The corporate social responsibility – fundamentals.

Introduction
In the context of world political and economical position, it seems to be one of humankind’s greatest challenges this century will be to provide sustainable, just and balanced development. The expectations of current and future generations cannot be met unless there is respect for natural systems and international regulations protecting both social and environmental values. In this matter, it is increasingly recognized that the role of the business sector is crucial. As a part of society, it is in business’ interest to contribute to addressing common problems. Strategically speaking, business can only flourish when the communities and ecosystems in which they operate are healthy.

There is growing recognition of the significant effect the activities of the private sector have—on employees, customers, communities, the environment, competitors, business partners, investors, shareholders, governments and others. It is also becoming increasingly clear that firms can contribute to their own wealth and to overall societal wealth by considering the effect they have on the world at large when making decisions\(^1\).

Business opinion polls and corporate behavior both show increased levels of understanding of the link between responsible business and good business. Also, investors and financial markets are beginning to see that CSR activities that integrate broader societal concerns into business strategy and performance are evidence of good management\(^2\).

In addition to building trust with the community and giving firms an edge in attracting good customers and employees, acting responsibly towards workers and others in society can help build value for firms and their shareholders\(^3\).

The founder

\(^1\) P. Hohnen, Corporate social responsibility, an implementation guide for business, 2007, International Institute for Sustainable Development, pp. 1

\(^2\) Ibidem

\(^3\) Ibidem
Andrew Carnegie the Scottish-American businessman and philanthropist, is usually perceived as the precursor of corporate social responsibility. There was formulated the doctrine, in his book “Gospel of Wealth” written in 1899, that was known as social responsibility of organization. This formulation consisted of two fundamentals: charity and trusteeship. The first rule was similar to biblical mercy and the latter claimed that the organizations and wealthy people would manage their substance in behalf of other peoples’ wealth and with socially accepted manners.

There was a very popular opinion that an organization should be aware, that its activities must have been connected to the society expectations in the context of its own good. The social power had to be taken into consideration.

**Corporate social responsibility – the definition issues**

According to the views mentioned above, it seems to be authorized to conclude that the notion of corporate social responsibility it is the derivative of both economical and philosophical approaches.

So, as its joins two different disciplines, it can be perceived as controversial in business organizations as well as in their environment. As a consequence, there are two opposite opinions in the context of corporate social responsibility but the arguments their undertake appear, that the problem in discussion there is ambiguous understanding of CSR.

Following W. Kiežun opinion it is possible to distinguish conservative and reformist main-streams, J. Nakonieczna claims the economical and philosophical ones. On the contrary, M. Sulek and J. Świniarski think that the notion of corporate social responsibility should be grouped in three categories:

- social obligations,
- social reactions,
- social responsiveness.

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4 So, according to the lack of social security and medical cover there was the symbol of taking responsibility of employees’ level of life improvement.
6 Especially the ethics [J. Filek, Firma jako podmiot odpowiedzialności społeczno-moralnej (zarys problemu), „Annales. Etyka w życiu gospodarczym”, nr 1, 2004, pp. 51-59.]
7 Protagonists and adversaries
It is possible to mention other approaches of CSR, but the protagonists and adversaries’ opinions sometimes differ only because of their understanding assumptions. These dilemmas are reflected in corporate social responsibility definition creation attempts. As a consequence, there is a situation of lack of one coherent term of CSR both in scientific literature and economical practice. It is authorized to underline that the roots of notion mentioned above had its beginnings in the history long time ago – this concept referred to many different substantiations and interpretations. To find a unambiguous definition of CSR one should search for explanations of the authors, who perceived CSR in the context of narrow perspective and wide one. The first meaning refers to voluntary activity aimed to ecological and social aspects during organizational operations, what is particularly seen in J. Henningfeld’s paper. The authoress claims that the only way to organizational surviving is to do the business in the ethical manner, including social and environmental expectations. It means that every company that is driven to corporate citizenship concept should create strategies which support natural resources and environment for benefits of mankind. Simultaneously, the organization operates in the profitable way to satisfy stockholders needs. In this approach the durability and profitability do not exclude each other – the only problem is to find the balance between them.

