

# CSR Trends

Beyond Business as Usual



**Editor**

Janusz Reichel

Centrum Strategii i Rozwoju Impact (CSR Impact)

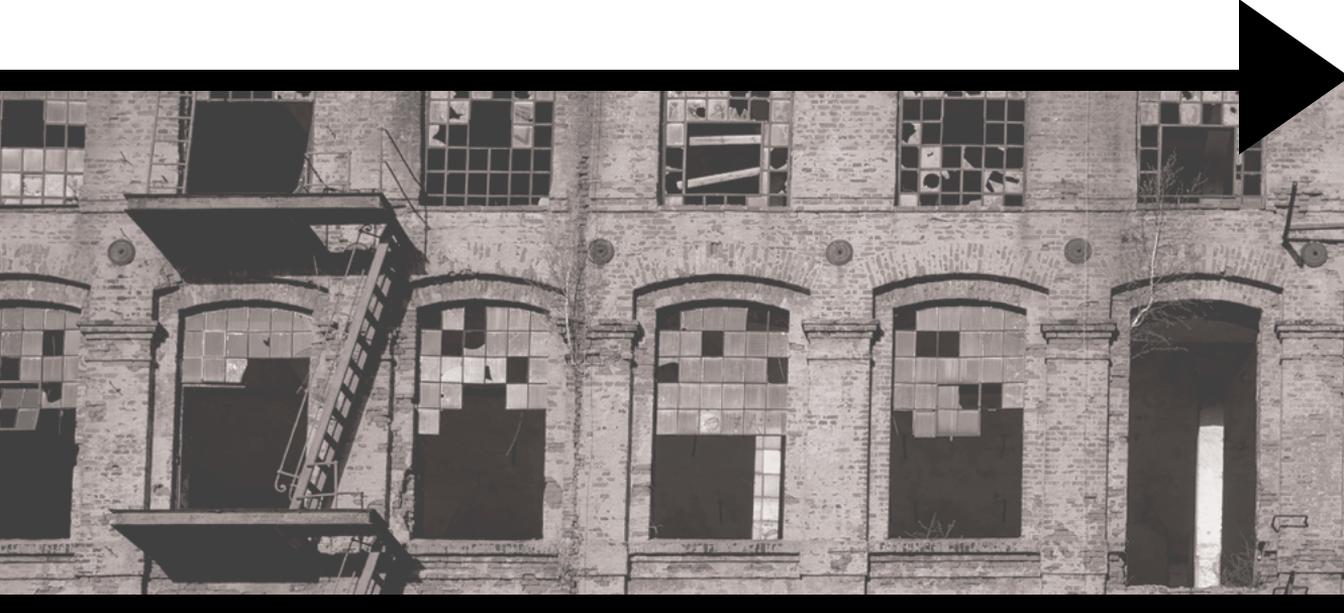
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Magdalena Rojek-Nowosielska, Ph.D.

Maciej Urbaniak, Prof.

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## INTRODUCTION

The role of business in society is changing. Business is less and less described only through the prism of economic categories. Increasingly it is perceived as a source of innovations that can help to solve important social and environmental problems. The concept of corporate social responsibility (CSR) brings an important contribution to this picture of business. CSR has significant impact on shaping the relationship between business and society. One can observe the development of number of topics related to corporate responsibility which will probably be dominant trends of enterprises' strategies in the near future.

The ability to create business models that generate value for various stakeholders, the ability to establish intersectoral cooperation, knowledge of rules governing the communication through social media channels and integration of various business sectors to improve environmental and social performance are some of the major challenges that businesses face today.

We could enumerate the following growing trends that are now shaping the future of business in society:

- the growing role of ESG reporting including the issue of mandatory reporting,
- creating new business models taking into account shared value creation, and other concepts focused on multiple value creation,
- rapid development of social entrepreneurship, hybrid value chains (HVC), intersectoral cooperation and social innovations,
- extending the understanding of social responsibility to other types of organisations (NGOs, universities, public sector organisations, ...),
- building sector oriented CSR policies and initiatives by public authorities and other bodies,
- discovering the meaning of corporate social responsibility in the supply chain,

- using social media as an interactive channel for broadcasting CSR activities.

In our book we would like to discuss these topics showing also some examples of present developments in exemplary industrial sectors. All authors of texts gathered in the book added a great contribution to the understanding of CSR current practices and development. The presented examples come from six different countries what strengthens the international dimension of the publication. The authors of chapters come from nine different universities which helps in introducing different points of view and ways of thinking elaborated by individuals or groups of scientists.

The editor of the book would like to thank to all contributing authors, the publisher CSR Impact foundation and the Faculty of Management from the University of Łódź, Poland that facilitated the meeting of the authors and the discussion on their work. Such meetings under the umbrella of the CSR Trends brand are organised every year – an interested reader will find a relevant information on the [www.csrtrends.eu](http://www.csrtrends.eu) website. Separate words of thanks go to the reviewers of publication.

I hope that this monograph will attract readers who will not just only read it, but also start a discussion with the authors of individual chapters. This would be very much welcome.

*Janusz Reichel*

## CORPORATE SOCIAL RESPONSIBILITY IN POLAND: IS IT AN INTEGRAL PART OF BUSINESS PROCESS AND OPPORTUNITY FOR VALUE CREATION?<sup>1</sup>

**Adriana Paliwoda-Matiolańska**, Ph.D.

Cracow University of Economics, ul. Rakowicka 27 31-510 Kraków, Poland

paliwoda@uek.krakow.pl

### Abstract

From the perspective of media and NGOs promoting CSR in Poland we can observe the trend that there is growing number of companies that have implemented or are implementing social responsibility. Furthermore we can observe an increasing number of companies that praised their good practices in the field of social responsibility. On the other hand attempt to quantitative statements about the number of companies taking into account CSR shows atrophy representation of entities that undertake such activities in Poland. Only few companies conduct regular CSR activities and they create the image of social responsibility actions in Poland that are not representative for whole countries. Qualitative analysis did not identify any kind of advanced form of social engagement. They represent high level of management professionalism but nothing more that we can expected from obligation towards law. CSR is not seen as business opportunity for value creation. Such a low presence of the person responsible in the field of CSR in Polish enterprises leads to general conclusions and those conditioned by the Polish reality. Firstly leads to general question about validation of corporate social responsibility concept. The other problem is how much neoliberal creation of CSR practices is relevant to emerging economies reality. The author will present the thesis that level of CSR integration into business processes in Poland

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<sup>1</sup> Publication of the article was funded by a NCN grant no 2012/05/D/HS4/01177 – “Institutionalization of sustainable production in energy sector”.

is very low. It brings author to ask the question whether Poland and also other CEE countries should not investigate their institutional environment that influences social responsible activities in order to create adequate CSR framework that face their limitation of economies in transitions and related to their backgrounds.

**Key words:** corporate social responsibility, management process, CSR in Poland, institutions.

## Introduction

There is a gradual and consistent change in thinking about the role of the environment for the modern man, as well as many-sided meaning of health, welfare and quality of life of the human being. This change naturally has developed a discourse about the place and role of business in society and contemporary sources of competitive advantage and economic conditions. Noticeable is the need to move away from treating environmental and social aspects as a barrier to the development and recognize them as a supporting instrument for efficient economy. The trend underlines the need to respect environmental requirements, which on the one hand - are expected to respond to their needs, on the other hand - controls and monitors the activities of organizations in various aspects: economic, social or environmental. Corporate social responsibility is a rapidly expanding field of economics, including particular the management sciences. From the perspective of media and NGOs promoting CSR in Poland we can observe the trend that there is growing number of companies that have implemented or are implementing social responsibility. This raises the question about the scope and the nature of the social involvement of Polish companies.

## Theoretical perspectives in CSR

Discourse on the role of business in modern society is growing rapidly since the fifties of the nineteenth century. The challenges faced by today's business are caused by institutional changes that affect the practice of modern business management. An example of this approach is the implementation of the European Union's policy reflected in two commu-

nications from The European Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of The Regions devoted to: A renewed EU strategy 2011-14 for Corporate Social Responsibility [COM (2011) 681] and on the Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan [COM (2008) 397]. Moreover, the growing importance of intangible factors in shaping the company's value, as well as increase public awareness of the role and influence of business organizations on the formation of current social and environmental problems. Therefore the public, began to demand greater involvement of management and business entities in solving social and environmental problems, with emphasis on their civic attitude. This resulted in the dynamic development of the idea of corporate social responsibility and the concept of sustainable development. Furthermore, business world, managers, entrepreneurs recognize and respond to growing expectations for the social commitment of companies. In this way, the idea of corporate social responsibility becomes an integral part of a discussion about management practices.

Corporate social responsibility is derived from the assumption that a company should support the well-being and the development of the society by: (1) pursuing the common good based on respect for each individual's rights; (2) taking into account the social and environmental aspects in business management systems; (3) and results from the voluntary obligations assumed by the company which go beyond legal framework. A major factor behind the booming CSR is the strong engagement by civil society organizations (CSOs). CSR that is driven by CSOs is strongly coupled to stakeholders theory, inducing the modern stakeholder-oriented firm to engage in dialogue with interested parties that are affected by the firm or that may affect it [Freeman, 1984]. International initiatives and NGOs activities that promote corporate social responsibility and sustainable patterns of consumption and production shape the institutional context of business activity. For example, Keane argues that civil society organizations and the public voice their concerns in the media and thereby discipline both industry and society. He argues that the evolution of media society has drastically reduced the mobilization and organization costs, facilitating, in turn, civic power which allows for "monitory democracy" [Keane, 2013].

The business strategy literature argues the business case for CSR, focusing on how collective social investment by participants in an industrial

cluster can improve the context for all players, while reducing the cost borne by each [Porter & Kramer, 2006]. Moreover, the business case for CSR has also emerged within innovation theory [Kanter, 1999], governance theory [Freeman, 1984], human resource management [Bhattacharya, Sen, & Korschum, 2008], and in supply chain management [Zadek, 2001]. For instance, marketing and communication theory thus highlights how CSR and cause-related marketing entail reputational gains and that way improve a company's ability to attract resources, improve its performance, and build competitive advantage [Fombrun, 1996]. Neoliberal perspective supports argument that CSR can be seen as part of a move away from traditional mandating strategies based on command and control legislation, and toward facilitating, partnering, and endorsing strategies [Fox, Ward, & Howard, 2002]. Additionally social responsibility has been placed in the context of development processes of an economic organization [Paliwoda-Matiolanska, 2009] as well as value creation [Porter, Kramer 2011, Paliwoda-Matiolanska, 2009]. In sum CSR is seen as an integral part of business practices.

Corporate social responsibility is also seen as tool that structure and monitor business engagement in social area. Matten and Moon [2008] and Jackson and Apostolakou [2010], essentially argue for CSR as a substitute for the welfare state. In this perspective, CSR becomes an alternative to welfare state regulation and is therefore to be found predominantly in liberal market economies. Other studies indicate that CSR can be a potential new source of improved global governance, claiming that CSR and soft law initiatives can in some instances pave the way for, and actively reinforce, hard law processes, thereby underpinning rather than undermining hard law [Abbott & Snidal 2000; Haufler 2001; Kirton & Trebilock 2004].

Unfortunately not all CSR activities are perceived as responsible one or actually as being helpful in solving social and ecological problems. From others side business sector not always account CSR as tool that can improve business efficiency. Very often CSR is seen as a barrier that reduces the ability to achieve economic objectives. Not many companies find CSR as a way to management excellence or as a pathway to obtain competitive advantage. The research on CSR also reveals that rather few businesses are involved and that CSR instruments are weak [Utting, 2008; Sjøfjell, 2011; Sneirson, 2011; PARR, 2012]. Midttun point out that the moral challenge by CSOs and other stakeholders has re-

sulted in two trajectories in business-led CSR [Midttun, 2008]. One trajectory involves making CSR part of a corporate differentiation strategy where leading firms have taken CSR successively into their strategic core, while in another trajectory CSR has been successively internalized into industrial standards in the attempt to lift the social and environmental performance of whole sectors of the economy. In both cases this contributes to internalizing environmental and social concerns into industrial practice. Besides, the scope and range of CSR initiatives seem to be influenced by local (national) conditions such as legal framework, business culture and operating attitude, discretionary power of consumers, sustainability-oriented awareness or mutual relations between actors.

## The overview of CSR in Polish companies

In Poland, we can observe a dualism in the presentation of corporate social responsibility. Only 33% representatives of Polish companies is familiar with the concept of corporate social responsibility. Moreover about 66% of Polish entrepreneurs do not see the need to engage more in social responsibility, and more than half of companies believe that what they are doing now in this direction is sufficient [PARP, 2011]. On the other hand from the perspective of media and NGOs promoting CSR in Poland we can observe the trend that there is growing number of companies that have implemented or are implementing social responsibility. Furthermore we can notice an increasing number of companies that praised their good practices in the field of CSR. In addition, there are more and more companies that decided to publish social reports. Besides there is rising number of distinction of social responsibility companies. Ministry of Economy is responsible by CSR implementation in Poland but there no official policy introduced by Polish government. As a member of EU Poland follows EU strategy 2011-14 for CSR and other directives. Standards connected with CSR and promoted by Ministry of Economy are: ISO 2600, SA8000, GRI, AA1000, ISO 9001, ISO 14001, EMAS, PN-N-18001. There are few private initiatives that promote CSR in Poland but it is not enough. Among them RESPECT Index - stock index of socially responsible companies listed on the Stock Exchange in Warsaw - is the most influential one.

Study by PARP indicated that among entrepreneur who know concept of CSR only 20% knows guides and standards governing the use of CSR

in the company. The best-known standards are ISO (ISO 14 000 and ISO 26 000). Knowledge, however, is not reflected in the implementation of these standards in the management process. Two thirds of companies whose representatives declare their knowledge of the concept of "social responsibility", carries out activities related to it. This represents approximately 10% of all companies. Most companies declare that they have a code of ethics (70%), mission (68%) and vision (68%) and defined values (64%). However, only a small proportion of companies have these documents in writing: mission (21%), vision (20%), defined value (21%), and a code of ethics (23%). Possession of such documents is related with size of companies and is mostly indicated by the large companies. This confirms the link between CSR activities are more common in big enterprises. Half of the businesses from the whole-Poland group (51%) and one in three beneficiaries do not know yet what norms or standards they are planning to use. A significant proportion of companies (41%) declare that they are not intending to implement CSR norms or standards. Despite fact that there are various initiatives present in Poland with an aim to promote and popularizing CSR. This is alarming given the fact that the degree of awareness of top management is strongly related to their inclusion of social and environmental aspects into the decision making process and benefits identification from being a socially responsible company [Paliwoda-Matiolańska, 2010].

Deeper analysis of selected areas of CSR activities leads to analysis of character of social engagement of Polish companies. Businesses were asked to identify ways to care for satisfaction workers and in the first place they indicated remuneration. Timely payment for 66% group of entrepreneurs nationwide is seen an action above standard, designed to increase employee satisfaction. It is worth to mention that according to the Polish Labor Inspectorate number of cases of non-payment of wages increased by an average of 50%, from 71.5 thousand to 107.6 thousand cases in 2012. About 8.6 % increase in the number of employers that the issue concerned (in 2011 - 2.7 thousand employers, in 2012 - 2.9 thous.) The amount of unpaid debts for wages and other benefits identified in the decisions of labor inspectors increased - by 66 percent: from 138.8 million to 229.8 million PLN. Despite law requirement timely paid salary is not a commodity in Poland. It indicates real social problem that exists in management practices of polish companies.

Another example it would be an activities against discrimination that

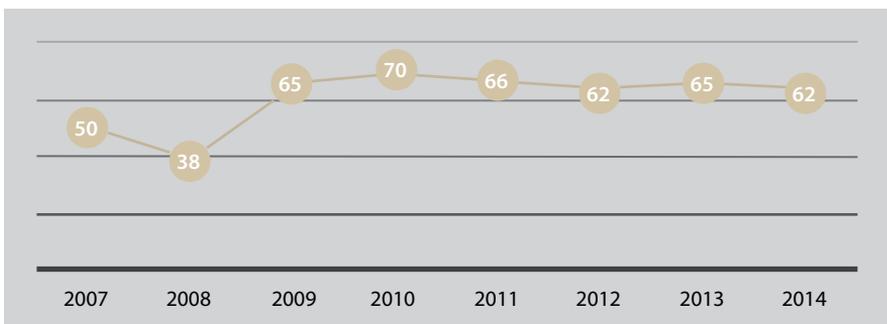
are highly recognized as an important part of CSR. Only 14% of Polish companies have a written procedures for the prevention of discrimination in the workplace and during the recruitment process. In comparison National Compensation Research [Sedlak& Sedlak, 2012] showed disproportion between the level of wages of both genders also increases with increasing level of education. The difference among those with higher education were much higher than with primary and secondary education. However The Economist "glass-ceiling index" based on data from the OECD, it compares five indicators across 26 countries: the number of men and women respectively with tertiary education, female labor-force participation, the male-female wage gap, the proportion of women in senior jobs, and net child-care costs relative to the average wage; placed Poland on the 9th place. From other side according to EIGE (European Institute for Gender Equality) Poland occupies 17-th place among 27 European countries in terms of equality between women and men. Index rate is 44,1 and it is below European average that is 54).

According to PARP Report less than half of the national group of companies (45%) taking significantly business decisions take into account their potential impact on the natural environment. Most companies (70% from the whole-Polish sample) declare that they try to cut down on the consumption of energy, water and other natural resources. The most often mentioned methods can be the usage of energy-saving light bulbs (78%), unplugging office equipment after finishing work (73%), trash segregation (66%), limiting the amount of printing (e.g. by doing double-side printing - 43%) or by using energy-saving office equipment (39%). Over 1/3 of the companies undertake actions aimed at limiting the consumption of natural resources by modernizing the production process. It is worth stressing that over 90% companies from do not have any documents certifying the company's actions aimed at limiting the negative impact on the environment. If so they are the domain of medium-sized enterprises (17%) that have been operating for at least 15 years and that operate in Western Poland. Over half of the businesses (53%) do not get involved at all in cooperation for the benefit of the local community with organizations such as: government administration, local-government administration or NGOs.

From the other side we can observe constant media coverage about social responsibility of Polish companies. Since 2007 Ranking of Social Responsible Companies in Poland (RSRC) is organized. It is published by Respon-

sible Business Forum and Polish newspaper "Gazeta Prawna"<sup>2</sup>. Ranking is developed based on the results of the survey that tries to measure CSR in five areas: responsible leadership, social innovation, social engagement, responsible management, stakeholders dialog. Figure 1 presents the number of companies that participate in ranking. The questionnaire was send to the biggest companies in Poland. In 2012 about 300 of questionnaires had been assigned. 62 companies had participated. The return sample is 20% (2011). In Poland there is 74 870 companies among them are 3106 big companies (typology based on employment structure – over 250 employees) and it gives 4,2% of total registered enterprises. Only 2% of the biggest companies in Poland are interested in presenting their social responsible activities. Finance, banking and insurance are the most represented industries. It is worth to note that reputation is very important in that sectors. In 2007-2012 editions of RSRC 154 of Polish companies has participated. 36 of them took part more than three times. It leads to conclusion that image of social responsible activities by polish companies is constructed by small amount of entities that are active in this area. Figure 1 presents the number of participants in Ranking of Social Responsible Companies in Poland since its establishment. As we can observe there is no significant dynamics (in exception of 2008 – negative impact of crisis) in number of participants. Last two editions of the Ranking (2013 & 2014) have not raised significant change.

**Fig. 1** Number of participants in Ranking of Social Responsible Companies in Poland since 2007.



Source: Own elaboration based on <http://odpowiedzialnybiznes.pl/pl/o-nas/nasze-dzialania/aktualne-projekty/ranking-odpowiedzialnych-firm.html> [online] (accessed April 2013)

<sup>2</sup> Ranking is made by CEBI (Kozminski University Ethic Center) verified by PwC.

Additionally we can analyse the List of 500 biggest companies in Poland made by other Polish newspaper "Polityka", also based on questionnaire. In last two years CSR activities were included into evaluation process. The questionnaire was based on 26000 ISO standards and in 2012 was sent to 900 companies. 241 responded and 225 ended on the ranking list. 15 companies received golden leaf as a form of highest distinction in social involvement. These companies say they have built a CSR strategy and sustainable development, and operate under established a company code of ethics. They care about the evaluation and development of its employees, building responsible relationships with business partners, putting them additional, non-financial requirements, and the relationship with customers, as well as with local communities. The effects of their actions, some of which is verified by external auditors periodically inform the CSR reports. The social responsible representation of Polish companies is 3% of total ranking list, 6% of companies that fill up the questionnaire and only 0,5% of all big companies in Poland. In last - 2013 edition only 123 companies filled out the survey. 14 companies received golden leaf. Among them 11 received it the second year in a row. Authors of the ranking noted that many companies still do not have confidence in the development of CSR strategies. This proves that they do not recognize or do not take into account the relationship between these policies and the economic results.



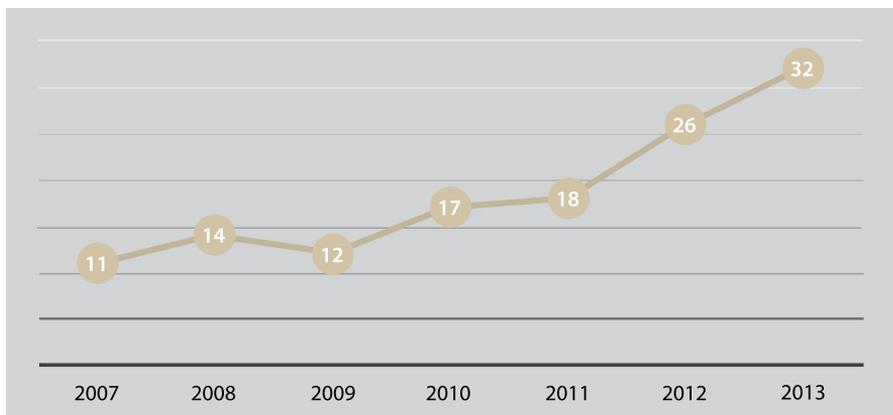
**Fig. 2** Quantitative statistic of good practices based on "Good Practices. Responsible Business in Poland Reports 2002 -2013"

Source: Own elaboration based on "Good Practices. Responsible Business in Poland" Reports 2002-2012.

Since 2002 Responsible Business Forum publish Good Practices Report that illustrates form of CSR activities by sectors and forms of engagement. Figure 2 presents quantitative statistic of good practices according to RBF data with indication of number of good practices presented and number of companies. In 2012 106 companies co-created report. It is 0,14% of all nation-wide enterprise and 3,41% of medium and large companies. Number of good practices is constantly increasing. In 2013 403 good practices were identified among 132 companies.

Social Reporting is a part of CSR activity. In that way companies communicate about their social involvement. Responsible Business Forum, CSR Consulting and PWC organize competition for the best social report since 2007. Statistic of evaluated reports presents figure 3. In 2012 26 report were be assessed. Despite the increasing number of published social reports by polish companies, statistics indicates a marginal proportion of companies taking such action. For example in 2012 26 reports represents 0,03% of polish companies (0,84% of medium and large business entities) In last edition 32 reports were evaluated. Although the number of companies making them does not have significant change dynamic.

**Fig.3** Number of social report based on "Good Practices. Responsible Business in Poland" Reports 2002-2013



Source: Own elaboration based on "Good Practices. Responsible Business in Poland" Reports 2002-2012.

Global Reporting Initiative statistics are not much better. According to GRI Report database only 21 polish companies publish social reports fol-

lowing GRI guidelines. Only 2 of them has highest ranking A+ and have a form of integrated reporting (Tab. 1). Once again the numbers are random and meaningless.

