

ZN WSH Zarządzanie 2016 (1), s. 39-48

Oryginalny artykuł naukowy
Original Article

Data wpływu/Received: 2.09.2015

Data recenzji/Accepted: 3.01.2016/10.01.2016

Data publikacji/Published: 2.03.2016

Źródła finansowania publikacji: środki SGH w Warszawie

DOI: 10.5604/18998658.1199358

Authors' Contribution:

- (A) Study Design (projekt badania)
- (B) Data Collection (zbieranie danych)
- (C) Statistical Analysis (analiza statystyczna)
- (D) Data Interpretation (interpretacja danych)
- (E) Manuscript Preparation (redagowanie opracowania)
- (F) Literature Search (badania literaturowe)

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Szkoła Główna Handlowa w Warszawie

**CORPORATE SOCIAL RESPONSIBILITY
IN A FAMILY BUSINESS**

**SPOŁECZNA ODPOWIEDZIALNOŚĆ BIZNESU
W FIRMIE RODZINNEJ**

Abstract: Dynamic economic development generates continuous environmental changes which imply the need to implement new concepts both supporting company management and constituting a reply to the increasing social demands connected with the performed business activities. One of those is constituted by the concept of corporate social responsibility (CSR) which acquires special meaning in case of family businesses whose specific character in natural manner correlates with the paradigm of socially responsible business, reconciling its economic objectives with the social and environmental goals.

Keywords: management, company, family business, corporate social responsibility, CSR

Streszczenie: Dynamiczny rozwój gospodarczy wywołuje ciągle zmiany środowiskowe, które implikują potrzebę wdrażania nowych koncepcji wspomagających zarówno zarządzanie przedsiębiorstwem, jak i będących odpowiedzią na rosnące wymagania społeczne względem prowadzonej działalności. Jedną z nich jest koncepcja społecznej odpowiedzialności biznesu (CSR), która szczególnego znaczenia nabiera w przypadku firm rodzinnych, których specyficzny charakter w naturalny sposób koreluje z paradygmatem biznesu odpowiedzialnego społecznie, godzącego cele ekonomiczne z celami społecznymi i ekologicznymi.

Słowa kluczowe: zarządzanie, przedsiębiorstwo, firma rodzinna, społeczna odpowiedzialność biznesu, CSR

Introduction

Nowadays demanding customers expect companies to bear responsibility for the conducted business activities and to assume pro-social approach manifested by the companies' care both for their business and for the welfare of the surrounding in which they function; the said surrounding involving customers, competitors, buyers, suppliers and other interested entities. Such approach forces companies to alter the manner of selection and realisation of their business goals and persuades them to include the so called concept of corporate social responsibility (abbreviated to CSR)¹ in the scope of their development activities; a concept that facilitates the reconciliation of partially contradictory interests of the company and the society.

The CSR concept has gained importance and popularity among all the participants of social and economic sphere of life including companies for whom it may constitute an element of competitive advantage. In result the popularisation of the said concept particularly among family owned businesses, which constitute the solid foundation of any economy due to their number, stability, continuity of functioning, efficient management, family values and exceptional ability of coping with difficult economic conditions, has become an interesting issue. Despite the fact that due to their character these companies seem to be naturally predisposed to conduct socially responsible operations they are not always able to do so mainly because of the different manner of management, various range of their activities, different sizes or due to organisational reasons. The latter statement refers mainly to smallest family businesses constituting simultaneously the most numerous group of such companies which decide on the actual application of the CSR concept within the whole group of these companies. Therefore the objective of this article shall be the attempt to indicate in which family companies the largest possibilities to use CSR initiatives exist or may exist and subsequently to obtain the appropriate profits.

¹ The CSR is acronym of the words: *Corporate Social Responsibility*. Por. J. Klimek, *Spoleczna odpowiedzialność biznesu w Polsce*, Adam Marszałek, Toruń 2012, s. 23.

