver of competitive advantage and company value. However, only when the focus went to open innovation models, which enabled collaboration with the environment at various stages of innovation, a new field of research began to emerge – on the border between economics, management theory, marketing, psychology, sociology, the science of ethics and business responsibility – concerning user-driven innovation for sustainability.

The type of innovation that we are dealing with here makes it possible to work with the environment, thereby transforming passive stakeholders into active citizens who take on the challenge of sustainable development. However, stakeholder involvement will only make sense once the areas where they have a real impact are clearly defined. That is why nowadays companies "fight" critical stakeholders (e.g. boycotting customers) much less than a few years ago, because if a company does not get along with someone, it will just have to let it go. Instead, much more attention is devoted to the ones that can actually mean something for the company. And then this stakeholder wisdom, used in various processes, can lead to innovative solutions.

It has long been evident to business practitioners that customers are not just users of new products – some companies already have customer engagement departments for some years now. Those companies that were able to use the

knowledge coming from their customers in practice were much more effective in introducing innovative – joint – solutions to the market. Hence the already in the 1980s introduced concept of prosumers, i.e. engaged consumers and users as co-producers in the process of creating value chains of companies. The current development of tools like crowdsourcing, co-creation design, network governance, sustainable manufacturing, etc. has contributed to the launch of a new wave of innovation – aimed at changing the quality and style of life as well as production and consumption patterns towards the realisation of the sustainable development vision. Nowadays more and more consumers' needs – especially in the most developed markets – involve environmental protection and responsibility for the next generations.

We already know that demand innovation is not only about new products and services, but also about the business model and how the whole company operates, and there are many ways in which users can be involved. Nowadays there is a process of transforming passive consumers into sustainable entrepreneurs, sometimes referred to as "communities becoming companies". These people do not wait for politicians or non-governmental organisations to solve social and environmental problems. They want to be active and they realise that business can be part of such a solution – this applies to both small local businesses and large companies operating on an ever increasing scale. Discussions on innovation increasingly take into account also the role of social innovation, which has been overlooked until recently, especially in Polish literature on the subject. In the latest NBP (central bank of Poland) report presenting the innovative potential of the Polish economy (NBP 2016), it is stated that "innovation, although linked primarily to the commercial activity of the private sector, can also, through social innovation, increase the effectiveness of the public sector and help solve problems such as social exclusion and unemployment".

That is why, when writing about the various forms of supporting innovation in Poland, the authors of this report state that: "the goal of innovation policy does not need to be only to promote economic growth achieved by introducing new products, services and processes in the market or in private or public organisations; it can also involve increasing the capacity of companies and entities to learn and striving to achieve other social effects". However, it should be added here that the cited report does not discuss these "social effects" any further, narrowing this issue down to emphasising the obvious impact of the level of social trust on the development of innovation.

The dominant approach to innovation continues to focus on the development and implementation of technological innovation, on elements of managing the

change process and on the possibility to align the capabilities of a company with market expectations. Social challenges and the impact of innovation on improving the quality of jobs are not usually analysed in this context. And yet an increase in the level of innovation is a key challenge not only in terms of the competitiveness of the economy, but also in terms of addressing the major challenges facing society, including the creation and maintenance of valuable jobs.

5.2 TECHNOLOGICAL VS. SOCIAL INNOVATION IN BUSINESS

The subject of social innovation is still treated almost exclusively in terms of tasks for the public sector – perhaps as another name for social entrepreneurship – and is not being associated with the activities of commercial enterprises. However, it is in the context of business activities that we are dealing with various forms of social innovation – including corporate partnerships with non-governmental organisations or social innovation in the workplace.

In the literature on the subject attention is paid primarily to the most frequently identified barriers to introducing such innovation, including: a too narrow and anachronistic understanding of innovation as a technological phenomenon, manifesting itself at various levels of innovation policy; a conservative and formal nature of the criteria for granting public aid; unfavourable cultural patterns, including a low willingness among investors to accept risks, excessive belief in the free market and competition as the sole source of innovation, or the lack of a culture of cooperation (Struminska-Kutra et al. 2017).

The mentioned factors are reflected in the low innovativeness of Polish enterprises. The percentage of innovative companies in terms of non-technological innovation (marketing, organisational) amounts to 15.5%, which puts Poland at the penultimate position in Europe. However, research shows that while the low level of innovativeness is accompanied by low labour productivity, and workers in Poland work the longest hours – spending 39.9 hours per week at work, which places Poland in first place in the EU – this does not interfere with the relatively high job satisfaction (Eurostat 2015).

