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THE CONCEPT OF CSR AS ELEMENTS OF BUILDING ECONOMIC AND SOCIAL RELATIONS WITH THE EXTERNAL ENVIRONMENT OF THE ORGANIZATION (OUTLINE OF THE PROBLEM)

KONCEPCJA CSR JAKO ELEMENTY BUDOWANIA RELACJI EKONOMICZNYCH I SPOŁECZNYCH Z OTOCZENIEM ZEWNĘTRZNYM ORGANIZACJI (ZARYS PROBLEMU)

Abstract

Each economic activity is perceived basically from the point of view of economic success, which is effectiveness (efficiency) and economics (thriftiness). However, this valuation is not complete as each economic activity should also be evaluated from the ethical perspective. It was only a decade ago when business ethics was viewed solely as administrative compliance with legal and internal rules and regulations. Nowadays the situation is completely different as interest in business ethics is no more pure formality but help for entrepreneurs to gain customers' trust in order to succeed. Like never before, corporations are being asked, encouraged and prodded to improve their business practices to emphasize legal and ethical behavior. Companies, professional firms and individuals alike are being held increasingly

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accountable for their actions, as demand grows for higher standards of corporate social responsibility naturally but often unexpectedly in a person's life. For example, some people who steal money from their employers do so because of personal financial difficulties. If they had been able to avoid personal problems, they might also have avoided the temptation to steal.

Keywords: *corporate social responsibility, business ethics, reasonable strategic decision, Shareholders, social responsiveness.*

Streszczenie

Społeczna odpowiedzialność przedsiębiorstwa jest sposobem zarządzania firmą wykraczającą poza narzucane jej przez prawo zobowiązania. Jest strategią, która dzięki prowadzenie dialogu społecznego na lokalnym poziomie, przyczynia się do zwiększenia konkurencyjności organizacji oraz budowania jej reputacji i zaufania zarówno na poziomie firmy, jak również działań biznesowych w ogóle. Jest obowiązkiem wybór przez kierownictwo odpowiednich decyzji oraz działań, jakie przyczyniają się w takim samym stopniu do dbałości o interes własny, czyli pomnażanie zysku firmy, jak również do pomnożenia i ochrony społecznego dobrobytu. Definicja ta wskazuje na dwa aspekty społecznej odpowiedzialności. Mówiąc o ochronie, nacisk położony jest na powstrzymanie się przez przedsiębiorstwa od działań, które są szkodliwe społecznie, nawet jeżeli przynoszą one zyski. Natomiast przedsiębiorstwa powinny podejmować działania, które będą ukierunkowane na zapobieganie i likwidowanie różnych negatywnych zjawisk społecznych. Mówiąc o pomnażaniu, nacisk kładzie się na twórczą rolę biznesu, w kreowaniu dobrobytu społecznego

Słowa kluczowe: *społeczna odpowiedzialność biznesu, etyka biznesu, odpowiedzialne decyzje strategiczne, interesariuszy organizacji, społeczna odpowiedzialność*

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Statement of the problem in general outlook and its connection with important scientific and practical tasks.

Recent years have seen the increased public interest in Corporate Social Responsibility and rapid growth in the number of companies introducing this concept. CSR is present on the front pages of the most influential economic newspapers and magazines, United Nations are promoting this idea, and some governments actively support CSR policy e.g. Stephen Times, Minister of CSR in the United Kingdom. The practice of CSR is an issue which undoubtedly generates a great deal of heated debate, with supporters maintaining that application of CSR guarantees economic success and competitive advantage, and opponents who question the real motives for engaging in CSR. Why do companies introduce and apply this concept? Is it a reasonable strategic decision, adjustment to the prevailing economic conditions, administrative compliance or maybe temporary fashion? The aim of the article is to find out the answer to the question formulated above. The first hypothesis assumes that obeying the rules of CSR philosophy improves the ethical standards of

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the company, which in consequence increases productivity and competitiveness in the local and global markets. The second hypothesis assumes that CSR is pure hypocrisy and a utilitarian marketing strategy. Each economic activity is perceived basically from the point of view of economic success, which is effectiveness (efficiency) and economics (thriftiness). However, this valuation is not complete as each economic activity should also be evaluated from the ethical perspective. It was only a decade ago when business ethics was viewed solely as administrative compliance with legal and internal rules and regulations. Nowadays the situation is completely different as interest in business ethics is a no purer formality, but help for entrepreneurs to gain customers' trust in order to succeed. Like never before, corporations are being asked, encouraged and prodded to improve their business practices to emphasize legal and ethical behavior. Companies, professional firms and individuals alike are being held increasingly accountable for their actions, as demand grows for higher standards of corporate social responsibility. Business ethics is one of the forms of applied ethics that examines ethical principles and moral or ethical problems that can arise in a business environment. In the 21st century, the demand for more ethical business processes and actions is still increasing. Business ethics can be both a normative and a descriptive discipline. As a corporate practice and a career specialization, the field is primarily normative. In academia, descriptive approaches are also taken. The range and quantity of business ethical issues reflect the degree to which business is perceived to be at odds with non-economic social values. Historically, interest in business ethics high accelerated during the 1980s and 1990s, both within major corporations and within academia. For example, today most major corporate websites lay emphasis on commitment to promoting non-economic social values under a variety of headings (e.g. ethics codes, social responsibility charters, ethics audit, ethics human resource). The term Corporate Social Responsibility came into common use in the early 1970s although it was seldom abbreviated. The term stakeholder, meaning those impacted by an organization's activities, was used to describe corporate owners beyond shareholders from around 1989. Corporations exist to provide products and/or services that produce profits for their shareholders. Milton Friedman and others take this a step further, arguing that a corporation's purpose is to maximize returns to its shareholders and that since (in their view), only people can have social responsibilities, corporations are only responsible to their shareholders and not to society as a whole. Although they accept that corporations should obey the laws of the countries within which they work, they assert that corporations have no other obligation to society (Friedman 1981, s. 68). Some people become conscious of CSR as incongruent with the very nature and purpose of business, and indeed a hindrance to free trade and economy. Those who assert that CSR is incongruent with capitalism and are in favor of neoliberalism argue that improvements in health, longevity and/or infant mortality have been created by economic growth attributed to free enterprise (Friedman 2008, s. 45). Critics of this argument perceive neoliberalism as opposed to the well-being of society and a hindrance to human freedom. They claim that the type of capitalism practiced in many developing countries is a form of economic and cultural imperialism, noting that these countries usually have fewer labor protections, and thus their citizens are at a higher risk of exploitation by multinational corporations. A