Type	No of comp. that publish report	% of total companies	% of total medium & large companies	total of certified companies	% polish among certified companies
GRI Report Guidance*	21	0,03	0,12	5295	0,40
GRI Integrated	2	0,00	0,01	-	-
Report follows ISO 26000	3	0,00	0,02	-	-
GRI A+ application level	2	0,00	0,00	-	-

**Tab. 1.** Number of GRI reports by Polish companies till 2012

Source: Own elaboration based on <http://database.globalreporting.org> [online] (Accessed April 2013)

Interesting is comparison of polish companies with business entities from other Central Eastern European Countries (Tab.2). Poland with 21 reports occupy second position after Hungary with 70 companies that publish GRI Reports. Other countries do not exceed the number of 10 reports. KPMG Report on also noticed a number of CEE countries seem slower in adopting CR reporting than their global peers [KPMG, 2011]. Interesting is also fact that 19 of the 21 polish companies that follow the GRI guidelines have participated in Ranking of Social Responsible Companies in Poland.

Country	Number of GRI Reports*
Hungary	70
Poland	21
Romania	7
Croatia	5
Czech Republic	4
Ukraine	4
Bulgaria	2

**Tab. 2.** Number of GRI reports in CEE countries till 2012

Slovakia	2
Slovenia	2
Albania	1
Estonia	1
Latvia	1
Serbia	1

\* Analysis is based on GRI data and includes all companies sizes, all organization sectors since and all years of GRI reporting existence.

Source: Own elaboration based on <http://database.globalreporting.org> [online] (Accessed April 2013)

Strategically and managerial approach to CSR can lead to value creation. There are different ways to include social responsible principles into management practices. One of them is certification process. There are a lot of different certificates that are related business practices. Some of them include social and environmental dimension. SA 8800 (Social Accountability Standard), EMAS (Eco-Management and Audit Scheme) and ISO certificates related CSR issues<sup>3</sup>: ISO 14000 (Environmental Management System), ISO 22000 (Food safety management systems), ISO/IEC 27001 (Information security management systems), ISO 50001 (Energy Management) among them. There is also present on Polish market Green Office Certificate. Table 3 includes list of Polish companies that have the above certifications. Once again numbers are not significant. ISO 14 000 is the most popular. 1900 companies have the certificate but it represents only 2,54% of total Polish enterprises (10,45 of medium and large ones). There is only 7 SA 8000 certificates in Poland. Interesting fact is that almost half of Green Office Certificates belong to public and non-governmental organizations.

In Poland, there is also a RESPECT Index of socially responsible companies listed on the Warsaw Stock Exchange since 19.11.2009. The process of classifying companies consists of three phases. Phase I is designed to identify a group of companies with the highest liquidity. Phase II include the assessment practices of corporate governance. Phase III is assess the

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<sup>3</sup> ISO 26000 is a guidance on social responsibility not a certificate.

Type	No of comp. that have certificate	% of total companies	% of total medium & large companies	total of certificated companies	% polish among certificated companies
SA 8000	7	0,01	0,04	3178	0,22
EMAS	38	0,05	0,21	3773	1,01
ISO 14001	1900	2,54	10,45	267 457	0,71
ISO 50001	2	0,00	0,01	461	0,43
ISO/IEC 27001	233	0,31	1,28	17509	1,33
ISO 22000	573	0,77	3,15	19980	2,87
Green Office Certificate	97	0,53	-	-	-

**Tab. 3.** List of Polish companies that obtain certification related to CSR issues till 2012

Source: Own elaboration.

level of maturity of companies in the field of social responsibility. It made on the basis of questionnaires filled out by the company which are subject to a thorough verification by the Project Partner - Deloitte. In 2013 there was 20 companies that create index. There are 428 listed polish companies on Warsaw Stock Exchange so Respect Index represent only 5% of them. The average weekly rate of return on Respect Index in the period 19.11.2009 - 19.03.2012 exceeds the rate of return on the WIG index but this difference is not statistically significant [Jedynak, 2012]. Currently<sup>4</sup> index includes 22 companies.

Any attempt to quantitative statements about the number of companies taking into account CSR shows atrophy representation of entities that undertake such activities in Poland. Only few companies conduct regular CSR activities. They create the image of social responsibility actions in Poland that are not representative for whole countries. Interesting is also the character of this activities. What is a nature of social responsibility of Polish companies?

## **Nature of CSR activities of Polish companies – qualitative analysis**

Concerning the nature of the CSR activities of Polish companies qualitative analysis of submitted was conducted. It was based on a qualitative survey of questionnaires – content analysis - sent to as a part of Social Responsible Leaders contest organized by Employers of Poland Organization. Till today it was organized twice in 2011 and 2012. 29<sup>5</sup> submitted forms were analyzed from 2011 and 2012 in order to avoid repetitions. Analysis followed questionnaire structure and include 9 sections: setting standards and education in the field of responsible business; promoting economic and social development; employees and working condition; organizational culture, values and diversity; product and work safety; relation with competition and consumers; marketing communication; research and development; environmental management. Companies represented different industries: energy, finance, construction, FMCG, medical, IT & telecommunication and others. Table 4 has summary conclusions.

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5 Number analyzed of questionnaires was also limited by company's permission.

<p><b>Setting standards and education in the field of responsible business</b></p> <p><b>(education and stakeholders dialog responsible business management)</b></p>	<p>In this area, the surveyed companies are quite active but they are mainly focused on the presentation of good practices, participation in conferences and seminars on CSR. Also belong to various initiatives related to CSR or sustainable development. Very strong activity in industry associations. Preferred are also industry initiatives related to CSR (UNSDA - food &amp; beverages, Responsible Care – chemical, Declaration on sustainable development in the energy sector are examples).</p> <p>Stakeholders dialog based on narrow definition of stakeholders [Stakeholders defined by Stanford Research Institute as “those groups without whose support the organization would cease to exist”].</p> <p>Education of consumers and activities based on empowering consumers is very minimal. Cause related marketing is not popular tool.</p> <p>Most of the companies have a person who is responsible for CSR activities but not in full position. It is added as part of other activities. PR and Marketing position are in majority responsible for CSR activities. Only one big company has it on strategic level, but there is a difference between big and MSE. Owners and CEO of MSE are responsible for CSR.</p> <p>Only few companies have a written document related to CSR or Sustainable Development, none of them have strategic or operational dimension. Mostly they are declarative. Strategic approach to CSR or sustainability, CSV approach was not identify. However almost all of them represent energy sector and they are signatories of <i>Declaration on sustainable development in the energy sector</i>. CSR supply chain initiatives were not recognized. SA 8000 certificate had only one company.</p>
<p><b>Promoting economic and social development</b></p>	<p>Majority of companies cooperate with government units, municipality units, primary and high education, universities, NGOs. They support local environment and labor market. Unfortunately the cooperation is based on philanthropy and marketing (patronage, sponsoring) and don't have strategic dimension. Charity and philanthropic activities are very divers. Randomly we can identify long-term and strategic relation and connected with company core business and potential social and ecological problems that can be created by company activities. The support is primarily financial or material in nature. It is rarely support based on human resources (although employee volunteer programs are getting to be more popular), and almost never on the support of information resources.</p> <p>10 companies declare that they cooperate with universities on research projects but nature of that cooperation was not present. However is it only one example of cooperation of strategic or shared value creation character.</p>

**Tab. 4.** Qualitative analysis of CSR activities of selected Social Responsible Leader Contest participants in 2011, 2012

<b>Employees and working condition</b>	The most advance area of companies activities. Most companies have a policy regarding human resources (remuneration, training, promotion etc.). In general they have a platform for communication with employees both traditional in character (bulletin boards) and modern (intranet etc..). Union activity is not restricted in most companies, although the number and scope of their functions is strongly connected with company size. In most companies employee satisfaction is evaluated. Social services are highly popular. ¼ of companies have additional procedures against mobbing or irregularities reporting. Unfortunately very few companies introduce work-family balance policy.
<b>Organizational culture, values and diversity</b>	Majority of companies have Code of Ethics or Code of Good Practices. Lion's share of companies include all employees in their training and HR development programs. Support all initiatives that can help employee skills enhancement.  Only few companies have programs addressed to physical incapable employees. 1/5 has programs address to women, but there is no data (only 2-3 examples) about percentage of female employees. No information about females on top positions. Few companies receive awards for mothers friendly work place. Aging society issues were not addressed.
<b>Product and work safety</b>	In general companies comply with safety rules but only few of them have their own additional procedures (for example energy and medical sector).
<b>Relation with competition and consumers</b>	One company have be punished by Office of Competition and Consumer Protection by monopolistic practices. 4/5 conduct consumer satisfaction research. Few of them received consumer awards.
<b>Marketing communication</b>	Only 1/5 companies have any additional procedures about marketing communication. Only few declared (3) that they are part of international initiatives promoting responsible marketing. No punishment for irresponsible marketing message identify.
<b>Research and development</b>	Generally no major R&D programs were identify that are addressing social and environmental issues. Energy companies are more inclined to address climate change and environmental issues. Majority of service companies has an offer to disable people.
<b>Environmental management</b>	Majority of companies have pro-environmental activities of the primary level, adopted to requirement by Polish law. Isolated cases introduced additional procedures for waste management, energy efficiency in offices as well as in production, advanced measurement of pollution or neutralization of environmental damage. Also only few companies invest in pro-environmental activities and have ecological oriented R&D programs. Leaders represent energy and chemical sectors that strongly affect environment.

Source: Own elaboration.

One of general conclusion from qualitative analysis does not let to identify advanced form of social engagement or CSV. It is rather high level of management professionalism are strongly connected with polish economic reality. Cross-sectorial partnership or R&D initiatives occur in low representation and are rather influenced by sector initiatives based on business demands. CSR is not seen as business opportunity and Polish companies are highly rational in their social responsible orientation. Generally CSR in Polish companies is built on professionalization of management practices and being active philanthropist and patronage. This leads to many questions. Firstly, why CSR activities have such minor importance for Polish companies? There is also the question of whether the main Polish companies are so much less socially responsible than western companies, or may the CSR theoretical and practical framework is not related to Polish or countries in transition reality?

## Conclusions

Attempt to clarify such a low presence of the person responsible in the field of CSR in Polish enterprises leads to general conclusions and those conditioned by the Polish reality. First the general question about adequacy and validation of corporate social responsibility construct appears. In literature we can find critical approach to CSR theory. Utting and Marques [2009:3] declare an "intellectual crisis of CSR," judging CSR analyses as "largely ahistorical, empirically weak, theoretically thin and politically naïve." They point to the lack of critical analysis of the effectiveness of CSR's voluntary form of embedding the economy, as opposed to traditional forms for embedding the economy, such as strong states, social pacts and civil society. In other side Blowfield [2005] describes CSR as "a failing discipline," claiming that it is too preoccupied with proving the business case and generating management tools, thus failing to question the discipline's own premises and ignoring the larger issues of how CSR relates to global governance, power and economic globalization.

The other problem is specific for Poland and can be similar to other post-communist countries or countries in transformation. How much neoliberal creation of CSR practices is relevant to emerging economies reality. The development of corporate social responsibility is inextricably involved in the historical, socio-economic, political, and organization-

al features of the society time under consideration. Practices, business activities are a response to change of an institutional nature. In present shape CSR does not relate to Polish reality. Established models of social involvement comes from prosper countries, with well-established capitalism and high development of civil society that are able use modern IT tool to monitor companies behavior and growing number of conscious consumer who are eager/willing to positive respond to CSR action. Continental, Scandinavian, Mediterranean, Anglo-Saxon models of social responsibility were already identified [Midttun 2006, Saphire 2005]. Furthermore Matten and Moon [2008] argue that CSR is more prevalent in liberal market economies because it functions as a substitute for more institutionalized or regulated forms of corporate responsibility. The authors therefore claim that government, business and civil society actors in liberal market economies will pursue CSR more actively to fill the "institutional void" caused by weak welfare states and weak corporatism. Utting and Marques [2008] claim that CSR scholars need to acknowledge the importance of institutional factors and power relations, and to account for their relative influence under different "varieties of capitalism". Gjølberg [2011] point outs that political economic institutions in the companies' environment significantly influence their CSR practice and performance so companies from some political-economic systems have stronger incentives to engage in CSR. Strong institutional embedding of the economy leads to increased CSR the existence of cross-national differences in CSR practices, as the indices document substantial variation both in CSR practices generally and CSR performance specifically [Gjølberg, 2012]. Moreover Gjølberg arguing that institutional embedding of the economy constitute a comparative institutional advantage in CSR, which will affect the actors' CSR practices, and specifically improve their ability to succeed in their CSR efforts. The key to understanding the compatibility between CSR and the welfare state lies in strategies of accommodation whereby countries adapt CSR to domestic needs and agendas [Midttun et al., 2012].

It is very important to investigate how political-economic institutions in Poland and in other CEE countries influence CSR practices because it has fundamental implications for our understanding of CSR both as a management tool and as a political phenomenon. Evolution of institutions affects not only economic as well as social performance at the firm level, but also what the impact of an enhanced social and economic performance is at the country level, in terms of competitiveness, so-

cial cohesion, and sustainability [Ioannou, Serafeim, 2012]. Researchers demonstrate significant cross-national differences in how companies approach CSR communication, stakeholder prioritization, managerial processes related to CSR, corporate governance and corporate community contributions [Aguilera & Jackson, 2003; Maignan & Ralston, 2002]. Societal institutions and state agencies can be expected to have a considerable impact on the constitution and behavior of economic actors, as well as on the prevailing rules of market competition, within nation states, their national standardization of firms' preferences, strategies and capabilities across sectors, regions and size classes depends to a considerable extent on the nature of state structures, especially the cohesion and autonomy of political and bureaucratic elites, and state economic policies [Whitley, 2005]. It leads to conclusion that Poland and other CEE should investigate their institutional environment that influences social responsible activities in order to create adequate CSR framework that face their limitation of economies in transitions and related to their backgrounds. The starting points can focus on establishing and executing professional standards and concentrate on limiting cost externalization by companies. In author opinion it should be strongly connected with economic pragmatism and excellence of management practices as a pathway to shared-value creation. Additionally it should be based on Polish heritage and tradition like value of solidarity and importance of industry association. Besides it is more connected with empowering consumers, NGO and other stakeholders in their relation with business entities. Polish CSR should search for adequate model of organizing the relationship between state, market, and civil society, which will lead to wellbeing of society. Only by establishing the relation shared value creation seems possible.

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## THE ROLE OF CSR GUIDELINES IN LABOUR CONDITIONS OF SUBCONTRACTING PROCESSES WITHIN THE CONTEXT OF A NEW INSTITUTIONAL PERSPECTIVE

**Hedda Ofoole Mensah**

Ph.D. Student of University of Hamburg,  
Faculty of economics and social sciences

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hedda.mensah@gmail.com

### Abstract

This paper concerns itself with the role of CSR Guidelines as a myth in the structures of regulation, consultation and control in a subcontracting process. The paper presents an in-depth illustrative single case study with embedded units of ethical issues in the subcontracting process that exploits casual workers in the public major project of the Berlin-Brandenburg Willy Brandt Airport [BER airport] from the viewpoint of a new institutional perspective of CSR myths. It examines how stakeholders including politicians, trade unions, workers and employers deal with the moral hazards and the 'decoupling' process of regulations and action in subcontracting processes and temporary labour migration in large construction projects in an industrialized country. With the observation of a shift of responsibility further down the value chain, it concludes with the exploration of the emergent issue of the role of CSR and recommendations for actions related to CSR Guidelines in subcontracting processes.

**Keywords:** CSR myths, new institutionalisation, employment relations, behaviour, case study research, subcontracting process.

## Introduction

A year after the European sustainable development strategy was published, Germany's federal government announced their own sustainable development strategy and the German corporate governance codex in 2002. Ever since, the German government submits regularly progress reports on these issues. The reports recommend among others, the need for a better implementation of corporate social responsibility [CSR] into the structure of companies as well as in public administration, in order to provide more transparency and credibility to CSR and optimise respective political frameworks [Bundesregierung 2011]. In October 2010 the Federal Government came out with a strategy for CSR. They set various milestones, out of which two milestones were particularly significant for the case study presented in this paper. One milestone was to consider the idea of responsible corporate management in scope with more focus on small and medium scale enterprises. The Federal Ministry of Labour and Social Affairs launched from 2007 until 2013 a program called "Social responsibility in small and medium scale enterprises". It is a nationwide offer in skills training on CSR for small and medium-sized companies. The idea is to present guidelines that companies can use for responsible corporate governance. Another milestone was to integrate sustainability aspects into public procurement processes. In 2011 the Procurement Agency of the Federal Ministry of the Interior became the competence center for sustainable public procurement. The primary task of the competence center is to inform and to train procurement authorities of federal, state and local governments to have sustainable public procurement practices [Kompas Nachhaltigkeit 2012].

Beside the CSR activities initiated and supported by the German government in addition to the stringent employment rights, labour laws and regulations in Germany, ethical hazards manifested in a project owned by the German Government. The case of Berlin-Brandenburg Willy Brandt Airport [BER airport] demonstrates on the one hand, the extent to which these normative approaches of responsibility milestones are often contradicted in reality, and on the other hand, the extent to which 'decoupling' institutional regulations relate to concrete action. Thus this article aims to achieve the following: Firstly, it seeks to show how formal rules have been decoupled from actual work and how informal non-conforming behaviour has been systematised. In this respect,

a thorough analytical single case study with results of a questionnaire from key stakeholders at the BER airport have been presented. Secondly, this paper strives to address and provide an answer to the following research question: What is the role of CSR Guidelines in subcontracting processes? This work seeks to contribute to a clarification of the CSR myth in a practical context, by examining a pattern of ethical non-conforming behaviour embedded in a new institutional theoretical framework.

## Theoretical Context

### *New Institutional Perspective on CSR Guidelines*

New Institutionalism [DiMaggio & Powell 1983; Meyer & Rowan 1977] provides a macro-sociological perspective for understanding the correlation between organisations and their institutional environment, taking into consideration the legitimation and reputation of an organisation [Hiss 2005]. Scholars of New Institutionalism dispute that mimetic, coercive, and normative forces lead many organizations to adopt organizational forms and policies that are considered legitimate in their fields (DiMaggio and Powell 1983; Meyer and Rowan 1977). New Institutionalism provides a helpful theoretical framework for understanding the 'decoupling' process of normative rules and the role of an integrative CSR myth along the value creation chain.

Organisational structures are surrounded by, and confronted with institutional rules. There are rules that function as myths and can therefore be taken for granted irrespective of whether the rules are efficient or not [Meyer / Rowan 1991]. "Compliance occurs in many circumstances because other types of behavior are inconceivable; routines are followed because they are taken for granted as 'the way we do these things'" [Scott 2001:57]. From a normative perspective, decisions and actions of actors are results of institutional myth; therefore institutional changes are carried out in large part through the adaptation of their institutional environment [Schulze 1997, Scott 2001]. Myer's and Rowan's idea is that through processes of isomorphism of organisational formal structures with institutional rational myths, organisations legitimise their existence as modern and rationalised organisations. This approach of conformity in reflecting on the myths of their institutional environments instead

of the demands of their work activities can reduce their efficiency and therefore reduce legitimacy [Meyer / Rowan 1977]. Meyer and Rowan [1977:356f.] propose two solutions, namely: 'logic of confidence' and 'decoupling' to protect their efficiency and still be legitimised by their surrounding. 'Decoupling' means organisations protect their legitimization by dividing elements of the formal structure from each other, thus building gaps between formal structure and actual activity. Their actual activity is then protected by minimum control, evaluation and inspections and structural units are handled informally. "Thus, decoupling enables organizations to maintain standardized, legitimating, formal structures while their activities vary in response to practical considerations" [Meyer / Rowan 1977:357]. With the help of the "logic of confidence", the organisation can reckon with the assurance that the internal and external stakeholders are acting in good faith of the myth in maintaining their organisational reputation. In reality, they only act to a certain extent to integrate the myth into their formal structure having profit and efficiency in mind [Meyer / Rowan 1991]. Rowan and Meyer explain the interdependence between organisations and their societal environment through their theoretical approach of macro-sociological point of view with reference to norms, expectations, and ideals of the institutional environment. Institutional rules are drawn with respect to moral norms or ethical codes and guidelines like the CSR guidelines being dominant or not in the daily work behaviour. From the perspective of Meyer and Rowan [1977] CSR guidelines can be seen as institutionalised myths [Hiss 2005]. There are many national and international CSR guidelines like the UN Global Compact, OECD Guidelines, Global Reporting Initiative (GRI4), ISO 26000, the ILO Tri-partite Declaration of Principles on Multinational Enterprises and Social Policy established together with different stakeholders including politicians, NGO's, Organisations and Corporations. These CSR principles are not legally binding, but give recommendations for responsible business conducts. Organisations which comply with CSR guidelines by changing their organisational formal structures towards it receive a good reputation and can play a central role for their sustainability. This approach may be replicated by other organizations without resorting to its use on the basis of purely strategic and effective constraints. Such adaptation processes leads to isomorphism with the institutional environment, which increases the probability of survival [DiMaggio/Powell 1991]. CSR Guidelines are used as controlling elements in value creation chains of organisations [Scharfman et al. 2004]. They are supposed to

be the normative frame for implementing sustainable developments. In case CSR guidelines do not go hand in hand with the need of an organisation, organisations normally 'decouple' the myth or/and use the 'logic of confidence' to prevent structural contradictions [Hiß 2005]. The conflict arises due to the fact that different powerful stakeholders in their institutional surroundings have inconsistent expectations [Meyer/ Rowan 1977]. The solutions of 'decoupling' and the 'logic of confidence' provide the main approaches in dealing with the institutional myth of CSR guidelines. This is done by choosing codes of conduct which are not precisely defined, having little or no monitoring on CSR aspects, and by separating their real work in their supply chain from their formal structure of code of conducts and using CSR as a marketing tool to look responsible on the surface while remaining legitimised in their social surroundings [Meyer/Rowan 1977, Hiß 2005]. The challenge for companies is to know where and how the CSR concept can be usefully integrated in the corporate strategy, management tools and in the value creation chains as well as having it integrated into various core business processes [Loew & Brown 2006]. New Institutionalism can therefore contribute to an explanation in terms of the process of legitimation between an organisation and the interdependence of their social environment, highlighting the effect of new and important practices in the supply chain.

For a more detailed discussion of the role of CSR guidelines and the reputation and legitimation of the behaviour of organisations, an analysis will be undertaken into moral hazards and social inequalities of temporary migrant workers. This is in order to further understand the deficiency between institutional rules expected by the organisational surroundings being theoretically propounded but not fully practically implemented throughout the value creation chains ['decoupling'] as well as the role of CSR guidelines seen as an integrative myth. The approach is thus to connect the main structures: regulation, control and consultation in a value creation chain on the basis of integrating CSR regulations in all three structures.