One of the most important factors motivating people to work and be active in the workplace is the kind of job satisfaction that comes from meeting the need for growth and advancement. This has to do with the employer appreciating the employees, because development leads to gaining new competencies, and that translates into promotion and consequently into a better salary. An appreciated

employee builds a better bond with the workplace, treats his or her job as a personal challenge and therefore becomes more involved in it. In turn, a higher level of engagement triggers innovation and at the same time allows for autonomy – such an employee does not have to be "programmed" or supervised by superiors. However, in the workplace we can observe a primacy of affiliation needs over self-realisation, the need for achievement, or compliance with universal norms and values. As a result, we are dealing with collectivism, manifesting itself in the form of emotional bonds of family-friendly solidarity, while accepting an autocratic style of leadership. This strengthens the "folwark" legacy consisting in passivity and avoiding intellectual engagement in work. That is why the Polish cultural context is an important factor hindering the development of social innovation.

The dominant corporate culture is largely elitist, i.e. where almost exclusively senior management is involved, while the employees simply do their job – good or bad – without really knowing why they are doing it and what the real consequences of it are. The key to engaging employees in the innovation process, which is essential for the growth of every business and for enhancing the quality of life in the workplace, is to increase knowledge among employees, to improve internal communication and to introduce practices that enable a real and substantive dialogue. One of the important topics of such a dialogue could be establishing a business strategy between the company directors, the management and the employees at all levels, as a result of which a wide circle of employees will understand the strategy. This can be just the beginning of involving employees in the process of co-design, co-decision and collaboration – i.e. consciously creating the foundations for a participatory organisational culture that enables social innovation in the workplace. However, this requires consciously taking on the challenge of dealing with the autocratic and elitist management culture that is dominant in companies.

Social innovation in the workplace is just one of the important areas of corporate social innovation. The aim of social innovation is to improve the quality of life of society as a whole, and not just its narrow groups. This shows that the discussion on social innovation is also a discussion on the role of business and other organisations in social development. Social innovation is a type of innovation that is social in nature, both in its ends and in its means. Implementing innovation that involves stakeholders as a response to specific social problems and needs can contribute to improving the quality of social capital, to enhancing confidence in institutions, including business, by strengthening the values associated with cooperation and the realisation of the common good.

It is worth emphasising that social innovation in business can be radical, leading to a change in the type of created value, requiring a completely new approach to competitive advantage. For many companies, involving employees not only in consulting the innovation implemented at work, but above all in the actual process of creating innovative solutions, is becoming an important form of building a competitive advantage in the market. Social innovation is – generally speaking – the development and implementation of new products or services in order to meet important social needs, create new social relationships, build and strengthen cooperation opportunities.

There are at least three ways of understanding the notion of "social" in terms of innovation. The first one focuses on a social problem that is a challenge to a given community and triggers innovative solutions. The second one refers directly to the type of innovation – using the notion of "social" here refers to "non-technological" innovation. And the third one refers to the social, i.e. participatory nature of the process during which the innovation is born. Each of these approaches provides an important perspective on social innovation. Considering these three perspectives simultaneously makes it possible to conclude that not only the content of innovation (e.g. changes in work organisation), or the problem solved (either local or global, e.g. from the set of 17 United Nations Sustainable Development Goals) are important, but also the way in which innovation is introduced, enabling joint design and implementation of solutions.

Social innovation can have an impact on the effectiveness of a company's operations and development, as well as on changes in the social environment. It can be assumed that in the long run a full engagement and participation of employees and other stakeholders in innovation processes will have a major impact, similar to e.g. technological change itself, on the process of improving management systems that are increasingly better aligned with social priorities. In this process it is important, however, to analyse the various possibilities of measuring the effectiveness of social innovation.

5.3 SOCIAL IMPACT ASSESSMENT AND THE UN SUSTAINABLE DEVELOPMENT GOALS

When analysing the matter of measuring the effects of social innovation it is worth referring to the literature on social impact indicators, which is based on the achievements of corporate social responsibility. Already at the beginning of development of this research area, a definition of CSR was created, namely "including the concern for the impact of all of the corporation's activities on the total welfare of society" (Bowman 1973). A very similar definition was adopted nearly forty years later by the European Commission, and by the authors of the already discussed ISO 26000 standard, which is a set of guidelines for undertaking social responsibility in management.

