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## Fulfilment of social needs as a manifestation of corporate flexibility

(*Realizacja potrzeb społecznych jako przejaw elastyczności przedsiębiorstwa*)

### Introduction

Today, the company environment is characterized by high levels of volatility and complexity, described by I. Ansoff as turbulent. The result of environmental turbulence is a limited ability to anticipate and uncertainty about the functioning of an organization. Therefore, there is a need to seek solutions to overcome uncertainty and anticipate changes in the economic environment. An enterprise, in order to survive and thrive, must learn to adapt to the environment. The literature mentions creation of a new image of the enterprise – flexible, lean, intelligent, learning, and socially responsible<sup>1</sup>. J. Penc believes that an organization, in response to changes in the environment, should become flexible by introducing new organizational patterns for increasing the capacity to better service the market, as well as serving the environment, thus fulfilling the idea of social responsibility<sup>2</sup>. W. Grudzewski, I. Hejduk, A. Sankowska, and M. Wańtuchowicz define an enterprise which is able to continue its business even in a hyper-dynamic environment as *sustainable enterprise*. It is characterized by the capacity for continuous learning, adaptation and development, revitalization, reconstruction and reorientation to maintain lasting and distinctive market position, while balancing the interests of various groups<sup>3</sup>.

<sup>1</sup> U. Gołaszewska-Kaczan, *Zaangażowanie społeczne przedsiębiorstwa*, Wydawnictwo Uniwersytetu w Białymstoku, Białystok 2009, p. 7.

<sup>2</sup> J. Penc, *Kreatywne kierowanie. Organizacja i kierownik jutra. Rozwiązywanie problemów kadrowych*, Placet, Warszawa 2000, p. 278–311.

<sup>3</sup> W. Grudzewski, I.K. Hejduk, A. Sankowska, M. Wańtuchowicz, *Sustainability w biznesie czyli przedsiębiorstwo przyszłości. Zmiany paradygmatów i koncepcji zarządzania*, Poltext, Warszawa 2010, pp. 26–27.

R.E. Freeman has identified different groups that have an impact on corporate performance, which he refers to as stakeholders. Those groups may have an impact on the organization and can cause imbalance.

Today's enterprises are increasingly oriented at fulfilling the needs of all stakeholders. This involves taking account of social needs to an increasingly greater extent. A phenomenon has even been observed that the economic dimension of the main objective has been reduced to an absolute minimum, and a social purpose is highlighted. The most advanced example would be a social enterprise. An enterprise which stresses the importance of social objectives, including a social enterprise, may be regarded as a response to the changing background conditions associated with change in the needs of different stakeholder groups, including those excluded from normal functioning in the market. A manifestation of this type of response may be a new type of flexibility associated with adapting to new social needs. To date, flexibility has not been widely considered from this point of view. Much work has been devoted in particular to flexibility associated with production systems.

This paper attempts to justify the view that the ability of an organisation to fulfil social needs is a sign of its flexibility.

## 1. Flexibility of an enterprise and social needs

Review of the concept of flexibility is contained in a publication by S. Kasiewicz et al.<sup>4</sup> The publication discusses concepts such as innovative flexibility, production system flexibility, personnel and product flexibility. The flexibility of a subject/object can be defined as the ability to respond to changes as well as to make changes. In some views, flexibility was associated with coping (by the organization) with changes in the environment, though with an emphasis on the fact that flexibility does not affect those changes. It meant that in this case we are dealing with attempts to respond to those changes. There are also views that indicate the possibility of taking actions to highlight the possibility of impacting on changes in the environment. That points to the existence of both internal and external flexibility. It is noted that flexibility can be strategic in nature, and may even affect the development of the organization. Flexibility is also discussed as an attribute or feature of the organization. In the aforementioned publication by S. Kasiewicz et al., when defining the concept of flexibility, the authors mentions that concepts similar to "flexibility" include *adaptiveness, responsiveness, resilience, openness, adjustment, elasticity*, and *agility*, which relates to the strategic level to a greater extent than flexibility. Agility of the organization is based on actions

<sup>4</sup> S. Kasiewicz, *Metody osiągnięcia elastyczności przedsiębiorstw. Od zarządzania zasobowego do procesowego*, SGH, Warszawa 2009, pp. 22–27, 117–144.

concerning the customer, making changes, and considering improvement through resource development and cooperation to permit competition. The sources of competitive advantage of an agile enterprise include not only fast responses to changes in the environment, continuity of the changes carried out, improving of the quality, and customer focus, but also, notably, concern for social needs<sup>5</sup>.

A manifestation of corporate flexibility in the global market is the shift from rigid organizational structures, through creating groups of companies, to links of network nature. Flexibility of the organization is also linked with the ability to adapt to the requirements of stakeholders, depending on geographical location. It should be taken into account that corporations operate in global markets, and the individual divisions (strategic business units) operate in different countries (with different operating costs), in different sectors, different government policies in different countries and different national cultures. Some of those cultures, such as the European Community or a network, can positively affect the flexibility of the enterprise<sup>6</sup>.

Flexibility may also be associated with a proactive attitude of the organization, which refers to taking responsibility for implementing entrepreneurial strategies, ideas, and experimentation. A manifestation of such proactive approach is the search for opportunities, introducing new products and brands, and eliminating activities that are in the stages of maturity or at the end of their life cycle<sup>7</sup>. Pro-activity is associated with actions that are faster than those of the competition. Pro-activity involves both activities aimed at creation of an environment for obtaining benefits and reactions to the behaviour of competitors. Its effects often include leading competitive position or promoting innovation. It manifests itself in being ahead of risks and change factors, actively seeking opportunities, creating unique solutions, actions aimed at seizing opportunities, and is associated with preventing problems<sup>8</sup>.