1. The idea of socially responsible business

The CSR concept originates from the United States of America and it results from the social approach to companies as entities which should not only maximise profit and consequently have their liabilities towards their owners but they should also remember about their obligations towards the whole society.² The interest in the social activities of business has been increasing over time and it has resulted in multiple publications on that topic by authors such as: K. Davis, H.R. Bowen, R. Ackerman, C. Walton, L.E. Preston, T. Donaldson, J. Post, S. Holmes or A.B. Carroll.³ Unfortunately, despite numerous publications concerning the concept in question there exists no single, unified definition describing social responsibility of business – although such activities are described by international or specific industry organisations and also by individuals studying the theoretical aspect of this issue. Similarly no legal regulations clearly defining the scope of activities characteristic for the company classified as socially responsible business exist.

Currently CRS constitutes a solution within which a company is treated as an entity responsible towards the society and environment for the effects of all its decisions and which through its ethical behaviour contributes to sustainable growth including the society's health and welfare simultaneously considering the expectations of interested parties and functioning in compliance with the binding domestic and international legal regulations.⁴ Additionally, strong emphasis is placed on the dialogue with all the interested parties that is societies, owners, employees, suppliers, clients or competitors as well as on the treatment of all CSR-related activities in terms of complex and long-term investment in human resources, environmental protection and relations with the interested parties mentioned before and not considering such activities from the viewpoint of unjustified expenditure.⁵

Regarding the discussion of benefits from the inclusion of the CSR concept in the company's management we need to take into consideration two various notions constituted by the society and the company.⁶ From the society's point of view activities for the sake of environmental protection, elimination of existing social differences, supporting local communities, creation of new workplaces, development of education or allocation of funds onto sport, culture and charity are classified as beneficial. On the other hand within a company CSR is reflected in both financial and non-financial aspects in the form of specific benefits which are most frequently connected with the creation of a positive image of the company in the market or with better relationship with local communities.

² J. Adamczyk, *Społeczna odpowiedzialność przedsiębiorstw*, PWE, Warszawa 2009, s. 40.

³ Por. A.B. Carroll, *A history of Corporate Social Responsibility. Concepts and Practices*, [w:] *The Oxford Handbook of Corporate Social Responsibility*, red. A. Crane, A. McWilliams D. Matten, J. Moon, D. Siegel, Oxford University Press, New York 2008, p. 30-33; H.R. Bowen, *Social Responsibilities of the Businessman*, Harper & Row, New York 1953.

⁴ *ISO 26000 Guidance on Social Responsibility*, ISO 26000, 2010 (E), s. 3.

⁵ Por. J. Nakonieczna, *Społeczna odpowiedzialność biznesu przedsiębiorstw międzynarodowych*, Difin, Warszawa 2008, s. 21.

⁶ J. Adamczyk, *Społeczna ...*, s. 120-121.

Naturally the CSR concept has not become a common trend so far, especially in the developing economies, still in the era of Internet, globalisation and increasing social awareness of the issues related to the future of humankind and our planet it is gaining popularity fairly quickly. Another factor contributing to the popularisation of this phenomenon is also constituted by the limited ability of state institutions to satisfy social needs and to solve urgent citizens' and environmental problems e.g. due to insufficient financial resources allocated for such activities.⁷

2. Characteristics of family owned companies

In specialist literature family businesses are frequently described with the use of the model of three mutually penetrating subsystems constituted by the company, the family and ownership.⁸ Their largest attributes are: innovativeness, longevity, careful financing, stability, tradition, acting for the sake of local community and high resistance to economic crises.⁹

In relation to family companies the criterion of the company size often attracts our attention still it does not mean that we classify only the smallest and small companies as the family owned ones. Among family businesses we also find medium size and large companies, including huge corporations. There is also a considerable number of firms which are no longer family companies but they have family origin. When analysing the issue of family businesses surprisingly it turns out that family business constitutes a fairly complex construction as it combines two ideologically different areas represented by family and business, that is entities with different objectives to realise, different functions to perform, different history and different social perception. In case of a company the objective of its existence is satisfying the needs of other members of general public, undertaking risk and obtaining profit whereas for the family the priorities include satisfying inner needs, keeping common household, organisation of family members lives and procreation.¹⁰

Another specific characteristics of family businesses which results largely from the combination of business activities with the family sphere is their multidimensional character. These companies cease to be "single dimensional" due to the fact that their final shape depends on the influence of the given family onto the performed business but also on the field of business in which the company operates and above all on the size of that company.¹¹ Subsequently the group of family businesses contains companies of various size, various legal and ownership forms exploiting different management methods and thus they do not constitute a uniform group. For instance not only companies owned by a single family with any legal form are classified as family businesses but also any business

⁷ Ibidem, s. 18.

