

ENTREPRENEURSHIP AND CORPORATE SOCIAL RESPONSIBILITY (CASE STUDY)

Kornelia Polek-Duraj
Opole University of Technology, Poland

Abstract

The concept of corporate social responsibility should be a constant element in the strategy of any organization that wants to be competitive in the market and have a positive image among employees and the environment in which it operates. Functioning in accordance with its rules need to take appropriate action entrepreneurial. It is very important especially in terms of striving for sustainable development and increase public awareness. The Polish companies, especially the wood industry, the idea of social responsibility is, unfortunately, little known and widespread, despite the fact that it achieved through the benefits are significant for both the company and society as a whole. This article aims to present the phenomenon of entrepreneurship and corporate social responsibility in terms of their validity and usefulness in the functioning of the organization.

Key words: timber industry, corporate social responsibility, entrepreneurship, efficiency

Introduction

Nowadays, entrepreneurship is regarded as idea very important for the social and economic development of the world. It is thought that entrepreneurship has strategic meaning for achieving competitiveness in the scale of economy. Entrepreneurship, both in the economic and psycho - sociological meaning, deals with searching and introducing inventive forms of development. In Poland, the intensive development of entrepreneurship occurred in the nineties of the 20th century. In those times, polish society was eager and determinate to make changes in the existing economic reality. Currently, we can observe many progress processes, but still there occur some limitations, which greatly hinder performing of economic activity. Those limitations usually do not allow firms to exploit their full development potential. In long period of time, those limitations can have negative overtone, they can endanger the maintenance of development trends. Law regulations and frequent innovative changes have impact on the phenomenon described above. In most European countries the changes are regarded as a standard. On the other hand, changes can negatively influence the level of competitiveness on the national, European and world market. One of law regulations, which have not been yet performed in Poland, is the corporate social responsibility. A company, in the stage of building its strategy, can freely choose its relation towards social interests, environmental issues or groups of clients. According to survey carried out by firms, the aspect of corporate social responsibility greatly contributes to the level of global competitiveness as well as

creates the sustainable social and economic development.

The article characterizes the concept of entrepreneurship and corporate social responsibility.

Furthermore it presents above processes on the example of timber industry company.

The characteristics of entrepreneurship

In polish scientific literature we can find various definitions and concepts of entrepreneurship. Commonly, entrepreneurship can be defined as a set of actions pursuing to found and develop of a new venture [3]. The idea of setting up the venture is to act in order to satisfy the needs, achieve profits and develop a company. The realization of above actions is effective when actions be characterized with creativity, innovativeness, flexibility, being able to make a decision and undertake a risk. The elementary aspect of entrepreneurship is also an individual development of an entity. Therefore, the reason for entrepreneurship is pursuing to achieve effectiveness, which allows the company to develop and function.

In more specific aspect, entrepreneurship can be considered as an analytic category, and can be considered [5]:

- in functional meaning,
- as an entity performing enterprising actions,
- in the aspect of economic bonds tightly connected with the active/adverse balance,
- as a management approach.

In the first grasp, entrepreneurship incorporates the entity's ability to make use of outside

potential, allows achieving success in all conditions. Therefore, it is connected with the first stage of company's creation.

The second aspect refers to a person (e.g. company's owner), who is responsible for undertaking entrepreneurial actions. It can be analyzed from the point of view of performed actions as well as individual features, thanks to which one can become creative and inventive.

The meaning of third aspect is tightly correlated with company's policy in the field of taking advantage of new opportunities by making fast and accurate decisions. Frequently, those decisions are burdened with risk, and competitive firms do not want to make such decisions. It concerns also the ability to start a new company, and promotion of it is connected with more general concept of entrepreneurship.

The last dimension of entrepreneurship is being realized due to established and accepted method of management in organization, and its characteristic feature is innovativeness.

The concept of entrepreneurship can be also considered from the point of view of function that it fulfils in the economic system. The most common functions of the entrepreneurship are:

- opportunity to use better possessed resources (especially knowledge),
- faster reaction in new situation due to identification of new possibilities,
- creation and control of novelties,
- flexible adaptation of a market offers into the existing changes,
- protection of big companies against making mistakes.

It is worth underlining that entrepreneurship is both a feature of an individual as well as of entire company. It means that ideas are realized by single person or small group of employees, from the very beginning until the end. Usually, it is connected with occurring of particular factors (e.g. qualifications, abilities and flexibility in acting), upon which the success of innovative idea depends.