Flexibility of the organization is based on learning, imagination and control, while using multiple measures. Apart from the three other pillars, i.e. openness to future challenges, positive reinforcement of the participants of the organization (along with effective communication), and focus on fulfilling the purpose and mission, flexibility is decisive in an organization's success<sup>9</sup>.

<sup>5</sup> E. Rzeszutek, *Rola wiedzy w nowoczesnych strukturach organizacyjnych*, [in:] *Zarządzanie wiedza istotą współczesnych organizacji inteligentnych*, W. M. Grudzewski, J. Merski (eds.), Wydawnictwo WSE, Warszawa 2004, pp. 257–268.

<sup>6</sup> A. Chodyński, *Elastyczność przedsiębiorstwa na globalnym rynku – aspekty rozwojowe*, „Zeszyty Naukowe Wyższej Szkoły Humanitas” 2006, nr 2, „Zarządzanie i Marketing”, pp. 9–13.

<sup>7</sup> A.H. Van de Ven, D.E. Pooley, R. Garud, S.Venkataraman, *The innovation journey*, Oxford University Press, New York 1999.

<sup>8</sup> W. Dyduch, *Pomiar przedsiębiorczości organizacyjnej*, Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice 2008, pp. 98–100, 166.

<sup>9</sup> P.C. Light, *The four pillars of high performance. How robust organizations achieve extraordinary results*, McGraw–Hill, New York 2005.

Flexibility can also be linked to contextual factors, related to the nature of governance in the organization. It involves a restriction of top-down control, introduction of innovative management methods, and consent to take risks. It is related to positive reinforcement. Flexibility in thinking and action can be manifested as an adaptation to changing conditions, adjusting to new situations, and lack of resistance to changes. Flexibility may involve focus on resources, including use of resources that are not under control, or earmarking of resources for the implementation of ideas and experimental activities. It is related to time management, which is spent on discussing problems or assessment of resources use. It may mean the ability to transform value chains and shortening of the response time to events<sup>10</sup>.

Flexibility management may mean implementation of activities that may take place in stages. It can also cover activities related to the pursuit of CSR. In our view, fulfilment of social needs can be achieved within the framework of the entrepreneurial approach. In this case, one can rely on pursuing a process involving implementation of a map for creating and developing organizational entrepreneurship. Such actions take place in several stages, namely: determination of the entrepreneurial orientation and mission, identifying the methods for measuring organizational entrepreneurship, taking managerial decisions and actions with regard to the measurement of entrepreneurship (i.e. entrepreneurial management), focusing on knowledge (including know-how) and technology, and relying on innovation, which is associated with thinking about the future of the organization (its revival and development)<sup>11</sup>.

Also, the experience of managing relationships between the company and stakeholders in solving social problems in the enterprise may be used. In such management, two stages can be distinguished<sup>12</sup>:

- Stage I – stakeholder analysis: the creation of social relationships with key stakeholders (order of procedure: mapping of stakeholder relationships, mapping of stakeholder agreements, identifications of stakeholders' expectations, identification of the type of power of stakeholders, constructing a matrix of the stakeholders' priorities, and, finally, monitoring of the stakeholders).
- Stage II – stages of development of social claims: implementation of a test for coherence between the stakeholders' expectations and the life cycle of social goals (order of procedure: changing the stakeholders' expectations arising from the way business operates, political actions by the stakeholders leading to the creation of a formal coalition, formulation of proposals for laws and regulations and implementation of laws by the enterprise, with state support).

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<sup>10</sup> W. Dyduch, *Pomiar przedsiębiorczości organizacyjnej*, Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice 2008, pp. 123, 167, 230.

<sup>11</sup> *Ibidem*, p. 21.

<sup>12</sup> J. Adamczyk, *Spoleczna odpowiedzialność przedsiębiorstw*, PWE, Warszawa 2009, pp. 98–99.

## 2. Social orientation of the enterprise

R.W. Griffin identifies four approaches of an enterprise to social issues: obstructionist, defensive, accommodative, and proactive<sup>13</sup>. Another way of classification is presented by J.A. Stoner, R.E. Freeman, and D.R. Gilbert: attitudes may be reactive, defensive, and proactive<sup>14</sup>. Still another classification is given by G. Johnson and K. Scholes as they list ten attitudes, grouping them into four groups (types) of social attitudes of the enterprise. The first group includes enterprises focused on maximizing profits, which believe that social responsibility limits their freedom of operation; the group is represented mainly by the supporters of M. Friedman. The second group of enterprises takes into account the impact of stakeholders on profit in the long term. Social aspects, charitable activities or sponsorship is treated in terms of investment or spending on promotion – goodwill building. The third group of enterprises expresses commitment to all stakeholders, and takes into account their needs and interests in its business strategy. The fourth group includes organizations created to meet certain social needs, and financial benefits are not of key importance.

The social orientation of an enterprise can be analysed, taking into account the trends of CSR-related research, namely<sup>15</sup>:

- social responsibility considered as social commitment, assuming a close link between business and society. This means taking into account the expectations of the society as a whole, going beyond the purely economic aspects;
- social responsibility as an obligation to the stakeholders – at the same time, it is assumed that the accountability to the public is too broad (90s of the 20th century). It means putting emphasis on the subjective side. This approach allows to consider social responsibility as a management problem;
- social responsibility from an ethical perspective, the basis for which is not the desire to gain social legitimacy, fulfil obligations to society or stakeholders, but the value system contained in the organizational culture;
- social responsibility considered as a managerial process in the enterprise. Such management, focused on the results achieved (issues management) is associated with a systematic approach, through their identification, analysis of their impact on organizations, and implementation of strategies based on opportunities and threats.