## Methodology

In the following section an illustrative single case study with embedded units to answer the research question will be provided [Yin 2003]. Case studies can highlight various aspects of the manifestation of inappro-

appropriate behaviour and provide detailed information on the phenomena. Case study research was used as an inductive tool, in the attempt to shed light on the specificity of the phenomenon and gain a deeper understanding of the fraudulent aspects in subcontracting processes surrounded in a legally protected environment. Even though a case study does not allow generalisation connecting the case study with quantitative studies with the same phenomena of salary fraud, it still makes it possible to construct an explanation for the phenomena and the role of CSR Guidelines as an integrative myth. The research was based on qualitative interviews and analysis of primary and secondary sources, such as qualitative semi-structured interviews, internal documents of the Confederation of German Trade Unions, Documents of the BER Airport, contract of employment of a Hungarian construction worker, reports of the counselling office for posted workers sent to Berlin on salary fraud, a list of mobile migrant workers at the BER Airport deceived by their employees, pictures about living conditions of workers, principles of business ethics by the BER airport, information through an internal Confederation of German Trade Union mailing list, one reportage as well as existing literature, reports and publications by social partners and policy makers. Thirteen comprehensive and semi-structured interviews were conducted and documented. This commenced with the director of the Confederation of German Trade Unions Region Berlin, followed by a group interview of three employees working for the counselling office for posted workers at the Confederation of German Trade Unions Region Berlin. Three single interviews giving insight into the case of salary fraud of a particular Hungarian. Further interviews were conducted with an employee of the counselling office for posted workers sent to Berlin and with an employee working in the project coalition against trafficking for labour exploitation at the Confederation of German Trade Union. Finally, one Hungarian construction worker who worked at the BER Airport and a manager working in a company which is operating in construction at the BER Airport were interviewed. Discussions were held with politicians of the main parties in Germany and institutions indirectly related to the issue. The analytical technique used is based on the content analysis of Mayring [2000]. In the words of Neuendorf [2002] the content analysis can be described as a six-part process: "Content analysis is a summarising, quantitative analysis of messages that relies on the scientific method (including attention to objectivity, intersubjectivity, a priori design, reliability, validity, generalisability, replicability, and hypothesis testing) and is not limited as to the types of variables that may be measured or the context in which

the messages are created or presented.” [Neuendorf 2002:10]. Qualitative content analysis are strictly controlled methodologically and the material is analysed step by step. The analysis is undertaken qualitatively using a computer-assisted approach called MAXQDA.

## **Studies on Employment Relations of Temporary Mobility Workers**

In the last years several studies in Europe have been published concerning conditions of temporary mobility workers in cross border situations [Cremers 2011, Dälken 2012, Jorens, Peters & Houwerzijl 2012, Lorenz 2010]. The studies report that the main problematic issues of temporary migrant workers concern wages, working hours, workers safety, transportation and accommodation [ib.]. Concerning their wages, the problems have to do with unpaid overtime, illegal salary deductions and partial payments or no payments at all. The issue on working hours is that they exceed the normal 40 hours per week to a 60 hours per week or more and noncompliance of daily and weekly periods of rests [Cremers 2011]. Due to these conditions they are in higher risk of unhealthy working conditions. Further, they are not given translations of industrial safety regulations and generally there is a shortage on protective equipment [ib.]. To sum up the issues in accommodation: “Placement in containers under Hilton-fees” [Cremers 2011:60]. The study by Dälken [2012] concluded that flexible workforces like cross-border temporary agency workers, posted workers, cross-border self-employed workers (false selfemployment) and cross-border contracted workers in these industries are increasingly replacing permanent workforces.

A number of studies came to the conclusion that the precarious employment situations of temporary migrant workers facing in Europe are largely exploited due to the contempt of regulations, weak regulations, non-available or inadequate regulations such as uniform statutory minimum wages for each industry. It lacks in efficient control systems, effective sanctions and insufficient consultation of the workers and collaboration between institutions as well as between institutions and contractors especially in the early stages of work assignments. The studies end with recommendations for action. Dälken [2012] recommends actions like a revision of the directive regulating the posting of workers in Europe as well

as the procurement laws, an extension of the general liability of general contractors to all industries, the development of controls and sanctions by public authorities. In all these actions the awareness of the living conditions of migrant temporary workers should be taken into consideration. One main aspect concerning the workers themselves is education of their employer's rights and the early provision of consultation on their rights.

### **A Critical Review of the Case Study: Casual Labour Mobility in the Public Construction Project Berlin Brandenburg Willy Brandt Airport**

Since 2006 the new Berlin Brandenburg Willy Brandt Airport [BER airport] has been under construction and is still delaying due to technical problems and errors in planning [Berlin airport 2013a]. It is owned collectively by the state of Berlin, the state of Brandenburg and the Federal Republic of Germany [BER Airport 2013c]. Some important figures and facts of the case are as follows: The politicians at the BER Airport had the aim to use as many medium sized local companies as possible. In 2010 about 900 construction workers engaged on the site; on their website you can find principles of business ethics by the BER airport [Berlin airport b]; In 2011 the first salary fraud was documented by the Confederation of German Trade Unions [DGB] and the number increased over the years to 88 workers in 2013 who have been financially deceived [see Table 1].

**Tab. 1.** DGB Region Berlin [2013] Status quo of persons affected and contacted at the counselling office for posted workers sent to Berlin

First contact	People affected	Country of origin	Status
November 2011	1	Bulgaria	State-insured employed
November 2011	5	Poland	State-insured employed
December 2011	3	Armenia/ Lithuania / Portugal	Fictitious self-employed
December 2011	19	Hungary	State-insured employed
March 2012	12	Romania / Bulgaria/ Latvia	Self employed
April 2012	12	Poland	First state-insured employed and then self employed (limited commercial partnership)

May 2012	9	Poland/ Lithuania	Self employed (limited commercial partnership)
June 2012	8	Poland	Posted worker
Oct. - Dec. 2012	17	Hungary	State-insured employed
January 2013	2	Poland	Illegal Employment
<b>Total No. of Persons affected</b>	<b>88</b>		

The work process at the BER airport starts with an invitation of tenders by the airport corporation. After selecting the lead contractor for a special task they enter into a contract agreement with him to abide by the labour agreement and to ensure that this agreement is followed with the engagement of sub-contractors. In various cases of the counselling office for posted workers sent to Berlin [counselling office] the process continues with a lead contractor who contacts subcontractors and informs them that they need a specific number of workers. The subcontractor gets in contact with a middleman from middle or east Europe who searches for construction workers.

At the time the people arrive in Germany, most of them have no knowledge of labour law, health and safety measures, language skills and the liability of taxation. They are either directly employed by the subcontractors, self-employed or founding a private limited commercial partnership. In most of the cases the contract is not translated into the language of the workers. In the case of nineteen Hungarian workers it was written in the contract, which was written in German, that the regular payment of 11,- € (online they advertised 18,- € per hour) is only paid if their performance was hundred percent, if not, they will get paid less or nothing, all decided by the employer.

If they are to be self-employed, the middleman arranges everything from social insurance, company registration to organising a lawyer for establishing a private limited partnership in Germany. For arranging these papers the middleman sometimes collects around 130,- € which are withdrawn from their first payment.

After having all the legal issues settled, the workers arrange a place to stay or what is most of the time and very common in the construc-

tion industry the subcontractor organises a place to stay for them in small apartments where many more are accommodated in a room that is actually permissible. In one case 50 people were made to live in a three bed room apartment without enough beds or mattresses to sleep on. Working around the clock, they shared the same beds or mattresses. In the case of forty Hungarian workers, they lived under inhuman accommodation conditions, living with several people in a room of tenant houses outside Berlin and paying around 200,- € to 300,- € per month which was deducted from their salaries.

At the airport, workers receive identity cards or an aggregate and kept by one person, most of the time by the middleman like in most cases the DGB counselling office have been confronted with. In this case, only the middleman is checked at the entrance of the BER airport. At the construction site the Hungarian workers are asked to renovate the fire safety which had not been done properly before. They are not equipped with the appropriate tools and find the written construction plan different from what they come to see at the site. However they are still forced to stay by the plan. The fire safety instruction site was one of the main reasons why the opening of the BER airport has been postponed. At the airport construction site workers have been controlled several times by the custom officers. The custom officers checked their registration with trade documents but without involving an interpreter and no questions concerning their working conditions, payment or accommodation were posed, since that is not within the scope of their responsibility.

After several weeks or month of not being paid, they are given only promises and told that the main companies themselves have not been paid yet and therefore have to contend with weekly advance payments between 10,- to 50,-€ for food and transportation. Some of the workers contacted the counselling office to ask for help. In the case of the Hungarian construction workers 19 out of 40 workers came directly to the counselling office in December 2011 with the complaint that they have not been paid for two months, that they have no money left to go home for Christmas and no accommodation to sleep. They have been told that they should go home because there is no work over Christmas and that the accommodation is being closed down but the Hungarian workers did not even have the money to go home.

Depending on the case, the counselling office contact other institutions like trade offices, revenue offices and also other unions to receive more

information if needed. They get also in contact with the financial control of illicit employment to ascertain whether illicit employment structures or dependent contracting are suspected.

The counselling office then tries to contact the direct employer and if this does not work, they go further up to the final chain of the general contractor to make a statement about non-payment of the workers. The argument chain is that they have paid the subcontractor, and so if the subcontractor has not paid their workers they have nothing to do with it. In most of the cases the subcontractors are not willing to pay at all and in some instances very little. In such cases, the counselling office tries to find places to stay for a few days in shelters for the homeless workers. In one case, workers at the BER airport were threatened that they should not contact or inform anybody. If they do they will look for them and injure either them or their families at home. That is one reason why the workers wait so long before they contact the counselling offices as well as their limit of tolerance is higher than in Germany and they are used not getting paid on time. Another reason is that they have no choice because they have taken all their savings to come to Germany and use it until they are exhausted. They are further dependent on living in rooms the employer organises and their family at home wait for the salary to be paid so their only choice is to wait and hope that their money will come as promised.

In the Hungarian case the counselling office arranged a press conference where they informed the public about the case. The aim was that with the help of moral and press pressure, the subcontractor will be willing to pay, but they did not. They rather got into administration although some of the workers new that they have opened three new companies with different names at the same time. The subcontractor said the workers will not be able to work there and if they become a member of a union they will be dismissed without notice. The one who became union members received such a notice. The counselling office got in contact with the general contractor who was then willing to pay 300,- € each for their journey back home. After the workers arrived at home, they received dismissal letters with immediate effects. The Hungarian workers who became union members had the chance to enjoy legal protection and the chance to sue for their loan. After the accusation, the sub-contractor declared himself bankrupt and therefore the workers were only left with insolvency payment. It took one and a half years until they received insolvency payment. This case was one of the good cases the counselling office said.

After contacting several general contractors, they promised the counselling office that they will strongly emphasise their contracting partners to be stricter on paying general minimum wages of the construction industry. In one case it was said that such behaviour are in clear contradiction of their corporate philosophy. They promised to check their internal control mechanisms to prevent such cases from happening again. They also hoped to keep in contact with the DGB to get their advices and experiences with such cases to improve their processes of work. A parliamentary investigating committee, aimed at targeting control of the senate, especially where abuses are suspected, has been agreed on by the members of the House of Representatives. The aim of the committee was to find out why there have been so many delays and additional cost in finishing the BER airport. The DGB demanded to also discuss the issues on working conditions at the BER Airport, but that was not part of their terms of reference of the committee. The airport corporation itself mentioned that they have mafia-like structures but they have no possibilities to overcome it. The issues are considered as isolated cases and the political will to act is very low.

### **Discussion: Cause, Effects and Recommendations of 'Decoupling' Institutional Regulations**

In the following section representatives of stakeholder groups (politicians, unionists, managers, members of institutions dealing with CSR) commented on the causes, effects and recommendations of 'decoupling' regulations from acting at the BER Airport, the general phenomena of ethical hazards in employment relations in subcontracting processes and the role of CSR in it.

The cases at the BER airport are not isolated cases but rather a non-conforming pattern of systematic salary fraud appearing in a publicly owned, planned and operated project. The paradox is that the Government of Germany is the final contractor in this chain. Violating the casual migrant worker's right have happened in an industrial country within legally protected supply chain and at a time powerful CSR movements in small and medium sized enterprises are supported by the Federal Republic

of Germany. The case study showed that normative expectations and reality are being 'decoupled' or compromised while informal non-conforming behaviour been systematised.

The BER Airport case is only an example for all the cases the counselling office are confronted with in the last years in Germany. They all have similar or the same patterns of fraud structures. Often, advantage is taken of the lack of knowledge of workers in the area of posting of workers and their legal rights. Another problem is that the workers come at the last moment where they have little money, problems with their accommodation and little food left. This is a very difficult situation they are in which is indeed a vicious circle. It is very difficult to intervene the decoupling process of regulations in dealing with structures that are oriented on exploitation of migrant workers leading towards mafia structures having criminal intention as a system.

In big construction projects like the BER Airport where the contractual relationship differs with several sub contractors, it is more intransparent and the chance of being apprehended is all the more unlikely. Several interviewers said that one reason for the misbehaviour at the BER Airport was a lack of delegation of responsibility. In such big construction projects like the BER airport, a subcontractor needs more workers than his own staff.

In order to keep costs low, there is the constraint to get workers from European countries with less wages. "The idea of economisation to exhaust efficiency to the fullest to the point of establishing dummy concerns who from the beginning are being pushed to insolvency not to pay their workers. Here the logic of economic value creation chain is taken to extremes such that one can only talk in such cases about perversion." [Interview 12, translated by author].

The cascade structures of exploitation are legal but are misusing the law and there is a system behind such structures of organised crime. What has happened at the BER Airport is illegal in Germany, especially in the European legislation. The problem is that the state does not control if payments have been done or accommodations are well arranged, this is a private issue unless the worker sues the company. For suing a company in Germany, one needs time, money and evidences which makes it very difficult for the temporary migrant workers to act properly having little money, less time, language problems and sometimes little doc-

uments to prove their situation. An effect of subcontracting processes are that most of the time the counselling office only get the small subcontractors to sue, it is hardly possible to get the ones really responsible for it. The small companies declare themselves insolvent and sometimes re-register their companies under other names and succeed in doing the same thing in collaboration with the main responsible company. The counselling office has created some transparency regarding this irresponsible behaviour and this has been documented. A positive effect is that due to the fact that informing the public about cases of salary fraud, companies are more circumspect in committing such crimes, since they risk being publicly ridiculed. In general, regulations need to be settled at the EU level. Failure to do this makes it very difficult to have a fair competition. Thus a better EU legislation on law of freedom of movement which is at the moment rather being softened. The main aim is to have collective agreements and legal minimum wages in all industries of Germany one interviewer stated.

There is the need to have a third party implementation of the work inspection act and a general contractor liability. There is also the need to have more clarity on this law because there are different interpretations given to it. The execution of the rights depends on the awareness of the individual about their rights. This underscores why it is necessary to educate workers on the rights beyond the regulations. Informing temporary migrant workers about employment rights. In cases of salary fraud and unethical accommodation situations, harder sanction will have to be applied. The punishment of the employer can be effected by withdrawal of his licence in the industry. Such sanctions need to be dispensed more often, so companies who take the risk of being sanctioned will no longer be considered for subsequent contracts. Otherwise they speculate that their profits can accommodate the prosecution, thereby maintaining those behaviours. Furthermore, there is the need for more efficient control structures, especially controls of a subcontractor chain on the basis of work conditions and accommodation. What needs to be kept in mind is that, if more regulations are being brought into, there is the danger that the pressure to get more self-employed structures might rise with the result that the control through the law will be weakened.

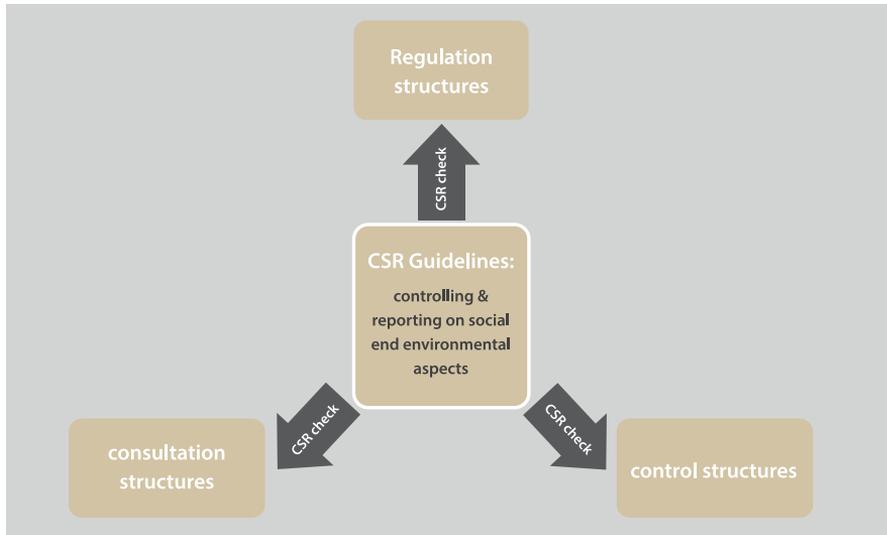
In the last years, the employment relationship has changed from employment on a salary basis to subcontracted employment, and contract

of work to various forms of delegation. Regulations can only be the minimum standard. Beside the regulations a control mechanism through the information of the media should be created. But the media can only be used as leverage. The tender process should not focus on the cheapest especially if it has negative national economic effects. Criteria within the public tender process like payment of at least the minimum wages, payment according to the negotiated tariff, payment of social contribution and sustainable development with the amendment of the guideline of allocation of contracting entity from "can" to "should" be sustainable should be included. Companies need to be educated about how to be sustainable and social responsible in order to be efficient in the long run. What applies to companies also needs to apply to contracting entities. CSR can be a support which will have to be integrated in the regulations to be effective: an integrative CSR check along the chain of employment relations and labour conditions. What leads to change of companies is the behaviour of their customers: if the customers do not chose companies without a CSR report, companies will quickly focus their attention more on CSR aspects: isomorphism. CSR can therefore be a control mechanism for good behaviour. However in voluntary assessments for companies who are not willing to pay their workers adequately or deliberately disregard workers rights, CSR will not be sufficiently effective. CSR is voluntary, can only give orientation, and will not work without enforced regulations.

There is the need for an integrative CSR check to be undertaken for all the companies and institutions in the value chain. Knowing if organisations act according to the promises of their codes of conduct can only be evaluated if their procedures are transparent. Therefore transparency is an important aspect for organisations to react to the integrative CSR myth of maintaining and legitimizing their reputation and preventing decoupling from happening [Hiß 2005]. This means CSR guidelines involvement as an external third-party instance controlling each structures of the value creation chain using the CSR Guideline criterias, ensuring that the social and environmental aspects are secured within the regulations, consultations and control structures (See Graph 1).

### Prevention of decoupling in value chain processes through CSR Guidelines

**Fig. 1.** The role of CSR Guidelines within the structures of subcontracting processes



Source: own representation

As a result CSR guidelines will secure the social and environmental aspects being taken care of in securing the legitimacy of the process and offer the institutional surrounding transparency due to the CSR report. The integrative perspective on CSR myth can therefore be seen as a cross-linkage of all structures involved in a value creation chain with the focus on social responsible behaviour.

### Conclusion: Widening the Debate on CSR as an Integrative CSR Myth in Subcontracting Processes

This article has examined the extent to which non-conforming behaviour has been a systematic pattern within a developed institution surrounded by laws, guidelines and principles of business ethics and how stakeholders responded to the ethical dilemmas of temporary labour workers. The primary focus of the discussion was on how formal rules have been

'decoupled' from action, secondly explored institutionalised informal non-conforming behaviour which has been systematised and finally the role of CSR Guidelines seen as an integrative CSR myth involved in a value creation chain of subcontracting processes. What this article has demonstrated is the 'decoupling' process of formal regulations in which salary fraud has been systematically integrated in the value creation chain. Rowan and Meyer's solution of 'decoupling' by creating gaps between institutional rules and actual activity to protect organisational efficiency and still be legitimised by their institutional surrounding could be very clearly observed in the BER airport case. The companies at the BER airport construction site have acted illegally and have violated the legal, ethical and social regulations of the workers. They have not been penalised hard enough to avoid repetition and eventual institutionalisation of fraud. The workers at the construction site were in an environment with regulations, contracts, control checks and yet systematic salary fraud occurred. There have been recommendations and suggestions for improvement to prevent such 'decoupling' processes from happening which deal with changing regulations, consultation-, control- and sanction- structures and making sure that these systems are executed with the focus that the work conditions of the temporary migrant workers are secured. The role of CSR can be seen from a meta control level in subcontracting processes if the role of CSR myth is looked at as an integrative part in each step of the value creation chain.

Temporary labour migration in subcontracting processes in Germany will continue to be a major ethical issue of its impact in precarious employment relations and the society. The structure of CSR Guidelines seen as an integrative myth within the single structures of consultation-, control- and sanction in each step of the value creation chain can play a key role in the foreseeable future.

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## EDUCATING FOR ETHICAL DECISION MAKING: THE CONTRIBUTIONS OF NEUROETHICS<sup>6</sup>

**Lozano, J-Félix.**

Universidad Politécnica de Valencia

Grupo de Estudios en Desarrollo, Cooperación y Ética.

Dpto. de Proyectos de Ingeniería - ETSII (Edificio J)

jlozan@dpi.upv.es

### Abstract

In this paper our aim is to reflect about the impact of conclusions from recent research in neurosciences for business ethics education. The traditional model of decision making in business was based on a rationalistic epistemology, individualistic anthropology and materialistic ontology. However, the results of research in neurosciences have provided strong evidence against this model. The alternative models are essentially intuitive and affective. Although there is lively discussion and dialogue between those models, the fact is that the ethical decision making model in business can no longer be merely rationalistic.

The contribution of Neuroethics has two main impacts for business ethics education. First, a better understanding of brain functioning, better understanding of our cogni-

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tive capacity and learning processes. Second, advances in the field of neuroscience have clarified our moral judgment capacity. Both aspects are relevant for educating students in ethical decision making for their future professional lives.

**Keywords:** ethics decision making, education, neuroethics.

## Introduction

Recent financial frauds have been committed by people with degrees from top Universities. The Film documentary *Inside Job* [2010] presents prestigious academics with censurable ignorance and lack of sensitivity to financial malpractices. People around the world are asking what kind of education our universities are delivering. The traditional perspective of economy as an exact science, where mathematical calculus is the key knowledge for predicting individual and market behavior and managing resources, has been discredited. The cultural, social and ethical dimension of the economy is not avoidable.

In this context, the issue of business ethics education is gaining importance in addition to skepticism over its efficacy. Social Corporate Responsibility and Business ethics have been taught for many decades in many business schools and Universities. However, there is strong discussion over its efficacy. Criticism is directed at both incorporation in the curriculum and the teaching methodology. It seems that the strategy to offer only some independent business ethics courses it is not the appropriate way for increasing a sense of responsibility in future managers. The methodology has also proved ineffective (Tenbrunsel and Messick, 2004). Explaining ethical theories (virtue ethics, deontology, utilitarianism, etc.) and applying them to the business context through case studies is not an effective way. There is an urgent need for intensive innovative work in developing moral awareness and judgment in future managers. Neuroethics may be capable of making a crucial contribution to this urgent work.

The aim of our paper is to reflect on the contribution of neuroethics to education for ethical decision making. Firstly we present a clear definition of neuroethics and its main fields of study. Secondly, we analyze the factors (extrinsic and intrinsic) that influence bad ethical decision mak-

ing. Thirdly, we provide a brief critical review of traditional ethical decision-making models presented in business and we explain two new models derived from neuroscience. Finally, we focus on identifying the main conclusions of neuroethics research for ethical decision making and for educating responsible decision makers.

## Neuroethics: origin and trends

It is generally agreed that the origins of neuroethics can be dated to May 2002 at the conference organized by the Dana Foundation in San Francisco. In the opening speech Safire defined neuroethics as: “the examination of what is right and wrong, good and bad about the treatment of, perfection of, or unwelcome invasion of and worrisome manipulation of the human brain” [Safire, 2002: 5].

Neuroethics is a young interdisciplinary science which has been developed from three methodologies [Salvador and Folger, 2009]: *medical case studies*, where people with brain damage behave in an antisocial or unethical way; *behavioral experiment* where some evidence was found for the relationship between ethical decision making and neurological activation; and *neuroimaging* (PET, MEG, and fMRI) that allows researchers to observe changes in brain activity as individuals think and feel. All these advances provide us with the capacity to “monitor and manipulate” our brain function and our behavior.

In general we can differentiate between the ethics of neuroscience, or “ethics of practice” (how people who research in neuroethics should behave, what they can do and what they should not do), and the neuroscience of ethics or “ethical implications of neuroscience” (the challenge that the results of neuroethics research presents for ethics) [Roskies, 2002:21]. We are going to focus on the latter field: What can neuroethics bring to education for ethical decision making.

