CORPORATE SOCIAL RESPONSIBILITY CONCEPT

Halina CHWISTECKA-DUDEK1*, Aleksandra KORENKIEWICZ2

1 AWSB University, Dąbrowa Górnicza; chwistecka.dudek@gmail.com, ORCID: 0000-0002-8549-5844
2 PhD student at AWSB University; aleksandra.korenkiewicz@interia.com
* Correspondence author

Purpose: The purpose of this paper is to present selected theoretical aspects of the concept of corporate social responsibility and the stakeholder theory that is closely related to it, targeted at liability with respect to specific stakeholder groups.

Design/methodology/approach: The literature research and the critical analysis of both, the national and foreign subject literature have been used as the research methodology.

Findings: Social responsibility is a concept in compliance with which companies, whilst designing their development strategy, take social groups, i.e. interests of selected groups of stakeholders, into account in their activities. This requires identification of diverse stakeholder groups, determination of the degree of their significance and proper management of relations with them. Thus, the concept of social responsibility is a process as part of which the companies manage their relations with stakeholders who may influence their economic success.

Practical implications: The practical implications concern taking into consideration the application of the CSR principles in managers’ decisions and treating the conception in strategic aspects.

Originality/value: The discussed issue belongs to one of the newest trends in management sciences and fits into the current conception of sustainable development. Proper integration of social values with the strategy allows developing and maintaining long-term competitive advantage. Therefore, the CSR conception is a long-term process of managing relations with groups of stakeholders in order to generate value for them and for enterprises’ owners.

Keywords: Corporate social responsibility, concept, stakeholders, management, relations.

1. Introduction

Corporate social responsibility (CSR) is one of the recent concepts in management sciences which assumes that a company’s success depends, among others, on the ability of building proper bonds and relations with diversified stakeholders from the environment.

Socially responsible enterprises are focused on their stakeholders - both internal and external - i.e. such entities and pressure groups that are related to their operation. Such approach
was reflected in the stakeholder theory and in the trend of perceiving social responsibility as an obligation of enterprises to take the economic, environmental and ethical aspects into account in their operation.

It may be assumed that corporate social responsibility is related to the concept of management oriented at an understanding - a broadly understood idea of a consensus - in contrast to actions that are exclusively meant to offer results (profits).

The goals of an enterprise should therefore reflect a certain balance between striving for safe (satisfactory) profit and the feeling of social responsibility and readiness to accommodate it. The discussion on corporate social responsibility may be treated as a certain form of response to one of the major dilemmas both in the theory of management and in business ethics. How to realise strategic priorities in the area of social responsibility, simultaneously maximising profits for the company and the society? Is the role of business reduced only to efficient engagement of resources to maximise profits, or does it also include searching for solutions that are beneficial for all stakeholders? In this manner, the science of social responsibility is becoming the theory of an enterprise’s ethical operation, whereas a practical dimension of business responsibility boils down to searching for a dynamic balance in time and space for stakeholders.

Thus, it may be assumed that CSR has a strategic and dynamic character and relies on ongoing improvement and constant cooperation with all stakeholders. A significant feature of such concept is its interdisciplinarity, manifesting the necessity of integration and conversion of knowledge from various areas of sciences, as well as economic practice. Social responsibility is the object of interest of numerous scientific disciplines: sociology, political sciences, psychology, economy or management sciences. It is included in the theory and concept of enterprise management, which testifies (Sokołowska, 2013) to:

- close relation of CSR with practice;
- treating the strategic dimension of CSR as a condition necessary to implement the concept;
- having proper methods and tools at one’s disposal in the form of codes, standards and reports, as well as the possibility of using (as part of management integration) other supporting concepts, methods, techniques and management tools;
- possibility of managing corporate social responsibility as a sequence of specific activities related to classic management functions (identification of CSR areas and entities, its’ planning, organisation, formation and control); furthermore, the functions of managing social corporate responsibility permeate organic functions of an enterprise and are integrated with them;
- CSR may be treated as a meta-level of the management system, which means that with adequate “socio-organisational maturity”, it may become a leading management concept.
The core of the idea of corporate social responsibility is the responsibility of managers for activities in the following dimensions: economic, environmental and ethical, which means observance of the 3xE principle. Implementation of these principles requires an open and constructive dialogue with stakeholders; therefore, it is believed that the stakeholder theory is the foundation of CSR, whereas the management of stakeholder relations is essential in meeting the goals of an enterprise.

