

## **THE IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY OF ENTERPRISE IN BUSINESS**

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**Abstract.** The aim of the study was to determine actions that should be undertaken by companies to be seen as socially responsible, and what factors influence on the choice of the employer by respondents. A diagnostic survey method was used including the author's questionnaire, which was tested upon 1,157 residents of Lubelskie Province. The stratified random selection was applied, and discriminant function analysis for statistical calculations. According to respondents, a socially responsible company is such that prefers ethical action, well treats the employees, has a honest relationship with employees and customers, as well as supports charity and ecological organizations. When choosing an employer, earnings, opinion of employees about the atmosphere in the company, and the prospect of the employees development proved to be the most important. Experiences of other countries should be used in Corporate Social Responsibility (CSR) in order to achieve the most practical management methods, while entrepreneurs should be familiarized with the importance of CRS, and take care of the social approval of their company in media, as well as seek to cooperate with the authorities and the local community.

**Key words:** Corporate Social Responsibility of entrepreneurs, ethical activity, Lubelskie Province

### **INTRODUCTION**

Corporate Social Responsibility (CSR) is a new, voluntary strategy including social, economic, ethical, and ecological aspects of a business in dealing with the environment [Carroll 1979]. It is also an ethical commitment to a business for economic development by improving the life quality of employees and their families, as well as the welfare of society as a whole [Dahlsrud 2008]. The term Corporate Social Responsibility is now widely used in the international business arena [Lindgreen et al. 2009].

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The approach to the business is changing in Poland; it is no longer limited only to multiply profits, but is aimed at non-economic activities, that greatly affect the functioning of a company and determine its quality [Rybak 2004]. Research conducted by MIT Sloan Management Review showed that currently 70% of U.S. companies taking into account the sustainable development in their business plans, have done it for six years, 20% of them – for two years, which undoubtedly is a good omen for Polish enterprises [Kiron et al. 2012].

Business activity affects the whole society and thus entrepreneurs should carry out such activities that would be consistent with the social objectives and values [Bowen 1953] and it is a view not only to the personal interest of the company, but also to the willingness to take the responsibility for social matters [Rabiański 2011].

CSR is a great tool to strengthen the company's position in the market [Handelman, Arnold 1999] by presenting a positive and ethical corporate image in the local community [Sen, Bhattacharya 2001]. Ethics of the company comes directly from the idea of corporate social responsibility and sustainable development. Responsible and sustainable company targets to include ethical standards into strategy and to use them in a conscious way [Paliwoda-Matiolańska 2009].

Motivations to be engaged in social and environmental initiatives vary considerably between companies. Some use CSR as a tool to improve their relationships with stakeholders, while others – as a way to increase operational efficiency, or approach to CSR as morally legitimate actions [Pedersen 2006a, Pedersen, Neergard 2006]. Researchers say that a concern for image of the company is the primary motivation applying CSR. Also, the essential motivations include ethical and moral actions aimed at achieving intended activities within CSR [Poksinska et al. 2003, Pedersen 2006b].

It is accepted that the most important and key issues that affect the development of CSR are: relationships with consumers (74%) and employees (72%), proper organization of work in the company (65%), and honest relationships with customers and business partners (53%) [PARP 2012]. Through systematic monitoring, companies watch effects of their actions aimed at: customers, suppliers, society, employees, and others who have an interest in the company [Lee 2008].

The aim of this study was to determine what actions should be undertaken by Polish companies to be seen as socially responsible. The aim was also to identify factors, respondents focus on, when choosing an employer. The level of corporate social responsibility was determined by means of presenting opinions of Lublin region residents.

## **MATERIAL AND METHODS**

The study applied a diagnostic survey method including the author's questionnaire to test 1,157 respondents from Lubelskie Province. The study was conducted in April 2013. To measure the attitudes, a five-point Likert scale was used after having the construction and validation procedure. The scale reliability index was calculated, in which Cronbach's alpha was 0.87. The criterion for dividing respondents into research groups was the level of their education. Stratified random selection was applied in the sampling procedure. Population was divided taking into account the place of residence: village, town below

20 thousand inhabitants, and urban residents in cities with more than 20 thousand inhabitants [GUS 2012]. In the next stage of sampling, the number of men and women was proportionally determined. These actions allowed for calculating the sample size, in which the confidence level was set at 0.95, estimated fraction size at 0.50, and the maximum error at 0.03. When selecting the sample and taking into account the gender and residence place of studied population, the quota sampling, in which respondents were selected on the basis of their availability, was used.