Focusing on ethical decision making in particular, evidence from neuroethics research has opened four broad themes: the neural substrates of normative ethical theories, the role of emotion, the role of intuition, and the specificity of ethical decision making. The last three themes have a strong impact on business ethics and business ethics education.

## Why people do bad things. Factors affecting unethical decision making.

When we try to identify the causes of poor decisions, we have to keep at least two kinds of factors in mind: extrinsic and intrinsic. Extrinsic factors are inputs that come from the context (social and, especially, organizational), which influence our decisions. Intrinsic factors are related to our cognitive process and, ultimately, our will.

**Tab. 1.** Factors affecting unethical decision making

Extrinsic: situational and organizational factors	Intrinsic factors: Predictors of unethical behavior
<p><b>Situational:</b></p> <ul style="list-style-type: none"> <li>- Performance pressure,</li> <li>- interpersonal conflict,</li> <li>- decision-making autonomy,</li> <li>- type of ethical issue,</li> <li>- level of authority of the other person involved in the interaction</li> </ul>	<ul style="list-style-type: none"> <li>- Machiavellianism,</li> <li>- Moral identity,</li> <li>- Empathy,</li> <li>- Moral disengagement,</li> <li>- Mental models</li> </ul>
<p><b>Organizational:</b></p> <ul style="list-style-type: none"> <li>- Ethical codes,</li> <li>- Culture and ethical climate,</li> <li>- Type of industry,</li> <li>- Size of the organization</li> <li>- Systems of rewards and sanctions</li> <li>- Cultural Barriers:               <ul style="list-style-type: none"> <li>• Strong stereotypes or behavior models,</li> <li>• Strong group cohesion,</li> <li>• Confusion over priorities,</li> <li>• Protection from outside intervention</li> </ul> </li> <li>- Structural Barriers:               <ul style="list-style-type: none"> <li>• Division of labor</li> <li>• Diffusion of decision-making competences</li> <li>• Classical Chain of command.</li> </ul> </li> </ul>	

Source: own elaboration

## Extrinsic: situational and organizational factors

Stenmark and Mumford [2011] examined five situational variables which impact leader ethical decision making: Performance pressure, interpersonal conflict, decision-making autonomy, the type of ethical issue, and the level of authority of the other person involved in the interaction. The conclusions of their study is that: 1) performance pressure is related to poor ethical decision making; 2) interpersonal conflict is closely tied to bad decision making; 3) when autonomy is low there is a high risk of poor ethical decision making; 4) decisions that involve following the rules will be more unethical than those that involve fair procedures or outcomes; and that 5), people are more likely to make unethical decision when such decisions are supported by senior managers.

Corporate culture and ethical climate significantly influence ethical decision making [Victor and Cullen, 1988]. The most studied variables include the impact of ethical codes, culture and ethical climate, type of industry, size of the organization and systems of rewards and sanctions. Most studies confirm the idea that ethical codes positively relate to ethical decision making, and that the ethical climate also has a positive influence on it. There are fewer studies on the type of industry and given the variety, it is more difficult to extract conclusions, but in an analysis of 12 studies O'Fallon and Butterfield [2005] found significant differences between industries in 8 of them. There are also fewer studies on the size of the organization, although conclusions appear to suggest that size has a negative impact on ethical decision making. And finally, an expected but very relevant conclusion is the impact of rewards and sanctions. An effective system of rewards and sanctions is a key component for ethical behavior. Poor decisions are often the result of perverse incentives (for example, the origin of the current financial crisis and the systems of incentives in the investment industry and rating agencies).

Almost 20 years ago, Steinmann and Löhr [Steinmann and Löhr, 1994] made a significant contribution on this point, identifying two types of barriers to ethical behavior in firms, due to organizational structure and the culture.

Structural barriers that these authors consider decisive include division

of labor, diffusion of decision-making competences, and classical chain of command. Division of labor presents two difficulties for ethical decision making. Firstly, excessive attention is paid to very small parts of complex processes, so that people are not aware of the results of their actions and they can be unwittingly and involuntarily accomplices to very negative actions. And secondly, it leads to a predominant technical vision where people see themselves as “a cog in the wheel” and relinquish moral reflection<sup>7</sup>.

The diffusion of decision-making competences is intended to maximize efficiency in achieving results. Quantitatively measured, results-oriented management techniques are assumed thereby transmitting the dangerous idea of ethical neutrality. Two aspects of the separation of decision making also hinder ethical decisions. One is separation or “physical” distance and the other is hierarchical distance. It seems clear that when someone makes decisions that will be applied hundreds or thousands of kilometers away and the dramatic consequences will not be seen or felt, there is a greater risk of making the wrong decisions. Hierarchical separation hinders ethical decision making because of the distance between the concrete reality where that decision will be applied and the difficulties of two-way communication.

The classical chain of command and obedience (as in the military) is one of the greatest difficulties for decision making [Milgram, 1974]. When people are given a very clear definition of their scope of action and “blind” obedience to a superior is imposed, it becomes impossible or very difficult for other members in the organization to perceive and denounce bad practice and there is often unwitting complicity with bad practices [Werhane et. Al. 2013].

Steinmann and Löhr [1994] identify four major corporate culture barriers to ethical decision making: strong stereotypes or behavior models, strong group cohesion, confusion over priorities, and protection from outside intervention.

Strong stereotypes or models embody the organization’s (sometimes unwritten) rules and values and are a benchmark for people’s behavior, especially subordinates. This factor is very closely related to strong

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<sup>7</sup> See for example Adolf Eichmann and the lack of thought “Gedankenlosigkeit” in H. Arendt 1963.

group cohesion which puts the organization's interests before those of people, hinders questioning of those interests and provides immunity against denouncements of bad internal and external practices. The third cultural factor that hinders responsible decision making is confusion over priorities. When the organization's explicit objectives change frequently and without explanation, or when goals are stated but action takes the opposite direction, it generates much confusion which prevents people from taking ethical decisions. Finally, policies of "isolation" against outside intervention also make ethical decisions difficult for two reasons, firstly, the external benchmark for actions is lost and negative decisions may be made unwittingly; and secondly, it hinders outside scrutiny or supervision which could detect bad practices.

## **Intrinsic factors: Predictors of unethical behavior**

Of course, every external influence is cognitively and emotionally processed and influences our behavior and feeling. Thus the separation between intrinsic and extrinsic factors is only a conceptual one intended to clarify the sources of our decisions. At this point we present five aspects of the cognitive and emotional process that are likely to generate unethical behavior or poor ethical decision making [Moore et. al. 2012]: Machiavellianism, moral identity, empathy, moral disengagement, and mental models.

Machiavellianism represents an individual's propensity to be manipulative and ruthless in the pursuits of self-interested goals. Some people focus only on their personal objectives and understand the work in organizations as a battle for resources, prestige or power. The underlying idea is that the business world has its own rules that are a concretization of Darwinism: the permanent fight for survival where the powerful (and clever) win. Other kinds of considerations (moral, spiritual, social, etc.) are only accepted if they bring some advantage in the battle. Usually such people do not feel bad or guilty when they act unethically; they consider it to be the "rule of the game". Machiavellianism is a multidimensional concept that comprises, among others, the following personal traits: cold, misanthropic, cynical, pragmatic, lack of affection and empa-

thy, self-beneficial goal pursuit, manipulation, exploitation and anti-social tendencies [Rauthmann, 2012].

Moral identity describes the extent to which one's self-concept incorporates the importance of being a moral person. "One has a moral identity to the extent that moral notions, such as being good, being just, compassionate, or fair, is judged to be central, essential, and important to one's self understanding" [Narvaez and Lapsley, 2009: 243]. As Dan Ariely recently showed, cheating is not a question of cost-benefit analysis, but a question of self-image: "We cheat up to the level that allows us to retain our self-image as reasonably honest individuals" [Ariely, 2012, 23]. Our self-image, moral identity and character [Blasi, 2005] are strong predictors of moral action. People with high moral identity and commitment should be more concerned about harm to others, respect the norms and rules and to take responsibilities.

Empathy includes sympathetic feeling, responsiveness to others and an ability to cognitively understand others' perspectives [Moore et. al 2012]. For many centuries emotions have been considered a key factor for ethical behavior, but they have gained relevance in the last decades in part due to the psychological empirical research. People who do not feel compassion or take in consideration others' feelings, needs or perspective are more likely to act in an unethical way.

Moral disengagement is another important additional driver of unethical behavior. It is an individual's propensity to morally disengage – that is, an individual difference in the way that people cognitively process decisions and behavior with ethical import that allows those inclined to morally disengage to behave unethically without feeling distress. Related to Bandura's theory of self-regulation [Bandura, 1996, 1999], moral disengagement occurs when transgressive behavior is not deterred through the self-condemnation individuals anticipate they would suffer were they to engage in behavior that conflicts with their internalized moral standards. This moral disengagement is a cognitive process which generates what Tenbrunsel and Messick called, "ethical fading" or the "art of self-deception" [Tenbrunsel and Messick, 2004].

Bandura [1996, 1999] proposes that moral disengagement occurs through a set of eight interrelated cognitive mechanisms that facilitate unethical behavior. 1) Moral justification, cognitively reframes unethical acts as being in the service of a greater good and therefore playing dirty is some-

times necessary in order to achieve noble ends. 2) Euphemistic labeling is the use of sanitized language to rename harmful actions to make them appear more benign. One example is calling “team player” someone who collaborates in wrongdoing. 3) Advantageous comparison exploits the contrast between a behavior under consideration and an even more reprehensive behavior to make the former seen innocuous (“small lies”). For example, compared to other illegal things people do, taking something small from a store without paying for it isn’t worth worrying about. 4) Displacement of responsibility refers to the attribution of responsibility for one’s actions to authority figures. People shouldn’t be held accountable for doing questionable things when they were just doing what an authority figure told them to do. 5) Diffusion of responsibility works in a similar way but refers to dispersing responsibility for one’s action across members of a group. A justification that can be heard from time to time is: “Where everyone cheats, there’s no reason not to do so”. 6) Distortion of consequences describes the minimization of the seriousness of the effects of one’s actions. “It is OK. to tell small lies when negotiating because it does no harm”. 7) Dehumanization is the framing<sup>8</sup> of the victims of one’s actions as underserving of basic human consideration. “It is okay to treat badly somebody who behaves like scum”. 8) Attribution of blame, where the responsibility is assigned to the victims themselves: “People who get mistreated have usually done something to bring it on themselves”.

These strategies are studied intensively in the political arena, but are not only limited to it, it also plays an important role in the service of profit [Bandura 1999]. The moral disengagement is not a pure rational strategy, but depends partly on how the perpetrators view the people they mistreat. It is essentially based on the empathetic emotional reactions through perceived similarity and a sense of social obligation.

Mental models are: “mental representations, cognitive frames, or mental pictures through which all human beings interact with experience, developing narratives, observations, and scientific content, which is then called knowledge” [Werhane et. al. 2013: 189]. Mental models are efficient cognitive strategies for dealing with our internal and external world, but at the same time they could be an obstacle for ethical decision making. Our mental models do not determine or impose our thoughts and per-

<sup>8</sup> This strategy is well-known in totalitarian regimes and it has been well studied by Philip Zimbardo in the process which he called *The Lucifer effect*, [Zimbardo 2007].

ceptions, but they guide them, by creating obstacles to decision making. The most relevant obstacles are: 1) moral self-image that avoid to us recognizing our own unethical behavior; 2) blind spots that prevent us from interrogating our mental models; 3) bystander effect that means that group behavior affects individual action; 4) self-sufficiency presumption that allows us to believe that we control our thoughts, emotions and actions; 5) Slippery slope that is a gradualist process to the unmoral behavior; and finally 6) limitation for gathering relevant facts.

Machiavellianism, moral identity, empathy, moral disengagement, and mental models are internal or cognitive factors that difficult ethical decision making. These, together with the extrinsic situational factors, influence very much our decisions. We have to be aware and analyze them as a first step for ethical decision making.

Studies and researches in moral development, neuroethics, and cognitive psychology in the last decades demonstrate that the traditional rationalistic approach to ethical decision making is insufficient, and that we have to explore news ways. The neuroethics is one of this.

## Neuroethics models for ethical decision making

The traditional model of decision making in business is based on a rationalistic epistemology, individualistic anthropology and materialistic ontology. The rationalistic perspective assumes the individual utility calculus as a basis for the theoretical and mathematical model. This approach assumes that: "(...) individuals are rational purposive actors who act in accordance with their intentions and understand the implications of their actions" [De Cremer, et. ali. 2011: 2]. One of the model's key concepts is "expected utility", which means that "people choose between alternative courses of action by assessing the desirability or "utility" of each action's possible outcomes" [Loewenstein, Rick, and Cohen, 2008: 651]. Another essential key concept is the "self-seeking egoistical man" or *homo economicus*, a person who always makes a rational choice consistent with his preferences. Both concepts have been criticized. At the theoretical level, some authors like Amartya Sen [1977, 2002] or Peter Ul-

rich [1991, 1997] present strong arguments against this rationalistic interpretation. Meanwhile from the psychological and cognitive sciences, D. Kahneman [2003, 2011] and D. Ariely [2008, 2012], among others, argue for the importance of intuitions and emotions in decision making. Research by Damasio [2005, 2007], Sonenshein [2007], O'Fallon and Butterfield [2005] and Haidt [2001] present strong evidence against the rationalistic model of ethical decision making, essentially based on Kohlberg's [1981] and Rest's theory [1986].

Based on the results of neuroscience research, various decision-making models have been proposed. Below we present two of the most relevant and, in our opinion, the most comprehensive<sup>9</sup>.

### Sonenshein's Sensemaking Intuition Model [SIM]

One ethical decision-making model that undoubtedly has most assumed the progress in neurosciences is the Sensemaking-intuition model (SIM), presented by Sonenshein. The initial hypothesis is that the rational focus has significant limitations and often responses to ethical issues are not based on extensive and deliberate reasoning. On the contrary, people get involved in sensemaking processes under conditions of ambiguity and uncertainty and individual expectations and motivations strongly affect the process of interpreting ethical issues.

Sonenshein begins with a review of the rationalist approaches from Jones [1991] and Treviño [1986] who share both main assumptions: the decisive issue in a moral problem is the individual's level of moral development and individual and social moderators (*person-situation research*), and the characteristics of the ethical issue (intensity of consequences, social consensus, likelihood of effects, etc.). In his opinion, these rationalist approaches have four significant limitations.

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<sup>9</sup> Jaana Woiceshyn's proposal is also interesting: "A model for Ethical Decision making in business: Reasoning, intuition, and rational moral principles" *Journal of business Ethics*, n° 104, pp. 311-323. Although we think that its basis in rational egoism is questionable.

The first limitation is related to equivocality and uncertainty. In ethical dilemmas there are normally different simultaneous interpretations and a serious lack of information. An initial aspect where this equivocality occurs is when we evaluate the magnitude of the consequences. People usually look forward to positive results and that prevents them from recognizing that their actions may harm others. A second aspect of equivocality is that the ethical quality of a situation or decision is not always clear. One example of this can be seen in “low intensity” bribes, where there is no clear social consensus over what is acceptable or not.

The second limitation refers to the assumption that ethical behavior requires deliberation and deep rationalization. The rationalist model suggests that deliberation and rationalization are preliminary steps for moral awareness raising and therefore the behavioral response must be consistent with the moral perspective. But recent advances in cognitive psychology show that individuals seldom get involved in this type of preliminary deliberation and rationalization [Damasio, 1994, 2003; Haidt, 2001; Ariely 2008; Kahneman 2011].

The third limitation concerns objectivity and the construction and interpretation of situations. Rationalist approaches suggest that the process begins with a problem and that individuals react to already existing ethical dilemmas. However, research shows that individuals develop subjective interpretations of topics that go beyond objective characteristics. People have expectations and motivations that make them partial without being fully aware of it. Moral perception is often interpreted as binary: you either have it or you do not, whereas the reality is much more complex.

And the fourth limitation lies in moral reasoning and moral judgment. Based on Haidt [2001], Sonenshein considers that it is not true that moral judgment is the result of moral reasoning. Instead, it appears that we respond to moral matters intuitively and then justify our response.

To overcome these limitations, Sonenshein proposes his Sensemaking Intuition Model (SIM) which has three levels: interpretation of the issue, intuitive judgment, followed by explanation and justification. In essence, this model claims that individuals build matters from social stimuli in uncertain and equivocal environments and they are greatly influenced by their expectations and motivations. The key lies in how individuals create sense by making stories from a set of context-related stimuli. We

create stories to give meaning to events in context, without taking into account whether they are accurate or not [Kahneman, 2001] and we think with metaphors rather than data [Lakoff and Johnson, 1980].

The second step is intuitive judgment. Studies have shown that individuals rarely change their opinion of their response, even when they are presented with new evidence [Ariely, 2008]. Neurological research suggests that deliberative cognitive processes are used mainly to rationalize intuitions rather than to make active judgments. The SIM assumes that judgment is instantaneous and that the basis for the moral judgment lies in the individual's affective reaction to the matter. That is, once a situation has been catalogued as morally relevant, we generate an automatic response based on affectivity; an affectivity that is determined by individual experiences and social pressure. This moment is when *cognitive system I* or *reflective system* is used [Kahneman 2011].

And finally, the third stage is explanation and justification. Individuals justify and rationalize their intuitions. People use the tools of rational analysis after the events. We describe our decisions in rationalist terms. Even when the decision was taken without being based on abstract moral principles, we make an effort to make the story (our decision or action) coherent rather than being faithful to events. As Kahneman states, "[...] when people believe a conclusion is true, they are more likely to believe the arguments that appear to support that conclusion, even if the arguments are unreliable" [Kahneman, 2011:45]. Consistency of the information is what is important, and rational descriptions of events are perceived as more credible and they transmit more certainty.

### ***The sensemaking model proposed by Thiel et. al.***

The model proposed by Thiel et al. [2012] is based on the claim that the traditional approach is inadequate for understanding how managers take decisions in uncertain and equivocal conditions and that the sensemaking model is more appropriate. Sensemaking is a cognitive process used to produce mental models that overcome information deficits and vague assessments, while also contributing to the generation of more efficient assessments.

In our opinion, their proposal has two very interesting aspects. The first is that they focus on identifying managers' sensemaking cognitive strategies, which are: emotional regulation, self-reflection, prognosis and integration of information. And the second is that they consider that these cognitive strategies are teachable. They claim that the promotion of ethical decision making, "(...) requires more than ethical guides and leaders with a strong moral character. They require leaders who are well trained in skills that help them to deal with ethical dilemmas (...)" [Thiel et. al. 2012:52].

The first strategy they present is "emotional regulation". Ethical decision making in unstable and uncertain environments is more likely to be influenced by emotions and requires special tactics of compensation or self-regulation. This emotional regulation is defined as a strategy that determines how, when, why and what emotions are felt [Camps 2011]. Particularly relevant is the impact of anger and fear on decision making. In essence, emotional regulation proposes greater understanding of our emotions and a moderation of their intensity. Among the psychological techniques to achieve both understanding and moderation are relaxation and cognitive reevaluation of emotions. It is not a question of rejecting rational linear thought based on concrete events and data, but of supplementing it with a nonlinear style of thought defined by paying attention to feelings, emotions and intuition.

The second strategy these authors propose is self-reflection. Personal reflection on past direct and indirect experiences has a great influence on decision making. Self-reflection and self-awareness have been considered important indicators of ethical behavior and can increase ethical decision making in leaders, helping them to reflect on their motives and to select useful information from the past. It is a question of focusing more on the process than on the result of past experiences, as already proposed by Socrates, Kant, and Ortega, among others, and is something which Martha Nussbaum [1997] has called for recently.

The third strategy is to make prognoses and future assessments of the results of concrete situations. This strategy allows leaders to resolve complex problems by generating multiple solutions. Identifying multiple consequences improves the quality of the prognoses and thus contributes to responsible decision making. In order to make good prognoses, it is very important to identify the critical causes of moral dilemmas. Man-

agers who are not able to predict results because they do not know the causes and critical consequences are more likely to ignore important information in sensemaking, which may lead to poor decisions.

And the fourth and final strategy is the integration of information. In the process of sensemaking, people make mental models that influence their choice and interpretation of information. The integration of information, using these reference frameworks impacts on the representation of an ethical problem and the formation of appropriate responses. It is therefore very important for managers to be aware of their biases when relating to others, especially when they have to deal with ethical crises of an interpersonal nature.

## Challenges for business ethics education

The question about how to teach effectively ethics in higher education is not new. In 1980 the Hastings Center published a major book entitled: *Ethics Teaching in Higher Education* [Callahan and Bok, 1980]. The conclusion was that every program of ethics in higher education has to focus in five objectives: 1] Stimulate our moral imagination, 2] recognize moral issues as early as possible, 3] analyze key moral concepts and principles and their application in appropriate contexts; 4] Stimulate our sense of responsibility; and 5] identify ways we can deal effectively with moral ambiguity and disagreement. Few years later, Paul Griseri published an impressive article about “emotion and cognition in business ethics teaching”, (Griseri, 2002) and states that teaching ethics it is not a question of general principles or abstract norms, but about emotions and concrete cases: “Disagreement at this abstract level seems to be manageable. The key disputes arise when two or more people have strong conflicting personal commitment to the concrete evaluation of a specific case, (..)” [Griseri: 2002: 378].

This proposal acknowledges that ethics education goes beyond mere rationalistic perspective and that we, as ethics teacher, have to work for developing capacities as: imagination, empathy, sensmaking, and resilience. Advances in neuroethics point in the same direction. The two models of intuitive decision making presented here are based on the conclusions

of developments in neuroscience, and we can identify four general conclusions for ethical decision making education.

The first implication of neuroscience research for ethical decision making is that *ethical decision making is different from other decision making processes*. "Studies provide evidence that moral cognition, judgment, and behavior are distinct from other forms of cognitive and decision-making processes in the sense that ethical decision making not only appears to be independent of intellectual ability, but also entails neural mechanisms that can be distinguished from those associated with other mental processes" [Salvador and Folger, 2009: 5].

A second relevant contribution is the great *importance of the emotions* in ethical decision making. Although it has been well known since Aristotle that emotions and feelings influence ethical decisions and action, evidence from neuroethics situates the emotions "before" the reason (not after) and at the center of the decision-making process not in the periphery as a corrective element [Haidt, 2001; Damasio 1994]. Moreover, empirical evidence demonstrates that emotion plays a critical role not just in moral awareness, but also in moral judgment, moral intent and moral action [Salvador and Folger, 2009].

A third contribution from neuroethics, strongly related to the aforementioned, is the *recognition of intuitions as a central element of the decision-making process*. As Kahneman states: "(...) intuitive preferences [...] consistently violated the rules of rational choices" [2011: 10]. Related to ethical decision making in business, Sonenshein [2007] has proposed the "Sensemaking intuition model" [SIM] that overcomes the limitations of the rationalistic model. In essence, the recognition that ethical decision making is much more than conscious reasoning is shared by many authors.

The fourth contribution is *the relevance of narrations and heuristics for the decision-making process*. The idea that rational decision making is an analytical, deductive and objective process is wrong. As Kahneman [2011], Lakoff and Johnson [1999], Ariely [2008] and Tenbrunsel and Messick [2004] have demonstrated, the human mind operates according to frames and mechanisms that try to maintain sense and coherence. Cognitive mechanisms create biases, interpretations and "short-cuts" in order to eliminate cognitive dissonance and incoherence. Briefly, we do not think and make decisions in an analytical way but in a narrative one, even in the business

and financial world [Herzenstein, Soneneschein and Dholakia, 2011].