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wide variety of individuals and organizations operate in between these poles. For example, the REALeadership Alliance (Por. http://thoughtrocket.com/). asserts that the business of leadership (be it corporate or otherwise) is to change the world for the better. Many religious and cultural traditions hold that the economy exists to serve human beings, so all economic entities have an obligation to society. Moreover, many CSR proponents point out that CSR can significantly improve long-term corporate profitability because it reduces risks and inefficiencies while offering a host of potential benefits such as enhanced brand reputation and employee engagement. Corporate social responsibility (CSR for short) is the internationally regarded concept for responsible corporate behavior – although it is not clearly defined. In a nutshell, CSR refers to the moral and ethical obligations of a company with regards to their employees, the environment, their competitors, the economy and a number of other areas of life that its business affects (Jamali & Sidani, 2012). The concept of companies acting responsibly is not new, but through the term "corporate social responsibility" (CSR) it has taken on a modern meaning. Even centuries ago people were occupied with the question of whether the economic activity of a business should be used for good rather than to simply make a profit. In the middle ages, there was a concept of the "honest merchant" who would operate according to a code of values and thereby influence other traders to bring benefits to society as a whole by complying with certain rules of conduct (Ackoff, Madidson, Addison, 2006). For bigger companies, corporate responsibility won a greater meaning during industrialization, as firms would build housing for their employees and harsh working conditions prompted a growth of the issue in the collective consciousness. Companies slowly began to accept social responsibility for their employees and their families, although when decisive improvements were made it has only as a result of nationwide implementation and state legislation. An environmental ethic simply did not exist in most companies at that time (Davis, 2005, p. 104-113). The modern concept of company responsibility as we know it today arose in the 1950s in the US. At that time, many public discussions were being held on the topic and the first scientific findings were being published. Howard R. Bowen in his article "Social Responsibilities of the Businessman" described corporate responsibility as the logical consequence of the social accountability of individuals within the company. Thereby, it would have to orient itself according to these rules and thereafter enforce them. At the time, most companies did not feel obliged to work towards a more moral business focus: the defining outlook was that economic growth remained the determiner of everyday working life (Miller, 2007, p. 65-73). According to Griffin, an individual's ethics are determined by five basic forces: family influences, peer influences, experiences, values and morals, and situational factors. Individuals begin to form their ethics in their childhood, as a response to their parents' behavior and the behaviors that their parents allow them to choose. As children grow, they also become susceptible to influence from their peers with whom they interact every day. While going through their lives, they experience literally dozens of events that shape their lives and, ultimately, their ethics. John Snarey suggests that a person's values and morals also contribute to his or her ethics. A person who highly values money, for example, will adopt a personal code of ethics

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that promotes the pursuit of wealth. In contrast, people who value their families may have a different set of ethical guidelines. Finally, ethics are influenced by situational factors – things that arise naturally but often unexpectedly in a person's life. For example, some people who steal money from their employers do so because of personal financial difficulties. If they had been able to avoid personal problems, they might also have avoided the temptation to steal (Griffin, 1990, s. 809-810). Ethics can affect managerial work in any number of ways, but three areas are of special concern.

The term "ethics" comes from the Greek word ethos, meaning character or custom, writes a philosophy professor Robert C. Solomon. Today the word "ethos" is used to refer to "the distinguishing disposition, character, or attitude of a specific people, culture, or group". According to Solomon, the etymology of "ethics" suggests its basic concerns: 1) individual character, including what it means to be a "good person", and 2) the social rules that govern and limit our conduct, especially the ultimate rules concerning right and wrong, which we call morality (Salomon, 1984, s. 3). In his book, William H. Shaw says that "the study of ethics concerns questions of right and wrong, duty and obligation, and moral responsibility", whereas business ethics is "the study of what constitutes right and wrong, or good or bad, human conduct in a business context" (Show, 1991, s.5). According to another source: "business ethics is a form of the art of applied ethics that examines ethical rules and principles within a commercial context, the various moral or ethical problems that can arise in a business setting, and any special duties or obligations that apply to persons who are engaged in commerce" (http://wiki.answers.com). There is now little doubt that business decision-makers recognize the need to respond to new demands for more ethical business processes and actions (known as ethicism). Coincidentally, there is a great pressure applied to the industry to enhance business ethics through new public initiatives, laws, and regulations. For example, in the United Kingdom, a higher road tax was introduced for higher-emission vehicles or lower taxes while exploiting ecological sources of energy, etc. When we look back in the past, interest in business ethics arose and rapidly accelerated during the 1980s and 1990s, not only within major corporations but also within academia. For example, nowadays it is very common that companies emphasize their commitment to promoting non-economic social values on their websites, under a variety of headings: ethics codes, social responsibility charters, ethics audits, corporate culture, ombudsman, etc. What is more, a great number of those companies "have redefined their core values in the light of business ethical considerations, for example, BP's 'beyond petroleum' environmental tilt. We can say that business ethics is a form of the art of applied ethics that examines ethical rules and principles within a commercial context, the various moral or ethical problems that can arise in a business setting, and any special duties or obligations that apply to persons who are engaged in commerce. For thirty years, academics and practitioners have been trying to establish an agreed-upon definition of what social responsibility really is. In 1960, Keith Davis suggested that social responsibility refers to businesses' " decisions and actions taken for reasons at least partially beyond the firm's direct economic and technical interest." Ells and Walton argued that CSR refers to the "problems that arise when corporate enterprise casts its shadow on the social scene, and the ethical principles that ought to govern the relationship between the corporation and society" (Carroll, 1991,

