

## Chapter 7

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### **COMPANY SOCIAL RESPONSIBILITY AS MODERN MANAGEMENT CONCEPT**

**Abstract:** The chapter reference aims at the important and current issue of Polish consumers attitudes towards Corporate Social Responsibility-CSR. The essence of the article is to present the created order of priority of the company actions from a consumer perspective, defining actions that most consumers appreciate and expect, and the actions that they condemn or do not appreciate but the main objective is to present the results of the authors' research conducted in 2009 among Polish consumers. In the article the authors have verified the thesis that consumer attitudes towards corporate social responsibility are positive and consumers have little knowledge on CSR. Article includes a review of the literature, the conditions for implementation of the research and conclusions from the analysis of the results, because the theme of corporate social responsibility is currently being promoted and implemented in Poland and the application of this concept in business management raises great interest. The article is a response to social demand on scientific considerations and practical solutions to this issue in the realities of the Polish market and shows the processes taking place between attitude and behavior of the consumer.

**Key words:** social responsibility of business, consumer behavior, consumer awareness.

#### **7.1. Introduction**

For many researchers of this problem and managers the term of corporate social responsibility (CSR) is a kind of philosophy of doing business. The basis of this activity is a duty of choosing by the management of companies such decisions and actions that contribute both to care for the broader understood self-interest and to protect and multiply social well-being and it is not just about social responsibility. It finds

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expression, inter alia, an innovative business strategy. It should be stressed that the socially responsible company, in addition to meeting all legal requirements, voluntarily assume certain obligations on the social, ethical and ecological area.

According to Hitchcock and Willard (2009), responsible business is a huge potential for innovation. Takes into account financial, environmental and social issues. Activities of CSR distinguish the enterprise, support the development of innovative products and processes that attract and help retain the best employees, reduce the risk of legal problems, reduce insurance costs, help to reduce energy consumption and reduce waste, improve the company image among shareholders and communities, and finally provide a higher quality of life (HITCHCOCK D., WILLARD M. 2007).

**Firstly:** theme of corporate social responsibility is currently being promoted and implemented in Poland, which is associated with the demand for scientific discussion and practical solution of this problem. Companies do not have a statutory obligation to apply this concept, so they can freely form level and extent of their involvement in social problems, discretionally- over obligatory standards- include environmental aspects in their activities, analyze and satisfy needs of all its stakeholders, to declare and implement ethical values in business.

Attitudes (consisting of a component of emotional, cognitive and behavioral influence on human behavior, emotional reactions and relationships with the world around in which man exists) are included in the subjective determinants of consumer behavior, are comprise a consumer's individual predisposition to judge the object or some aspect of the world in positive or negative way, and some kind of dispositions to behave in a certain way.

**Secondly:** the relationship between socially responsible activity of enterprise and consumer attitudes according to its products or services, is a good way to intensify these activities, both from enterprises and consumers point of view. Identification of consumers' attitudes to the CRS should be an additional inducement to raise public awareness of

both parties operating in the market. Businessmen and managers gain evidence that the realization of social goals is an element of competitive advantage and consumers will make sure in the belief that they can and should influence the actions of entrepreneurs.

**The third** prerequisite is to determine the existing state of consumer expectations related to the implementation of social objectives. The party determining the direction of presumptive strategy of social responsibility are usually entrepreneurs. Consumers, however, should affect the identification of these directions: that is why the concept of CSR should be perceived from consumers' point of view. Implementation of their expectations will translate into the performance of identified and socially useful activities - and it ensures for both the enterprise and its stakeholders specific benefits.

## **7.2. Literature review**

Among the first definition of CSR we can quote Bowen, who defines social responsibility as the entrepreneur's obligation of using such policy, taking appropriate decisions or to follow such paths, which are a desirable goal and value to society (BOWEN H.R. 1953). According to Frederick, social responsibility means that a businessman should anticipate activity of economic system to satisfy the expectations of society (FREDERICK W.C. 1960). However McGuire believes that "the enterprise has not only economic and legal responsibilities, but also many other obligations to society, far beyond the aforementioned commitments, resulting from laws or rules of market economy"(MCGUIRE J.W. 1963). The period of 70s is the time of further development of the definition of CSR and clarification many of its aspects. For example Davis (DAVIS K. 1973), voiced that "social responsibility begins when the formal and legal requirements end", a broader view of this term was presented by Seti (SETI S.P. 1975) who recognizes a different behavior of the enterprise and calls them respectively as: social responsibility (action arising from the requirements of law and the market), social

responsibility (coming out further in the direction of behavior which generally respects existing standards, values and social expectations) and social sensitivity (i.e., a readiness to satisfy social needs.).