These four contributions have to be seriously considered when we, as teachers, educate young people for ethical decision making in their future professional lives. And moreover the neurosciences have something to say about the learning process itself. One important line of research is the role of the teacher and the interaction with the students. Yano and her research group conclude that: "Face-to-face interaction (...) plays a key role in one's challenge to life, growth, engagement, proactiveness, productivity, creativity, and happiness" [Yano, 2013:19].

At least two main aspects have to be taken into account. The first one is development of the "emotional thought" [Immordino-Yang and Damasio 2007] in ethics education. "Thus, instead of focusing solely on the development of critical thinking and "reasoning" skills, business ethics educators and trainers may want to explore instructional content and approaches that develop what Immordino-Yang and Damasio [2007] label as "emotional thought" [Salvador and Folger, 2009:20]. The second aspect is to pay more attention to the moral imagination and metaphorical reasoning [Ranscroft and Dillard, 2008; Nussbaum, 1997] and to developing learning strategies that strengthen them.

And finally, it is necessary to make a clarification. Recognizing the relevance of intuition, emotion, and narrative frames for ethical decision making does not mean that we accept or propose an irrational model. The rational model still has very much to offer for ethical decision making, however it has to expand its limits, and strengthen some weaknesses. In contrast, the intuitive model has to attend carefully to some of the lessons presented by the rational model if it wants to avoid becoming destructively irrational.

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## CSR, TRUST AND THE EMPLOYER BRAND

**Silke Bustamante**

Berlin School of Economics and Law

### Abstract

The financial crisis has severely impacted the general trust in banks, institutions as well as companies (e.g. Tonkiss, 2009; Bertelsmann Stiftung, 2009). At the same time, entrants to the job market seem to be increasingly interested in companies' responsible behaviour and sustainable governance. Before the background of demographic challenges and potential staffing bottlenecks of companies, the discussion about trust, CSR and the employer brand gains importance. The objective of the paper is to conceptualize the relation between the concepts trust, CSR and employer branding. Trust is understood as the "psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another" (Rousseau et. al., 1998). The paper describes elements and determining factors for trust, and assays the influence of CSR activities and the employer brand on employer choice and trust. Finally, instruments rooted in CSR and employer branding are identified that enhance trust in companies.

**Keywords:** CSR, Workplace CSR, trust, employer choice, employer branding.

## Introduction

As a result of decreasing trust in companies (Bertelsmann Stiftung, 2009) companies begin to consider trust and trustworthiness as elements of their stakeholder communication. Trust is an essential lubricant in situations with high perceived risk due to asymmetric information or power and high involvement of the potentially weaker party. This applies not at least to employment situations, where job seekers and even employees cannot evaluate beforehand real characteristics of a workplace, leadership style or career perspectives. Trust and perceived fairness may therefore be important criteria for employer choice and at the same time potential differentiation attributes for employers for attracting suitable job candidates and retaining their existing workforce. This is even more true, when demand for qualified and skilled employees exceeds supply, and a high quality workforce is essential to ensure competitive advantage.

Literature suggests, that trust is enhanced by responsible and fair behaviour of companies (e.g. Fukukawa et al., 2007; Perrini & Castaldo, 2008; Rupp et al., 2006; Pivato et. al., 2008; Hansen et. al., 2011). At the same time, it is argued that trust has positive effects on employee organizational citizenship (Dirks & Ferrin, 2001; Organ & Ryan, 1995), voluntary performance (Morgan & Hunt, 1994; Chen, Hwang & Liu, 2012) and retention (Hemdi et al., 2006; Tzafrir & More, 2006). Another stream of literature tries to provide evidence on positive effects of CSR on employer choice (Albinger & Freeman, 2000; Brammer et al., 2007; Galbreath, 2010; Kim & Park, 2011; Lin et al., 2012), or employee attitudes (Folger et. al., 2005). Finally, a number of authors argue on the positive link between CSR and the employer brand.

However, few papers combined the results from organizational behavior theories, employer marketing and CSR literature. Also, little research was done about how to build trust in companies. Therefore the objective of this paper is

- (1) conceptualize the link between trust, CSR and the employer brand,
- (2) give more insights into which aspects of CSR potentially drive trust in companies.

To this end, we first will deepen the understanding about the role

of risk and trust in employment relations and detail the concept and components of trust. We will then shed some light about the reasons why CSR positively affects employer choice, commitment and retention, and which is the role of the employer brand. Finally, we will detail the impact of CSR on trust and the mechanisms how to build trust in companies by responsible behavior as well as by processes, structures and systems preventing opportunistic behavior.

## Risk and trust in employer relations

Companies can be understood as long-term coalitions of individuals with not necessarily identical interests, joining together in order to reach a common goal (Schauenberg & Schmidt, 1983). At the same time, they are linked via transactional and other relations to a number of external stakeholders, again with their own and potentially conflicting interests (Freeman, 2000). In case of perfect competition and properly defined property rights, these relations can be designed via negotiation, contracts and prices. However, market failures such as asymmetric information, power asymmetries and external effects entail risks for cooperation and may lead to leeways for opportunistic behavior (Schauenberg, 2004; Bustamante, 2013) (see. Fig 1).



**Fig. 1.** Risk and Opportunism in company relations

Opportunism risks are also of high relevance in employee – employer relations. For example, due to information asymmetries, a high share of experience and trust components of the future workplace and the immateriality of the “product”, potential employees cannot judge beforehand some characteristics of the workplace, such as working atmosphere, training possibilities or contents of work (Petkovic, 2008; Böttger, 2012).<sup>10</sup> Other aspects will only be discovered one the employee began to work for the company. Finally, there are characteristics of the company or the workplace that only after years will be overt such as job security or perspectives of the industry (see fig. 2).<sup>11</sup>

**Fig. 2.** Risks in employment relations as a function of possibilities for ex-ante judgment



Source: Own illustration based on Grobe (2003); Petkovic (2008)

These risks of employment are perceived as especially important given the fact that employment relations are usually long-term and more difficult to change than other transactional relations (such as purchase of a product or service), producing a high degree of involvement of employees.

<sup>10</sup>This is also the result of its dependency on superiors and colleagues (Petkovic, 2008)

<sup>11</sup>Of course, also employers cannot entirely judge beforehand the competencies and the knowledge of job aspirants whom they plan to employ or the motivations and actions of actual employees. However, for the sake of simplicity, in this paper we will neglect this aspect and focus on risks of potential employees and the role of trust in employers.

In these situations, companies may search for possibilities to build trust towards actual and potential employees, hence reducing the perceived risks for actual and potential employees.

## The concept of trust

Trust can be defined as the “psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another” (Rousseau et. al., 1998). It reduces complexity (Luhmann, 2000) and is considered as social mechanism for maintaining the ability to act in situations of dependency and insecurity (Ripberger, 1998). It then enables coordination and cooperation between. Trust gets important whenever there is room for opportunistic behavior: by providing “cognitive and moral expectational maps” it enables coordination and cooperation, which would in the absence of trust not occur (Barber, 1983).

Trust builds on expectations, actors attribute to themselves or others when they choose rationally effective and morally and emotionally appropriate actions (Barber, 1983). Typically the concept of trust refers to “positive” expectations, or the (mutual) confidence in the other’s goodwill (Ring and Van de Ven, 1992; Sabel, 1993), and leads to the willingness of a party to engage in an action even if there is the risk of being exploited by the trustee.

These expectations are grounded in the degree of trustworthiness that is assumed to form an inherent characteristic of the behavior of the trustee (“character trust”), and in situational factors that render trustworthy behavior a rationally effective choice (“situational trust”) (Norderhaaven, 1995; Liebeskind & Oliver, 1998). Character trust is driven values, moral or empathy and decreases the gain from opportunistic behavior based on preferences (internal boundedness). In organizations, it can be encouraged by corporate values and culture, role models and recruiting procedures. Situational trust in contrast increases/decreases the incentives for opportunistic behavior based on external factors such as reputation, repeated action or social norms. Within companies, it is endorsed by transparency and social embeddedness. Both, situational and charac-

ter trust depend on information (experiences, communication and other sources of knowledge) about other the other party, which may serve as a signal for its “type” or the situational circumstances (Güth & Kliemt, 2007).

For the understanding of trust in company – employee relations it is also important to distinguish between personal and systemic trust (Giddens, 1990; Luhmann, 2001). Personal trust refers usually to dyadic situations where trustor and trustee can be identified for both parties, such as the trust of the employee in his superior. Systemic trust concerns expectations about behavior due to systemic characteristics (principles, rules, guidelines) (Giddens, 1990). It would refer to the trust of an employee in the company he is working for, or the trust of potential employees in companies as institution. Whereas personal trust may be based both on expectations about character and situation, systemic trust usually results situational factors.

Trust is an important asset for companies. It supports voluntary participation, satisfaction and turnover intention of current employees (Chen et al., 2012; Dirks & Ferrin, 2001, 2002; Hameed & et al., 2013), and general work intention and employer choice of potential employees (Herger, 2006).

## **Role of CSR for trust in employers**

### ***CSR and the employer brand***

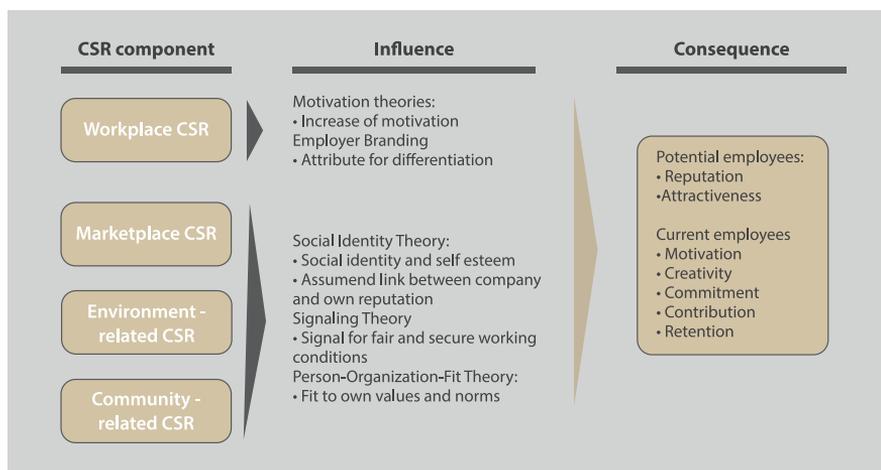
CSR may be defined as “the responsibility of enterprises for their impacts on society” (European Commission, 2011). It implies the integration of “social, environmental, ethical, human rights and consumer concerns into business operations and core strategy in close collaboration with their stakeholders” (ibid). The scope of responsibility can be derived from general values and ethical considerations reigning in a society or dialectically from the expectations of legitimate stakeholders of a company. Employees, as one of the core stakeholders of the company, are paid specific attention in several frameworks of CSR. For example, the European Union (2008) distinguishes four main areas of responsibility, with “workplace CSR” being the component which is most prominently directed to

employees. The ISO 26000 names seven core subjects of responsibility of the ISO 26000, where “Human Rights” and “Labor Practices” contain CSR aspects with particular relevance for employees (see fig. 4).

The particular attention paid to employees in theory and practice may partly be explained with the positive consequences of CSR on employee’s attitudes and behavior. A number of studies show, that CSR is an important aspect for job selection (Turban and Greening, 1997; Albinger & Freeman, 2000; Brammer et al., 2007; Galbreath, 2010; Kim & Park, 2011; Lin et al., 2012; Bustamante, 2014). Other studies reveal that CSR positively influences commitment (Brammer, 2007) and organizational identity (Fukukawa & al., 2007) and hereby motivation and productivity.

Different theories can be adduced to clarify the positive effects of CSR for companies as employers. (see fig. 3 for an overview).

### Why is CSR appreciated by graduates?



**Fig. 3.** Positive effects of different CSR components

Source: own illustration

It is straightforward, that aspects of workplace CSR– such as work-life balance, social benefits and health management – positively influence job satisfaction, staff commitment and loyalty of current employees, leading potentially to higher motivation, productivity and innovation (see Euro-

pean Commission 2008 for an overview of studies). Also, as far as potential employees are able to evaluate workplace characteristics beforehand, they allow employers to differentiate themselves and may support a positive the cognitive and affective judgment of the company in question.

But also other aspects of CSR seem to be of importance for employees. According to Social Identity theory, working for a company known to be responsible might positively influence social identity and self –esteem of people who associate themselves with it (Ashforth & Mael, 1989; Dutton et. al., 1994; Cable & Graham, 2000). Therefore, when employees expect a positive link between companies' (CSR) image and their personal reputation, CSR may strengthen employer attractiveness and employee commitment (Herrbach & Mignonac, 2004). Signaling theory assumes that organizational attributes serve as signals for other unknown attributes (Spence, 1974; Rynes, 1991). General CSR may be interpreted as signal for fairness towards the employee, when information about workplace characteristics is incomplete (Rupp, 2006) and hence increases employer attractiveness and trustfulness (Turban & Greening, 1997). Finally, people increasingly look for jobs that allow not only for social, but also for personal identification (v. Rosenstiehl, 2001) and prefer working for a company exhibiting values similar to values (Chatman, 1989). For example, literature suggests that based on own moral duties to act in a fair way, employees would react negatively when companies treat other stakeholders in an unfair way and vice versa (Cropanzano et al., 2001; Rupp et. al., 2006). Moreover, with increasing consciousness for ecological and social behaviour, people expect employers to reflect their ethical concerns and engage in CSR activities (Greening & Turban, 2000; Maxfield, 2008). This does not only have positive effects on employer choice, but also – especially when employees get personally involved in CSR projects via volunteering or other activities – to increasing identification, hereby facilitating retention of employees.

CSR hence not only is part of “functional” workplace attributes, but it also potentially affects emotions and feelings (Zajonc & Markus, 1982), and hence may shape attitudes towards potential employers.<sup>12</sup>

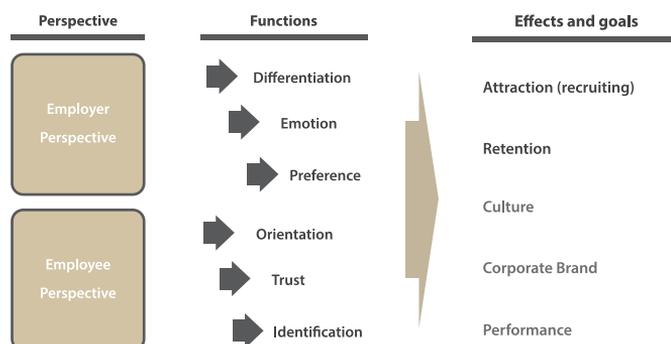
However, a strong CSR performance does not necessarily coincide with an image as a responsible employer. Comparing indices for CSR performance with indices for CSR reputation, one can detect significant differ-

12 Lichtenstein et al. (2004) argue in the same way respective the effect of responsible behavior on consumers' attitudes toward the corporation

ences. Companies with a very good CSR reputation, such as Google or Walt Disney (CSR Reputation Institute, 2013) do not rate as high in indices for CSR performance (e.g. Corporate Knights, 2013) and vice versa. CSR image and CSR identity in these cases differ from each other, requiring an adequate positioning of CSR to relevant stakeholders via employer marketing and employer branding.

Employer branding can be understood as the identity based development and positioning of a company as a credible and attractive employer, both for existing and potential employees (Deutsche Employer Branding Akademie, 2007). It comprises the planning, steering, coordination, and controlling of the employer brand (Sponheuer, 2010, p. 27) as “the package of functional, economic and psychological benefits provided by employment, and identified with the employing company” (Ambler & Barrow, 1996, p. 187).

From a company perspective, the employer brand serves as an instrument to differentiate a company from its competitors in the eyes of potential and current employees (Althaus, 2001; Petkovic, 2008), either by providing functional benefits of the workplace or by creating sympathy and affection (Scholz, 1992; Petkovic, 2008) for the company in question. From the perspective of (future) employees, it helps to give orientation by conveying a clear image of functional and emotional workplace (Petkovic, 2008). Besides, brands should transmit trust, hence reducing the perceived risk involved with a job commitment. Finally, it supports social and personal identification (Meffert et. al., 2002; Herrmann, 2005) if perceived company values are in accordance with the self-concept and aspired value system of (potential) employees (Ross, 1971; Herriot, 2002) (see also Fig 4).

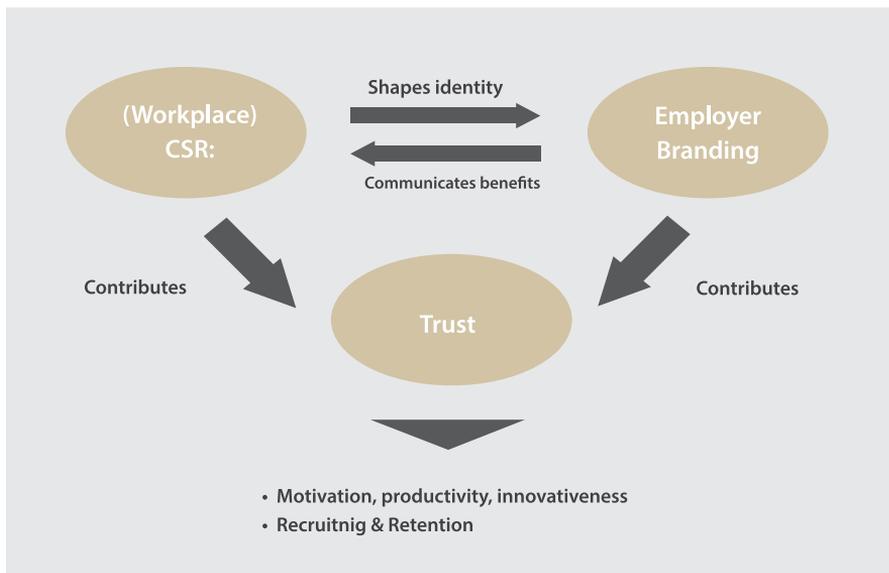


**Fig. 4.** Functions and effects of the employer brand

The integration of CSR in the employer brand does not only support the communication of CSR to relevant stakeholders, but at the same time potentially strengthens the employer brand and its potential to attract and retain employees: If “responsible” workplace attributes play a decisive role for job aspirants, CSR is an important attribute for differentiation from competitors.

If ecological and social consciousness and fairness is part of the value system of the target employees of a company, its communication enhances identification (Meffert et. al., 2002) and perceived “added value” (e.g. Varadarajan & Menon, 1988; Gardberg & Fombrun, 2006; McWilliams et al., 2006) of the employer in question. Finally, if CSR is taken as a signal for trustworthiness, its integration in the positioning allows strengthening the image of the company as a trustful, reliable and fair employer (see fig. 5).

**Fig. 5.** Consequences of CSR and Employer Branding on trust



Source: Own illustration

## ***Building trust by CSR and employer branding***

As could be seen in the preceding chapters, one essential effect of CSR and its integration in the employer brand is to enhance trust of current and future employees in companies as employers: CSR serves as a signal for being fair to (potential) employees when information about the workplace is incomplete and experience and trust characteristics of the employment relation are high. Integrating CSR in the employer brand underlines the function of the brand to establish trust in the company.

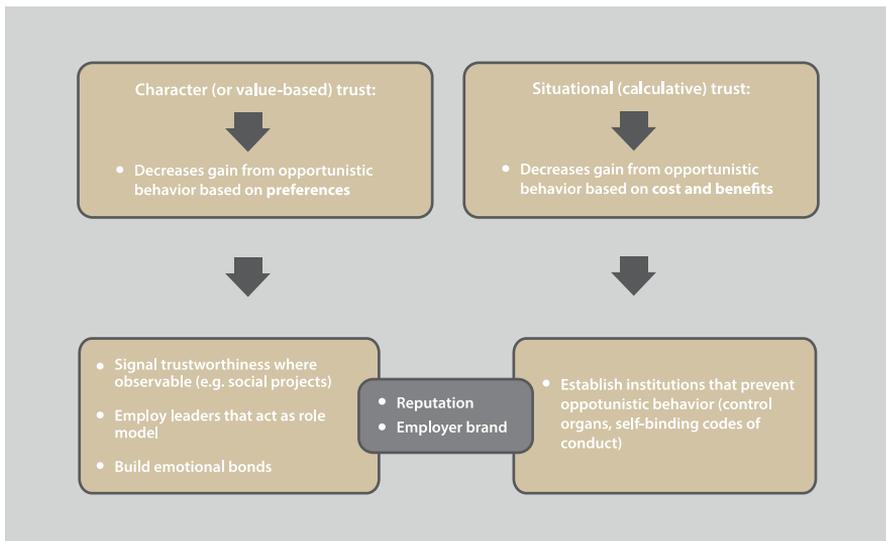
Referring to chapter 3, trust may be built in two essential ways: Fomenting trust in the character of a company ("character trust"), or via establishing structures, processes and incentives that would make it costly to companies to deviate from promised behavior (situational trust).

Character trust depends on the belief of the trustor in preferences and values of the trustee that would make him behave in a responsible way. It is enhanced by signals of the trustee, for example by behaving (repeatedly) trustful with respect to other potential trustees, even if situational factors would not require this. Responsible behavior, e.g. with respect to society, environment or market partners might therefore be one way to build character trust. Moreover, personal ties and emotions play a decisive role for character trust. Hence, the building of positive emotions towards a company via employer branding as well as the personalization of CSR by showing people within a company that stand for its values and ideas might be a way to promote character trust. Finally, the identification with a company by a supports character trust positively (Hameed, et. Al. (2013). As explained in chapter 4, a perceived fit in values will positively influence personal identification. But also, for active employees, voluntary social work is seen as important instrument to foster identification and hereby trust in companies.

Situational trust may be endorsed by establishing structures and systems that increase the cost of exploiting. E.g. the setting of guidelines for responsible behaviour or fair leadership, the integration of performance indicators linked to employee related responsibility, or the building of a reputation for being a good employer increase the cost of not com-

plying with promises to employees. Also, the existence of social norms – or a company culture based on fairness – positively influences situational trust. However, as in the case of character trust, information about the existence of these institutional factors is condition for building situational trust.

**Fig. 6.** Instruments to build trust in companies



Source: Own illustration

## Summary and outlook

The aim of this paper was to contribute to the understanding of trust and its interplay with CSR, trust and employer branding. According to selected theoretical frameworks, CSR seems to strengthen positive associations with potential employers, both because of an appreciation of workplace CSR related attributes (such as health care or work-life balance) and because of positive effects in personal and social identification and the trustworthiness of companies. The integration of CSR in the employer brand is not only in line with its (similar) objectives (orientation, but also trust building and identification), but also serves to close the gap between actual CSR performance and perceived CSR. Trust is fomented by both – CSR and employer branding. CSR potentially contributes

to trust in an employer by signaling its fair character via observable other activities (character trust) as well as by institutions enhancing situational trust. Employer branding supports observability and information, but also shapes situational trust, making it costly to damage reputation by playing unfair.

Future research should empirically undermine the findings and shed some more light on the gaps between actual CSR, perceived CSR and trust in companies.

Also, the effects of CSR on a cognitive and affective level should be investigated.

Research respective the relation between CSR, trust and employer branding has just begun. Companies already use trust as value proposition to their stakeholders. Understanding the ways how it can be enhanced is a major challenge which may allow companies to differentiate themselves better from their competitors.

