

THE ANALYSIS OF DETERMINANTS OF SOCIALLY RESPONSIBLE MANAGEMENT IN THE MSME SECTOR

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Purpose: Nowadays, socially responsible management is the response to constant changes taking place in the world. As a result of these changes, the role of organizations, which must take into account the effects of their business activities in the specific social and natural environment, is re-developing. The concept of CSR, combining sustainable principles of development with economic, environmental and social aspects, turns out to be useful in these activities. In all the EU countries, the MSME sector constitutes the most numerous group of business organizations. The main research problem of this article is to identify and assess the determinants of socially responsible management in the MSME sector.

Design/methodology/approach: In 2018, a survey was conducted, included in the quantitative research, and the obtained data were subjected to the analysis with statistical methods (CAWI). The objective of the research was to analyse the determinants of socially responsible management in MSME enterprises operating in the area of the Silesian Voivodeship.

Findings: The research conducted on a research sample of MSMEs in the Silesian Voivodeship, which is the most numerous group of business organizations in the EU, enabled the identification of the main determinants of socially responsible management. All the internal and external determinants affect socially responsible management in the sector of the surveyed MSME to a greater or lesser extent.

Originality/value: The value of the paper is research on the concept of CSR in a group of MSMEs. The results are mainly directed to people managing enterprises from the MSME sector.

Keywords: enterprises, Corporate Social Responsibility, MSMEs, determinants of CSR.

Category of the paper: Research paper.

1. Introduction

The sector of micro-, small and medium enterprises (MSMEs) plays an important role in all economies around the world. In Poland, there are 1.91 million non-financial enterprises, defined as active ones, including 99.8% enterprises belonging to the group of MSMEs (according to the

data for 2015, following the publication of *The report on the state of small and medium enterprises in Poland*, PARP, 2017). In recent years, entrepreneurship in Poland has been characterized by three distinct trends. Firstly, it can be seen that entrepreneurship of Poles has not been declining in recent years. The number of enterprises has been rapidly growing – the year of 2015 was one of the best in this respect and was the continuation of the positive trend of the previous years. Moreover, more than a third million of new enterprises are set up annually and this number has remained at a similar level for a long time.

Secondly, the quality of Polish entrepreneurship has been improving. Polish companies, as a group, have an increasingly significant contribution to the construction of social welfare. The data indicate that they create an increasingly significant part of the Polish GDP. The average company is steadily growing in economic terms. Its productivity, measured by revenues, value added and production, is increasing. The trends also indicate improvements in the company's structure from the point of view of legal forms. The share of enterprises as legal persons is growing and as natural ones – is decreasing.

Thirdly, the openness of entrepreneurs and their orientation towards development is increasing. Enterprises, although still too rarely, are becoming increasingly internationalized – the proportion of exporters and the average value of exports as well as the use of benefits of the online presence is steadily growing. Polish enterprises are also increasingly investing in and developing and implementing innovation, although the range of development activities is still not high.

In addition to these positive trends, the less favourable ones can also be observed. For example, the upward trend concerning the number of people working for the average company has slowed down since 2010 and it has indicated a very slow but negative dynamics since then. In part, this has to do with the strong growth of young companies, hiring employees more rarely and in a smaller number. Moreover, according to the official statistics of CSO (Central Statistical Office), the proportion of innovators is decreasing. When assessing the number of companies operating in Poland in absolute terms, it must be stated that it is high, however, while applying the ratio of number of enterprises in relation to the number of the population, Poland occupies only the 22nd position among the countries of the European Union (according to the data by Eurostat, 2014). Large enterprises in Poland amounted only to 3.5 thousand entities in 2017. The sector of enterprises belonging to MSMEs is the stimulator of the economic development generating 50.4% of GDP of the entire sector of enterprises and employing 69.9% of people hired in enterprises (the data by CSO, 2017). Growing expectations of the environment affect the decision of enterprises on the implementation of the concept of Corporate Social Responsibility (CSR). The need for the implementation of the concept of sustainable development is an important objective of development. Enterprises are becoming increasingly aware of an active role they must play in the society. The tool which can help to improve the competitive position of the company is the concept of Corporate Social Responsibility (CSR).

