



**Agata Lulewicz-Sas** edited by

# **Corporate social (ir)responsibility**



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edited by **Agata Lulewicz-Sas**

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Corporate Social Responsibility (CSR) is an increasing source of interest on the part of, both, theorists and practitioners in the field of management. The deliberations conducted in the researched area for many years resulted in many valuable impulses (actions) carried out not only by businesses entities, but also universities, central administration, and local governments. World experiences show that implementing socially responsible activities contributes to the social, environmental and economic benefits. Economics, understood as the efficient use of capital, is considered to be the first responsibility of business, whereas, enterprises that do not bring profit to be socially irresponsible<sup>1</sup>.

Analyzing the concept of corporate social responsibility, a socially irresponsible business is also a particular subject of interest. In theoretical considerations social irresponsibility rarely occurs, and is completely ignored by business representatives. The analysis of the socially responsible and socially irresponsible activities is a key task, showing the true face of the organization. Often the implemented socially responsible activities are a cover for socially irresponsible ones. Therefore, controlling the irresponsibility is often more important than the pursuit of socially responsible activities.

This publication is an attempt to present the essence of the corporate social responsibility, as well as corporate social irresponsibility.

The first chapter of the book is a theoretical reflection on the responsibility and irresponsibility. The concept of corporate social irresponsibility against the corporate social responsibility was presented here.

The thesis of the second chapter is to recognize the company as a way of organizing work, and the workshop of the entrepreneur conducting economic activity. In the chapter, an attempt to search for the essence of the corporate social responsibility in the system of fundamental values, defined by the philosophy, ethics and the social economy, was made.

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<sup>1</sup> M. Geryk, *Spółeczna odpowiedzialność uczelni*, Oficyna Wydawnicza SGH, Warszawa 2012, s. 20.

In the third and fourth chapter, the problem of corporate social responsibility in conjunction with the social economy was undertaken. Models of corporation between entities of social economy and enterprises were presented. The concept of corporate social responsibility was analyzed from the point of view of the implemented social policy and the delivered social service.

The fifth chapter of this book was dedicated to the role of human resources in the field of corporate social responsibility.

The sixth chapter discusses the issues of social responsibility of the higher education institutions in the context of education as one of the primary tasks of universities. The author has attempted to determine the place of education in the social responsibility of universities, while showing the changes that have taken place in the field of education in recent years, and the conditions under which universities operate.

In the last, seventh, chapter of the book, the implementation of the concept of corporate social responsibility in public administration was discussed.

The book is intended for a wide range of recipients. In particular, it should be of interest to practitioners dealing with corporate social responsibility. The authors express hope that the issues presented in the book will help in understanding the philosophy of the CSR implementation and the key problems and dilemmas related to this issue.



## **Corporate social responsibility versus social irresponsibility. Theory approach**

### **Introduction**

Corporate social responsibility (CSR) is a subject of increasing interest in business practice and business research. Although this concept is not new, it is still in the phase of development.

One of the founders of the modern concept of corporate social responsibility, the American economist Howard R. Bowen, the author of the book *Social responsibilities of the businessman*, published in 1953<sup>2</sup>, defined CSR as a commitment to implement such strategies, making such decisions and courses of action, which are desirable from the perspective of objectives and social values<sup>3</sup>.

Although some time has passed from the formulation of the first definition of corporate social responsibility, the interpretation of the concept continues to change. Difficulties in defining corporate social responsibility stem from the fact that it is a multidimensional construct. The different dimensions of CSR are extensive and inhomogeneous<sup>4</sup>.

In the literature on the subject, little space is devoted to corporate social irresponsibility (CSI). In practice, however, this concept seems to be just as important as corporate social responsibility, or even more important.

Socially irresponsible and responsible activities are two extreme types of behavior, influenced undoubtedly by the organization itself and all its stakeholders.

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<sup>2</sup> H. R. Bowen, *Social responsibilities of the businessman*, Harper & Brothers, New York 1953.

<sup>3</sup> Ł. Makuch, *Firma i społeczeństwo: wspólne tworzenie wartości*, „Harvard Business Review” 2011 nr 96.

<sup>4</sup> A. Wąsowska, M. Pawłowski, *Metody pomiaru społecznej odpowiedzialności biznesu – przegląd literatury*, „Przegląd Organizacji” 2011 nr 11, s. 14-17.

The, factors affecting the specific type of behavior are, among others, politics, legislation, finance, culture.

The purpose of this article is an attempt to show the concept of corporate social irresponsibility on the background of corporate social responsibility. This article is an attempt to fill the gap in the literature on issues related to corporate social irresponsibility.

## Responsibility – the essence of the concept

The term responsibility has different meanings depending on the context analysis. The PWN Polish Language Dictionary defines the term „responsible” as:

- ready to bear the consequences of own actions;
- having a duty to ensure that something is done;
- bearing the blame for something that should not happen;
- requiring qualifications and burdening with responsibility;
- causing a state or a process<sup>5</sup>.

The common understanding of responsibility is the need to bear the consequences of own behavior and its consequences. Responsibility is answering for violations of the applicable rules and regulations. J. Tischner associates the notion of responsibility with guilt by writing *Game of responsibility is first and foremost a game of guilt or non-guilt of man. Who calls for responsibility, is the one who intends to blame. Who defends himself against responsibility is the one, who defends himself against fault*<sup>6</sup>. Often, a guideline for responsible actions of an individual is not a legal standard, but a sense of duty, remorse, a sense of morality<sup>7</sup>.

Responsibility is usually considered in the following aspects:

- someone bears the responsibility for something, or in other words, is responsible for something;
- someone endorses responsibility for something;
- someone is held accountable by someone else;
- someone acts responsibly<sup>8</sup>.

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<sup>5</sup> Słownik języka polskiego PWN <http://sjp.pwn.pl> [accessed on 2013-09-22].

<sup>6</sup> J. Tischner, *Gra wokół odpowiedzialności*, „Znak” 1995 nr 10, s. 47.

<sup>7</sup> B. Niećko-Bukowska, *Perspektywy ujęcia odpowiedzialności*, *Investigationes Linguisticae*, Poznań 2008, t. XVI, s. 132.

<sup>8</sup> R. Ingarden, *O odpowiedzialności i jej podstawach ontycznych*, tłum. A. Węgrzecki, w: R. Ingarden, *Książeczka o człowieku*, Wyd. Literackie, Kraków 1973.

In the Polish language, the notion of responsibility, up to the nineteenth century was used as an expression of the type „someone is responsible for something”<sup>9</sup>. Currently, more and more importance is given to self-responsibility, which is the most intimate and the most internal form of responsibility. Self-initiate responsibility is the result of a free choice of an individual<sup>10</sup>.

The structure of responsibility consists of the following elements: subject of responsibility (who (or what) is responsible?), the object of responsibility (for what or for whom is the party responsible?), an instance of imposing responsibility (who or what imposes responsibility on an individual), the court (before who or what the entity is responsible ?) and enforcer (who pulls the subject to responsibility?)<sup>11</sup>. The very definition of the entities in relation to which a person should be responsible, requires an understanding of this responsibility. Responsibility may be undertaken only by a person, who is aware of it, while responsibility can be realized only if it is understood what it is<sup>12</sup>.

In business practice, there are three levels of responsibility: individual responsibility, the responsibility of the firm and corporate responsibility as a whole. The most important is undoubtedly the first. There is no irresponsible business, there are merely irresponsible people. Only by accepting responsibility the individual allows for the determination the responsibility of the organization, and adopting this in turn leads to the unveiling of the next level – the responsibility of the business<sup>13</sup>. P. Drucker said that every economic organization takes full responsibility for its impact on the local community and the society in which it operates<sup>14</sup>. According to Mr. Kołodko, companies are not only responsible for their own decisions, but also for the consequences of these decisions for others<sup>15</sup>.

We can distinguish different forms of responsibility in organizations. According to A.B. Carroll, responsible business consists of four basic forms of responsibil-

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<sup>9</sup> J. Dokurno, *Odpowiedzialność*, w: *Nazwy wartości. Studia leksykalno-semantyczne*, red. J. Bartmiński, M. Mazurkiewicz-Brzozowska, Wyd. UMCS, Lublin 1993, s. 85.

<sup>10</sup> J. Filek, *Ontologizacja odpowiedzialności*, Wyd. Baran i Suszyński, Kraków 1996; I. Kuraszko, *Nowa komunikacja społeczna wyzwaniem odpowiedzialnego biznesu*, Wyd. Difin, Warszawa 2010, s. 54.

<sup>11</sup> J. Filek, *O wolności i odpowiedzialności podmiotu gospodarczego*, Wyd. Akademii Ekonomicznej, Kraków 2002, s. 162-163.

<sup>12</sup> I. Kuraszko, *Nowa komunikacja...*, op. cit., s. 54.

<sup>13</sup> J. Filek, *Wprowadzenie do etyki biznesu*, Wyd. Akademii Ekonomicznej, Kraków 2004, s. 110.

<sup>14</sup> P. Drucker, *Spółczesność kapitalistyczna*, PWN, Warszawa 1999, s. 87.

<sup>15</sup> G.W. Kołodko, *Od szoku do terapii. Ekonomia i polityka transformacji*, Poltext, Warszawa 1999, s. 156.

ity: economic responsibility, legal responsibility, ethical responsibility, philanthropic responsibility<sup>16</sup>. In turn, T. Boris said that corporate responsibility is evolving towards an integrated responsibility, linking economic and financial, legal, environmental and social responsibility<sup>17</sup>. The idea of integrating the four basic types of liability is differently exposed in the definitions of corporate responsibility with the dominance of the category of social responsibility, requiring frequent dependence of the validity of these terms on making a profit, as a condition sine qua non of bearing social responsibility. Therefore, the trend of disintegration rather than integration of corporate responsibility is dominating, which is a kind of paradox<sup>18</sup>.

## Corporate social responsibility – terminology and definition

The concept of corporate social responsibility has many counterparts used interchangeably. In the literature on the subject, and global business practices, the most commonly used terms are: *Corporate Sustainability Management*, *Business Responsibility*, *Corporate Citizenship*, *Global Business Citizenship*, *Corporate Social Performance*, *Corporate Social Responsiveness*, *Social Responsibility*, *Corporate Responsibility*, *Community Relations*<sup>19</sup>. R. E. Freeman, S. R. Velamuri and B. Moriarty proposed a new interpretation of *Corporate Social Responsibility*, describing it as *Company Stakeholder Responsibility*<sup>20</sup>. In Poland *Corporate Social Responsibility* has no clear interpretation. The literature uses such terms as: business social responsibility, enterprise social responsibility, corporate responsibility, corporate social responsibility.

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<sup>16</sup> A. B. Carrol, *A Three-Dimensional Conceptual Model of Corporate Performance*, „Academy of Management Review” 1979 Vol. 4, No. 4, p. 497-505.

<sup>17</sup> T. Borys, *Interdyscyplinarność ekonomii zrównoważonego rozwoju*, w: *Teoretyczne aspekty ekonomii zrównoważonego rozwoju*, red. B. Poskrobko, Wyd. Wyższej Szkoły Ekonomicznej, Białystok 2011, s. 145.

<sup>18</sup> G. Borys, T. Borys, *Zintegrowana odpowiedzialność biznesu – geneza i istota*, w: *Ekologiczne uwarunkowania rozwoju gospodarki oraz przedsiębiorstw*. Księga jubileuszowa dedykowana Profesorowi Kazimierzowi Górcze, Wyd. Uniwersytetu Ekonomicznego, Kraków 2011, s. 77.

<sup>19</sup> P. Roszkowska, *Rewolucja w raportowaniu biznesowym*, Wyd. Difin, Warszawa 2011, s. 23.

<sup>20</sup> More on this topic: R. E. Freeman, S. R. Velamuri, B. Moriarty, *Company Stakeholder Responsibility: A New Approach to CSR*, Business Roundtable Institute for Corporate Ethics, 2006, <http://www.corporate-ethics.org>, [accessed on 2013-09-22].

Some researchers treat the multitude of synonymous terms as evidence that the basic term „corporate social responsibility” is completely inept, misleading and should therefore be abandoned<sup>21</sup>.

In the literature on the subject, one may encounter various definitions of characterizing CSR. The overview of the CSR definition components is shown in Table 1.1.

Table 1.1.  
Summary of definitions of CSR

Year	Authors	Components of definition
1926	Clark	Business has an obligation to the wellbeing of society
1932	Berle	Safety and security, support for that part of the community which is unable to earn its living in the normal channels of work or trade
1938	Barnard	Quality of the leader's and breadth of the morality upon which it rests
1940	Kreps	Businessmen have social responsibilities
1953	Bowen	Obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society
1958	Eells	Philanthropy, prudent management, corporate support payments
1958	Levitt	Shareholder value orientation remaining in economic paradigm
1960	Davis	Business decisions and actions taken beyond the firm's direct economic or technical interest
1960	Frederick	Business's economic and human resources are to be used for broad social ends
1962	Friedman	Seeking profit if the sole focus of socially responsible actions for corporations
1963	McGuire	CSR extends beyond economic and legal obligations. Corporations must be interested in the welfare of the community, take an interest in politics, education, the "happiness" of employees
1966	Davis and Blomstrom	CSR includes individuals and the consideration of the effects of decisions and actions made on the larger social system
1967	Walton	Similar to Davis and Blomstrom but including volunteerism
1971	Johnson	Optimization of economic wellbeing of organization, stockholders, and stakeholders
1973	Davis	CSR begins where the law ends
1975	Sethi	Adapting corporate behaviour to the needs of society

<sup>21</sup> B. Rok, *Spółeczna odpowiedzialność biznesu*, w: *Biznes, etyka, odpowiedzialność*, red. W. Gasparski, Wyd. Profesjonalne PWN, Warszawa 2012, s. 427-428.

Year	Authors	Components of definition
1976	Fitch	Organizations correcting the social problems the organization created in whole or in part
1979	Carroll	Encompass the economic, legal, ethical, and discretionary expectations of society
1980	Jones	CSR is a process that is both voluntary and has a broad range of stakeholders
1985	Wartick and Cochrane	CSR incorporates an ethical component including principles, processes, and policies
1987	Epstein	Achieving outcomes deemed normatively correct
1999	Carroll	Four kinds of social responsibilities including economic, legal, ethical, and philanthropic in a pyramid format with economic as the largest and therefore on the bottom
2000	Hooghiemstra	CSR has positive duty (the firm demonstrates values that stakeholders consider central, enduring, and distinctive to the firm) but is primarily a tool to manage stakeholders impressions and perceptions of the company
2003	Schwartz and Carroll	CSR includes legal, ethical, and economic concepts
2005	Vaaland and Heide	CSR includes ethics, the environment, and social and human rights
2007	Antal and Sobczak	CSR includes cultural and socioeconomic concepts
2008	Dahlsrud	CSR includes environmental, social, economic, stakeholder, and voluntariness
2008	Matten and Moon	CSR reflects social imperatives and the social consequences of business success and consists of clearly articulated and communicated policies and practices of corporations that reflect business responsibility for some of the wider societal good
2009	Gjølberg	CSR cannot be separated from contextual factors

Source: I. Freeman, A. Hasnaoui, *The Meaning of Corporate Social Responsibility: The Vision of Four Nations*, „Journal of Business Ethics” 2011 No. 100, p. 419-443.

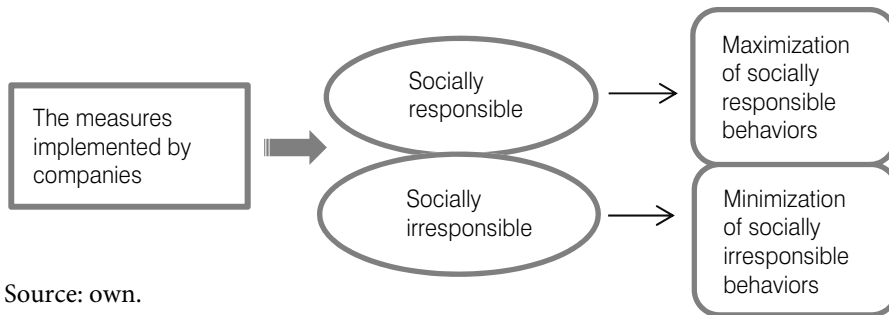
The above table shows that the concept of corporate social responsibility has been evolving for nearly a hundred years. It is difficult to clearly define this concept because of the multiplicity of factors they are composed of. Social responsibility is primarily shaped by cultural , environmental, social and economic factors. They possess different intensity in different parts of the world, and communities, as well as different values can be assigned to them.

The European Commission defines corporate social responsibility as a concept, according to which companies voluntarily take into account social and environmental concerns in their business operations and in their relations with stakeholders<sup>22</sup>. The Report of the World Bank defines corporate social responsibility as a business commitment to contribute to the sustainable development with the participation of employees, their families, local communities and society as a whole, in order to improve the quality of life, which would be beneficial for both business and social development<sup>23</sup>. Corporate social responsibility refers not only to observing the mandatory statutory rights but also meets the expectations of the ethical society<sup>24</sup>. It takes into account the economic, social and environmental aspects<sup>25</sup>.

The definitions of CSR emphasize the voluntary nature of the actions taken, generating social, environmental and economic effects. This concept goes beyond the requirements of the law. It seeks to identify the best solutions, not only for the organization, but also for its proximal and distal environment (stakeholders).

Figure 1.1.

**Socially responsible and irresponsible actions by companies**



Source: own.

<sup>22</sup> *Green Paper Promoting a European Framework for Corporate Social Responsibility*, COM 366, Brussels 2001.

<sup>23</sup> *What Does Business Think about Corporate Social Responsibility. Part II. Comparison of Attitudes and Practices in Hungary, Poland and Slovakia*, Raport Banku Światowego 2005.

<sup>24</sup> A. B. Carrol, *A Three-Dimensional Conceptual Model of Corporate Performance*, „Academy of Management Review” 1979 Vol. 4, No. 4, p. 497-505.

<sup>25</sup> M. Mikkila, A. Toppinen, *Corporate Responsibility Reporting by Large Pulp and Paper Companies*, „Forest Policy and Economics” 2008 Vol. 10, No. 7-8, p. 500-506.

Is the company implementing the project in the field of CSR fully socially responsible? To this question the answer is negative. The implementation of CSR in companies means that the companies are making efforts to maximize socially responsible activities and minimize socially irresponsible activities (Figure 1.1).

The term „social irresponsibility” is a natural complement to the term „corporate social responsibility” and only the combined approach to these two terms allows a better understanding of CSR<sup>26</sup>.

## Corporate social irresponsibility in the academic discussion of corporate social responsibility

Conducting business in an irresponsible manner is not only a public health problem. In the sixties of the twentieth century, R. Baumhart made one of the first studies in the field of irresponsible business. The analysis conducted by him shows that among more than 1,700 respondents, nearly 80% believe that companies use unethical practices<sup>27</sup>.

The term corporate social irresponsibility is rarely mentioned in the scientific literature. Comparison of the number of indications of the terms „corporate social irresponsibility” and „corporate social responsibility” in the database of the Web of Science and Google Scholar are shown in Table 1.2.

Table 1.2.  
Comparison of the number of indications of the terms  
„corporate social irresponsibility” and „corporate social responsibility”  
in the database, Google Scholar and Web of Science

Database	Number of indications	
	„corporate social irresponsibility”	„corporate social responsibility”
Google Scholar	460	156 000
Web of Science (WoS)	14	3 816

Source: own.

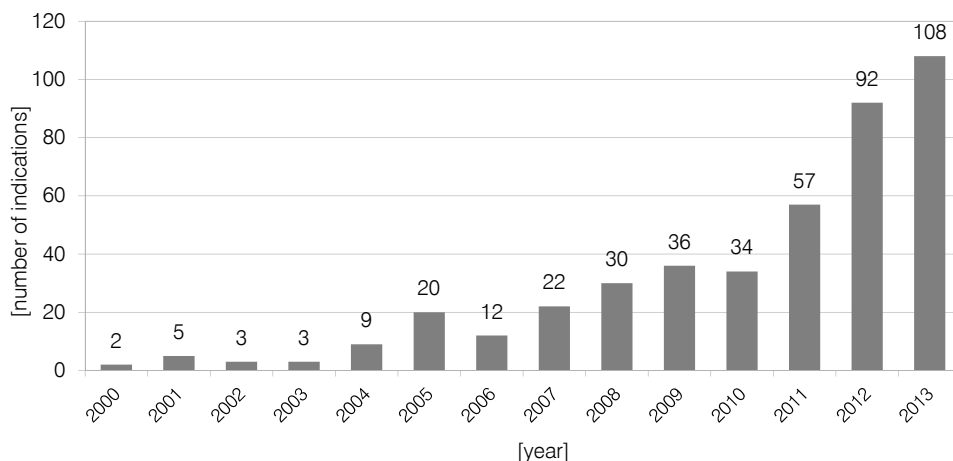
<sup>26</sup> B. Rok, *Podstawy odpowiedzialności społecznej w zarządzaniu*, Wyd. Poltext, Warszawa 2013, s. 86.

<sup>27</sup> R. Baumhart, *How ethical are businessmen?*, „Harvard Business Review” 1961 No. 39, p. 6-31.



Within the framework of the studies a review of the Google Scholar database was performed. The review's objective was to search the database for the analyzed term „corporate social irresponsibility” in subsequent years.

Figure 1.2.  
**Search results from the Google Scholar database,  
 using the term „corporate social irresponsibility”**



Source: own.

Based on the analysis of Figure 2, it can be stated that in the last three years there has been an increase in the interest of the scientists in the concept of corporate social irresponsibility.

In the academic literature the study and examination of CSI was introduced in an article written by Armstrong in the *Journal of Business Research* in 1977<sup>28</sup>. CSI has been continually neglected or ignored as a systematic research field. CSI has not been treated as a relatively independent subject of inquiry, because of its negative connotation<sup>29</sup>. Sample definitions of CSI are shown in table 1.3.

<sup>28</sup> J. S. Armstrong, *Social irresponsibility in management*, „*Journal of Business Research*” 1977 No. 5(3), p. 185-213.

<sup>29</sup> *Corporate Social Irresponsibility: A Challenging Concept*, ed. R. Tench, W. Sun, B. Jones, Emerald Group Publishing Limited, 2012.

Table 1.3.  
**Definition of corporate social irresponsibility**

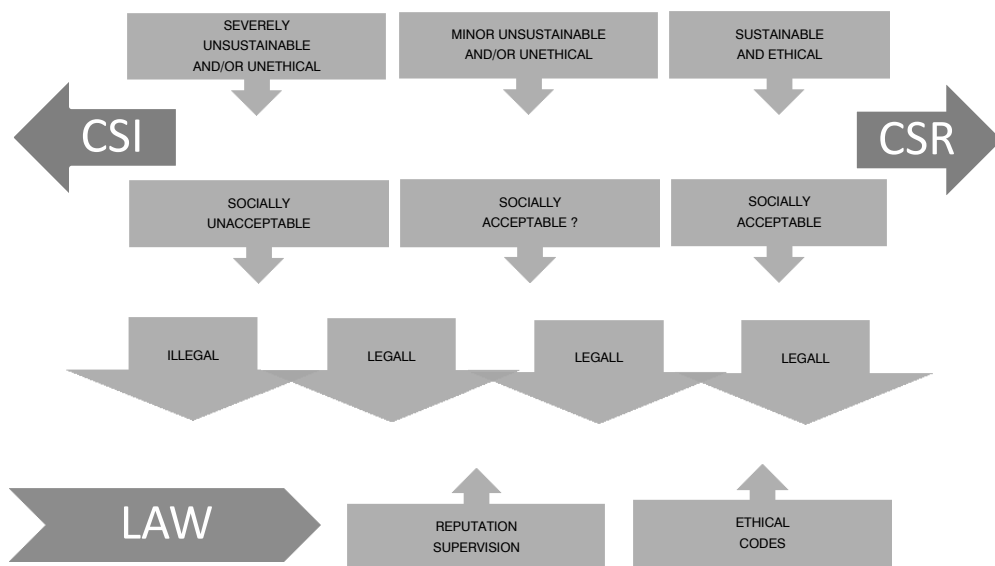
Authors	Definition corporate social irresponsibility
<p>J. S. Armstrong, <i>Social irresponsibility in management</i>, „Journal of Business Research“ 1977 No. 5(3), p. 185-213.</p>	<p>A socially irresponsible act is a decision to accept an alternative that is thought by the decision maker to be inferior to another alternative when the effects upon all parties are considered. Generally this involves a gain by one party at the expense of the total system.</p>
<p>J. S. Armstrong, K. C. Green, <i>Effects of corporate social responsibility and irresponsibility policies</i>, „Journal of Business Research“ 2013 No.66, p. 1922-1927.</p>	<p>Corporate social irresponsibility occurs when a manager makes a decision that is either (1) unethical in terms of the manager's personal values, or (2) inferior to other options when considering the effects upon all parties. Avoiding such decisions will likely be consistent with the values of most owners and with their objective of long-term profit maximization. As a consequence, owners and their managers are likely to welcome methods that can help them to prevent social irresponsibility.</p>
<p>N. Lin-Hi, K. Müller, <i>The CSR bottom line: Preventing corporate social irresponsibility</i>, „Journal of Business Research“ 2013 No.66, p. 1928-1936.</p>	<p>CSI as corporate actions that result in (potential) disadvantages and/or harm to other actors. On the one hand, an act of CSI involves the violation of law. On the other hand, the violation of law is to be conceived of as a sufficient, but not a necessary condition for defining CSI. Due to the incompleteness of contracts and the deficiency of legal regulations on the global scale, corporate actions can adversely affect others even if corporations do not break the law.</p>
<p>T. S. Clark, K. N. Grantham, <i>What CSR is not: Corporate Social Irresponsibility</i>, in: <i>Corporate Social Irresponsibility: A Challenging Concept</i>, ed. R. Tench, W. Sun, B. Jones, Emerald Group Publishing Limited, 2012, p. 30</p>	<p>CSI activity is defined to be all illegal activity as well as that which is unsustainable for the overall system due to the exploitation of negative externalities. Such behaviors can be seen as anticompetitive between firms which also lead to counterproductive outcomes for social welfare.</p>
<p>M. Greenwood, <i>Stakeholder engagement: Beyond the myth of corporate responsibility</i>, „Journal of Business Ethics“ 2007 No. 74, p. 324.</p>	<p>Corporate irresponsibility occurs when the strategic management of stakeholders does not remain responsibility-neutral practice but becomes an immoral practice based on the deception and manipulation of stakeholders.</p>
<p>B. Jones, R. Bowd, R. Tench, <i>Corporate irresponsibility and corporate social responsibility: Competing realities</i>, „Social Responsibility Journal“, 2009 No. 5, p. 304.</p>	<p>CSI is about being reactive as opposed to proactive in addressing corporate issues and the ways and means by which they relate to wider society. At its extreme CSI may entail breaking the law.</p>

Source: own.

Corporate social irresponsibility is defined differently depending on the approach to the analysis. The common denominator of CSI is that the actions or the consequences of actions considered to be irresponsible are seen as immoral, illegal, unethical. At the same time it happens that what for some constitutes evidence of social responsibility, in the opinion of others is a sign of irresponsibility<sup>30</sup>.

The measures implemented in enterprises can be divided into legal (consistent with applicable law) and illegal. All illegal activities are socially irresponsible, but in some cases they may be acceptable for some groups. Legal actions instead are not always socially responsible (Figure 1.3). An example of legal but socially irresponsible action is the fact of buying emission limits of richer countries by the poorer countries.

Figure 1.3.  
Responsible and irresponsible activities of enterprises



Source: own study based on: *Corporate Social Irresponsibility: A Challenging Concept*, (ed.) R. Tench, W. Sun, B. Jones, Emerald Group Publishing Limited, 2012, p. 9.

<sup>30</sup> B. Rok, *Podstawy odpowiedzialności społecznej w zarządzaniu*, Wyd. Poltext, Warszawa 2013, s. 85-86.

Examples of socially irresponsible and socially responsible activities are shown in Table 1.4.