Of tested respondents, 43.6% were residents of rural areas, 20.2% lived in small towns, while 36.3% – in cities with over 20 thousand residents. In 29.5%, respondents had higher education degree, 59.9% graduated secondary school, and 10.6% had vocational and basic schools education degree. In the age group up to 30 years old, respondents accounted for 53.9%, from 31 to 45 years old – 24.6%, from 46 to 60 years old – 17.0%, and 61 or more years old – 4.5%. Surveyed women accounted for 51.6% of the respondents, while men for 48.5%.

Statistical analyzes were performed using Statistica 8.1 PL software including the discriminant function analysis, that is used for the settlement which variables discriminate the emerging group. Classification functions were used in the form of calculating their coefficients that were determined for each group [Stanisz 2007]. Prior to analysis, the multidimensional normality was examined by verifying each variable for distribution normality. It was assumed that the variables variance matrices are homogeneous in groups. Slight deviations were not so important, because of the large number of respondents in particular groups [Tabachnik, Fidell 1996].

## **RESULTS**

Among seven factors making up the attempt to assess companies as socially responsible in the model of discriminant function, there were five, namely: supporting charities, environment protection, providing jobs, good treatment of employees, and being honest with customers and employees. The total value of Wilks' lambda of discriminant function, as well as calculated values for particular activities were close to 1, which indicates poor discrimination power of these functions. Besides the model, following factors that in respondents' opinion had little impact on the assessment of entrepreneurs, were included: fair tax paying and taking into account the common good by entrepreneurs (Table 1).

Certain classification functions for three groups of respondents showed that the most important factor that determined the company as socially responsible was good treatment of the employees. Value of this factor was similar in all groups of respondents, which indicates no significant differences between them. Values of factor taking into account the fair relation of entrepreneur towards customers and employees were on the same levels. Also in this case, no significant differences between groups were identified. Nearly four times less importance were characterized by activities of companies that were directed at supporting charities and environmental protection. Supporting charities was significantly less important factor for respondents with higher than secondary, basic and vocational education degree. Measures aimed at protecting the environment had significantly greater importance among respondents with higher and secondary education than primary

Table 1. Rank of company activities for social responsibility in the opinion of Lubelskie Province residents (summary of the discriminant function analysis – variables in the model; Wilks' lambda = 0.975, approximate  $F(12.229) = 2.359$ ,  $p < 0.005$ )

Activity	Wilks' lambda	Partial Wilks' lambda	F of introduction	p-level	Tolerance	1-tolerance (R-square)
Supporting charities	0.985	0.989	5.810	0.003*	0.856	0.143
Protecting the environment	0.979	0.996	3.084	0.034*	0.912	0.087
Providing jobs	0.980	0.995	2.823	0.049*	0.914	0.085
Good treatment of employees	0.979	0.996	2.054	0.128	0.780	0.219
Fairness in relation to customers and employees	0.977	0.997	1.185	0.306	0.761	0.238

\* significance level at  $p < 0.050$ .

Source: Own elaboration.

and vocational education degrees. Providing employment by the employer was the least important among factors chosen for the model. It was significantly more important for respondents with primary and vocational education, than with secondary and higher education levels (Table 2).

Table 2. Rank of company activities for social responsibility in the opinion of Lubelskie Province residents (determination of the classification functions for each group)

Activity	Respondents with		
	primary and vocational education degree ( $p = 0.106$ )	secondary education degree ( $p = 0.598$ )	higher education degree ( $p = 0.292$ )
Supporting charities	1.073	1.090	0.892
Protecting the environment	0.806	1.027	1.071
Providing jobs	0.901	0.756	0.779
Good treatment of employees	4.410	4.697	4.649
Fairness in relation to customers and employees	4.614	4.399	4.417
Constant	28.877	27.041	27.915

Source: Own elaboration.