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## CHANGING ATTITUDES TOWARDS SOCIALLY RESPONSIBLE CONSUMPTION

**Duygu Turker, Huriye Toker and Ceren Altuntas**

Yasar Universitesi, Selcuk Yasar Kampusu, Üniversite Caddesi, No: 35-37, Ağaçlı Yol, Bornova, İzmir PK. 35100, Turkey

[duygu.turker@yasar.edu.tr](mailto:duygu.turker@yasar.edu.tr)

### Abstract

As the future leaders of business organizations, changing the attitudes of university students on sustainability, social responsibility, and ethical issues is important for achieving the principles of sustainable development through corporate world. Although most business schools have initiated some courses on these critical issues, changing attitudes and behaviour of young generations requires much more attention than it has received up till now. The purpose of current study is to analyse whether a good combination of theory and practice on sustainability and corporate social responsibility (CSR) education within an intensive programme can enhance the students' socially responsible consumption pattern. Following a twofold methodology with using the quantitative and qualitative analysis, a longitudinal survey was conducted on a sample of international students, who attended to Erasmus-Intensive Programme (IP) projects. The analysis on the various dimensions of socially responsible consumption indicated that there was a statistically significant change over the respondents' consumer support for socially responsible activities to internal, external, and environmental stakeholders. Moreover, the students' definition of CSR was also changed after the IP course. The result of content analysis shows their increased awareness on the importance of social stakeholders and deepened understanding on the concepts of

CSR and corporate sustainability. Despite this attitude and conceptual changes, the two-week IP programme cannot create a significant behavioural change and the respondents' level of personal involvement in socially responsible activities and traditional consumption patterns remained the same.

**Keywords:** social responsibility, socially responsible consumption, students, university education, Erasmus/Intensive Programme.

## Introduction

Depending on the increasing number of social and environmental problems, there has been a growing attention on how our current education systems can adopt issues on ethics (Wankel and Stachowicz-Stanusch, 2012), sustainability (Huang and Wang, 2012; Wu et al., 2010), and social responsibility (Matten and Moon, 2004). Based on a 'business case' approach for sustainability (Schaltegger, 2008; Salzmann et al., 2005) and corporate social responsibility (CSR) (Carroll and Shabana, 2010; Weber, 2008), most business organizations start to recognize the strategic importance of involving in these issues to obtain long-term competitive advantage (Porter and Kramer, 2006). On the other side, students have also increasing attention to these issues particularly in the top business schools (Christensen et al., 2007). According to Aspen Institute's Student Attitudes Survey (2008), business school students "more readily make the connection between good corporate citizenship and a stronger, healthier community" and there has been a growing interest on the social responsibility of companies in the classroom from 2002 to 2007.

Today, business schools started to become the key providers of CSR skills to students, practitioners, and industries (Matten and Moon, 2004) in order to meet this twofold demand of companies and students. Many of them start to adopt courses related with sustainability, CSR, and ethics. Moreover, they are ranked based on their required and elective courses and scientific researches on social and environmental impact (The Aspen Institute, *Beyond Grey Pinstripes*, 2013). Despite these positive developments and the existence of some best practices, there are still some problems on our current education system. For instance, the studies showed that there is a significant variability among universities (Huang and Wang, 2012; Matten and Moon, 2004; Moon and Orlitzky, 2011), even

if they are accredited by the same body (Christensen et al. 2007; Wu et al. 2010). Therefore, while some business schools show a comprehensive attention to their CSR education, some others provide only a single course and do nothing more. For instance, in their study on CSR education in Spain, Setó-Pamies, Domingo-Vernis, and Rabassa-Figueras (2011) stated that “although at first sight our findings may seem promising, a more detailed analysis shows that few universities include stand-alone CSR subjects and that although many universities have embedded CSR subjects, the CSR content is by no means fully developed”.

However, the urgency of social and environmental problems and the increasing number of frauds and unethical conducts in business community require developing a more integrated approach and providing more intensive curriculums in order to make a real change over young people. The purpose of current study is to measure the effectiveness of such intensive programmes on CSR and sustainability in terms of creating a change in the students’ socially responsible consumption patterns. The study was conducted on the context of two Erasmus Intensive Projects (IPs), which provided a good combination of theory and practice on sustainability and CSR with the support of European Commission (EC). Following a longitudinal approach on a sample of 54 students from various European countries, the attitudes of students on socially responsible consumption were measured in the beginning and at the end of IPs. The findings of the survey revealed that the respondents’ consumer support for CSR to internal, external, and environmental stakeholders have significantly changed over the education period, whereas their personal involvement on CSR and traditional buying behaviour remained the same. This result is important to show that changing attitudes and behaviours on CSR is a longstanding journey in which the universities should make more efforts to provide a contemporary understanding of CSR to future business leaders.

## **Integrating Social Responsibility into Current Education System**

As one of the most popular concepts of business literature, CSR can be defined in many ways (Dahlsrud, 2006). According to a well-known definition, “the social responsibility of business encompasses the economic,

legal, ethical, and discretionary expectations that society has of organizations at a given point in time" (Carroll, 1979: 500). In a broader sense, CSR can be placed in the context of sustainable development. For instance, the World Business Council for Sustainable Development (WBCSD) defined it as "...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" (WBCSD, 1999). Similarly, EC defines CSR as "the responsibility of enterprises for their impacts on society" and business organizations "should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders" in order to meet their responsibilities to various stakeholders (CEC, 2011).

Although CSR and sustainability have been among the most important issues, there are significant variances among the curriculum of universities around the world. For instance, the study of Matten and Moon (2004), which was conducted to explore CSR education on a sample of 65 European Universities, suggested that "there is a highly diverse understanding, contextualisation and packaging of CSR teaching" around Europe. In a more recent study, which was conducted a web-based content analysis on the accredited universities around Europe and America, it was found that while European curricula has an elective-oriented approach and focused more on graduate level, American business schools provide compulsory sustainability related courses on undergraduate level (Wu et al., 2010). On the other hand, the study of Huang and Wang (2012) tried to investigate the differences of education approaches on sustainability between top-ranked Chinese and American business schools. Based on an elaborate analysis of curriculum, the authors found that there is a significant difference in their curriculum designs depending on the differences in local institutional settings and the interpretations of sustainability.

Although this diversity on the field can provoke different approaches on CSR education, it might inhibit to achieve a common understanding on the overarching principles of sustainable development and CSR. It is clear that the current education system in most universities starts to increase the level of awareness and support to sustainability and CSR activities, however, it might short fall in transforming the obtained infor-

mation into a more durable attitude change. In order to create a positive attitude change, there is a need to design better curriculum of CSR education, which can combine different dimensions of the issue with integrating different teaching methods. It can be noticed that depending on the growing body of literature, CSR has become a subfield of business education and expanded with many theoretical approaches and perspectives (Garriga and Mele, 2004). Therefore, a usual way of teaching CSR can be providing this theoretical background to the students. However, in addition to the class-based theoretical knowledge, sustainability and CSR can be taught with more innovative ways like following a model for transformative learning (Moore, 2005), deep learning (Warburton, 2003), simulation-based learning (Moratis, Hoff, and Reul, 2006) etc. In addition to these creative methods, the universities can integrate the practice of CSR into their curriculum. For instance, the study of Matten and Moon (2004), which was conducted to explore CSR education on a sample of 65 European Universities, revealed that “the CSR teaching curricula are heavily influenced by practice” through inviting practitioner speakers from business or non-governmental sectors.

About the impact of sustainability, CSR, and ethical oriented education programmes, there are relatively few studies. For instance, in their study, Cetindamar and Hopkins (2008) mentioned the positive impacts of civic involvement projects (CIPs), as a good example of learning by doing system, to make students more ‘responsible for the society and the world in which they are living’. On the other hand, the study of Balotsky and Steingard (2005) on a sample of 195 students also indicated that business ethics education can increase students’ ethical awareness, shift attitudes about ethics, and foster positive ethical behaviour at general. The exploratory study of Sobczak, Debucquet, and Havard (2006) on the impact of CSR education on students and young managers showed that the academic institution and its culture can also affect the respondents’ attitudes towards CSR conceptions and tools.

In sum, the literature suggests that a good combination of theory and practice through following innovative ways can also enhance students’ level of CSR commitment. Based on the overall discussion on the impact of CSR education and depending on the success of a well-designed curriculum on sustainability and CSR, the following hypothesis can be proposed:

*Hypothesis: An intensive CSR and sustainability education programme can positively affect a university student's (1) consumer support for CSR to internal stakeholders, (2) consumer support for CSR to external stakeholders, (3) consumer support for CSR to natural environment, (4) personal social responsibility involvement, and (5) traditional buying behaviour.*

## **Methodology**

### ***Survey Background and Sample***

In order to develop a common curriculum among European Universities, two Erasmus-Intensive Programme (IP) Projects were organized in Turkey, with the support of European Commission. An IP is "a short programme of study which brings together students and teaching staff from higher education institutions of at least three participating countries" to the aims of 'encouraging efficient and multinational teaching of specialist topics', 'enabling students and teachers to work together in multinational groups and so benefit from special learning and teaching conditions not available in a single institution', and to gain new perspectives on the topic being studied', and 'allowing members of the teaching staff to exchange views on teaching content and new curricula approaches and to test teaching methods in an international classroom environment' (Erasmus Intensive Programmes, 2013).

Depending on this overall purpose, the IPs projects mentioned in the current study aim to create a common curriculum among partner universities around Europe. The main theme in the first IP was social responsibility and 24 students from 12 European Universities were attended to programme (Socresedu, 2013). The second IP focused on green management applications particularly on logistics sector and 30 students from 6 partner universities participated (Greenlog, 2013). According to the IP schedule within two weeks, 54 students took various courses regarding sustainability, social responsibility, and ethics etc. During this period of time, both groups of students attended to both class-based learning activities with following different learning methods and real-life business applications. In almost each course, each student team was assigned an innovative project on what they theoretically learned during the session and then they presented their outcomes to others for discussion.

Besides these, best practices among Turkish companies, including Turkcell and Pınar, were shared with students through the invited speakers and some field trips were organized to show them what actually a business organization do about sustainability. Therefore, as the name implies itself, these IPs tried to provide a very 'intensive' programme on sustainability, CSR, and related topics with following innovative ways. The quality of both IPs was measured through a brief questionnaire and all participants provided very satisfactorily results on overall programmes.

## ***Scales***

The scales used in the survey were adapted from the Socially Responsible Purchase and Disposal (SRPD) scale of Webb, Mohr, and Harris (2008). Although in the original study, the scale was emerged in three dimensions as 'purchasing based on firms' corporate social responsibility performance', 'recycling', and 'avoidance and use reduction of products based on their environmental impact', we took the related items for each dimension of current study. In doing so, five separate scales were obtained to measure the consumer support for CSR to internal stakeholders (SCSRI), consumer support for CSR to external stakeholders (SCSRE), consumer support for CSR to natural environment (SCSRN), traditional buying behaviour (TBB), and personal social responsibility involvement (PSRI) (Appendix). It can be noticed that first three scales were used to measure whether the respondents support a company's involvement into socially responsible activities to internal, external, and environmental stakeholders as a consumer. However, the last two scales were used to measure whether they are actually involved into social responsibility activities and follow a traditional consumption pattern when making a buying decision. Therefore, despite first three scales measured their attitudes to socially responsible consumption, the latter two focused on the tendency to a behavioural change to become a socially responsible consumer.

## ***Analysis***

The collected data were analysed through SPSS 20. According to the re-

sults, more than the half of respondents were female (51.9 percent) and mean value of age was 22.55. The students were enrolled in different majors from social and natural sciences. They were all undergraduate students; 13 percent of them were freshman, 18.5 percent of them were sophomore, 33.5 percent of them were junior, and 35.2% of them were senior students.

In order to compare the results at the beginning and end of IP project, paired sample t test was performed to the collected data. Table 1 shows the mean values and correlations of each pair. It can be noticed that mean values of SCSRI, SCSRE, and SCSRN have changed after IP project, whereas there are very slight changes in the last two pairs. All correlation values in each pair are significant at 0.01 level.

**Tab. 1.** Paired Samples Statistics and Correlations

Pairs		Mean	Std. Deviation	Std. Error Mean	Cor.	Sig.
Pair 1	1.SCSRI	3.4583	.63131	.08755	.417	.002
	2.SCSRI	3.6865	.63891	.08860		
Pair 2	1.SCSRE	3.4327	.58259	.08079	.471	.000
	2.SCSRE	3.7681	.56656	.07857		
Pair 3	1.SCSRN	3.8183	.82860	.11491	.527	.000
	2.SCSRN	4.0365	.72627	.10071		
Pair 4	1.TBB	2.8333	.72197	.10012	.619	.000
	2.TBB	2.8381	.70041	.09713		
Pair 5	1.PSRI	3.9359	.78115	.10833	.635	.000
	2.PSRI	4.0833	.69192	.09595		

**Note.** SCSRI = the consumer support for CSR to internal stakeholders; SCSRE = consumer support for CSR to external stakeholders; SCSRN = consumer support for CSR to natural environment; TBB=traditional buying behaviour; PSRI=personal social responsibility involvement.

Table 2 presents the result for hypothesis testing. It can be seen that the first three pairs are statistically significant at 0.05 level and this result support the hypotheses regarding with (1) consumer support for CSR to internal stakeholders, (2) consumer support for CSR to external stakeholders, (3) consumer support for CSR to natural environment. However, there are no statistically significant changes over the last two pairs. Therefore, the results support the hypothesis that an intensive CSR and sustainabili-

ty education programme can positively affect a students' support for CSR to internal, external, and natural environment; however, does not support the positive affect on their (4) personal social responsibility involvement and (5) traditional buying behaviour.

Pairs		Mean	Std. Deviation	Std. Error Mean	t	Sig.
Pair 1	1.SCSRI – 2.SCSRI	-.22821	.68556	.09507	-2.400	.020
Pair 2	1.SCSRE – 2.SCSRE	-.33539	.59140	.08201	-4.090	.000
Pair 3	1.SCSRN – 2.SCSRN	-.21827	.76139	.10559	-2.067	.044
Pair 4	1.TBB – 2.TBB	-.00481	.62086	.08610	-.056	.956
Pair 5	1.PCSRI – 2.PCSRI	-.14744	.63457	.08800	-1.675	.100

**Tab. 2.** Paired Samples T-Test

**Note.** SCSRI = the consumer support for CSR to internal stakeholders; SCSRE = consumer support for CSR to external stakeholders; SCSRN = consumer support for CSR to natural environment; TBB=traditional buying behaviour; PSRI=personal social responsibility involvement.

## **Content Analysis**

In the study, a content analysis was conducted to reveal the common characteristics of respondents' CSR perceptions and compare the definitions before and after the IP programme. According to Berelson (1952: 13), "content analysis is a research technique for the objective, systematic, and quantitative description of the manifest content". Kaplan (1943:1) also stated that "the content analyst aims at a quantitative classification of a given body of content, in terms of a system of categories devised to yield data relevant to specific hypotheses concerning that content". Following this methodology, a single set of categories was identified from the respondents' CSR definitions to find some repeated pattern and terminology. In the current study, the content analysis is conducted based on the requirement of what is presented as a matter of surface meaning. Although this method is characterised by its mechanistic approach and

insensitive structure to the context or nuances of meaning, it can ensure the objectivity of results. According to Holsti (1969), objectivity stipulates that each step in the research process must be carried out on the basis of explicitly formulated rules and procedures. With objectivity, decisions are guided by an “explicit set of rules that minimize the possibility that the findings reflect the analyst’s subjective predispositions rather than the content of the documents under analysis” (Holsti, 1969: 3-4).

Table 3 presents the results of analysis. The definitions of 54 students were categorised into 4 dimensions as social contribution oriented definitions, company responsibilities oriented definitions, social projects and activities oriented definitions, other definitions.

It can be seen in Table 3 that while majority of respondents explained CSR as a company responsibility in the beginning, the composition has changed after the education. The company responsibilities oriented definitions were decreased slightly from 19 to 16, but the way they expose the company involvement clearly shows the stakeholder perspective which emphasized by students. On the other hand, there is an increase in the social contribution oriented definitions, which mostly indicate the contribution of a company to its external stakeholders and society at large. This finding is in line with H2, which suggests the consumer support for CSR to external stakeholders; during the education process, the respondents adopted the importance of CSR for society and in the solutions of social problems.

Although the third dimension of definitions, which explains CSR as social project, decreased from 18 to 11, it has been sophisticated after the IP course. After the intensive programme, the students adopted a holistic perspective of CSR and did not degrade it solely environmental and educational projects of the company. Another important finding reveals the fact that after the IP course students start to define CSR more concrete way. The last category reflected these varied, individual and sophisticated definitions and it also increased from 5 to 9. In sum, the content analysis support the previous findings with showing the increased awareness and broadening perspective of students after the IP programme.

Tab. 3. Analysis of CSR Definitions

Dimensions of CSR Definition	Before the IP			After the IP		
	N	%	Example Statements	N	%	Example Statements
Social contribution oriented definitions	12	22	Serve community, help people, care people, contribute others, solve problems, social help, mission to help people, help people with their needs, taking into consideration of social problems etc.	18	33	Strategy of company contribution, people and communities for helping, social engagement of companies, company politics for supporting society, form of projects implemented by companies to help community and world, companies working with stakeholders for help, care about main societal problems by companies, all activities to help people, work together for the benefit of the society, etc.
Company responsibilities oriented definitions	19	35	Company responsibilities, company contributions, sensitivity of companies, collaborate for common social goals, operate and manufacture in a mutual beneficial way, approach of company care about the operating field, active operations and corporate policy, etc.	16	29	Company approach, investment and involvement efforts in community, embrace responsibility for company actions, company help for development of the country, social business priorities, a responsibility of company to take into account social, environmental and ethical aspects of life, duty of individual and organisation, ethical ideology and theory, corporate self-regulation mechanism in business, etc.
Social projects, activities oriented definitions	18	33	Project and campaigns, social activities of big companies, environment protection actions, concern and active dealing of environmental problems caused by companies, firms communicate with each other to the protection of the environment, aware of environmental problems, and solve them, care about environment, institutional or singular persons involved ideas and practices to change some social problems etc.	11	20	Engagement of social projects, company projects, company actions to support people and environment, sensitivity of companies on environment, employees, make donations, CSR projects for 3Ps, everything which connected companies and environment, to take care of everything (environment, employee, consumer), sensitivity of company to society and environment, etc.
Other definitions	5	9	Care about employee issues, different form of marketing, 3P, being good corporate citizen, sustainable way of doing business, do for workers and society, Being good corporate citizen in the society as a company, university, a good thing, important, corporate self-regulation integrated into a business model etc.	9	16	Programme to spread out of knowledge, many definitions exist, take care the humanity, develop employee conditions, 3P, maintain a balance between economy and ecosystem, activity to develop employees, many definitions exist, it is a law to be fair to every group and meet the needs of them, wellbeing of society, do not exist exact definition common is CSR is for 3Ps idea, etc.
<b>Total</b>	<b>54</b>	<b>100</b>		<b>54</b>	<b>100</b>	

## Conclusion

The result of current study indicated that the respondents' support to CSR to internal, external, and environmental stakeholders significantly changed after they were enrolled in IP projects. As the indicators of supporting socially responsible activities in business organization, these variables can pave the way to create more socially responsible managers in the future. However, there were no significant changes over their personal social responsibility involvement and traditional buying behaviour, which can be seen as the indicators of tendency to become more responsible consumers. It means that, after the education programmes, although the respondents' attitudes on socially responsible consumption were changed, their behavioural involvement remained the same. Although the IPs provided a good combination of theory and practice with following innovative ways, the results showed that it can take more than two weeks to create a tendency of behavioural change to become a more socially responsible consumer.

On the other hand, the content analysis of definitions shows that before the IP course the definitions are based on simple wording and ill-informed structure. After the IP programme, the students managed to construct more detailed and jargon laden definition with examples, students became aware the importance of all stakeholder in the CSR process and they develop well-informed and balanced knowledge about CSR. However, although the information that was obtained throughout the education process develops their perception regarding with the CSR, but it cannot easily change their judgements in a short term.

Based on these results, it can be recommended that both the educators and university leaders should devote more time and effort to make a real change with finding more creative ways of conveying their ideas to young generations. It can be done with following more practice-oriented and learning-when-doing activities, rather than providing solely the theoretical framework. More importantly, it might be needed to increase the pervasiveness of socially responsible consumption pattern over the whole curriculum, instead of giving this notion within the boundaries of a single course.

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**Appendix:** The scales used in the survey [Adapted from the Socially Responsible Purchase and Disposal (SRPD) scale of Webb, Mohr, and Harris (2008)].

Consumer support for CSR to internal stakeholders
I try to buy from companies that help the needy.
I try to buy from companies that hire people with disabilities.
I avoid buying products or services from companies that discriminate against minorities.
I avoid buying products made using child labour.
I avoid buying products or services from companies that discriminate against women.
When I am shopping, I try to buy from companies that are working to improve conditions for employees in their factories.
I make an effort to buy products and services from companies that pay all of their employees a living wage.
Consumer support for CSR to external stakeholders
When given a chance to switch to a retailer that supports local schools, I take it.
I try to buy from companies that make donations to medical research.
I make an effort to buy from companies that sponsor food drives.
When given a chance to switch to a brand that gives back to the community, I take it.
When given a chance, I switch to brands where a portion of the price is donated to charity.
I try to buy from companies that support victims of natural disasters.
Consumer support for CSR to environmental stakeholders
I avoid buying from companies that harm endangered plants or animals.

I avoid using products that pollute the air.
I avoid buying products that pollute the water.
I make an effort to avoid products or services that cause environmental damage.
I avoid buying products that are made from endangered animals.
<b>Personal Social Responsibility Involvement</b>
I try to recycle all materials that I consumed (like plastic containers, magazines, aluminium cans, etc.)
Whenever possible, I walk, ride a bike, car pool, or use public transportation to help reduce air pollution.
I limit my use of energy such as electricity or natural gas to reduce my impact on the environment.
<b>Traditional Buying Behaviour</b>
When I am shopping, I buy the lowest priced product regardless of the working conditions in the factory.
I buy the highest quality product, regardless of its impact on the environment.
When I am shopping, I buy the highest quality product regardless of the working conditions in the factory.
I buy the lowest priced product, regardless of its impact on the environment.



## IS IT WORTH TO INVEST IN CSR? THE RELATIONSHIP BETWEEN CSR AND STORE IMAGE IN RETAILING<sup>13</sup>

### **Tomasz Wanat and Magdalena Stefańska**

Tomasz Wanat – Professor at Poznań University of Economics

Department of Marketing Strategy, al. Niepodległości 10, 61-875 Poznań

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t.wanat@ue.poznan.pl

Magdalena Stefańska – Assistant Professor at Poznań University of Economics

Department of Marketing Strategy, al. Niepodległości 10, 61-875 Poznań

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m.stefanska@ue.poznan.pl

### **Abstract**

The paper focuses on examining interrelations between store image, CSR activities and CSR perception. Using structural equations modeling two models of shaping the perception of CSR were compared. The research concerning retail chains including 230 individual customers showed that it is a company image which is more important in the shaping of CSR perception than CSR activities undertaken by the company.

**Keywords:** CSR, store image, LISREL, retailing.

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## Introduction

In the last two decades there has been a growing interest in the concept of Corporate Social Responsibility (CSR) both among managers who are in charge of enterprises (Tesco 2011), and academic researchers (e.g. Carroll 1999, Herpen, Pennings, Meulenberg 2003). In this context the way of gaining positive perception of CSR among stakeholders becomes crucial. The paper compares two models of CSR perception and indicates the place and the role of the company image in these models.