Table 1.4.  
**Examples of socially responsible and socially irresponsible activities**

CSI	CSR
Environmental degradation and pollution are inevitable and little precaution is taken	Environmental degradation and pollution is not inevitable and should not be tolerated, and it is important to raise awareness and commit to action
Employees are a resource to be exploited	Employees are a resource to be valued
Minimal community consultation and involvement	Maximize community consultation and involvement
Only basic, and sometimes reluctant, compliance with legislation pertaining to CSR	Compliance with, as well as policy and practical actions that go beyond the minimum legislative requirements for CSR
Ethical issues are on the periphery	Ethical issues are central to the organization
New technologies should be developed and introduced to the market	New technologies should developed, tested, evaluated, and only introduced to the market if they do not cause harm
Treating suppliers and customers unfairly	Working fairly with suppliers and customers
Sustainability defined in terms of business survival	Sustainability defined in terms of business, environmental and community survival and mutual growth
Profit is the sole purpose of business and should be achieved at any cost	Profit is one of many purposes of business and should be achieved, but not at any cost

Source: P. E. Murphy, B. B. Schlegelmilch, *Corporate social responsibility and corporate social irresponsibility: Introduction to a special topic section*, „Journal of Business Research” 2013 No. 66, p. 1807-1813.

In areas such as ethics, environmental responsibility and human resources, the contrast between CSI and CSR is apparent. The strict and narrow profit orientation characterizes these firms while firms espousing CSR take into consideration multiple stakeholders in all decision making. It should be added that the CSI firms

may be operating in a legal fashion but they do not see a larger social role for the firm<sup>31</sup>.

It is possible to distinguish two forms of CSI: intentional and unintentional. Intentional CSI implies that corporations deliberately perform actions that disadvantage and/or harm others. Examples of intentional CSI include bribery (which may facilitate the acquisition of lucrative contracts), illegal industrial waste disposal (can be the way of reducing the cost) and tax evasion. Intentional CSI involves corporate efforts to conceal their acts of CSI, because it only pays off, “brings the profits” if it remains hidden. Unintentional CSI is that the disadvantages and/or harm to others are not inflicted deliberately by a corporation. Thus, CSI is not employed to achieve a particular objective, but has the character of an unanticipated by-product of certain activities. Examples of unintentional CSI include in general, a variety of different unintentional events. For instance, an earthquake which can lead to the explosion of a power plant or it may occur in the supply chain, for example, when a firm's supplier employs children or uses prohibited chemical substances without the firm's knowledge. Even the unintentional character of damage to others does not imply that corporations are not entirely innocent. A corporation can, for example, fail to protect the power plant sufficiently against earthquakes, neglect to pursue constantly information about the side effects of drugs, or ignore the need to control its suppliers regularly regarding child labor<sup>32</sup>.

Irresponsible corporate actions involve a number of negative consequences. In addition to the financial burden, such as penalties or compensations, the result of the irresponsible activities is the loss of reputation of the company and hence customers and partners. The irresponsible activities carried out in enterprises also have a considerable influence on employees by reducing their commitment and motivation to work.

The studies suggest that one way to help reduce the chances that managers will make irresponsible decisions is to give them roles that are consistent with responsible behavior. Developing explicit and measurable objectives should help firms to achieve this. For example, The role of our managers is to maximize long-term profits subject to the fair treatment of our stakeholders. To that end, manag-

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<sup>31</sup> P. E. Murphy, B. B. Schlegelmilch, *Corporate social responsibility and corporate social irresponsibility: Introduction to a special topic section*, „Journal of Business Research” 2013 No. 66, p. 1807-1813.

<sup>32</sup> N. Lin-Hi, K. Müller, *The CSR bottom line: Preventing corporate social irresponsibility*, „Journal of Business Research” 2013 No. 66, p. 1928-1936.

ers are expected to report on the effects of the firm's actions on stakeholders in addition to the usual financial reporting requirements<sup>33</sup>.

The category of social irresponsibility can be used to objectify the assessment process of the socially responsible activities. Currently, the assessment of socially responsible activities is based solely on information provided by the organizations implementing these actions. According to the CSR, the usually exposed activities are those having a positive impact on the perception of the organization, and the socially irresponsible issues are ignored. The source of information concerning socially irresponsible activities are both the external stakeholders and the internal stakeholders. The level of social responsibility of an organization may, therefore, be defined taking into account any undertaken socially responsible and socially irresponsible actions, perceived by external and internal stakeholders.

## Summary

The concept of corporate social responsibility has been widely analyzed in the scientific literature and implemented by the operators for many years. Entrepreneurs are wondering less and less whether it is worth to implement this concept and are more and more often asking the question of how to do it.

The understanding of the concept of corporate social responsibility requires the extension of the discussion in the area of CSR through the issues CSI. Generally it can be assumed that irresponsible business means the actions, or consequences of actions seen as immoral, illegal, unethical. Only an overall view of CSR, and CSI can show the true face of an organization.

Currently, the issue of social irresponsibility of business is a significant research gap. There is a need for further research on the relationship between CSR, and CSI.

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<sup>33</sup> J. S. Armstrong, K. C. Green, *Effects of corporate social responsibility and irresponsibility policies*, „Journal of Business Research” 2013 No. 66, p. 1922-1927.

## **In search of the social responsibility of entrepreneurs in a market economy**

### **Introduction**

Corporate social responsibility is a category, which is fashionable and already widely used in the literature and in the corporate strategies. The issue of responsibility is usually reduced to the trust and described as the attitude towards risk<sup>34</sup>. The full scope of responsibility comes down to the direct and indirect implication of the decisions. The statutory form of this corporate responsibility in economic law is the financial responsibility – acting on your own behalf. The law governs the manner of assessment and consequences of the loss of financial independence, including bankruptcy as the most severe sanction. Over time, the financial responsibility has gained much more general dimension and began to be described not only by economic and commercial law, but also by social norms and standards – including the communities in the spatial and commercial environment of enterprises. This process is a manifestation of socialization in the manner enterprises are treated, but also – or even primarily – the effect of their marketing strategies. They are based on the use of the competitive advantages resulting from the recognition of the company as friendly (e.g., in terms of access, infrastructure, environmental protection, eco-friendly products). Complementary or alternative categories, such as socially responsible investing, are developing. There even exists a trend to add the term socially responsible to any kind of action (e.g., finance), just as it is with the adjective sustainable, added to many categories and economic processes. The list of assessment indicators and attempts of their use in different

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<sup>34</sup> J. Komorowski, *Ocena wartości współczesnego przedsiębiorstwa. Ujęcie behawioralne*, Oficyna Wydawnicza SGH, Warszawa 2011, s. 171.

areas of analysis and value judgments gets extended. However, the question whether you know what is the social responsibility – who, to whom is responsible for what?, remains. Is the corporate social responsibility one of the types of liability, or does it integrate all other (legal, financial, corporate, environmental)? Is it verifiable? Is it only terminological and informative progress? What is the origin of the social responsibility? Does it constitute a permanent attribute of the company or just an instrument of promotion and advertisement, using selfishness of an individual – a man in his various roles in business processes?

The thesis of this paper is the recognition of the company as a way of organizing work and workshop of an entrepreneur conducting economic activity. Participation of people – as managers and employees, but also as other stakeholders results in the company being in essence a social category and all of the implications of decisions made in it, and towards it are of social nature. Therefore, the genesis of the social responsibility should be sought in economics and other social sciences and humanities – philosophy, psychology and sociology. The criteria for the social responsibility originate in the values describing the essence and attributes of a man, such as freedom, justice, and such characteristics of economic activities as efficiency, profit. The author attempts to search for the essence of the corporate social responsibility in the system of fundamental values, defined by the philosophy, ethics, and social economy. It is a difficult search, but necessary in order not to isolate the social responsibility from the essence of the company as a socio-economic system, the basics of creating lasting social relationships, and not to use it only as a marketing instrument on the market to increase the company's sales and profits.

## **Economic activity as a matter of the corporate social responsibility**

Economic activity is gainful manufacturing, constructing, trading, service, and searching, exploration and exploitation of minerals from deposits, as well as professional activities carried out in an organized and continuous manner<sup>35</sup>. Units performing economic activity on their own behalf are called entrepreneurs. These are natural persons, legal persons and organizational units that are not legal persons, which are granted the legal capacity by a separate statute – performing an

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<sup>35</sup> Ustawa z dnia 2 lipca 2004 r. o swobodzie działalności gospodarczej (Dz. U. 2004, nr 173, poz. 1807 z późn. zm.).



economic activities on their own behalf. Entrepreneurs create and maintain business. An enterprise is considered to be an organized set of tangible and intangible assets for conducting the business. It includes in particular<sup>36</sup>:

- the symbol individualizing the company or its separate parts (name of the company);
- immovable or movable property, including equipment, materials, goods and articles, and other rights in immovable or movable property;
- rights under the lease or rental of immovable or movable property, and the right to use immovable or movable property under any other legal relationship;
- claims, rights in securities, and funds;
- concessions, licenses, permits;
- patents and other industrial property rights;
- copyrights and related rights;
- business secrets, books and documents related to the conduct of the economic activity.

The entrepreneur conducts an economic activity, and operates on its behalf. The entrepreneur's company should be sufficiently distinguishable from companies of other entrepreneurs that operate on the same market. The company cannot be misleading, particularly in regard to the entrepreneur, the object of the entrepreneur's activity, place of business, sources of supply.

The name of the legal person constitutes the name of the company. The company has a specification of the legal status of a legal person, which may be abbreviated, and may also indicate the scope of activity, the seat of the person, and any other terms freely selected.

Commonly, the following categories are used interchangeably: business, entrepreneurs, and companies. However, legal and financial content of these categories are very different and their interchangeable treatment leads to serious factual errors, also in dealing with issues of responsibility. The entrepreneur, as a legal entity, not as a company (name), or an enterprise (the workshop), is the addressee of the responsibility.

Legal regulations regarding businesses seek to determine the conditions and standards for the creation, operation and liquidation, bankruptcy. The most important principle of these regulations is to enable the entrepreneurs to fulfill contracts (an important reference to the entrepreneurs' liability) and not to create

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<sup>36</sup> Ustawa z dnia 14 lutego 2003 r. o zmianie ustawy kodeks cywilny oraz niektórych innych ustaw (Dz. U. 2003, nr 49 poz. 408).

barriers to entrance to the business sector. These regulations impose on businesses the compliance with the standards determining the principle of action in the conditions of a crisis, which reduces the severity of the effects of economic fluctuations. Also in times of normal state of the economy elimination of market failures is an important regulatory function<sup>37</sup>. These legal mechanisms include:

- records and public information brochures,
- unification of the contract law (regulation of horizontal economic relations),
- dispute resolution policy, forms of conducting economic activity, capital requirements, requirements relating to the characteristics of entities (legal persons) engaged in economic activities,
- technical and technological requirements of conducting economic activity and investing (e.g., regulation of best available techniques BAT),
- regulatory activities of natural monopolies,
- regulations of properties, including public property,
- price regulation.

These mechanisms are the basis for formation and development of an economic entrepreneurship, enabling the usage of knowledge, skills and competences of the creators of enterprises, and the mechanisms protecting them from unfair competition or unfair market participants. The regulations include instruments of control and execution of law, including correcting the excessive economic freedom, harmful to the stakeholders of enterprises, including employees or other market players (suppliers, customers, capital donors). There is also a danger of excessive regulation of business by law, i.e., by the state. Of course, the problem of the limits of economic freedom is very controversial, because it is linked to the controversial intervention of the state in economic life.

## **Economic entrepreneurship as an area of corporate social responsibility**

Economic entrepreneurship is a feature and competence of an economic entrepreneur. Entrepreneurship constitutes the essence and content of the actions of people and entities in the market. It constitutes the basic criterion of social responsibility of these activities. It can be reduced – by adopting the definition of

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<sup>37</sup> J. Wierzbicki, *Ekonomiczna analiza regulacji prawnych przedsiębiorczości*, w: *Determinanty rozwoju przedsiębiorczości*, red. I. Lichniak, Oficyna Wydawnicza SGH, Warszawa 2011, s. 45.

an entrepreneurship of the acclaimed author S. Sudoł – to the characteristics, attitudes of an entrepreneur, manager or company, expressed as follows<sup>38</sup>:

- willingness and ability to undertake and solve new problems in a creative and innovative manner, with awareness and acceptance of the involved risks,
- the ability to use the new opportunities and occasions,
- flexible adaptation to changing conditions, from which results the necessity of its constant and vigilant observation.

Referring entrepreneurship to an enterprise is in particular a part of a legal, socio-psychological, and ethical model of an enterprise. In the economic meaning the right constitutes a system of regulation of economic activity, where the state creates the tools and principles of influence on the formation of business entities<sup>39</sup>, while maintaining the primacy of economic rights. The legal attributes of the company are supplemented by the socio-psychological model, which allows for the analysis of the company as a social system. The main asset of the company are the people. It is the people – employees, managers, vivify the property and can lead to the achievement of business objectives – financial, economic, social. They have to follow the teachings of management, sociology, psychology. In the social structures of an enterprise the categories associated with entrepreneurial qualities, such as power, leadership, loyalty, participation in decision-making are distinguishable. Therefore, the operation of a company is the activity of people, and the tools they use: technical, financial, organizational, and, henceforth, the analysis of their behavior must be of ethical and cultural nature. This in particular regards the assessment of behavior in relation to moral standards and patterns of acceptable behavior prevailing in a given society. It is supervised by the state (for example, through legislation) but also industry supervisory and good practices institutions develop in the capital markets, the banking sector, the insurance industry, consumer organizations.

Legal recognition of the company is often underestimated and neglected, which causes the businesses, managers and assessors much harm. Consideration of the company outside the law, in a sole discretion as to its rights and obligations, often causes conflicts with the law and other participants in the enterprise market. The law cannot then protect those who are victims of bad behavior of entrepreneurs (e.g., non-payment for work, for supplies, destruction of the environment,

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<sup>38</sup> S. Sudoł, *Przedsiębiorczość – jej pojmowanie, typy i czynniki ja kształtujące*, w: *Uwarunkowania przedsiębiorczości – różnorodność i zmienność*, red. K. Jaremczuk, PWSZ, Tarnobrzeg 2008, s. 33.

<sup>39</sup> J. Wierzbicki, *Ekonomiczna analiza...*, op. cit., s. 32.

e.g.). The law does not support (for example, does not allow for the provision of public aid that is due to companies registered and complying with the legal requirements of its operation and business trading), the law does not authenticate (e.g., no warranty or confirmation of the lack of public and legal obligations).

From the point of view of entrepreneurship the usage of the company's legal essence, which shows that the company is an economic and social structure, created and supported by the entrepreneur as a legal entity, is particularly important. For this reason, economists often define an enterprise as a system (a bundle of) contracts, whose parties are: employees, suppliers, shareholders, customers, managers, co-operators. The company is a cooperating – contractual structure<sup>40</sup>. Such view allows for recognition of the behavior of enterprises as a group of people representing all the parties to agreements, they are also carriers and verifiers of entrepreneurship and responsibility. A new way of organizing the production processes, taking place especially in enterprises, leads to the secretion of activities and functions that are critical and create a network of cooperating partners linked by a common purpose. They reduce transaction costs and allow for achieving the benefits of the partnership, creating a network of partner companies<sup>41</sup>, which, in addition to the economic benefits reduce uncertainty and disruptions, related to the shortage economy and the financial crisis. Cooperation of partner companies, using not only business but also social structures, reduces barriers in access to capital (to source of funding), reduces the cost, reduces the risk of bankruptcy, improves effectiveness (achievement of objectives) and efficiency (achieving the return of capital) of investments<sup>42</sup>.

Respect for the legal construction of the company – besides the usage of a system of contracts to develop its structure and provide the basis for its operation and development, along with other members of the networks of economic connections – allows for regulating and protecting the ownership relations. Ownership of the property is a key component of a company, which is regulated by the civil code, and the rights to control the assets, the managers and participation in profits or coverage of losses of the company depends on the ownership of capital, which is regulated by the commercial law<sup>43</sup>. This creates a base of power in the company, which already invoked R. Coase conceived as a mechanism for coordinating eco-

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<sup>40</sup> T. Gruszecki, *Współczesne teorie przedsiębiorstwa*, Wyd. Naukowe PWN, Warszawa 2002.

<sup>41</sup> *Przedsiębiorstwo partnerskie*, red. M. Romanowska i M. Trocki, Wyd. Difin, Warszawa 2002.

<sup>42</sup> S. Flejterski, *Metodologia finansów*, Wyd. Naukowe PWN, Warszawa 2007.

<sup>43</sup> Ustawa z dnia 15 września 2000 r. kodeks spółek handlowych (Dz. U. 2000, nr 94, poz.1037 z późn. zm.).

conomic activities within the enterprise. The formation of the corporation results in the need of investors, much of their control rights arising from ownership to employees by their managers. This creates a basis for power in the company, which already quoted R. Coase understands as a mechanism for coordinating economic activities within the enterprise. The formation of a corporation results in the necessity for the investors to transfer their rights to control, arising from ownership, for the benefit of employees by their managers<sup>44</sup>. Between owners and managers relations called agency relationships are formed. This relationship occurs when one party is dependent on the other. These parties are: the principal (the boss) and the representative (the agent). The principal engages the agent to perform services on his behalf and delegates to him a part of his powers to make decisions. This process takes place under conditions of uncertainty and lack of information<sup>45</sup>. The parties may have a different amount and quality of information about the state of affairs, but it is most often the principal (the representative), who may have an informative advantage over the agent. However, also the agent may have an informative advantage (e.g., regarding the market). An interesting phenomenon of an asymmetry of information, which is subject to a number of theories and research, comes down to a difficulty, and sometimes even the impossibility of monitoring by the principal the results of the actions and behavior of the representative. Informative advantages may be included in the attributes of entrepreneurship of both sides of (contractual) agency relationships, where the contemporary companies operate.

Entrepreneurship as a domain of entrepreneurs is determined by innovation, defined as<sup>46</sup>:

- the ability to generate and implement innovations that are appreciated by customers due to the high level of innovation and competitiveness on a global scale,
- the ability to conduct constant search, implementation and dissemination of innovation,
- the ability to create and implement changes in the various spheres of socio-economic development,
- the ability to create innovation in general.

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<sup>44</sup> A. Szewc-Rogalska, *Wpływ struktur własnościowych spółek giełdowych na kreację wartości dla akcjonariuszy*, Wyd. Uniwersytetu Rzeszowskiego, Rzeszów 2012, s. 21.

<sup>45</sup> *Instytucjonalne problemy transformacji gospodarki w świetle teorii agencji*, red. A. Wojtyła, Wyd. Akademii Ekonomicznej, Kraków 2005.

<sup>46</sup> T. Bal-Woźniak, *Innowacyjność w ujęciu podmiotowym. Uwarunkowania instytucjonalne*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2012, s. 21-22.

Innovation is the condition, symptom and effect of entrepreneurship in general, and an entrepreneurial activity. Innovations lead to entrepreneurial changes. These changes may have a different character and strength. Loss of profitability, financial liquidity of the company is also a change – but we will not call this change an innovation, which is a manifestation of entrepreneurship. Such changes are a destruction and contradiction of innovative activities of the company. This causes the problem of selection and usage of measures of entrepreneurial activity, which must result from the diagnosis and evaluation of the economic, financial and marketing situation of the company.

## **Freedom and justice as criteria of social responsibility**

Responsibility is inseparable from freedom. These features relate to man and society. This means that a person has the choice, but must bear the consequences of the choices made – actions taken, to receive praise or meet with condemnation. A free society functions if its members deem it appropriate, that each unit takes place due to its actions and accepts society as a whole. Individual responsibility is strong when people believe in individual freedom. Over time, this force weakens, meets with resentment and boredom from the generation that does not like any moralizing. Theoretical analyzes show that escape from liability results from the fear before it and is vindicated by the postulate of equal treatment of all people. This demand – instead of equal treatment for everyone, including the law – turns into a demand for substantive equality, regardless of the amount of work and its quality. This reference can associate responsibility with justice and efficiency. The criterion of justice should be the attribute particularly of social relations. Based on the traditional principles of morality, which allow us to assess the behavior of the individual as just or unjust, on the basis of general and abstract legal principles governing property rights, according to which people may take possession of everything that is the result of their own entrepreneurial creativity<sup>47</sup>. Alternative criteria of fairness are regarded as immoral. These concepts include „social justice”. Its core is to assess the righteousness of specific outcomes of social processes in specific circumstances, regardless of whether their behavior is consistent with the general principles of law and morality. Social Justice, according to – De Soto – occurs in a static world, where goods and services are given, and the only problem

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<sup>47</sup> J. H. de Soto, *Sprawiedliwość a efektywność*, Fijorr Publishing, Warszawa 2010, s. 340.

is the distribution<sup>48</sup>. The concept of social justice is considered deceptive and immoral from three points of view:

- violates the traditional rules of ownership that have been formulated by the common law and which shape the modern civilization (the evolutionary point of view);
- it is not possible to organize the society on the basis of this concept, because the systematic coercion necessary to redistribute income inhibits the free exercise of entrepreneurship, and therefore the creativity and coordination (theoretical point of view);
- it infringes the moral principle that all people have a natural right to the results of their entrepreneurial creativity (ethical point of view).

Institutionalized violence of the state to legitimize this concept should disappear.

## **Efficiency and profit as a standard of socially responsible entrepreneurship**

Justice has its impact on economic activity, particularly in the market pursued by entrepreneurs created and organized by people. Their activity is subordinated particularly to the standards of efficiency. Traditionally, the efficiency principle is subordinated to the criterion of Pareto. It means such an allocation of available goods, which makes it impossible to improve the situation of a single entity (provide it with greater quantities of goods) without affecting the situation of any of the other entities. The free exchange of goods leads to an efficient allocation in the sense of Pareto, but assuming the existence of transaction costs, which are primarily a source of externalities. The allocation of resources, sub-optimal in the sense of Pareto, is expressed by the gap between the market price of goods, which is connected to the formation of production externalities, and the social marginal costs of production<sup>49</sup>. The production level is higher and the consumption of the production factors is excessive in relation to the optimal Pareto optimum. If the allocation is not efficient in the sense of Pareto, it is possible to improve the situation of some of the participants without compromising the situation

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<sup>48</sup> Ibidem, s. 340.

<sup>49</sup> Rozwija je m.in. A. Graczyk, *Ekologiczne koszty zewnętrzne. Identyfikacja, szacowanie, internalizacja*, Wyd. Ekonomia i Środowisko, Białystok 2005.

of the others, which is very desirable, but which cannot take place in the presence of externalities. Technological spillover causes the shift of the curves of the utility function or the production function of entities exposed to their occurrence. In the presence of such effects the market mechanism is unable to fulfill its allocative functions even in the conditions of perfect competition.

The traditional Pareto criterion, although it figures prominently in the economy, is static and is not suitable for the rich dynamics of actual social institutions. Static efficiency is based on the successful management of the available or given resources in such a way as to avoid wastage. According to Xenophon, the creator of the Greek economy, it means keeping the house in good condition, as well as careful monitoring of goods, tending them and taking care of them<sup>50</sup>. This concept of efficiency has survived for a long time, found its extension in the quite widespread, mechanistic theory of Walrasian equilibrium<sup>51</sup>. This concept involves equalizing the rates of demand and supply price, that is the equality of supply and demand<sup>52</sup>. Walrasian macroeconomics examines and accepts the existence of a unique equilibrium point at the aggregate level, to which the economy is headed.

The criterion of dynamic efficiency is much more appropriate for the sphere of social institutions. Xenophon's approach meant an attempt to increase assets through entrepreneurial activity and entrepreneurs. The objective here is not to avoid the loss of resources, but their expansion through trade – buying, where they are in abundance and, therefore, are inexpensive, and selling them where there is a shortage and higher prices.

In practice, the two efficiencies are complementary. Even St. Bernardine of Siena believed that the income of buyers (now entrepreneurs) was entitled under their diligence and risk they incur<sup>53</sup>. On the basis of a reasonable and careful management of their resources, through persistence oriented to avoid losses (static efficiency) and on the basis of action in spite of the risks and dangers of entrepreneurial speculation (dynamic efficiency).

The process of economic development, which began the evolution of capitalism, caused the rift between the two dimensions of efficiencies – static and dynam-

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<sup>50</sup> J. H. de Soto, *Sprawiedliwość a efektywność...*, op. cit.

<sup>51</sup> Leon Walras zaliczany jest do jednego z trzech „ekonometrycznych magików” (obok Vilfredo Pareto i Francis Edgewortha), którzy są twórcami ekonomii dobrobytu, M. Skouesen, *Narodziny współczesnej ekonomii*, Fijorr Publishing, Warszawa 2012, s. 298.

<sup>52</sup> M. G. Woźniak, *Wzrost gospodarczy. Podstawy teoretyczne*, Wyd. Uniwersytetu Ekonomicznego, Kraków 2008, s. 32.

<sup>53</sup> J. H. de Soto, *Sprawiedliwość a efektywność...*, op. cit., s. 13.



ic. The dominance of the static efficiency in neoclassical economics is subject to considerable criticism, and as a result, so is the competition based on it. In his original and important for entrepreneurship dynamic analysis of efficiency Alois Joseph Schumpeter says: „Perfect competition is not only impossible, but of inferior quality, so it cannot be regarded as a model of perfect efficiency”<sup>54</sup>. Schumpeter was convinced that if not for the activities of entrepreneurs, the world economy would be permanently in a state of routine. He sees the entrepreneur only as a factor distorting and disturbing the balance. His theory of „creative destruction process” is focused on the equilibrium model. The market process is set in motion by the enterprise, and the co-ordination causes this process to seek equilibrium, although this state is never achieved, as in the process new non-compliances emerge<sup>55</sup>.

Schumpeter and other supporters of equilibrium models have been criticized for the lack of focus during the dynamic entrepreneurial process. According to Kirzner, the concept of dynamic efficiency is the ability to stimulate the entrepreneurial vigilance against valuable knowledge, the existence of which had never even suspected. He sees social coordination as a dynamic process in which market participants become aware of the possibility of mutually beneficial trade, and by using them correct previous errors<sup>56</sup>. The criterion of dynamic efficiency is without any valuable judgments that are so important to the neoclassical economy and welfare economics. If someone wants to appreciate and apply the coordination, he needs to support entrepreneurship. If someone prefers the social adjustment and avoidance of conflict, he cannot impose any restrictions on the business. This implies that corporate social responsibility means economic freedom, freedom of entrepreneurial processes. The dynamic aspect of efficiency is an extremely useful tool for comparative analysis of different institutions and legal arrangements, far superior to the criteria of static efficiency<sup>57</sup>.

The entrepreneurial process can be described and evaluated according to the dynamic efficiency criteria, which are primarily creativity and coordination. From the market perspective, the concept of dynamic efficiency is reduced to typically

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<sup>54</sup> J. A. Schumpeter, *Teoria rozwoju gospodarczego*, Państwowe Wydawnictwo Naukowe, Warszawa 1960, cyt. za: J. H. de Soto, *Sprawiedliwość a efektywność...*, op. cit., s. 32.

<sup>55</sup> J. A. Schumpeter, *Kapitalizm, socjalizm, demokracja*, Państwowe Wydawnictwo Naukowe, Warszawa 1995, s. 162.

<sup>56</sup> I. M. Kirzner, *How Markets Work: Disequilibrium, Entrepreneurship and Discovery*, Institute of Economic Affairs, London 1977, p. 67.

<sup>57</sup> J. H. de Soto, *Sprawiedliwość a efektywność...*, op. cit., s. 29-30.

human ability to continuously create and explore new targets and measures. This also includes the ability to see and discover the possibilities of profit, which appear on the market, and measures aimed at their use.

Profit may be a worthy goal, if it is not reduced solely to the financial dimension and money. Profit is a fundamental economic category. Attention is drawn to the fact that economics and finance, to which it is subordinate, forget about its subject – man. Man is reduced only to the area of usable goods<sup>58</sup>. Man becomes a being aimed at multiplying his state of ownership, making choices due to the maximization of profits and the avoidance of losses. Calculation of the profits and losses becomes the sole account of a person as an entrepreneur, as a consumer, as an individual in the society, including also the expectation of what can be gained from others. Man as an individual is selfish<sup>59</sup>. Smith noted that: „Almost always we need the help of our neighbors, and in vain we seek only their kindness...”<sup>60</sup>. It is more likely that a man would be persuaded to help after appealing to his selfishness and showing that for him it is preferable to what he demands from others. Any proposal for social welfare, including business proposals is based on the logic of self-interest arising from the nature of man: „Give me what I want and you will get what you want”<sup>61</sup>. We appeal not to humanity but to the self-interest of man, we are not talking about the necessities but of the advantages. Profit should take into account not only the material values (financial benefits) but also other goods, sought by humans.