To examine the activities that have the greatest influence on the choice of employer, 10 factors were selected, from which 5 got into the discriminant function model, namely: prospect of employees development by means of training and courses, honesty employer, company brand, opinion of employees on the working atmosphere, and the amount of offered wages. Value of Wilks' lambda was determined for 0.960 at  $p < 0.001$ . Following factors were beyond the discriminant function model: possibility of advancement, good corporate image in the community, size of the company, the company's involvement in social and environmental responsibility of the employer (Table 3).

Table 3. Actions influencing on the choice of the employer by employee in the opinion of residents (summary of the discriminant function analysis – variables in the model; Wilks' lambda = 0.975, approximate F(12.229) = 2.359, p < 0.005)

Activity	Wilks' lambda	Partial Wilks' lambda	F of introduction	p-level	Tolerance	1-tolerance (R-square)
The prospect of the development – training etc.	0.969	0.991	5.142	0.005*	0.761	0.238
Honesty of the employer	0.965	0.995	2.658	0.070	0.811	0.188
Company brand	0.966	0.994	3.245	0.039*	0.933	0.066
Opinion of the employees on the atmosphere at work	0.966	0.944	3.230	0.040*	0.926	0.071
Level of the proposed earnings	0.964	0.996	2.060	0.128	0.921	0.078

\* significance level at p < 0.050.

Source: Own elaboration.

When choosing an employer, the most important factor, according to respondents, was the height of proposed salary. Value of this factor was high in all studied groups. The opinion of employees about the working atmosphere, which was significantly more important for respondents with vocational and basic (4.268) than with higher education degree (4.005), was also of great importance. High average values in the classification function were also ranked by activities related to prospects of workers development, in which respondents with higher education degree (3.115) were significantly the most interested, while to the least extent by respondents with basic and vocational education degree (2.683). The company brand was much less important for respondents when

Table 4. Classification functions related to the choice of the employer by employees with regard to the place of residence

Activity	Respondents with		
	primary and vocational education degree (p = 0.106)	secondary education degree (p = 0.598)	higher education degree (p = 0.292)
The prospect of the development – training etc.	2.683	2.916	3.115
Honesty of the employer	0.790	0.972	0.876
Company brand	1.801	1.247	1.320
Opinion of the employees on the atmosphere at work	4.268	4.185	4.005
Level of the proposed earnings	4.800	5.010	4.886
Constant	30.140	31.147	31.561

Source: Own elaboration.

choosing an employer, which had significantly higher ranks in the group of respondents with primary education and vocational (1.801) rather than higher (1.320) and secondary education level (1.247) – Table 4.

## DISCUSSION

The aim of research assumed to identify factors that distinguish a company as socially responsible. It has been shown that for respondents, the most important activity should be ethical, i.e. good and fair treatment of employees and customers by the company. Ethics thus becomes the foundation of CSR, which should be developed through mutual concessions based on the law that functions in a given society. Without this there is no ethics and ethical standards in the company activity [Rabiański 2011].

Supporting charities is one of the most important factors that affects the recognition of the company as a socially responsible business. This is consistent with principles of functioning within CSR, as it is recommended that companies to keep balanced policy in order to increase their benefits, but also to reduce and even to eliminate damages resulting from their activities by investing in social infrastructure, such as building schools and hospitals. These activities are aimed at balancing the effects of business activity through a positive impact on the society, in which they functioning. Lack of such approach can result in a lack of public acceptance for the company's operations, cut it off from resources, and consequently its liquidation [Walsh et al. 2003, Frederick 2006].

An important factor prominent in research, is the support the activities related to environmental protection by businesses. In well-developed countries there is a high willingness to support initiatives for sustainable development of society, including activities related to ecology. It is a sign of a highly developed awareness of taking care of natural and ecologically clean environment, which is necessary for the proper functioning of people. A greater interest in environmental protection among younger respondents is shown, which is confirmed by a negative correlation between age and perception of environmental qualities [Johnson et al. 2004].