Yet, according to I. Figaszewska’s opinion, under the notion of CSR it is understood the organizational responsibility for its decisions and operations impact on the society and its environment, throughout transparent and ethical behavior which by A. Janowski, constituting the sustainable development, taking into consideration the stock-holders’ requirements, fulfills the law regulations and is coherent to international behavior standards, and also is implement-ed within whole organization, including its operational activities.

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14 CSR
15 Largo and stricte sense
16 A. Janowski, Corporate Social Responsibility - a new tendency or effectiveness determinant, Konin 2011
19 One way to understand the importance of stakeholder engagement is to look at what can happen when it is not done. Customers might see the firm as unresponsive to their needs; employees can feel unappreciated; suppliers could have less trust in the firm; local communities might be less cooperative; and investors could get nervous. In short, the firm might miss important messages about its profile and performance. Four key reasons for stakeholder engagement are building social capital; reducing risk; driving innovation; and integrating these elements in corporate strategy.
20 I. Figaszewska, Nowe instrumenty i inicjatywy społecznej odpowiedzialności biznesu. „Biuletyn Urzędu Regulacji Energetyki”, 2011, no. 3 (77), pp. 7.
21 A. Janowski, ibidem
An assumption that implementing the corporate social responsibility fundamentals enables to solve a great number of temporary world social and economical issues was the pillar of Global Compact proposed definition\textsuperscript{22}. This wide definition is the challenge to, during operational activity, take into consideration ten principles of organizational management:

1. Vision – including to the formal organizational vision the commitment to present responsible corporate citizenship\textsuperscript{23},
2. Management – delivering all the necessary vision information to every employee of an organization\textsuperscript{24},
3. Authority – activities related to labor force\textsuperscript{25},
4. Politics and strategies – existing within organization politics and strategies analysis and their adaptation to The Global Compact Initiative regulations (or creation the new compatible to GGI ones)\textsuperscript{26},
5. Resources – the organizational politics and strategies implementing resource management to enable labor force to achieve their aims – simultaneously respecting GCI rules\textsuperscript{27},
6. Processes and innovations – prediction of issues, which can occur during the GCI fundamentals implementing and transforming these problems into innovative solutions and business opportunities\textsuperscript{28},

\textsuperscript{22} The Global Compact forum was established 26-th of July 2000, as an initiative of General Secretary Coffee Annan, who, 31-st of January 1999, during World Economic Forum in Davos call the leaders of worldwide business to do a global agreement related to commonly respected values which will put „human face” on the global market and become the beginning of a new global economy, based on presumption, supporting and implementing the common values in three areas: human rights, labor standards and environmental protection. On 19 September 2006, Annan gave a farewell address to world leaders gathered at the UN headquarters in New York, in anticipation of his retirement on 31 December. In the speech he outlined three major problems of “an unjust world economy, world disorder, and widespread contempt for human rights and the rule of law”, which he believes “have not resolved, but sharpened” during his time as Secretary-General. He also pointed to violence in Africa, and the Arab-Israeli conflict as two major issues warranting attention [Leopold, Evelyn (16 September, Retrieved 12 December 2006)].

On 11 December 2006, in his final speech as Secretary-General, delivered at the Harry S. Truman Presidential Library in Independence, Missouri, Annan recalled Truman's leadership in the founding of the United Nations. He called for the United States to return to President Truman's multilateralist foreign policies, and to follow Truman's credo that “the responsibility of the great states is to serve and not dominate the peoples of the world”. He also said that the United States must maintain its commitment to human rights, including in the struggle against terrorism.

\textsuperscript{23} For example the dialogue of involving parties considering to their expectations, main tendencies analysis, potential risk understanding and prepare the scenario.

