

"Unconscious" CSR as a Strategic Tool to Enhance the Enterprise's Competitiveness

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Abstract: It seems that the knowledge of the Corporate Social Responsibility concept is, mainly, a domain of large corporations and companies. Small, medium and micro enterprises rarely introduce CSR strategy, or use the so-called. 'Unconscious CSR' while performing its activities. Activities in the field of Corporate Social Responsibility are therefore conducted with less attention or even neglected. Meanwhile, the Corporate Social Responsibility concept can also be an important strategic tool to improve the competitiveness of the companies from SME sector. It helps to build a competitive advantage in the market, strengthen relationships with internal and external stakeholders, and above all be a stimulus to boost innovation companies. It simply worth to invest in CSR. This article present, the short characteristics of CSR concept, and also describes the activities, in accordance with CSR concept, and thus contributing to increase the level of innovation and also, having impact on competitiveness level increase.

Keywords: Corporate Social Responsibility, Small and Medium sized enterprises, innovation, competitiveness

1 Introduction

For many years, the Corporate Social Responsibility concept (CSR) has been quite a controversial issue, being a subject of many debates. One of the opponents of the CSR, was "The Economist", the newspaper, which from the beginning, underlines CSR in a negative light. In the 90s, the newspaper stated that CSR was just a temporary whim of companies, and CSR practices caused only cosmetic changes in the nature¹. However, for many years, CSR have had

¹Guthey E, Lange R., "Corporate Social Responsibility is a Management Fashion – So What?", Djof Publishers 2006

more supporters than critics, and discussion on CSR, has moved from a purely academic considerations to a practical considerations, for example: How to introduce CSR? Today, CSR is understood as a central function in the enterprise's business strategy, what cause, that large companies, undertaking actions related to the idea of CSR, consume a large amounts of energy. An example of this may be large, mostly international, corporations' spendings on CSR: General Motors spent 51.2 bln dollars and Merck - 921 bln dollars².

Theoretical approach to the concept of CSR is based on the question: what the company is responsible for? And how they are motivated to accept this responsibility. According to the theory of Milton Friedman, the only responsibility of business is to maximize profit (increasing shareholders value), but today, the opinion that companies have also social responsibility is getting more popular³.

Corporate Social Responsibility is a concept, which can be defined in many, different ways, as each author, having publications in the field of CSR, presents his own definition. One of the most popular definition of CSR is the definition given by Vogel, who understands CSR as: *"Policies and programs of private firms, that go beyond legal requirements as a response to public pressures and societal expectations"*⁴. Another definition, is a term created by Business for Social Responsibility, which understands CSR as: *"achieving commercial success in ways that honour ethical values and respect people, communities, and the natural environment"*⁵. However, the definition, which summarizes all key aspects of CSR, is the definition, given by European Commission in 2011, contained in Green Paper: *"social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing 'more' into human capital, the environment and the relations with stakeholders"*⁶. While, Kotler, Drucker, Porter i Freeman – „guru” in the field of management, stated that the importance of CSR in maintaining long-term competitive advantage, is significantly important. Their opinion is consistent with the European Commission, which lists the CSR as one

² Polonsky M., Jevons C., *"Understanding issue complexity when building a socially responsible brand"*, European Business Review 2006

³ Porter M.E., Kramer M.R., *"The Competitive Advantage of Corporate Philanthropy"*, Harvard Business Review on CSR, Harvard Business School Publishing Corporation 2003

⁴ Baron D., *"Corporate Social Responsibility and Social Entrepreneurship"*, Journal of Economics and Management Strategy 2006

⁵ Bhattacharya C.B., Sen S., Korschun D., *"The Role of Corporate Social Responsibility in Strengthening Multiple Stakeholder Relationships: A Field Experiment"*, Journal of the Academy of Marketing Science 2004.,

⁶ *"Promoting a European framework for Corporate Social Responsibility"*, Green Paper, Commission of the European Communities 2001. http://eur-ex.europa.eu/LexUriServ/site/en/com/2001/com2001_0366en01.pdf

of the most important factors, affecting the level of competitiveness of the European economy.

2 CSR and Innovation

With regard to the last point above, we can identify a relationship, which makes, that very often CSR is presented and discussed in terms of innovation. Company implementing the principles of CSR, may for example, become the author of eco-innovation, which will bring benefits in terms of lower resource's consumption⁷. In this way, not only due to implemented, environmentally friendly solutions, the principles of CSR will materialize, but also could reduce the cost of conducting business. Introduction of a certain practice into the company, which aim is to, for example, environment protection, may result in a new service, which will be offered to clients. In this case, there is a "win-win" situation, there are some positive effects in terms of environmental protection, and also, the company, being inspired by CSR activities, can use the new solution for some commercial purpose. It is believed that some phenomenas, like: recycling, reuse, sustainable building, green transportation, bio-based products, protective clothing and renewable energies were inspired by CSR concept⁸. It was also observed, that in companies, operating in a social responsibility way, there is a greater level of innovation. We can assume that employee, conducting his activities in a friendly workplace, shows a much greater involvement in his performed tasks and thus, can manifests so called rush to become more innovative.