The choice of employers problem indicated that amount of proposed wages and employee's opinion on atmosphere at work was focused greatly by respondents with primary and vocational education levels. An important problem for the respondents, is the ability to upgrade their professional qualifications through training courses organized by employer. The study has also raised the problem of the company's brand, which when choosing an employer, the greatest attention was paid by respondents with primary and vocational education degree as well.

Being socially responsible means for individuals and organizations to manifest ethical behavior and to demonstrate sensitivity to the social, cultural, economic, and environmental issues. It is confirmed that the implementation of these behaviors is beneficial for the functioning of businesses. For example, the Asia-Pacific CSR Group was established to support activities related to environmental protection and human resources in this region of the world [Gautam, Singh 2010]. Also, companies in the aviation industry have incorporated CSR into their business structures due to the negative impact of its operation on the environment, and the issue concerned the limitation of pollutants emission and

noise reduction [Cowper-Smith, de Grosbois 2011]. Executives believe that CSR creates a competitive advantage for their businesses, thereby increasing its market share [McWilliams, Siegel 2001].

Today, corporate social responsibility is no longer seen as a moral responsibility of business people, but as a strategic resource that aims to improve the efficiency of functioning between society and corporation [Lee 2008]. Despite the voluntary of CSR introduction, it is not quite voluntary concept, because CSR is a contemporary need for a long-term and stable business development [PARP 2012].

It has been shown that American companies profiting from the use of CSR are more likely to cooperate with external partners, have well-defined business model based on CSR, and most importantly, have a management team who are heavily involved in CSR [Kiron 2012]. The key benefits of CSR are: positive image of the company, motivating employees, income and savings, and good relationship with the environment [PARP 2012].

## **CONCLUSIONS**

1. In activities for sustainable development of Lubelskie Province, systematic study and learn from experiences of other countries in order to achieve the most practical methods of management in accordance with the interests of entrepreneurs, particularly in harmony with a society and environment, in which they function, are extremely important.
2. Trainings and realizing the entrepreneurs, what CRS is, should be carried out. As confirmed by studies, this has been implemented in a perfect way in the United States, where in a short time nearly 90% of companies have started to introduce the principles of CSR.
3. Publicizing the activities established by a company for social responsibility in the media and through the web sites, will bring positive results in a form of good reception of the company and the approval of the local community for these activities.
4. There is a need for the involvement and cooperation of local community representatives, environmentalists, politicians, representatives of local authorities, supported by the preparation of development plans for the region to achieve the sustainable development of society through corporate social responsibility.

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## **ZNACZENIE SPOŁECZNEJ ODPOWIEDZIALNOŚCI PRZEDSIĘBIORSTW W DZIAŁALNOŚCI GOSPODARCZEJ**

**Streszczenie.** Celem badań było określenie działań, jakie powinny podejmować przedsiębiorstwa, by mogły być postrzegane jako odpowiedzialne społecznie oraz jakie czynniki decydują o wyborze pracodawcy przez respondentów. Wykorzystano metodę sondażu diagnostycznego, a w niej autorski kwestionariusz ankiety, którym przebadano 1157 mieszkańców województwa lubelskiego. Zastosowano dobór losowy warstwowy, a przy wyliczeniach statystycznych analizę funkcji dyskryminacyjnej. Według respondentów, przedsiębiorstwo społecznie odpowiedzialne to takie, które preferuje działania etyczne, dobrze traktuje pracowników, ma uczciwy stosunek do pracowników i klientów oraz wspiera charytatywne i ekologiczne organizacje. Przy wyborze pracodawcy najważniejsze okazały się zarobki, opinia pracowników na temat atmosfery w firmie i perspektywa rozwoju pracowników. W działaniach CSR należy wykorzystywać doświadczenia innych krajów w celu osiągnięcia najbardziej praktycznych metod zarządzania, uświadamiać przedsiębiorcom znaczenie CRS, dbać o aprobatę społeczną firmy w mediach oraz dążyć do współpracy z władzami i społecznością lokalną.

**Słowa kluczowe:** społeczna odpowiedzialność przedsiębiorców, etyczne działania, województwo lubelskie

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