2. The essence of socially responsible management in MSMEs

The idea of social responsibility concerning voluntary action in terms of environmental protection and social aspects in activities of enterprises gained in popularity in the nineties (Kulczycka, Wirth 2010 pp. 147-148). The concept of social responsibility of the organization is a multidimensional concept, therefore, one may come across numerous definitions of this concept. Corporate Social Responsibility is an issue being more and more frequently discussed by theoreticians and practitioners of the socio-economic life (Tylec 2017, p. 510). In the subject literature, one may come across the opinions that, nowadays, from the point of view of management, CSR is a business strategy, one of the most modern and the most promising (Sikorska, 2010 p. 143). The discussions concerning CSR are held, among others, in the field of economics, law, sociology, philosophy or ethics. One of the oldest books associated with the subject matter of CSR was written in 1953 by H. Bowen (*The Social Responsibilities of Businessman*). In this book, social responsibility was defined for the first time. In accordance with the Bowen's concept, CSR is the obligation of the entrepreneur to run the policy, make decisions and follow such courses of action that will be desirable as objectives and values of our society (Bowen, 1963, p. 6). It is worth pinpointing that the concept concerned the actions of the entrepreneur whereas nowadays CSR is mostly associated with the activities of the organization. At present, Corporate Social Responsibility can be understood as taking into account pro-social and pro-environmental aspects in the course of the conducted business activity by the organization. Responsible practices include, among others, compliance with ethical standards in relationships with employees, competitors and customers, increased investments in human resources, actions for the development of the local community or environmental protection, i.e. voluntary commitment (Białasiewicz, Marek, p. 99). R.W. Griffin and R.J. Ebert present the model of the responsibility of the organization based on actions addressed to stakeholders. In their opinion, the main areas of CSR the company should take into account include (Griffin, Ebert, 2013, pp. 61-69): the environment, customers, employees and investors. In English literature, one may come across the concept of CSR, which refers to the treatment of stakeholders in an ethical and responsible manner. 'Ethical and responsible' is understood here as a way of conduct acceptable in a civilized society. One of the primary objectives of CSR is to create higher standards of living while maintaining the profitability of conducting a business activity. A higher standard of living applies both to employees in the company and those directly related to it, as well as the local community. The definition of CSR was also proposed by the European Union in the Communication presented by the European Commission "The renewed EU strategy 2011-2014 for Corporate Social Responsibility". This strategy complements the document "Europe 2020 – A strategy for smart, sustainable and inclusive growth" with the information concerning the direction of the EU policy in relation to CSR. According to this document, CSR is defined as the responsibility

of enterprises for their society. The condition of CSR is compliance with legislation and collective agreements between social partners (Caroll, 2008, pp. 8-16). In order to efficiently implement the concept of CSR, business entities should have the mechanism for integration of social, environmental and ethical issues as well as problems of customers with their operations and strategy, in close cooperation with the interested parties (Hopkins, 2007, p. 15). It is worth mentioning that, in the previous definition of CSR, the European Commission presented this concept as a voluntary commitment, going beyond legal requirements. Among numerous benefits of CSR presented in the literature – indirectly pointing to the need to take it into account in the strategy of the company, among others, the following are listed (Fiedor, 2016, p. 26; Kowalska, 2014, pp. 216-218):

- balancing the power of the company with its responsibility,
- better relationships with stakeholders,
- shaping the image: improving reputation and increasing the value of the company,
- actions for environmental protection, rational exploitation of natural resources,
- reduction of pollution,
- preventing or mitigating any disputes between the company and the local environment,
- correcting social problems generated by the business,
- an increase in commitment and motivation of employees, their productivity,
- decreasing absenteeism and staff turnover, attracting and retaining the best employees,
- favouring generating profits in the long term (e.g. by reducing fees related to environmental pollution),
- improving the image and reputation, relationships with the community and local authorities,
- increasing customer loyalty, organizational culture of the company,
- an increase in innovativeness, investors' interest, competitiveness of economic efficiency.