M. Porter and M. Kramer formulate the concept of shared values (principle of shared value), going beyond the treatment of social responsibility as an internal pressure caused mainly. The concept relies on the creation of economic

<sup>13</sup> R.W. Griffin, *Podstawy zarządzania organizacjami*, PWN, Warszawa 2004, pp. 122–124.

<sup>14</sup> J.A. Stoner, R.E. Freeman, D.R. Gilbert, *Kierowanie*, PWE, Warszawa 1999, p. 117.

<sup>15</sup> I. Maignan, O.C. Ferrel, *Corporate social responsibility and marketing. An integrative framework*, „Journal of the Academy of Marketing Science” 2004, No. 1.

value, so that value to society also arises. It is an action broader than distribution of the already produced value. An example would be the action taken for the benefit of farmers in Côte d'Ivoire, which required initial investment, implementation of new purchasing practices and development of support clusters, but the benefits are greater than resulting fulfilment of the principle of fair trade. Fair trade in respect of purchases causes an increase in the share of profits which is directed to poor farmers by paying them higher prices.

It also recognizes the need to provide low-cost products for poor clients (such as cheap mobile phones as the basis for provision of mobile banking services to farmers in African countries). Possibilities of lowering prices by the suppliers are identified, due to an increase in volume, thus preventing marginalization of such suppliers. An example may be corporate collaboration with farmers – suppliers from the poor countries in Africa and Latin America: their training, bank guarantees, assistance in soil fertilization and storage of crops ensures good quality of the products, higher yields per hectare, and reduction of the negative impact on the environment, with the farmers' revenue being increased. In turn, cheaper location (including purchases on the local market, including in Africa) not only stimulates the local suppliers, but also, by reducing transport, causes a decrease in transportation costs and reduction in greenhouse gas emissions – carbon dioxide.

Provision of micro-loans and training of women in Indian villages in „straight to home” distribution not only allows them to create commercial opportunities but is also associated, through the provision of personal care products, with improvement of the health of the community<sup>16</sup>.

When analysing the social orientation of the enterprise, the objectives which the company plans to implement should be defined. The possibility of achieving those objectives is considered in conjunction with the imperative of operation, survival and development of the enterprise, which is efficiency. Efficiency is considered from the financial and technical viewpoint, but it may also relate to social efficiency (which may be related to the implementation of CSR) and environmental efficiency (eco-efficiency). Integrated efficiency of the enterprise is created by combining the overall economic efficiency with social and ecological efficiency<sup>17</sup>.

### 3. Social flexibility of the enterprise

In considering the issue of social flexibility as the ability to adapt to the needs, attention has to be paid to the issue of enterprise objectives. In the literature, there is an ongoing debate on the main objective of the enterprise. Analysis of enter-

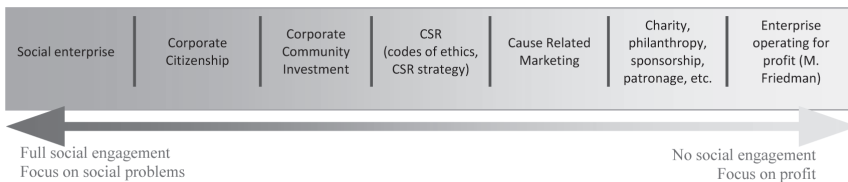
<sup>16</sup> M.E. Porter, M.R. Kramer, *Creating shared value*, „Harvard Business Review” 2011, January–February, pp. 62–77.

<sup>17</sup> A. Jaki, *Paradygmat efektywności w zarządzaniu*, „Przegląd Organizacji” 2011, No. 4, pp. 3–7.

prise theories reveals a regularity involving the transition from the focus on the interests of one entity – the owner, through perception of the importance of the interests of managers, to the need to take into account the interests and needs of all stakeholder groups. In his publications, M. Friedman stresses that the primary purpose of a business is to maximize profits or market share: “There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game (...), engages in open and free competition without deception or fraud<sup>18</sup>”. This quote is known as the motto of the theory of shareholders. The views of M. Friedman and proponents of this theory point to an extreme approach to meeting social needs, thus establishing level “0” for social flexibility, meaning its complete absence (Figure 1).

In the literature, controversy continues as to whether the concept of shareholders is so extremely “anti-social”. J. Filek argues that granting the enterprise the freedom of establishment makes it necessary for the enterprise to comply with the law and respect the moral norms applicable in the society to the benefit of which the enterprise operates. “If in terms of freedom the enterprise is regarded as the subject of free elections, it may not cease to be regarded as such in terms of responsibility. (...) The right of free action entails commitment of the enterprise not only to act within the law, but also to respect the moral standards of the community, thus being responsible for any consequences of its activities as is the case with individuals<sup>19</sup>”. By adopting such an argument, the very fact of existence of an enterprise acting in accordance with the law should be regarded as socially responsible.

Figure 1. Degree of social engagement of the enterprise



Source: own study based on the relevant literature, cf. Aluchna, *Wyzwania dla przedsiębiorstw we współczesnym świecie*, [in:] *Współczesne wyzwania dla przedsiębiorstw*, M. Aluchna (ed.), Oficyna Wydawnicza Szkoła Główna Handlowa w Warszawie, Warszawa 2010, p. 40.