Contemporary definitions of social responsibility also take this issue in many aspects. There is no one universally accepted definition of this concept. Enterprises engage in CSR in different ways, depending on their competence, resources, stakeholders, as well as cultural traditions and social and environmental situation of the area in which they operate Zemigala (ŻEMIGAŁA M. 2007). A useful definition was constructed by Carroll who highlighted (and displayed it as a pyramid) four levels of corporate responsibility: economic and legal - needed by society, ethical - expected and philanthropic - that society deems desirable (CAROLL A.B. 1991).

According to the definition of Responsible Business Forum, ([www.fob.org.pl](http://www.fob.org.pl)), CSR is a corporate social responsibility - a concept whereby enterprises at the stage of building the strategy voluntary take into account the social interests and environmental protection as well as relationships with various subsets of stakeholders. Being responsible means not only compliance with all legal and formal requirements, but in addition the increased investments in human resources, environmental protection and relations with stakeholders - so called the voluntary commitment. Social responsibility is a process in which enterprises manage their relationships with various stakeholders who can have a real impact on their success in business. So it should be treated as an investment, not as a cost, as in the case of quality management.

A more detailed and broader definition of CSR presents the document developed in 2001 by the European Commission- Green Paper on Corporate Social Responsibility, which indicates the following components of social responsibility in various dimensions:

- the internal dimension refers primarily to employees and covers investing in human resources, enhance their skills, health conditions and safety of workers and management of personnel changes within the staff but environmental practices are connected to natural resource management in the production process,

- external dimension, in which enters the social responsibility of business is the relationships with other stakeholders and taking into account the aspects of globalization in nowadays reality of business. Zemigala recognizes CSR as a concept whereby companies integrate social and environmental aspects in their daily activities and in their relations with stakeholders on a voluntary basis (ŻEMIGAŁA M. 2007). According to Schaltegger (SCHALTEGGER S.2006) the concept of CSR is connected to many related concepts, such as:
  - CC *Corporate Citizenship* – corporation as a (good) citizen (treated as part of the operationalization of the CSR),
  - CS (*Corporate Sustainability*) - management of environmental , economic and social issues in order to achieve sustainable development of organizations and society by integrating the management of social and environmental issues with the traditional management,
  - CA *Corporate Accountability* – responsible corporation / computable (also treated as an operational form of CSR),
  - SA *Social Accountability* – social predictability, which is a combination of *Corporate Social Responsibility* (CSR1) and social responsiveness *Corporate Social Responsiveness* (CSR2),
  - CSR3- *Corporate Sustainability Reporting*- treated as an operational form of CSR.

### **7.3. Methodological assumptions of research**

Empirical researches were conducted on the 830-person sample of Polish consumers.<sup>3</sup> In empirical research involves the following techniques:

- survey technique (study of understanding the concept of corporate social responsibility, the extent of its implementation in enterprises,

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<sup>3</sup> The study was conducted under the direction of Professor. E. Weiss

opportunities and expectations for its use in and its impact on consumer behavior)

- analyze the information in order to verify the assumed hypothesis. Group is organized in two groups of respondents deliberately set, matching methods and random. The first group consisted of students of two universities in Poland (Warsaw, Opole), while the second group - the consumers of the Opole region (constituting representations of ordinary consumers of adult Poles). The sample size of students was 365 people, a sample size of ordinary consumers selected by a random method from the residents of the Opole region had 465 people.

The final shape of the questionnaire was developed basing on the results of earlier pilot (32 respondents selected by purposeful method in terms of age and education), which was designed to test a research tool, and especially the readability and clarity of questions contained in it, the proper positioning of questions in terms of logical continuity of the thought process and ease of response. Each of the subjects were asked to comment the presented survey.

#### **7.4. Interpretation the results of researches**

The authors recognize the age of the respondents as one of the important variables that can have a decisive influence on the test results and determine the adopted attitudes among surveyed population of consumers. Population of studied respondents consisted of 365 individuals qualified for the group of students from the age bracket of 18-25 years and 465 people qualified for the group of "ordinary consumers". In this group there were 43.4% people aged 18-25 years, 28% of people aged 26-40 years, 17.2% of people aged 41-55 years and 11.4% of people over the age of 55 years.

The impact of consumer education level on attitudes and expectations for CSR, was analyzed from the perspective of different types of education: basic, vocational, secondary and higher education / during studies. And so, in a study among the group of ordinary consumers took part in 22 people with only basic education (which represents 4.7% of respondents in this group), 58 people with vocational education (the share of people in the whole group is 12.5%), 265 people with secondary education (which is a significant 57-percent majority of surveyed ordinary consumers) and 117 persons with higher education or in the process of higher education (more than 25 respondents). A group of students was not taken into account.

In research conducted among consumers, the first group of research questions aimed to determine respondents' knowledge on CSR. The results indicate that knowledge of the CSR concept is minuscule - only 28.5% students and 32% of ordinary consumers said they knew the idea.