2. Identification of Corporate Social Responsibility

It is most often assumed that CSR includes conscious and voluntary activities consistent with the generally adopted standards and principles; it is a set of the organisation’s obligations to protect and to reinforce the society in which it functions. CSR is “sensitivity to the issues of the external environment, such as social or environmental sensitivity, as well as the capacity for keeping a balance between the interests of customers, employees and shareholders, as well as provision of certain services for the benefit of the local community” (Żemigała, 2007).

M.E. Porter and M.R. Kramer (Porter, and Kramer, 2003, p. 37) treat CSR as an “element of thought-through strategy of a company’s operation, institutionalised and rationalised, which may become the new source of its competitive advantage”\(^1\).

C.B. Bhattacharya et al. (2011) pinpoint the rapidly changing approach to the CSR concept, emphasising that:

- CSR is treated more and more frequently as a business opportunity and not as an obligation;
- Initially, the number of stakeholders was small, whereas nowadays, the significant impact of diversifying the groups of stakeholders on the meeting of CSR assumptions is emphasised;
- The CSR concept is more and more frequently treated as a strategic aspect of a company's operation.

Selected definitions of CSR are presented in the table below (Table 1).

---

\(^1\) A broad range of CSR definitions was presented by Dahlsrud, 2008, pp. 1-13; Freeman, Hasnaoui, 2011, pp. 419-443 and Marrewijk, 2003.
Table 1.
Selected definitions of social responsibility

<table>
<thead>
<tr>
<th>Author</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carroll, A.B. (1991, pp. 39-48)</td>
<td>The entire range of business operation oriented at: profitability, observance of the law, ethical conduct and being a good citizen (...) consists of various types of liabilities which, to a varying degree, are related to social requirements.</td>
</tr>
<tr>
<td>McWilliams, A., Siegel, D. (2001)</td>
<td>Engaging in activities used for the future social welfare, exceeding the exclusive interest of the organisation and legal requirements.</td>
</tr>
<tr>
<td>Friedman, M. (1970, pp. 32-33, 122-126)</td>
<td>Social responsibility is activity not intended to maximise profits, taking into account benefits of social groups that are not shareholders of companies (...) whereas sole liability of business towards the society is maximisation of profit of shareholders, in observance of the law and ethical customs in the country.</td>
</tr>
<tr>
<td>Sen, S., Bhattacharya, C.B. (2001, pp. 225-243)</td>
<td>The obligation of taking actions that protect and improve both the generally understood overall social welfare, as well as interests of an organisation into account.</td>
</tr>
<tr>
<td>Rok, B. (2001, p. 32)</td>
<td>Corporate social responsibility is a philosophy of carrying out production and service activities oriented at building sustainable, positive relations with all the interested parties: it designates the features of the management systems ensuring the desired course of processes or activities that are salient on account of the goal of management.</td>
</tr>
</tbody>
</table>

Note. Prepared on the basis of Carroll, 1991; Garriga, Mele, 2004; McWilliams, Siegel, 2001; Xueming, Bhattacharya, 2006; Friedman, 1970; Sen, Bhattacharya, 2001; Rok, 2001.

According to the definitions presented above, the issue of corporate social responsibility does not have a uniform conceptual frame. However, the multitude of definitions functioning in reference books allows for specifying some common constituents of the CSR concept:

- It refers to the role of business in the society and expectations of the society with respect to enterprises.
- It is perceived as a voluntary concept of action both consistent with the law and exceeding the legal requirements.
- It refers to the role of management and entrepreneurship.
- It focuses attention on the impact of business operation on the society.
- It refers to measurements and improvement of functioning in a social, environmental and economic dimension, contributing to sustainable development (Hąbek, Szewczyk, 2010).

Uniting elements are relations between the organisation treated as an entity cooperating with the environment and jointly contributing to the common welfare and the society.

