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## Social Responsibility of Organizations Directions of Changes

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## Contents

<b>Introduction</b> .....	9
<b>Kazimierz Banasiewicz, Paweł Nawara:</b> Values in the market society and valuation on the free market .....	11
<b>Kinga Bauer, Joanna Krasodomska:</b> The premises for corporate social responsibility in insolvency proceedings.....	20
<b>Marzena Cichorzewska, Marta Cholewa-Wiktor:</b> The influence of social innovation upon the development of regions and organizations .....	30
<b>Barbara Fryzeł:</b> CSR, organizational identity and behavioral outcomes. A mediating role of perceptions and trust.....	41
<b>Urszula Gołaszewska-Kaczan:</b> Actions for promoting work–life balance as an element of corporate social responsibility .....	54
<b>Katarzyna Klimkiewicz, Ewa Beck-Krala:</b> Responsible rewarding systems – the first step to explore the research area.....	66
<b>Janusz Kroik, Jan Skonieczny:</b> The use of business models in forming corporate social responsibility .....	80
<b>Joanna Kuzincow, Grzegorz Ganczewski:</b> Life cycle management as a crucial aspect of corporate social responsibility .....	91
<b>Ewa Mazur-Wierzbicka:</b> Implementing the work–life balance as a CSR tool in Polish companies .....	109
<b>Marta Miszczak:</b> The communication of CSR policy to customers by discount stores in Poland on the basis of Lidl and Biedronka .....	122
<b>Magdalena Popowska:</b> CSR and small business from the international and national perspective .....	136
<b>Marcin Ratajczak:</b> Understanding the concept of CSR in small and medium-sized enterprises in agribusiness.....	149
<b>Anna Stankiewicz-Mróż:</b> Ethical code and whistleblowing as CSR tools in pharmaceutical companies.....	158
<b>Ewa Stawicka:</b> Corporate social responsibility in the SME sector. An analysis of the key aspects and pillars of developing the CSR strategy.....	170
<b>Tomasz Wanat, Magdalena Stefańska:</b> Company’s CSR activities addressed to its employees – diffusion of CSR to customers by employees .....	180
<b>Anna Waligóra:</b> Selected legal aspects of social entrepreneurship functioning in Poland in the context of the provisions set forth in the act of 27 April 2006 on social co-operatives .....	191



<b>Przemysław Wolczek:</b> Development of the CSR concept in Poland – progress or stagnation?.....	200
<b>Grzegorz Zasuwa:</b> Basic values and attitudes toward cause-related marketing.....	215
<b>Halina Zboroń:</b> Social economics – from the profit oriented market to the social entrepreneurship.....	229
<b>Krzysztof Zięba:</b> CSR knowledge and perception in Polish SMEs: Evidence from the region of Pomerania.....	240
<b>Agnieszka Żak:</b> Triple bottom line concept in theory and practice.....	251