\textsuperscript{24} To achieve durable changes it is essential to have a managerial involvement, but to gain maximal efficiency, the mentioned information must have been spread on every organizational level and organizational environment. The corporate citizenship should be taken into consideration in the context of corporate order, and, on the board level should be settled the supervision to implement ten principles.

\textsuperscript{25} Such as management, informing, presenting, motivating, training, listening, rewarding, consulting, trust creation, to fulfill their role in organizational vision achieving. Authority should force individuals to harmonize its values with organizational ones.

\textsuperscript{26} Some of organizations lead the general politics in the context of corporate citizenship, others realize the specific politics and have materials to their disposal related to environmental protection, human rights and corruption counteraction.

\textsuperscript{27} Verifying if all resources (labor, financial, information and others) fulfill the organizational politics and GCI requirements commitment.
7. Value chain impact – relationship management and impact on their business operations

8. Impact on people – the participation in GCI determines behavior of both management and the labor force, including their morale

9. Society impact – organizational influence on community and also on society, it is the principal factor of Activity Model

10. Reporting – announcing and reliable estimation economical, social and environmental activities.

The efficient implemention of the Global Compact Initiative depends mainly on interested parties involvement. It is particularly significant in the areas of vision, leadership, strategy and politics, and also society impact and reporting. The dialogue with business partners can be also useful during existing politics analyzing or creating new one, in the disciplines such as human rights, labor standards, environmental protection and bribery counteraction. Understanding business partners requirements is indispensable while making attempts to identifying the real and potential impacts which an organizations make on society.

According to the circumstances mentioned above, it seems to be authorized to claim that there is a need for one – valued definitions of corporate social responsibility. Therefore, we’ll try to make attempt to define “corporate responsibility” at first.

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28 That is also the necessity to understand key processes, which can be the derivative to sustainable development, including the goals setting and their implementation within organization. It seems to be authorized to say that particularly useful can be the threads and opportunities analysis.

29 The activity of suppliers, distributors, consumers can determine the company’s reputation and, as a consequence its profit margin. Many companies inform their business partners about planned activities and changes and also expectations and requirements in the context of the corporate citizenship. Some of them even include agreement conditions to check if they proceed as settled in the area of social development and environmental protection. There are organizations which support their business partners in the area mentioned above throughout trainings, potential creation and sharing the best practices.

30 Good practices in the area of social development and environmental protection make influence on recruitment processes, employees' loyalty and organizational productivity.

31 Cooperation with local communities enable to perform peaceful activity or to achieve the community approval. The organizations estimate their operations according to their scale an character, and some of them use the social opinion research to find out the results of organizational impact on it.

32 To perform organizational results, it is necessary to accept precise ratios to estimate organizational operations

33 For ex ample, the board of an organizations can decide to proceed consultations with business partners, what will institute the level of process analyzing and organizational vision adaptation.

34 Both positive and negative ones.

35 Analysing the polish subject literature, it is possible to recognize, that the ethics dimension of organizational life can be perceived on four levels: microethics of business (related to individual behaviors of people, who create enterprises, companies, corporations), mezoethics of business (related to behaviors of enterprises, companies, corporations as operational units, their relations with environment and matter of corporate social responsibility), macroethics of business (related to the economy as a whole) as well as the global approach, which refers to international programs and initiatives participation). It is worth to mention that socially responsible behaviors of undertakers and managers, who are the object of mezoethics of business, are strictly related of personal virtues cultivated by microethics of business, because the pillar of microethics this is to indicate these moral virtueas, which should be descriptive for business people, because of the social consequences of their decisions. So, there are strict relations between distinguished and described levels. Thus, the need for general (integral) approach to economical life morality occurs. There is one particularly important detail more. Namely, there is no problem to distinguish dimensions and levels of business ethics development (there exist five levels: the first encloses years 1870-1960, second 60-ties of XX century, third one – 70-ties, forth encloses the first half of 80-ties, yet fifth – the last – second half of 80-ties till today). The problem occurs when one wants to precisely estimate the ethics „date of birth” – there is not agreement in the
The dictionary term of “responsibility” describes the relation between the perpetrator and the result of his activity, and the condemning factor, that has a legitimacy to reward or punish.