But people are sometimes unreasonable in their endeavors, even when operating in the socio-economic system better than wild capitalism. Even Smith points out that the expectation of high returns or allowances in the tax constitutes a denial of social responsibility for the welfare of the public, and is an expression of self-interest of individuals, using the benefits of such privileges<sup>62</sup>. Taxation of income

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<sup>58</sup> S. Gałęcki, *Przeddefiniujemy pojęcie zysku*, „Pressje” 2012 nr 1.

<sup>59</sup> Psychologia etyki w gospodarce zwraca uwagę na swoisty konflikt – „jako jednostki jesteśmy egoistami, a jako istoty społeczne potrafimy być altruistami” – powiedział dla „Der Spiegel” Jonathan Haidt – psycholog, profesor Uniwersytetu Nowojorskiego. Por. *Zrozum rozum*, „Forum” 2013 nr 5.

<sup>60</sup> Cyt. za: S. Gałęcki, *Przeddefiniujemy pojęcie...*, op. cit., s. 52.

<sup>61</sup> *Ibidem*, s. 52.

<sup>62</sup> „Income or return on capital is divided into two parts: one that covers the percentage and belongs to the owner of capital, and the one that exceeds the amount which is required to to pay the percentage ... Anyone who uses capital, must receive such a compensation, otherwise he would not be able to, without prejudice to the personal interest, continue to carry out his activities. If, however, the capital is put in trade or industry, it can raise the rate of profit only in the

from profits is a natural phenomenon, process and responsibility of companies and employees in each socio-economic system, of democratic nature. The consent to the existence and functioning of the state, including the state protecting the individual and society as a whole, signifies consent to share the incomes and redistribute them to those who are unable to achieve them. The responsibility of entrepreneurs in this area thus means the concern about the creation of income and sharing it with the state. The natural consequence of this care of entrepreneurs in the market is that a part of the compulsory levies (e.g. VAT) can be transferred into the price and imposed on the buyers (other producers, consumers, state officials) or lower the income, which in turn lowers taxes, and the social benefits to others who need them. Maintaining these benefits inevitably leads to an additional burden on others in the form of higher taxes. Irrespective of the fact for whom these taxes are raised, it always means a violation of the principles of liberty and justice, which – as underlined – are the main criteria of social responsibility in the economic sphere. This is one of the arguments of the already cited thesis that the concept of social justice is considered as deceptive and immoral.

The implementation and the credibility of the concept of social justice, and social responsibility in the areas of economy, determines the revaluation of business purposes. The market does not leave much choice between the objectives. The principle of self-financing and accountability of entrepreneurs engaged in gainful economic activities on their own account may be implemented only by the creation of profit, defined generally as the excess of the market effects (sales value) over the expenditures incurred (deliberate, reasonable consumption of production factors).

Peter Drucker – called the „pope” of management, explained that the essence of the company requires a lot of goals. „Objectives are needed in every area where performance and results directly and vitally affect the lives and business success”<sup>63</sup>. Business is set up and managed by the people. In different economic conditions and in different sizes and in different stages of growth, it is necessary, according to Drucker, to define goals in eight areas:

- market position of the company;

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way that it will increase the price of the goods; the payment of tax ultimately will charge only the consumers”. Por. A. Smith, *Badania nad naturą i przyczynami bogactwa narodów*, wyd. 2, Wyd. Naukowe PWN, Warszawa 2007, s. 528-529.

<sup>63</sup> P. Drucker, *Praktyka zarządzania*, Wyd. Czytelnik, Akademia Ekonomiczna w Krakowie, Kraków 1994, s. 78-80. Dla Druckera „Biznesem jest każda organizacja która spełnia się przez marketing towarów i usług”, czyli biznes tworzy klientelę, w tym rynek.

- innovativeness;
- productivity;
- physical and financial resources;
- profitability;
- performance of managers and their development;
- employee's performance and his attitude to work;
- public liability of the company.

The last three goals, including public liability of a company are named the elusive goals, which disregarded quickly cause damage to the market position, in productivity, efficiency and gains, undermining the existence of the company. All of the goals must be integrated with each other and consistent. There are no dominant and overarching goals, but in accordance with the fundamental principle of the logic of economics „there are no free lunches”, their viability is determined by physical and financial resources, and these are defined by long-term viability. Profit is the natural and only gauge of sustained profitability known in economics, defining the company's ability to exist in the market. The problem is not so much in its amount, but in its fairness – rationality. Profit – according to Drucker – serves three purposes<sup>64</sup>:

- measures the net efficiency and robustness of the efforts of managers, the ultimate test of business performance;
- constitutes „risk insurance” – covers the living costs in the business, which include, in particular, the cost of obtaining and sharing the means of production (machinery and equipment), the cost of a decrease in their value over time, the cost of market risk and uncertainty;
- profit provides the supply of capital for innovation and expansion in the future, directly providing the means for self-financing and, indirectly, creating an incentive for the inflow of new capital.

„None of these three functions have anything to do with maximizing profits, promoted by economists”<sup>65</sup>.

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<sup>64</sup> Ibidem, s. 93-94.

<sup>65</sup> Ibidem, s. 93.

## Business ethics based on the social responsibility of entrepreneurs

In determining the profit as the purpose of business and its creation (creation and distribution), economic principles should not be separated from the moral principles. In the understanding of economics and the economy there is already a fairly widespread belief – accepted, among others, by Kant – that man is the goal and not the means of economic activities. Man and his dignity is the foundation, rather than a disruptive element of the economy<sup>66</sup>.

This opinion is not enough, however, and the legal regulations of financial markets and the real economy do not provide economic activities consistent with it. There is a need for business ethics, which is necessary for the use of the already very extensive normative potential inherent in the material ethical infrastructure at the level of business organizations and companies. This task is undertaken by the modern economic philosophy, which proposes and demonstrates how to integrate – the synthesis of quantitative perspective, relevant to the economy and the qualitative perspective (ethical, moral) on the economy<sup>67</sup>. According to Mr. Szulczewski – the interest in engaging in the business philosophy has been returning since the 20's of the twentieth century in the German language area. The model is constituted by hermeneutical reflections on the essence of the humanities of Wilhelm Dilthey and the artist's interpretation of the analysis of the phenomenological essence of mathematics and natural sciences carried out by Edmund Husserl. Among the many economists who have made an effort to use morality and ethics in economics and business practice – on the basis of German economic thought – is Walter Eucken. In his approach, the economy has its own characteristics and uses methods of the science of the spirit (humanities) in the study of economic problems, but it must also apply quantitative methods<sup>68</sup>. According to the historical school of thought, the economy, according to Eucken, should contribute its

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<sup>66</sup> Cyt. za: S. Gałęcki, *Przedefiniujmy pojęcie...*, op. cit., s. 53.

<sup>67</sup> It is developed – in the perspective of moral issues of German and Polish economy in the interdisciplinary book: G. Szulczewski, *Rozważania o miejscu etyki i moralności w teorii i praktyce gospodarczej*, Oficyna Wydawnicza SGH, Warszawa 2012.

<sup>68</sup> W. Eucken, *Die Grundlage der Nationalökonomie*, Springer Verlag, Berlin-Heidelberg-New York 1989, s. 237, cyt. za: G. Szulczewski, *Rozważania o miejscu etyki i moralności w teorii i praktyce gospodarczej*, Oficyna Wydawnicza SGH, Warszawa 2012, s. 110.

knowledge to the administrating public<sup>69</sup>. The economy, in his overall approach to population as a system, is only a subsystem. Multilateral interdependence in the economy and its mutual influence and the influence on the whole economic process is a fundamental theory in the study of Eucken's economic policy (called Interdependenzthese). Economics, according to Eucken, is about „the approach to the entire economy, including finding the regularity of its development” and not only that – as it has been done by the historical school – the recognition of individual facts<sup>70</sup>. This means that the economy does not exist for itself, but is associated with many other areas of life<sup>71</sup>. For the microeconomic approach – for the company it means that its objectives should relate to integrated order: economic, social and environmental. In this regard, the entrepreneur is responsible for the creation of order and its application in economic decision-making.

## The attributes of social responsibility of entrepreneurs

The effects of economic decisions are reflected in the profit. But the real profit concerns the development of individuals and the society<sup>72</sup>. The financial profit is only a part of the real profit. Profit is a positive category as an indicator of functioning of the company – so says John Paul II in the Encyclical *Centesimus Annus*. This means that the production factors have been properly applied and the corresponding human needs met. Profit, however, is not the only indicator of a well-functioning business. The purpose of economic activity is not the generation of profit, but the existence of a community of people. In addition to the profit the human and moral factors that in a longer perspective turn out to be at least as important to the life of a business should be considered<sup>73</sup>.

JPII argues that the free market is the most efficient instrument for utilizing resources and satisfying needs. This belief is also the essence of the ordoliberal

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<sup>69</sup> I analyse that subject in the paper for the Congress of Polish Economists 2013, J. Famielec, *Równowaga a zasady polityki gospodarczej Waltera Euckena* (sent to the organizer of the PTE Congress Warsaw, October 2013).

<sup>70</sup> G. Szulczewski, *Rozważania o miejscu etyki i moralności w teorii i praktyce gospodarczej*, Oficyna Wydawnicza SGH, Warszawa 2012, s. 110.

<sup>71</sup> W. Eucken, *Podstawy polityki gospodarczej*, Poznańska Biblioteka Niemiecka, Poznań 2005, wydanie 7, s. 423.

<sup>72</sup> S. Gałęcki, *Przeddefiniujemy pojęcie...*, op. cit., s. 53.

<sup>73</sup> Encykliki Ojca Świętego bł. Jana Pawła II, Rafael, Kraków 2012, s. 429.

economic order of<sup>74</sup> Walter Eucken, which is the concept of caring for a decent standard of living for all citizens<sup>75</sup>. The economy should operate according to the principle of freedom of the market, but in the framework of the institutional system created by the state, which should provide, both, the ability of the economy to function efficiently on market principles and guarantee all citizens the opportunity to lead an independent, dignified life while incurring full responsibility for themselves and their family. This also applies to an entrepreneur responsible for the employees, for suppliers, buyers, for the capital in the process of satisfying the needs of the market.

Corporate Social Responsibility can be realized in the economic system, in which subjectivity and freedom of human labor dominates over the capital and property of the means of production and land. This is possible only in a society where there is freedom of labor, entrepreneurship and participation. Entrepreneurship developed, among others, in companies should allow everyone to work with others and work for others. Wages should be sufficient to support the family, social security for the elderly and the unemployed. The entrepreneur should ensure adequate protection of working conditions.

The problem is not only to provide a person the right amount of goods, but also meet the need for quality. The quest for ever better and more satisfactory living conditions and the increasing wealth is justified, but gives rise to new responsibilities and dangers, such as illicit consumption habits and lifestyles (e.g. drug use). The investment decisions of companies are moral and cultural choices, not just business ones. The desire of man to the use and consume leads to excessive and disorganized manner of exploiting the earth (natural environment), thereby exposing his own life. The destruction of the human environment (the so-called human ecology) is the even more dangerous than the destruction of the natural environment – for example, serious problems of modern urbanization, family, campaigns against population growth, chemical warfare. The economy is a complex aspect and dimension of human activity and economic freedom, and entrepreneurship is just one element of human freedom.

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<sup>74</sup> Governance means the order – Ordo. Xenophon wrote, „there is nothing more relevant to humans than order”. Cyt. za: J. H. de Soto, *Sprawiedliwość a efektywność...*, op. cit., s. 11.

<sup>75</sup> Z. Sadowski, *Liberalizm i pojmowanie roli państwa w gospodarce*, w: *Idee ordo i społeczna gospodarka rynkowa*, red. E. Mączyńska, P. Pysz, PTE, Warszawa 2010.

## Conclusion – symptoms of dangers of social responsibility of entrepreneurs

The most serious manifestations of the effects of social responsibility of entrepreneurs for their economic decisions and the manner of management of the companies in the light of the theoretical analysis are:

- obsession with shareholder value;
- recognition of the financial profitability of capital as the most important indicator of the viability of the firm (obsession with ROE), which makes the company into a machine producing revenue and profit, only for those who invest capital;
- respect of the rights of the owners of capital to use the profits different forms without enforcing their obligation to cover their losses and without liability for the consequences of losses of enterprises, in which they invest their capital;
- appearance of non-productive, financial investors, creating „bubbles” of value and acquiring real savings from the market, which should be a source of material investments (including job creation);
- increasing the remuneration for the capital using all (non-entrepreneurial) methods at a high rate of labor substitution with technology, that is relative decline in the share of wages in GDP<sup>76</sup>;
- profit is a positive category as an indicator of functioning of the company – so says John Paul II in the Encyclical *Centesimus Annus*<sup>77</sup>;
- extreme subordination of the measurement and evaluation of economic performance to the GDP meter<sup>78</sup>;
- tyranny of models and mathematization of reality, as a result of pressure on the scientific community to explore models and close processes of performance of businesses and the economy in a world of abstract models, and recognition of the direct observation of specific facts as irrelevant<sup>79</sup>;

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<sup>76</sup> The share of remuneration for work of the added value of large enterprises has been declining, particularly in Europe, with a strong increase in returns for the capital, P.H. Dembinski, *Finanse po zawale. Od euforii finansowej do gospodarczego ładu*, Wyd. Studio Emka, Warszawa 2011, s. 149.

<sup>77</sup> *Ibidem*, s. 154.

<sup>78</sup> Dowodzą tego: J. E. Stiglitz, A. Sen, J-P. Fitoussi, *Błąd pomiaru, dlaczego PKB nie wystarcza*, PTE, Warszawa 2013.

<sup>79</sup> P. H. Dembinski, *Finanse po zawale. Od euforii finansowej do gospodarczego ładu*, Wyd. Studio Emka, Warszawa 2011, s. 16.



- bad models and performance of the credit rating agencies which provide late or false information to the capital markets, including companies in the capital market<sup>80</sup>;
- acceptance and support (including by the government) of „fraudulent accounting”, also known – wrongly – as creative.

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<sup>80</sup> This is accompanied by „lopsided”, as referred to by Stiglitz stimuli, that is motivation for the satisfaction of those who pay them J.E. Stiglitz, *Freefall. Jazda bez trzymanki*, PTE, Warszawa 2010, s. 107.



## **Models of cooperation between entities of social economy and enterprises**

### **Introduction**

Development of civil society, GDP growth and decrease in the budget deficit are the micro-economic goals of every government in the world. It also results from the successful social economy of the country. The larger area of social exclusion the more financial sources are spent on social support and the heavier burden on the private sector because of the increase in the statutory charges. The activities aiming at “engaging the resourceless persons” are justified if there are long-term results. Therefore, pointing to the possibilities of starting entrepreneurship by people from the social exclusion area is not only in the social but also in the economic interest of the country. It results in the conviction that local authorities are potentially the most serious partner in development of social economy due to the common interests. Communities and districts are the most interested in reducing the phenomenon of social exclusion. They also have the broadest knowledge about the local needs. However, it does not allow the rest of public administration to stop supporting this kind of activities.

Existing norms within business and society mean that entrepreneurs should be good citizens and focus on community initiatives<sup>81</sup>. Both community-based and social entrepreneurship have received increased recognition as being part of contemporary society.

The possibilities of cooperation between social enterprises and commercial entities are determined by the benefits that can be achieved by the entities con-

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<sup>81</sup> H. Aldrich, M. Fiol, *Fools rush in? The institutional context of industry creation*, „Academy of Management Review” 2004 No. 19, p. 645-700.

ducting entrepreneurship for the profit. Fashion, searching for the competitive advantage or increase in the social awareness indicate increasing interest in this kind of relations.

## Characteristics of SE entities as entrepreneurs

Assuming that an entrepreneur is a key entity of free-market economy and enterprises are the units operating on the market, the legal definition is used in order to confront the characteristics of this entity with a narrower group of social economy entities. According to the Act of 2 July on Freedom of Economic Activity<sup>82</sup> an entrepreneur is an individual, a corporate body or an organizational unit that is not a corporate body but exercises the functions of a corporate body, conducting an economic activity on their own behalf. Partners in a civil partnership are also entrepreneurs to the extent of an economic activity conducted by them. Entrepreneurship is a gainful production, construction and service activity as well as searching, exploring and extracting minerals from deposits, along with the professional organized and continual activity. Each entity functioning on the market for social reasons and characterized by the explicit social and economic goals, democratic management and social property is a social enterprise<sup>83</sup>.

The community is the one of the important element of social entrepreneurship as it provides a conducive environment that influences the types of entrepreneurial activity that take place. Many communities have a social foundation and this is a defining characteristic of community-based entrepreneurs<sup>84</sup>.

The value of community-based and social entrepreneurship to society is that it empowers people to become part of the business sector<sup>85</sup>. Enterprises as units functioning in the economy can be analyzed in various dimensions. Firstly, enterprises, with the exception of sole proprietorships, are organizations, i.e. groups of people cooperating in order to achieve common goals. Secondly, an enterprise

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<sup>82</sup> Ustawa z dnia 2 lipca 2004 r. o swobodzie działalności gospodarczej (Dz. U. 2004, nr 173, poz. 1807 z późn. zm.).

<sup>83</sup> B. Juraszek-Kopacz, A. Sienicka, T. Zagrodzka, *Ekonomizacja organizacji pozarządowych – wyzwania i szanse okiem praktyków*, „Ekonomia Społeczna Teksty” 2008 nr 10, s. 9.

<sup>84</sup> A. M. Peredo, J. J. Chrisman, *Toward a theory of community based enterprise*, „Academy of Management Review 31” 2006 No. 2, p. 309-328.

<sup>85</sup> D. Bornstein, *How to change the world: Social entrepreneurs and the power of new ideas*, Oxford University Press, Oxford 2004, p. 68.

means property. It is an object of commercial law and the property rights of an enterprise are precisely defined, i.e. an enterprise can transfer the right to other individuals or corporate bodies and use the profit it generated. At the same time an enterprise is responsible for its results. Thirdly, an enterprise can be analyzed as a firm in terms of the name, reputation among suppliers and recipients on the market as well as in broader environment. Fourthly, an enterprise is an undertaking, i.e. a realization of the idea of proper combination of productive factors for production of certain goods on the market. It is an activity undertaken on one's own account which means taking risks of potential loss if it does not succeed<sup>86</sup>.

What should be also taken into account is the specificity of an enterprise as a social entity according to John Paul II. In his encyclical "Centesimus annus" John Paul II describes an enterprise as a "human community" and "association of people" who on one hand strive for satisfying their justified economic interests but on the other hand serve to the society. It is in the social interest that the enterprises, as kinds of ecosystems, balance the economic and social or moral dimensions, i.e. care for the "human ecology".

According to Polish law nongovernmental organizations can carry out entrepreneurship. The subjective right to carry out entrepreneurship is guaranteed by, first of all, the Constitution of the Republic of Poland of 2<sup>nd</sup> April, 1997<sup>87</sup> according to which *social market economy, based on the freedom of economic activity, private ownership, and solidarity, dialogue and cooperation between social partners, shall be the basis of the economic system of the Republic of Poland*<sup>88</sup>.

Governments as well as organizations are instigators of social entrepreneurship through the formation and promotion of not-for-profit and for-profit programs. Not-for-profit programs are common in government agency initiatives that encourage community-based entrepreneurship such as community development banks<sup>89</sup>.

Traditional business models cannot be fully used in functioning of the social enterprise as the criteria of functioning impose some restrictions, e.g.:

- explicitly expressed social objectives;

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<sup>86</sup>J. Beksiak, *Ekonomia. Kurs podstawowy*, Wyd. C.H. Beck, Warszawa 2007, s. 71-72.

<sup>87</sup>Dz. U. z 1997 r., nr 78, poz. 483.

<sup>88</sup>A. Sienicka, *Nowi przedsiębiorcy?*, „Ekonomia Społeczna Teksty” 2006 nr 17, s. 8.

<sup>89</sup>V. Ratten, I. M. Welpel, *Community-based, social and societal entrepreneurship*, „Entrepreneurship&Regional Development: An International Journal” 2011 Vol. 23, p. 283-286.

- explicitly expressed economic objectives (understood as striving for achieving a certain level of income from the sale of products and services and as taking an economic risk);
- democratic management;
- social ownership<sup>90</sup>.

From the perspective of the abovementioned criteria the model of social enterprise shows some weak points, since due to the preference for the social goals they can be regarded as more flawed on the competitive market. Entrepreneurship conducted within such an entity poses greater risk related to functioning due to difficulties connected with human capital from the area of social exclusion, restrictions on sources of financing of entrepreneurship, etc. which results in the decrease in its competitiveness. However, on the other hand, the social character of an entity shapes its positive image in the interior and external environment. Clients and recipients describe the entities operating within the SE sector as “entrepreneurs with a human face”.

Then Social entrepreneurship and community-based entrepreneurship have been referred to as being part of the third sector, which is membership-based and not part of the government<sup>91</sup>. This is the most an important part of the global economy and community-based and social entrepreneurs contribute to its development. Furthermore, the opportunities for entrepreneurs largely depend on their social and cultural background. Thereafter, social and community-based entrepreneurship is an important determinant of an entrepreneur’s perceptions and choices<sup>92</sup>.

Social enterprise as a company should be financed from the sales of its products and services on the market. Other possible sources of financing are returnable sources as well as investors’ or shareholders’ contributions. The social enterprise is also expected to be profitable in several-year-perspective. The abovementioned narrows the potential of social companies, mainly in the field of social functioning. It focuses on more functional beneficiaries creating places of work and choosing a market niche and reduces to the most profitable from the financial point of view. According to another approach functioning of the social enterprise is based on subsidies and donations while the income from the possible economic activity is described at a low level. Such an approach aims at improvement of well-being of

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<sup>90</sup> B. Juraszek-Kopacz, A. Sienicka, T. Zagrodzka, *Ekonomizacja organizacji...*, op. cit., s. 9.

<sup>91</sup> *Social enterprise*, ed. M. Nyssens, Routledge, London 2006, p.14.

<sup>92</sup> L. P. Dana, *Entrepreneurship in a remote sub-arctic community-Nome, Alaska*, „Entrepreneurship Theory and Practice 20” 1995 No. 1, p. 55-72.

the employees or an alternative form of paying benefit, rather than achieving any economic goals. Undoubtedly, the most important characteristics distinguishing an entrepreneur from the SE sector are related to better financial back up. While evaluating the activity the financial result is considered in terms of social profits, which gives a different impression of the firm's profitability. Business model of the social enterprise must assume rational relation between the incomes from the business part of an enterprise and the incomes from its social part. Business part of a social enterprise's incomes does not only consist in the commercial incomes but also all the subsidies that are available to the traditional firms as well. In accordance with the abovementioned the possible level of incomes from the business part is from 50% to 75% of the total incomes of social enterprise<sup>93</sup>.

Diversification of financing of social enterprises according to the types and sources are presented in the table below.

Table 3.1.  
Sources of financing of social enterprises in business model

INCOMES FROM BUSINESS PART	INCOMES FROM SOCIAL PART
<b>Retail sale</b> – sale of services or products to individual clients.	<b>Paid activity of public benefit.</b>
<b>Contracts</b> – successful tenders for provision of services or goods to other organizations, firms or public institutions at mutually accepted price enabling SE enterprise to generate income.	<b>Para-contracts</b> – long-term contracts for provision of services or products, usually with local authorities or central authority units. What distinguishes them from the contracts is the fact that they are based (similarly to subsidies) on covering only the costs of one's own activity without the possibility of assessing its added value (i.e. without the possibility of generating income).
<b>Sponsorship</b> – financing the social enterprise for advertisement. Mutual exchange of experience is beneficial to both parties. It differs from philanthropy because of the fact that services for the sponsor are precisely defined and lack of the fulfillment can result in breaking the contract.	<b>Donations</b> – financial (non-tangible) and tangible support by private individuals and firms.
<b>Subsidies</b> meant for entrepreneurs.	<b>Subsidies for nongovernmental organizations</b> – from institutionalized public and private sources.

Source: Own analysis based on B. Juraszek-Kopacz, A. Sienicka, T. Zagrodzka, *Ekonomizacja organizacji...*, op. cit., s. 10.

<sup>93</sup> B. Juraszek-Kopacz, A. Sienicka, T. Zagrodzka, *Ekonomizacja organizacji...*, op. cit., s. 9.

Social enterprise can be characterized by the relations between the social and business goals. Uniqueness of those relations is undermined by conventional firms which claim that they also realize social goals within their activities. Generally accepted concept of CSR – corporate social responsibility is a common characteristic of commercial enterprises applying that management concept and social enterprises. Regarding the role and contribution of human capital as added value in entrepreneurship is easier if there is a direct reflection in the balance numbers. However, indicating direct relation is not always possible on short-term basis.

However, evident and arguable hierarchy of objectives in most traditional enterprises indicates different approach to management than in social enterprises. If the traditional enterprise faces an opportunity of reducing the costs of functioning by, e.g. introducing new technology even at the price of reducing the level of employment, the decision will be obvious. In case of social enterprise such practice is not possible. Striving for realization of economic objectives it is obliged to analyze how it will influence its social goals. It means that the field of the functioning of social enterprise is open if there are not disagreements between social and economic objectives. That field can be artificially created by excluding the disagreement and by not applying any measures that would reduce the social impact even if they would result in financial savings. In this case it is necessary to oppose against the rules of conventional business, which assumes that company's efficiency has first of all financial dimension. However, in case of a social enterprise the principle of maximization of economic profits is replaced by the principles of maximization of social profits and of complexity of financial result, i.e. assuming that apart from the economic values also social and ecological values are the elements of the enterprise<sup>94</sup>:

- principle of maximization of social profits is the essence of social entrepreneurship and a key determinant of functioning of an enterprise in all fields: from choosing specialization, technology, organizational solutions to efficiency. It is of primary importance for long-term financial stability, in fact it is the essence of efficient business plan since the more sources of financing the more areas of social impact. The most common combinations are among others: social support and ecology (recycling) or within social support itself, e.g. long-term unemployed women, care services or social exclusion, education and local development. However, in practice social enterprises too fre-

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<sup>94</sup> B. Juraszek-Kopacz, A. Sienicka, T. Zagrodzka, *Ekonomizacja organizacji...*, op. cit., s. 10.



quently limit themselves to only one social benefit, such as creating work places for the excluded persons;

- principle of complexity of the financial result applies to both: social enterprises and the firms applying social corporate responsibility. The essence of the principle is an assumption that economic efficiency cannot be measured separately from the social impact of the firm's activity. It is arguable that financial profits cannot be made at the cost of children labour or quality of environment. Short and long-term social and ecological impact is of greater importance in a social enterprise than in a socially responsible firm as it is a separate goal for which an enterprise is accounted by the stakeholders. Every enterprise, often being unaware of it, apart from creating economic value also influences the social and ecological value.

Enumerated characteristics of social enterprises indicate that specificity of their functioning to some extent makes it difficult to be competitive on the market. However, it would be also advisable to systemize the characteristics illustrating the advantage of social enterprises over traditional companies:

- employment of volunteers – social enterprise can make use of work of volunteers on the privileged basis and purchase raw materials at lower prices thanks to which it can enter niches that are not profitable for traditional companies;
- positive social perception of functioning of organizations, which facilitates starting cooperation or partnership;
- advantage of the social enterprise's product in relation to the commercial product thanks to the mission of nongovernmental organization and direct producer of the product. The advantage can appear on the market of public services as well as services for the traditional companies interested in improving their images of reliable and socially oriented firms.

Each economic activity has positive and negative aspects. The entrepreneur's domain is adopting such management principles that will strengthen position of the company using its good and reducing the weak points.

## **Business approach to cooperatives and commercial partnerships**

A cooperative, which is often compared with a commercial partnership, can be an example of a social economy entity carrying out entrepreneurship. Among all entities the cooperative shows the greatest number of entrepreneur's

characteristics and since the 19<sup>th</sup> century there have been attempts to convert it into a commercial partnership. At the beginning credit and saving cooperatives were being transformed into partnerships. Two hundred years ago a cooperative was defined as an association of people aiming at the common economic undertaking and serving to the people by providing them with tangible benefits. At that time commercial partnership was described as an association of capital for amassing the profit.