## Streszczenia

<b>Kazimierz Banasiewicz, Paweł Nawara:</b> Wartości w społeczeństwie rynkowym i wartościowanie na wolnym rynku.....	19
<b>Kinga Bauer, Joanna Krasodomska:</b> Przesłanki społecznej odpowiedzialności biznesu w postępowaniu upadłościowym.....	29
<b>Marzena Cichorzewska, Marta Cholewa-Wiktor:</b> Wpływ innowacji społecznych na rozwój regionu i organizacji.....	40
<b>Barbara Fryzel:</b> CSR, tożsamość organizacyjna a zachowania. Rola percepcji i zaufania.....	53
<b>Urszula Gołaszewska-Kaczan:</b> Działania na rzecz równowagi praca–życie jako element społecznej odpowiedzialności przedsiębiorstwa.....	65
<b>Katarzyna Klimkiewicz, Ewa Beck-Krala:</b> Odpowiedzialne wynagrodzenie – pierwsze kroki w kierunku określenia obszaru badań.....	79
<b>Janusz Kroik, Jan Skonieczny:</b> Wykorzystanie modeli biznesowych w kształtowaniu społecznej odpowiedzialności przedsiębiorstwa.....	90
<b>Joanna Kuzincow, Grzegorz Ganczewski:</b> <i>Life cycle management</i> jako istotny aspekt społecznej odpowiedzialności biznesu.....	107
<b>Ewa Mazur-Wierzbicka:</b> Realizacja <i>work-life balance</i> jako jednego z narzędzi CSR w polskich przedsiębiorstwach na przykładzie Lidla i Biedronki.....	121
<b>Marta Miszczak:</b> Komunikowanie polityki CSR klientom przez sklepy dyskontowe w Polsce.....	135
<b>Magdalena Popowska:</b> CSR i małe przedsiębiorstwa z perspektywy międzynarodowej i krajowej.....	147
<b>Marcin Ratajczak:</b> Rozumienie koncepcji CSR w małych i średnich przedsiębiorstwach agrobiznesu.....	157
<b>Anna Stankiewicz-Mróz:</b> Kodeksy etyczne i <i>whistleblowing</i> jako narzędzia CSR w firmach farmaceutycznych.....	168
<b>Ewa Stawicka:</b> Wdrażanie społecznej odpowiedzialności w sektorze MŚP. Analiza kluczowych aspektów filarów rozwoju strategii.....	178
<b>Tomasz Wanat, Magdalena Stefańska:</b> Działania CSR kierowane do pracowników – dyfuzja CSR na klientów za pośrednictwem pracowników... ..	190



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<b>Anna Waligóra:</b> Wybrane aspekty prawne funkcjonowania przedsiębiorczości społecznej w Polsce na tle zapisów ustawy o spółdzielniach socjalnych z dnia 27 kwietnia 2006 roku.....	199
<b>Przemysław Wolczek:</b> Rozwój koncepcji CSR w Polsce – postęp czy stagnacja?.....	214
<b>Grzegorz Zasuwa:</b> Wartości i postawy wobec marketingu społecznie zaangażowanego .....	228
<b>Halina Zboroń:</b> Ekonomia społeczna – od profitowo zorientowanego rynku do społecznego gospodarowania .....	239
<b>Krzysztof Zięba:</b> Postrzeganie CSR w polskich MŚP. Wyniki badań w regionie Pomorza .....	250
<b>Agnieszka Żak:</b> Koncepcja potrójnej linii przewodniej w teorii i w praktyce	264

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## CSR AND SMALL BUSINESS FROM THE INTERNATIONAL AND NATIONAL PERSPECTIVE

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**Summary:** Corporate and social responsibility is nowadays quite a popular topic among large companies but thanks to numerous popularization activities undertaken by national and international institutions, also small entrepreneurs become more and more interested in exploring this fairly new approach. This paper outlines the main differences between the implementation of the CSR approach in large companies and in SMEs, which are not able to use the same methods and have to look for some alternative strategies, have different expectations and very often even different goals. Moreover, they are not able to apply the whole CSR agenda, and they are frequently forced to focus on one single priority. The main aim of this paper will be to determine the CSR awareness among entrepreneurs in Poland and to emphasize the main differences in approaching this concept by the most developed economies of Europe. Finally, the future developments of CSR will be discussed in the context of small business.

**Keywords:** CSR, SME, small business, responsible entrepreneurship.

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*We are experiencing not so much a time of change,  
but a change of era that feeds the moral decay, not only in politics,  
but also in the financial or social life.*

Pope Francis I, 29.06.2014

### 1. Introduction

The last twenty years are marked by the increased interest in environmental and social issues and their importance for the strategic business management [Donaldson, Preston 1995; Shrivastava, Hart 1996; Hart 1997; Martinet, Reynaud 2001, 2004]. These issues, with time, became known as corporate social responsibility (CSR). However, the degree of interest in CSR is not the same for all the sizes and all the types of businesses [Martinet, Reynaud 2004]. In fact, it oscillates between the lack



of interest in this phenomenon and very proactive forms of its implementation and shows a huge variety in the forms of its occurrence in business practice.