The authors, who are involved in social responsibility of entrepreneurs claim to take into consideration the evolution of this term.

Table 1. The evolution of corporate social responsibility definition in the second half of XX century in United States and Europe

<table>
<thead>
<tr>
<th>50-ties</th>
<th>60-ties</th>
<th>70-ties</th>
<th>80-ties</th>
<th>90-ties</th>
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<tbody>
<tr>
<td>Not numerous</td>
<td>The significant growth of</td>
<td>The precise definition of</td>
<td>Searching for relations between</td>
<td>Considerations, dilemmas, doubts</td>
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<td>papers on cor-</td>
<td>number of corporate</td>
<td>business partners of an</td>
<td>corporate social responsibility</td>
<td>referring to early constructed</td>
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<td>porate social</td>
<td>social responsibility</td>
<td>organization and responsibility</td>
<td>and measurable economical profits</td>
<td>definitions of corporate social</td>
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<td>responsibility</td>
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<td>responsibility</td>
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<td>narrow approaches</td>
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Ref.: M. Rojek-Nowosielska, Kształtowanie społecznej odpowiedzialności przedsiębiorstw, AE Poznań 2007

The evolution listed above was showed in ten-year periods. It doesn’t forejudge that the changes in corporate social responsibility definition development happened so regularly. This indexing was implemented to put in order and make clear the presentation short period of definition creation. As it showed above, in 50-ties there were very short and singular studies referring to corporate social responsibility but they transform successively to more precise ones, which included all of the involved parties and specified areas of CSR. There were also attempts to find the relation between corporate social responsibility regulations and organizational profitability. So, according to circumstances mentioned above the corporate social responsibility it is a conscious organizational impact on strategic groups of partners to fulfill their requirements and expectations.

context of evaluation beginnings of ethics as an independent science discipline. If this moment can be described as a realization of problem and specificity of conducted methods, as a beginning of ethics should be perceived the period of time from 30-ties of XX century, and a place – United States of America. The first paper on business ethics was E. Lord’s “The Fundamentals of Business Ethics” form 1926. The author – lecturer of Boston University – showed, in his position the moral rules of contemporary business. The paper was based on 15-year study, economical life observations, business club participations, and discussions. The other point of ethics beginnings was dated on XIX and XX century, when, in 1981, Leon the XIII – the Pope, proclaimed the encyclical “Rerum novarum”, that initiated social church science related to business ethics. There are some opinions the beginnings of ethics were in 1745, in which Benedictus the XIV proclaimed encyclical “Vix pervenit” describing the usury, or in 1864, when Pius IX – also the Pope proclaimed encyclical “Quanta Cura” – and specially the appendix, describing the error lists in social phenomena, including human labor issues. In A Zadroga’s opinion, the event, which should be considered as the beginning of business ethics distinguishing, there was proclamation of Leon the XIII – the Pope, in 1891, of encyclical “Workman’s matter”, the “Rerum novarum” was proceeded with speeches and texts of other Christian thinkers related to economical life (i.e. W.E. von Ketteler, F. Le Play, H. Pesch), which took into consideration capitalisms ethics problems, as well as the other documents of Leon the XIII [A. Zadroga, Współczesne ujęcia etyki biznesu w Polsce. Próba oceny z perspektywy teologii moralnej, Wydawnictwo Katolickiego Uniwersytetu Lubelskiego, Lublin 2009, pp. 23-58]

36 The subject: person or organization that does the activity consciously and for purpose.
37 Intentional or unintentional result of their decisions.
38 K. Secomski (eds.), Mała Encyklopedia Ekonomiczna, Państwowe Wydawnictwo Ekonomiczne, Warszawa 1974, pp. 143, 226, 278. This definition is similar to polish civil code regulations.
This conception is the subject of many criticisms. Especially in the context of if an organization should undertake the social-driven activity. The opponents to CSR claim that M. Friedman’s underlines that the aim of the “business world” is such an activity that is oriented to maximum profitability, according to the free market regulations, putting frauds and artifices aside. On the contrary, P.A. Samuelson thinks that organizations not only can involve in social oriented activities but it would be much better if they try to do it.