Above all, however, it provided an impulse for the creation of numerous scientific papers in which the authors presented the possibilities of combining social value with financial value, and especially for conducting empirical studies on these dependencies among different groups of companies. Social goals were no more – at least in the main stream of research – set against economic goals, but a search began for possibilities of building what was later called sustainable value or shared value.

From a broader perspective, it can be said that social innovation requires new relationships between business, society and development, so to create innovative changes leading to growth the participation of both society and business is needed. It is often assumed that social innovation has three distinctive features (Phills et al. 2008). First, it is a type of innovation that addresses the basic social needs and expectations of marginalised groups. This means that the areas in which the market is deemed to be failing are of interest. The second feature concerns the way of operating and the achieved goals, and it is often emphasised in various papers and reports of the European Commission – it is said that this innovation is social both in its ends and in its means. So we are dealing with new products and services that not only address social needs, but also use existing social relationships to more effectively meet these needs. The third feature is systemness, referring to the participation of all three sectors based on cooperation and the reconciliation of conflicting interests as a way to build sustainable value. That is why, first and foremost, it is necessary to analyse what building social value actually means.

In economic policy, innovation is now perhaps the most frequently used term – and not just in Poland. While the social challenges and social consequences of

innovation are not usually explored in this context, it is worth emphasising that social innovation in business is often radical, leading to a change in the type of created value and requiring a completely new approach to competitive advantage. For many companies, involving users or customers, not only in consulting the innovative solutions, but above all in the actual process of creating responsible products or services (e.g. through the various forms of user-driven innovation), has become an important form of building a competitive advantage in the market. And although descriptions of such cases can already be found in the literature on the subject, the theoretical reflection is still rather poor.

Many important questions regarding corporate social innovation we are not yet able to provide an answer to. It is not at all clear what determines success in the process of implementing social innovation – is the "push" role of innovators more important, or the "pull" role of society, the market, public administration? We do not know whether the level of corporate social innovation is most influenced by support of public administration, the use of EU grants or perhaps private funding, effective leadership in companies and partnerships, the level of knowledge, or negotiation skills. What management tools are necessary to create socially innovative business models that allow for the implementation of economically justified and socially – as well as environmentally – useful solutions for various stakeholders, providing real solutions to major social problems such as social exclusion? Is it merely wishful thinking to believe that hybrid partnership structures organised around a specific social challenge can lead in the not too distant future to a radical reduction of, for example, the scale of poverty in the world, solving the most important social problems that are relevant to the sustainable development vision?

An increase in the level of social innovation is not only a key challenge in terms of the competitiveness of the economy, but also in terms of addressing the major challenges facing society. Many UN reports prove that poverty cannot be overcome without the decisive action of all market participants towards building an economy that takes into account the needs of people excluded from the market, i.e. an inclusive, socially integrating economy. A reality in which most people live in conditions of extreme poverty, hunger and social inequality is unacceptable. That is why development ethics is becoming increasingly important in recent years, examining the practical challenges of expected and morally justified strategies of social integration, as well as the ethical dilemmas of tackling poverty, particularly in the context of the role of business (Goulet 1995). Within the framework of these strategies, the business sector plays an important role, not only by contributing to economic growth but also by including people at risk of poverty in the value creation chain, the dissemination

of knowledge and skills, innovative solutions that are replicable in other parts of the world, and working together to build a comprehensive social development policy.

Corporate social responsibility is thus undergoing a radical transformation. Over the last few years, CSR as well as innovation have been discussed extensively. As a result, innovation is now probably the most commonly used term in corporate strategy documents. However, we must acknowledge the fact that innovation requires reinterpretation, and so does corporate social responsibility. An attempt at such a reinterpretation of CSR is the approach based on corporate social innovation (CSI). An increase in the level of innovation can therefore be a key challenge not only in terms of the competitiveness of the economy, but also in terms of addressing social challenges.

There are many possible ways of formulating these key challenges that need to be dealt with if we are to not only survive on this planet, but also improve the quality of life for all. One of the most widespread documents in the past year is the set of 17 United Nations Sustainable Development Goals, along with detailed tasks and performance indicators assigned to them. These challenges concerning a sustainable future for the world have already been addressed in previous United Nations Millennium Development Goals, or in reports from the Club of Rome from the 1970s as well as in documents of other non-governmental organisations. The foundation of these documents is a concept that has been defined in the environmental circles as the "economy of moderation", in the circles of social activists as the "inclusive economy", and in scientific circles as "value economics" or "sustainable development economics".