<sup>18</sup> M. Friedman, *Kapitalizm i wolność*, Centrum A. Smitha & Rzeczpospolita, Warszawa 1993, s. 127–128, [in:] U. Gołaszewska-Kaczan, *Zaangażowanie społeczne przedsiębiorstwa*, Wydawnictwo Uniwersytetu w Białymstoku, Białystok 2009, p. 23.

<sup>19</sup> J. Filek, *O wolności i odpowiedzialności podmiotu gospodarującego*, Wydawnictwo AE w Krakowie, Kraków 2002, p. 170.



### 3.1. Charitable activity

Today, charity is one of the most popular ways of enterprise engagement in the fulfilment of social needs. Manifestations of pro-social actions are different, but usually they include philanthropy/charitable activities, sponsorship, patronage, and the increasingly popular corporate volunteering.

Philanthropy means “reflex of the heart”, and its aim is not a desire to increase profit or improve the situation of the company in the market, which itself is the starting point for social marketing.<sup>20</sup> N. Bullain distinguishes philanthropy from charitable activities. Philanthropy is a conscious and systematic efforts to improve the living conditions in the community through financial support and being active in that community, it is “a planned effort to improve our society, to make this world a little better place in which to live”. Charity is casual, unplanned or incidental<sup>21</sup>. In practice, those terms are used interchangeably. The charitable activities of enterprises are dominated by general social objectives, there is no mutual benefit, and the company name is not exhibited. Philanthropic activities is increasingly seen as a prerequisite to improve business competitiveness and strengthen the brand, and it becomes a competitive differentiator among companies, merging with the core business. J. Adamczyk shows examples of ways and mechanisms for implementation of social action: creating your own foundation, setting up business associations, segregation of specialized units within the enterprise, and initiation of partner forums for social affairs<sup>22</sup>.

One of the manifestations of social involvement of companies is corporate volunteering. Corporate volunteering involves the engagement of company employees in community activities for third sector organizations. They provide various types of work for people in need, participate in activities of educational, sporting, and cultural nature, using their skills and abilities, and simultaneously developing in other areas. The employer (the company) supports the workers in those activities by e.g. delegating the employee during their working hours, and provides financial and logistical support<sup>23</sup>. In European countries, volunteering is focused mainly on culture and recreation (Europe 35.8%, Poland 49.3%), and to a lesser extent on social assistance, social services and health care (Europe 26.9%, Poland 24%). On the other hand, in the United States, volunteering is focused mainly on social assistance, social services (36.7%), education (13.4%), and health (13.6%).

<sup>20</sup> M. Aluchna, *Wyzwania dla przedsiębiorstw we współczesnym świecie*, [in:] *Współczesne wyzwania dla przedsiębiorstw*, M. Aluchna (ed.), Oficyna Wydawnicza Szkoły Głównej Handlowej w Warszawie, Warszawa 2010, p. 40.

<sup>21</sup> N. Bullain, *Rzecz o cudach i błędach percepcji: lekcje „prawa jednego procenta” na Węgrzech*, [in:] *Współpraca obywatelskiego z administracją publiczną*, M. Rymusza (ed.), ISP, Warszawa 2004, p. 234 [in:] U. Gołaszewska-Kaczan, *Zaangażowanie społeczne przedsiębiorstwa*, Wydawnictwo Uniwersytetu w Białymstoku, Białystok 2009, p. 109.

<sup>22</sup> J. Adamczyk, *Spoleczna ...*, p. 147.

<sup>23</sup> B. Rok, *Odpowiedzialny biznes w nieodpowiedzialnym świecie*, Akademia Rozwoju Filantropii w Polsce, Forum Odpowiedzialnego Biznesu, Warszawa 2004, p. 50.



This is due to differences in social systems, especially to the social security systems prevalent in Europe<sup>24</sup>.

In its essence, philanthropy is similar to patronage, because of the selflessness and altruistic motives for action in order to bring benefits to the beneficiaries.<sup>25</sup> Patrons usually support projects of cultural, scientific, and humanitarian nature, often anonymously, without seeking fame and popularity. In the case of enterprises, such actions may differ from the classic patronage due to their own objectives and economic benefits. It happens that enterprises actually publicize their activities to communicate that they are participating in the fulfilment of social needs. In those situations, such activities should be treated as sponsorship, which is another form of social engagement of companies. It differs from philanthropy and patronage in the sense that a sponsor seeks to gain publicity, popularity, prominence of its logo or name, and, therefore, its objective is to build corporate image and achieve economic effects. M. Grabowski defines sponsorship as a form of participation in the costs of a project for promotional purposes, involving the dissemination of the name or trade mark of the sponsor. A sponsor finances specific activities or entire events such as concerts or sports competitions, which directly or indirectly contributes to the achievement of the sponsor's marketing objectives<sup>26</sup>. Sponsorship is thus based on mutual benefits for both parties. Sponsorship usually involves:

- arts and culture – cultural institutions – theatres, museums, cinemas, including authors and artists, and events – exhibitions, festivals and concerts;
- social issues – supporting institutions such as orphanages, retirement homes, charity events such as providing extra food for children;
- ecology – nature conservation and environmental protection, educational campaigns;
- sport – events, teams or individual athletes;
- health care – hospitals, clinics, actions related to preventive examinations, education on health;
- education – schools and kindergartens, competitions;
- science – scientific research, publications, conferences, etc.