The next factor determines the corporate social responsibility limitation there are the costs of social involvement. If the organizations want to follow social oriented operations, this is necessary to do some expenditures, which, as a consequence will charge the society, although it looks like an organization did. The explanation if this situation shows an example – the stock-holders can receive lower value dividends, employees lower wages and, as a consequence the society will pay higher prices. The successive words of criticism are related to the economical power of organizations, to conviction that the social – oriented involvement would increase the organizational impact on society, which is strong enough already.

Another reason, align with, the organizations should not take social-oriented activity up this is the lack of social skills. These opponents suggest that these matters should be taken into consideration by government or specialized institutions. Additionally, the “business point of view” is frequently biased toward profitability, so not rational. And finally, reducing the financial surplus that belongs to stock-holders, an organization acts as a thief – taking and giving away the stock-holders profits. Further, according to the law regulation, the organiza-

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39 M. Friedman, A Monetary and Fiscal Framework for Economic Stability, American Economic Review, 38(3), 1948, pp. 245-264. In her book The Shock Doctrine: The Rise of Disaster Capitalism, journalist and author Naomi Klein criticized Friedman's ideology and the principles that guided the economic restructuring that followed the military coups in countries such as Chile and Indonesia, drawing analogies between the way that Friedman proposed using the social "shock" of the coups to create an economic “blank slate” with Ewen Cameron's controversial medical experiments that used electroshock therapy to create a mental “blank slate” in patients with mental disorders. [N. Klein, The Shock Doctrine, Metropolitan Books, New York, NY 2007]. Based on the extent to which the application of neoliberal policies has contributed to income disparities and inequality [P.K. Goldberg, N. Pavcnik, Distributional Effects of Globalization in Developing Countries, Journal of Economic Literature, American Economic Association 45(1), 2007, pp. 39–82] both Klein and Noam Chomsky have suggested that the primary role of neoliberalism was as an ideological cover for capital accumulation by multinational corporations [N. Chomsky, Profit Over People: Neoliberalism and Global Order, Seven Stories Press, 1999, NY]. Chilean economist Orlando Letelier asserted that Pinochet's dictatorship resorted to oppression because of popular opposition to Chicago School policies in Chile [O. Letelier, Economic Freedom's Awful Toll, The Nation, August 28, 1976].


42 To cover an earlier shortage

43 K. Davies, ibidem, pp. 312

44 K. Davies, ibidem, pp. 61
tion this is not an individual human being, so it is not necessary to obey the “moral rules” as the organization is not moral subject – it has not got the conscience\textsuperscript{45}. On the contrary, the protagonists claim that an organization, as a unit that creates „good” and “evil” has not legitimacy to avoid taking the moral responsibility for its operations\textsuperscript{46}. Taking benefits from existing natural resources and providing operations, are the reason of environment degradation and natural resources wearing out so it seems to be well-funded to claim that the organizations should take apart into environmental protections mainstreams. Moreover, the fact organizations can damage the natural environment without any penalties and also take activities violating a public safety, proves that nowadays companies have very strong economical power, what was underlined earlier. Yet, conclusion, that social involvement this is a determinant of taking power, suggests the literal approach to the discussed problem, because the social involvement there is only one of the corporate social responsibility dimensions. The others are: employees, stock-holders, suppliers, clients, investors, public administration and many more. And possessing the power, the board management can impact on both local and global activities and prove that during operations take into consideration the ethics code, concerning about their employees, and producing high quality goods – the satisfaction of widely understood consumers. So, their decisions are rational despite of fact if the decision is or is not complicated or the existence of “interest conflict”\textsuperscript{47}.