Respondents who answered affirmatively to the question of understanding the concept of CSR, then determined the source of their knowledge indicating mostly the scientific community (nearly 60% of students and more than 43% of ordinary consumers) and the wider media (over 37% of students and 49% of ordinary consumers). Less than 5% of the students and more than 7% of the ordinary consumers indicated other sources, among which the most frequently mentioned are friends and job.

An important element of the research was to identify those tasks, whose implementation lets call an enterprise as socially responsible company.<sup>4</sup>

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<sup>4</sup> Respondents were prepared five-point Likert scale to answer nine questions. Answers to choose from were classified through "major", "important", "medium important", "unimportant" to "totally unimportant". The list of tasks included:

1. attention to customers (honest, reliable information, appropriate price, service),
2. care for employees (working conditions, wages, work safety and job security),
3. relationships with contractors (honesty, integrity),
4. care for the local community (to minimize disturbance of its activity, involvement in community life and its problems),
5. care for the environment (the environment, minimizing the negative impact of business on the environment, reproduction defects),
6. charitable activity,

Respondents felt as important the following tasks, which give to a company the name of socially responsible:

- care for the customers (nearly 60% of ordinary consumers and 43% of students identified it as a major, and 50% and 37% of respondents identified it as important),
- care for employees (37% students and 47% of ordinary consumers identified it as a major and respectively 57% and 49% of respondents identified it as important),
- charity (6% of students and nearly 8% of the ordinary consumers consider it as a major, for 35% of the students and the same number of ordinary consumers it is important attribute)
- care of the community (17% students and 14% of ordinary consumers consider it as a major, as important: 43% and 52%, as unimportant or totally unimportant less than 7%).

These results prove a little knowledge of CSR in Poland and little understanding of its nature, as well as in our country-specific approach to ethics, accountability and business.

By analyzing the distribution of results in the context of the tasks that the firm should realize that it could be called socially responsible, we can notice that the least positive and most negative indications received two categories: charity and care for the community. Relatively few positive indications received also categories: fairness to the State and care for the environment. The highest number of positive indications received categories: care for the clients (49.9%), care for employees (41%), reliable information (31%) and relationships with contractors (22,7%). Taking into consideration the responses given by respondents, it is noted that the respondents acknowledged the subjective importance of the tasks proposed in the survey, thus creating their personal hierarchy of values in

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7. integrity of the state (paying taxes, respecting the rights),
  8. reliable information on companies and products (in particular their potentially harmful or defective character),
  9. wide range of interaction with the environment for the common welfare and the environment.



business. This hierarchy is not entirely consistent with the concept of CSR. This result confirms that the knowledge and understanding of CSR in Poland is rather small.

Another area in which has been identified the understanding of the concept of CSR, were the respondents' answers about the effects achieved by the company as a result of implementation of CSR strategies.<sup>5</sup>

In assessing the effects posed by CSR, respondents in the first place, most certainly pointed the improvement of the image of company (over 50% of all respondents). On the next point they take into account environmental protection, increase company profits by earning greater trust of customers, partners and investors and safety and security of the company in accordance with the law and ethical principles (each of these categories indicated more than one-third of respondents).

Over 50% of the respondents focused their attention on such indicators as: care for the common welfare (environment, resources, culture, art), the impact on improving the general welfare and quality of life of local

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<sup>5</sup> Answers to such questions define the respondents attitudes towards CSR. This issue was also entered on a five-point Likert scale. Respondents in each category can indicate one of five answers: "definitely yes", "to some extent yes", "rather yes", "certainly not", "I do not know" and detailed results are presented as follows:

1. improvement of corporate image among customers,
2. increase company profits by earning greater trust of customers, partners and investors,
3. gaining the support of environment, the authorities and the local community for their actions,
4. environmental protection,
5. increase motivation and loyalty of employees,
6. safety and security of the company in accordance with the law and ethical principles,
7. impact on improving the general welfare and quality of life of local communities,
8. share their resources with the environment (financial, material, knowledge, skills),
9. care for the common welfare (environment, resources, wealth, culture, art),
10. unnecessary waste of money that should be devoted to business development, new jobs, more profit,
11. not justified diminishing profits of owners of the company, the objective is to maximize company profit.

communities or the environment to gain support , authorities and local communities for their actions. By analyzing the distribution of results, it can be noticed that different answers focus on the economic effects of implementing the concept of CSR. Respondents expressed their uncertainty about the possibility of implementing this concept without reducing the profits of the owners, or even without wasting money that should be devoted to the development of the company. Thus, approximately 37% of students and 50% of ordinary consumers disagreed finding that CSR is an unnecessary waste of money that should be devoted to the development of the enterprise; respectively 54% and 40% said that it is a fact and about 10% of respondents in both groups could not provide answers on this issue.