It is assumed that social responsibility is perception of a company as an integral element of the society functioning in a socially responsible manner, i.e. fulfilling specific requirements with respect to the society. This is the name of the concept in line with which business responsibility entails something more than only bringing profit to shareholders. It refers to the manner in which business decisions influence entities from the environment, participating in the management process. This is primarily perception of effects of own decisions and taking responsibility for them; it also entails being guided by respect for the society’s welfare, even if
it requires sacrificing short-term profits. Such approach facilitates sustainable development of a company, consisting in optimum use of its resources and competence held and allows for gaining competitive advantage based on non-economic factors.

3. Stakeholder Concepts

Social responsibility is focused on responsibility towards owner groups, i.e. shareholders, stockholders and owners who, in fact, are investors (shareholders) and other stakeholders, who are directly or indirectly related to the organisation and who influence the effects of its operation. This second group includes: employees, customers, suppliers, cooperating partners, competitors, local communities, etc.

Individual groups have diverse expectations with respect to the organisation, therefore two concepts are identified that refer to stakeholders: the shareholder value and the stakeholder value (Jurek, and Kornacka, 2005).

The shareholder value is narrowed down to the maximisation of profits for shareholders, stockholders and owners and does not include - in any special way - other stakeholders. Potential attempts at implementing social purposes are treated as a threat to the efficiency of operation of an enterprise. Such approach is strongly rooted in the economic system of the United States and Great Britain, where special role is played by institutional investors, namely insurance, investment and pension funds that have an immense financial potential.

Western European countries and Japan are dominated by the stakeholder value concept, which is focused on the meeting of interests of numerous groups influencing (directly or indirectly) the effects of operation. Such concept occurs in two main versions:

- in a broad range, “stakeholders” include owners and providers of capital, customers, cooperating partners, suppliers, public institutions and competitors;
- in the narrow sense, the “stakeholder” groups do not include competitors, as they are not treated as entities indispensable for survival and success of an enterprise (Evan, Freeman, 1993).

Each of the above-listed groups has specific expectations in reference to an enterprise and, on the other hand, behaviour of such group influences the degree of fulfilment of its goals:

- Owners, on account of the invested capital, expect income (dividend) equal at least to the market interest rate, and on the other hand, they are not interested in exercising power, which may lead to conflicts during performance of social goals which cause a reduction of profits.
Customers expect benefits resulting from the fact of purchasing a product (high quality, low price); indirectly, they finance the development of new products and services. There are also interests of customers which may be contradictory with the goals of managers.

Employees primarily expect adequately high salaries and employment stability. A conflict between the interests of employees and the management results from a dual aspect of employees' income which is, simultaneously, a basis for their consumption, but also an element of the enterprise's cost. Employees also expect certain safety, fringe benefits and satisfactory jobs. Thus, responsibility is understood broadly, as security of employment, social recognition, possibility of promotion and self-development.

The influence of suppliers and the enterprise's contractors is mainly expressed in partial determination of the quality and the price of the final product. If they are perceived as valuable stakeholders, they may count on regular orders and high prices as relations with them are salient for the enterprise's growth.

Local community expects participation in the life of the environment. The local community and the society grant rights to location and draw benefits from taxes and economic and social expenses incurred by a company. In turn, a company cannot expose a local community to an unjustified risk of destruction of the natural environment, storage of toxic waste, etc.

In the concept of stakeholder value, the primate of one group of stakeholders over another is not specified; it is also impossible to meet all desires of every group of stakeholders at the same time, especially when such interests are in conflict. The managers' task is to keep balance among several contradictory interests of stakeholders. When the balance has been disrupted, the company's development may be at risk, e.g. when salaries are too high and the quality of products is too low, the company loses customers, suppliers suffer and shareholders are starting to sell their shares, causing a drop in the prices of shares and hindering procurement of new capital at convenient terms. Therefore, it is believed that the goal of managers is to act in the long-term interest of the company that they are managing, understood as a forum of interaction among stakeholders.