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p. 2; Harrison, Freeman,1999, p. 479-485). The number of definitions concerning corporate social responsibility seems to be ever-expanding. However, there can always be found some common background to each of them. The entirety of CSR can be discerned from the three words contained within its title phrase: “corporate,” “social,” and “responsibility.” Therefore, in broad terms, CSR covers the responsibilities corporations (or other for-profit organizations) have to the societies within which they are based and operate. A.B. Carroll’s definition explains CSR in the following way: economic and legal responsibility, ethical responsibility and humanitarian responsibility. CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis: CSR is behavior by businesses over and above legal requirements, voluntarily adopted because businesses deem it to be in their long-term interest,

CSR is intrinsically linked to the concept of sustainable development: businesses need to integrate the economic, social and environmental impact in their operations,

CSR is not an optional ‘add-on’ to business core activities — but about the way in which businesses are managed. Holmes and Watts define CSR in the following way: “Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (Management Consulting: Business Ethics. 22 Mar. 2007). Corporate social responsibility (CSR) is a concept that suggests that commercial corporations have a duty of care to all of their stakeholders in all aspects of their business operations. CSR is closely linked with the principles of Sustainable Development which argue that enterprises should be obliged to make decisions based not only on financial/economic factors (e.g. profits, return on investment, dividend payments, etc.) but also on the social, environmental and other consequences of their activities (Barnett, 2006, http://www.referenceforbusiness.com). Referring to other sources, the concept of corporate social responsibility means that organizations have moral, ethical, and philanthropic responsibilities in addition to their responsibilities to earn a fair return for investors and comply with the law. A traditional view of the corporation suggests that its primary, if not sole, responsibility is to its owners or stockholders. However, CSR requires organizations to adopt a broader view of its responsibilities that includes not only stockholders, but many other constituencies as well, including employees, suppliers, customers, the local community, local, state, and federal governments, environmental groups, and other special interest groups. Collectively, the various groups affected by the actions of an organization are called stakeholders (Barnett, 2006, http://www.referenceforbusiness.com). According to Carroll and Buchholtz, Corporate Social Responsibility can be defined as the "economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time". The four-part definition indicates the complexity of the multifaceted nature of social responsibility (Carroll, 1993, p. 134).

The economic responsibilities concern society's expectation that companies will manufacture goods and services needed by society and that they will be sold at a reasonable price. Companies are supposed to be efficient, profitable, and to bear in mind shareholders’ interests. The legal responsibilities related to the expectation that companies or organizations will comply with

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the laws set down by society while competing in the marketplace. Organizations have a great number of legal responsibilities governing virtually every aspect of their operations, including consumer and product laws as well as environmental and employment laws. The ethical responsibilities, go beyond the law and refer to societal expectations that organizations' affairs will be conducted in a fair and just way. This means that "organizations are supposed to do more than just comply with the law, but also make proactive efforts to anticipate and meet the norms of society even if those norms are not formally enacted in law. Lastly, the discretionary responsibilities of corporations refer to society's expectation that organizations are good citizens. In practice, it is connected with the philanthropic support of programs benefiting a community or the nation, and a donation of employee knowledge and time to worthy causes, etc. Corporate social responsibility is a concept that suggests that commercial corporations have a duty of care to all of their stakeholders in all aspects of their business operations - is a concept that suggests that commercial corporations have a duty of care to all of their stakeholders in all aspects of their business operations. What's the stakeholders concept? The term stakeholder has two distinct uses in the English language: The traditional usage, in law and notably gambling, a third party who temporarily holds money or property while its owner is still being determined. More recently a very different meaning of the term has become widely used in management. This sees a stakeholder as a person or organization that has a legitimate interest in a project or entity. The new use of the term arose together with and due to the spread of corporate social responsibility ideas, but there are also utilitarian and traditional business goals that are served by the new meaning of the term. In the last decades of the 20th century, the word "stakeholder" has become more commonly used to mean a person or organization that has a legitimate interest in a project or entity. In discussing the decision-making process for institutions -- including large business corporations, government agencies, and non-profit organizations -- the concept has been broadened to include everyone with an interest (or "stake") in what the entity does. This includes not only its vendors, employees, and customers, but even members of a community where its offices or factory may affect the local economy or environment. In this context, "stakeholder" includes not only the directors or trustees on its governing board (who are stakeholders in the traditional sense of the word) but also all persons who "paid in" the figurative stake and the persons to whom it may be "paid out" (in the sense of a "payoff" in game theory, meaning the outcome of the transaction). In the field of corporate governance and corporate responsibility, a major debate is ongoing about whether the firm should be managed for stakeholders, stockholders, or customers. Those who support the stakeholder view usually base their arguments on the following four key assertions:

1) Value can best be created by trying to maximize joint outcomes. For example, according to this thinking, programs that satisfy both employees' needs and stockholders' wants are doubly valuable because they address two legitimate sets of stakeholders at the same time. There is even evidence that the combined effects of such a policy are not only additive but even multiplicative. For instance, by simultaneously addressing customer wishes in addition to employee and stockholder interests, both of the latter two groups also benefit from increased sales.