Table 3.2.  
**Determinants of functioning of a cooperative and a commercial partnership**

Cooperative	Commercial partnership
associates people	associates capitals
each cooperator, regardless of their shares volume has one voting right in the general meeting, the principle one member – one vote	number of voting rights depends on number of shares, principle one share – one vote
initial capital consists of members' contributions	increase in the capital requires general change in the partnership contract
	number of shares determines influence of the copartners on the management board
number of shares is not limited – cooperative has variable capital fund which depends on the member contents – so called principle of availability or principle of open door (hence the term variable capital company)	constant capital defined by the partnership contract – principle of capital integrity
size of the shares is defined	
objective – satisfying the needs of the associated persons, providing the cooperators with economic benefits	objective – profit from the capital
tangible benefits for the members of a cooperative come from the surplus of the balance sheet	partnership contract or decision of statutory authorities decide on the profit division
	human relations are based on the competitiveness
capital is a tool, there are no own rights, not to mention the right for the profit	does not realize its social goals directly
	can participate indirectly in the financial support of social undertakings
aimed at people of little or average wealth but with tangible or financial input	aimed at individuals and corporate bodies with more significant capital

Source: Own analysis based on: A. Szustek, *Polski sektor społeczny*, Uniwersytet Warszawski, Warszawa 2009, s. 412-413.

Problem of converting cooperatives into commercial partnerships is still present. Both forms enable to define clear objectives of functioning. Works on the new act on this issue were started in term 1997-2001. Supporters of the project of the new act argued that partnerships are more adequate organizational and legal form in the capital economy. Concentrated process of decision making results in more efficient management of the property than it is in the cooperatives. Taking decisions in the general meetings is an unpredictable and long-lasting process. However, the main difference between those entities consists in the answer to the questions: who and on what basis participates in the profits. According to cooperative law the main objective of the cooperative is supporting financial situation and entrepreneurship of its members.

Business model of a social enterprise encompasses mechanisms compensating high financial costs of preparing work places and maintaining their high standards. Competitiveness achieved by SE entities becomes their advantage on the free market due to the social aspects. Unfortunately, achieving such a position by social enterprises is much more difficult and long-lasting. Moreover, it is essential that social enterprises are aware of their specificity and apply business strategies that make traditional companies successful and at the same time are in accordance with the model of social economy enterprise.

## **Model of cooperation between SE sector and enterprise sector**

The spirit of entrepreneurship has been a driving force of economic growth and social development for a very long time. At the same time it is what connects good business and social enterprises<sup>95</sup>. Cooperation is commonly understood as an ability to create bonds and co-working with others. The phenomenon of cooperation between SE sector and business sector can be analyzed at different levels. The first area of analysis is relation of entrepreneurs with nongovernmental sector treated totally as a field of social economy. In 2003 Responsible Business Forum carried out a survey<sup>96</sup> among the largest companies. The results showed that 75.3% of the firms provide financial support of average amount of 1.2% of total annual income. Social support, education and healthcare are the most popular areas of

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<sup>95</sup> B. Juraszek-Kopacz, D. Piekut, *Ekonomia społeczna i biznes – partnerstwo sukcesu*, Published within Equal project, 2006, s. 3.

<sup>96</sup> *Ibidem*, s. 4.

support. Research carried out in 2006 by Association KLON/JAWOR<sup>97</sup> showed that donations from the firms and institutions were the fourth (according to the frequency of use in 2003) source of income of nongovernmental organizations. 7% of total income of non profit sector was the financial support from institutions and firms which was obtained by 39% of the organizations. 70% of the organizations declared contacts with the business sector, but only 12% of them declared frequent and regular contacts. In 2007 research showed decrease in the number of such organizations to 9%. Tendency of enterprises to providing disinterested financial support for the organizations has been getting weaker. It is reflected in the decrease in the percentage of organizations claiming that business environment is one of three most important partners from 19.1% in 2004 to only 13.4% in 2005. Experts of Council of Civil Society Index stated that attitude of business to non-profit organizations is “generally indifferent”<sup>98</sup>. The potential of benefits of cooperation of nongovernmental organizations with business remains to some extent unused. It can be explained by the fact that building relations with business is laborious and average amount of subsidies is relatively small. Moreover, low level of creativity of the organizations is reflected in lack of understanding of business partner’s needs. It is also connected with not common in the organizations “idea of social entrepreneurship” as well as organizational culture of the nongovernmental sector in Poland, which results in the fact that business is unknown to the organizations. From the pessimistic point of view it does not augur well for the alternatives of developing social companies on the basis of nongovernmental organizations, while from the optimistic point of view for social economy it can be an opportunity of presenting an interesting offer of cooperation with business sector. The most common are subsidies and sponsorship; less common are more modern strategies such as delegating employees to work for the organizations. In case of a delegation employees or volunteers from the business sector only partly use their professional skills, e.g. duties in the club rooms for children or other tasks directly related to the beneficiaries of the support. Without undermining the abovementioned activities, it should be pointed out that it does not have a positive influence on enhancing the skills of organization’s management.

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<sup>97</sup> J. Herbst, M. Gumkowska, *Podstawowe fakty o organizacjach pozarządowych*, Raport z Badań Stowarzyszenia Klon/Jawor, Warszawa 2006, s. 10.

<sup>98</sup> B. Juraszek-Kopacz, *Ekonomia społeczna...*, op. cit., s. 4.

Table 3.3.  
**Case studies (examples) of cooperation between enterprises and nongovernmental sector in Poland**

Partnerships	Benefits and challenges to the social enterprise	Benefits and challenge of the commercial entity
<p>Association EKON i UNILEVER „Mrówki w biurówcu”</p> <p>Cooperation consists in collecting segregated secondary materials from UNILEVER. The workers of the association (so called “mrówki”), i.e. the disabled, especially mentally ill persons, collect the materials from the special containers on six floors of UNILEVER’s building. On each floor there are special places with four containers for glass, paper, plastic and metal. Segregation is provided in advance by employees of UNILEVER.</p>	<p>Benefits to EKON:</p> <ul style="list-style-type: none"> <li>- another form of professional activating of the disabled;</li> <li>- long-lasting contacts with a large partner (prestige of the cooperation with UNILEVER);</li> <li>- work appropriate to health conditions of the Association’s clients;</li> <li>- financial benefits to the Association;</li> <li>- obtaining secondary materials;</li> </ul> <p>Children are also beneficiaries of the cooperation thanks to which Association EKON joined a nationwide campaign “Pajacyk”. Collecting aluminum cans on one hand EKON treats the children to the meal (one meal for 50 cans), on the other hand money from the sale of the cans is sent to Polish Humanitarian Action (PAH).</p> <p>Challenges to EKON:</p> <ul style="list-style-type: none"> <li>- logistics connected with organization of work (“mrówki”);</li> <li>- common advertising and promotion campaigns, e.g. presentation of the cooperation rules to other corporations, instructing employees on the segregation of secondary materials;</li> <li>- publishing a brochure of cooperation encouraging all the Partner’s staff to participate in the segregation both at work and at their homes;</li> </ul>	<p>Benefits to UNILEVER:</p> <ul style="list-style-type: none"> <li>- efficient collecting of secondary materials along with realization of „social corporate responsibility”;</li> <li>- enhancing ecological awareness of the Firm’s employees;</li> </ul> <p>Challenges to UNILEVER:</p> <ul style="list-style-type: none"> <li>- organization of pre-segregation by the Firm’s staff;</li> <li>- extending the cooperation in other Firm’s locations.</li> </ul>

Partnerships	Benefits and challenges to the social enterprise	Benefits and challenges of the commercial entity
<p>Association Stowarzyszenie Pomocy Wzajemnej „Być Razem”, Association Ekoenergia Cieszyn and Unitem company from Bielsk The aim of the Centre of Social Education (CES) of Association Stowarzyszenie Pomocy Wzajemnej „Być Razem”, Association Ekoenergia Cieszyn and Unitem company is constructing solar collectors, promoting this source of energy and searching for the entities interested in utilizing those collectors. An important aspect is also activating the clients of CES which can obtain additional source of incomes.</p>	<p>– expanding the action by increasing the quantity of collected secondary materials which is conducive to creating new work places and employing more disabled people.</p> <p>Benefits to CES:</p> <ul style="list-style-type: none"> <li>– a chance of obtaining incomes for maintenance of the house by its inhabitants;</li> <li>– fostering responsibility for the house as a way to independence of the inhabitants;</li> <li>– opportunity of development of CES.</li> </ul> <p>Challenges to CES:</p> <ul style="list-style-type: none"> <li>– increase in number of orders (the devices are still expensive and demand for them is low);</li> <li>– improvement of marketing.</li> </ul>	<p>Benefits to Uniterm:</p> <ul style="list-style-type: none"> <li>– image of the socially responsible company;</li> <li>– information about ecologically oriented activities of the company;</li> <li>– cheap work labour;</li> <li>– benefits of tax preferences of CES (an offer realized in cooperation with an enterprise of social economy is more attractive to the customer).</li> </ul> <p>Challenges to Uniterm:</p> <ul style="list-style-type: none"> <li>– growing motivation for cooperation between inhabitants;</li> <li>– low popularity of this kind of technology.</li> </ul>
<p>Towarzystwo Opieki nad Ociemniałymi in Laski and Witichen company</p> <p>The cooperation which started in 2000 consists in inviting the patients to the headquarters of the company. During the meetings, which take place once a year, patients learn about the company and its functioning. Moreover, the company provides financial support. One of the patients was employed in Witichen company in Promenada.</p>	<p>Benefits to Towarzystwo:</p> <ul style="list-style-type: none"> <li>– patients raise their awareness which is indispensable in order to start professional career;</li> <li>– possibility of finding a job for the patients;</li> <li>– financial support;</li> <li>– pointing to good practice (cooperation of the company with association) and making the entrepreneurs sensitive to the needs of the disabled (e.g. information on the products in Braille).</li> </ul> <p>Challenges to Towarzystwo:</p> <ul style="list-style-type: none"> <li>– continuation of cooperation;</li> <li>– increase in the number of staff.</li> </ul>	<p>Benefits to Witichen:</p> <ul style="list-style-type: none"> <li>– creating an image of the socially responsible company;</li> <li>– steady cooperation with the organization whose subjects can employ (it is necessary in order to fulfill the obligations resulting from the status of supported employment enterprise);</li> <li>– involvement of employees;</li> <li>– fostering employees' morale through working in the socially responsible company (their participation in social activity).</li> </ul>

Partnerships	Benefits and challenges to the social enterprise	Benefits and challenge of the commercial entity
		<p>Challenges to Wittchen:</p> <ul style="list-style-type: none"> <li>- necessity of creating work place appropriate to the needs of the disabled, it is very precisely regulated and controlled by the state institutions, lack of the fulfillment of the regulations can result in losing the status of supported employment enterprise;</li> <li>- preparing people to work with the disabled, raising awareness and responsible approach to the disabled.</li> </ul>

Source: Own analysis based on: [www.ekonomiaspoleczna.pl](http://www.ekonomiaspoleczna.pl) [accessed on 2013-05-18].

Another analyzed area can be cooperation between business sector and social economy limited to social enterprises. Hence the colloquial term “firm” is often wrongly associated with a legal status, which is of no importance here and what matters is only aims and methods. It can be claimed that social enterprise is a common part of all three sectors since it functions for the common good and realization of the social mission using the business strategies.

In Polish conditions a social enterprise is an entity which, among other things, continuously strives for increase in the income from entrepreneurship. At the edge of mission and entrepreneurship a social innovation appears. The essence of nongovernmental organizations is satisfying the social needs whereas extending it by business strategies changes the social problems into possibilities, realization of which is not profitable for traditional enterprises. An example of the abovementioned can be British programme Community Repaint consisting in collecting (from public institutions, firms and private individuals), sorting and recycling paint wastes as well as distribution of good quality paints and painting materials which can still be used. It is beneficial to the people employed in the programme, people who can discard troublesome wastes as well as the buyers of the paints and materials (poor people, nongovernmental and public organizations) who can make savings. Similar business opportunity was taken by Association “Niepełnosprawni dla środowiska” EKON by creating almost 800 “green” workplaces, (i.e. sorting and taking out rubbish) as many as half of them was provided for the mentally ill. In the abovementioned cases an extensive education campaign in ecology, as well as professional apprenticeship and trainings for the socially excluded people and job placement are carried out. This kind of activity would not be profitable for the traditional companies, whereas it is an essence of social enterprises’ functioning<sup>99</sup>.

In Poland the cooperation between commercial sector and social economy has not been very noticeable yet as the relations between those sectors has just started to develop. However, it is arguable that such cooperation is an indispensable element of social entrepreneurship in Poland and one of the key factors of its development. On the other hand the private sector’s fear of competitiveness and its potential objection to the regulations in favour of social economy enterprises can limit or even stop their development. Therefore, it is important to work out a model of cooperation developing the sector of social economy and at the same time not having a negative impact on the commercial sector.

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<sup>99</sup> B. Juraszek-Kopacz, *Ekonomia społeczna...*, op. cit., s. 5-6.



## Model of cooperation between SE sector and public administration

In the properly functioning society there are three sectors of social and economic activity. The first sector, so called private sector, consists in production, trade and services, i.e. business area which means profit-oriented activity. The second sector is so called public administration activity at local and government levels. Public administration consists of administrative organs and offices established for realization of tasks of the state. Institutions of public administration operate in certain social and political system and depend on the legal regulations, especially constitutional ones. In Polish system of public administration two parts can be distinguished, i.e. government administration and local government administration<sup>100</sup>.

In democratic society it is more and more frequently observed that free elections and free market are not enough for maintaining strong democratic society. Public administration has some kinds of restrictions to satisfying some of the social needs. Therefore an important element of democratic and efficient society and country are nongovernmental organizations which are the third sector (along with public and private sectors) of global society<sup>101</sup>. At the same time they fill the gap which cannot be filled by other sectors by providing services for the citizens. They do the social tasks which result from the policy and the tasks of the state or the tasks which nobody wanted to realize. Growing cooperation of nongovernmental organizations with public authorities in providing the citizens with public services is one of the directions of current social policy. In many countries nongovernmental sector, in accordance with agreements with public authorities of different levels, took over provision of such services as: healthcare, individual social care, care for the immigrants, human rights, cultural services, education or international cooperation for protection of environment. Complementary or decisive role of the sector of nongovernmental organizations is growing and the task of the state is to define standards of the services provided by this sector, to control their realization and to finance the services. Approval for the functions realized by

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<sup>100</sup> M. Grzybowski, *Administracja publiczna a ład konstytucyjny*, w: *Administracja publiczna*, red. J. Hausner, PWN, Warszawa 2005, s. 27-28.

<sup>101</sup> W. Czemieli-Grzybowska, *Social economy sector as a way to social cohesion*, in: *Eastern Poland – selected aspects of regional development in the period 2007-2013*, ed. W. Czemieli-Grzybowska, Białystok University of Technology, Białystok 2011, p. 93-99.

the nongovernmental organizations might result from the positive characteristics of those organizations, i.e.<sup>102</sup>:

- focusing on higher values;
- providing services in an efficient and appropriate to the society's demand way;
- ability to provide services for the marginalized and poor social groups;
- ability to create innovative strategies which can be widely applied;
- treating profit as a tool for realization of their missions;
- giving a chance of increase in the governments burdens;
- realization of social control over the activity of public administration<sup>103</sup>.

Thanks to practical experience nongovernmental organizations have a significant input in preparing programme solutions. It is of great importance for government administration, which is responsible for strategic planning of the country's development, preparing and introducing legal acts. Because of the specialization the nongovernmental organizations have practical knowledge related to the problems of public life for which governmental administration is responsible. Therefore, it is important that the knowledge of the organizations is used by governmental administration at the level of systemic solutions and taking into account that involvement of the citizens can ensure better efficiency of the activities or better understanding of activity of the state.

## Conclusion

In Polish law there are many procedures and forms of cooperation between nongovernmental organizations and governmental administration both in giving opinions on the government's activity and exchange of the information as well as handing over the tasks to the nongovernmental organizations. Analyzing the examples of legal acts it can be noticed that cooperation with the nongovernmental organization is a permanent element of functioning of various offices. However,

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<sup>102</sup> W. Czemieli-Grzybowska, *Corporate social responsibility (small and medium businesses) in: New trends & challenges in management: company in process of integration with European Union*, ed. M. Godlewska, E. Weiss, University of Finance and Management in Warsaw, Warsaw 2009, p. 17-26.

<sup>103</sup> A. Pączka, W. Skawińska, *Współpraca administracji rządowej z organizacjami pozarządowymi w 2001 r.*, Departament Analiz Programowych Kancelarii Prezesa Rady Ministrów, Warszawa 2006, s. 7-8.

existence of those regulations does not guarantee the results of the cooperation, which should be based on the actual social dialogue between the partners. The current patterns of such cooperation define several main recommendations:

1. Government administration should avoid violating independence of nongovernmental organizations. However, the government has a right to expect settlement from the nongovernmental organizations that should not operate on the basis of excessive bureaucratic procedures but of research on efficient activity.
2. The government's policy should respect and facilitate fulfilling the role of public ombudsman by the nongovernmental organizations. Governments are obliged to provide indispensable information and contacts.
3. Precise regulations concerning cooperation with nongovernmental organizations should be established in order to avoid subjectivity and to ensure necessary transparency, especially when cooperation concerns using the public sources. State should admit, by means of legal regulations, the need of support for the non profit sector. Criteria of applying for the support should be also precisely defined.
4. Nongovernmental organizations should serve the public goals, contrary to narrow private interests.
5. Nongovernmental organizations should regularly inform about their activities and reveal their financial status proportionately to the level of received public support.
6. Voluntary organizations should be democratically managed and provide opportunities of socially valuable inputs.

Analyzing the abovementioned criteria it should be noticed that access to public information, or rather legal regulations related to it, is an essential area facilitating efficient cooperation between nongovernmental sector and government administration.

Taking the aims of social economy into account local governments should be natural supporters of social enterprises. The extent of the local authorities' support must vary depending on their financial conditions and their priorities. However, lack of legal regulations cannot justify against financing social economy. In accordance with the regulations local governments have many possibilities of support for the entities of social economy, from very formal to soft forms of support

which can be efficient as well. Typical forms of the support social economy by local governments are the following<sup>104</sup>:

- subsidizing para-economic activities of the entities that function independently (social cooperative) or within other corporate bodies (paid activity of public benefits of the foundations and associations). Such an activity can be supported by the public sector according to the Act on Public Benefit and Volunteer Works after fulfilling the procedure of an open bid competition upon the initiative of public administration authorities or the organization;
- commissioning the social economy entities functioning as social cooperatives or nongovernmental organizations realization of public tasks in accordance with the Act on Public Benefit and Volunteer Works or Act on Social Assistance;
- creating new workplaces for the socially excluded persons by commissioning nongovernmental organization or supporting realization of public tasks on the basis defined in the Act on Public Benefit and Volunteer Works or Act on Social Assistance;
- tangible support for SE entities consisting in lending on favourable conditions equipment or property for carrying out economic activity or paid public benefit work;
- intangible support consisting in creating by local authorities a positive attitude toward the activities of social economy. It is the easiest and the least burdensome support which can and should complement other abovementioned forms, even though they cannot be replaced.

Undoubtedly the abovementioned forms of support of development of social economy are not all. The advantage of all local governments is that they function separately which gives an opportunity of working out new local solutions related to the development of social economy.

Another form enabling functioning and facilitating the start of social economy entities on the open market is public procurement which could be a recommendation for the potential co-workers. However, the participation of the social economy entities in the market is slight which results from, first of all, formal reasons. Because of the costs and additional obligations a significant part of an organization does not conduct an economic activity and consequently cannot obtain any commissions. Another important fact is that organizations, contrary to profit-

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<sup>104</sup> M. Guć, *Wspieranie ekonomii społecznej przez administrację*, „Ekonomia Społeczna Tekst” 2007 nr 5, s. 9-10.

oriented entities, do not search for commissions from public administration. If the organizations happen to carry out economic activity, they usually do it in their field and mainly for the individual clients. The public sector is not regarded as a potential customer. It can be discussed whether public procurement is an interesting and necessary form of development of social economy. According to Guć M. public procurement is the most developmental perspective for the sector of social economy. Moreover, Guć M. underlines that public procurement is not a form of support but a civil law relationship between an entity of social economy and public administration authority where a firm accepting an order (social enterprise) commits itself to realization of a particular task and a customer (public administration authority) to paying for its realization. Even though public procurement is not a support in legal sense it is arguably a tool of support of development of social economy. Procurement is an enterprise's income as well as an important signal of trust from the local authorities. Thanks to the correct realization of commissions social enterprises obtain recommendations from the local authorities which are conducive to finding new customers. Local authorities' commissions result in social enterprises' great opportunity of development and even of later independence, i.e. functioning without the support of local authorities or as their valuable partner. For local authority it is important that procurement does not burden their budget. Procurement is given for services resulting from the needs of local community which must be realized and paid. What is essential is only including the entities of social economy in realization of the commissions of public authorities. Such an activity results in the supply of financial sources to the sector of social economy and consequently its dynamic development and increase in the number of workplaces for the socially excluded persons. The range of social enterprises' commissions is not limited to public tasks defined in the Act on Public Benefit and Volunteer Works but it is extended by services, supplies and building works which are the need of the local authorities.

Table 3.4.  
**Case studies (examples) of models of cooperation between entities of social economy and enterprises and public administration in Europe**

Kind of cooperation of entities of social economy with the environment (public administration, enterprises)	Domestic partners	International partners
<p>EXZEPT – Erleichterung von Existenzgründungen durch Akzeptanz-National Institute of Microcredits in Germany – an incubator of social entrepreneurship supporting the unemployed in opening social companies.</p>	<p><b>Germany</b>            Exzept GmgH Offenbach, KIZ GmbH Offenbach, GLS Gemeinschaftsbank Bochum, Deutsches Mikrofinanz Institut e.V. Berlin, Enigma Gründerwerk Hamburg, SFC Kolonia, Gründernetzwerk e.V.</p>	<p>Dr Schulze-Böing, Stadt Offenbach, Agentur für Arbeit (Hamburg, Offenbach, Hessisches Wirtschaftsministerium).</p>
<p>Under the title „Able to cooperate“ German partnership for development Innova helped the unemployed to use the skills learnt during the subsidized trainings in running a successful business. Innova realized a pilot programme of new model of self-help cooperatives. Within the cooperation with enterprises and public administration various forms of cooperative movements appeared – federations of small enterprises Netz, consumer cooperatives, housing associations and a bank of social economy joined together and started work with groups of the unemployed in several regions of Germany. Eight new enterprises were established and work with other several groups eager to start their own business is in progress. Innova supports groups in all parts of Germany but the most it is present in Saxony, Brandenburg and Berlin (Eastern states), North Rhine-Westphalia and Baden-Wurtemberg (Western states). During the works on the business plans, the groups starting their economic activity participate in the training on the law, finance and group dynamics.</p>	<p>Bank für Sozialwirtschaft AG (BfS); Bundesverein zur Förderung des Genossenschaftsgedankens e.V. (BzFdg); Bundesverband deutscher Wohnungsunternehmen e.V. (GdW); netz Bund – Netz für Selbstverwaltung und Selbstorganisation; netz NRW – Verbund für Ökologie und soziales Wirtschaften e.V.; Sächsische Verein zur Förderung des Genossenschaftsgedankens e.V. (SävGeno); Univation – Institut für Evaluation und wissenschaftliche Weiterbildung e.V.; Zentralverband deutscher Konsumgenossenschaften e.V.</p>	<p>TCA 687 SQUARES – partners IT-IT-LIG-008 ESSERE, SE-41 NESE – New economy &amp; social entrepreneurship, UKgb-59 Social Enterprise Partnership – and TCA1258 SITED (Social inclusion through enterprises development) – partnerzy IT-IT-S-MIDL-053: Quasar – qualita per i sistemi a rete di imprese sociali, AT-3-01/128: Empowerment kleiner und mittlerer sozialer Organisationen, FR-NAT-2001-10817: EETIC – entreprendre ensemble sur un territoire pour l'inclusion par la coopération</p>

<p>Dritt-Sektor-Qualifizierung in der Altenhilfe (Quality of Third Sector in Care for the Elderly). Federations of social economy functioning within the social care (Wohlfahrtsverbände) play an important role in German social care system. In fact they are the largest employers in the country employing 1.3 million people. They influence the shape of social care system (especially care for the elderly).</p>	<p>Paritätischer Wohlfahrtsverband; Arbeitsfördergesellschaft Ortenau gGmbH; Caritas-Akademie für Pflegeberufe e.V.; Caritasverband der Diözese Freiburg e.V.; Caritasverband der Diözese Rottenburg-Stuttgart e.V.; Diakonisches Werk der evangelischen Kirche in Württemberg e.V.; Gesellschaft zur Vertretung und Beratung sozialer Einrichtungen; Gotthilf-Vöhringer-Schule gGmbH; IAF der Katholischen Fachhochschule Freiburg; Initiative Seniorengenossenschaft Riedlingen e.V.; Landesverband für Körper- und Mehrfachbehinderte Baden-Württemberg; Paritätischer Wohlfahrtsverband BW; Stiftung Haus Lindenhof; WBS Training AG; Wohlfahrtswerk für Baden-Württemberg; aku Unternehmensberatung, Bad Dürrenheim; also-Akademie für Leitung, Soziales und Organisation GbR, Heidelberg; Institut für Sozialforschung, Praxisberatung und Organisationsentwicklung, iSPO GmbH, Saarbrücken; logo Werbeagentur, Stuttgart; Volkshochschulen in Freiburg, Heilbronn, Reutlingen, Schwäbisch Gmünd, Villingen-Schwenningen, Taubertal; bfw Stuttgart; F+U Heidelberg; DRK Mannheim; Evangelisches Fachseminar für Pflegeberufe, Karlsruhe</p>	<p>TCA 1927 – European Support in Social Service (ESSS).</p>
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Kind of cooperation of entities of social economy with the environment (public administration, enterprises)	Domestic partners	International partners
Partners from three sectors: small enterprises, nongovernmental organizations and administration solve ecological problems (waste segregation, recycling) and develop the sector of social services related to his field.	<p style="text-align: center;"><b>Austria</b></p> <p>Arbeitsgemeinschaft Müllvermeidung (prowadzacy),  Abfallwirtschaft Tirol Mitte GmbH, BAN – Beratung, Arbeit, Neubeginn, Verein zur Beratung und Beschäftigung von Arbeitslosen, Bundesministerium für Land- und Forstwirtschaft, Umwelt und Wasserwirtschaft, Caritas der Diözese Feldkirch, Die Umweltberatung – Verband österreichischer Umweltberatungsstellen, Gemeinnützige Beschäftigungsgesellschaft mbH Liezen, Rieder Initiative für Arbeitslose, Verband Abfallberatung Österreich, Verband Wiener Volksbildung  Wirtschaftskammer Österreich,  Österreichischer Abfallwirtschaftsverein,  Österreichischer Gewerkschaftsbund.</p>	TCA 237 SENECA – Social economy network for environmental co-operation activities.
Sant Cosme Innova – many unemployed and socially excluded people (mainly women and ethnic minorities) started to take newly-designed loans.	<p style="text-align: center;"><b>Spain</b></p> <p>Ayuntamiento El Prat de Llobregat, Fundacion Un Sol Mon, Fundacion FIAS, ADIGSA, Generalitat de Catalunya, UGT del Baix Llobregat, Union Comarcal Baix Llobregat del Sindicato CONC.</p>	TCA 927 Echange d'experience: creation d'entreprise dans les quartiers en difficulte – partner FR-NAT-2001-10994 Appui aux activites generatrices de revenu dans les reseaux ethniques ou commun.