⁸ Ł. Sułkowski, A. Marjański, *Firmy rodzinne. Jak osiągnąć sukces w sztafecie pokoleń*, Poltext, Warszawa 2009, s. 17.

⁹ *Barometr firm rodzinnych. Z optymizmem w przyszłość*, Raport, KPMG, II ed., sierpień 2014, s. 3.

¹⁰ K. Safin, *Przedsiębiorstwo rodzinne – istota i zachowania strategiczne*, Wyd. Akademii Ekonomicznej we Wrocławiu, Wrocław 2006, s. 1-2.

¹¹ Por. *Firmy rodzinne – współczesne wyzwania przedsiębiorczości rodzinnej. Kierunki i strategie rozwoju*, red. Ł. Sułkowski, *Przedsiębiorczość i zarządzanie*, Tom XIII, Zeszyt 7, Łódź 2012, s. 5.

activity in which at least two members of a given family are employed and one of them owns the said company.¹²

The sense of operations of the majority of family businesses is above all the long-term market existence, which is connected with the family character of such enterprises. Their owners are interested in long-term increase in the company's value and not in the realisation of short term benefits as in their actions they are guided both by the need of supporting their family depending on the company's prosperity but also by the will to maintain, consolidate and multiply the wealth for the generations to come. All these factors considerably influence the characteristics and management of family businesses and they also largely affect the adaptation of new concepts supporting their functioning in the current social and economic conditions including among others also the concept of CSR.

3. Application of CSR in family businesses

The CSR concept provides an answer to the increasing social expectations related to the role of a company within economy and its influence onto the situation of all interested parties. The application of the said concept within an organisation proves justified as in recent years the tendency to evaluate companies through the prism of their activities for the sake of improvement of environmental conditions and the conditions of living is becoming more and more visible. This stems most of all from the family connection which constitutes an element of the social system and thus pays attention to the environmental pollution in the area where they live, the unemployment rate and the standard of living or the problems of local communities. Moreover, family businesses belong to the small group of companies which are guided not only by their particular interests and short-term benefits but they also accept responsibility for the side effects of the conducted business operations simultaneously undertaking defined charity, social and proecological activities which to a large extent create the heart of the CSR concept.

Family businesses create a specific and diverse group of entities and that is why it seems appropriate to divide them into groups when considering the potential usefulness of the CSR concept, preferably to divide them into groups with the use of the company size criterion. The division of companies into micro, small, medium-size and large enterprises without which the obtained results would be ambiguous due to the various characteristics of each group and which show the decrease of the percentage of family businesses as the grow larger proves crucial. Additionally we need to assume that within the groups of companies mentioned above family businesses act identically as all other companies that belong to the same category. Naturally the sector of micro and small companies contains the largest number of family businesses, as this sector is the natural incubator for such companies due to the fact that any business activity needs to grow gradually which results from the small size of the company and its limited resources at the start. Nevertheless,

¹² Por. Q. Fleming, *Tajniki przetrwania firmy rodzinnej*, Helion One Press, Gliwice 2006, s. 7 i *Zarządzanie małą firmą*, red. K. Safin, Wyd. Akademii Ekonomicznej im. Oskara Langego we Wrocławiu, Wrocław 2002, s. 42.