## 2. SMEs features determining their approach to CSR

The concept of “being socially responsible” is not new when referring to small and medium enterprises (SMEs). Recent research on CSR is more and more frequently using the concept of social capital, which usually stresses the vital importance of reciprocity and trust in social networks of individuals, which is intended to facilitate the daily functioning in society and business. A resource of social capital, which refers to interpersonal relations, is manifested not only in confidence, but also in jointly created and respected norms and standards of behavior. These features are characteristic of a well-functioning civil society.

Micro and small enterprises are more strongly associated with the local community having clearly defined needs. When operating they respect the rules prevailing in this local community [Spence et al. 2003]. In the case of small market operators, we observe identity of the objectives of an entrepreneur and of a company that he or she runs. A strong leadership can easier convey socially responsible principles to all employees in owner-managed SMEs [Jenkins, Hines 2002; Lepoutre, Heene 2006]. The larger a company is, the more these objectives diverge. With company’s growth, also the number of stakeholders, their size and importance is increasing. In a small firm, the key is the social network in which an entrepreneur operates. The actors of these networks are not only the relatives of an entrepreneur, his or her first customers and suppliers. During the start-up stage, an entrepreneur is even more often using these social capital resources. Thus, his or her primary stakeholders are the nearest network environment members, the local community in which a company operates and therefore engaging in CSR may be of great value, both to the SME and the local community [Studer et al. 2005; Jenkins 2004]. However, their actions are rather fragmented and of an informal character.

In large companies the CSR rudiments usually come from top directing downwards – the rules are introduced and workers are expected to follow them. In the case of SMEs the personal beliefs and ethics of both, owners and employees, is equally important. It is not hard to observe that often individuals are the ones to notice the problems that exist in the firm’s environment. CSR in SMEs ought to be focused on practical things and solving real problems, because of both, their nature which is shaped within certain local area and their limited funds. For instance, the large fast-food chain KFC can afford to organize happening actions like “Bike Summer with KFC” with a lot of promotion spread over many cities in Poland, while a local private bakery could not afford such marketing, which seems pretty obvious. Even if funds for such actions were available, the prospective respond from customers and potential gains would just be disproportional to invested money.



However, many small businesses perform actions that might be considered socially responsible, even if term CSR is something their management has never heard of. As CSR is more visible in the case of large firms or in multinational companies, SMEs are also engaged in such actions; however, their character is a bit different. Being less formal and more intuitive, small business focuses more on being reliable to customers and local community, trying to improve the closest environment rather than spending fortunes on mass-media advertising, not to mention some most improbable worldwide actions. Many owners of the SMEs instinctually feel that social responsibility can pay off in the long term and every effort in this direction is something that could bring an important competitive advantage, which is nothing but step ahead of their competitors.

### **3. EU, governments and other organizations' involvement**

The European Union is constantly working to introduce laws that supposedly should be beneficial for people's health and their lifestyle. As for 2010, every EU Member State bans smoking in public areas, including pubs, cafes, restaurants, universities, shopping malls and many more. There are many more regulations that enhance social responsibility, just to name a few: product liability, excise taxes (alcohol and tobacco- for health concerns, gasoline- for environment pollution, gambling-addictive effects) and pollution emission standards.