Kind of cooperation of entities of social economy with the environment (public administration, enterprises)	Domestic partners	International partners
<b>Wales</b>		
<p>Cyfeiter Development Partnership- a Welsh plan for entrepreneurship and support programmes for women, ethnic minorities, the disabled, people over 50-years-old, young people as well as people whose native language is Welsh. As a result of the support 700 new enterprises and 1 400 new workplaces were established.</p>	<p>Welsh Development Agency (prowadzący), Chwarae Teg, Disability Wales, Prince's Trust Cymru, Finance Wales, Menter a Busnes, Wales Enterprise, Prime Cymru, National Assembly Wales, Ethnic Business Support Programme, Commission for Racial Equality, University of Glamorgan, University of Wales College Newport, Federation of Small Businesses, Welsh Refugee Council, Wales TUC.</p>	
<b>Finland</b>		
<p>ELWARE – social enterprises specialized in recycling of electric waste. The activity of Finnish partnership ELWARE was focused on creating social enterprises dealing with recycling of electric equipment. The partnership made a way to the policy of trainings on environment protection and preparing for the job as well as the basis of entrepreneurship. As a result of the partnership 2 social enterprises were established.</p>	<p>STAKES, Tervatulli Oy, Työ &amp; Toimintary, Kiepura Oy, Service Foundation for the Deaf.</p>	

Kind of cooperation of entities of social economy with the environment (public administration, enterprises)	Domestic partners	International partners
<p>Social Act. StarPunt Social Act. StarPunt – it is a Belgian social enterprise offering consulting services to the companies willing to open re-integration branches for the unemployed; it sponsors mutual support cooperative of new entrepreneurs and carries out initiatives of social economy stimulating economic development.</p>	<p style="text-align: center;"><b>Flanders</b></p> <p>Kamer van Koophandel Oost-Vlaanderen (VOKA); ABVV Scheideland; ACV; De Punt; Job &amp; Co vzw, Job &amp; Co – Projecten vzw; Gent, Stad in Werking; Labor X vzw; Subregionaal Tewerkstellingscomité Gent-Eeklo (STC); Stad Gent – Dienst Economie; Werkgelegenheid en Externe Relaties; Stad Gent – Lokaal Werkgelegenheidsbureau; Verbond van Kristelijke Werkgevers en Kaderleden Oost-Vlaanderen (MKW); Chokran; Jobkanaal.</p>	<p>TCA 1333 BoB (Best of Both) partners: IT-G-PIE-107 Profit-Non-Profit NL-2007/EQD/0003 Maatschappelijk Ondernemen</p>

Source: Own analysis based on [www.repanet.at](http://www.repanet.at), [www.innova-eg.de](http://www.innova-eg.de), [www.cyfenter.co.uk](http://www.cyfenter.co.uk), [www.sportsnewbusiness.gr](http://www.sportsnewbusiness.gr), [www.equal-altenhilfe.de](http://www.equal-altenhilfe.de), [www.depunt.be](http://www.depunt.be) [accessed on 2013-05-15].

Analysis of European examples of cooperation between entities of social economy and public administration proved an impressive number of entities cooperating with SE sector. In this way public administration realizes its tasks and at the same time creates a positive image of communities and districts among their inhabitants. By getting involved in support for the less-advantaged, excluded or less enterprising the companies realize the idea of CSR, develop interior and exterior marketing, strive for establishing relationships with the environment and promotion of so called good brand. The most common area of cooperation is support for the socially excluded by creating places of work within social enterprises, cooperatives and nongovernmental organizations. Another area is support for the unemployed, women re-entering labour market and ethnic minorities in the form of micro-loans. The abovementioned form is the least popular in Poland due to the lack of clear criteria of creditworthiness of persons making entities of social economy. Another very important form of support of dispersed character is establishing social enterprises cooperating with public administration and commercial enterprises in the field of environment protection, e.g. recycling of electric wastes in Finland. The activities of that kind have positive consequences such as discarding of harmful wastes, which is beneficial to humanity in general but especially the societies which are neighbours of landfills as well as to the commercial enterprises producing electric equipment since thanks to the new entities that recycle the old and unused equipment their production becomes more environment-friendly (lower fines for polluting the environment). On the other hand local governments are grateful for getting rid of the problem which not only has its financial dimension in the form of a position in the budget but also social consequences (complaints and protests against landfills on the area of the community), including increase in employment level due to establishing entities of social economy on their area.

To sum up, entities of social economy should realize social goals earning from the economic activity for both: agreed common priorities and development of a particular enterprise. Therefore the accepted assumptions of functioning and development of this enterprise is much more difficult than a profit-oriented commercial entity. It should be also remembered that nowadays private enterprises also start to include a social element in their activity, e.g. the abovementioned examples of cooperation of enterprises with nongovernmental sector or applying CSR in business.

As business also realizes the social mission and nongovernmental organizations generate profits from entrepreneurship their organizational structures

become to change to such an extent that several years ago nobody would have expected. An example of such transformation can be a corporation IKEA which is owned by a foundation, i.e. a nongovernmental organization or other commercial enterprises established for realization of a social mission. It is common that the organizational structures are so complex and multileveled that division into for-profit and not-for-profit sectors is not possible whatsoever.

An essential step is raising awareness of local authorities of possibilities of social economy. Nowadays it is of equal importance as working out good practices in managing social enterprises. Therefore legislative and executive local authorities should be widely informed about the role of social economy in prevention of social exclusion.

Moreover, there have been many changes in the field of searching for the capital. Development of market of socially responsible investments (SRI), charity ethical investments or numerous financial instruments of new generation (e.g. venture philanthropy) made the traditional assumption about enterprises searching for the financial resources on the capital market and nongovernmental organizations carrying out their activities thanks to financial subsidies and grants less and less true. As a result both types of organizations search for the financing on the same market which can lead to competitiveness but also to the new forms of cooperation.

## **Corporate social responsibility of social economy entities in Poland**

### **Introduction**

The concepts of corporate social responsibility (CSR) and social economy have much in common, primarily because both of them are fairly fresh in Polish public discourse and fall into the category of the most important issues of the contemporary economy, constituting some of the biggest challenges facing economic and social policies. All that leads to many controversies both at the definitional and practical level. In Poland, the discussions concerning these concepts have started in recent years. What seems worrying, however, is the fact that such talks are often held separately, namely – the issues of social economy (its scope, chances for development, specific examples in Poland) and corporate social responsibility issues are being discussed separately<sup>105</sup>.

Corporate social responsibility helps to create social value through actions directed at sustainable development, and therefore should be included in the scope of interest of public authorities as part of their efforts to promote good practices (created by businesses) for the sake of the environment and society.

It is important to emphasize that, in Poland, there are not enough publications on CSR, particularly those analyzing the CSR concept from the point of view of the realized multi sector social policy and supplied social services.

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<sup>105</sup> I. Kuraszko, B. Rok, *Spółeczna odpowiedzialność biznesu i ekonomia społeczna*, „Ekonomia Społeczna Teksty” 2007 nr 7, s. 4.

Most of the publications analyze and describe CSR from the viewpoint of businesses and the profits gained by companies (corporations) and their stakeholders as a result of incorporating this strategy<sup>106</sup>.

## Social economy – a few theoretical remarks

Social economy is a complex category that combines both economic and social aspects of active citizenship. Its place and roles in society are determined by a specific type of enterprise and social resourcefulness deriving primarily from civil initiatives<sup>107</sup>.

Social economy is one of the branches of the economy in which economic goals are accomplished along with social objectives. At the level of microeconomics – the economic objectives are guided by economic calculation, whereas social goals are realized through the implementation of public tasks, sustainable development and the development of the social capital. In practice, social economy can be defined as the activities undertaken by social economy businesses.

The concept of social economy – also referred to as the solidarity economy is one of the most widely disputed terms in Poland. There are attempts to describe and define it in different ways. On one hand, the term is defined by identifying the specific legal and organizational forms (legal-institutional approach). On the other hand, it is defined by distinguishing the following principles shared by various subjects participating in the social economy enterprises (normative approach):

- supremacy of the provision of services to the members or the community over profit;
- autonomic management;
- democratic decision-making process;
- primacy of people and work over the capital in the distribution of income<sup>108</sup>.

Social economy is a system of activities aimed at the implementation of social objectives by social economic methods. Other terms – used interchangeably with the term of social economy – are as follows: solidarity economy, civic economy, social entrepreneurship.

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<sup>106</sup> *Usługi społeczne odpowiedzialnego biznesu*, red. M. Bonikowska, M. Grewiński, WSP-TWP, Warszawa 2011, s. 21.

<sup>107</sup> A. Leszkiewicz, *Miejsce przedsiębiorstw społecznych w strategiach rozwoju gospodarczego*, w: *Wspieranie ekonomii społecznej*, red. J. Hausner, Uniwersytet Ekonomiczny, Kraków 2008, s. 22.

<sup>108</sup> *National Program of Social Economy Development. Project*. Warsaw 2012, p. 6.

Since the definition of social economy is very wide – it can be described in terms of its institutions, that is, social enterprises. According to EMES (European Research Network), a social enterprise is primarily a social goals-based business whose profits are assumed to be reinvested into those goals or into the community, rather than increase shareholders' or owners' incomes.

Social enterprises can perform a variety of functions. It should be noted, however, that – due to the still small scale of social economy in Poland – many of the described areas are still awaiting development. These functions include: social integration and the labor market activity, provision of social services, mutually beneficial services, open market services, supply of public goods and the development of local communities, business and production activity<sup>109</sup>.

The principle of social justice is often quoted in connection with social economy. If, therefore, social or professional integration or reintegration is to be regarded as the main social profit gained from the functioning of social economy subjects – then the measure of this success is the adaptation or restoration to normal functioning of people who are at risk of social exclusion or those who have already fallen into this category.

Most publications on the subject identify three functions of social economy:

- from the viewpoint of the labor market, social economy is expected to create new jobs, particularly for the socially excluded people and those who are at risk of social exclusion. At the same time social economy organizations are expected to run professional training courses and to transfer their trainees onto the open job market;
- from the viewpoint of social policy – social economy is required to provide social services on local markets;
- from the social integration viewpoint – social economy is expected to support the increase of the social capital<sup>110</sup>.

Social economy sector entities fit into the idea of building the participatory democracy through a new vision of the social order and by integrating local communities. The combination of the solidarity principles and individual economic involvement may – but does not have to – build a new active formula of local participation. They may become part of the employment growth policy by filling in

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<sup>109</sup> [www.ekonomiaspoleczna.pl](http://www.ekonomiaspoleczna.pl) [accessed on 2013-08-21].

<sup>110</sup> *Ekonomia społeczna w Polsce. Osiągnięcia, bariery rozwoju i potencjał w świetle wyników badań*, red. A. Giza-Poleszczuk, J. Hausner, Fundacja Inicjatyw Społeczno-Ekonomicznych FISE, Warszawa 2008, s. 15.

the local space in the area of social services and by providing employment to the vulnerable groups on the labor market. Moreover, they constitute an essential tool of the social integration process that revalues professional and social roles by building communities based on solidarity rather than on dependence; they also serve as a local community development instrument by providing the citizens with affordable public utility services<sup>111</sup>.

Social enterprises serve a number of functions that are collectively labeled as the objectives focused on the development of the local communities' social capital as well as the social economy institutions themselves<sup>112</sup>.

The concept of social economy – according to the European Union Community Committee dealing with the social economy issues – covers five major types of organizations: co-operatives, societies operating on the mutuality principle, associations, foundations and social enterprises.

According to P. Sułastowicz, social economy can be understood as follows:

- social economy as a job machine – the employment policy and labor market perspective – social economy is expected to create new jobs, primarily addressed at people who are at risk of social exclusion; professional training courses, etc., are also expected;
- social economy as compensating for the labor market and the welfare state failure – the perspective of the social policy responsible for the provision of social services for individuals and groups, particularly in the areas where private or public sectors are not able to meet the growing social needs;
- social economy as a manufacturer of social capital – the perspective of social integration policy – social economy is expected to increase the social capital;
- social economy as a school of democracy – from the perspective of the democratization process, social economy is expected to involve individuals and social groups into the process of political decisions<sup>113</sup>.

Social economy typically refers to the activities at the intersection of private and public sector, carried out by a group of organizations consisting of a wide range of associations (including the unregistered ones), foundations and enterprises which are guided by the primacy of individual and social goals over the capital.

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<sup>111</sup> National Program of Social Economy Development. Project. Warsaw 2012, p. 7.

<sup>112</sup> M. Jelonek, *Teorie socjologiczne a ekonomia społeczna*; w: *Wokół ekonomii społecznej*, red. M. Frączek, J. Hausner, S. Mazur, Uniwersytet Ekonomiczny, Kraków 2012, s. 63.

<sup>113</sup> P. Sułastowicz, *Pojęcie, koncepcje i funkcje ekonomii społecznej*; w: *Ekonomia społeczna. Perspektywa rynku pracy i pomocy społecznej*, red. J. Staręga-Piasek, Instytut Rozwoju Służb Społecznych, Warszawa 2007, s. 38-39.



As H. Kaszyński puts it, their purpose is to meet those needs that cannot be met by the free market enterprise sector and public administration institutions. Those needs include: social cohesion (creating new jobs, stimulating entrepreneurial initiatives/ entrepreneurship, maintaining the stability of the markets), as well as the needs related to the idea of the participatory and democratic society based on the social solidarity principle<sup>114</sup>.

On one hand, social economy entities realize social goals, while traditional enterprises are targeted at economic goals. On the other hand, however, the market and economy undergo the process of socialization and there are enterprises willing to participate in the development of social welfare (not just economic one) and effectively solve social problems, which means that identifying enterprises solely with business activity is becoming less popular, and the term itself is now used to describe human activity in the public and social sector<sup>115</sup>.

Social economy entities, by meeting the needs of their members or wards, often fulfill the tasks which neither the state nor economic subjects are able to perform effectively enough. That is why, as E. Leś puts it, the development of institutions and programs of the new social economy and entrepreneurship offers a real chance to overcome the myth of the free market economy as the only mechanism of development and to give up the “non-solidarity” vision of social order in the direction of the more participatory and democratic market economy and towards the model of Polish social policy based on public, social and private partnership<sup>116</sup>.

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<sup>114</sup> H. Kaszyński, *Ekonomia społeczna i praca socjalna. Razem czy osobno?* w: *Ekonomia społeczna. Perspektywa rynku pracy i pomocy społecznej*, red. J. Staręga-Piasek, Instytut Rozwoju Służb Społecznych, Warszawa 2007, s. 78; cyt. za: E. Mączyńska, P. Pysz, *Społeczna gospodarka rynkowa. Idee i możliwości praktycznego wykorzystania w Polsce*, Polskie Towarzystwo Ekonomiczne, Warszawa 2003.

<sup>115</sup> M. Grewiński, M. Wronka, *Gospodarka społeczna w UE i w Polsce – między przedsiębiorczością społeczną a CSR*, w: *Przedsiębiorczość w Polsce – bariery i perspektywy rozwoju*, red. A. Frąckiewicz-Wronka, M. Grewiński, WSP-TWP, Warszawa 2012, s. 129.

<sup>116</sup> E. Leś, *Nowa ekonomia społeczna*, „Trzeci Sektor” 2005 nr 2, s. 44.

## Corporate social responsibility and responsibility of social enterprises – challenges and dilemmas

Social enterprises are distinct from other economic entities by the supremacy of individual and social goals over the capital. Although constituting an important part of the economy – they are comparatively new, developing form of social activity. Social enterprises cement business, public sector and non-governmental sector – the combination that has been so far absent in the Polish reality. It should also be noted that the operations of social economy subjects are based on the autonomous management and are independent from public authorities. Unlike commercial enterprises focused on gaining profit – the earned surplus is used here to implement the sustained development goals, to provide services for the members or for general services<sup>117</sup>.

Social enterprises are set up primarily in order to implement specific social goals. Their purpose is not only to motivate and activate certain groups of people who are at risk of marginalization and social exclusion but also to improve the life quality of local communities. Many of them have worked out the operation model that allows to properly utilize the untapped human potential.

Social enterprises should implement social goals by means of business tools. Their activity should also be justified economically, and the products or services provided by them should be of high quality<sup>118</sup>.

Over the last few decades outside Poland and for several years in Poland, there has been a rapid development of the concept of corporate social responsibility, arising from the social need to perceive the role of enterprises in a new way. In view of this concept – activities undertaken by the companies should not be limited to profit maximization, but should also help to create social and ecological values, with respect to ethical values.

According to M. Grewiński, a socially committed business is expected to cease the actions recognized as socially harmful, to provide goods and services in

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<sup>117</sup> J. Bereza, *Przedsiębiorczość społeczna w procesach rozwoju lokalnego i regionalnego*, w: *Wspieranie ekonomii społecznej*, red. J. Hausner, Wyd. Uniwersytet Ekonomiczny i Małopolska Szkoła Administracji Publicznej, Kraków 2008, s. 34.

<sup>118</sup> K. Cibor, *Zrób biznes – jak współpracować z podmiotami ekonomii społecznej*, Fundacja Inicjatyw Społeczno-Ekonomicznych FISE, Warszawa 2012, s. 13.

non-profit areas, to take a joint responsibility for the positive social development<sup>119</sup>.

It is hard to find one fixed definition of *corporate business responsibility*, and the existing ones are still disputable, mainly because of the wide scope of ideas covered by this concept. Each time – when trying to determine what CSR is – we refer to three basic issues: environment, society and economy. The term itself, however, refers to the current commitment of business to ethical conduct, the contribution to the economic growth and demonstrating respect for people and community at both local and global dimension<sup>120</sup>.

The term *corporate social responsibility* emerged in scientific publications as early as the 20s of the previous century but it did not come into general use until the early 70s; at that time the term gained popularity mainly in USA, Japan and Western Europe. In the 60s and the 70s of the twentieth century – at the time of debates on ethics in business – the attempts were made to lay the theoretical foundations of the CSR concept.

In the 90s new trends and concepts appeared, such as: sustainable development that combines economic progress with respect for nature and social development or: the concept of the mixed value according to which each institution – regardless of the adopted goals – exerts economic, social and environmental impacts with both positive and negative repercussions – the latter ones to be actively minimized<sup>121</sup>.

In the eighties and nineties of the last century – CSR was associated mainly with charity – on the assumption that, along the business activity, a company should also be involved in charity projects that help to create the positive image of the business in its environment. Ethics and social responsibility were treated as an effective marketing tool. For the last several years, however, a notable change has been observed in business management. CSR is a tool of efficient, strategic and

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<sup>119</sup> M. Grewiński, *O związkach polityki społecznej ze społeczną odpowiedzialnością biznesu*, w: *Usługi społeczne odpowiedzialnego biznesu*, red. M. Bonikowska, M. Grewiński, WSP-TWP, Warszawa 2011, s. 27, cyt. za: J. Korpus, *Społeczna odpowiedzialność przedsiębiorstw w obszarze kształtowania środowiska pracy*, Wyd. Placet, Warszawa 2006, s. 51-52.

<sup>120</sup> J. G. Gustafson, *Czy jest społeczna odpowiedzialność biznesu?*, w: *Biznes*, t.1. *Zarządzanie firmą*, Biblioteka Gazety Wyborczej, Wyd. Naukowe PWN, Warszawa 2007, s. 190.

<sup>121</sup> B. Juraszek-Kopacz, *Współpraca przedsiębiorstw społecznych z biznesem*, w: *Zrób biznes – przewodnik dla przedsiębiorców społecznych po współpracy z biznesem*, red. B. Juraszek-Kopacz, Fundacja Rozwoju Społeczeństwa Obywatelskiego, Fundacji Inicjatyw Społeczno-Ekonomicznych, Warszawa 2012, s. 29-30.

modern business management. Corporate social responsibility helps to build competitive advantage and long term improvement of company value<sup>122</sup>.

According to CSR Europe<sup>123</sup>, corporate social responsibility is tightly connected with actions that are not imposed by the legal regulations, as well as a dialogue and cooperation with stakeholders, ensuring profits for both the society and the business.

Forum of Responsible Business<sup>124</sup> defines corporate social responsibility as a management strategy that allows to minimize risk and maximize chances for a company's long term success. That is a skill to run a business so that it can increase its positive contribution to the welfare of the society while minimizing the negative side effects of the run activity. In business practice, corporate social responsibility manifests itself in two dimensions: internal (actions targeted at employees) and outside (actions directed at a company's beneficiaries).

An important reference point is specified in ISO 26000<sup>125</sup> as 7 areas of social responsibility. International ISO standard reflects the global consensus about the current state of knowledge on matters covered by this standard.

The aim of social responsibility is the pursuit of sustainable social and economic growth. The results obtained by an organization – in comparison to the effects the company has on society and environment – have become essential in evaluating its overall efficiency and capacity to keep operating on the market. ISO 26000 provides all organizations – regardless of their type, size and location – with the guidelines about:

- the concept, terms and definitions concerning social responsibility;
- sources, characteristics and developmental directions of social responsibility;
- rules and procedures concerning social responsibility;
- key areas and issues related to social responsibility;

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<sup>122</sup> A. Reiske, *Etyka działania i odpowiedzialność społeczna w podmiotach ekonomii społecznej* www.fob.org.pl and www.cebi.pl. [accessed on 2013-08-23].

<sup>123</sup> CSR Europe – the largest European platform gathering over 70 international corporations and 34 member business organizations from different countries. The mission of CSR Europe is to establish international cooperation, exchange of experience about CSR innovations, shaping economic and political agenda. The aim of CSR Europe activities is to pursue the sustainable development and competitiveness in Europe.

<sup>124</sup> The Forum of Responsible Business is the oldest and biggest non-governmental organization promoting CSR. The mission of the Forum of Responsible Business is to popularize the responsible business concept as the standard in Poland in order to increase the competitiveness of companies, social satisfaction and improvement of the environment condition.

<sup>125</sup> B. Juraszek-Kopacz, *Współpraca przedsiębiorstw...*, op. cit., s. 28-29.

- creation, implementation and promotion of socially responsible behaviors within an organization and by principles and practices that are implemented by the organization;
- increasing the stakeholders' engagement and their identification with an organization;
- distribution of information about engagement, results and other areas connected with social responsibility.

The purpose of ISO 26000 is to support organizations (both social and economic ones) in their contribution to sustainable development. The aim of the ISO standard is to motivate and encourage organizations to go beyond the legally imposed obligations while understanding, at the same time, that observing the law is a fundamental duty of any organization and an essential part of its social responsibility<sup>126</sup>.

On the other hand, it can be observed that the notion of responsible business is not often combined with commitment to social matters by many Polish business people. At a lower, operational level – they regard responsible business as a form of marketing that brings tangible results such as building/ reinforcing the image of the company on the market and, as a result, increases the company's profit. Many entrepreneurs are convinced that responsible business is one of the company's operational strategies which – by building the company's position and prestige – ensures a long-term operation on the market and can be understood as a form of building deferred profit<sup>127</sup>.

According to K. Cibor, the current model is charitable in character and similar to the cooperation between companies and non-governmental organizations. That is why – a proper perception of the social economy sector should lead to building a more mature cooperation between business and social enterprises<sup>128</sup>.

J. Hausner claims that the relationship between social enterprises and the private sector can take on the form of competition, coexistence or complementarity. The complementary form of mutual relations is regarded as the most important and valuable of the three. This belief arises from the fact that social enterprises and business can function as a coherent unit in one economic space and generate mutual profits<sup>129</sup>.

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<sup>126</sup> ISO 26000S. *Odpowiedzialność społeczna*. Fundusz Inicjatyw Obywatelskich FIO, Szczecin 2010, s. 2-3.

<sup>127</sup> Badania Forum Odpowiedzialnego Biznesu.

<sup>128</sup> K. Cibor, *Zrób biznes...*, op. cit., s. 14.

<sup>129</sup> J. Hausner, *Zarządzanie publiczne*, Scholar, Warszawa 2008, s. 219-220.

There are many benefits for the business sector arising from the cooperation with social enterprises. According to the research results from the focus studies carried out on the private sector and social economy respondents (as part of the „Make biznES” project<sup>130</sup>) and on the basis of the publication prepared as part of the EQUAL „Social economy and business – success partnership” project<sup>131</sup>, some of the benefits are as follows:

- new business opportunities arising from synergistic cooperation and combined knowledge and resources of both entities;
- access to a particular community that enables to gain knowledge about it;
- opportunity to make contracts, to use EU funds/ grants and start business relationships that are elsewhere unavailable;
- opportunity to gain access to specialized skills and competences in specific areas;
- assistance in building employees' motivation and commitment by enabling them to participate in innovative projects;
- the ability to create strategic alliances with a partner that knows how to speak the language of the market or the community the company is trying to reach;
- possibility of outsourcing certain operations and business processes to social enterprises without incurring expenses on adapting work places or reducing the risk of employing people with special needs;
- chance to create the image of a socially responsible company that strategically builds its commitment and that has an innovative approach to corporate responsibility issues;
- opportunity to establish positive relations with local communities and potential business partners or public administration<sup>132</sup>.

According to Juraszek-Kopacz, companies gain more complex benefits from such cooperation than building the company image. Social organizations and en-

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<sup>130</sup> „Make biznES. Building private-social partnerships” project, realized by Social and Economic Initiatives Foundation FISE, funded from The Operation Program – Civic Initiatives Fund 2009-2013 (Priority IV: Development of Social Entrepreneurship, Support area 1: Social entrepreneurship and popularization of trisector state concept). Period of the project realization: 1 June 2012 – 31 December 2012.

<sup>131</sup> *Ekonomia społeczna i biznes – partnerstwo sukcesu*, (publication prepared as part of the Equal project „In search of Polish model of social economy”, on the basis of: Match Winners. A guide to commercial collaboration between social enterprise and private business sector), red. B. Juraszek-Kopacz, D. Piekut, Wyd. Small Business Service and Community Action Network, Londyn 2006, s. 4, tłum. A. Jakowska).

<sup>132</sup> K. Cibor, *Zrób biznes...*, op. cit., s. 20-21.

terprises can start a satisfactory partnership with business sector by creatively responding to business motivations<sup>133</sup>.

## Debates on the concept of corporate social responsibility and social economy entities

In the ongoing debates centered around the social responsibility of the social economy – a wider perspective of the role of economy is often emphasized; in other words – the role of entrepreneurship in social development. It is not a new perspective as it refers to the controversies that have been present in economic and social sciences for quite a long time. It should be emphasized that – since the very beginning of the political and economic transformation in Poland – the economic system has been described as *a social market economy* and this definition can be found in the provisions of the Polish Constitution: “social market economy based on economic freedom, private ownership, and solidarity, dialogue and cooperation between social partners constitutes the basis of the economic system of the Republic of Poland”<sup>134</sup>. Social market economy – in terms of the Constitution – has acquired a specific content related to some of the elements of the concept of social market economy in the economic doctrine. Its validity arises from the grounds of obligation, taking into account the ideological assumptions as to the state's objectives directing the economy not only towards economic rationality but also to human values (solidarity, human dignity, social justice, sustainable development)<sup>135</sup>. Therefore, on one hand, we should have economic freedom and private ownership and – on the other hand – solidarity, dialogue and cooperation. Only the combination of those two dimensions can constitute the basis of economic and social development<sup>136</sup>.

The concept of a socially responsible business is primarily regarded as a long-term strategy of a company's development and is concerned with the following issues: how the image and market position of an enterprise can be built by using programs and implementing community projects; how – by creating the image of a sensitive company – it is possible to improve its relations with stakeholders such

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<sup>133</sup> B. Juraszek-Kopacz, *Współpraca przedsiębiorstw...*, op. cit., s. 33.

<sup>134</sup> Constitution of Poland as of 2 April 1997 (Dz. U. Nr 78 as of 16 July 1997 r., poz. 483), art. 20.

<sup>135</sup> [www.lila.com.pl/zasady-prawa-gospodarczo-publicznego/spoleczna-gospodarka-rynkowa-swietle-art-20-konstytucji-rp](http://www.lila.com.pl/zasady-prawa-gospodarczo-publicznego/spoleczna-gospodarka-rynkowa-swietle-art-20-konstytucji-rp) [accessed on 2013-08-29].

<sup>136</sup> I. Kuraszko, B. Rok, *Spoleczna odpowiedzialność...*, op. cit., s. 4.

as: customers, suppliers, agents, shareholders, public institutions, non-governmental sector and competitors<sup>137</sup>.

In debates on the social responsibility of social economy it is often emphasized that the concept of the social market economy is based on the assumption that it is possible to synthesize social economy entities' freedom of operation on the market.

The scope of operations of social economy entities comprises the following: ensuring the highest possible participation of non-governmental organizations in the implementation of public tasks, using the potential and abilities of non-governmental organizations, reducing the costs of realizing public services through unpaid volunteer work, allocating municipal budget funds for implementing the commissioned tasks. Social enterprises allocate their profits for social purposes and – as economic entities – they should produce income. On the other hand, however, as economic entities – interested in social goals – they are not focused solely on maximizing profits but on realizing their social mission (e.g., by providing their clients with better quality products or services).

According to the research carried out by the Department of Economics and Management at University of Mikolaj Kopernik<sup>138</sup> non-governmental organizations should be treated as business entities – as responsible and equal partners.