According to Peter Drucker, entrepreneurship does not have a natural and spontaneous character; it is rather conscious work with the use of knowledge, qualifications and experience [4]. The features of enterprising companies are correspondent to those of learning companies, where knowledge of superiors and inferiors are the key features.

Entrepreneurship is profitable phenomenon not only for the employees or the company, but

also for society, which stems from the obtained effects. Among which, one can mention – stimulation of the company to develop and introduce changes in the functioning of the firm, economic growth, better quality of products, increase in efficiency of work, arousal of competitiveness on the market and formation of new technologies.

Types of entrepreneurship

Characteristic feature of companies which are focused on achieving success on national and international markets is performing actions in accordance with overall strategy of management. The effects of above mentioned actions can be seen in different aspects of economic and social life.

In economic theory, many forms of entrepreneurship are distinguished. Their usage in practice depends on existing situation. Among them, the most common are [8]:

- individual entrepreneurship,
- small-business entrepreneurship,
- entrepreneurship of economic organized systems,
- entrepreneurship in local and government administration,
- entrepreneurship in sector of social organizations,
- international entrepreneurship.

Entrepreneurship is a key feature of action undertaken by an individual, however some persons are more successful and some are less. The effects of that can be seen in actions performed in particular organizations. Thanks to them, companies could quickly react on changes occurring on the market. Those changes have significant influence over further development and functioning of the company.

Corporate Social Responsibility

The idea of corporate social responsibility (CRS), also known as social responsible business), is a concept commonly known in the world and responsible business has become a global phenomenon. Its doctrine dates back to 1899. It was created on the basis of two principles: philanthropy and trust that promoted general obligation of business towards the society. The theory of stakeholders had also fundamental influence over corporate social responsibility, assuming tight correlation among entities, which determine company's activity at the same time being dependant from each other.

Modern meaning of corporate social responsibility for the first time appeared in United States in the sixties, and then in the middle of nineties in Europe. In Polish companies it is still hardly known and disseminated.

The main assumption of CRS concept is the fact that company functions as a coherent member of society. „CRS can be defined as a conception, thanks to which companies are integrating with social and environmental aspects of day-to-day activities and together with stakeholders on the basis of voluntariness” [11]. According to European Commission, social responsibility is a voluntary acceptance of social and ecological issues, that are not obligatory to national law or do not stem from any agreement.

Therefore, it is a concept, which mobilizes companies from the early stage of their existence, to define stable and clear relations among employees, clients, investors and local community. Responsibility in this aspect is based on the assumption that [1]:

- organization has relations with stakeholders, who at the same time decide about its functioning and are dependent on the organization,
- analysis of those relation is considered from the point of view of organization benefits and stakeholders’ benefits,

- every stakeholder pursue to maximize own benefits,
- decisions have preferential character.

It is important to remember, that responsibility is not based only on realization of necessary demands but most of all it depends on development and taking care of human resources and creation of positive relation with the company’s environment, since those elements decide about its value.

The impact of company over natural environment plays also an important role.

Business social responsibility performs double role, on the one hand it is assumed that corporations should bear responsibility for their actions regardless of their positive or negative character, and on the other hand it is assumed that crucial element of corporate functioning is fulfilling the needs of stakeholders. Therefore, social responsibility should be a plan, which realization is useful and treated as a long-term investment, not as the expenses.

Very important aspect for the companies that want to follow and function according to CRS concept is proper choice of its form and appeasing conflicts among them proper to given situation. Emerging conflicts and misunderstanding usually stem from contradiction between organization and stakeholders interests.

Table 1. Forms of corporate social responsibility

EXTERNAL	INTERNAL
<ul style="list-style-type: none"> - natural environment (saving energy, reduction of pollution above the normal standards) - products (survey of negative situation stemming from inappropriate use of foods by the customers) - market and marketing (advertising standards and lack of demand on certain markets) - suppliers (fair commercial rules and black list of suppliers) - employment (e.g. maintenance of employment) - activity upon local community (e.g. financial aid for local initiatives) 	<ul style="list-style-type: none"> - employees welfare (health care, severance pay, sick leave) - working conditions (supplementary benefits above the standard) - projecting of employee’s duty (emphasis put on satisfaction of employees not on the economic effectiveness)

Source: A. Lewicka-Strzalecka, Etyczne standardy firm i pracowników, IFiS PAN, Warszawa 1999, p. 57