The Lisbon Strategy (2000), trying to invigorate the EU economy through social and environmental renewal, for the first time in the history of the EU, identified CR as a top priority on its political agenda. Later, in its communication on CR (2006), the EU emphasized the importance of CR to European society and the need for dialog between different stakeholders. In 2010, the European Commission committed itself to "renew the EU strategy to promote CSR as a key element in ensuring long-term employee and consumer trust." The CR is also a part of the newest strategy of the EU – "Europe 2020." In this particular document, as in the main EU activities portfolio, the most important elements seem the efforts aiming to enforce the reporting and disclosure of information regarding CSR, and to support numerous CR tools, such as UN Global Compact or the ISO standard on social responsibility (ISO 26000). Additionally, on April 16, 2013, the EC adopted a proposal for a directive that will amend the Accounting Directives by requiring large companies with more than 500 employees to include in their annual reports a non-financial statement containing information relating to environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters. This mandatory reporting does not concern small businesses; however, some enhancements, including possible measures to use in reporting, are ready also for these ventures.

A government, as a body entitled to shape the law, is able to affect the way business is run. In selecting the appropriate types of policy intervention, governments must take into account local socioeconomic, political and cultural contexts as well as





the specific problems or action areas in and through which social change is desired. By doing that, they somehow force the way CSR is incorporated. There are many possible types of governmental intervention, including awareness raising, partnering, introducing laws, mandating instruments. The function of awareness raising goes mainly through information platforms, labeling activity and the promotion of this concept using real partnerships with public and non-governmental institutions. Governments are establishing also a public–private partnerships, organizing seminars and roundtables. As the CSR orientation is still, in the most of countries, a voluntary approach, governments may only introduce soft laws, in particular under the form of corporate governance codes or guidelines for CR reporting. Although they cannot fully regulate the aspects of philanthropy and charity, governments may enhance such attitudes by introducing tax exemptions for philanthropic activities.

On the other hand, sometimes the actions of particular governments may be considered harmful for the social responsibility of business. The prime example of such an effect was the case of a baker from Legnica, who was accused of tax delinquency by the Polish Revenue Office. The baker W. Gronowski had helped the poor by giving them bread and other baked products that were not sold in commercial process. The Tax Office stated that he decreased so his official income and imposed a penalty of PLN 260,000. If he had just thrown it away, he would not have to pay this huge penalty, which ruined his activity.

However, the Polish case is also offering many other examples that confirm the relevance of the issue. Several actions focused on promoting CSR have been actually undertaken especially in the last ten years. One of such initiatives was carried out in 2007 by the United Nations Development Program entitled “Accelerating CSR Practices in the New EU Member States and Candidate Countries as a Vehicle for Harmonization, Competitiveness and Social Cohesion in EU.” Thanks to this project, the operational and theoretical boundaries of CSR for Poland were formed and they are constantly and systematically being implemented by the Polish government.

Thanks to the governmental directive no. 38, declared on May 8, 2009, a special team was created to address problems of social responsibility of entrepreneurship. This team remains a subsidiary body of the Prime Minister of Poland.

The Polish Ministry of Economy, in response to SMEs needs, released a guidebook on business sustainability and CSR tools, called “Balanced business – the guide for SMEs.” This publication was created thanks to the help of Polish managers providing real examples in order to reflect the national reality.

Another example of a Polish governmental initiative is the project run by the Polish Agency for Entrepreneurship Development (Polska Agencja Rozwoju Przedsiębiorczości – PARP), called “The Improvement of Competition of Regions through CSR,” an initiative undertaken within the Polish-Swiss Cooperation Program in 2012. It consists of three components of a nationwide range: information, implementation and communication. The main goal of the project is to raise the level of awareness in regards to CSR of SMEs. Another project, directly named “Corporate



Social Responsibility” (Społeczna Odpowiedzialność Biznesu) was launched by PARP in 2014 and is aiming to develop relevant tools supporting the implementation of the concept in Polish SMEs. One should also mention the RespEn research project run by the Pomerania Development Agency in 2010 “Polish And Swedish SMEs towards CSR Challenges” devoted to evaluation of the implementation of CSR in Polish and Swedish small and medium companies during the crisis time.