As a result, a growing number of companies are undertaking long-term tasks that may, in the not too distant future, lead to a dramatic reduction of poverty in the world, solving the major social issues that are important for the sustainable development vision. On the one hand, this leads to business opportunities, it increases knowledge of the market and its participants, allowing new innovative solutions that are economically justified and socially as well as environmentally beneficial for various stakeholders. On the other hand, it leads to the inclusion of the poor on the demand side as customers and consumers, and on the supply side as employees and producers at various stages of the value chain. In this way bridges are built between companies and people that are marginalised by the market – providing mutual benefits.

The traditional approach to CSR is thus becoming a thing of the past, as it is becoming increasingly obvious that the role of business in social development goes far beyond achieving the greatest possible returns for financial capital owners. More specifically, the kind of CSR that enabled companies to make

certain small social commitments in any selected areas that were important mainly from the point of view of the company, is becoming obsolete. It is no secret that corporate social responsibility in this traditional sense was rather understood as a necessity of giving up profits in order to solve social problems.

It is very likely that, with the dissemination of the UN Sustainable Development Goals, this approach will change. And it will change in a cascading way, as the biggest corporations have already officially committed and now their new requirements will be flowing down the value chain, to branches, affiliates, subsidiaries and local suppliers. Managers in various companies will primarily look for specific solutions, so that their business activities will directly contribute to e.g. fighting social inequalities and poverty, or combating climate change, reducing the waste of resources and promoting responsible consumption.

5.4 THE ROLE OF BUSINESS IN SOLVING GLOBAL SOCIAL AND ENVIRONMENTAL PROBLEMS

In recent years, three trends in business conceptualisation have started to intertwine, which before were more or less independent, namely: business models at the base of the pyramid (BoP), corporate social responsibility and social entrepreneurship – and have influenced the development of corporate social innovation to a greater or lesser extent. This is primarily due to the fact that the dominant factor in the perception of reality is becoming interdependence. The challenges of social development are complex and involve system changes. A new social contract is needed to solve increasingly aggravated problems in harmony with the principles of sustainable development.

Traditionally, the role of business in solving social problems was perceived primarily as charitable. Companies, as well as their owners, especially in areas suffering from extreme poverty, gave a certain proportion of their profits away to social causes, usually doing so for moral reasons and referring to such activities as corporate social responsibility. Even C.K. Prahalad and S.L. Hart pointed out in their ground-breaking work that their approach to the base of the pyramid (BoP) is a purely business proposition (Prahalad & Hart 2002).

This approach has evolved considerably over the years and today BoP models for business are based on the belief that there are financially justified strategies for businesses that generate economic and social benefits at the same time. These are mutually beneficial strategies that allow for the supply of products and services needed to improve the quality of life, as well as using the services of people on the verge of poverty as manufacturers, suppliers or employees. The theoretical trend in management, called the BoP market theory, together with the growing number of implemented best practices in this area, called next practices, makes it clear that there are ways of solving poverty problems based on a modern, commercial approach.

The second trend in business conceptualisation that contributes to the development of corporate social innovation arises from the concept of corporate social responsibility. There are many different ways in which the largest companies formulate strategies for corporate social responsibility and sustainable development. M. Hopkins points out that three approaches can be distinguished here: charitable donations, partnership projects for local communities that strengthen the reputation of the company, and innovative solutions for addressing major social problems (Hopkins 2007).

Underlying the various strategies in this field there is the belief that poverty is a threat to business development, and business benefits can also be achieved through cooperation with those who are at risk of poverty. That is why in so many companies the priorities are shifting towards social development. This new dimension of corporate social responsibility is about achieving sustainable development goals as part of the core business activity and is clearly different from the usually defensive image-building strategy through CSR, seen as an activity not directly linked to the overall functioning in the market.

The third trend concerns development and transformations within the framework of social entrepreneurship. At first, non-governmental organisations mostly benefited from subsidies from public and commercial entities that enabled them to fulfil their social mission. This often led to dependence on subsidies and hindered the long-term development of many valuable social initiatives. In recent years, there is a clearly visible maturation process occurring among the most significant social enterprises. They undertake projects that – usually after an initial stage of external financing – achieve financial stability, enabling the inclusion of marginalised people, for example. Social enterprises are increasingly referred to as businesses that combine the fulfilment of a social mission with the principles of commercial business activity, providing access to the necessary services and products for the groups at the base of the pyramid. In this way, they have a positive impact on the social

environment while improving their business efficiency and quality of the offered products and services.