### 3.2. Cause Related Marketing

A manifestation of the growing intermingling of business and social life is *cause related marketing (CRM)*. The starting point for CRM activities is the desire to maximize profits or to improve the situation on the market. It is a commercial activity

<sup>24</sup> K. Banasiewicz, *Wolontariat korporacyjny jako jeden z przejawów społecznej odpowiedzialności przedsiębiorstwa*, [in:] *Spoleczna odpowiedzialność organizacji. Metodyka, narzędzia, ocena*, Z. Pisz, M. Rojek-Nowosielska (eds.), Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu, Wrocław 2011, p. 164.

<sup>25</sup> J. Adamczyk, *Spoleczna...*, p. 158.

<sup>26</sup> M. Grabowski, *Sponsorowanie przez prowadzących działalność związaną z produktami (usługami) objętymi zakazem reklamy*, „Studia Prawnicze” 1995, z. 1–4, [in:] J. Adamczyk, *Spoleczna...*, p. 158.

carried out by a company that respects both the marketing goals and social needs<sup>27</sup>. CRM, by combining business operations with social campaigns, allows the creation of a product, service or company image, while bringing benefits to the supported cause or social organization. Cause related marketing improves the image of the company in the environment, contributes to increased customer confidence, resulting in an increase in sales or increased consumer loyalty to the company or brand. It is not only an important part of the social responsibility programme adopted by the company, but also an excellent tool to achieve greater profits in a purely economic sense. CRM uses various models of cooperation between the participants, the most popular of which is the inclusion of customers in the co-financing of specific NGOs through purchasing products of a company involved in the campaign. Often, elements of CRM are used in customer loyalty programmes<sup>28</sup>.

Pursuit of CRM involves creation of partnerships between the enterprise and NGOs (charitable organizations), which are often long-term, and such cooperation brings multilateral benefits<sup>29</sup>. This is known as the win-win strategy. B. Rok points to a number of advantages from both company perspective, such as increased customer loyalty, increased social awareness and motivation of employees, improved reputation and social image, and increased sales, on the one hand, and social perspective, on the other hand (NGOs effectively implement their statutory objectives, the level of commitment to the achievement of important social objectives is increasing, the organizations gain better social image, and thus are able to become more involved in other programmes)<sup>30</sup>.

### 3.3. Corporate Social Responsibility

Modern approach to the management of corporate social responsibility is based on the concept of mutual benefits to all stakeholders of the enterprise. There is a growing interest in products and services aimed at meeting social needs. The implication of those processes is the tendency to integrate social responsibility into the company's internal processes. According to J. Nakonieczna, social responsibility, in order to become effective, must be an integral part of the enterprise. If it is treated as a "foreign body", it will bring positive effects neither to the environment in which it operates, nor to the enterprise itself<sup>31</sup>. For some companies and business sectors, the distinction between what is being done for purely business reasons and what is a social investment or community involvement is becoming increasingly difficult.<sup>32</sup> This allows recognition of inter-enterprise instruments as determinants of

<sup>27</sup> J. Nakonieczna, *Spoleczna odpowiedzialność przedsiębiorstw międzynarodowych*, Difin, Warszawa 2008, p. 72.

<sup>28</sup> U. Gołaszewska-Kaczan, *Zaangażowanie...*, pp. 112–114.

<sup>29</sup> A. Paliwoda-Matiolańska, *Odpowiedzialność społeczna...*, pp. 130–131.

<sup>30</sup> B. Rok, *Odpowiedzialny...*, p. 35.

<sup>31</sup> J. Nakonieczna, *Spoleczna...*, p. 87.

<sup>32</sup> B. Rok, *Więcej niż zysk, czyli odpowiedzialny biznes. Programy, strategie, standardy*, Forum Odpowiedzialnego Biznesu, Warszawa 2001, p. 59.

implementation of a social responsibility policy in the enterprise, and as the tools for its development in order to create social, environmental and economic value of the enterprise. One cannot treat the enterprise as socially responsible when the process of its management is no different from companies violating the principle of social responsibility<sup>33</sup>. Pro-social enterprise management policy requires consideration of social and environmental aspects in all areas of operation and building of an integrated enterprise management system that will facilitate their implementation in everyday business. A. Paliwoda-Matiolańska proposes that social, economic or ecological tasks are incorporated into the various functional departments (Human Resources, Finance, Marketing, Business, Operations/Production, Design/Engineering, etc.), and linked with corporate goals<sup>34</sup>.

When speaking about the inclusion of social involvement in the overall activities of the company, it is impossible not to mention the issue of creating a suitable organizational structure. It is necessary to determine who will be responsible for the collection of initiatives, for directing the activities, and for monitoring the results. It may be necessary to create a new department or position. Every action of the company should be scrutinized for effects as well as for costs. The results achieved should be verified with the beneficiaries of the relevant activities to see if they assess the benefits in a similar way. Conclusions will allow possible improvement of such actions in the future<sup>35</sup>.

The incorporation of corporate social responsibility policies into the enterprise's current operations facilitates responding to the needs and management of the stakeholders' expectations. The inclusion of social responsibility can take the form of component strategy or permeate all levels of management within the framework of a global strategy<sup>36</sup>.

Ethical levels have a significant impact on whether companies are able to act in a socially responsible way. Therefore, enterprises construct ethics programmes. They fulfil two main functions – internal – which involves making the employees aware of the company's ethical activities and showing them the targets and measures to pursue them, and external – which involves building and maintaining reputation among stakeholders. A. Lewicka-Strzałecka lists three elements that make up ethics programmes: a formalized code of ethics containing standards recognized by the company, training to familiarize the employees with those standards, and an ethics unit dedicated to monitoring and enhancing compliance with the ethical principles<sup>37</sup>.