Similarly are shaped opinions according to the concept that CSR is unreasonable diminishing of profits of the company owners - denied 36% of students and 45% of ordinary consumers, while 50% and 40% confirmed the validity of this statement. It is noted, however, that 13% and 15% of respondents could not answer this question. In addition to these two dilemmas, respondents strongly affirmed the validity of statements about the effects of CSR - denying replies were on average less than 10% of responses. The respondents indicated most certainly improvement of the image among customers (over 52% of students and more than 55% of ordinary consumers) and environmental (respectively 37,5% and 38,1%). High scores (over 30% of respondents in each group) reached the categories such as: increasing profits by gaining the confidence of the environment to gain support from the authorities and the local community, increase confidence and security of the enterprise and increase motivation and loyalty of employees. It should also be noted that over 70% of respondents as a result of implementation of CSR indicates the improvement in overall welfare and quality of life and care for common goods such as environment, resources, culture and art.

The above data on the one hand indicates a generally low knowledge of the concept of CSR, on the other hand indicates on a relatively easy confirmation of its positive effects. Analyzing the

structure of these responses, it is noted concern of the respondents about the economic aspect, resulting from the conviction that CSR is a cost, not investment.

As previously mentioned consumer attitudes towards corporate social responsibility is an important element in determining the implementation of this concept by the company. This is true, but the obtained results allow to formulate conclusions about the attitudes of consumers based on their answers. The studies focused on determining the ratio of respondents to corporate social responsibility, where the response made possible to create the picture of a declarative attitude. It is clear that the study of attitudes related to ethical aspects often differ in their declaratory image from the practical reality. The conducted research established that the statements presented in the survey do not have to have support in the actual behaviour and that there is a difference between explicit and implicit attitudes. It was therefore an attempt to investigate consumer attitudes towards CSR through review questions, indirect, which were positioned in various places of the questionnaire and formulated in different ways. The construction of questions and their nature was the basis of probable inference arising from these attitudes, consumer behaviour, and was the guarantor of the reliability of obtained in the survey results.

## **7.5. Summary**

Consideration in the article was accompanied by the idea that CSR is the concept of management , which so far has not reached a clear definition, therefore, places itself in the sphere of contemporary cognitive science gap. For this reason taken considerations seem to be important and necessary for both the science and the need for effective enterprise management. Consumer attitudes, their knowledge and expectations of social responsibility, is undoubtedly an attractive cognitive issue.

Our results verify the thesis that consumers have little knowledge about corporate social responsibility. Declared knowledge of this concept

does not exceed 30% of respondents, the actual orientation of this concept turns out to be small - in spite of some "feel" of the subject, the specific aspects of CSR, such as the implemented activities and their effects are not well known to consumers. The source of this knowledge in more than 50% of the cases is the scientific community (school, university, scientific conferences, training), and 40% comes from the media or the Internet.

Presented in this paper results of researches show that:

- in Poland, corporate social responsibility is a relatively new concept, recently present in public discourse, existing in the specific socio-economic situation - the unfinished market reforms, opening to the world economy, the deepening integration of EU,
- consumer attitudes are directly related with corporate social responsibility. Diagnosed consumers' attitudes towards corporate social responsibility, indicate the growing market, social and environmental awareness. It could be said that this awareness has an impact on the functioning of enterprises and the way of their possibility of perceiving the social and environmental issues. Authors' own research shows that consumers clearly are in favour of attaining the specific measures of corporate social responsibility. Their expectations in this regard are the guidelines for the conduct of CSR in companies, who value honesty and accountability in economic activity and sensitivity to the problems of the modern world, and they want to pursue their activities with regard to the actual requirements of consumers,
- between attitude and behaviour there are two types of processes: attitude can decide about the shape of conscious intention to act in certain ways, or attitude can positively or negatively influence the perceived characteristics of the current object. The first one takes place under control of intentions, the second - is automatic. Manifestation of consumer attitudes do not always translate to the appropriate consumer behaviour in the market, because the relationship between exhibited attitudes and behaviour is determined

by many variables. While attitudes are thus one of many determinants of consumer behaviour in the market, they play an important role in predicting these behaviours, affecting cognitive processes, affecting the interpretation, reasoning and assessment of the situation. Knowledge of consumers' attitudes is thus the foundation for shaping the appropriate relationship between the company and consumers,

- consumer attitudes towards corporate social responsibility are positive. In response to a direct question diagnosing the consumers attitude towards CSR concept, nearly 80% of respondents showed absolutely positive attitude, the question whether companies duty is ethical behaviour towards their surroundings more than 90% of respondents answered affirmatively. Definitely positive attitudes also reflected responses to the question whether respondents approve socially responsible manufacturers of the products they buy.
- diagnosed consumers' attitudes towards corporate social responsibility, indicate the growing awareness of market, social and environmental. Consumers are in favour of attaining the specific measures of corporate social responsibility.

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