These three trends, i.e. business models at the base of the pyramid, corporate social responsibility and social entrepreneurship, combine to provide some kind of synergy in the approach to addressing major civilisation challenges. Corporate social innovation is sometimes also referred to as building a socially inclusive economy, not-only-for-profit organisations, or the "fourth sector". We are dealing with building modern organisations that cannot be uniquely assigned to the traditionally understood profit-driven business sector, or to the sector of non-governmental organisations that are traditionally perceived as solely fulfilling social missions, and also not to the sector of public administration, which is supposed to provide the basis for social security.

Typically, the structure of such economic ventures is hybrid in nature, since it is difficult to clearly separate the commercial activity from the social one. Often these ventures are inspired by social entrepreneurs, but also by people working for large companies. They include corporate employees who make significant changes by implementing entrepreneurial solutions to the major social challenges (social intrapreneurs), and there are also owners of smaller companies who implement innovative solutions using a variety of resources to create sustainable economic and social value at the same time (sustainopreneurs).

Some focus their efforts on improving the environment or radically reducing the environmental burden or ecological footprint (ecopreneurs). Others primarily deal with creating conditions for development at the base of the pyramid for the 4 billion people living in poverty (BoP-entrepreneurs). Some believe that the measure of success is the influence exerted on society, while others believe that the earned profit is the measure of success, or the development of the company, improved management or being a good citizen. However, regardless of whether they call themselves for-benefit entrepreneurs, for-profit entrepreneurs, social innovators, change agents, or not-only-for-profit entrepreneurs, they all deal with social problems in an economically justified way.

So we are dealing with the emergence of a new quality in the market – socially innovative entrepreneurship, seeking ethically and economically justified, cost-effective ways to meet the various social needs, regardless of whether the enterprise is registered as a for-profit or not-for-profit organisation. Such innovative ventures often place themselves between two worlds, perceived by us as separate – the world of profit and the world of social good – and they combine these worlds within one organisational structure. Socially responsible and innovative entrepreneurs do not always strive to maximise profit, but often

they do generate decent profits, creating economic and social value at the same time. They overcome the duality of "economics or ethics", they create a holistic vision of "economics and ethics", adopting a new perspective on the role of business in society.

Thus, the key issue now is the role of business in society in the near future. Being aware of one's moral duties is an essential trait that will soon determine the possibility of businesses taking on social challenges. The foundation here is the ability to solve the accumulating social, economic and environmental challenges.

5.5 PROSPECTS FOR THE DEVELOPMENT OF CORPORATE SOCIAL RESPONSIBILITY

In many countries, the beginning of a significant change in the entrepreneurial market can be clearly seen, a change that is generational, technological, but also in consciousness. There is a growing group of founders of innovative companies that implement business models generating economic and social benefits at the same time. The user and consumer awareness of sustainable development challenges is also growing rapidly. It is worth using this potential in order to meet the growing demand for innovative products and services, while creating conditions for the development of new, valuable jobs. This requires system support from business leaders – primarily competence support in the early stages of development of responsible business undertakings.

Responsibility in business is a concept that still sounds scary to some, and fake to others. Those who find it scary understand this concept as the need to give up profits in order to solve social problems, while those who think it is fake understand it as a practically impossible to fulfil moral obligation of business. And both lack the courage to do what they should and forget that they have the strength to change the world for the better. This can be done by, for example, various forms of support for innovative undertakings by the largest market players. For some time now already companies are being founded – usually by young people – that do not operate like traditional businesses.

Often these are global companies from the very start, providing spatially unlimited access by using powerful applications that directly connect people interested in buying or renting practically everything – based on the P2P (peer-to-peer) model. Some of these companies are growing fast, building market

value and revenue, others remain at an early start-up level, or go out of business after several months of trying – only to re-establish themselves in a different configuration, often within the same community. Underlying these models are ideas taken from many "trendy" concepts of recent years, such as the concept of an inclusive economy, the circular economy, new social entrepreneurship, or the collaborative economy/sharing economy. Especially this last trend is a rapidly growing phenomenon in the market that leads to a radical transformation of how we produce, use, finance and learn.

These models focus on open innovation, enabling collaboration with the environment at various stages of product and service development, for example with engaged users as co-creators of values. Those who are able to use the knowledge coming from their customers in practice are much more effective in introducing their solutions to the market. The development of such tools contributes to the initiation of entrepreneurship that is focused on changes in the quality and style of life, in production and consumption patterns, towards the realisation of the sustainable development vision.