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<sup>33</sup> A. Paliwoda-Matiolańska, *Odpowiedzialność społeczna...*, p. 88.

<sup>34</sup> *Ibidem*, pp. 111–112.

<sup>35</sup> *Ibidem*, p. 110.

<sup>36</sup> J. Adamczyk, *Spoleczna...*, p. 144.

<sup>37</sup> A. Lewicka-Strzałecka, *Etyczne programy firm: teoria i praktyka*, [in:] *Etyka biznesu, gospodarki i zarządzania*, W. Gasparski (ed.), Wydawnictwo Wyższej Szkoły Humanistyczno-Ekonomicznej w Łodzi, Łódź 1999, pp. 161–171.

According to J. Penc, ethics programmes are focused on giving ethics the status of a strategic standard and they should not be viewed as a supplementary element in the conduct of business. Ethics programmes include, wither in their entirety or selectively, the following elements: identification of the organization's mission, definition of ethical and professional standards, development of a code of ethics, development of an ethics training programme, creation of an ethics position, promotion of ethical behaviour (publications, seminars), constant monitoring of compliance with ethical standards, an ethics audit, and periodic reviews of the code of ethics<sup>38</sup>.

### 3.4. Corporate Community Investment

Investments in the local community mentioned by B. Rok can be regarded as another level of community engagement. They are long-term activities undertaken in cooperation with the community to solve certain social problems, selected and recognized by the company management as essential to promotion of the long-term interests of the company and enhancing its reputation. Such activity does not have immediate effects in the form of financial gain, but it is profitable in the long run as it wins the favour of the social environment. In enterprises focused on long-term development, unplanned financial donations allocated to different unrelated projects are consciously abandoned and replaced with building of long-term strategies of social engagement (corporate community investment strategies), leading to a lasting partnership with selected organizations<sup>39</sup>. Community investment may thus be linked to social campaigns and social advertising. A social campaign is an action aimed at triggering socially desirable changes, attitudes or behaviours. The process of its implementation involves many stakeholders: businesses, media, community organizations, and public institutions. Public campaign uses various methods to reach addressees of the message or solve social problems. Those measures differ from cause related marketing in the sense that the only goal of the campaign is to draw attention to a social problem, drawing on the marketing experience of the company. A social campaign does not involve the selling of products or services of the participating entities, it is non-commercial<sup>40</sup>.

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<sup>38</sup> J. Penc, *Menedżer w działaniu*, C.H. Beck, Warszawa 2003, Vol. 1, p. 82.

<sup>39</sup> B. Rok, *Odpowiedzialny...*, p. 48.

<sup>40</sup> U. Gołaszewska-Kaczan, *Zaangażowanie...*, pp. 108–115.

### 3.5. Corporate Citizenship

Social engagement is also related to the concept of corporate citizenship of the enterprise. The enterprise, being one of the participants in the community in which it operates, should function like a citizen – an active member of the community. This means participation in the community life by supporting charitable, educational, and cultural initiatives, and encouraging the employees to do the same. In literature, the concept of corporate citizenship is presented in different ways. In its narrowest meaning, it is limited to the implementation of philanthropic activities and volunteering in the community. In the broader meaning, the concept of corporate citizenship is treated on a par with corporate social responsibility (CSR) and is employed by many corporations such as ExxonMobil, Toyota, and Ford. The broadest approach gives corporate citizenship a wider meaning than CSR and recognizes it as the next higher level of responding to social needs<sup>41</sup>. U. Gołaszewska-Kaczan also recognizes corporate citizenship as the highest degree of social responsibility. Such an approach suggests that the enterprise is now assuming the role previously played by public authorities, i.e. responsibility for fulfilling social needs, which is a task formally belonging to the government<sup>42</sup>. Enterprises pursuing the image of corporate citizenship are characterized by awareness of the impact on the society in which they operate, and sensitivity to social problems, not necessarily only those that apply to them. Their activities should be transparent and possible to assess from the outside, which is reflected in social reports.

### 3.6. Social enterprise as the most advanced example of a community-engaged form of business

A social enterprise is characterized by the highest level of social engagement (cf. Figure 1). The concept of “social enterprise” combines two attributes: “entrepreneurship” and “community”. The “entrepreneurship” attribute suggests that it is an organization that runs a business, and so produces products or services, using materials and intellectual resources in ways that lead to economic surplus. The second attribute, “community”, indicates, on the one hand, that the basic resources used by the enterprise are built on social capital, shaped within a particular community, and, on the other hand, points to its mission – operation of the company is focused on social inclusion across the local community, or its main purpose is to prevent social exclusion through professional and economic inclusiveness. A social

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<sup>41</sup> D. Matten, A. Crane, *Corporate Citizenship: toward an extended theoretical conceptualization*, „Academy of Management Review” 2005, Vol. 30, No. 1, 166–179.

<sup>42</sup> U. Gołaszewska-Kaczan, *Zaangażowanie...*, p. 100.

enterprise is part of the market economy, and its uniqueness lies in the fact that its mission and goals are located outside the market. It participates in the market economy, but according to specific rules, which makes it different from a private enterprise. A social enterprise not only creates additional supply of goods and services, but also additional market demand on the part of its employees. Combining social enterprise with the local social capital means, in practice, the participation of several partners (multi-stakeholder), such as social entrepreneurs, employees, volunteers, users, civil society organizations, and local public institutions. Ownership relations between those partners are less important, while more significance is given to the functional relationships, associated with the social role played, not with ownership. Its innovation and adaptability comes especially from the possibility of reasonably flexible choosing of the forms of partnership between stakeholders. In the case of a social enterprise, we are dealing with a different management culture than in the case of a private company, it is based on partnership and participation rather than leadership and subordination. A social enterprise is a connection between the third sector and the private sector, thus becoming one of the important institutional ties between civil society and a market economy<sup>43</sup>.