Larger companies, conducting CSR activities, very often coordinate these activities with the actions, carried out by the research and development, however, it should be bear in mind, that CSR initiatives should be implementing, with taking account the strategic needs of the company, simultaneously with social and company's image benefits.⁹

Thanks to the CSR, new innovations, that respond to important social issues and environmental issues, have been created, and at the same time, they meet the needs of consumers, which cause, that innovation become a source of extra profit for the company. Nowadays, environmental awareness of customers is fairly high, which causes the so-called. ethical products and services are becoming more and more popular and interest. However, among to senior managers, more often it is believed, that the main advantage of using CSR is the

⁷ Płoszajski P., *Spoleczna odpowiedzialność biznesu w nowej gospodarce*, SGH, Warszawa 2012.

⁸ Anam L., Szul-Skjoeldkrona, Zamościńska E., *Jak zyskać na odpowiedzialności? CSR w strategiach spółek giełdowych*, CSRinfo, Warszawa 2012

⁹ MacGregor S., Fontrodona J., *Exploring the fit between CSR and innovation*, IESE Business School, University of Navarra, pp. 1-18

products and services innovation, in addition to the , in fact, social or environmental positive effects or a better perception of the company.

3 The Practical Aspects of Corporate Social Responsibility

Corporate Social Responsibility also means, that the company, conducting its business, voluntarily take into account the public interest, together with environmental issues, and in the relations that exist between the organization and its closest environment.

However, the most often, enterprises from SME sector are active in one of more in indicated CSR dimensions¹⁰.

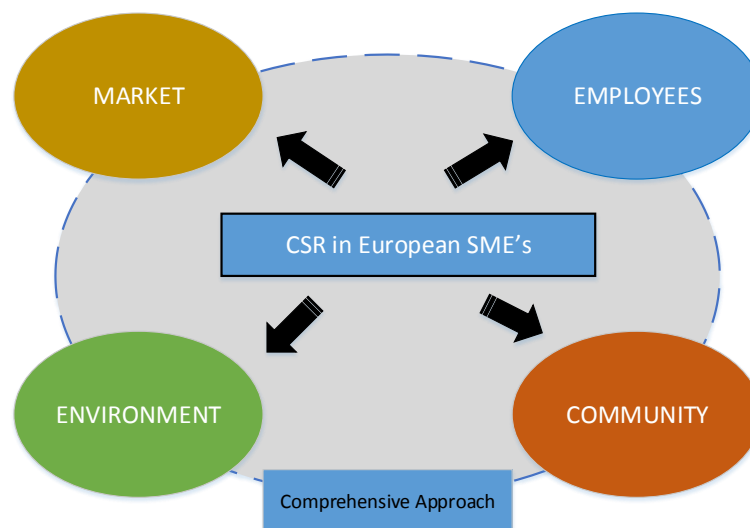


Figure 1
CSR in European SME's – dimensions and approach

In general, CSR concept can be characterized by¹¹:

- responsible entrepreneurship,
- voluntary undertaken activities, which go far beyond the requirements of the company,

¹⁰ *CSR and Competitiveness European SME's Good Practice*, Instytut Badań nad Przedsiębiorczością i Rozwojem Ekonomicznym EEDRI, 2012, pp. 1-9.

¹¹ Proszkowska A., *Spoleczna odpowiedzialność biznesu jako element polityki firmy*, *Ekonomia Menedżerska*, vol. 1/2011

- all kinds of activities, which receivers are company's employees, social groups from the immediate surroundings, the environment and the market (table 1)
- these activities are characterized by a positive impact on chosen group, while minimizing the negative results, which may arise for other groups,
- there are activities, characterized by systematic nature, very rarely, they are activities undertaken only once,

The following table¹² shows the types of activities undertaken by the company, according to the audience, to which these activities are addressed:

Employees	Communities
<ul style="list-style-type: none"> - improvement of working conditions and the introduction of facilities, causing greater job satisfaction - striving to maintain the balance between work and home, - every employee has the same development opportunities - trainings organization in order to strengthen employees' development, - communicating with employees, involving them in decision-making process, - responsible and fair salaries, offering financial support to employees, who are in need, special benefit for retired ones and low interest loans. 	<ul style="list-style-type: none"> - conducting actions leading to greater integration into the labor market at the level of a social group, - conducting actions leading to improve the local infrastructure, - providing financial support or material for local institutions, organizations or social centers, - Supporting society in the wider dimension.
Environment	Market
<ul style="list-style-type: none"> - design and production of environmentally friendly products and goods, - going towards more efficient use of resources, - reducing the amount of waste and pollution, - carrying out "environmental assessment" of suppliers, - informing customers, suppliers and business partners on the issues of environmental protection 	<ul style="list-style-type: none"> - undertaking action to improve the quality and safety of produced goods, - starting volunteering, addressed to clients, - conducting a fair pricing policy, - ethical advertising activities, - timely payment of obligations to contractors and suppliers, - establishing a cooperation with local partners, - Promoting ethical standards through the supply chain, - Support the development of local business agreements

¹² *CSR and Competitiveness European SME's Good Practice*, Instytut Badań nad Przedsiębiorczością i Rozwojem Ekonomicznym EEDRI, 2012, pp. 1-9.

4 "Unconscious" CSR in SME Enterprises

There is still a widespread belief, that the concept of CSR in practice, is used mainly by large companies, this is caused by the fact, that large companies, every year present reports on their activities in this area. In contrast, micro, small and medium-sized enterprises, apply CSR, mostly in "unconscious" way. This idea is supported by the research results, which were carried out in 2011¹³. From which, it appears, that polish companies from SME sector, often act in accordance with the principles of CSR, but almost two-thirds of these companies do not even know the meaning of the CSR term (Figure 2)

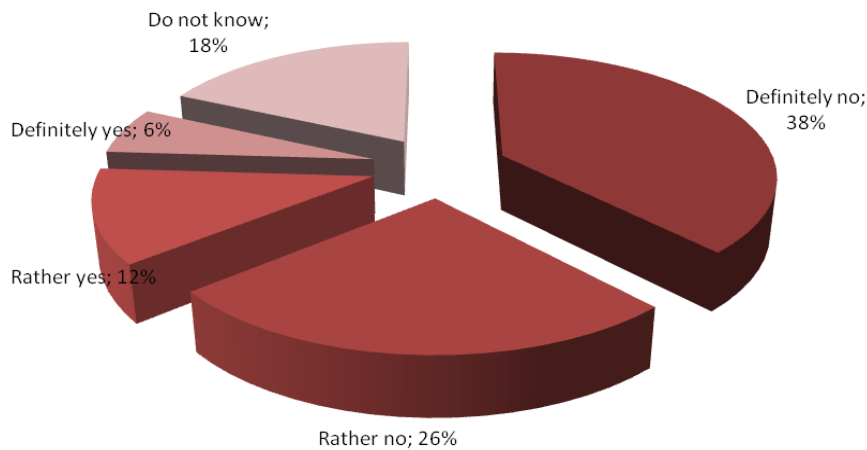


Figure 2
The level of identification CSR in SME's

Here might be the problem, that the ignorance of the term, may result in the inability to recognize the benefits of CSR, together with concrete actions taken by the company. In this case, there are a lack of this "connection", that makes that CSR may cause an increase in company's level of innovation.

¹³ *Innowacje i CSR w MSP*, raport Agencji Rozwoju Innowacji, Warszawa 2012, pp. 21-48

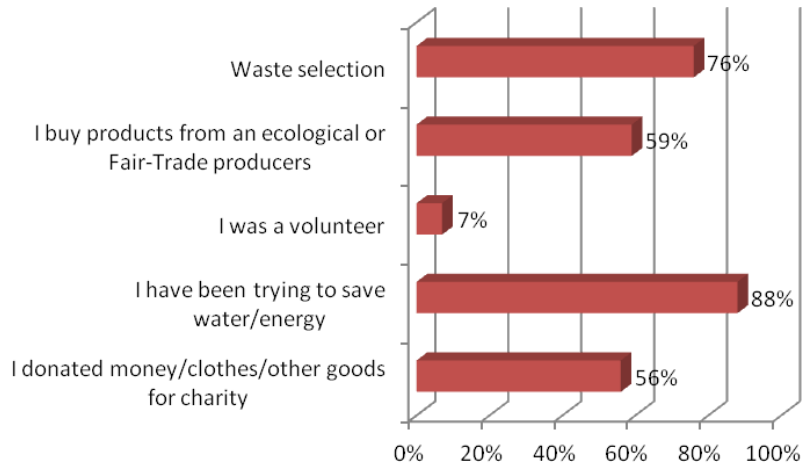


Figure 3

The main CSR activities conducted by SMEs

During the analysis of the obtained results, it was noted, that the conduct of the employees themselves and the companies differ from each other. Employees, acting on their own behalf, usually at home, perform actions, which fit into the CSR framework - saving water, energy, waste selection or buying organic products. However, in the case of companies - CSR activities rely mostly on providing financial support, most often these are actions, using financial resources rather than human.