Several organizations of the third sector are operating in Poland to help in the CSR issue. Their goal is to create the sustainable development support, mainly through partnerships, while focusing on environmentally friendly business operations. One of such bodies is the Environmental Partnership Foundation (Fundacja Partnerstwo dla Środowiska). This foundation helps to spread the CSR knowledge in Polish schools (around 600 schools are involved). Another example is Clean Business Initiative (Czysty Biznes). In this case, around 500 SMEs took part in the project by the Environmental Partnership Foundation under the honorary patronage of the Ministry of Environment, the Ministry of Economy and the Ministry of Regional Development to reward those enterprises that the most effectively and economically implement nature-friendly solutions. Among these there are several different categories including the management of energy, water and waste, the innovation process, products and services in tourism, the international image and cooperation.

Not only do the EU, governments and NGOs engage in CSR promotion. The Forbes magazine and consulting company PwC organized a contest, called “Leaders of Sustainable Development” (Liderzy Zrównoważonego Rozwoju), in which SMEs and MNEs could compete in proper categories. The results were published in the Polish edition of Forbes magazine three times so far: in 2011, 2012 and 2013.

Surprisingly CSR attracts more and more young people, future managers. In 2004 took place a launch of the Responsible Business League founded by Forum Odpowiedzialnego Biznesu – a platform for young individuals interested in CSR. Addressed to students, this educational program aims to shape a new generation of managers and entrepreneurs. The League is active in the local societies and may be considered as a bridge between academic world, business and generally responsible people caring for public benefits.

#### **4. Recent evidence regarding SMEs and CSR in Europe**

As already mentioned, SMEs’ responsible actions are usually oriented towards local communities. According to the Observatory of the European SMEs (2000), half out of 7800 interviewed companies were somehow engaged in external CSR activities. Nevertheless, important geographical differences should be underlined: in the Northern European countries, SMEs were more engaged in CSR actions compared to those in Southern Europe. Sport, culture and health were dominant directions, while much less companies were involved in the protection of the environment. The majority of internal CSR implementations was connected with



employment satisfaction, healthcare, and various trainings or educational purposes, as well as safety issues. Few studies clearly analyze the positive outcomes of CSR implementations in SMEs on society and environment. Yet one might assume that a certain impact exists, because of the number of SMEs operating in the economy. Obviously, the lack of consolidation and the apparently smaller power influence compared to that of large enterprises make the observation a bit blurred and not easy to express in numbers.

An interesting research was conducted by the partners included in the CSI EU European Project funded by Leonardo da Vinci Program. Studies were undertaken in several European countries and their outcomes gave a very diversified picture of European SMEs engagement in the CSR approach (see Table 1).

**Table 1.** SMEs commitment to CSR

	Austria	Bulgaria	Denmark	Lithuania	Slovenia	Spain
SMEs having a CSR policy	88%	60%	75%	40%	40%	27%
SMEs claiming that CSR is priority	100%	50%	100%	33%	40%	36%
SMEs having attended a training on CSR	77%	30%	50%	10%	25%	9%

Source: [CSI EU Project... 2012].

Again, it is easy to notice that the countries from the former communist bloc are not so much engaged in CSR activities. Spain as a representative of Southern European countries has also lower percentage of SMEs with CSR rules implementation. In the same research, a question was asked: What do you understand by “Social Responsibility”? Companies’ answers are shown below:

- investing in human resources (35%),
- investing in occupational health and safety (35%),
- observing human rights (28%),
- taking care of environmental issues (35%),
- charity (donations) (16%),
- funding and contribution of local associations (7%).