The basis for creating the concept of social co-responsibility of business entities and social economy entities is the belief that co-responsibility should contribute to the growth of value of a social enterprise through the creation of mutual values and the common good. M.E. Porter and M.R. Kramer claim that *Corporate Social Responsibility can be much more than an obligation, a good deed or something that incurs additional costs – it can also create chances, innovations and competitive advantage. If, therefore, corporate social responsibility is treated strategically – it can trigger considerable social progress because the company invests a portion of its resources – its knowledge and skills – into activities that are beneficial for society*<sup>139</sup>.

According to I. Kuraszko and B. Rok the concept of corporate social responsibility is based on the economically fundamental idea of cooperation and collabo-

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<sup>137</sup> M. Grewiński, *O związkach polityki społecznej ze społeczną odpowiedzialnością biznesu*, w: *Usługi społeczne odpowiedzialnego biznesu*, red. M. Bonikowska, M. Grewiński, WSP-TWP, Warszawa 2011, s. 28.

<sup>138</sup> R. P. Karaszewski, *Współpraca przedsiębiorstw z organizacjami pozarządowymi jako przejaw społecznej odpowiedzialności biznesu*, UMK Toruń (report published in June 2013).

<sup>139</sup> M.E. Porter, M.R. Kramer, *The Link Between Competitive Advantage and Corporate Social Responsibility*, „Harvard Business Review” 2006, December, p.76-92.



ration in the market economy. This approach is often referred to as the strategy of accomplishing a double, mutual benefit – the so called win-win situation. The company wins when the winners are also those who build its success; employees, clients, suppliers, co-operating non-governmental organizations, a local community. Development and the growth of value of a responsible company should be reflected in the growth of satisfaction and life quality of all stakeholders. All that can be understood as creating a shared value – acting for the sake of the common good.

To build the society of solidarity – apart from the participation in the market – it is also important to develop active citizenship that is reflected in significant initiatives undertaken by non-governmental organizations in Poland which do not run business activities but provide important social services. We also need an active attitude of the state to guarantee equal opportunities for all citizens. Economy should not replace those varied and indispensable forms of human activity. However, within the area covered by the market economy we should keep looking for solutions that – through the combination of social, ethical and economic dimensions – create the foundations of ethical and socially responsible business.

Social economy entities constantly look for cost-effective and financially efficient forms of meeting the diverse social needs. What results from this is an institutional space with mutually intertwined social and economic dimensions. Social economy enterprises and commercial enterprises – in the process of the innovative implementation of responsible business principles – can certainly learn a lot from each other. It can be expected that – in the future – those two categories of enterprises will become similar in terms of satisfying social needs without losing their identities (especially in terms of ownership).

The aim of an enterprise is not the economic profit itself but also the process of becoming a community of people where each individual, regardless of their position, strives to meet their basic needs and, additionally, in cooperation with others – serves the whole society, shaping the basic fabric of our everyday lives. In this sense – every modern enterprise becomes a social enterprise<sup>140</sup>.

A responsible approach to the principles of corporate social responsibility influences the creation of necessary space for this cooperation. Unfortunately, many managers and company owners operating in Poland do not seem to notice the significant role that business could play in society. The issue of corporate social responsibility is not fully present in Polish public discourse. This situation may be connected with the overall level of the development of Polish economy and low

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<sup>140</sup> I. Kuraszko, B. Rok, *Spółeczna odpowiedzialność...*, op. cit., s. 5-8.

consumer awareness of the role and responsibility of enterprises towards society. In the research study carried out by the Social Communication Foundation on the overall perception of social responsibility, only 10% of respondents have agreed that taking into account the common good is an important CSR factor. The main barriers in the cooperation between social economy entities and commercial enterprises come from rather vague legal regulations in the field of labor market economics, entrepreneurship and accountancy<sup>141</sup>.

The research study conducted by the Forum of Responsible Business: „Managers 500”<sup>142</sup> has shown that 50% of managers in Poland believe that the main, social responsibility of a company is to provide help to those who need it. Only some companies (primarily multinational corporations) adapt global strategies to local requirements and try to implement non-standard solutions, thereby defining the policy and character of their own functioning. On the other hand, many third-sector organizations regard business as a source of funding rather than the partner that can be provided with certain benefits and engaged into various enterprises. As third-sector organizations do not tend to measure the effects of their operations (e.g., monitoring the social impact), they are often perceived by business as ineffective and uneconomical<sup>143</sup>.

Starting a partnership requires effort and commitment mainly because its strength is primarily based on the relations developed between the partners. This turns out to be one of the most significant factors influencing the decision to launch a cooperation and an extremely vital element in effective project implementation. Proper relations between the parties are based on trust, sense of security, mutual learning and support. It should be noted at this point that relations in a partnership cooperation do not rule out the emergence of conflicts, which should be accepted and constructively utilized in order to improve and strengthen the partnership<sup>144</sup>.

The situation in Poland is problematic in the sense that concepts and actions in the field of social economy have just started emerging in the awareness of entre-

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<sup>141</sup> *Attitudes towards corporate social responsibility* IPSOS research study supported by Social Communication Foundation (Fundacja Komunikacji Społecznej) 2003, p. 5.

<sup>142</sup> B. Rok, S. Stolorz, D. Stanny, *Menedżerowie 500 i odpowiedzialny biznes. Wiedza – postawy – praktyka*, Forum Odpowiedzialnego Biznesu, Warszawa 2003, s. 21.

<sup>143</sup> I. Kuraszko, B. Rok, *Społeczna odpowiedzialność...*, op. cit., s. 11.

<sup>144</sup> M. Karwacka, *CSR – wspólna przestrzeń dla biznesu i organizacji pozarządowych*, w: *Usługi społeczne odpowiedzialnego biznesu*, red. M. Bonikowska, M. Grewiński, WSP-TWP, Warszawa 2011, s. 76.

preneurs and civil society organizations on the basis of the models coming from other UE countries. Thus, the solutions that have been adopted in different countries require some adaptation to our local conditions. In order to do that, the two sectors – private and social – have to get to know each other better. This is a time-consuming process and Polish organizations and enterprises have just entered its initial stage, which presents some problems but also provides an opportunity to introduce new solutions for initiating and developing cooperation adjusted to the market requirements and social and business needs in particular regions<sup>145</sup>.

In the debates centered around the concept of corporate social responsibility and the responsibility of social economy institutions, partnership-oriented type of company commitment is often referred to as: social investments, “strategic charity” or “strategic philanthropy”. The aspects that should be taken into account in such cooperation are those that allow for: long-term collaboration and strategic and systematic development of both parties, which is often related to security, stability and consistent development for the sake of both parties.

In Poland, however, many companies do not keep detailed evaluation of partnership projects in terms of business profits. Nor do they monitor the actual assessment of social impact of such initiatives, focusing instead on the money that has been spent. Activities like that are most often assumed to be part of the image building strategy addressed at their stakeholders or as fulfilling the goals of personal policy through the volunteer initiatives. It is important to be aware of the value and potential ingrained in the very idea of social responsibility and managers' motivations to get involved in this type of actions.

Long-term planning of economic development requires social consultations and should be based on cooperation and dialogue between the interested parties. Particularly at the local level – an important role is played by business organizations and non-governmental organizations in evaluating and presenting the amendment projects for the common good<sup>146</sup>.

Partnership in a project can and should provide significant benefits. First of all, joint preparation and implementation of the project by a group of entities interested in the subject, thanks to the combination of their experience and capabili-

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<sup>145</sup> M. Grochalska, *Diagnoza stanu ekonomii społecznej w powiecie bartoszyckim, (this diagnosis was prepared to help realize the project: „Inkubatory Przedsiębiorczości Społecznej 2” / „Social Entrepreneurship Incubators” as part of European Social Fund, Human Capital, Priority VII Promotion of Social Integration, Activity: 7.2 Against exclusion and towards a stronger social economy sector, Sub-activity: 7.2.2 Support for social economy)*, OWIES, Elbląg 2013, s. 44.

<sup>146</sup> I. Kuraszko, B. Rok, *Społeczna odpowiedzialność...*, op. cit., s. 12.

ties, offers a chance to achieve higher accuracy and efficiency in the undertaken project. Secondly, there are additional vital benefits connected mostly with the formation of the cooperation culture between the institutions operating on the same or similar fields, which is particularly important in the context of a low level of social capital in our country<sup>147</sup>.

Partnership projects do not require particular preferences such as strategic criteria. They could be seen, however, as a more mature approach to solving the problems of target groups. It is also important to pay attention to their specificity when conducting works related to the changes in the implementation system<sup>148</sup>.

The evaluation of partnership projects should be based on the following criteria:

- **adequacy** – allows to assess the compatibility of interventions/ actions with the actual needs of the social economy sector and business; the extent to which the current effects of the implementation of the social economy support projects respond to the needs of both social and business sector and the extent to which the support offered to the entities takes into consideration the life cycle of those entities as well as the changes occurring during the time when the service is required;
- **effectiveness** – allows to assess the impact level of the support tools used to achieve the program objectives: whether the implemented actions have led to the expected change;
- **permanence** – allows to assess the extent to which the intervention effects will be maintained in the future; how sustainable are the effects of the support offered as part of the regional component (PO KL – operation program – human capital) and which of the operations in support of social economy and business are most lasting; which barriers block the cooperation between the two sectors;
- **effectiveness** – allows to assess the relation between the incurred expenses: what was the relation of expenses and benefits in the realized projects;
- **usefulness** – the extent to which the offer of the projects have met the needs of the social economy and business entities<sup>149</sup>.

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<sup>147</sup> Projekty partnerskie w ramach PO KL w województwie opolskim (raport końcowy). Opole 2011, s. 3.

<sup>148</sup> Ibidem, s. 9.

<sup>149</sup> *Ewaluacja projektów dotyczących wsparcia ekonomii społecznej* (raport końcowy). Project co-funded from European Union resources as part of the European Social Fund – Technical Support of the Operation Program: Human Capital 2007-2013, WUP Szczecin 2011, s.13.

## Cooperation between business and non-governmental organizations

Establishing proper relations with the business environment is very important for many social economy entities and constitutes the essence of their activity. Without this environment they would not be able to realize their mission (e.g., social cooperatives), or might not even exist. The business sector is, therefore, their key partner without which the effectiveness of the realized activities would have been much lower.

Until recently, the cooperation between business sector and social economy entities have been rather insignificant. Non-governmental organizations and enterprises were placed at opposite extremes because the business sector was (and in many cases still is) perceived by society as a major cause of social, environmental and economic problems, and it is still a commonplace belief that companies prosper at the cost of larger communities. Although, in the past, both parties used to undertake mutual projects with corporate social responsibility in mind, they rather attempted – in this way – to get the possibility of influencing each other or/and receiving measurable benefits rather than solving a specific social problem. Currently, they more and more often establish strategic partnerships which allow them to reach mutual important goals while retaining the individuality, values and identities of each member<sup>150</sup>.

At present, the cooperation space of non-governmental organizations and public administration co-exists with the cooperation space of NGOs and business. As the concept of corporate social responsibility (based, by assumption, on dialogue and partnership) becomes more and more popular, the prospect of cooperation between companies and NGOs starts changing. Although this cooperation platform is not specified in any law regulations, a strong trend of social commitment on the part of business makes the cooperation between businesses and NGOs both more understandable and indispensable. The scope of cooperation between non-governmental organizations and business comprises both purely business sponsorship-based relations as well as the realization of long-term strategic cooperation in joint social programs<sup>151</sup>.

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<sup>150</sup> K. Hus, *Współpraca międzysektorowa na rzecz CSR: formy, korzyści*, [www.csr.slask.pl/.../K\\_HusWspółpraca-międzysektorowa-na-rzecz-CSR](http://www.csr.slask.pl/.../K_HusWspółpraca-międzysektorowa-na-rzecz-CSR) [accessed on 2013-08-29].

<sup>151</sup> M. Karwacka, *CSR – wspólna...*, op. cit., s. 67-68.

In the analysis of different forms of cooperation between business and non-governmental organizations E. Wojsławowicz draws the following conclusions:

- in their attempt to follow the principles of corporate social responsibility, companies get involved more and more often in the activities typically attributed to non-profit organizations;
- there is a tendency for business to approach its cooperation with NGOs more strategically, and the third sector, although cautious, is capable of establishing a “valuable” cooperation with business<sup>152</sup>.

According to the research study by the Responsible Business Forum, over 2/3 of the managers of the biggest companies in Poland are familiar with the concept of corporate responsibility. On the other hand, however, this concept is clear only for 1/3 of small and medium-sized enterprises<sup>153</sup>.

About  $\frac{3}{4}$  (75,3%) of the biggest companies provide financial support that amounts to around 1,2% of their annual revenue. More than 50% of all companies offer less than 1%, while small and medium-sized firms are six times less likely to provide any support than large companies. Grants from companies account for about 7% of the non-governmental sector income and are the most important source of funding for approximately 5% of the organizations, even though 34% of them have benefited from various forms of support for companies (based on the research study results by Klon/Jawor Association, as of 2010). Since comprehensive studies on business and social enterprises cooperation have not been carried out yet, the above quoted data refer to the whole non-governmental sector. What are the main reasons behind the fact that the NGOs have not been able to use fully the potential of cooperation with business?

According to Juraszek-Kopacz, the following are the most important factors:

- time-consuming nature of building relations with a business – for a partnership relation to emerge it is not enough to write a good motion based on the established criteria. It is necessary to put much effort into understanding the other party's needs and expectations, its organization-specific language and

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<sup>152</sup> E. Wojsławowicz, *Czy jesteśmy sobie potrzebni? O współpracy biznesu z organizacjami pozarządowymi* <http://konkordia.org.pl/2012/02/czy-jestesmy-sobie-potrzebni-o-wspolpracy-biznesu-zorganizacjami-pozarządowymi/> [accessed on 2013-08-29].

<sup>153</sup> Research study by Polish Agency of Industrial Development from December 2011, *Ocena stanu wdrażania standardów społecznej odpowiedzialności biznesu. Zestaw wskaźników społecznej odpowiedzialności w mikro, małych, średnich i dużych przedsiębiorstwach*, <http://badania.parp.gov.pl/fi/les/74/75/77/13079.pdf>. [accessed on 2013-08-30].

culture. Building your own credibility in the eyes of a business partner seems to be equally challenging;

- low average value of the received support – from the point of view of a company it is not attractive to just provide money, whereas for most social organizations and enterprises it is the main reason for building a relationship;
- insufficiently creative offer of organizations – most often organizations apply for grants and in-kind donations, offering – in return – promotion and acknowledgments. If we take into account the scope of operations of an average organization, its promotion capabilities are highly overestimated and cannot be regarded as the main benefit to motivate the prospective benefactor from the business sector;
- failure to meet the mediality requirements – cooperation with business requires from an organization to slightly reconstruct its manner of operation so that the medial aspects could be enhanced; namely – connection with the current tendencies and social problems, interesting and innovative forms of operation that engages both local communities and employees of corporations;
- other barriers preventing the effective cooperation between business and social enterprises include: discrepancy in preferences about the scope and subject of support<sup>154</sup>.

One of the reasons for the slow development of the CSR concept and appropriate standards for business operations in Poland is the lack of professional organizations to monitor the operations of enterprises, such as *watchdog*<sup>155</sup> type of organizations, especially those that are equipped with high expert knowledge and can act as professional partner and adviser.

In recent days there has been a growth in the requirements from enterprises to implement proper ethical standards and methods of social reporting. The same principles should also be adopted by social economy entities. By implementing the same standards, organizations will become more credible, competent and competitive within their specializations. The tools such as: ethical codes, standards of managing the relations with the environment or reports on environmental impact are universal and can be used by all types of organizations. Nowadays the boundaries between the sectors are getting blurred; non-governmental organizations deal with

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<sup>154</sup> B. Juraszek-Kopacz, *Współpraca przedsiębiorstw...*, op. cit., s. 30-31.

<sup>155</sup> *Watchdog* – the term used to describe monitoring actions aimed at controlling public bodies in a specified scope in order to remove unclear practices that might raise doubts as to the compliance with legal regulations, principles and adopted standards, <http://jagiello.blog.pl/id,328172084,title,Watchdog,index.html?smoybbtticaid=611396> [accessed on 2013-08-31].

business, companies join social actions, and public administration applies professional business management methods. Thus, the term “social responsibility of organizations” has been recently more popular than the “corporate social responsibility”<sup>156</sup>.

## Mutual benefits

Despite many difficulties it is worth undertaking the cooperation with the business sector because it can bring more benefits. First of all, only this sector can provide social enterprises with expert knowledge and other resources that are necessary for proper functioning on the market and appropriate management. Moreover, funds invested by businesses are not subject to so many restrictions as the granted public funds; they can be spent in a more flexible way and used to build financial reserves.

Social enterprises, on the other hand, can provide companies (especially small and medium-sized ones) with additional unique possibilities of becoming a socially responsible business. We have to take into account the fact that the creation of CSR strategy in Poland has become a necessity due to the growing social expectations from the companies<sup>157</sup>.

D. Logan has created the business motivation pyramid and the corresponding forms of cooperation:

- philanthropy – disinterested financial or in-kind help provided to the needy in response to social appeals, deriving from the sense of moral duty towards those who are socially excluded or at risk of social exclusion, e.g., poor, sick or otherwise disadvantaged people. It is hard to manage the above mentioned motivations but they influence the final shape of the CSR strategy of a particular company;
- basic business activity – by which a company meets the demand for specific goods and services and gains profits. A socially responsible company runs its business activity, respecting the law and ethical principles. It takes care of the quality of the produced goods, taking into account, at the same time, the so-

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<sup>156</sup> *Cooperation of non-governmental organizations with business sector. Effective cooperation manual*, Forum of Responsible Business, [www.odpowiedzialnybiznes.pl](http://www.odpowiedzialnybiznes.pl) [accessed on 2013-08-21].

<sup>157</sup> B. Juraszek-Kopacz, *Współpraca przedsiębiorstw...*, op. cit., s. 31-32.



cial costs and benefits. The needs related to this level are best met by the purchase of products and services in a social enterprise;

- other commercial enterprises – are identified with cooperation aimed at the promotion and protection of the company's interests. These are: sponsoring and marketing activities that help to build the positive image of the company and promote products and services, which directly affects the volume of sales;
- investing into social development – long-term involvement of the company into solving a selected social problem. These activities are usually carried out in partnership with state institutions, local governments or non-governmental organizations that focus primarily on health protection issues, social help, education, environmental protection and entrepreneurship development. Such activities serve the enterprise's long-term interests. Improvement of a particular community's life standard will bring, as a result, an increase in demand for the company's products; while the development of education means higher qualifications of future employees.

Each entity (from either business or social economy area) thinks and acts in a long-term manner by seriously treating its market success and being ready to grow. Therefore, it is worth appealing to the above described motivations of companies indicating that a social entrepreneur is a credible and knowledgeable partner in solving particular problems.

Nevertheless, social economy entities encounter a number of problems and obstacles in conducting their activities. These include:

- difficulties in obtaining tasks assigned by public administration;
- lack of knowledge about the social economy and insufficient understanding of the sense of its activities by the public administration;
- difficulties in obtaining commissioned orders on the commercial market;
- problems with financial liquidity;
- negative image of social economy in society;
- lack of own capital and difficulties in gaining the external capital;
- lack of business experience;
- administrative and legal constraints;
- dependency on grant-providers and their priorities;
- ethical reservations to run business activity<sup>158</sup>.

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<sup>158</sup> Ibidem, p. 33-37, the pyramid of motivation quoted after D. Loganem, British-American cooperating with London Benchmarking Group.

## Conclusions

Corporate social responsibility refers to a widely understood role of business in society. Social economy also focuses on the role of business (in its broad sense) in society. For many years, both in Europe and outside, there have been heated debates on this new role of business in social development. As a result, innovative solutions for new forms of cooperation between public administration, business sector and civic society organizations are prepared and implemented with the purpose of creating the common good and addressing civilization challenges.

Even though many companies have undertaken various voluntary initiatives for the sake of responsible management of the relations with their stakeholders and in order to meet important needs of society, the political climate in Poland is not favorable for the full use of CSR potential in Poland. Therefore, in order to effectively solve social problems in Poland and prevent social exclusion and marginalization of numerous groups of citizens in Poland – it is necessary to conduct an inter-sector dialogue (business and NGOs) which will lead to mutual exchange, inspiration and mobilization<sup>159</sup>.

It should be remembered, however, that the main aim of non-governmental organizations are activities providing benefits mainly to local communities and groups that need support. Social organizations' stakeholders cannot be treated as the means for achieving own goals or a source of income. Thus, member organizations are encouraged to be transparent in their actions and act in accordance with legal and ethical standards established by the sector. Self-regulation in the third sector seems obvious and necessary<sup>160</sup>.

In the context of social responsibility – social economy entities can be expected to show initiative in creating jobs for people not employed on the market and be reliable in implementing their duties. The moral aspect of these duties will be related to work quality, honesty towards fellow employees and business partners as well as discipline and work culture. At this point it is also important to take into account the reasons why social economy entities have come into being, as they do not exist in isolation from the environment but are an integral part of it. Therefore, it is important to talk about social responsibility of organizations and not just about corporate social responsibility. The emphasis should also be put on obliga-

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<sup>159</sup> I. Kuraszko, B. Rok, *Spoleczna odpowiedzialność...*, op. cit., s. 16.

<sup>160</sup> A. Biały, *Współpraca organizacji pozarządowych w ramach sieci Punktów Partnera Lokalnego LOS*, Lubelski Ośrodek Samopomocy, Lublin 2009, s. 4.

tions towards others that are adopted at the time of the creation of an organization (social company, foundation, association). Each obligation entails the duty to fulfill this obligation, on the basis of which the image of the whole sector is built and created.

With the help of the transformations that take place in the business sector (related to creating the awareness of the significance of the relationship with the environment), social economy entities have the possibility of building a competitive advantage on the basis of moral values and ethical evaluation. On one hand, the principles created as part of corporate social responsibility are universal enough to be used outside the business sector<sup>161</sup>. On the other hand, however, social responsibility is not a frequently discussed topic<sup>162</sup>, and -despite a growing interest from both social and business entities to implement this concept – it is still often perceived in terms of image creation activities undertaken through the passive forms of social involvement. It seems that the nearest future will show whether the CSR concept can become a part of Polish social policy and economy or will remain a minor alternative operating on the edge of the social policy system<sup>163</sup>.

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<sup>161</sup> R. Kusa, *Spółeczna odpowiedzialność organizacji niekomercyjnych*, „Ekonomia Menedżerska” 2010 nr 7, s. 31.

<sup>162</sup> A. Reiske, *Etyka działania i odpowiedzialność społeczna w podmiotach ekonomii społecznej* [www.fob.org.pl](http://www.fob.org.pl) i [www.cebi.pl](http://www.cebi.pl). [accessed on 2013-08-23].

<sup>163</sup> M. Grewiński, M. Wronka, *Gospodarka społeczna w UE i w Polsce – między przedsiębiorczością społeczną a CSR*, w: *Przedsiębiorczość w Polsce – bariery i perspektywy rozwoju*, red. A. Frączkiewicz-Wronka, M. Grewiński, WSP-TWP, Warszawa 2012, s. 145.



## The role of human resource management in corporate social responsibility

WHEN CSR IS EMBEDDED IN MAINSTREAM  
BUSINESS STRATEGY IT BECOMES A MECHANISM  
FOR UNLOCKING HUMAN POTENTIAL.

### Introduction

Nowadays, it is generally preferred to work for companies which make a difference. Many prospective employees will look for the basics of employment security and belonging over employer conscience in the short term. That is why companies will have to be more intentional about their Corporate Social Responsibility (CSR) obligations, assimilating their CSR beliefs within the financial business model. Human resource (HR) professionals have a key role to play to help a company achieve its CSR objectives. Employee involvement is a critical success factor for CSR performance. Human resource managers have the tools and the opportunity to leverage employee commitment to, and engagement in, the firm's CSR strategy.

A labour market trend that is predicted to foster the connection between Human Resources and Corporate Social Responsibility is the upcoming "Facebook" generation, seeking to work for companies aligned with their values and the baby-boomer employees who want to earn a living while giving back, who want their work to be more meaningful. Julia Moulden, in her book "We are the New Radicals: A Manifesto for Reinventing Yourself and Saving the World", shows two significant features of the boomer generation: 75% of this group want to keep working, 60% of which intent to make a positive difference. Conforming to her calculations, in the North American context, 30 million employees want change in

the world<sup>164</sup>. Between the Facebook and baby-boomer cohorts, employees will be more demanding of their employers in this matter. Either way, HR leadership will concentrate on the implementation of a new values-based ethic amongst employees, resulting in a focus on the internal brand and relationship principles. With the disappearance of the present economic recession, people will be willing to devote time and energy to organizations lined up with their sustainability values.

More asset managers, particularly institutional investors with long-term investment horizons, are raising these issues in meetings with companies and through the shareholder resolution process. The global trend towards evaluating the social and environmental outcome of business decisions will result in more organizations absorbing CSR in their strategies. CSR practices were considered as substantial to employee loyalty, morale, retention, recruitment and productivity, important HR responsibilities and important business drivers in the firm.

## The CSR business benefits

One of the top factor driving CSR take-up is the need for businesses to attract and retain high quality staff to meet current and future demands. A strong employer brand aligned with employee values and concerns is becoming recognized as one of the best ways of retaining talent with employees proud to work for a business that is highly regarded. A well-developed performance and talent management strategy with embedded CSR components can reduce the likelihood and impact of losing employees.

The following list provides the key business benefits and economic value from employee CSR engagement:

- increased retention and reduced recruitment and training costs;
- better able to attract the best and the brightest, especially amongst graduates;
- cost savings and income produced through improved employee morale and productivity.

These business benefits to the HR value proposition for firms with a strong CSR brand are well documented and are driving many firms to intuitively strive for higher CSR performance. The following is a roadmap or pathway for HR prac-

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<sup>164</sup> J. Moulden, *We are the New Radicals: A Manifesto for Reinventing Yourself and Saving the World*. McGraw-Hill, New York 2007.

titioners who seek to contribute to the firm's success and simultaneously, improvements to local and global social and environmental quality<sup>165</sup>.

## HRM as a CSR key-driver

Who should be responsible for CSR in an organization? It is suggested by some that it should be the human resource department because it is related to employment conditions, wages and salaries, practice of appraisal, employee development, redundancy issues, employee relations, diversity issues, and work-life balance concept<sup>166</sup>. Thus HR managers are well positioned to play an influential role in helping their organization to become a socially and environmentally responsible firm – getting rid of negative and enhancing positive impacts on society and the environment. What is more, HR specialists in organizations that perceive successful corporate social responsibility as a key factor of their financial performance, can be influential in realizing that goal<sup>167</sup>.

Although there is lots of information on how to manage employee relationships in a socially responsible way and how to create a friendly working place, there is a deficiency of information for a HR manager who finds it crucial to embed their firm's CSR values throughout the organization and integrate CSR into the firm's structure.

People leadership lies in duty of all heads of given departments. Human resource can simplify the advancement of processes and systems; however, employees share the responsibility of engagement. The bigger the understanding of a HR specialist of the their meaning with respect to CSR, the bigger their capability to popularize these ideas among business partners towards the organization's objectives in engaging CSR throughout their operations and business model.

As HR affects many systems and processes in business, it is in a good position to effectively foster a CSR ethic and arrive at a high performance CSR culture. Human resources can be the key to assure that what the organization is saying in

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<sup>165</sup> HR Zone. *Operation good guys: HR and CSR*.

<http://www.hrzone.co.uk/cgi-gin/item.cgi?id=174928&d=pndpr&h=pnhr&f=pnfpr> [accessed on 2008-12-23].

<sup>166</sup> E. Crawley, S. Swailes, D. Walsh, *International Human Resource Management*, Oxford University Press 2013, p. 260.

<sup>167</sup> C. Caldwell, D.X., Truong, P.H.Linh, A. Tuan, *Strategic human resource management as ethical stewardship*, „Journal of Business Ethics” 2012 No. 98, p. 171.

public is not at odds with how people are treated within the organization. HR is able to administer the tools and groundwork for the executive team and CEO to install CSR ethic and culture into the brand and the strategic framework of the company. It is the only function that influences across the entire enterprise for the entire 'lifecycle' of the employees who work there – thus it has considerable influence if handled correctly. Human resources is poised for this lead role as it is adept at working horizontally and vertically across and within the organization, so important for successful CSR delivery.