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2) Supporters also take issue with the preeminent role given to stockholders by many business thinkers, especially in the past. The argument is that debt holders, employees, and suppliers also make contributions and take risks in creating a successful firm.
3) These normative arguments would matter little if stockholders had complete control in guiding the firm. However, many believe that due to certain kinds of the board of directors structures, top managers like CEOs are mostly in control of the firm.
4) The greatest value of a company is its image and brand. By attempting to fulfill the needs and wants of many different people ranging from the local population and customers to their own employees and owners, companies can prevent damage to their image and brand, prevent losing large amounts of sales and disgruntled customers, and prevent costly legal expenses. While the stakeholder view has an increased cost, many firms have decided that the concept improves their image, increases sales, reduces the risks of liability for corporate negligence, and makes them less likely to be targeted by pressure groups.

Aims of paper. Methods

Management sciences use typical methods encountered in the social sciences and humanities, i.e. study of analyzes, expert opinions, source data, etc., comparative methods (legal opinions, analyzes resulting from linguistic, grammatical and historical interpretations) and case studies. The result of cognitive research is new theorems or theories. Recent years have seen the increased public interest in Corporate Social Responsibility and rapid growth in the number of companies introducing this concept. CSR is present on the front pages of the most influential economic newspapers and magazines, United Nations are promoting this idea, and some governments actively support CSR policy e.g. Stephen Times, Minister of CSR in the United Kingdom. The practice of CSR is an issue which undoubtedly generates a great deal of heated debate, with supporters maintaining that application of CSR guarantees economic success and competitive advantage, and opponents who question the real motives for engaging in CSR. Why do companies introduce and apply this concept? Is it a reasonable strategic decision, adjustment to the prevailing economic conditions, administrative compliance or maybe temporary fashion? The aim of the book is to find out the answer to the question formulated above. The hypothesis assumes that obeying the rules of CSR philosophy improves the ethical standards of the company, which in consequence increases productivity and competitiveness in the local and global markets. The second hypothesis assumes that CSR is pure hypocrisy and a utilitarian marketing strategy.

Analysis of latest research where the solution of the problem was initiated.

Professor Freeman, the author of the stakeholder theory, defined to whom business is responsible. He developed the concept of stakeholder, "who is any subject (organization, group or individual) who can affect or is affected by the organization's activities". To put it briefly, the stakeholder has a "stake" in the company. To the main stakeholders of the firm belong shareholders, employees, clients, communities and the environment.

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The environment. The natural environment is one of the crucial areas of social responsibility. Not so long ago, practices such as dumping of radioactive waste at sea or sewage, waste products and rubbish into streams and rivers were very common to many businesses. It can not be denied that it still happens. However, nowadays this situation has slightly improved as laws regulate such activities, and companies themselves, in many instances, have realized their mistake and have become more socially responsible. As a result, most of the forms of air and water pollution have been reduced. Nevertheless, much remains to be done. Currently, concerns are centered on business contributions to the problem of acid rain, depletion of the ozone layer, global warming, sewage disposal, ocean dumping, hazardous wastes, and the disposal of rubbish (Por. Main, 1988, s. 102-118). Customers. Corporations can introduce socially responsible attitude toward their customers. According to President John F. Kennedy, there are four basic consumer rights: the right to safe products, the right to be informed about all relevant aspects of a product, the right to be heard in the event of a complaint, and the right of consumers to choose what they buy. A good example of the company which proliferated from good customer relations is Land's End, a fast-growing mail-order house. Its operators are trained to be totally informed, to not push unwanted merchandise onto customers, to listen to complaints, and to treat customers with respect. As a result, the company's sales have been increasing by 20 percent each year (Griffin, 1990. s.820). Employees. Organizations can be socially responsible in dealings with their employees through fair treatment, making them a part of the team, and respecting their basic human needs. Companies like M3 and Golden West Financial find, hire, train and promote qualified minorities. Once again, Ashland Oil provides a counterpoint. It was charged with wrongful dismissal of two employees because they refused to cover illegal payments made overseas (Por. Farnham, 1989, s. 87-88).

Shareholders. A socially responsible position of the companies toward their investors is also very important to be taken. As Griffin points out: managers should maintain proper accounting procedures, provide appropriate information to shareholders about the current and projected financial performance of the firm, and manage the organization in such a way as to protect shareholder rights and investments. Insider trading, illegal stock manipulation, and the withholding of financial data are examples of recent wrongdoings attributed to many different businesses. This is clearly illustrated by the example of the former chairman of Ashland Oil who was accused of selling important Ashland documents to Iran for personal gain. General Social Welfare. It is believed that companies should be involved in the promotion of the general social welfare by making contributions to charities or non-profit organizations, etc., supporting the public sector institutions (television, museums, theatres, hospitals, etc.), and being actively involved in the fields of health and education. The idea of being engaged in political decisions is very popular as well. "A prominent illustration of this feeling is the argument that businesses should withdraw their operations from South Africa to protest that nation's policies of apartheid" (Bloom, 1987, s. 49). There were two companies: Kodak and IBM which have responded to these concerns and shut down their operations in South Africa.

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Some critics of CSR, such as the economist Milton Friedman, argue that a corporation's principal purpose is to maximize returns to its shareholders while obeying the laws of the countries within which it works. Others argue that the only reason corporations put in place social projects is utilitarian; that they see a commercial benefit in raising their reputation with the public or with the government. Proponents of CSR, however, would suggest a number of reasons why self-interested corporations, solely seeking to maximize profits are unable to advance the interests of society as a whole. Key challenges to the idea of CSR include:

- The rule of corporate law that a corporation's directors are prohibited from any activity that would reduce profits
- Other mechanisms established to manage the principal-agent problem, such as accounting oversight, stock options, performance evaluations, deferred compensation and other mechanisms to increase accountability to shareholders.