Surprisingly enough, another research study carried out by the Observatory of European SMEs shows that environmental issues are as important in companies CSR activities as any other actions. When asked about the motives for such actions, the majority of respondents chose the answer “Awareness and ethical consciousness” (19%) rather than “Market reasons” (11%) or “Client’s requirements” (7%). The outcome of the research is quite surprising as the financial motives are not the dominant driver for SMEs when discussing CSR, rather the duty towards society comes at the first place. When asked about not carrying any social responsible initiatives, the



majority of surveyed companies stated that the reason is a lack of human resources and not enough time to be devoted to such actions (8%). The authors conclude with the statement that the main problem is a lack of strategic vision. All actions are performed “now and here”; they lack the systematic and organized character. The issue is also the absence of identification and involvement of stakeholders, their needs and requirements. Although some kind of CSR implementation exists, the results are not clearly stated and therefore the information flow to stakeholders is disturbed. The authors point out that the educational gap and the lack of existing trainings represent additional negative factors to CSR development.

An interesting data is provided by ENSR Enterprise Survey 2011. This research is quite large and covers main reasons and motives for external social activity as well as benefits, plans and expectations. The research outputs clearly demonstrate that SMEs willingly engage in sport and culture oriented activities, and that their main motivations and reasons for such responsible involvement are ethics, relations with the local community and the consumer loyalty. The same aspects, i.e. the relations with the local community, the customer loyalty, and the relations with their partners, are considered the main benefits of this approach, and they appear almost with the same frequency.

## 5. CSR in Polish SMEs

Implementation of CSR methods in Poland is the object of growing interest from both entrepreneurs and society. Although certain aspects of business ethics were present in Poland before World War II, when referring to CSR during the extended time of the communist regime, this term appears to be degenerated, since the business rarely belonged to individuals and was largely controlled by the state. People were not interested in corporate social responsibility as they struggled to make their living. Over the last two decades, the idea of CSR became more and more popular due to the change of the political system, and in the last ten years, due to Poland accession to the EU.

**Table 2.** Familiarity with the term “CSR”

Company size	Yes	No	Hard to say/I do not know
Micro	26%	66%	7%
Small	36%	53%	11%
Medium	50%	42%	8%
Large	70%	26%	4%

Source: [MillwardBrown 2011].

The history of modern CSR in Poland is not long, hence the research sources are quite limited comparing to other, “older” members of EU. However, some relevant research exists, and in particular the report prepared by MillwardBrown SMG/KRC and PwC in 2011 (see Table 2).



These results seem quite surprising, but the conclusion is clear: the smaller a company, the lower is the familiarity with term “CSR.” This could be justified by the fact that large companies more frequently apply solutions successfully implemented by those operating in other countries (often they are foreign companies themselves, and thereafter foreign methods and approaches are automatically introduced). SMEs often lack a proper theoretical base, focusing on practical actions that could easily generate some additional income.

Among those who claimed to be familiar with what CSR is, the most important aspect of being socially responsible appears to have proper relations with clients, co-workers and employees (22% of the respondents), to care for environmental issues (21%), honesty (19%), employees welfare (15%) and local society-based activities (12%). The CSR standards most known among respondents are ISO 14000 (51%), ISO 26000 (30%) and Global Impact (18%). The interesting results concern also the relation between the implementation of CSR and the age of a company. According to this research, 80% of the companies that have been operating for more than 15 years implement socially responsible practices. This result is about 15% more than the enterprises operating for a shorter period. Apparently the older the business becomes, the more socially responsible it gets. When it comes to inform clients, employees and society, most companies focus on ecology and nature care (18%), business development and novelties (8%) and standards acquired (5%). The table below shows the aspects of CSR that are considered crucial (see Table 3).

**Table 3.** Crucial CSR aspects for micro, small and medium enterprises that are being implemented

Company category	Micro	Small	Medium
Relations with clients	74%	78%	72%
Relations with employees	68%	78%	72%
Organization of work	58%	72%	75%
Honest market methods	50%	58%	59%
Human rights	14%	31%	29%
Natural environment	13%	33%	31%
Society actions	5%	22%	25%

Source: [MillwardBrown 2011].

Obviously, the micro enterprises have substantially more reduced scope of activities considered crucial comparing to small and medium ones. The priorities of small and medium companies are more or less at the same level. Table 4 shows the most implemented CSR rules in the corresponding areas already described.