The literature cites a number of definitions of social enterprise. The idea of social enterprise is conceptualized differently in Europe and the US. In Europe, there are two approaches (with several variants) to the social enterprise. The first approach emphasizes the social initiatives of companies that seek to give a more social dimension to their commercial activities. The second approach narrows the definition of social enterprise to enterprises that exist within the third sector, which also includes social cooperatives<sup>44</sup>. This concept of social enterprise is proposed by the EMES network (The Emergence of Social Enterprise in Europe), which brings together researchers and scientists. The outcome of their research is a model of an “ideal type” of social enterprises. The definition of “ideal-type social enterprise” has three characteristics: multiple goals, multiple stakeholders, and diversity of funding sources, consists of four economic criteria and five social criteria. According to the EMES, an “ideal-type social enterprise” should<sup>45</sup>:

- be a continuous activity – producing and selling goods and/or services;
- have a high degree of autonomy;
- assume a significant level of economic risk;
- have a minimum amount of paid work;
- aim to benefit the community;
- be an initiative launched by a group of citizens;

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<sup>43</sup> J. Defourny, *Introduction: From Third Sector to Social Enterprise* [in:] *The Emergence of Social Enterprises*, C. Borzaga, J. Defourny (eds.), Routledge, London–New York 2001.

<sup>44</sup> J.A. Kerlin, *Social enterprise in the United States and Europe: Understanding and learning from the differences*, „Voluntas” 2006, Vol. 17(3), p. 249.

<sup>45</sup> J. Defourny, *Introduction: From Third Sector to Social Enterprise* [in:] *The Emergence of Social Enterprises*, *op. cit.*, pp. 16–18.

- have a decision-making power not based on capital;
- have a participatory nature, which involves the various parties affected by the activity;
- limit profit distribution.

Another attempt at defining social enterprise is the proposal of the British government, according to which “a social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners<sup>46</sup>”.

B. Jamka defines a social enterprise as one that, in carrying out economic activities<sup>47</sup>:

- sets strictly social objectives and is not driven by the need to maximize profits for the owners (shareholders), and reinvestment of surplus is associated with achieving those goals. Investing concerns the enterprise’s activities or the community;
- it is assumed that the measure of success is solving a social problem; the effects are often seen primarily in the immediate environment of the enterprise. The paradox is that collapse of such an enterprise could solve problems.

In the United States, a much broader concept of social enterprise is used. Its ability to generate income is emphasized more than anywhere else. Such a perception of social enterprise is shared by both practitioners and theorists. In the scientific circles, social enterprises include for-profit organizations that engage in social initiatives (as part of charity activities and corporate social responsibility), through enterprises that combine the pursuit of profit and social goals (hybrids), to non-profit organizations which are established to support the implementation of their mission (social goal-oriented organizations). Outside the academic circles, the activity of social enterprises focuses primarily on generating revenue by non-profit organizations (especially organizations exempt from income tax). Some business schools and social enterprise advisers focus exclusively on non-commercial activities. To distinguish a non-profit-oriented social enterprise (the definition used in the academic environment includes social initiatives implemented as part of commercial activity), the following terms are used: non-profit social enterprise, non-profit enterprise, non-profit venture, or enterprising non-profits<sup>48</sup>.

<sup>46</sup> J. Hausner, N. Laurisz, *Czynniki krytyczne tworzenia przedsiębiorstw społecznych. Przedsiębiorstwo społeczne. Konceptualizacja*, [in:] *Przedsiębiorstwa społeczne w Polsce. Teoria i praktyka*, J. Hausner (ed.), Uniwersytet Ekonomiczny w Krakowie, Kraków 2008, p. 13.

<sup>47</sup> B. Jamka, *Redefinicja celu współczesnego przedsiębiorstwa wobec koncepcji zrównoważonego rozwoju i kapitału społecznego*, „Organizacja i Kierowanie” 2010, Vol. 3 (141), pp. 17–32.

<sup>48</sup> J. Kerlin, *Social...*, p. 249.



Social enterprises are engaged in operations in many areas. J. Wygnański lists the following<sup>49</sup>:

- Inclusion in the labour market and prevention of social exclusion. Pro-employment social enterprises addresses its activities to many different groups of people (beneficiaries), including: young people (from groups especially vulnerable to problems in the labour market, such former wards of children's homes), people caring for children or other dependants (e.g. chronically ill family members), former prisoners, ethnic and national minorities, refugees, addicts and former addicts.
- Provision of public services directed to the open market – they can have variable nature, and two groups of such services are particularly important for social entrepreneurship: social services, and technical services.
- Social services (public interest services) – such as running kindergartens and schools, forms of lifelong learning and informal education. The greatest potential lies in social services such as homeless shelters, nursing services provided at home, and operation of various types of care institutions.
- Technical services – they may relate to the maintenance of green areas and other clean-up work on public property, waste collection and disposal services, transport services for the disabled and infirm (paratransit), and public transport (for example, in London, a social enterprise operates a network of buses for a certain district, and in Italy, city bike rentals, operated by social cooperatives, are becoming increasingly popular.
- Services on the open market – those activities of enterprises are particularly interesting as they provide services while employing specific groups of “discouraged workers”. Those services include construction and repair services, tourism and hotel services, cleaning and property protection services, catering services, but also IT services and various forms of specifically organized teleworking (e.g. *call centres* for other institutions).
- Services of a reciprocal nature – undertakings operating in the market area which are competitive precisely because of their reciprocal nature, such as co-op insurance companies, health and care services, telephone cooperatives, etc. Another group of undertakings based on reciprocity are “alternative” exchange mechanisms operating outside the market. They are, for example, Time Banks or goods exchange systems – barterers.
- Creation and preservation of public goods – this involves actions regarding environmental protection, preservation of local tradition, or ensuring public safety. Social enterprises may also be useful in conducting actions aimed at the protection of monuments and cultural treasures or operating various types of cultural institutions, such as theatres, museums, or libraries. An important element are also ecological goals.