Because of this, it has been suggested that CSR activity is most effective in achieving social or environmental outcomes when there is a direct link to profits: hence the CSR slogan "Doing Well by Doing Good". Note that this requires that the resources applied to CSR activities must have at least as good a return as that that these resources could generate if applied anywhere else, e.g. capital or productivity investment, lobbying for tax relief, outsourcing, offshoring, fighting against unionization, taking regulatory risks, or taking market risks—all of which are frequently-pursued strategies. This means that the possible scope of CSR activities is drastically narrowed. And corporations, with their constant incentive to maximize profits, often have identified all areas where profits could be increased, including those that have positive external social and environmental outcomes.

The scope for CSR is thus narrowed to situations in which:

- Resources are available for investment
- The CSR activity will yield higher profits than any other potential investment or activity
- The corporation has been remiss in identifying this profit opportunity

A conflict can arise when a corporation espouses CSR and its commitment to Sustainable Development on the one hand, whilst damaging revelations about its business practices emerge on the other. For example, the McDonald's Corporation has been criticized by CSR campaigners for unethical business practices and was the subject of a decision by Justice Roger Bell in the McLibel case (which upheld some of these claims, regarding mistreatment of workers, misleading advertising, and unnecessary cruelty to animals). Similarly, Shell has a much-publicized CSR policy and was a pioneer in triple bottom line reporting, but was involved in 2004 in a scandal over the misreporting of its oil reserves which seriously damaged its reputation and led to charges of hypocrisy.

Critics of the role of business in society argue that:

- Corporations care little for the welfare of workers, and given the opportunity will move production to sweatshops in less well-regulated countries.
- Unchecked, companies will squander scarce resources.
- Companies do not pay the full costs of their impact. For example, the costs of cleaning pollution often fall on society in general. As a result profits of corporations are enhanced at the expense of social or ecological welfare.

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- Regulation is the best way to ensure that companies remain socially responsible.
- Supporters of a more market-based approach argue that:
- By and large, free markets and capitalism have been at the center of economic and social development over the past two hundred years and that improvements in health, longevity or infant mortality (for example) have only been possible because economies - driven by free enterprise - have progressed.
- In order to attract quality workers, it is necessary for companies to offer better pay and conditions which leads to an overall rise in standards and to wealth creation.
- Investment in less developed countries contributes to the welfare of those societies, notwithstanding that these countries have fewer protections in place for workers. Failure to invest in these countries decreases the opportunity to increase social welfare.
- Free markets contribute to the effective management of scarce resources. The prices of many commodities have fallen in recent years. This contradicts the notion of scarcity and may be attributed to improvements in technology leading to the more efficient use of resources.
- There are indeed occasions when externalities, such as the costs of pollution are not built into normal market prices in a free market. In these circumstances, regulatory intervention is important to redress the balance, to ensure that costs and benefits are correctly aligned.
- Whilst regulation is necessary for certain circumstances, over-regulation creates barriers to entry into a market. These barriers increase the opportunities for excess profits, to the delight of the market participants, but do little to serve the interests of society as a whole.

Soner and Freeman suggest that debates about social responsibility raise more questions than they answer and for this reason, some managers turned to corporate social responsiveness. It is a theory of social responsibility that focuses on how companies become aware of and then respond to social issues, rather than trying to determine their ultimate social responsibility.

Corporate social responsiveness takes two basic approaches. On the micro-level, it analyzes how individual companies respond to social issues. This approach is represented by Robert Ackerman's model. On the macro-level, the theory studies the forces that determine the social issues to which businesses should respond. This approach is represented by Preston and Post's model. Archie Carroll's theory combines the micro and macro approach to classify the ways in which corporations can and do respond to specific social issues.

ISSN 2450-2146 / E-ISSN 2451-1064

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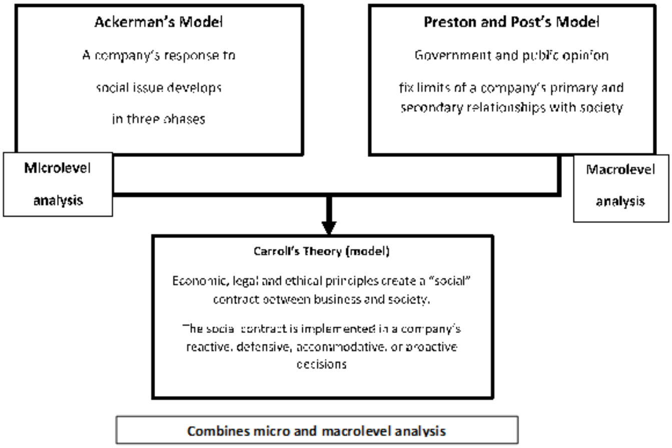
Figure 1. The Theory of Corporate Social Responsiveness.



Source: James A.F. Stoner, R. E. Freeman, Management, Prentice Hall, New Jersey 1989, p. 100.

Ackerman's Model. Robert Ackerman, as one of the first suggested that responsiveness, not responsibility, should be the goal of the corporate social endeavors. He described three phases through which companies commonly pass in developing a response to social issues.

In phase one, a corporation's top managers find out about an existing problem. At this stage, no one asks the company to deal with it. The chief executive officer only acknowledges the problem by making a written or oral statement of the company's policy toward it.

In phase two, the company hires staff specialists or engages outside consultants to study the problem and to suggest ways of dealing with it. Up to this point, the company has limited itself to declaring its intentions and formulating its plans. Phase three is the implementation. The company now integrates the policy into its ongoing operations. Unfortunately, implementation often comes slowly – often only after the government or public opinion forces the company to act. By that time, the company has lost all the initiative.

Ackerman advises managers to "act early in the life cycle of any social issues in order to enjoy the largest amount of managerial discretion over the outcome". As he adds, companies tend to react slowly to almost any social problem. It takes up to eight years to reach the third and highest stage of response for even the most responsive of them. For example, some time ago it was said that women who spend a lot of time working at video display terminals are more likely to have pregnancy problems. The research was analyzed and examined by some investigators. Ackerman's point is that, as this issue begins to be widespread and more competitors are involved, managers could lose the power to handle the issue at their own discretion. In Ackerman's model, "enlightened" companies would make the best information available to their employees, encourage them to ask questions, and even give transfers or retraining to workers who request them. Being responsive may well be the only responsible course of action.