The success of the implementation of the concept of CSR in MSMEs depends on many different factors, both internal and external ones. External factors are associated with the business environment whereas internal ones are shaped by managers. The most important external factors include: the region in which the company operates, the impact of external stakeholders, operations of non-government organizations, trade and cultural ones and the economic situation of the country. On the other hand, the most important internal factors may include: the company size, type of activity, time and scope of operations, organizational and legal form, financial situation, family ownership (Sokołowska, 2013, pp. 236-250).

Enterprise management should be systemic, flexible and open to the changing environment, adjusted to it and, where possible, shaped so as to achieve the objectives of the organization. An important challenge for management, which has become increasingly relevant again, is Corporate Social Responsibility (Każmierczak, 2017, p. 49). The impact on the society and

social responsibility must be managed (Drucker, 1976, p. 327). It is a new direction of changes in strategic management of organizations (Lisiecka, 2015, p. 296). In the context of the debate on socially responsible management, an important problem concerns the qualification of the CSR issues to the theory, concept or method of management. The subject literature does not suggest unequivocal settlements in this field. Most frequently, CSR is considered as a management concept. Current research into socially responsible management refers to the implementation, maintenance and improvement of this concept. The characteristics of the MSMEs determine the scope and style of socially responsible management in MSMEs. The variety of terms included in the definitions of CSR causes that the enterprises from the MSME sector often do not understand what role this concept should play in their activity and what benefits they can gain from its application. CSR should constitute a comprehensive approach to organization management and include: the identification of main areas and entities being socially responsible, planning, organization, formation, control as well as the impact of the operations of the organization on the external and internal environment. CSR can be implemented using various tools and measures, depending on the needs and size of the company. Socially responsible management in the enterprise also depends on many external factors concerning the environment and internal ones, referring to the specificity of the operation. Socially responsible management requires that organizational culture, in addition to economic values, also takes into account social and environmental values. Socially responsible management is usually less formalized in SMEs and poorly formalized in microenterprises. Therefore, the proper selection of CSR operations is significant. In the management compliant with the concept of CSR in the MSME sector, an important role is played by the person of the owner. This is the owner that decides on whether their company will follow the direction of social responsibility.

3. Determinants of socially responsible management in MSMEs in the Silesian Voivodeship

In 2018, a survey was conducted, included in the quantitative research, and the obtained data were subjected to the analysis with statistical methods. The objective of the research was to analyse the determinants of socially responsible management in a group of micro-, small and medium enterprises operating in the area of the Silesian Voivodeship. In the research, the computer-aided online survey was used (CAWI – Computer Assisted Web Interviews). This method is one of the most popular and rapidly developing among social science research (Ochoa, pp. 29-30). The surveyed entities fill in the questionnaire in an electronic form whereas the introduced responses are automatically registered in the database. The application of the CAWI method was determined by many factors, among others, the possibility of monitoring