the entities belonging to the sector of micro and small companies frequently have very limited contact with CSR and the largest difficulties in comprehending the heart of CSR concept and the role that this concept should fulfil in their operations, not to mention the inclusion of CSR activities in the company's management process, which more often than not does not assume the form of strategic vision. Among medium size and large companies such situation appears relatively infrequently which is connected with the scale of the performed business activities, the accessibility of larger financial resources, large intellectual potential, better organisational efficiency and understanding of the benefits that may result from the implementation of the CSR rules. The described dependencies have been confirmed by e.g. the research conducted for PARP (Polish Agency for Enterprise Development) in 2011 which showed that only 26% of micro companies and 36% of small companies declared the familiarity of the notion of CSR whereas among medium companies this indicator equalled 50% and for large entities it reached the level of 70%, while only half of the examined micro companies actually implemented CSR activities (in case of the examined small and medium sized companies this number reached the level of 80%).¹³

The CSR concept allows those family businesses that implement it for the achievement of defined yet frequently difficult to measure benefits. Still these benefits seem to be large enough to effectively motivate companies to implement the said concept in practice which has been confirmed for instance by the average value of funds spent annually on the CSR activities by the companies from the Fortune Global 500 list as this amount for the years between 2011 and 2013 reached the level of 20 billion of US dollars.¹⁴ The research conducted in 2011 for PARP also proved that the majority (60%) of surveyed company representatives in Poland observed benefits from the implementation of CSR initiatives and as the most frequent benefits they listed among others: improvement of the company's image (74% of answers), increase in employees' motivation (58% of answers), increase of income (45% of answers) and good relations with the surrounding (42% of answers).¹⁵ The quoted results provide reasons to believe that the expenditures of organisations onto the improvement of the company's image in the eyes of interested parties or on the social support are returned after a longer period of time yet there are no clear measurements indicating the existence of correlation between the involvement of a company into social responsibility activities and its financial results.¹⁶

When listing benefits resulting from the investment into CSR activities we need to pay special attention to the role of CSR in the shaping of the family business image, especially if the said image is being created as the result of positive relations between the company and society. The key in this case is constituted by the strong, ethical and simultaneously typical

¹³ Por. *Ocena stanu wdrażania standardów społecznej odpowiedzialności biznesu. Zestaw wskaźników społecznej odpowiedzialności w mikro, małych, średnich i dużych przedsiębiorstwach*, Raport z badania opracowanego przez MillwardBrown SMG/KRC i PwC dla PARP, Warszawa, grudzień 2011, s. 51-55.

¹⁴ Statistical data based on: *Creating a baseline for Corporate CSR Spend on Global Education Initiatives*, Report on Findings, Business Backs Education, January 2015, s. 7-9.

¹⁵ Por. *Ocena stanu wdrażania...*, op. cit., s. 77-79.

¹⁶ S. Wierciński, *CSR jako przedsięwzięcie biznesowe*, „Master of Business Administration” 2/2011 (112), s. 59.

for family business involvement into social problems which leads to the creation of a strong emotional bond between the company and the interested entities. In consequence we observe considerable improvement of the perception and evaluation of the family business by general public; trust and positive attitude towards the company increase leading to better sales of their products and higher income. Positive perception of the company from outside additionally motivates its employees who begin to identify themselves with the company in the scope of the socially responsible behaviour. The quoted research proved that positive image and motivated employees constitute two benefits resulting from the implementation of the CSR concept selected by all the companies participating in the research regardless of their size, industry, area of operation or period of existence.¹⁷

What is more one needs to keep in mind that the activities realised within the CSR concept tend to be costly and not beneficial as the added value obtained thanks to these activities proves to be truly much smaller than the costs incurred for that purpose. As shown in the research conducted for PARP companies observe a number of issues related to the realisation of CSR (over 42% of micro companies and 35% of small and medium sized companies) which include among others the following: necessity to incur additional expenditure (38% of answers), lack of time (33% of answers), complexity of the issue (32%) or lack of knowledge and ability to implement the concept (30%).¹⁸ The barriers described above may be especially difficult to overcome within smaller family businesses which do not perceive enough benefits from the realisation of CSR initiatives. This is accompanied by the lack of individuals responsible for the activities from the scope of CSR and by treatment of the said concept as a secondary issue by the owners of micro and small companies. We may assume that such situation does not occur within medium-sized and large family companies where the issue of CSR falls within the decision scope of the board or other bodies appointed for the realisation of this type of activities (e.g. marketing).¹⁹