The presented shareholder value and stakeholder value concepts - in spite of being frequently juxtaposed - are subject to the process of convergence. Convergence of both theories takes place and consists in perceiving the fact that it is in the shareholders' interest to take interests of other "interested parties" into account and to promote long-term relations of trust and cooperation among them. Finding a common area of reference for both theories is quite easy. If it is assumed that a company should act in the interest of its shareholders (in particular in the long-term context), it is impossible to overlook the interests of other social groups. Such situation makes the managers liable for making decisions taking both the net economic calculation, as well as the context of social responsibility into account. This means that the situation in which managers of the modern companies find themselves in is exceptionally
difficult: on the one hand, they should try to implement strategies guaranteeing development and growth of competitiveness on a global scale, and on the other, they should meet social goals. Hence, it may be concluded that a challenge for a modern business is to strive for accomplishing a balance and a symbiosis in relations with stakeholders (Clark, 1999).

4. Management of Stakeholder Relations

The most general definition of stakeholders was formulated by Freeman (2010), according to whom a stakeholder is any person or group who may exert pressure on a given organisation, or on which such organisation exerts pressure. Hence, stakeholders have their share in activities of an organisation and possibilities of influencing its development (Savage, Whitehead, Blair, 1991).

In Polish reference books, stakeholders are defined as groups, institutions and organisations that fulfil two conditions: they have their “stake” in the operation of an organisation and they are capable of exerting pressure on the organisation (Obłój, 2001).

We assume that stakeholders are persons, groups of persons and specific entities who, based on feedback, enter, either directly or indirectly, into an interaction with an organisation, fulfilling their goals. Relations may have the form of interests, rights or shares.

Andriof, Waddock (2002) believe that in the concept of “groups” that have diversified expectations, often contradictory, and that create a network of interactions with an organisation, it is necessary to account for two main aspects: legitimisation and dependence on power. The first aspect may be examined from the point of view of contracts, exchange, legal titles, moral rights, status of undertaken risk; whereas the other indicates domination of an enterprise or domination of stakeholders, alternatively their inter-dependence.

Stakeholders are assigned with specific attributes by determining their impact (power) and significance (role that they have in activities of an organisation) in categories:

- strong - weak (Michaell, Agle, Wood, 1997);
- power, legitimacy and urgency, whereas the joint level of these attributes translates to the degree of importance and salience of a given stakeholder for an organisation (Pfeffer, Salancik, 2003).

**Power** refers to the actual possibility of stakeholders’ influence on decisions and functioning of an organisation. A.T. Lawrence and J. Weber (2008) distinguished the following types of power:

- voting power, which refers to shareholders and stockholders;
- economic power, which refers to such groups of stakeholders as investors and shareholders, customers, business partners, contractors and employees;
political power, referring to public administration, institutions and social organisations, NGOs, etc. which may influence the establishment of new laws and provisions via lobbying;

legal power, which is potentially within reach of all stakeholders, as any entity may demand liability from an enterprise for violation of applicable legal provisions.

Legitimacy refers to the base of relations of stakeholders with an organisation, which may be legal (e.g. employment contract, commercial contract), moral (ethical norms and standards, universal values, i.e. honesty, empathy, solidarity, etc.) or customary (customs and habits respected in a given culture).

Urgency refers to situations where relations of stakeholders with an organisation or their expectations depend on the passage of time and are particular or even critical for them. This is a degree to which the claims of stakeholders require an immediate reaction - a high degree denotes priority of a given group in the hierarchy of essential activities of an organisation (Savage, Whitehead, Blair, 1991). This is about a strategic analysis of stakeholders which should respond to three groups of questions:

- within the scope of analysis of groups of interests: who are our stakeholders, what impact do they have on the entity (taking into account the political, economic and social aspects) and how do the stakeholders perceive such impact?
- as part of analysis of values: what are the most important organisational values, what are the values for key members of the management, what are the values of key stakeholders?
- in the area of social issues: which most important issues will refer to the society in the next 10 years (economic, political, social, technological, etc.) in which manner do such issues influence the entity and its stakeholders? (Freeman, 2010, Post, Preston, Sachs, 2002).

Depending on the attributes held, the power of impact of a given stakeholder on the organisation will vary. The managers’ task is to identify individual groups and their demands and subsequently determine the hierarchy on which satisfaction of their needs depends. This is quite difficult as attributes of stakeholders are not assigned to them in a fixed way: they may lose or gain some of them. Apart from it, stakeholders may, but do not have to be aware and even if they are aware of holding specific attributes, they do not always decide to use them.

Classification of stakeholders and determination of the hierarchy of their importance are necessary in the process of managing relations with them.