There is emerging evidence that effectively implemented, CSR can have significant impact in motivating, developing and retaining staff. Globally, human resources leaders are developing and implementing incentive and appraisal systems that reflect sustainability as well as hiring personnel that embody these values. Research shows that the critical success factors for implementing CSR include having an overarching vision that includes CSR, having senior management and board level commitment, engaged staff and the provision of skills, tools and incentives. Companies with a good CSR reputation are benefiting from the stakeholder view that a company's behaviour and presumably that of its people is aligned with CSR values, in a consistent way. Companies seeking to build marketplace trust and reputation should embed their CSR values throughout their business. Leading companies are realizing that CSR can be nested in the company's employee brand and can be part of the value proposition for working at a given firm. Sustainable HR management is central to this objective.

## **The guidelines for integrating CSR into HR management**

Human resource professionals consider CSR from both a values based and a business-case perspective. They work in a business function that readily identifies both the business benefits and the people benefits of fostering CSR alignment and integration. Despite that there is little guidance available to human resource leaders who wish to advance CSR within the firm. This section provides a checklist for advanced managers who are well on the path, and it can provide a roadmap for the manager who is committed to make a difference in this way.



This guide embraces ten steps leading to better integrating CSR into the HR practitioner's daily regimen<sup>168</sup>.

**Step 1:** Vision, mission, values and CSR strategy development

What is required by CSR is a clearly articulated vision, mission and values. The HR practitioner could initiate or support the development, or upgrade, of a vision, mission and values foundation if one does not exist or does not explicitly address CSR. The foundation needs to incorporate elements of corporate social responsibility or sustainability in order for it to foster alignment. Ideally employees and other stakeholders would be involved in the development of the corporate vision, mission and values.

Once the vision, mission and values framework is defined, the firm is ready to undertake the development of its CSR strategy. The role of the human resource manager at this phase is central to all other steps: it is critical that the human resource function be represented at the table in the development of the CSR business plan and strategic direction. They have an important "people perspective" to contribute and will be involved in implementing key measures. Particularly in those firms where CSR is housed in the human resource department, the HR manager has a key role in CSR strategy development. HR is a strategic partner in the organization and as such, can help drive the formulation of the CSR strategy.

**Step 2:** Employee codes of conduct

The HR function is typically responsible for drafting and implementing employee codes of conduct. As such, HR managers hold the pen on the principles contained in the employee codes. Since a number of recent high profile corporate frauds, boards of directors have become very concerned about the ethical culture within their organizations, looking for 100% sign-off on and compliance with codes of conduct which articulate their ethical values. This is an ideal home for the expression of an organization's commitment to socially and environmentally-based decision-making as it is one of the rare documents which all employees are bound by and come into contact with. As such it is a key tool for cultural integration of CSR norms.

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<sup>168</sup> *The Role of Human Resource Management in Corporate Social Responsibility Issue Brief and Roadmap*, Report for Industry Canada, by Coro Strandberg, Principal, Strandberg Consulting, 2009, [www.corostrandberg.com](http://www.corostrandberg.com), p. 11-23 [accessed on 2013-06-15].

### **Step 3:** Workforce planning and recruitment

Workforce planning consists of analyzing present workforce competencies; identification of competencies needed in the future; comparison of the present workforce to future needs to identify competency gaps and surpluses; the preparation of plans for building the workforce needed in the future; and an evaluation process to assure that the workforce competency model remains valid and that objectives are being met. For a CSR oriented company, this consists of evaluating the need for skill sets and competencies central to the emergent sustainability economy – an economy of resource and energy scarcity, human and environmental security constraints, changing societal norms and government expectations. Companies need to identify their key CSR competencies and gaps in the context of these structural changes. Referred to by many as the “green economy”, the marketplace is undergoing a systemic transformation that will require new competencies and skills.

### **Step 4:** Orientation, training and competency development

During the orientation process employees should be given a thorough overview of the clear line of sight between the company’s vision, mission and core CSR values and goals. To ensure maximum alignment to the strategic CSR direction of the organization, this general orientation should be deemed mandatory for all levels of new employees. New employees need to be provided information about CSR policies and commitments, the key CSR issues the company faces and the key stakeholders with which the firm engages. How the company measures its CSR performance, the annual sustainability or CSR report, and where they can find further company information on CSR are important elements of new employee orientation programs. New hires should receive a copy of the core values. Once inducted, employees should be provided CSR training on an annual or other regular basis. It is important not to overlook the probationary review. This is an ideal moment for consideration of the employee’s alignment with and commitment to the organization’s CSR aspirations. Through the workforce planning efforts referenced in Step 4 above, the firm will have identified the CSR competencies the firm will require in future; learning plans and programs will need to address anticipated CSR competency gaps. As management plays an important role in understanding and delivering on key CSR objectives, it is vital to make CSR an integral part of management training programs.

## **Step 5:** Compensation and performance management

Next to recruitment and competency development, compensation and performance management are central to the HR function. HR is involved in setting performance standards and expectations and monitoring results to performance objectives. At the leading CSR organizations, HR managers are integrating CSR elements into job descriptions, individual performance plans and team goals. The most critical HR tool of all is the compensation and incentive program. The total reward and recognition program, including base salary, incentive pay, long term incentives and other non-monetary recognition benefits (such as award programs, employee of the month, promotions, career pathing, etc.), needs to be aligned with the company's CSR values and strategy.

The strategic direction of an organization is set by the CEO and Executive team. Still, the HR department can help business units establish CSR targets and develop performance evaluation systems that foster CSR behaviour by providing the right tools and counsel.

In addition to focusing on executives and senior managers, the personal objectives set by each employee could incorporate one CSR objective aligned with the corporate CSR strategy. CSR should be recognized in both the base job responsibilities as well as the annual performance objectives at the individual and team levels. Performance reviews could consider how the employee has advanced their personal and the organization's CSR goals over the period.

If CSR is built into incentive systems – salary packages and targets that determine whether the manager receives a pay raise, promotion, etc. – the firm is likelier to motivate greater CSR alignment.

Job descriptions are not revised that frequently, so the opportunity of integrating CSR into every job description throughout a company may be limited, unless a new department is being established or a start-up company is launching. However, as roles, departments and job requirements evolve, this often brings with it the task of fine-tuning job descriptions. These are ideal opportunities for incorporating CSR parameters in the job description – again, it is important that CSR generalities are avoided in favor of specific deliverables and responsibilities.

## **Step 6:** Change management and corporate culture

Growing and adapting to the changing marketplace necessitates that firms pursue significant behavioural shifts. Mindsets and behavioral change come about through role modeling, building awareness and generating desire and conviction,

developing knowledge and ability and reinforcement through incentive programs. Culture change requires setting the tone at the top – where values are modeled by managers and executives. The values need to be reflected in all processes starting with how you attract and recruit employees, to decision-making and rewards and incentive programs, etc. Keeping true to the CSR values compass is a critical guidepost to change management and team alignment. Additionally, the move to incorporate a CSR ethic throughout the firm necessitates a change management approach.

Change management experts realize that people come in different states of readiness for advances for sustainability. They can be grouped by state of readiness and then you can tailor your change approach appropriately to each group:

- those that have the value and the behavior;
- those that have the value but not the behavior;
- those that do not have the value or the behavior.

To advance CSR you would want to tailor your change strategy appropriately to each group.

It is important to advance a CSR ethic and program with these perspectives in mind.

The organizational culture is a key dimension of any strong CSR agenda. People need to be rewarded for the way the leaders want work done on the shop floor and in the C-suite. The foregoing steps are building blocks to the development of a strong CSR ethic and corporate culture, the likes of which will attract and retain the best and the brightest employees.

### **Step 7:** Employee involvement and participation

Employees are among the key stakeholders for the development of any CSR strategy or program. A critical first step in mission, vision, values and strategy development is to understand the key concerns, priorities and perspectives of all key stakeholders, particularly employees.

Employee engagement has been acknowledged as a key driver of shareholder value in a firm and is becoming a key metric for monitoring corporate performance by Board and the management.

The best firms practicing CSR have programs and initiatives underway to support employees and their families, learn about and take action on their social and environmental concerns at work, at home and in their communities. This is employee CSR engagement at the most engaged level – employees helped to align their total work experience with their community and home values become highly engaged, motivated and loyal.

In addition to ensuring that employees are included in key decisions, an employee CSR involvement and participation program can help develop the employee value proposition that can foster retention and enhance recruitment. It is important not to miss this step as organizations that fail to engage their employees in key decisions and in their CSR embedment will generate low employee engagement resulting in employees that either quit and leave or quit and stay.

#### **Step 8: CSR Policy and Program Development**

HR is also in a position to drive policy development and program implementation in HR areas that directly support CSR values. Wellness, diversity, work-life balance and flextime policies are CSR programs directly within the HR manager's purview. Wellness programs can become a platform for engaging employees in discussions about "personal sustainability" and provide support for employees in the areas of stress management, spirituality at work, health and fitness, healthy lifestyles, etc. Employee volunteering programs are also within the HR mandate, and can help build out the employee value proposition and employer brand while concurrently delivering on the firm's CSR goals for community engagement and investment. A related policy could be the development of an unpaid leave program for employees to pursue personal projects aligned with company values. Successful wellness, carbon reduction and employee volunteer programs require management support, role-modeling and ongoing communications – which, if in place, become further vehicles to fostering employee awareness of, and engagement in, the firm's CSR approach.

Some HR departments also have responsibility for procurement. Those that do could incorporate their CSR commitments into their purchasing program. By adopting a sustainable purchasing policy, and integrating their social and environmental objectives into supply chain management, HR practitioners can influence the sustainability performance of their suppliers. HR practitioners have a number of direct pressure points they can activate to leverage sustainable practices throughout the workforce and the economy more generally.

#### **Step 9: Employee Communications**

Every CSR strategy requires the development and implementation of an employee communication program to convey the corporate direction, objectives, innovation and performance on its CSR efforts. Intranets, websites, blogs, wikis, social networking sites, podcasting, videos, forums, town hall meetings, regular

team briefings, webcasts, voicemails, print and electronic newsletters and other forms of social media need to be deployed to bring the CSR message to the workforce – in ways that are attuned to the communication channels of the employee, which are changing rapidly in this age of web 2.0. Even role-modeling by executive and the HR department can be a useful tool for communicating CSR values. The ultimate goal of CSR communications should be to engage employees in the CSR mission of the firm, to help build out the firm’s CSR DNA.

It is important to note that employee engagement is dependent on communication of board, CEO and senior management commitment, in the absence of which employees will become less motivated. Lack of CSR commitment at senior levels could lead to disgruntled and frustrated employees finding unmonitored, anonymous social networking sites to express their dissatisfaction. It is of big importance to close this potential gap with clear communication and walking the walk on the part of senior executives. Staff responses can help the organization to identify miscommunications and the need for course corrections along the way. Such ad hoc, awareness raising surveys can be important proactive tools to foster and embed the CSR message.

**Step 10:** Measurement, Reporting – and celebrating successes along the way!

As what gets measured gets managed, it is vital that both CSR performance and employee CSR engagement be actively measured and reported to executive, the board of directors and publicly. This is usually done in the form of an annual CSR report.

Other human capital metrics, such as turnover, health and safety, employee development and diversity, for example, can be additional metrics which reveal the firm’s CSR commitment and the degree to which it fulfills its objectives and promises. In designing your CSR report it is important to consult employees on what to report and it is important that the report be received and approved by the board of directors for public release. It is only under these conditions that the HR professional can be assured that these metrics and the firm’s CSR performance are taken seriously. Some corporate boards go so far as to create a CSR committee of the board. This is a topic of its own, however, if the Board buys into CSR as a business differentiator and sees CSR as contributing to shareholder value, it warrants oversight by the full board of directors and if possible, by a CSR committee of the Board of Directors. If the Board of Directors is in receipt of these performance reports, it is more likely that the CEO will be held accountable for the elements that bring the CSR strategy to fruition.

And finally, don't forget to celebrate the successes large and small along the way. From pats on the back to profile articles on the company intranet, to celebratory events, ensure people are congratulated and achievements celebrated on an informal and formal basis. To fully realize your CSR objectives, it is important to honour the small wins and major milestones.

## Conclusion

Organizations are coming to realize the bottom-line benefits of incorporating sustainability into their DNA. It is beneficial for attraction and retention and it is a significant step forward. HR is a key organizational leader and can take the lead or partner with other executives to work cross-functionally to integrate CSR objectives into how business gets conducted. HR practitioners can act as translators of the organization's CSR commitment vertically and horizontally across departments. Most will find upon reading this report that they have many good practices underway. Many will find they have a new structure for their thinking they can apply practically in the workplace. Some will believe the current economic downturn will suspend these ideas temporarily until the economy rebounds, while others think that organizations which abandon their CSR integration in the downturn will lose ground and breed cynicism in brighter times.

Effective HR leadership on CSR integration requires Board, CEO and executive commitment to be successful. The roadmap is predicated on the assumption of this top level commitment. However, more and more organizations are turning to sustainability and to embedding CSR into "all that we do", so it is hoped the 10 steps provide some guidance as to how achieve the goal.

The firm of the future is expected to have undergone significant transformation, in result of which CSR no longer becomes managed as a separate deliverable, but is a part of the experience of being an employee in an organization that lives its values. For human resource professionals embarking on CSR or deepening their CSR experience, this roadmap can help to understand their role in sustainability and CSR and to understand how they can foster an environment that embeds a CSR ethic in "the way business is done around here".





## **Social responsibility in the context of higher education in Polish universities**

### **Introduction**

The purpose of this study is the issue of social responsibility of higher education institutions in the context of education as one of the primary tasks of the universities. Institutions of higher education, whose role in the creation of knowledge-based economy is essential, in order to meet the demands of the Lisbon Strategy, more and more often attempt to implement the concept of a socially responsible organization, also on the basis of the area of educational activities.

Today, it is all the more important that the changes that have occurred in recent years, both in the Polish economy and the higher education system, have created a trend of an increased pursuit of knowledge of the youth. This led to the popularization of education, which cast doubt on the quality of education in the Polish universities, including the adequacy of their offer to the needs of the labor market.

Given the assumptions of the concept of social responsibility, universities today are becoming organizations open to the needs of the environment, and thus, their task is meeting the expectations of the environment concerning the appropriate structure of the education process.

Therefore, recognizing the importance of other aspects of higher education, the main objective of this study is to determine the place of education in the context of the social responsibility of universities, while presenting the changes that have occurred in the area of education in recent years and the conditions under which universities operate.

## The evolution of higher education

Since the beginning of the 90s of the last century, higher education in Poland was subject to numerous and substantial changes. They were initiated by the Higher Education Act of 12 September 1990, enabling, inter alia, the creation of private universities that were supposed to contribute to the dissemination of education. The changes that occurred in that time, were reflected in the growing interest in education at the tertiary level, which, in turn, was reflected in the increase in enrolment ratios, being a measure of the prevalence of education (Table 6.1). Starting from the early 90's of the last century, these rates have more than quadrupled. The gross enrolment rate in the academic year 1990/1991 amounted to 12.9%, and in the academic year 2011/2012 – 53.1%. The net enrolment rate, in turn, increased over the same period from 9.8% to 40.6%<sup>169</sup>.

Table 6.1.  
Enrollment rates in higher education

enrollment rate	1990/91	1995/96	2000/01	2005/06	2010/11	2011/12
gross	12,9	22,3	40,7	48,9	53,8	53,1
net	9,8	17,2	30,6	38	40,8	40,6

Source: *Szkoły wyższe i ich finanse w 2012 roku*, Główny Urząd Statystyczny, Warszawa 2013, s. 28.

Growing interest in education at the tertiary level was accompanied by a rapid development of higher education, the number of which increased from 112 in the academic year 1990/1991 to 460 in the academic year 2011/2012, while the most rapid development occurred in the last decade of the last century and the first years of the current one (Table 6.2). It coincided in time with the rapid development of the sector of private schools, the number of which increased from 12 at the beginning of the academic year 1990/1991 to 328 in the academic year 2011/2012.

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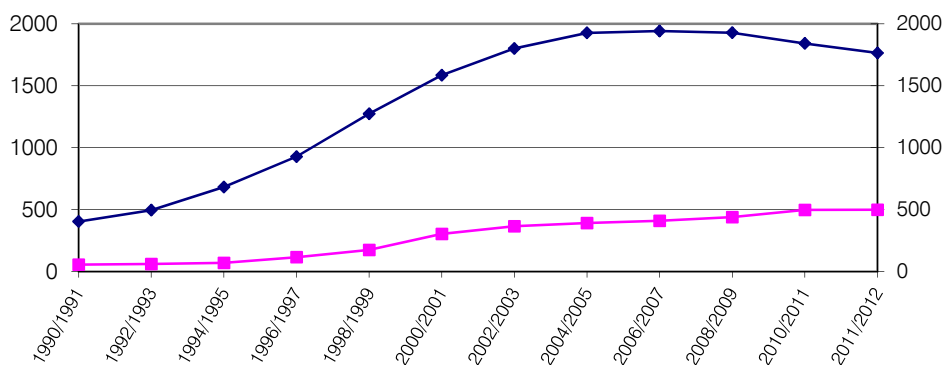
<sup>169</sup> *Szkoły wyższe i ich finanse w 2012 roku*, Główny Urząd Statystyczny, Warszawa 2013, s. 28.

Table 6.2.  
Higher education according to the type of universities

specification	number of universities			
	1990/91	2000/01	2010/11	2011/12
In total	112	310	460	460
universities	11	15	19	19
technical universities	33	23	23	25
agricultural colleges	9	9	7	7
academies of economics	5	94	79	77
teacher education schools	10	19	18	17
medical universities / medical academies	12	10	9	9
maritime academies	2	2	2	2
academies of physical education	6	6	6	6
arts colleges	17	21	22	23
theological colleges	7	15	14	14
Schools of the Ministry of National Defence and the Ministry of Interior	-	10	7	7
other schools	-	86	254	254

Source: *Szkoły wyższe i ich finanse w 2012 roku*, Główny Urząd Statystyczny, Warszawa 2013, s. 29.

Figure 6.1.  
Number of students and graduates



Source: own study based on *Szkoły wyższe i ich finanse w 2012 roku*, Główny Urząd Statystyczny, Warszawa 2013, s. 28.

The dynamic growth in the number of higher education institutions was accompanied by a significant increase in the number of students and graduates (Figure 1). While in the academic year 1990/91, the number of students amounted to 403.8 thousand, and the number of graduates – 56.1 thousand, in the academic year 2011/12 it increased to 1764.1 thousand students and 497.5 thousand graduates. It should be marked, however, that the a record value of the number of students was reached in the academic year 2005/06, when it amounted to 1953.8 thousand.

Dissemination of education at the tertiary level, however, was not accompanied by a corresponding increase in expenditure on higher education (Table 6.3).

Table 6.3.  
Public expenditure on higher education in Poland in 2000-2011

years	expenditure		share in public expenditure in GDP
	of the state budget	budget of self-local entities	
	in mil. PLN		in %
2000	5326,7	20,4	0,72
2001	6370,7	32,6	0,82
2002	6829,6	38,6	0,85
2003	7049,2	28,2	0,84
2004	8822,3	31,9	0,96
2005	9676,5	76,8	0,99
2006	9888,7	122,0	0,94
2007	10701,4	143,5	0,93
2008	11091,0	100,0	0,88
2009	11654,5	197,0	0,88
2010	11722,4	70,2	0,71
2011	12009,2	72,8	0,67*

\*GDP – provisional estimation

Source: *Szkoły wyższe i ich finanse w 2011 roku*, Główny Urząd Statystyczny, Warszawa 2012, s. 339.

Negligence within this field has been apparent for many years. Already in the late 90s of the last century, the Council of Socio-Economic Strategy in its report “Human capital – *Status and prospects*” indicated that the under-funding of higher education in relation to the minimum needs amounts to 50%, investments at the

level of 0.7 in relation to GDP are accompanied by a down-trend and the investment needs are met in only 7%<sup>170</sup>. Recent data concerning the expenditure on higher education is 0.67% of GDP in 2011. As as the capital expenditures are concerned, there have been a noticeable, almost three-fold increase (Table 6.4). Nevertheless, even today it cannot be said that the situation in this respect is satisfactory.

Massification of education in the late 90's became a contribution to the debate on the need for new legislation. Besides, the activities related to the Bologna Process, aimed at creating a harmonious system of higher education in Europe, launched in 1999 by the signing of the Bologna Declaration and the inclusion of Poland in the implementation of the Lisbon Strategy in 2000, assuming the participation of universities in the construction of a knowledge-based economy, also influenced the development of a new perspective on the functioning of the universities. The result was the Law on Higher Education adopted in 2005. It emphasized the importance of the social responsibility of the universities by allowing the building of relationships between the university and its environment. The Act namely states that at the University a Convention may operate, which may include representatives of state agencies, local government, professional institutions and scientific, professional, creative societies, employers' organizations and, if the statute so provides, self-government organizations, entrepreneurs and financial institutions. Furthermore, the inclusion of external stakeholders in the process of management of the university is supported by the academic community itself<sup>171</sup>. External stakeholders not only help the university to establish relationships with the environment, but also provide a 'different perspective on the university's affairs, bring new knowledge and increase the transparency of the institution's activities.

In subsequent amendments to the Act further attention was drawn to the issue of social responsibility of the university. In the current regulations the university's relationship with the environment is supposed to be facilitated by tailoring the education offer to the needs of the environment. Indeed, external stakeholders are involved in the design and modernization of educational programs. The law also requires the institutions to monitor the careers of their graduates in order to adapt the courses of study and the training programs to the needs of the labour market.

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<sup>170</sup> J. Dietl, *Kapitał ludzki dla zarządzania biznesem i gospodarką. Stan i perspektywy*, w: *Kapitał ludzki. Stan i perspektywy*, Raport Strategii Społeczno-Gospodarczej przy Radzie Ministrów, Warszawa 1998, s. 50.

<sup>171</sup> *Higher education governance in Europe. Policies, structures funding and academic staff*, Euridice, Warsaw 2009, p. 43-44.

Table 6.4.  
Investment outlays on higher education institutions in Poland in 2001-2011

specification	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	investment outlays in mil. PLN										
total	1690,6	1541,4	1478,9	1785,8	1958,7	2036,0	2246,9	2394,8	2624,3	4950,8	4963,2
public higher education institutions	1357,9	1265,5	1142,5	1452,2	1690,7	1823,8	2008,2	2065,0	2275,5	3847,8	4640,1
non-public higher education institutions	322,7	275,9	336,4	333,6	268,0	212,2	238,7	329,8	348,8	1103,0	323,1

Source: *Szkoły wyższe i ich finanse w 2011 roku*, Główny Urząd Statystyczny, Warszawa 2012, s. 339.

Career services operating at universities have an important role to play here as, in addition to the traditional study of graduates' careers, they are to become an important link between the academic community and the environment in the matters of employment and the labour market. The Act is therefore a kind of an answer to the problem of the university's offers failure to meet the needs of the labour market.

## Tasks and functions of higher education institutions

The main tasks of a higher education institution, as part of the Polish education system and national education in terms of the Law on Higher Education are:

- educating students for them to acquire and supplement the knowledge and skills they need in their professional work;
- educating students with a sense of responsibility for the Polish state, for the strengthening of democracy and the respect for human rights;
- conducting scientific research and development works and the provision of research services;
- education and promotion of scientific staff;
- dissemination and multiplication of the achievements of science, scientific culture, and technology, including through the collection and sharing of library collections and information;
- conducting postgraduate studies, courses and training to develop the skills needed in the labor market in the system of learning throughout life;
- creating conditions for the development of physical culture of students;
- promoting local and regional communities;
- creating conditions for people with disabilities to participate fully in the process of education and research.

A multitude of tasks faced by universities, makes it difficult to clearly define a framework of social responsibility of the higher education institutions, particularly because apart from the tasks of higher education institutions it is also important to draw attention to the basic functions of tertiary education. These are divided into internal and external (social)\*. The first group includes:

- training and development of academic staff;

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\* The functions of tertiary education are given after. This classification is presented in the context of materials from postgraduate studies classes in the management of institutions of higher education organized by the Institute of Public Affairs at the Jagiellonian University.

- creation of model solutions in the field of education;
- development of the academic work ethic;
- establishment and improvement of model organizational solutions for the functioning higher education institutions.

The first one appears to be superior to the others, because without the development of academic staff any action in the field of the development of certain educational, organizational standards is not possible and neither is maintaining an appropriate level of the scientific research work. It is therefore particularly important to place emphasis on providing people with the right potential to the higher education institutions and to create the conditions for their effective work.

Despite the fact that the education institution performs the abovementioned functions in principle 'for its own sake', significantly, those functions become the starting point for the formulation of external or social functions. They comprise the:

- transfer of the contribution of science and culture, that is traditions, knowledge of the past, as well as presenting the achievements of mankind in the development of scientific thought in all areas of knowledge and spiritual and material cultural heritage;
- creation of knowledge mainly through academic research conducted in connection with the education of students and the development of academic staff;
- preparing highly qualified personnel as a contribution to the society and the state, as well as the development of an individual;
- culture-creating functions resulting from the construction of standards of intellectual culture, high culture, social values and attitudes and shaping the vision of the world, value systems, social axiology, universalization and differentiation of culture, lifestyles, etc.;
- the functions of criticism and social service manifested in the performance of expert and advisory roles and the impact on knowledge and social attitudes in the field of contemporary issues (ecology, health, safety) and social criticism, the cultivation of public life;
- egalitarianization functions involving the equalization of opportunities to get an education and cultivate substantive standards;
- educational functions manifested in the formation of desirable attitudes, independence of beliefs, criticism, intellectual courage.

It is clear how much social functions of higher education institutions refer to the objectives of social responsibility. The higher education institution executing certain functions 'for its own sake', also occupies an important place in the per-



formance of functions of distinct social character. „It is the universities who are responsible to the society for launching the thought processes, for highlighting the wide range of topics for reflection, in other words, for raising the intellectual level, that is for the creation of a thinking society”<sup>172</sup>.

## Higher education institution as a socially responsible organization

A new perspective on the functioning of the universities, also in the context of their of social responsibility, has become popular already in the 90s of the XX century. At that time a new term – entrepreneurial university appeared<sup>173</sup>. This term refers to a new way of functioning of the university, the essence of which is focused on creating a relationship with the environment by reacting to signals sent by the environment. The University, therefore, actively listens to the needs of entrepreneurs, public administration, as well as the social needs. The entrepreneurial university is, therefore, a higher education institution remaining in close relationship with the environment, making it easy to adapt to the changing market. One of the factors determining the opening to the environment, except, of course, the flexible organizational structures, is the 'entrepreneurial belief' understood as the creation of an organizational culture that values openness and change over tradition and the classical academic culture<sup>174</sup>. Openness to the environment and responding to the signals coming from it gives the higher education institution the opportunity to build an educational offer that meets the needs of both employers and students.

Building a relationship with the environment connected with the development of the educational, research and expertise offer is accented also when looking at the institution of higher education from the perspective of a knowledge-based economy. The university based on knowledge, in a conscious way, manages knowledge and transfers knowledge outward to the environment<sup>175</sup>. As in the case

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<sup>172</sup> H. Samsonowicz, *Spoleczna odpowiedzialność uczelni*, w: *Spoleczna odpowiedzialność uczelni*, red. K. Leja, Instytut Społeczeństwa Wiedzy, Gdańsk 2008, s. 10.

<sup>173</sup> B. R. Clark, *Creating Entrepreneurial Universities: Organizational Pathways of Transformation*, Oxford – New York 1998, p. 14.

<sup>174</sup> B. R. Clark, *Sustaining Change in Universities: Continuities in case Studies and Concepts*, Open University Press, Maidenhead 2004, p. 2.

<sup>175</sup> K. Leja, *Uniwersytet: tradycyjny – przedsiębiorczy – oparty na wiedzy*, „Nauka i Szkolnictwo Wyższe” 2006 nr 2 (28), s. 7-26.

of an entrepreneurial university, it is characterized by openness to change, flexibility and organizational culture conducive to knowledge sharing<sup>176</sup>. The environment of the higher education institution plays an important role in the sharing of knowledge, especially in a situation where the employers' knowledge can become the key to success in the context of creating and improving educational programs, especially with regard to managerial schools programs, the biggest drawback of which is the lack of practical knowledge<sup>177</sup>.