The starting point for finding solutions is to acknowledge the physical finitude of the earth's ecosystem, in terms of both non-renewable resources and renewable resources. We need to pay attention to the limits of renewability, the limited capacity of the environment and the need to preserve specific ecosystem services. To put it simply – we have to counteract wasting, which translates into a search for an optimal level of resource consumption, both in the production and consumption process.

Many specific solutions have been discussed in the past, but despite their great potential, they did not lead to a significant breakthrough. These approaches, developed since the late 1970s, have found their niche only in recent years. Many famous scientific concepts are used here, such as: the cradle-to-cradle concept, the industrial economy, the collaborative economy, upcycling design, resource efficiency strategies, the vision of a recycling society, the principles of sustainable production and consumption.

A combination of these scientific concepts with the practical approach, which is based on corporate social innovation, leads us towards a circular economy. This is primarily a modern concept of value creation through the rational use of resources – applicable at enterprise level, or at the level of innovative cluster of companies, multisectoral partnership, city, region, state, the entire planet. This allows to minimise the negative impact of the manufactured products on the environment through such changes at all stages of the product life cycle that will make it possible to reuse materials.

This is the type of economy that allows for the longest possible preservation of added value of products and the elimination of waste. What was previously treated as waste now remains within the economy, as the system makes it possible to re-use materials, even multiple times, in a productive way and thus creating a new value. This is made possible by reducing the level of raw material use, by a better use of existing resources and reducing waste production by, for example, resource recovery and reuse, product life extension, the implementation of solutions from the concept of the collaborative economy and sharing economy.

Many analysts point out that a major challenge for business leaders in the medium term are the typical problems of our time, such as the fight against poverty and the fight against climate change resulting from the increase of carbon dioxide emissions. They are interrelated, because they primarily concern access to resources. It is therefore important to create a viable alternative to the current economy, the further development of which may lead to a dangerous situation for all. Addressing these key challenges is supposed to strengthen businesses, increase their value in the marketplace, and at the same time, contribute to improving the quality of life for all citizens by providing constant access to essential products and services.

The circular economy is a current priority of the European Commission's economic policy, which aims to foster social innovation and the competitiveness of the European economy, providing the opportunity to create valuable jobs while at the same time preserving valuable natural resources. The documents published by the European Commission stress that the economy can no longer be guided by the principle: "take, make, use, waste ". We should be using natural resources more wisely and in a more sustainable manner by increasing the efficiency of their use and reducing dependence on non-renewable raw materials.

This shift towards a more sustainable model of "closing the loop" is not fully understood yet. It is emphasised that convincing society and business leaders of the benefits resulting from the limitations imposed by sustainable development is not an easy path, but it is a necessary one. It seems that moving away from the linear economy towards a circular economy is one of the key elements of this path, in addition to building a low-carbon economy, creating sustainable consumption, protecting biodiversity, and creating spatial order.

This is, of course, not a challenge only for business, as it is largely about creating a market for a new, cooperative, low-carbon circular economy, about initiating a transition towards a sustainable economy and a sustainable lifestyle. The solutions apply to products, services, processes, but a significant part of

them starts with structural innovation, typically requiring new business models that reduce financial risk and increase the chances of achieving significant goals. Synergy at the level of values and resources gives better social, environmental and economic results.

We are probably on the verge of a "new enlightenment", which can lead to many changes in the economy, in public policies or in education, and consequently also in the way of life. It is clear that solutions based on the circular economy will minimise the negative environmental impact of manufactured products. These changes make it possible to create more value at all stages of the product life cycle by recycling materials. It is no surprise that the popular expression refers to giving a second, "more interesting" life to used products. The circular economy is based on new solutions that finally make social responsibility and social innovation an integral part of business.

CHAPTER 6
CONCLUSION (B.ROK)

6.1 THE BENEFITS OF CORPORATE RESPONSIBILITY

It is often emphasised that the effectiveness of CSR depends primarily on the attitude of the managers responsible for the respective management areas. In many companies, regardless of the CSR manager's beliefs, corporate social responsibility is perceived by managers in a very diversified way, e.g. as a public relations tool, as a way to build relationships with key stakeholders, as a way of strengthening the reputation, or as a tool to increase operational effectiveness. In addition, often in a single enterprise individual managers have completely opposing views on the role of CSR, which can lead to a smaller scale of positive effects.