The main characteristic of local businesses is the assimilation of the CSR rules with the legal regulations to the extent that sometimes the distinction between both is impossible for Polish entrepreneurs. That is why “the respect of human rights and of the labor code” is so popular when reporting on applied CSR rules (58%). Quite



**Table 4.** The most frequently implemented CSR rules

The CSR in the area of the honest market methods:	
Transparency, honesty, standards respect, proper product description	37%
Punctual delivery and payment	36%
Proper relations, arrangements, cooperation, respect	18%
The CSR in the area of the work organization:	
Division of duties and responsibilities	31%
Proper work organization	15%
Keeping standards and instructions, rules of work and safety issues	13%
The CSR in the area of the relations with employees:	
Proper relations within the company	26%
Honest salary, paid in time, motivational salary system	24%
Employees' rights	18%
The CSR in the area of the relations with clients:	
Honesty and transparency	29%
Meetings, dialogs, mutual respect	23%
Reliability and punctuality	21%
High quality of products and services	21%
The CSR in the area of the natural environment:	
Respect of human rights, Labor Code	58%
Employees care and relations	16%
Lack of discrimination, equality	7%
The CSR in the area of the human rights:	
Segregation of waste, recycling, utilization	53%
Water, energy and paper savings	19%
Respect of standards and norms, ISO 14000	12%
Reduction of harmful waste and gases	12%
The CSR in the area of the society actions:	
Sponsoring, financing of local initiatives, aid to those in need	36%
Cooperation with local schools, institutions and departments	28%
Cultural and sport events financing	10%

Source: [MillwardBrown 2011].

a large number of respondents also confirmed that it is related to social engagement in the development of the local community, sponsoring, and with a sense of mission, as well as the practices undertaken in the workplace, or care about the environment. Less frequently entrepreneurs identify responsible business practices related to suppliers. CSR is still often treated as an ancillary activity, mainly in the



area of marketing. When asked about the biggest problems occurring while trying to implement CSR, respondents state: necessity of financial outlays (38%), lack of time (33%), complexity of subject (32%), lack of skills and knowledge (30%) and no direct transfer to business activity (19%).

## 6. SMEs as the future of CSR

Despite this sometimes disappointing image of Polish SMEs' involvement in the implementation of the CSR practices and rules, we believe that there are several reasons to reckon that SMEs are going to be the dominant force of CSR drivers:

- **Innovation:** They are innovative as they operate in usually saturated markets and have to cope with many competitors. Without being creative, the usual business operation could easily morph into striving for survival. That is the reason why the SMEs are likely to freshen up the spirit of CSR and bring it to the new level.
- **Hazard:** SMEs are prone to risk-taking. Corporations traditionally focus on safety issues and risk averse actions. To gain competitive advantage, small and medium size firms are willing to risk more. Launching new products, starting risky business, non-standardized way of operating – that is the hazardous face of SMEs, but, after all, it remains the driver for development and avoiding stagnation and this very need could be the engine to use CSR on a bigger scale than has ever been used.
- **Devotion:** The SMEs' owners have a complete control over their company. The responsibility for success lies mainly in the owner's hands, and it is not spread among hundreds of people. They risk their own money and any failure is their fault. Because of that, they really dedicate themselves to what they are doing.
- **Openness:** The communication in SMEs represents the open model, as everyone knows each other, there are less barriers comparing to large businesses. It improves an information flow, it introduces the atmosphere of trust, and it increases the chances of successful problem solving.
- **Timing:** When the opportunity arises, SMEs are the first to act, trying to obtain competitive advantage. They adopt a sort of binary strategy: need to buy – they buy; need to sell – they sell. Should any necessity appear to shut the business down, small business is usually able to cope with that immediately, while in the case of large companies it is a long and painful process.
- **Quickness:** SMEs are quick to respond to the needs and expectations of clients as well as to ever-changing business circumstances. Management staff is close to employees and is aware of what should be improved. Bureaucracy is very limited, and this aspect helps to make changes smoother and more dynamic.
- **Integrity:** Unlike large corporations, SMEs are very often an integral part of surrounding environment, and this factor helps them to act socially responsible. MNEs make their CSR decisions based on statistics and research, while SMEs have a bit different approach. They feel, hear and see. And very often this intuitive way is favorable.