Effective implementation of CSR activities within an organisation requires appropriate knowledge and considerable effort of the managing personnel hence it may generate fear of this type of initiatives among family businesses, especially those from the sector of micro and small companies. Due to this fact the decision on inclusion of the CSR concept either in the company's development concept or in its strategic plan should be preceded by proper analyses of profitability of these activities from the point of view of achievement of the desired economical and public relation goals or possible achievement of the scale effect. Analogically, the process of strategy formulation itself should account for the assumptions of the CSR concept at every stage. It is also advisable to use some of the initiatives applied within the said concept such as social campaigns, social reports, socially involved marketing, corporate supervision, employees' voluntary work, environmental protection and philanthropy.²⁰ After the implementation of the CSR concept the

¹⁷ Por. *Ocena stanu wdrażania...*, s. 78-79.

¹⁸ *Ibidem*, s. 78.

¹⁹ *Ibidem*, s. 93.

²⁰ P. Kotler, N. Lee, *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause*, John Wiley & Sons, New Jersey 2005, s. 27-42.

continuous monitoring of the realised CSR activities is also an important issue as well as appropriate measuring of their effects in relation to the expectations of the interested parties and in order to evaluate the usefulness of these activities from the perspective of the realisation of the company's objectives.

The presented recommendations are extremely important, still in case of the vast number of family businesses they are relatively difficult to apply due to their strong dependence on the method of company management not to mention the criterion of the company's size. Unfortunately the definite majority of family businesses belong to the sector of micro and small companies where the management is performed by the owner who most frequently executes this power directly and single-handedly applying the so called radial or paternalistic management style. In such cases it is really hard to talk about the preparation of company's operational strategy especially due to the fact that the owners consider such strategies to be unnecessary, too complicated or fairly expensive. In consequence the problems mentioned above connected with the negligence of the strategic management rules in the management of micro and small companies frequently hinder proper implementation of the CSR concept within the frames of the conducted business activity. Such situation is relatively uncommon among medium size and large family companies where the change of attitude towards the CSR concept and treating it as a kind of operation strategy noticeable in the whole class of larger companies should prevail.²¹

Conclusion

The CSR concept is currently more frequently perceived as an important element of market rivalry and creation of competitive position which provides sound grounds for the inclusion of the said concept in the process of company management and planning of development activities. The confirmation of this fact is constituted by the annually growing number of companies including the CSR concept in their strategy, which is manifested in the preparation of appropriate reports by these companies.²² In case of CSR initiatives it is being said that they create the perception of the company in the category of a modern and proecological entity which consciously realises its social objectives and considers the interests of all parties within the frames of its operation strategy. Thus if the currently functioning family businesses wish to perform a considerable role in the modern economic system they need to accept this challenge and fully apply the CSR rules with the awareness of the necessity of performing the company management in an orderly manner based upon a long-term operational plan.

The construction and family character of family businesses are favourable for the realisation of CSR activities which fit into their pro-social and proecological nature resulting among others from the wish to secure the support of the family and future generations.

²¹ Por. P. Kotler, D. Hessekiel, N. Lee, *Good works! Marketing and corporate initiatives that build a better world... and the bottom line*, John Wiley & Sons, New Jersey 2012, s. 5-11.

²² Por. *The KPMG Survey of Corporate Responsibility Reporting 2013*, KPMG, December 2013.

When considering the CSR concept we may assume that the familiarity of the notion of CSR grows with the increase of the scale of operation of the family business. In consequence this concept works better in large and medium size companies than in the small and micro entities and that is why it brings the largest benefits to the first group. The described discrepancy stems from the smallest companies' inability to see the advantages of application of the CSR concept, which results from the unfamiliarity of the notion of CSR or lack of understanding thereof, lack of necessary knowledge and of ability to initiate CSR activities, time limits and perceiving these activities as too expensive or finally from the lack of formalised operation strategy. Consequently micro and small companies need to place greater emphasis onto becoming familiarised with the CSR concept and make an effort to at least partially include these guidelines of conduct towards the interested parties in a formalised manner.

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