As part of a comprehensive study, which included in-depth interviews with 10 managers in one of the major industrial corporations, the variety of CSR perceptions within the company was discussed. It was noted that the majority of managers believe that CSR has a positive impact on sales results and creating new market opportunities. There were not many managers that believed that CSR reduces business risk or costs (Pedersen, Neergaard, 2009). Obviously, this type of research cannot be generalised, but it does suggest that the consistency of beliefs within a company, resulting from well-conducted internal training, affects actual business outcomes. However, it should be added here that the diversity of CSR perceptions can also be a natural consequence of the multi-layered nature of the concept of corporate social responsibility itself.

Another study, conducted among a group of 12 selected European corporations from several sectors, showed that corporate social responsibility was perceived as a tool for risk reduction (mostly in terms of reputation) primarily in less advanced companies (Hockerts 2008). As the level of advancement increased, this component of competitive advantage became less important. In contrast, a much greater importance was attached to gaining new markets through CSR, as well as to building new brand attributes associated with corporate social responsibility. Managers in companies with the highest quality of CSR were able to give a lot more specific reasons why CSR is significant to their

competitive advantage compared to those in the other groups. It can therefore be concluded that, regardless of the empirical research on the real link between CSR and competitiveness, it is easier for companies that are consistently seeking to improve their corporate social responsibility to point to such a link on many levels, than it is for those companies that approach CSR with great caution, treating it primarily as risk management.

Research aimed at finding the link between financial results (CFP – Corporate Financial Performance) and the effects of corporate social responsibility (CSP – Corporate Social Performance) began much earlier, as early as in the 1970s. The biggest challenge then was measuring corporate social responsibility. The multidimensional nature and the vast variety of social outcomes soon led to the situation where a company could have very good social results in one area (e.g. emissions reduction) and at the same time negative results in another area (e.g. employee mobbing). Initially, a variety of indicators were used, such as the scale of social engagement or environmental investments.

Only in the last 15 years aggregate measures began to be sought, based on e.g. published corporate social responsibility rankings or a detailed analysis of CSR reports published by companies. Studying the relationship between CSR quality and financial performance became similar to looking for the impact of the way of managing other areas, such as HR or R&D, on financial performance. As stated by the authors of a review article on this trend, considered to be the most comprehensive one: "One hundred and sixty seven studies, investigating 192 CSP-CFP effects, have been conducted between 1972 and 2007, each of them seeking to verify the empirical link between them" (Margolis et al 2007). However, it still cannot be unequivocally stated that CSR directly leads to above-average financial results, as only less than 10% of the forms of dependence between CSP and CFP have been fully confirmed. Most research studies indicate only a high likelihood of a positive CSR impact on financial performance.

By conducting a detailed meta-analysis of these studies, the authors state that none of the studied forms of corporate social responsibility have a negative impact on financial performance – that is, they do not make this performance worse, while corporate social irresponsibility does actually lead to a deterioration in financial performance. According to these authors, while companies do not seem to be richly rewarded by the market for engaging in CSR, the belief that managers undertaking CSR are committing fraud and that corporate social responsibility is a "fundamentally subversive doctrine" is misplaced, because social responsibility does not detract from a firm's financial performance (Margolis et al. 2007).

In other words, the fact that many conducted studies show a correlation between corporate financial performance and corporate social performance does not mean that there is a cause-and-effect relationship between these elements. However, even this conclusion that social responsibility does not detract from a firm's financial performance did not stand the test of time. In one of the published studies it was demonstrated that the beginnings of CSR implementation have a negative impact on financial performance. The authors analyse the correlation between CSR performance based on KLD data (13 social indicators) and financial performance (return on assets and net income) on a sample of more than 1200 companies over a period of eight years (Barnett, Salomon 2012). The data form a U-shaped graph, which shows that the beginnings of CSR implementation have a negative impact on financial performance, but a further improvement of the quality of CSR leads to significantly better results (Figure 6.1).

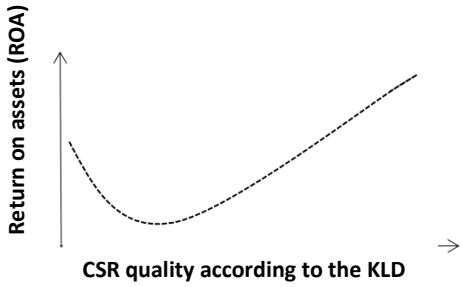

Figure 6.1. The correlation between CSR results and financial performance

Source: own elaboration based on (Barnett, Salomon 2012).