The issue of social responsibility of universities in terms of a „triple helix”, based on a fixed relationship between the three key players: a higher education institution, its business environment and the central and local government authorities is also emphasized. The entrepreneurial university in this approach takes an active approach in the use of knowledge and the development of academic knowledge on its base. Previously seen as a source of human resources and knowledge, it expands its educating individuals to shaping organizations in entrepreneurial education and incubation programs. Rather than only serving as a source of new ideas for existing firms, universities are combining their research and teaching capabilities in new formats to become a source of new firm formation, especially in advanced areas of science and technology. Universities increasingly become the source of regional economic development and academic institutions are re-oriented or founded for this purpose<sup>178</sup>.

The university is becoming an organization open to the needs of the environment, and thus its task is meeting the expectations of the environment in terms of a suitable structure the learning process. According to the concept of social responsibility, a socially responsible organization is the one that takes the responsibility for the impact on its stakeholders. This responsibility with regard to the universities seems to be particularly important, and this is mainly due to the fact of their significant impact on their creation of human capital understood as a result of investment in education (narrow frame), or in other words the body of

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<sup>176</sup> D. Hendzel, *Szkoła wyższa jako organizacja oparta na wiedzy*, w: *Uczelnia oparta na wiedzy. Organizacja procesu dydaktycznego oraz zarządzanie wiedzą w ekonomicznym szkolnictwie wyższym*, red. T. Gołębiowski, M. Dąbrowski, B. Mierzejewska, Fundacja Promocji i Akredytacji Kierunków Ekonomicznych, Warszawa 2005, s.139.

<sup>177</sup> A. M. Kosińska, *Nowy alians... światły pracodawca, nowoczesny pracownik, dydaktyk z wysoką świadomością biznesową*, w: *Oczekiwania biznesu wobec wyższych szkół menedżerskich*, red. J. Dietl, Z. Sapijaszka, Fundacja Edukacyjna Przedsiębiorczości, Łódź 2003, s. 292.

<sup>178</sup> L. Leydesdorff, H. Etzkowit, *The Future Location of Research: The Triple Helix of University-Industry-Government relations II*, „EASST Review” 1996 Vol. 15, No. 4, p. 20-25.

knowledge, skills, attitudes, aspirations and experiences of individuals<sup>179</sup>. Universities have the responsibility of this kind actually written into the nature of their activity, which is reflected not only in the implementation of the basic function – broadly understood education, the importance of which for building human capital is indisputable.

The liability of the universities in the context of the creation of human capital cannot be reduced solely to conducted educational activity. Universities, by conducting research, take responsibility for building up the achievements in this field and expanding the intellectual output. In addition, supporting the expert knowledge, organizations from the environment, disseminate achievements, while supporting local communities. Moreover, as is clear from the Act, by collaborating with the business environment, universities provide entrepreneurs with the results of their research and development work, which also has an impact on the creation of human and social capital.

Social Responsibility of the universities is also reflected in their educational function, boiling down to forming certain moral and social attitudes and the creation of rules governing social relations, which are an important aspect of both the human capital and social development.

Also the impact of the universities on the creation of social capital (Figure 6.2) is relevant. Social capital is in fact understood as knowledge embedded in a specific type of social mutual relations, norms and trust of individuals<sup>180</sup>, or in other words, it is the human capital enhanced with relationships, social values, standards, cooperation.

For the human capital created by the universities to be able to escalate into social capital, it is necessary to adapt the educational offer to the needs of the economy. This task is all the more important because it is also emphasized in the new regulations on higher education, namely the creation of a national qualifications framework by consulting the proposed educational programs with external stakeholders, including businesses. This task draws particular attention of this group of stakeholders. This group is concerned about the acquisition of such university graduates who, undergoing education at the university, acquired competences necessary from the point of view of the employer. This is an important aspect of the future of education in the universities, the common opinion of which

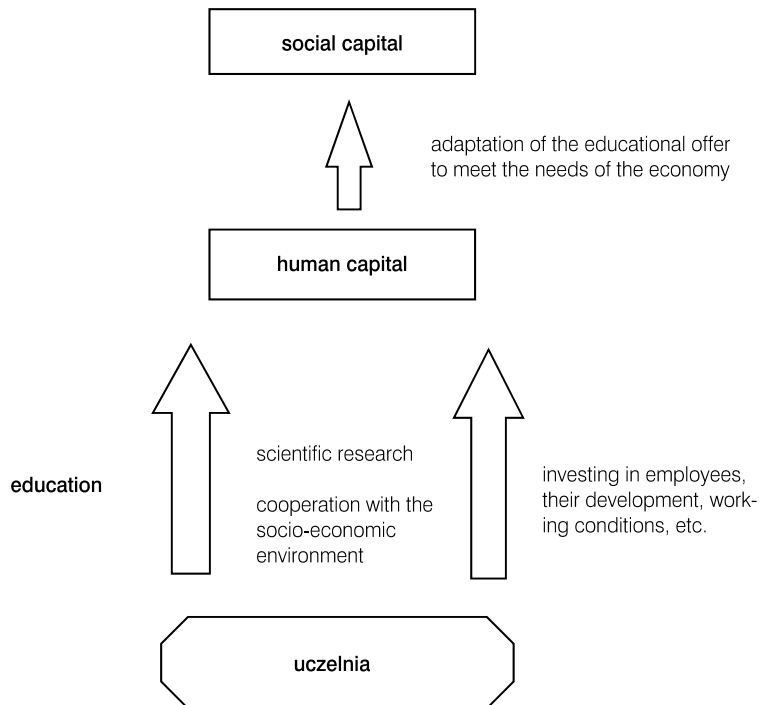
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<sup>179</sup> *Kapitał ludzki. Stan i perspektywy*, Raport Rady Strategii Społeczno-Gospodarczej przy Radzie Ministrów, Warszawa 1998, s. 14.

<sup>180</sup> R. Putnam, *Demokracja w działaniu. Tradycje obywatelskie we współczesnych Włoszech*, Fundacja im. Stefana Batorego-Znak, Warszawa-Kraków 1995, s. 258.

in recent years states that, through mass education they lose their elite nature and, as a result of failure to meet the needs of the economy they educate unemployed graduates, which contradicts the concept of the university as a socially responsible organization.

Figure 6.2.  
**The social responsibility of universities in the context  
of creating human capital and social capital**



Source: own.

## Conclusion

The confrontation of the idea of social responsibility of the universities in the context of education, and the reality, unfortunately, does not speak in favor of Polish universities. The percentage of people with university degrees in the structure of the unemployed remains high. According to the data provided by the Ministry of Labour and Social Policy<sup>181</sup>, by the end of 1999, among the unemployed registered in the labor offices, were about 2% of people with higher education, at the end of 2011 – 11.4%, and finally, in 2012 – 11.7%. In turn, within the structure of the unemployed graduates, at the end of 2012, graduates from the universities accounted for 29.4%.

It is true that obtaining a university degree today does not guarantee quick employability on a labor market saturated with specialists with higher education, but nevertheless it still increases the chances on the labor market, as evidenced by fact that the unemployment rate among people with higher education is relatively the lowest (also among graduates). In the fourth quarter of 2012 it amounted to 5.7% compared to 18.7 in the case of people with lower secondary, primary and incomplete primary education.

In the ranking of occupations with the highest number of unemployed graduates, however, you can find as many as three occupations requiring higher education. These are: the educator (16% of unemployed in this profession), a specialist in public administration (13.8%) and economist (7.5%).

Higher education graduates should be prepared to work in any sector of the economy. In this regard, the responsibility for the quality of skills acquired by the graduate is borne by the tertiary education institution. This is related to its specific responsibilities in the learning process. The learning process should, therefore, be focused on shaping the graduate profile for him to be able to use the acquired knowledge and skills „in the best interests of society, but also his own”<sup>182</sup>.

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<sup>181</sup> *Sytuacja na rynku pracy osób młodych w 2012 roku*, Ministerstwo Pracy i Polityki Społecznej, Departament Rynku Pracy, Warszawa 2013, s. 10-15.

<sup>182</sup> M. Geryk, *Społeczna odpowiedzialność uczelni*, Oficyna Wydawnicza SGH, Warszawa 2012, s. 167.



## Socially responsible administration

### Introduction

In the recent years the idea of Corporate Social Responsibility gained popularity both in Europe and in Poland, although the term CSR, came into circulation at the beginning of the 50's of the XX century<sup>183</sup>. There is no clear definition describing CSR, and various terminologies are used for the same concept. In addition to „the corporate social responsibility”, there are also terms like „social responsibility of business”, „socially sustainable responsibility”, “corporate citizenship”, „corporate sustainability”, „corporate responsibility”, and many other synonyms.

A number of organizations and standards, trying to determine what the CSR is, generated many definitions. Many papers that try to perform a conceptual synthetic of CSR have been created<sup>184</sup>. International Finance Corporation of the World Bank Group indicates that the corporate social responsibility is *a commitment to contribution to the sustainable development by working with the employed, their families, community and society as a whole, in order to improve the quality of life*<sup>185</sup>. Organizations, which have adopted the guidelines of the international

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<sup>183</sup> Por. np.: A. Adamik, M. Nowicki, *Etyka i społeczna odpowiedzialność biznesu*, w: *Podstawy zarządzania. Teoria i ćwiczenia*, red. A. Zakrzewskiej-Bielawskiej, Wyd. Wolters Kluwer, Warszawa 2012, s. 502.

<sup>184</sup> Por. np.: N. Kakabadse, C. Rozuel, L. Lee Davis, *Corporate Social Responsibility and stakeholder approach: a conceptual review*, „International Journal Business Governance and Ethics” 2005 Vol.1, No. 4, p. 281-282; S. Zapłata, M. Kazimierczak, *Ryzyko, ciągłość biznesu, odpowiedzialność społeczna. Nowoczesne koncepcje zarządzania*, Wyd. Wolters Kluwer, Warszawa 2011, s. 162-163.

<sup>185</sup> H. Ward, *Public sector roles in strengthening corporate social responsibility: taking stock*, The World Bank 2004, p. 3; *Analiza instytucjonalna modeli promocji CSR w wybranych krajach*. Analiza przygotowana dla Ministerstwa Gospodarki przez CSRinfo, 25.02.2011, s. 9.

standard ISO 26000 on social responsibility, define it as *the organization's responsibility for the impact of its decisions and activities on the society and the environment, through transparent and ethical behavior that*<sup>186</sup>: *contributes to sustainable development, including health and well-being of the society; takes into consideration the expectations of stakeholders (individuals or groups who are interested in the decisions and activities of the organization); is consistent with the applicable law and with international norms of behavior, is implemented throughout the organization and practiced in its activities within its sphere of influence.*

Despite the fact that in Poland the development of the concept is characterized by a slower rate than in Western Europe, it may be observed that from year to year the awareness of the need for the implementation of the CSR concept and its use are growing in a wider range of entities, including public institutions. Entities from this sector can and should support the implementation of CSR in business organizations, especially in the form of joint projects in the area of social responsibility. Companies do not operate in a vacuum, but under conditions that may benefit or limit the development of their social dimension, and government entities can support business organizations in this regard.

Public administration has a special role to play in the promotion of CSR, and on the other hand, the social responsibility of the organization is primarily the competence and the obligation of the administration, i.e., offices, with which the concept of public service is mainly associated by the society.

In Poland, CSR is still a relatively new phenomenon, especially in the public sector. However, there is a growing interest among managers, business environment institutions, investors and consumers with the issues of social responsibility. Fulfillment of social expectations requires from the public institutions, first and foremost, acting as a partner and mediator between business and society, in order to create favorable conditions for making voluntary commitments to the benefit of the sustainable development.

In this section, an analysis of the actions undertaken by the national public administration in the field of CSR was performed. In particular, attention was paid to the conditions of development of this concept in public organizations, the rules of their implementation, and presentation of the examples of the application of the CSR principles by the entities of national administration.

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<sup>186</sup> <http://www.csrinfo.org/pl/component/content/article/2590-iso-26000-nareszczie-precyzyjna-definicja-csr> [accessed on 2013-09-11].



## Conditions for the development of CSR in public administration

By the end of the twentieth century interpretation of the concept of CSR in European countries focused mainly on activities related to the commercial sector. Public sector's interest in the issues of sustainable development begun with the EU operations in 2001, at the time of preparation of the **Green Paper on CSR** – a document that describes the scope of corporate social responsibility internally (concerning employees – investment in human capital, health and safety at work, respect for rights human rights and the elimination of discrimination) and externally (local community and stakeholders)<sup>187</sup>.

Although at the beginning of the century the European Commission has set some trends in CSR, it was not possible to observe that national governments took any specific initiative in this regard<sup>188</sup>. The United Kingdom, which, since the year 2000, has been steadily undertaking pro-social acts was an exception. In March 2000, the British government appointed a **Minister for Corporate Social Responsibility**. Public authorities support the promotion of CSR, research projects on the subject, the principles of transparency in business, socially responsible investments, and business involvement in the development of these regions of the UK, where the scale of social problems is the greatest. There are special tax incentives to encourage business to invest exactly in such regions, as well as provisions allowing workers to transfer money to charities<sup>189</sup>.

The reasons for popularity of CSR development in administration can be sought in many areas: increasing globalization, greater and better public awareness about the environment, and the benefits that organizations of this sector can acquire, being socially responsible. Striving to build mutual trust, transparency and cooperation with, both, the external stakeholders, and the internal environment can be a method for a better image of the city, municipality or region. Positive image of the local government in the eyes of residents, investors and tourists has a chance to result in the inflow of investment, support to the local business, and a good reputation among the people about the quality of life, as well as confidence in the local government. The idea for maximization of these benefits is to implement a long-term CSR strategy, adjusted to the specificity of the public entity.

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<sup>187</sup> CSR w *Europie*, the article accessible on <http://www.csr.szczecin.pl/baza-wiedzy/csr-w-europie> [accessed on 2013-09-20].

<sup>188</sup> M. J. Broniewska, *Spoleczna odpowiedzialność w administracji publicznej*, Acta Universitatis Lodzianensis, „Folia Oeconomica” 2012 nr 265, s. 119.

<sup>189</sup> CSR w *Europie*, op. cit.

The undertaken approach should be integrated with the already functioning in the office management system, based on standards such as ISO 9000 and 14000, which will allow for more effective formalization of the social and environmental issues.

Main prerequisites for the implementation of CSR in the public entity is creation of conditions for the effective application of the law, provision of access to public information, transparency of public decision-making, reduction of harmful privileges, ensuring the proper professional rank of the public service, preventing corruption, and promoting ethical behavior in administration<sup>190</sup>.

Development and implementation of the CSR strategy can bring tangible benefits to public sector bodies, i.a.<sup>191</sup>:

- improvement or strengthening of the positive image of a unit among the third parties (stakeholders);
- greater confidence among entities using the services provided by the unit and cooperating institutions;
- increased confidence among potential investors;
- strengthening financial credibility due to the increased level of confidence regarding financial institutions;
- predictability of actions;
- positive messages appearing in the media;
- increase the involvement of employees;
- positive perception among the people managing the operation of the office.

To effectively and consciously achieve the benefits of a socially responsible business, public institutions should use the full range of CSR instruments. In the context of public organizations activities like reliable communication with stakeholders, implementation of ethical programs and corporate volunteering, running social campaigns, undertaking initiatives in the field of ecology and cooperation with NGOs, will be applicable<sup>192</sup>.

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<sup>190</sup> A. Wodecka-Hyjek, *Determinanty przedsiębiorczości a kreowanie postaw społecznie odpowiedzialnych w sektorze publicznym*, Acta Universitatis Lodzianis, „Folia Oeconomica” 2012 nr 265, s. 44.

<sup>191</sup> *Społecznie odpowiedzialna administracja. Sektor publiczny*, Deloitte Polska 2009.

<sup>192</sup> D. Lustyk, *Społeczna odpowiedzialność biznesu w kreowaniu wizerunku miasta*, w: *Kreowanie wizerunku miasta*, red. A. Grzegorzczak, A. Kochaniec, Wyd. WSP, Warszawa 2011, s. 152.

## The process of implementation of CRS in an office

The process of creating the CSR policy and its implementation is very similar as in the case of companies. The institution has to identify the areas of operations, and the environment in which it operates, as well as those on which it has an impact. It also has to define groups of stakeholders and their level of involvement in activities and the created CSR strategy. Moreover, it is necessary to assess the needs and training areas in order to manage competencies needed for the implementation and execution of the strategy. Authorities should also communicate socially responsible activities to the wide audience of recipients.

Planning to adopt the CSR approach, one should take into account, both, the size and the specificity of the public entity, including the complexity of the performed tasks and the extent of interaction with the external entities.

The implementation of a formalized CSR strategy into the office may be performed in the following steps<sup>193</sup>:

- analysis of the adopted vision of functioning and improving of the undertaken actions, organizational system of values and culture, as well as financial and human resources of an organization;
- analysis and systematization of the existing social and environmental activity of the unit;
- identification of key stakeholder groups;
- defining the priority areas of involvement for the unit and stakeholders;
- analysis and assessment of the risks regarding individual stakeholders, areas and tasks planned in connection with the implementation of CSR;
- setting goals, programs, and activities, as well as the development of procedures and regulations;
- defining the indicators enabling monitoring of the outcomes of individual tasks;
- communication of the CSR strategy outside and inside the organization;
- implementation of the CSR, and current monitoring of outcomes, as well as consultations with stakeholders;
- controlling the implementation of the objectives, actualization of the risks assessment.

Beginning the work on the implementation of CSR, one should carefully develop the schedule of implementation activities, and define the communication

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<sup>193</sup> *Spółecznie odpowiedzialna administracja. Sektor publiczny...*, op. cit.

tools and channels to be used for contact with the external environment. Implementation of the idea of CSR is primarily a challenge that requires a careful analysis of the environment of a public entity and creation of controllers ensuring the implementation of these expectations, taking into account the growing importance of social pressure<sup>194</sup>. It is also important that, in the process of adaptation to the implemented strategy and objectives of the social responsibility, the office followed the following principles<sup>195</sup>:

- transparency and accountability, i.e., organizations provide clear rules for cooperation with stakeholders, and allow for the monitoring and verification of the undertaken actions;
- dialogue with stakeholders, active communication, and taking into account the views of all the interested parties;
- systematic approach to the risk management, analyzing the economic, environmental and social risk, including opportunities of overcoming them.

Formalizing social responsibility activities in the office will enable transparent and ethical behavior of organizations, in accordance with applicable law and consistent with international standards of conduct. It also means that corporate social responsibility is reflected in all activities of the organization, is practiced in its relations, takes into account the interests of stakeholders. Corporate social responsibility requires from the authorities to consider in their activities obligations to different groups of internal and external environment, which are not legally binding, but are derived from generally accepted ethical principles and values.

## Implementation of CSR in the Polish administration

In Poland, the CSR activities intensified in 2004, after Polish accession to the EU. Government officials began work in various EU bodies, including the works on the development of CSR. Activities in this area were coordinated by an informal Intergovernmental Working Group for Social Responsibility, appointed for this purpose in 2006, of the Ministry of Labor and Social Policy<sup>196</sup>. Recognizing the need for strengthening the cooperation between the government and the social

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<sup>194</sup> D. Lustyk, *Spółeczna odpowiedzialność biznesu w kreowaniu wizerunku miasta*, w: *Kreowanie wizerunku miasta*, red. A. Grzegorzczak, A. Kochaniec, Wyd. WSP, Warszawa 2011, s. 156.

<sup>195</sup> *CSR w nowej perspektywie*, [www.mg.gov.pl/files/upload/10901/CSR%20w%20NPF\\_RPO.pdf](http://www.mg.gov.pl/files/upload/10901/CSR%20w%20NPF_RPO.pdf) [accessed on 2013-09-20].

<sup>196</sup> M. J. Broniewska, *Spółeczna odpowiedzialność...*, op. cit., p. 5.

and economic partners in the field of corporate social responsibility, with the Ordinance No. 38 of the President of the Council of Ministers, dated May 8, 2009, Panel for the Corporate Social Responsibility was appointed. Its main objective is to develop recommendations for government entities regarding promotion of CSR, and coordination of the activities of various public authorities in this regard, popularization of good practices from other countries in the national public sector<sup>197</sup>.

Among the most important activities carried out by the public sector entities in Poland in the field of corporate social responsibility are the following<sup>198</sup>:

- establishment of the institution of the Ombudsman;
- creation of the Public Information Bulletin;
- establishment of the Civil Service Code of Ethics, regarding the personnel of the central administration;
- ratification of the European Charter of Local Self-Government in regard of the statute of the local government employee;
- development of the local codes of ethics by the local government units;
- appointment, on the initiative of the Ministry of Labor and Social Policy, the Interdepartmental Group for Social Responsibility;
- organization of trainings for the administration of social responsibility;
- promotion of the activities in the field of environmental protection, through development of a catalog of environmental criteria, necessary for the public procurements' specifications;
- works on the creation of an integrated platform of social responsibility, in order to transfer experience and cooperation between the business sector and the public sector as well as the non-governmental sector.

In 2010, in Poland, a survey among voivodship offices regarding the used practices of corporate social responsibility was conducted. Fifteen regional offices were analyzed, enquiring for activities in six areas: customers, employees, the environment, the partners / suppliers, local community and management practices. From among twelve regional offices that carry out any actions, nine declared implementation of practices that may be considered socially responsible actions<sup>199</sup>.

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<sup>197</sup> <http://www.mg.gov.pl/node/10893> [accessed on 2013-09-14]

<sup>198</sup> M. J. Broniewska, *Spoleczna odpowiedzialność...*, op. cit., Wodecka-Hyjek A., *Odpowiedzialność społeczna w administracji publicznej*, w: *Nurt metodologiczny w naukach o zarządzaniu – w drodze ku doskonałości*, red. W. Błaszczyk, Wyd. Uniwersytetu Łódzkiego, Łódź 2008, s. 249-252.

<sup>199</sup> *Praktyki społecznej odpowiedzialności w urzędach wojewódzkich*. Analiza przygotowana dla Ministerstwa Pracy i Polityki Społecznej przez CSRinfo, Warszawa 2011.

Analysis of the results of the questionnaires revealed that in majority, socially responsibility activities of offices are focusing on the client (in the case of public administration, client is the most important stakeholder). Introducing improvements into the customer service, the offices are trying to meet the customers' expectations, i.e., the dialogue between the offices and this group of stakeholders is conducted, and feedback is properly used by the offices. Activities aimed at streamlining the operation of the office, through the use of new information technologies, introduction of customer service points, modifications of buildings, and other improvements, introduced by the authorities in order to facilitate access for people with disabilities, and introduction of documents in a foreign language into the circulation in order to facilitate the use of the office services to people, who do not know the Polish language, may be mentioned. In the case of the second most important group of stakeholders – employees, the authorities declare that their policy of recruiting is clear, they offer opportunities for development, payment of wages is timely, and they care of working conditions. Most offices promote environmentally friendly behavior among their employees, and half of them gained funding for modernization of the office buildings, which allows for significant savings in energy and water. In terms of relationships with suppliers and business partners, in a number of cases, the offices are limited by the public procurement law. Nevertheless, within the scope of the available options, they are trying to enter into agreements with those entities whose performance is characterized by timeliness, transparency and quality. As the most important element of this relationship depends on the office, timely settlement of liabilities to partners and suppliers was mentioned. It is worth noting that some offices are trying to buy from local suppliers, thereby promoting local businesses. The involvement of authorities in the affairs of the local community is primarily manifested by the Governor patronage for various cultural and social events. Moreover, authorities organize public consultations on issues of importance to the local community. There have also been cases of offering to the members of the local community the possibility of completing an internship in the office. Also in managing of the office, a trend to act socially responsible can be observed, which goes beyond the existing legal regulations<sup>200</sup>.

The presented analysis of the current activities shows that the regional offices are at the beginning of implementation of the CSR principles. It is disturbing that many of them do not carry out any action in this regard. The growing awareness of the need for responsible action should be reflected in the planning of a wider range

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<sup>200</sup> Ibidem.

of activities related to socially responsible functioning of the office. Three offices were not able to determine what activities were planned. However, most of these plans relate primarily to the area of the office management and provide for the introduction of new organizational solutions, or restructuring of the existing ones. Support for initiatives such as the co-organization of events (conferences, social campaigns), or covering them with patronage of Governor was indicated.

The conclusions that were formulated from the research on the socially responsible activities undertaken by regional offices in Poland are as follows<sup>201</sup>:

- offices introduce improvements, involving the implementation of information systems that allow for the submission of documents and management of the official errands over the Internet using the e-government platform;
- some regional offices manage the information policy through tools such as an office website, info-mats at the office, or customers' guide;
- adaptation of the office building and documents (forms, website, etc.) to the needs of the people with disabilities is noted;
- new tools of human resource management, such as personnel audit, internal recruitment or „ new employee ABC „ guide, which helps new officials with the rapid integration with the new working environment, are implemented;
- replacement of the older generation hardware with newer, more efficient sets, replacement of traditional light bulbs with energy saving lamps, installation of bathroom contactless faucets, mandatory segregation of waste;
- introduction of electronic circulation of documents in the office or the widespread use of e-mail and the internal bulletin board for communication between officials;
- timely payment of liabilities. Moreover, choosing suppliers, the Świętokrzyski Regional Office and the Regional Office in Lublin declared that they prefer local suppliers;
- covering charitable, educational, and social campaigns, as well as cultural events with the Governor patronage;
- conducting public consultations. Offices also offer the opportunity of internship in the office to the community members.

In summary, as part of their activities, regional offices implement only certain elements of the corporate social responsibility. However, all the units lack of

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<sup>201</sup> The report on the practices of corporate social responsibility in the voivodeship offices, accessible on [http://www.csrinfo.org/images/stories/Publikacje2011/raport\\_o\\_urzedach\\_wojewodzkich\\_2011.pdf](http://www.csrinfo.org/images/stories/Publikacje2011/raport_o_urzedach_wojewodzkich_2011.pdf) [accessed on 2013-09-20].

a long-term strategy, which may be the result of an insufficient knowledge of the CSR issues among managers. The authors of the report formulated some recommendations, which, taken into account, will contribute to the broader and systemic integration of CSR in the work of the public administration units<sup>202</sup>:

- investment in human capital and the development of knowledge and competence of the office employees, including enabling them to participate in training courses and conferences on corporate social responsibility and sustainable development;
- analysis of the current activities and their systematization, and subsequent setting of the goals and creation of a long-term strategy of responsible authority, policy or action plan in this regard;
- getting acquainted with ISO 26000 on social responsibility (as well as other standards and best practices), which can support the office in assessing the situation and determining the plan;
- monitoring, reporting, and wide communication of the progress in activities.

## Summary

In today's market reality the social responsibility applies to any organization, not only commercial, but also public administration. According to ISO 26000, any organization can implement socially responsible activities, taking responsibility for the consequences of their actions and decisions, not only in law, but also in social and environmental area.

CSR is a dynamically developing concept, hence, it can be assumed that the need to disseminate it through the popularization and promotion will be a regular part of its development. However, taking into consideration the slower development of CSR and a lower level of implementation of these standards than in the Western Europe, not only an intensive popularization and education in the field of CSR is necessary, but also the use of an implementation mechanisms, in the wake of which evaluation will occur. Public institutions can play a special role in promoting the CSR concept, both, in horizontal and vertical terms, not least due to the fact that the government is responsible for the development of CSR policies at the national level. Although the initiatives undertaken in the field of social responsibility belong to the business, public institutions should play a supportive role in the implementation of the strategy of sustainable development, and can provide

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<sup>202</sup> Ibidem.



innovative solutions in this area. Public institutions, especially public administration, can do so with the use of an *intelligent set of voluntary strategic solutions and, where necessary, supplementary regulations*<sup>203</sup>, for example, to promote transparency of the companies or to create market incentives for responsible behavior of Polish enterprises and the implementation of sustainable development strategies. It should be noted that in the process of dissemination not only activities of the public administration are important, but also the joint efforts made by the social partners and / or non-governmental organizations and civil society.

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<sup>203</sup> Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee and the Committee of the Regions; *Odnowiona Strategia UE na lata 2011-2014 dotycząca społecznej odpowiedzialności przedsiębiorstw*, Bruksela 2011.

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# **Corporate social (ir)responsibility**