In the scientific literature there are many pros and cons towards corporate social responsibility. Negative attitude towards the idea of Corporate Social Responsibility usually stems from the fact that companies are concentrated on achieving profits and their functioning is not conditioned on moral aspects. Therefore, it is a mistake to burden the entrepreneurs with social responsibilities. The supporters of this attitude opine that economic and social targets are mutu-

ally exclusive, and their coexistence is not possible. Moreover, it is assumed that actions undertaken by the entrepreneurs in the field of social responsibility are not deliberate, since often they result from positive interaction between profit and social welfare. Arguments for the corporate social responsibility are strictly correlated with the theory of social consent where the priority is assumption that resources belong to society and an organization can be founded only when soci-

ety wants to. Furthermore, the positive aspect of above theory is also the fact that companies have moral status, since they create social struc-

ture on the basis of features and retaining of human resources and their functioning is focused on achieving earlier approved goals.

Table 2. Basic pros and cons for corporate social responsibility

PROS	CONS
<ul style="list-style-type: none"> – problems are generated by economic activity – there are different types of organization that are part of social groups, and all of them administer various resources to solve social problems – companies besides the government and society are also partners in economy 	<ul style="list-style-type: none"> – the main goal of running business activity is to generate profits – companies involvement in social programmes helps them to influence the society that is not always positive – there is a possibility of clash of business among the stakeholders – the entrepreneurs do not possess required qualifications in order to run the social programmes

Source: R. W. Griffin, *Podstawy zarządzania organizacjami*, PWN, Warszawa 1996, p.150

Implementation of corporate social responsibility concept is a long-term process, and its effectiveness is determined by various factors. The main factors, beside the law regulation, are following: specific procedures and directives (e.g. the directives of ODCE for multinational entrepreneurs, the system of social responsibility business according to Social Venture Network, the SA8000 norm and Green Book), thanks to which companies are considering and taking into account the needs of all stakeholders.

The models of company's involvement into social responsibility

Undertaking actions in order to function according to principles of Corporate Social Responsibility, requires applying appropriate model, which clearly characterizes the forms of involvement. Scientific literature distinguishes two fundamental models [10]:

- after profit obligation,
- before profit obligation.

The first of them accepts four levels of company's responsibility: economic, legal, ethical and philanthropic. Particular types of responsibilities are eligible, expected or required by the society. The lowest in the hierarchy, but the most important level from the point of economic view means that the company wishing to function following social responsibility rules does not suppose to bring loss; in any case its action will not bring desired effects. It is required by the society. Its reflection might be making right strategic decisions by the company. Satisfying the requirements of that level is a starting point to other levels, which proves that economic level has fundamental meaning. The second level –

legal is an obligatory one, since companies trying to achieve profits have to obey the law (e.g. anti-corrupt law, protection of consumer's rights). Two last levels are connected with voluntary involvement of company and presents social responsibility in narrower meaning. The ethical level is well expected by the community. It assumed that undertaken actions should be appropriate in given situation, and used methods should be fair and square (e.g. avoiding inappropriate behaviour).

Philanthropic level comprises the area of actions by which the company is positively perceived by the society. This level is mostly required by the community (e.g. transferring money for charity, engagement in programmes supporting education of children from local community).

The second model presumes that the most important value in creating the rules of social responsibility is ethics. It is based on three assumptions [10]:

- I. Society is not a group of single entities, but social structures that depend on each other.
- II. Obligation of each organization is to respect ethical and social prohibitions and orders.
- III. Worth existing are only those firms which act according to social expectations in moral sense. Moreover only those firms that perform important role in shaping social and economic order have a right to function.

In both models, entrepreneurial actions are very required as they support the realization of overall plan.

The level of CRS implementation in polish timber industry

The level of company's involvement into social responsibility is subjected to many factors. The most frequent ones are: size of the company, capital resources, human resources and natural resources, stakeholders, cultural traditions and ecological and social environment in which the company is acting.

In Poland, the level of knowledge about corporate social responsibility despite the many activities undertaken by various institutions (eg, Responsible Business Forum) is still unsatisfactory. This is due to low awareness of Polish entrepreneurs that business must play an active and positive role. Therefore it is important to education and promotion of corporate social responsibility. Good knowledge of CRS principles is characterized only for large concerns usually with foreign capital.