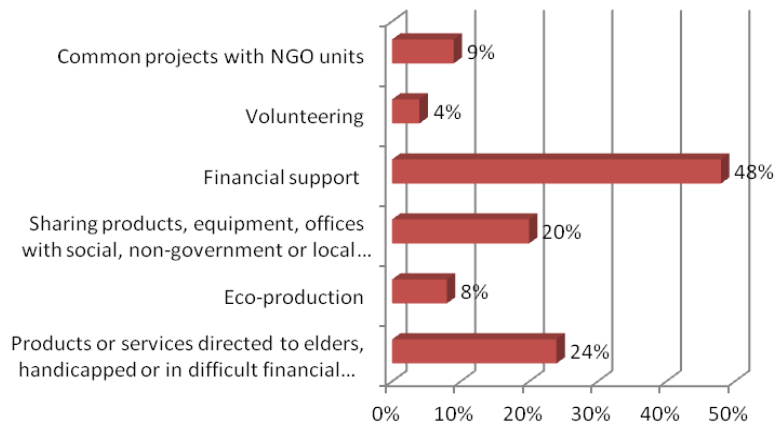


Figure 4

The CSR actions undertaken in the year 2011

The most common form of action is to transfer money or gifts, for the purpose of social goals. Such a high popularity of this activity, is primarily due to the fact, that it is the easiest and simplest actions to carry out. It is worth noting, that very often companies, during performing this kind of action, do not manifest around with it. Quite a large proportion of companies, take actions to provide a service or producing goods for older people or persons, who are in a difficult financial situation - in the case of services, usually it is so called. voluntary work, during which, employees devoting their time, provide services to others free of charge. Quite popular are activities involving the provision of company's equipment, mahines or accessories, to third parties, for example free rental of medical equipment.

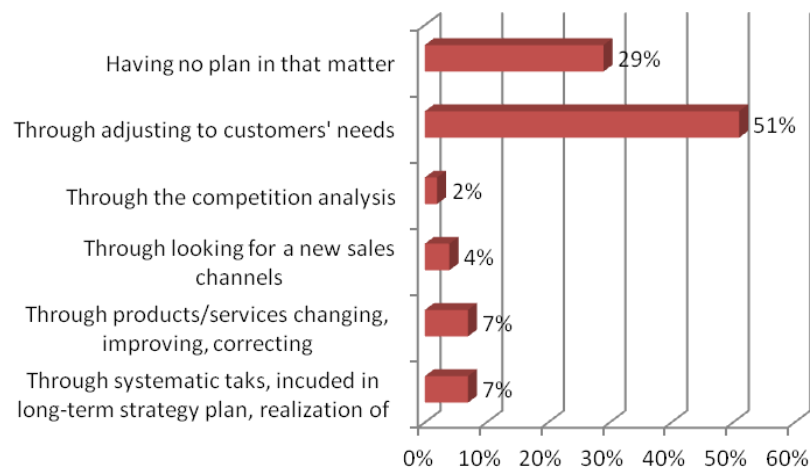


Figure 5

Further activities is order to SME's developing

The largest percentage of companies, plan their development by taking into account its customers' needs and requirements, unfortunately, quite a large percentage of companies do not have any, specific development plan. They usually do their business from day to day. Quite small percentage of companies, base its development on the recommendations included in the long-term strategy plan. Only 7% of companies plan its development by improving and inventing new products, which we can sedcribe as "development through innovation". This can be also seen, as an expression of the "unconscious" use of CSR by the company.

5 Conclusions

Still CSR is treated primarily as the domain of large companies, this is due to the fact, that small and medium-sized companies rarely chose to develop an appropriate strategy, and as is clear from the above presented research, their actions in this area, are mostly spontaneous actions, undertaken without any prior plan. Also they do not have employees, especially responsible for CSR issues. Furthermore, they do not parade of such activities. This is mainly due to the lack of knowledge about this phenomenon, which causes, that often, companies conduct "unconscious" CSR. However, the effects of these activities, can have positive effects on many company's levels: the development of innovative products and services, increasing the level of achieved profits and strengthen its position in the market together with a better perception of the company by its customers. Bearing in mind, that the SME sector is characterized by a high potential for creating innovation implied by CSR, and the above-described benefits, they should cause, that to the next challenges, for companies in the SME sector, should stand one more challenge - a better understanding and thus use, the Corporate Social Responsibility.

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