According to J.S. Harison, C.M. St. John (1994) stakeholder management is: communication, negotiation, management of relations with them and motivating them to actions and behaviour beneficial for an organisation.
In turn, R.E. Freeman (2010) believes that management of relations with stakeholders requires the following skills:

- analysis of who the stakeholders are and their expectations;
- building strategies of processes and procedures fulfilling the stakeholders’ expectations;
- building relations with stakeholders which will allow for pursuing the organisation’s mission.

The process of managing stakeholders includes the following stages:

- identification of an organisation’s stakeholders;
- diagnosis and classification of stakeholders;
- formulation of a strategy of upgrading and changing current relations with key stakeholders and improvement of the general standing of an organisation;
- efficient implementation of such strategies (Bukowska 2008).

The starting point in this process is recognition and determination of all stakeholder groups, whereas it is possible to indicate some universal groups, which include: employees, customers, owners, business partners, competitors, administrative authorities, media or local communities. Apart from it, every organisation should identify specific stakeholders, proper only for itself, depending on the industry, legal and organisational form and range of operation, e.g. banks – financial supervision authorities, stock companies – stockholders, and international corporations – legal entities or social organisations characteristic for them. The second stage is classification of stakeholders on account of diverse criteria; it refers to the formulation and choice of a strategy of managing relations with specific groups of interest. Taking the concept of corporate social responsibility into account, organisations can choose one of the following strategies:

1. passive, which consists in ignoring the signals from stakeholders and lack of any reaction to their demands and pressure;
2. reactive, which assumes responding and reacting to the expectations and pressure of stakeholders only when it is considered necessary;
3. pro-active, where needs and expectations of stakeholders are monitored to foresee and discover problems and prepare proper programmes of activities in advance, allowing for efficient and immediate reaction;
4. interactive, which consists in constant communication with stakeholders, holding a dialogue and fostering close cooperation for the purpose of identifying their expectations, preferences and potential problems in a manner that they can be jointly solved in an amicable manner (Adamczyk, 2009).

Another stage is efficient implementation of strategies taking into account stakeholders’ expectations. The typology of strategies of managing stakeholder relations is presented by M. Banks and D. Vera (2007).
The process of managing relations with stakeholders is of unique importance in reference to, e.g., public organisations, which primarily exist to satisfy the expectations of their stakeholders. H. Rainey (1997) claims that public institutions emerge and exist by satisfying interests of these groups that are the suppliers of resources and are thus sufficiently strong to influence the functioning of an organisation.

Organisations that manage relations with stakeholders stand a greater chance of accomplishing their goals, as acceptance of their activities on the part of stakeholders may significantly affect the level of performance of an organisation’s strategy. The interests of stakeholders form a part of the organisation’s strategy, thence their key significance, and the necessity of identifying them and building strategies of stakeholder relations management. Proper choice of a strategy may allow for procuring valuable partners who support the organisation's success. However, it should also be noted that managing relations with stakeholders, even though indispensable in the operation of every enterprise, may generate a number of ethical dilemmas, related to the categorisation of stakeholders and the necessity of marginalising certain groups. Furthermore, a high number of stakeholders results in the necessity of adopting proper relation management strategies, at least in reference to the groups of key stakeholders.

Corporate social responsibility and the stakeholder theory closely related to it form a part of a broad current called sustainability, where a specific strategy of economic operation is sought which allows for combining economic, social and environmental goals and for minimising the negative impact of an organisation on the environment, and thus contributes to maintaining durability with harmonious development of the world (Marrewijk, Werre, 2003).

In the modern times, the question is not really whether CSR should be applied, but the degree to which such concept should be implemented to the benefit of an enterprise and its stakeholders. The CSR concept should find its fixed place both in the process of formulation and implementation of the strategy of enterprises and economic policy.

5. Conclusions

Corporate social responsibility reflects one of the most recent approaches in management sciences and is included in the specific concept of enterprise management. It assumes that success of an enterprise also depends on the ability of building relations, as well as managing them in reference to specific stakeholder groups. In spite of the fact that the CSR concept evokes controversies, the arguments of both the followers and the opponents show that the core of the discussion are various modes of its understanding rather than the necessity of applying it.
References