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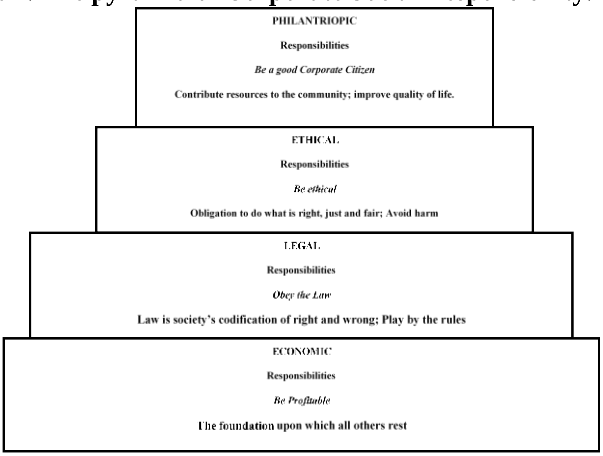
Preston and Post's Model. Lee Preston and James Post presented one of the first definitive statements of the macro approach to the concept of corporate responsiveness. In this model, business and society interact in two distinct ways. The primary relations of business with customers, employees, shareholders, and creditors are market-oriented. When these relations create social problems, secondary (or non-market) relations, such as with the law and morality, come into play.

Preston and Post claim that the government and the public "fix the limits of both market and non-market relations. When managers encounter a social problem, they do not merely examine their own consciences in deciding what to do about it. They also have to examine the law and consider public opinion" (Stoner, Freeman, 1989, p. 100-102).

Carroll's Theory. A.B. Carroll formulated the most popular model of social responsibility. According to him, CSR will be accepted by business people if the entire range of business responsibilities is included. He suggests that there are four kinds of social responsibilities that form total CSR, namely: economic, legal, ethical and philanthropic. They might be illustrated as a pyramid. What is worth adding, Carroll emphasizes that all these components of CSR have always existed to some extent, but in recent years, ethical and philanthropic functions have taken a significant place.

The efficiency of this type of state interventionism is largely determined by the issue of efficient integrated application of mutually supportive segments of socio-economic policy, including fiscal and monetary policy. (Prokopowicz D., Gwoxdziewicz S., 2018, pp. 215-232).

Figure 2. The pyramid of Corporate Social Responsibility.



Source: Archie B. Carroll, The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders. "Business Horizons", July–Aug. 1991, p. 20.

Economic Responsibilities**.** When we look back in the past, business organizations, from the very beginning, were created to provide goods and services to people and to make an acceptable profit from it. The profit motive was the primary incentive for entrepreneurship. However, at some point, as Carroll notices "the idea of the profit motive got transformed into a notion of

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maximum profits, and has been an enduring value ever since". The economic responsibility of the firm is the primary one, all other business responsibilities are predicated upon it. Economic Components (Responsibilities): It is important to perform in a manner consistent with maximizing earnings per share. It is important to be committed to being as profitable as possible. It is important to maintain a strong competitive position. It is important to maintain a high level of operating efficiency. It is important that a successful firm is defined as one that is consistently profitable. Legal Responsibilities**.** Business is not allowed to operate only according to the profit motive; at the same time it is obliged to comply with the laws and regulations formulated by the government. Companies are expected to realize their economic missions within the framework of the law. According to Carroll, "legal responsibilities reflect a view of 'codified ethics' in the sense that they embody basic notions of fair operations as established by the lawmakers." Carroll illustrated them as the next layer on the pyramid to portray their historical development, but they should be perceived as coexisting with economic responsibilities and obligatory in the free enterprise system.

Legal Components (Responsibilities)

1. It is important to perform in a manner consistent with expectations of government and law.
2. It is important to comply with various federal, state, and local regulations.
3. It is important to be a law-abiding corporate citizen.
4. It is important that a successful firm is defined as one that fulfils its legal obligations.
5. It is important to provide goods and services that at least meet minimal legal requirements.

Ethical Responsibilities**.** Economic and legal responsibilities, described above, embody ethical norms about fairness and justice, however, "ethical responsibilities embrace those activities and practices that are expected or prohibited by the society even though they are not codified into law". As Carroll points out: "ethical responsibilities embody those standards, norms or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights" (Carroll, 1991, s. 5-6).

Ethical responsibility, established as a legitimate component o CSR in the past two decades, is illustrated as the next layer on the CSR pyramid. However, it needs to be recognized that it is in constant interaction with the legal responsibility category. It means that it is constantly pushing the legal responsibility category to broaden or expand while at the same time placing ever-higher expectations on businesspersons to operate at levels above that required by law.

Ethical Components (Responsibilities)

1. It is important to perform in a manner consistent with expectations of the social and ethical norms.
2. It is important to recognize and respect the new or evolving ethical-moral norms adopted by society.
3. It is important to prevent ethical norms from being compromised in order to achieve corporate goals.
4. It is important that good corporate citizenship is defined as doing what is expected morally or ethically.
5. It is important to recognize that corporate integrity and ethical behavior go beyond mere compliance with laws and regulations.