## Dimensions of Store Image

The term 'image' comes from Latin and means 'pattern', 'prototype', 'picture', 'dream' or 'illusion'. The first definition of image with reference to a retail store appeared in late 1950s (Martineau 1958). Store image is a way in which a store is defined in customers' consciousness, partly through functional features and psychological attributes. Functional features were described as physical parameters of a store such as: location, store arrangement, assortment depth and breadth and its layout in an agency. Whereas psychological attributes of a store refer to emotional values such as: the feeling of affiliation to a specific community or friendly atmosphere. Martineau's conception of image is criticized for attributing too much mysticism to it. Doyle and Fenwick (1974) are critics who claimed that there are numerous examples of stores which achieved success in the market mainly owing to physical attributes of image. Therefore, image should be classified as a result of a reasonable attitude of clients towards store evaluation not as a result of psychographic features of purchasers (McGoldrick 2002). Store image is an attitude towards a store adopted by clients which results from its physical features and particular feelings evoked by these set of features in purchasers (Sewell 1974-1975). In the opinion of Kunkel and Berry store image is a real and expected impression which a person associates with a store. According to James, Durand and Dreves (1976), image is a set of attitudes created on the basis of store attributes which are significant for a purchaser. The rest of the attributes are omitted because of their slight impact. Martineau founded his store image description on the following variables: symbols and colors, store

location and architecture, advertising and sales promotion. Attempts to put earlier research in order were made by Lindquist (1974/1975):

- Merchandise – includes quality, assortment structure (branches, width and depth of an offer), style and relation to fashion, guarantee, and prices.
- Services – including customer service, after-sale service, self-service, the easiness of goods return, delivery services and credit policy.
- Clients – their affiliation to a social class, conformity with their own image, store staff.
- Physical features of a store – including: elevators, lightning, air-conditioning, toilets, store location, aisles location, carpets.
- Facilities – e.g. store location with reference to road exits or parking space.
- Promotion – including: sales promotion, advertising, displays, trademarks, symbols and colors.
- Store atmosphere – connected with customer's sensations which they experience while being in a store, doing shopping, and with the feeling of acceptance.
- Institutional factors – perceiving a store as conservative or innovative.
- Post-shopping satisfaction – relates to using acquired goods, possibilities of returning goods, resolving disagreements (Lindquist 1974-1975; Tigert 1983).

Some authors hierarchized the factors from the most significant to the least important ones. Assortment with its quality occupies the first place in this hierarchy; it is followed by a price, service and general impression after doing shopping in a particular place (Hildebrandt 1998).

In the light of what has been said, it can be stated that social responsibility has not been indicated by studies concerning retail store image for many years. Whereas during the last 25 years Corporate Social Responsibility (CSR) has gained much importance as an element building retail enterprise image.

## The concept of Corporate Social Responsibility

The idea of Corporate Social Responsibility refers to companies which voluntarily take on the duty of acting according to economic rules, legal regulations, ethics, protecting environment and they support philanthropic activities (EU 2011; Carroll 1999). This concept gives foundations for building and reinforcing competitive advantage (Carroll 1991, Porter and Kramer 2006).

CSR developed in international strategies of retail enterprises intensively in 1990s. The reasons of expanding the list of image building determinants by CSR are twofold - on one hand they result from the pressure from stakeholders, especially consumers, put on retailers who overused their bargaining forces in contacts with stakeholders. On the other hand, changes in operation strategies and concentrating them around CSR reflect changes in managers and owners' points of view, their sense of responsibility for their own business decisions. According to Carroll's model (1991) there are different levels of responsibility – economic, legal, ethical and philanthropic, while the first two are obligatory, the others are voluntary.

### **Retail enterprises can take advantage of CSR activities, such as:**

- popularizing a positive opinion from mouth to mouth (Bolton and Drew 1991)
- inspiring trust to a marketing offer and the enterprise (Morgan and Hunt 1994),
- mounting up resistance to negative information in crisis situation (Jones in. 2007; Bevan and in. 2004),
- increasing the level of purchasers' loyalty (Ailawadi and in. 2011),
- decreasing indicators of purchasers' retention,
- reinforcing a positive enterprise image and increasing satisfaction from doing shopping in a particular enterprise (Luo and Bhattacharya 2006).

Retailers whose strategies are based on CSR are obliged to obey the rules of reasonable managing, abiding law and the rules of ethics, and to be involved in philanthropic activities. As a result, retailers use CSR for creating and reinforcing company image and provide themselves with customers' loyalty (Yusof, Musa and Rahman 2011). Therefore, they offer ethical products e.g. Fair Trade (Bezencon, Billi 2001), they educate clients in consumption (Jones, Comfort and Hillier 2006), engage customers in social campaigns (Nan and Heo 2007), protect natural environment (Tesco CSR Report, 2011), support programs significant for local communities etc. However, they would not probably be interested in the concept of CSR if it did not bring particular benefits in contacts with stakeholders, especially with purchasers. Herpen, Pennings and Meulenberg (2003) came up with interesting research results concerning this aspect, namely, they stated that consumers who notice that a store undertakes activities in accordance with the idea of CSR trust it more and are more positive while evaluating the store. Moreover, Lou and Bhattacharya (2006) stated that clients' satisfaction (understood as satisfaction resulted from shopping and product or service consumption) plays a key role in building a relationship between CSR and market value of a company (CSR partly influences market value of a retailer because it determines customers' satisfaction) and they advocate the opinion that a suitable combination of CSR activities and product qualities are vital in creating values for clients.

Many retailers understand CSR idea selectively due to lack of awareness of CSR idea among customers.. Companies are aware of business advantages coming from CSR but so far ignore some aspects of it, due to it doesn't suit to competitive strategy. That's why some organizations, like NGOs, organize actions against international retailers who's merchandise is produced in factories located in developing countries, where rights of employees and children, also environment are not protected. They inform customers, by arranging social campaigns, about sources of origin of clothes sold in some chains stores. A good example of it is a campaign conducted in 2012 whose aim was to educate consumers on the sources and the places where clothes offered by international retailing brands were produced. The campaign showed that retailers take the advantage of this idea for realizing their own objectives, passing over social expectations and responsibility for natural environment; and consumers are not aware of the foundations of such campaigns (Kogo dotyczy odpowiedzialny biznes 2012; Filipiak 2012, Pawlicki 2012).

The research undertaken by Gupta and Pirsch (2008) has confirmed that CSR is an important factor which determines store image and has impact on creating satisfaction and building loyalty for a store. In their opinion retailers should treat CSR in a holistic way, which means being involved not only socially but also promoting this fact among consumers in order to create a desired image. (...) When the activities in the area of marketing instruments are assessed positively CSR supports the image, however when the evaluation of marketing instruments is negative social involvement does not bring the desirable results (Gupta, Pirsch 2008).

Influencing consumers' attitudes is a particularly difficult task, especially taking into account the barriers in consumers' understanding and acceptance the concept of CSR. Motives and cognitive barriers are major barriers which restrain purchasers from the reaction expected by enterprises according to Valor (2008). Purchasers who are more aware of their role in the society are, in the opinion of the author, more motivated to make decisions considering social benefits despite individual ones. The motives of retailers who implement strategies based on CSR are also important. Numerous unethical and illegal practices used in retail trade are noticed by consumers. Such practices subvert trust and credibility of subjects from this market sector (Baruk 2011). The research carried out by Y. Yoon, Gurhan-Canli and Schwarz (2006) show that the lower distrust towards a company is, the higher the chances for success of CSR activities become. If there is a lot of suspiciousness, the trust towards good intentions of a given enterprise is fragile. The researchers also claim that if customers' suspiciousness is moderate it does not affect CSR activities. Other research shows that the percentage of consumers who encountered unethical or dishonest practices and those who resign from shopping in a particular store is about 20% depending on the kind of practice. What is more, 50% of purchasers do not know what they will do in the future. Nevertheless, consumers take retailers into their confidence – about 30% return to the store (Baruk 2011).

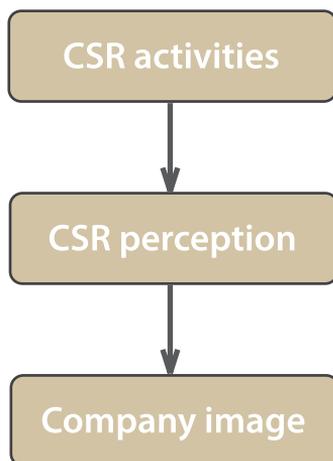
## Modeling CSR

It is problematic to estimate the role of CSR in building store image and it is difficult to state how important the role of an image in modeling the perception of CSR is. The idea of CSR may be one of image deter-

minants. Assuming that it is true, the perception of CSR depends only on CSR activities which are undertaken. Thus, positive perception of CSR could be reflected in a better company image. It is significant for purchasers to know how enterprises perform their civic role. For instance, 86% of Americans indicated that they would like to know how active companies are socially and in Great Britain the situation is similar. More than 74% of the British noted that information about social and ethical activity of enterprises would influence their shopping decisions (Pomeroy and Dolnicar 2009). This relationship is described by a traditional model (cf. e.g. Gupta, and Pirsch 2008).

### ***Traditional model***

Traditional model concerning the relationship between CSR and image assumes the sequence of actions presented in picture 1.



**Fig. 1.** Traditional model of CSR position in a company

Source: Own study

According to this model activities undertaken with broadly understood CSR have impact on CSR perception. What is more, CSR perception is reflected in the company image. The last one is a collective conglomerate

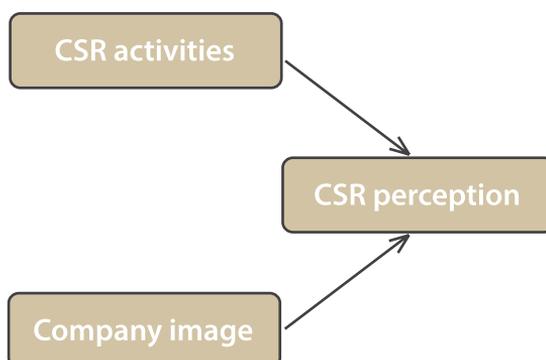
of many factors interacting. The process can be accepted as logically coherent, which makes it easy to understand and use in practice by managers.

### ***Image model***

Purchasers' opinions do not always have to influence their actions. Especially as consumers buy for personal reasons, not for social motives (Beckmann et al 2001). It means that CSR has exerts influence on consumers' awareness and their attitudes rather than on shopping decisions (Bhattacharya and Sen, 2004). Therefore, in practice CSR may play a minor role in modeling a store image. Thus, image model assumes that CSR perception depends on already existing image.

Image model assumes that a vital element in CSR perception in a company is an earlier shaped image. The companies which have a good image will be perceived as those which use CSR more, however, those whose image is weaker will be perceived as those whose CSR activities are weaker, too. Both elements – image and CSR activities are essential for shaping an appropriate CSR perception among stakeholders. These relationships are presented in picture 2.

**Fig. 2.** Image model of CSR shaping in a company



Source: Own study

Several possible causes of alternative (image) model of CSR perception can be enumerated:

- Many companies use CSR activities, which gives no chances to create a simple division into companies which take advantage of CSR and those which do not use it. The intensity of these actions should be estimated by a consumer. This is a difficult and subjective task. It should be mentioned that a subjective calculation may not be free of errors (Gilovich, Griffin and Kahneman 2002).
- A lot of CSR activities are “invisible” for clients of retail chains as they are directed to other groups of stakeholders.
- The knowledge about CSR is generally rather rudimentary. The evidence is research which shows that students of graduate economics students are those who have relatively good knowledge about CSR. Undergraduate students still do not have this kind of expertise (Wanat, Stefańska and Pilarczyk 2013), their knowledge is similar to that of an average consumer.
- A part of CSR activities is not recognized as CSR actions by purchasers, probably because of the fact that their knowledge about the concept is insufficient.

## Research

### *Research group characteristics*

To test two models of CSR we employed an empirical study with customers of retail chains within Polish context. The data were collected in the second part of 2012 through personal interviews by two interviewers. 230 people participated in the research. It was conducted in one of the districts of an average-size Polish city. The district was chosen due to the existence of (only) two big retail outlets in proximity. The limitation was advisable as in the questionnaires the questions were related to CSR activities undertaken by specific trading companies. This means there were only two types of questionnaires differing only in the name of the sales network whose CSR activities the questions were about (see the appendix). The age of the respondents ranged from 18 to 76 (the age

median equalled  $M_{age} = 35$ ). The two studied populations did not differ significantly in terms of age  $t(228) = 1.515$   $p > 0.1$  n.s. The majority (70%) of the respondents were women. There was no difference in the number of women in both studied populations (Chi-square test  $p > 0.1$ ). Most respondents ranked their material standing as good 39% or average 46%. The definite majority were in employment – 75%. More than half were persons with a university degree (54%), the share of respondents with secondary education was 37%.

### ***Respondents' level of awareness about CSR activities***

The level of respondents' awareness about CSR activities was determined on the basis of a set of 22 statements concerned with social responsibility, preservation of the environment, assortment policy connected with the ethical offer, and activities undertaken for the benefit of customers and employees. They were prepared based on questions included in questionnaires in similar research projects (Maignan 2001; Sen i Bhattacharya 2001, Herpen, Pennings i Meulenberg 2003). The set of statements used in the research can be found in the appendix. The respondents gave answers on a nominal scale (Yes, No, I don't know).

The level of CSR knowledge was calculated as a sum of positive answers to 22 questions presented in the questionnaire. The level of CSR knowledge ranged from 0 to 18, mean value was 6.64 (SD=3.66).

### ***Image***

The image were measured with four items 7-point image scale taken from Herpen, Pennings and Meulenberg (2003), accounted to  $M_i = 5.37$ ,  $SD = 0.88$ . Higher score on the scale indicated better image perception of a store. Scale reliability measured by Cronbach alpha was 0.724.

### ***CSR perception***

The perception of CSR of a company was measured with 4-items scale

taken from earlier research (Herpern, Pennings and Meulenber 2003; Groza, Pronschinske and Walker 2011;Turker 2009; Curras-Perez, Bigne-Alcaniz, Alvarado-Herrera 2009; Marin, Ruiz, Rubio 2008). The scale made use of the 7-point Likert-style response format. Higher scores on a scale meant better perception CSR perception. Reliability of the scale was measured with Cronbach's alpha coefficient and it was 0.702.

## **Results**

The analysis using structural equation modeling was conducted in order to state which model reflects reality. It was performed in two stages according to the rules shown in literature (Hair et al. 1992; Huges, Price and Marrs 1986). At the first stage Confirmatory Factor Analysis was carried out to check the appropriateness of the measurement model. At the second stage interrelations between constructs were tested with structural models.

The first stage of data analysis was to explore dimensionality and reliability of the scale used in the research.

### *Measurement model*

Confirmatory factor analysis was carried out in order to test the measurement model. Each item was constrained to load only on its intended construct.

The research results indicate good fit of data to the model:  $\chi^2 = 26$ , comparative fit index (CFI)= 0.997, root mean square error of approximation (RMSEA) = 0.013. Index values were the suggested scopes of acceptable fit. Although the model represents a good fit to the data, some of the indicators are characterized by low factor loadings i.e. below 0.5. Such an example is one of the indicators related to image – Image3 – “a retailing unit (TESCO or Piotr i Paweł) is a supermarket offering goods with a fair price” and one indicator connected with the perception of CSR – CSR3 – “A retailing unit (Tesco or Piotr i Paweł) could do more for local communities.”

In-depth analysis revealed that some of them were not suitably matched to the measurement of intended constructs. The item of Image3 which was intended to measure the image is more connected with price and it was removed from further analysis. The item of CSR3 is related to future activities not with a present evaluation of a company's CSR and that is why it was removed from the research as well. After rejecting these items a confirmatory factor analysis was conducted again.

The research results indicate good fit of data to the model  $\chi^2 = 2.33$ , comparative fit index (CFI) = 1.0, root mean square error of approximation (RMSEA) = 0.00. Index values were the suggested scopes of acceptable fit. According to the suggestions presented in the literature (Fornel, Larcker 1981) convergent validity was calculated by comparing the average variance extracted by each construct with an error. The results (look at table 1.) for t-values and lambda coefficient are respectively above 1.96 and 0.5, i.e. quantities guaranteeing convergent validity.

**Tab. 1.** The results of measurement model

Factor	Item	Convergent validity		Construct reliability	Variance extracted
		t (>1.96)	$\lambda$ (>0.5)		
CSR activities*		21.387	0.997	0.995	1
CSR	CSR1	14.415	0.84	0.825	0.612
	CSR2	13.751	0.811		
	CSR 3	11.118	0.688		
Image	Image1	12.411	0.756	0.820	0.603
	Image2	13.963	0.829		
	Image3	12.109	0.742		

\* because of Heywood case the margin of error was established as 0.005

Additionally, reliability and discriminant validity were checked. In all three cases the value of construct reliability was above the suggested level 0.7. Similarly, the required level 0.5 was exceeded in case of extracted variance (Hair et al. 1992).

## Structural models

After defining characteristics of the scale at the first stage, structural models were tested at the second stage. At this stage two models were compared: traditional model and image model.

Traditional model establishes interrelation system of the following sequence: CSR activities, CSR perception and company image. It assumes that the growth of activities related to CSR should be reflected in the improvement of CSR perception and this, in turn, should improve company image.

The outcomes of the analysis indicate that traditional model is fit to the data. Particular values developed as follows: values  $\chi^2 = 2.33$ , comparative fit index (CFI) = 1.0, root mean square error of approximation (RMSEA) = 0.00. (The results are even "too" good which is the consequence of the model simplicity and the existence of almost all the interrelations between the constructs). Index values matched the suggested range of acceptable fit. It means that traditional model is acceptable. On the other hand, a relatively low level of Gamma coefficient  $\gamma$  between CSR activities and CSR perception draws attention. In a situation when this coefficient is low and there are not any variables which could determine CSR, it must be assumed that there are some more not considered by the model, variables determining CSR perception.

Image model takes interrelation system with the following sequence: company image and CSR activities, CSR perception. It means that a positive image and CSR activities influence positive assessment of a company's CSR. The result of the analysis point out that image model is matched to the data. Particular values were as follows: values  $\chi^2 = 3.22$ , comparative fit index (CFI) = 1.0, root mean square error of approximation (RMSEA) = 0.00. Index values matched the suggested scopes of acceptable fit. Thus, image model is acceptable. Gamma values were respectively 0.21 (t-value = 3.258) for interrelation of CSR activities and CSR perception, and 0.57 (t-value = 7.526) for interrelation between a company image and CSR perception. It means that when it comes to CSR perception, a company image is much more important than CSR activities realized by the company.

## Conclusions

Several important conclusions may be drawn based on the research which was conducted. Firstly, both traditional model and image model of CSR functioning can be assumed as the correct one. Positive CSR perception can depend on CSR activities undertaken by a company, but it can also be the result of having a company image. Secondly, the results of the research indicate a more important role of the image than activities in shaping CSR perception. It has crucial practical consequences.

From the practical point of view, the interrelations observed in the research suggest that CSR activities should lead companies which have a good image. As a good image guarantees relatively high level of positive perception of CSR of a company, undertaking CSR activities can reinforce and confirm such perception. This conclusion is consistent with those concerning interrelation between the effectiveness of CSR and consumers trust towards a store, which was mentioned earlier (Yoon, Gurhan-Canli, Schwarz 2006). What is more, companies which do not have a good image should not engage in CSR activity unless such activity is to improve the image. Instrumental usage of CSR activities may turn out to be an ineffective method of image improvement. A positive image should be created with traditional marketing activities. Thirdly, low importance of CSR activities may prove limited knowledge about CSR in the circles of consumers. From a store's perspective it is necessary to support CSR. Otherwise, such activities may not be noticed; hence, there will be no impact on attitudes and consumers' behavior.

## Limitations and further research

The research which was presented has a number of limitations which must be mentioned. First of all, the research did not have a representative character. Secondly, it concerned only CSR activity in food industry. It is not sure if the observed interrelations are present in services as well, e.g. banking, education etc. It should be verified in another research. Thirdly, the models which were analyzed were very simplified. Further research should employ more developed ways of image measurement. It would allow defining interrelations between CSR and particular dimen-

sions of store image more precisely. Other criteria such as trust, tendency to purchasing or behavioral intentions should also be taken into account in order to verify the influence of CSR activities on both consumers' attitudes and behavior.

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## REVISITING GASLAND: FRACKING THE EARTH, FRACKING COMMUNITIES

### **Jobidon Emmanuelle and Raufflet Emmanuel**

Jobidon Emmanuelle

33-A rue St-Louis, Salaberry-de-Valleyfield (Québec) Canada J6T 1M3

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Emmanuelle.jobidon@hec.ca

Raufflet Emmanuel

HEC Montréal, Service de l'enseignement du management

3000 chemin de la Côte Sainte-Catherine, Montréal (Québec) Canada H3T 2A7

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Emmanuel.raufflet@hec.ca

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## **Introduction**

This chapter examines the mechanisms developed by companies to erode local social cohesion and “get their way across” a local community. Doing so, it responds to an empirical and a theoretical puzzle. The empirical puzzle concerns the situation depicted in the 2010 Hollywood nominated documentary *Gasland* in which Josh Fox documented the social, political, public health and environmental issues related to shale gas exploitation in several counties in the US. Among the most problematic areas depicted in this documentary were the

counties of Northern Pennsylvania. Industry promoters responded to this documentary with *Truthland*, a video available on the internet. The theoretical puzzle concerns different forms of company-community engagement. The theoretical puzzle focuses directly on company-community relations.

Over the last decade research interest related to forms of engagement between companies and communities has increased (Muthuri et al 2008; Baba 2012; Raufflet et al. 2013) around the notion of social license to operate and the construction of a reciprocal “win-win” and sustainable relations between companies and communities, viewed as cohesive entities (Bowen et al. 2010, Zandvliet, & Anderson 2009). However, less attention has been brought to problematic situations in which companies establish their power over communities through strategies of corporate engagement, which may lead to the erosion of local social cohesion.

The chapter connects this research on the company-community to the literature on social cohesion through the identification of the strategies used by the gas companies to rule over a community. The remainder of this chapter is organized in three sections. We first briefly introduce the analytical framework on social cohesion. The second section presents the data and identifies the strategies mobilized by companies. The last section identifies the contributions of this chapter.

## **Corporate-community relations and local social cohesion**

The dominant approach to CSR assumes that the relations between businesses and communities are crucial for businesses because *they allow companies to establish their legitimacy* (Baba, 2012: 16, free translation). Suchman (1995: 574, quoted by Baba, 2012: 16) defines legitimacy as *a generalized perception or an assumption that the actions of an entity are desirable and appropriate within a system of norms, values and beliefs socially constructed* (free translation). Legitimacy enables organizations to gain access to resources, whether physical, human or other and to operate (Suchman, 1995). In all, research on company-community relations has focused on forms, stages, and win-win conditions. Among these conditions is social cohesion, which is defined by Maxwell (1996) as:

*Social cohesion involves building shared values and communities of interpretation, reducing disparities in wealth and income, and generally enabling people to have a sense that they are engaged in a common enterprise, facing shared challenges, and that they are members of the same community. (Maxwell, 1996: 13)*

Very little scientific literature addresses how to assess this situation. Jensen (1998) stresses that there is a very large gap in data and analytical frameworks about civil society. According to Jensen (1998), social cohesion amongst a community disappears:

*When economic and political, as well as social, conditions are not met or when these processes are not functioning, citizens, groups and governments begin to sense that "things are falling apart" and "it's just not working." (Jensen, 1998: 3).*

Peace, Spoonley, Butcher and O'Neill (2005) and Spoonley and Peace (2005) identified five indicators of the social cohesion of a given society, namely (1) belongingness, (2) participation, (3) inclusion, (4) recognition and (5) legitimacy. These five indicators are presented in Table 1 below.