Being a part of the corporate social responsibility association is not obliged, therefore some of the companies will not get involved, but, in the opinion of K. Davies, in the long run, the organizations, which not use their power referring to society requirements, will lose it all\textsuperscript{48}. What is significant, the company that respects social expectations can avoid government regulations. So, according to the undertakers’ point of view, it is better to keep “free market” than be the subject of government interfering.

From argument previously discussed there is conclusion, the social – oriented operations are determinants of company perceiving improvement, but, it doesn’t happen in one day. The organization, as a part of the society musts undertake many efforts to be accepted and estimated positively by local community, clients, suppliers and other involved parties. The ac-

\textsuperscript{45} M. Velasquez, Why corporations are not morally responsible for anything they do, Business and Professional Ethics Journal, 1983 no 2

\textsuperscript{46} W. Hoffman, What is necessary for corporate moral excellence?, Journal of Business Ethics, 1986 no 5,

\textsuperscript{47} M. Rojek-Nowosielska, Nic tylko zysk. Odpowiedzialność Społeczna Przedsiębiorstwa i strategia nowej generacji CRM, Personel i Zarządzanie, 24/2002, pp.11. The similar situation exists on polish life insurance market. Insurance agents, who should find the best solution for their clients, get commission form insurance companies, so, this is the easiest way to create the expected sold portfolio with the percentage regulation. As a consequence, there are situations where agents prefer to sell high paid contracts which are usually the worst for their clients [W.R. Cupach, J.M. Carson, The influence of Compensation on Product Recommendations Made by Insurance Agents, Journal of Business Ethics 40, 2002, pp. 167-176]

ceptance can gain the bigger number of clients, market shares, better employees or other important for organization benefits. According to these circumstances it is worth to mention about profit maximizing. In this moment occurs the divergence between the corporate social responsibility protagonists and opponents. The first do not exclude profitability but reject it as the only motive of business operations. The latter claim that profitability is fundamental for strategic management objectives. To strengthen protagonists’ arguments it is worth to quote words of Ch. Handy: ”Profits for organization are as essential as the air for human being but this is not only breathing to life”49.

**Corporate social responsibility – future perspectives.**

Concluding the interpretations mentioned above – it seems to be authorized to assume that, in the context of prospective research and studying, in the temporary business environment, the most appropriate definition of CSR is the wide one that includes, in its scope the regulations describing both responsibility areas and other activity function of an organization. Therefore the CSR idea is to follow CGI rules and also pro public bono activity such as philanthropy, sponsoring, patronage and other kinds of social oriented enterprises50. It also means to take responsibility for business operation consequences, which violate formal and moral rights of involved parties51.

Under this understanding, an organization can operate only in areas, which are not socially harmful. Simultaneously, accents the creative role of business in the common wealth. In that way it is underlined the practical dimension of corporate social responsibility, because shows a need for organizational harmonizing both internal and external benefits during undertaking decisions52. Done properly, stakeholder engagement is an excellent way for a business to tell its story and explain its goals and plans53, while also affording the firm an opportunity to learn about stakeholders’ views and incorporate these into business planning. Yet, there is no single perfect approach.

50 B. Pogonowska, ibidem, pp. 8
51 B. Pogonowska, ibidem, pp. 9
52 L. Kolarska-Bobińska (red.), Świadomość ekonomiczna społeczeństwa i wizerunek biznesu, Instytut Spraw Publicznych, Warszawa 2004, pp. 15.
53 There are many private firms that provide specialist advice and assistance on stakeholder engagement. A short Internet search using keywords such as “CSR + stakeholder engagement + (name of relevant country)” should quickly turn up several options. Business associations are a good place to discuss informally with peers which firms or individuals have provided good service.
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