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Philanthropic Responsibilities. If companies respond to society's expectation, that is, they are good corporate citizens, it means that they behave philanthropically. This involves active engagement in acts and programs promoting human welfare and goodwill. Contributions to the arts, education, community are good examples of philanthropy. What is the difference between philanthropic and ethical responsibilities, then? The distinguishing feature is that philanthropy is not expected in an ethical or moral sense. Society desires companies to contribute their money, facilities, and employee time to humanitarian programs or purposes, however, companies that do not behave in this way are not regarded as unethical. "Therefore, philanthropy is more discretionary or voluntary on the part of businesses even though there are always the societal expectations that businesses provide it" (Carroll, 1991, s. 7). The distinction between philanthropic and ethical responsibilities is reasonable as some firms think that they are socially responsible if they are good citizens in the community. This distinction helps us to understand that CSR includes philanthropic contributions but is not limited to them. Philanthropy is highly desired however less important than the other three categories of social responsibility. Carroll describes philanthropy as icing on the cake – or on the pyramid if using this metaphor.

Philanthropic Components (Responsibilities)

1. It is important to perform in a manner consistent with the philanthropic and charitable expectations of society.
2. It is important to assist the fine and performing arts.
3. It is important that managers and employees participate in voluntary and charitable activities within their local communities.
4. It is important to provide assistance to private and public educational institutions.
5. It is important to assist voluntarily those projects that enhance a community's "quality of life".

Exposition of main material of research with complete substantiation of obtained scientific results. Discussion.

Described above components of CSR constitute the pyramid of social responsibility. At the bottom of it, there is the basic economic building block which "undergirds" the others. At the same time, business is expected to function according to the law as the law regulates acceptable and unacceptable behavior. Business's responsibility to be ethical is the next building block on the pyramid. "At its most fundamental level, this is the obligation to do what is right, just and fair, and to avoid or minimize harm to stakeholders (employees, consumers, the environment, and others)" (Carroll 1991 7). Finally, at the top of the pyramid, there is a philanthropic responsibility as a business is expected to be a good corporate citizen, contribute financial and human resources to the society and to make the quality of life better. Carroll presents CSR responsibilities in the form of a pyramid to emphasize that the total CSR of business comprises distinct components that, taken together, constitute the whole. Presented as separated, they help to see that the different types of obligations are in constant but dynamic tension with one another. The most critical tensions, of course, would be between economic and legal, economic and ethical, and economic and philanthropic. The traditionalist might see

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this as a conflict between a firm's concern for profits versus concern for society," but it is suggested that here that this is an oversimplification. A CSR or stakeholder perspective would recognize these tensions as organizational realities but focus on the total pyramid as a unified whole and how the firm might engage in decisions, actions, and programs that substantially fulfil all its component parts. Carroll points out that the total corporate social responsibility of business requires the simultaneous fulfilment of the firm's economic, legal, ethical and philanthropic responsibilities. It means that the CSR firm should strive to make a profit, obey the law, be ethical and be a good corporate citizen. The number of company's responsibilities may seem to be large, especially while comparing with the classical economic argument of Milton Friedman that the company has only one responsibility, namely to maximize the profits of the owners or shareholders. As Milton emphasizes "social problems are not the concern of business people and they should be resolved by the free market system". Management "is to make as much money as possible while conforming to the basic rules of society, both those embodied in the law and those embodied in ethical custom." However, as Carroll rightly notices, Friedman's assertion must be considered in its totality, and more attention should be paid to the second part of Friedman's quote, not to the first as most people do. It seems clear from this statement that profits, conformity to the law, and ethical custom embrace three components of the CSR pyramid – economic, legal, and ethical. That only leaves the philanthropic component for Friedman to reject. Although it may be appropriate for an economist to take this view, one would not encounter many business executives today who exclude philanthropic programs from their firms' range of activities. It seems the role of corporate citizenship is one that business has no significant problem embracing. Undoubtedly this perspective is rationalized under the rubric of enlightened self-interest (Carroll, 1991, s. 10). In other words, Friedman, apart from economic responsibility, includes others (social, legal and ethical) that must be taken into consideration by the companies. Some commentators have identified a difference between the Canadian (Montreal school of CSR), the Continental European and the Anglo-Saxon approaches to CSR.[34] It is said that for Chinese consumers, a socially responsible company makes safe, high-quality products; for Germans, it provides secure employment; in South Africa, it makes a positive contribution to social needs such as health care and education. Even within Europe, the discussion about CSR is very heterogeneous. A more common approach to CSR is corporate philanthropy. This includes monetary donations and aid given to nonprofit organizations and communities. Donations are made in areas such as the arts, education, housing, health, social welfare, and the environment, among others, but excluding political contributions and commercial event sponsorship (Maverlinn and Vermander, (2013; Knox, Simon 2007). Another approach to CSR is to incorporate the CSR strategy directly into operations, such as procurement of Fair Trade tea and coffee. Creating shared value or CSV is based on the idea that corporate success and social welfare are interdependent. A business needs a healthy, educated workforce, sustainable resources, and an adept government to compete effectively. For society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues and philanthropy. The Harvard

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Business Review article "Strategy & Society: The Link between Competitive Advantage and Corporate Social Responsibility" provided examples of companies that have developed deep linkages between their business strategies and CSR. CSV acknowledges trade-offs between short-term profitability and social or environmental goals but emphasizes the opportunities for competitive advantage from building a social value proposition into corporate strategy. CSV gives the impression that only two stakeholders are important – shareholders and consumers. Many companies employ benchmarking to assess their CSR policy, implementation, and effectiveness. Benchmarking involves reviewing competitor initiatives, as well as measuring and evaluating the impact that those policies have on society and the environment, and how others perceive competitor CSR strategy (Hoessle, 2012).

Conclusions.

The possibilities of various applications of the methods of analysis of the dependence network (network methods), as well as the fact that all their results are unknown, undoubtedly hinders their analysis and evaluation. However, in the literature on the subject, which uses national and international experience, there are numerous attempts to make such an assessment. We can states that it allows:

• unambiguous, clear and easy record of the project implementation plan for any level of management (management) with a specific accuracy;

• precise determination of coordination links between the contractor.