the research, lack of time pressure to respond, rapidity and availability of the research etc. CAWI is a particularly useful method of research into enterprises of the MSME sector, for which the traditional research is too expensive (Habrzyk, 2013, p. 36). The survey questionnaire consisted of the basic part (relevant questions) and the demographics (classification questions). The basic part of the questionnaire was divided into two parts: the one concerning obtaining the information on CSR and factual circumstances in the surveyed MSMEs and the other one aimed at gaining information on internal and external determinants affecting the management compliant with CSR. The demographics included the information on the surveyed enterprises: number of employees, volume of revenue, balance sheet total, legal form, type of the conducted activity by PKD (Polish Classification of Activity), period of operation, the respondent's position in the company. At the turn of October and November 2018 the invitation to participate in the research along with the link was sent to the mailboxes of the decision-makers in the field of CSR. The CSO database of enterprises was used. In total, 847 invitations were sent to MSMEs located in the Silesian Voivodeship and 176 correctly completed questionnaires were obtained, which amounts to the return of 20.77%. The enterprises included in the micro-group amounted to 72%, small ones – 21%, medium ones – 7%. The majority was the companies belonging to section G (wholesale and retail trade) – 31%, section C (manufacturing) – 26%, section F (construction) – 18%, section H (transportation and storage and communication) – 8%, others – 17%. The main research concerned the identification of the determinants and their significance in socially responsible management in the MSME sector. In the group of external factors, the following were identified: support for CSR operations by non-profit organizations, legal requirements, relationships of the company with the environment, business sector, social expectations, investors' impact, customers' impact. In the group of internal factors, the following were identified: managers' awareness, culture and awareness of the organization, financial situation of the company, implemented management systems, company's image (reputation), level of employees' awareness of CSR. The surveyed enterprises gave responses to particular groups of factors according to the following scale 1 – an unimportant factor, 2 – factor of little importance, 3 – factor of medium importance, 4 – rather important factor, 5 – very important factor. After obtaining the results, the points were summed up and the share of the total number of points possible to achieve was quantified (number of received questionnaires x 5). In the opinion of the surveyed enterprises of the MSME sector (Table 1), in the Silesian Voivodeship, the most important external determinant affecting socially responsible management is relationships of the company with the environment (73% of points). The surveyed companies are aware of the significance of building relationships with the environment, learning, understanding and anticipating social expectations. Business sector is another determinant indicated by the surveyed entities (68% of points). The enterprises are aware of the sector in which they operate and its impact on building the CSR strategy. Another

external factor was legal requirements (64% of points). The surveyed enterprises indicated not complying with the law or acting to the detriment of the company.

Table 1.

External determinants affecting socially responsible management of MSMEs in the Silesian Voivodeship in 2018

Selected external determinants	% of points
support for CSR operations by non-profit organizations	52%
legal requirements	64%
company's relationships with the environment	73%
social expectations	46%
investors' impact	44%
business sector	68%
customers' impact	32%

Own study based on the conducted research.

The State should provide the transparent and fair legal system, particularly in terms of conducting a business activity.

Table 2.

Internal determinants affecting socially responsible management of MSMEs in the Silesian Voivodeship in 2018

Selected internal determinants	% of points
support for CSR operations by non-profit organizations	46%
managers' awareness	77%
culture and awareness of the organization	52%
financial situation of the company	72%
implemented management systems	56%
company's image (reputation)	67%
level of employees' awareness of CSR	62%

Own study based on the conducted research.

When analysing internal determinants of socially responsible management in the MSME sector in the Silesian Voivodeship, three dominant factors were indicated (Table 2). The highest rating (77% of points) was obtained by managers' awareness, which is significant. The size and specificity of the MSME sector causes that management is dominated by the person of the owner, whose awareness, knowledge, experience will directly affect the level of implementation of CSR. The financial situation is the second internal factor influencing socially responsible management in the surveyed enterprises (72% of points). The surveyed companies make the implementation of CSR dependent on the financial situation, claiming that it has impact on the implication of the CSR strategy. However, the information campaign among MSMEs should be conducted as well as the implementation of CSR ought to be created, regardless of the financial situation (many solutions do not require financial outlays but only the good will of the owner). Company's image is also an important determinant (67% points), which will affect the shape and scope of socially responsible actions taken by the company, which in turn will contribute to strengthening the company's image and generating higher profits in the future.

Summary

Socially responsible management is the response to constant changes taking place in the contemporary economic realities. As a result of these changes, the role of organizations, which must take into account the effects of their business activity in the specific social and natural environment, is re-developing. The concept of CSR, due to combining sustainable principles of development with economic, environmental and social aspects, becomes extremely useful. The research conducted in 2018/2019 on a research sample of MSMEs in the Silesian Voivodeship, which is the most numerous group of business organizations in the EU, enabled the identification of the main determinants of socially responsible management. All the internal and external determinants affect socially responsible management in the sector of the surveyed MSME to a greater or lesser extent. It should be noted that internal determinants were assessed higher and, at the same time, they have stronger impact compared to external determinants.

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