Thus, the thesis is confirmed that this dependency is more complex than it might seem, and from the perspective of a company it is difficult to clearly determine at what level of implementation of corporate social responsibility we can count on the company value to increase, because this depends on many additional factors. Besides, it has to be admitted that contrary to many assurances made by consultants, some CSR initiatives naturally generate costs without leading to a significant improvement in financial performance. This is a typical situation in many areas of management.

At present, this search for a universal relationship between CSR and financial benefits is not as intensive, mainly because the old approach, emphasising the

importance of profitability as the main objective of a company's operations, is becoming less and less obvious. Social benefits and business benefits do not necessarily have to be mutually exclusive, because in the case of the best companies social benefits are the basis on which new business models are built, resulting in value for various groups of stakeholders, including shareholders.

Maybe we should dismiss this old question about the profitability of corporate social responsibility altogether, especially since CSR has become a fixed element of the management strategy of most of the best companies in the world, regardless of academic discussions, and the respective areas of corporate social responsibility typically form an integrated strategic system. Much more important than achieving financial results through corporate social responsibility is the creation of social and environmental benefits in a way that also leads to the development and growth of the value of the company.

6.2 MANAGING AS IF CSR MATTERED

Implementing the principles of corporate social responsibility can therefore lead not only to social benefits, but also to tangible business benefits. However, researchers use such diverse approaches to CSR and at the same time such diverse concepts regarding business benefits, that we can hardly expect unambiguous and simple dependencies. Typically, CSR is not measured in terms of the impact of implementing this strategy on solving major social challenges, but much more often it comes down to factors such as the transparency of information on social indicators, the elaboration of a code of ethics, or simply undertaking charitable initiatives.

In practice, this means that, after publishing a CSR report, regardless of its quality, after adopting a code of ethics or making a donation to a noble cause, a company will include itself in the group of the so-called socially responsible. While managers, in order to justify their decisions with respect to costs, will try to show that the costs incurred were justified by referring to the image benefits that are the easiest to measure, such as the number of press releases or rewards. This leads to a situation where, on the one hand, we do not necessarily have a true picture of the corporate social responsibility of a given company, and on the other hand, we have a very limited picture of its reputation.

Why do we at all need so much evidence for the profitability of corporate social responsibility? CSR is not just a form of doing good deeds and also not just a better way to maximise profits, but rather a growing awareness that the role of business in society is not just about benefiting business owners or shareholders.

It is very likely that less socially responsible companies can make more profits, but that does not mean that in the name of these larger profits responsibility should relinquished.

That is why it is increasingly emphasised that justifying corporate social responsibility through the benefits that businesses can achieve is primarily the result of a business vision that is shared by managers. As long as there is the belief that the sole purpose of companies is to maximise profit for shareholders, CSR will only be implemented once it is proven that it is a tool for cost reduction (e.g. access to capital) or better risk management. If it is acknowledged that it is necessary to respond to the legitimate expectations of various stakeholder groups in order to provide value to shareholders, then justifications are sought that are associated with building a reputation or other elements affecting the competitive advantage.

Adopting a broader perspective, i.e. taking into account not only financial performance but also social and environmental results – with the belief that business also creates environmental and social value – leads to the search for justifications based on other elements of competitive positioning, such as building new brand attributes and gaining new markets. In even more advanced approaches to the role of business in society, the need for simple proof of profitability becomes less important, and the focus shifts towards the awareness of the managerial staff – and the processes of change in that awareness – in terms of creating sustainable value.

Since it is dominantly believed that a necessary precondition for CSR to be implemented in the management process is the conviction of a positive correlation between CSR and business development, it is crucial – in an instrumental sense – to find such justifications that resonate with the views of the business leaders. It is therefore worth managing with the belief that corporate social responsibility is important.

This publication can be concluded with the statement of prof. M. Porter, the most famous Harvard management professor, and currently the most prominent consultant in the field of creating a common value in business: "Not all profit is equal – an idea that has been lost in the narrow, short-term focus of financial markets and in much management thinking. Profits involving a social purpose represent a higher form of capitalism – one that will enable society to advance more rapidly while allowing companies to grow even more." (Porter, Kramer 2011). Under Polish conditions, referring to a well-known literary tradition, this statement could be, somewhat humorously, modified in the following way: "all ways of achieving profits are equal, but some are more equal than others".

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