There is no doubt that SMEs will play a major part in shaping CSR in the coming years, although the process is slow, yet ongoing. In 20 or 30 years from now, the CSR might be in a completely different place than it is now. It shall always be closely connected to social, political and cultural issues. Large companies or MNEs operating in countries and areas with many different cultures, as well as the ongoing globalization paved the way for that. There is a high chance that CSR concepts will be following this very path. The less barriers, the more similarity: this rule is as true when talking about people as when referring to CSR in SMEs.

## 7. Conclusions

The strongly scientific and theoretical approach to CSR is the domain of large companies, while small businesses rely less on definitions, standards and theories, but rather focus on intuition and feeling as well as beliefs and local specificities.

In practice, many entrepreneurs have an inclination to perform actions considered socially responsible, but very often they have no idea how to do it, what is even more important, and how to obtain from them a competitive advantage. Therefore, a solution may be to operate together, in the form of clusters, or with the support of NGOs to increase the efficiency of introducing CSR, comparing to individually addressing these issues.

We should also be aware that because of the diversity of SMEs, the approach to CSR should be very flexible, tailor-made and individual. CSR is also culturally specific which is more visible in SMEs. If standardization is a very hard task to achieve in the case of large companies, it is almost impossible for the majority of SMEs.

Despite the endless debate, whether CSR is a sincere and honest method that comes from caring about society or just a sneaky way to increase one's profits, there is no doubt that the modern CSR is going to shape the business and the way we perceive it. The boundaries will slowly vanish and the global market will transform into vicious battlefield, where companies fight with each other for clients and the CSR seems to be a weapon that companies have been using unconsciously for years, but now they are more and more eager to take the full advantage of it. In addition, this very weapon could be considered utterly powerful, especially in times when traditional advertising is just not sufficient, which is true for both large companies and discussed small and medium ventures.

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## CSR I MAŁE PRZEDSIĘBIORSTWA Z PERSPEKTYWY MIĘDZYNARODOWEJ I KRAJOWEJ

**Streszczenie:** Społeczna odpowiedzialność biznesu jest obecnie dość popularnym podejściem, stosowanym zwłaszcza przez duże przedsiębiorstwa. Jednakże dzięki licznym działaniom popularyzacyjnym podejmowanym przez instytucje krajowe i międzynarodowe, także mali przedsiębiorcy coraz bardziej zainteresowani są stosowaniem tej filozofii prowadzenia firmy. W artykule przedstawiono główne różnice pomiędzy wdrażaniem podejścia CSR w dużych firmach oraz w małych i średnich przedsiębiorstwach. Te ostatnie nie są w stanie



korzystać z tych samych metod i poszukiwać alternatywnych strategii, mają inne oczekiwania i bardzo często nawet inne cele biznesowe. Co więcej nie są one w stanie wdrożyć wszystkich działań CSR i są często zmuszone do skoncentrowania się na jednym priorytecie. Głównym celem niniejszego artykułu jest określenie świadomości CSR wśród przedsiębiorców w Polsce i znalezienie głównych różnic w podejściu do tej praktyki przez większość rozwiniętych gospodarek Europy. W ostatniej części przedstawiona została przyszłość rozwoju koncepcji CSR w kontekście MŚP.

**Słowa kluczowe:** CSR, społeczna odpowiedzialność biznesu, MŚP, mały biznes, odpowiedzialna przedsiębiorczość.