Assessment is more beneficial if a different planning and control method is used to analyze the activity network. It can then be concluded that the methods used:

• they are simple and do not require special preparation from users;

• they do not require the collection of additional information or statistical data, other than those that are collected in every normally operating enterprise;

• they force you to real planning;

• they help to precisely specify the tasks of particular levels of management and production and to assess their burden;

• facilitate the prior specification of tasks for any control cell;

• give the management precise information of a preventive nature, enabling decisions to be taken to ensure the correct course of implementation;

• enable defining the advance of deliveries of materials (semi-finished products) as part of the cooperation, which results in a significant reduction in the freezing of current assets;

• they enable the most effective use of resources (resources) related to the implementation of the undertaking;

• facilitate the updating of production plans and enable the delivery of precise network schedules for all levels of management;

• allow you to focus only on activities or a critical zone.

It is also worth mentioning the effects of using network methods in practice in accordance with their intended use. They create the possibility

characteristics:

• implementation of projects according to the most economical options with regard to assumed or forced situations;

• reducing the freezing of current assets;

• shortening of production cycles;

• better use of additional resources (e.g. overtime);

• detection of production reserves;

• increasing production rhythmicity.

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It is difficult to list all the advantages and sources of effects from the use of network methods because these methods have a multidirectional impact on many technical and organizational issues. As usual, in addition to many advantages, network methods also have disadvantages. We call them rather problems and difficulties appearing in the implementation of network methods to practice. Here are some of them:

• as a method, new network analysis requires more management attention, which must understand that it is only a means to the goal, and evaluate the suitability of the method to its specific conclusions;

• analysis of the activity network is not an automatic system and does not replace the management decision. Its task is to prepare and provide information to help you make the right decision. This method interferes with the established traditional organization and management schemes. It treats the implemented project as an integrated system, thus it moves away from the traditional vertical structure and stimulates horizontal cooperation and coordination at lower management levels. The management staff responds to the dynamic nature of planning and work control rather passively or even negatively. We also emphasize other disadvantages of network methods. It claims, inter alia, that:

• methods of network analysis of activities do not solve all problems related to planning, management, and control;

• these methods can not be used to control continuous processes, planning, and large-scale production as well as mass production;

• analysis of large networks (e.g. for large projects) must be carried out using high-powered computers, which creates some limitations.

However, the aforementioned advantages of network methods are so important that they indicate their practical usefulness and high efficiency of application in practice. In competitive markets, the cost-benefit analysis of CSR initiatives can be examined using a resource-based view (RBV). According to Barney (1990), formulation of the RBV, sustainable competitive advantage requires that resources be valuable (V), rare (R), inimitable (I) and non-substitutable (S) *(Barney, 1991, P.: 99–120;Wernerfelt, 1984, p. 171–180).* A firm introducing a CSR-based strategy might only sustain high returns on their investment if their CSR-based strategy could not be copied (I). However, should competitors imitate such a strategy, that might increase overall social benefits? Firms that choose CSR for strategic financial gain are also acting responsibly. RBV presumes that firms are bundles of heterogeneous resources and capabilities that are imperfectly mobile across firms. This imperfect mobility can produce competitive advantages for firms that acquire immobile resources. McWilliams and Siegel (2001) examined CSR activities and attributes as a differentiation strategy. They concluded that managers could determine the appropriate level of investment in CSR by conducting a cost-benefit analysis in the same way that they analyze other investments. Reinhardt (1998) found that a firm engaging in a CSR-based strategy could only sustain an abnormal return if it could prevent competitors from imitating its strategy (Siegel, Donald, 2009,5–16). Moreover, when it comes to cost-benefit analysis, one should look at Waddock and Graves (1997), who showed that corporate social performance was positively linked to financial performance, meaning that the benefit of being socially responsible outweigh the costs. McWilliams and Siegel (2000) noted that Waddock and Graves had not taken innovation into account, that companies that did CSR were also very innovative, and that

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the innovation drove financial performance, not CSR. Hull and Rothenberg (2007) then found that when companies are not innovative, a history of CSR does, in fact, help financial performance (Hull, Rothenberg, 2008, p. 781-789). In the 21st century, corporate social responsibility in the supply chain has attracted attention from businesses and stakeholders. Corporations' supply chain is the process by which several organizations including suppliers, customers, and logistics providers work together to provide a value package of products and services to the end-user, who is the customer. Corporate social responsibility includes six types of corporate social initiatives (Lee, Kotler, 2013):

- Corporate philanthropy: company donations to charity, including cash, goods, and services, sometimes via a corporate foundation
- Community volunteering: company-organized volunteer activities, sometimes while an employee receives pay for pro-bono work on behalf of a non-profit organization
- Socially-responsible business practices: ethically produced products which appeal to a customer segment
- Cause promotions and activism: company-funded advocacy campaigns
- Cause-related marketing: donations to charity based on product sales
- Corporate social marketing: company-funded behavior-change campaigns

The formulation of CSR strategy is an inseparable element of many enterprises operating in the contemporary market. on the one hand, the goal of this type of activity is a promotional campaign, because showing yourself as a socially responsible company gains social approval and attracts new customers. on the other hand, enterprises show a real willingness to help, show solidarity with the neediest, doing a lot of good in the near and distant environment. it is worth emphasizing at this point that the success of this type of initiative is determined by the full involvement of employees, their identification with key assumptions, and the determination to participate in them. therefore, the management faces a huge challenge, which is the skillful implementation of CSR strategy assumptions into the organization. the main goal of the article was to present ways to introduce CSR strategies into their organization. the researcher was interested, among others, in issues such as the assessment of the manner of communication of its assumptions, the possibility of participation of regular employees in its creation, or methods of improving the implementation of the strategy in organizational terms. as the above research has shown, managers are trying to promote it among employees, using various communication channels for this purpose (Porter, Kramer, 2006, p. 78–92).

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