<sup>49</sup> „Biuletyn Bezrobocie”, FISE, 2009, No. 4.

- Trade and production activities – may involve both goods manufactured by social enterprises themselves, as well as agency in the sale of products manufactured by others. The income from such activity is spent on social purposes. Social enterprises can also undertake production activities. They include especially such types of production that, for various reasons, fall into the “labour-intensive” category of production and thus are not necessarily technologically advanced, such as furniture manufacture, sewing and clothing repair, manufacture of various types of gadgets, as well as various forms of handicraft (especially artistic). A particular area of production is the production of food, regional products, or organic food.

J. Kerlin pointed to the differences between the models of social enterprises in seven regions of the world: North America, South America (Argentina), South-East Asia, Western Europe, Central and Eastern Europe, Japan, and Africa (Zimbabwe/Zambia). Several aspects are worth paying special attention, for example what the focus is on – for example, in Zimbabwe/Zambia, great importance is attached to self-sufficiency (self-sustainability) due to the absence of other sources of income, as is the case in North America, where the emphasis is on generating revenue, while in Europe social welfare is of greatest importance. In many areas in which some regions have difficulties in the development of social enterprises, positive solutions have been found in other regions, and vice versa. The regions may, therefore, mutually benefit from their experience. For example, the US can take an example from Western Europe in the field of public involvement in the development of social enterprise, democratic governance, and involvement of the government. On the other hand, Europe can learn from the US how to broaden the scope of services provided by the enterprise, introduce new forms of enterprises, and use government contracts as the target source of jobs. In the US, operations of social enterprises include a wide range of services, not only social services, but also actions in the field of environmental protection. Europeans who are interested in broadening the scope of social activities can take advantage of the model in place in the US<sup>50</sup>.

## Conclusions

In practice, enterprises pursue one or several forms and types of socially involved activities. It is mostly dependent on the assessment of their own potential, perception of social problems, and objectives that they want to achieve. The broad spectrum of pro-social activities (social engagement) allows even the smallest players, not just the richest and largest, to become socially committed. The

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<sup>50</sup> J. Kerlin, *A comparative analysis of the global emergence of social enterprise*, „Voluntas” 2010, No. 21, pp. 162–179.

ability to incorporate responses to social needs in one's business can be a source of competitive advantage. Enterprises can benefit from the experience of various countries, relating to both the most flexible forms such as social enterprise, as well as other manifestations of social involvement, such as social investment, while remembering, however, that any such solutions should be incorporated in the enterprise management system and linked to its objectives in order to achieve the most satisfactory results. Subject to further consideration may be ways to measure the degree of social flexibility.

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## Streszczenie

Współczesne przedsiębiorstwa w coraz większym stopniu nastawione są na realizację potrzeb wszystkich interesariuszy. Wiąże się to z uwzględnianiem w coraz większym zakresie potrzeb społecznych. Obserwuje się nawet zjawisko polegające na tym, że wymiar ekonomiczny celu głównego został ograniczony do niezbędnego minimum, a na plan pierwszy wysuwa się cel społeczny. Najbardziej zaawansowanym przykładem może być przedsiębiorstwo społeczne. Opiera ono często swoją działalność na osobach wykluczonych z funkcjonowania na rynku. Przedsiębiorstwo społeczne, realizując działalność gospodarczą:

- wyznacza sobie cele ściśle społeczne, nie kierując się potrzebą maksymalizacji zysku na rzecz właścicieli (akcjonariuszy), a ponowne inwestowanie nadwyżek wiąże się z realizacją tych celów. Inwestowanie dotyczy działalności lub wspólnoty.

– przyjmuje, że miarą sukcesu jest rozwiązanie problemu społecznego; efekty często są widoczne głównie w otoczeniu przedsiębiorstwa.

Przedsiębiorstwo akcentujące znaczenie celów społecznych, w tym – przedsiębiorstwo społeczne może być traktowane jako odpowiedź na zmieniające się warunki otoczenia, związane ze zmianą potrzeb różnych grup interesariuszy, w tym osób wykluczonych z normalnego funkcjonowania na rynku. Przejawem tego typu odpowiedzi może być nowy typ elastyczności, związany z dostosowaniem się do nowych potrzeb społecznych.

W niniejszym opracowaniu próbowano uzasadnić pogląd, że zdolność organizacji do realizacji potrzeb społecznych jest przejawem jej elastyczności. Wskazano poziomy społecznej odpowiedzialności określające stopień zaangażowania społecznego, od działań filantropijnych, aż po pełne zaangażowanie społeczne w postaci przedsiębiorstwa społecznego. Przedstawiono założenia funkcjonowania przedsiębiorstw społecznych, w tym różnych modeli przedsiębiorstw (Ameryka Północna i Południowa, Europa, Azja, Afryka) oraz zaprezentowano przykłady z krajów rozwiniętych i krajów trzeciego świata.