Small and medium companies rather occasionally undertake the social actions, because entrepreneurs consider that to be unprofitable. This attitude is inappropriate, since the costs of taking part in social actions will not reimburse immediately, but it can bring many various profits in long term period of time. Among basic ones we can distinguish the following:

- increase of motivation and engagement of employees
- higher level of organizational culture
- increase of effectiveness in performing entrepreneurial activities
- positive image of company
- increase of investors' interests
- better competitiveness on national and international market
- acquiring new clients and intensifying feeling of loyalty .

The society and economy also derive significant profits from applying CRS idea by national companies. The most important are: improvement of working conditions and living conditions, improvement of natural environment, development of human resources that are main resources of economy, respect for human rights, aid in solving crucial social problems [2].

Guidance programme examining the level of applying CRS idea by polish entrepreneurs was carried out in September 2009 in selected companies from timber industry in Opole region. Only one in fifteen companies that was bought by foreign corporation in 2006 is performing various

actions in the field of the idea of social responsibility. Managers and personnel staff, thanks to appropriate trainings and good information flow perfectly realise the benefits and positive aspects of Corporate Social Responsibility. The great influence in that particular case had the experience of foreign investor who has been running other companies following the idea of CRS for many years. Moreover, that company is still undertaking various social actions (it supports local ventures – such as financial aid for local sport tournaments), which are a part of its strategy. In the other companies that were surveyed, the managers focused only on achieving financial profits. In that particular cases the knowledge and understanding of the idea of corporate social responsibility is rather insignificant (more than 77% of respondents never heard about the idea of CRS). Most employers associate the CRS with unexpected and additional costs. However for the employees the idea of CRS is something incomprehensible and therefore unnecessary in the work environment. Only five out of sixteen surveyed companies are taking part in social actions by donating small sums of money for sport tournaments or cultural events. Unfortunately, these are only single cases. Therefore, it can be assumed that entrepreneurial actions in polish companies are on the low level and do not respond to the needs.

Conclusions

Nowadays, undertaking entrepreneurial actions is an integral element of each organization that wants to be reckoned on national and international markets. Organizations, thanks to creating entrepreneurial attitudes are more flexible and more often undertake new challenges. One of these challenges is to function according to the concept of Corporate Social Responsibility. The accurate realization of that idea helps to achieve success, most of all by cooperation with surrounding, taking care of human resources and natural environment. Consequently, it generates more benefits for the organization and surroundings. It is also worth underlining that organizations that follow the idea of CRS can count on the governmental support such as: lowering the taxes or subsidies.

Social responsibility is becoming synonymous with the operation of a rational and enterprising. Undertaking these actions is integrally connected with the competitiveness require-

ments of market and with the growth of social awareness.

Therefore it is extremely important for the organization to know how to acquire entrepreneurial competences, introduce innovation and recreate its profile into more flexible and dynamic. The important factors are also trainings of managers in the field of CRS, exchanging of experiences and conducting social campaigns.

Reference

1. Berman, S., Jonem, T., Wicke, A.C. *Convergent Stakeholders Theory*, „Academy of Management Review”, 1999, no 24
2. Borkowska, S. *CRS – wyzwaniem dla zarządzania zasobami ludzkimi; podejście unijne*, „Zarządzanie zasobami ludzkimi”, 2005, no 6
3. Dowigallo, Z. *Praca menedżera*, Wyd. ZNICZ, Szczecin 1999
4. Drucker, P.F. *Innowacja i przedsiębiorczość. Praktyka i zasady*, PWE, Warszawa 1992
5. Haber, L. W. *Przedsiębiorczość w zarządzaniu* [w:] A. Bugla [red.], *Zarządzanie. Aspekty psychologiczne i socjologiczne*, Wyd. Naukowo – Dydaktyczne, Krakow, 2002
6. Griffin, R. W. *Podstawy zarządzania organizacjami*, PWN, Warszawa 1996
7. Lewicka-Strzalecka, A. *Etyczne standardy firm i pracowników*, IFiS PAN, Warszawa 1999
8. Piech, K., Kulikowski, M. [red.] *Przedsiębiorczość: szansa na sukces rządu, gospodarki, przedsiębiorstw, społeczeństwa*, Instytut Wiedzy, Warszawa 2003
9. Rok, B. *Spoleczna odpowiedzialność w praktyce zarządzania*. Prace Naukowe AE we Wrocławiu no 940. Wrocław 2002
10. Rybak, M. *Etyka menedżera – społeczna odpowiedzialność przedsiębiorstwa*, PWN, Warszawa 2004
11. Zemigła, M. *Spoleczna odpowiedzialność przedsiębiorstwa*, Oficyna Wolters Kluwer Business, Krakow 2007