	<b>Indicator</b>	<b>Definition</b>
<b>1</b>	<b>Belonging</b>	Feeling of being part of one big family
<b>2</b>	<b>Participation</b>	Commitment to politic, religious, volunteer or other type of activity
<b>3</b>	<b>Inclusion</b>	Equity regarding opportunities and outcomes of labour market, education, health and housing
<b>4</b>	<b>Recognition</b>	Diversity of opinions and values between different cultures or groups are accepted and respected
<b>5</b>	<b>Legitimacy</b>	Confidence of the population when it comes to public institutions in their role in protecting the rights and interests of community members

**Tab. 1.** Five indicators of social cohesion

This research contributes to addressing two limitations of research on social cohesion. The main limitation of the functionalist literature on community relations comes from the description of the concept of community. Indeed, it is presented in a “romantic vision” (Agrawal and Gibson 1999: 632), that is to say, as a whole that is coherent, uniform and smooth. To address this limitation in the literature, this article provides a non-functionalist description of the community. A second limitation of literature on social cohesion is the almost total lack of discussion about the role of business in creating, breaking or maintaining social cohesion within a community. Indeed, if there are indicators of social cohesion, such as those presented by Thirion (2010), Peace *et al.* 2005 and Spoonley and Peace (2005), there are no articles defining the role played by these companies in the maintenance, improvement or erosion of this very social cohesion. This article aims to contribute to the literature on social cohesion by better documenting how a community has been *fracked* by gas companies

This question will be addressed by examining, from the perspective of community relationships, how gas companies in northern Pennsylvania contributed to the erosion of social cohesion within the community. More specifically, the chapter examines the effects related to the behaviour of gas companies in a community defined as “tight-knit.”

## Revisiting *Gasland*

The counties of Bradford, Sullivan and Susquehanna, located in northern Pennsylvania<sup>14</sup>, are part of the Endless Mountain Region, an agricultural region built on a plateau of hills and mountains. Before the inception of the shale gas industry, this part of Pennsylvania was predominantly a farming region with small farms. The decline of the coal industry since the 1970s, strong competition from the Canadian timber industry and modest incomes from agriculture created a struggling local economy for the past forty years. Before 2007, these predominantly rural counties were among the poorest in Pennsylvania.

14 PM (2012). Interview conducted by Emmanuelle Jobidon on November 27, 2012.

## Methodology

### Case selection

The case of northern Pennsylvania, and specifically the counties of Bradford, Sullivan and Susquehanna, was selected because these counties are among the most publicized cases of shale gas. The case of Susquehanna County, and more specifically that of the town of Dimock, is regularly raised due to the collective lawsuit against the gas industry for water contamination. It appears, among others, in the documentary *Gasland* by Josh Fox (2010), which sparked a lot of debate on the subject.

### Field research

The fieldwork took place locally between October 14 and October 22, 2012 and continued in Montreal until December 2012. It has been done through interviews. The criterion for the selection of the interviewees was to interview at least one person from each of the 12 categories: industry members, employee of a gas company responsible for community relationships, entrepreneur in the studied counties, pro-gas citizen, anti-gas citizen, anti-gas citizen whose basement is under contract with a gas company, citizen whose water was contaminated, citizen who experienced health problems associated with the activities of the gas industry, doctor, hydro geologist, water consultant, a member of a club or group with benefits from the social responsibility practices or philanthropy of a gas company and a member of an NGO against the gas operations. In total, 27 interviews were conducted, lasting from one to four hours. Confidentiality clauses were signed to prevent people who have chosen to confide during the interviews from being recognized. The interview data and the analysis of public documents amount to several hundreds of pages.

In all, the local social fabric before the arrival of the shale gas industry was often described as “tightly knit,” that is to say, composed of families living in a climate of solidarity for several generations. Before the arrival of the gas industry, a family could still be considered as “foreign,” even if they lived in the area for three generations. Living in the counties of Bradford, Sullivan and Susquehanna was frequently described as a situation in which *everyone knows everyone and lived in a peaceful climate*<sup>15</sup>.

As of 2012–2013, six years after the beginning of shale gas exploitation, the counties of Bradford, Sullivan and Susquehanna have become a tin-

15 PM (2012). Interview conducted by Emmanuelle Jobidon on November 27, 2012.

derbox of social relations. The polarization of point of views about the implementation of the gas companies has led to the degradation of the local social relations. Table 2 summarizes this situation and Table 3 maps the polarization of locals between *pro* and *anti*-shale gas operations.

**Tab. 2.** Evolution of local social cohesion indicators

Social cohesion indicators	Before 2007	2012
Belonging	Strong sense of belonging in the community; a condition of being part of it for a long time	Division of the community into two distinct clans
Participation	Participation in the county's activities	Participation, depending on the clan, whether into promotion activities or denunciation activities
Inclusion	Strangers mostly included but sometimes excluded even when part of the counties for a couple of generations	New incomers that come to the region for work are not included because they either exclude themselves or because they are rejected by the community
Recognition	Possible discrimination towards new incomings but no harassment; feeling of security in the counties	Citizen's protection against harassment and discrimination is not encouraged; feeling of security in the counties
Legitimacy	Trust in government and local authorities	Trust disappeared regarding the government and the local authorities

Anti-gas vision	Pro-gas vision
<p>“There are loads of conflicts since they (gas companies) entered the community, it is a divided community, there are those that are pro-, there are those who are anti-, there are those who are in the middle. We have a lot of conflicts, a lot of tensions, they don’t want us to speak, they want us to go away, they call us liars, they besmirch us and they say that we cannot be believed. I continue to be a witness because there are those who do believe us.” [PD (2012). Interview conducted by Emmanuelle Jobidon on October 30, 2012]</p> <p>“[Speaking about the gas] All the Christians believe the earth is ours to rape. They probably call it different but they seem to think that any kind of extraction from the earth is a gift. I believe that air is a gift, that water is a gift. Things that are given to us are gifts. If you gotta go get it, if you gotta destroy something to get it, it’s not a gift, that’s stealing, that’s rape.” [PV (2012). Interview conducted by Emmanuelle Jobidon on October 18, 2012]</p>	<p>“We, landowners, are donating our land. We are making a sacrifice for the common good.” [PX (2012). Interview conducted by Emmanuelle Jobidon on October 20, 2012]</p> <p>“I struggle with the fact that everybody seems to want gas companies to solve all their problems. I don’t think that is right either, gas companies certainly are wealthy companies but I don’t think it is their responsibility to solve everyone’s problems for them.” [PC (2012). Interview conducted by Emmanuelle Jobidon on October 16, 2012]</p>

**Tab. 3.** Polarization between two groups

In other words, the arrival and operations of the gas industry in the counties of Bradford, Sullivan and Susquehanna has deeply and abruptly affected the local social dynamics. This section aims to identify what strategies of engagement companies have promoted to affect local social cohesion.

## Description of the different groups in northern Pennsylvania’s communities

We identified the following local groups:

**Tab. 4.** Groups in the Bradford, Sullivan and Susquehanna counties

Group	Description
Pro-gas	Residents in favour of the gas industry for economic reasons and for energy independence
Anti-gas	Residents against the gas industry mostly for social and environmental reasons
Local authorities	Elected municipal councillors (being an elected municipal councillor and a gas industry representative is permitted by-law)
Residents that have signed agreements with gas companies	Both parties have agreed on a price and royalties; residents can either be pro- or anti-ga
Residents that have not signed agreements with gas companies	Residents who (1) did not give permission to a gas company to lease their land or (2) have not been offered contracts for their land; residents can either be pro- or anti-gas

### The “dash to gas”

In the counties of Bradford, Sullivan and Susquehanna, the “dash to gas” began in 2007. At that time, the approach of companies and their subcontractors to obtain the agreement of the owners to rent their subsoil was already controversial: they incited citizens to sign, making them believe that the industry would most probably not be operating in the region<sup>16</sup>. Thus, for *pro-gas* or for activists, the impression remains the same: the gas industry hid its true intentions.

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<sup>16</sup> Mentioned during interviews by respondents PC, PD, PG, PL, PM, PN, PO, PP, PQ, PS, PT, PU, PV, PW, PX, PY and PZ.

## ***Shale gas and local authorities: first citizens' groupings and collusion***

During the fall of 2008, a few months after the arrival of companies that met individually with local landowners, the community decided to get together to discuss the situation. Then, the local government and gas companies decided to organize jointly public information sessions.

In Bradford and Sullivan counties, the first information meetings were held in the fall of 2008. Elected officials and a record number of citizens were present. According to witnesses interviewed<sup>17</sup>, discussions about shale gas and hydraulic fracturing took place quietly in both counties<sup>18</sup>. Meetings were more explosive in Susquehanna County<sup>19</sup>. Indeed, as of 2012, many respondents describe the 2008 meeting as a presentation orchestrated by industry representatives<sup>20</sup> together with municipal officials. Others describe it as *a circus where angry activists troubled the meeting*<sup>21</sup>. In all cases, verbal confrontations began to widen the gap between *pro-gas* and *anti-gas* people<sup>22</sup>.

Some residents<sup>23</sup> mentioned that one of the strategies adopted by gas companies to achieve their goals when they arrived in the area was to co-opt local politicians and influential farmers, offering them a bonus for signing any contract in order to encourage the rest of the community to engage. At the same time, the terms of such agreements had to remain secret<sup>24</sup>:

*You get a few people like politicians or one or two prominent land owners or business men and you give them these VIP leases and with enormous signing bonuses. That's supposed to inspire everyone else to sign along*<sup>25</sup>.

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17 PM (2012). Interview conducted by Emmanuelle Jobidon on November 27, 2012.

18 PU (2012). Interview conducted by Emmanuelle Jobidon on October 16, 2012.

19 PQ (2012). Interview conducted by Emmanuelle Jobidon on October 30, 2012.

20 PP (2012). Interview conducted by Emmanuelle Jobidon on October 17, 2012.

21 PZ (2012). Interview conducted by Emmanuelle Jobidon on October 20, 2012.

22 PP (2012). Interview conducted by Emmanuelle Jobidon on October 17, 2012.

23 Mentioned during interviews by respondents PM, PT, PU and PW.

24 Mentioned during interviews by respondents PM, PT, PU and PW.

25 PT (2012). Interview conducted by Emmanuelle Jobidon on October 16, 2012.

Furthermore, since the arrival of gas companies in the northern counties of Pennsylvania, some residents have felt some collusion between politicians and representatives or subcontractors companies:

*If [...] a citizen gets in the way of the gas industry, [...] the township's supervisor will stand behind the gas company and do all they can to make sure that the citizen of the township stop<sup>26</sup>.*

Thus, from the beginning, the gas companies were joining forces with local authorities in order to enjoy a better breakthrough.

## Economic benefits

As of 2008, gas operations increased drastically in the region and more than 2500 wells have been perforated between 2008 and 2013. The main companies engaged in hydraulic fracturing in the counties were Chesapeake, Chief Oil and Gas, Cabot Oil and Gas and Talisman<sup>27</sup>. From an economic standpoint, gas operations has led to a dramatic rise in living standards, which reversed the historical negative trend: within a few years, the poorest counties in Pennsylvania became the richest per capita<sup>28</sup>, the economic vitality of the region was enhanced thanks to the many business partnerships with subcontractors of gas companies, and some citizens even benefitted enough from this economic prosperity to start new businesses.

## Strategies of engagement

### Collusion around access to information on water quality

The operations of the gas industry in Pennsylvania have reduced the

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26 PM (2012). Interview conducted by Emmanuelle Jobidon on November 27, 2012.

27 Amico, C., DeBelius, B., Detrow, S., & Stiles, M. (2013). Natural Gas Drilling in Pennsylvania [online], *Stateimpact*. <http://stateimpact.npr.org/pennsylvania/drilling/>.

28 Wilber, T. (2012). *Under the surface; Fracking, fortunes, and the fate of the Marcellus shale*. New York: Cornell University Press.

level of trust between residents, whether *pro* or *anti*-gas. It also reduced the level of trust regarding governments (municipal, state or federal)<sup>29</sup>. Following its interventions in favour of the industry rather than to the residents, the government, at any level, previously seen as the defender of the rights of residents, has been perceived as deceptive by the community<sup>30</sup>. According to residents of the counties of Bradford, Sullivan and Susquehanna, the government had been promoting shale gas to the detriment of citizens' concerns and issues<sup>31</sup>, including water contamination.

A conference organized by the Delaware River Basin Commission (DRBC), in 2009 at the Academy of Natural Sciences of Drexel University, illustrates this perception of citizens being ignored. In this conference, an *anti*-gas resident, concerned by the government's inaction against the potential consequences of gas operations on water quality, wished to discuss the decision of the DRBC not to legislate on the subject. After the meeting, she asked the President of the DRBC:

*You're telling me that Governor Rendell and water commissioner John Hines decided to use the poorest watershed of the Susquehanna Watershed to be guinea pigs to the drilling industry?" To what the President of the DRBC would have answered: "Yes, that's exactly what I'm telling you"<sup>32</sup>.*

That answer shocked the dwellers of the counties of Bradford, Sullivan and Susquehanna. However, the feeling of being a guinea pig<sup>33</sup> for the industry diminished by 2010, after the government commissioned a study on the health and environmental impacts of shale gas operations<sup>34</sup> in order to reassure citizens<sup>35</sup>.

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29 McGraw, S. (2011). *The End of Country; Dispatches from the fracking zone*. USA: Random House Trade Paperback Edition.

30 Mentioned during interviews by respondents PD, PM, PO, PP, PQ, PR, PT, PU, PV, PW, PX, PY and PZ.

31 Mentioned during interviews by respondents PD, PM, PO, PP, PQ, PR, PT, PU, PV, PW, PX, PY and PZ.

32 PO (2012). Interview conducted by Emmanuelle Jobidon on October 18, 2012.

33 Mentioned during interviews by respondents PD, PI, PK, PO, PP, PQ, PT, PU and PV.

34 EPA's *study of Hydraulic Fracturing and its potential impact on drinking water resources* (2013) [online], <http://www.epa.gov/hfstudy/>.

35 Doggett, T. (2010). EPA begins study on shale gas drilling [online], *Reuters*. <http://www.reuters.com/article/2010/03/18/us-energy-natgas-fracking-idUSTRE62H-2KP20100318>.

Under this pressure, both the Environmental Protection Agency (EPA) and State Government agreed to test the contaminated water wells<sup>36</sup>, in particular those of the fifteen affected families from Dimock. One respondent (interviewed in 2012) who is part of a national action movement against fracking claims that the EPA showed a distinct lack of professionalism in the management of the issue<sup>37</sup>. The resident claimed the EPA sent test results showing that the wells had indeed been contaminated and later asked the resident to return its first tests, claiming there had been a mistake from the state with the first postal communication. A few weeks later, the resident was given a second analysis of water, this time in a Word format, without any expert signature, attesting that the water was not contaminated. The EPA made its final verdict on March 15, 2012, and announced that the water of the residents of Dimock had not been impacted by gas activities and was safe for consumption<sup>38</sup>.

However, shortly after the announcement that water was safe for consumption, a senior EPA representative came knocking at the door of a resident who is a member of the citizen group against *fracking*.

*A few days later he [EPA representative] showed up here, right in the driveway, he was scoring a face and he goes: "Off the record, just so you know, your water's contaminated, don't use it."<sup>39</sup>*

A university researcher from Bradford County working on community relations for a few years, said:

*The way that Pennsylvania has treated its citizens with this issue, particularly the citizens who are most impacted in rural areas is criminal, it really is, it's criminal.<sup>40</sup>*

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36 Doggett, T. (2010). EPA begins study on shale gas drilling » [online], *Reuters*. <http://www.reuters.com/article/2010/03/18/us-energy-natgas-fracking-idUSTRE62H-2KP20100318>.

37 PP (2012). Interview conducted by Emmanuelle Jobidon on October 17, 2012.

38 Phillips, Susan (2012). EPA's test results show safe drinking water in Dimock [online], *Stateimpact*. <http://stateimpact.npr.org/pennsylvania/2012/03/15/epas-test-results-show-safe-drinking-water-in-dimock/>.

39 PP (2012). Interview conducted by Emmanuelle Jobidon on October 17, 2012.

40 PM (2012). Interview conducted by Emmanuelle Jobidon on November 27, 2012.

## ***Energy as a national priority vs. civil rights of local citizens***

Social relations are affected by the problem of polarization of residents' point of views of the counties of Bradford, Sullivan and Susquehanna. This polarization can be observed between *anti*-gas residents and the government, particularly because of the danger these residents could represent to the US as a whole. Energy independence<sup>41</sup> is a national US priority. Shale gas production, as a contributor to the achievement of this priority<sup>42</sup> has become more significant than the respect of the civil rights of some residents and activists opposed to shale gas operations. This is illustrated by the screening of the documentary *Gasland*, which led to unexpected discoveries.

In October 2010, residents of the counties of Bradford, Sullivan and Susquehanna who tried to organize a screening of the documentary *Gasland*<sup>43</sup> in the region were threatened by the local police and FBI agents. They were told that if they pursued their goal, they would be listed and considered as terrorists<sup>44</sup>. Several activists, who did not give up their intention, confessed to local police, medias and pairs that they had been followed and felt spied on<sup>45</sup>. An *anti*-gas resident from Sullivan County mentioned that a technician who fixed his computer had told him that his computer had government software remotely controlling his files<sup>46</sup>. Another citizen reported that between 2008 and 2010, his telephone line emitted significant sounds when he had discussions or attempted to make a call<sup>47</sup>.

These fears of being spied on<sup>48</sup> were deemed ridiculous or frightening but were confirmed by an *anti*-gas resident.

41 Agence France Presse (2012). États-Unis: Indépendance énergétique en vue [online], *Le Point*. [http://www.lepoint.fr/auto-addict/actualites/les-etats-unis-en-route-vers-l-independance-energetique-aie-12-11-2012-1528027\\_683.php](http://www.lepoint.fr/auto-addict/actualites/les-etats-unis-en-route-vers-l-independance-energetique-aie-12-11-2012-1528027_683.php).

42 Garric, A. (2012). Gaz de schiste: Un engouement mondial, mais beaucoup de doutes [online], *Le Monde*. [http://www.lemonde.fr/planete/article/2012/12/21/gaz-de-schiste-un-engouement-mondial-mais-beaucoup-de-doutes\\_1809052\\_3244.html](http://www.lemonde.fr/planete/article/2012/12/21/gaz-de-schiste-un-engouement-mondial-mais-beaucoup-de-doutes_1809052_3244.html).

43 *Gasland: About the film* (2012) [online] <http://www.gaslandthemovie.com/about-the-film>.

44 PO (2012). Interview conducted by par Emmanuelle Jobidon on October 18, 2012.

45 Mentioned during interviews by respondents PD, PO, PP, PQ, PT, PU, PV and PW.

46 PT (2012). Interview conducted by Emmanuelle Jobidon on October 16, 2012.

47 PV (2012). Interview conducted by Emmanuelle Jobidon on October 18, 2012.

48 Mentioned during interviews by respondents PD, PO, PP, PQ, PT, PU, PV and PW.

*The way we found out [that we were being spied on] was the former head of Homeland Security got his emails mixed up and sent out an email to one of us. And it wasn't meant for us, it was meant for someone else and that's when we realized we were being watched<sup>49</sup>.*

Concerned citizens then reported the situation to the police. A few days later, the American Civil Liberties Union (ACLU) started providing them with legal support<sup>50</sup>. In 2012, surveillance victims appeared before a senate committee and discovered the following:

*Apparently we had been under surveillance by the Pennsylvania State Police, Pennsylvania FBI, Department of Homeland Security and they couldn't find anything, [...] so they turned around distributed our names and information to the Marcellus Shale Coalition, to the industry as potential threats. [...] The Marcellus Shale Coalition went and hired ITRR, the International Terrorist Research and Response Group (Institute of Terrorism Research and Response); it's an Israeli anti-terrorist group.<sup>51</sup>*

Citizens also discovered that these monitoring units were equipped with wiretapping records, surveillance video and private emails about them.

The appearance of citizens before a Pennsylvania senate committee on May 29, 2012 on these issues led the Director James F. Power Jr. of the Department of Homeland Security to resign<sup>52</sup>. « When all this came o light, the Director of the Homeland Security was force to resign and the former Governor of Pennsylvania, Ed Rendell issued a formal apology to all of us<sup>53</sup>. »

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49 PT (2012). Interview conducted by Emmanuelle Jobidon on October 16, 2012.

50 PT (2012). Interview conducted by Emmanuelle Jobidon on October 16, 2012.

51 PT (2012). Interview conducted by Emmanuelle Jobidon on October 16, 2012.

52 Barnes, T. (2012). State homeland security chief resigns [online], *Post-Gazette*. <http://www.post-gazette.com/stories/local/breaking/state-homeland-security-chief-resigns-266319/>.

53 PT (2012). Interview conducted by Emmanuelle Jobidon on October 16, 2012.

## ***The double hat of government officials***

Noted in several conversations with residents of the counties of Bradford, Sullivan and Susquehanna, a fact that significantly reduces their trust of the state, is that in Pennsylvania, the governor has the right to be both an elected politician and a lobbyist. This gives a negative image of both the industry and the government to the citizens who are conscious of the politicians' interests to side with industry when conflicts occur. They favour the profit more than the protection of citizens. A need for public transparency is then felt<sup>54</sup>.

*The state government has basically been promoting and pushing for gas and not recording all of the citizens stories or any of them to speak, they [politicians] never come here, we have never had a governor that we have invited to come here and meet the people who are being poisoned, and so she admits to being pro-gas, to promote gas, they get gas contributions for their campaigns<sup>55</sup>.*

Thus, this impression of collusion between the government and gas companies led people to perceive a genuine breach of trust *vis-à-vis* their different levels of government, be municipal, state and federal.

## **Strategies used by companies**

In addition to the controversial tactics used to obtain leases from the owners and the dividing of communities by the various levels of government, gas companies have been described as being reluctant to release public information, as lacking transparency in reporting their use of chemicals, as using gags to limit the circulation of negative information about them and as using intimidation.

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54 Funk, John (2012). Former Pennsylvania Governor Tom Ridge says shale gas producers must be straight with the public [online], *Cleveland.com*. [http://www.cleveland.com/business/index.ssf/2012/04/former\\_pennsylvania\\_gov\\_tom\\_ri.html](http://www.cleveland.com/business/index.ssf/2012/04/former_pennsylvania_gov_tom_ri.html).

55 PD (2012). Interview conducted by Emmanuelle Jobidon on October 30, 2012.

### ***Lack of transparency, public information gap, event organization and financing of health facilities***

Companies representatives interviewed in this research recognize they lacked transparency<sup>56</sup> during the first two years of operation, (2008 and 2009). They further acknowledge that were not involved in local events and made limited efforts to communicate with the public. Since 2010, however, companies are widely perceived as being more involved, particularly *Cabot Oil and Gas*, which has organized various events to approach the community and answer their questions<sup>57</sup>. The same company has also set up various events for the benefit of a health facility, crucial to the region. In total, \$2.2 million were raised by *Cabot Oil and Gas* to build the local hospital<sup>58</sup>.

A critical aspect referred many times during the interviews with residents concerned companies' lack of willingness to share information on the full list of chemicals<sup>59</sup> used during hydraulic fracturing. In addition to their hazardous nature, the fact that they are unknown makes the possible damages to the environment and health even worse. This stirred residents' fears.

*There are 27 chemicals in [their] [hydraulic fracturing fluid] [...] All these chemicals are part of their special sauce. They do not want people to know the ingredients. No one can know. It is their secret sauce and they [the gas companies] do not want us to know what's inside<sup>60</sup>.*

A commitment to transparency on the part of some companies was born in the summer of 2012. Indeed, companies revealed the chemicals used in each well on the FracFocus website<sup>61</sup>, created in May 2012. Unfortunately, as of late 2012 very few members of the community knew of this resource.

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56 PA (2012). Interview conducted by Emmanuelle Jobidon on October 16, 2012.

57 PA (2012). Interview conducted by Emmanuelle Jobidon on October 16, 2012.

58 PA (2012). Interview conducted by Emmanuelle Jobidon on October 16, 2012.

59 Mentioned during interviews by respondents PJ, PP, PQ, PT, PU and PV.

60 PP (2012). Interview conducted by Emmanuelle Jobidon on October 17, 2012.

61 FracFocus: Chemical Disclosure Registry (2012) [online]. <http://www.fracfocusdata.org/fracfocusfind/>.

## ***Gag clauses***

Gag clauses are hotly debated within the counties of Bradford, Sullivan and Susquehanna. A gag clause is often signed between gas companies and residents affected by their activities<sup>62</sup>, preventing them from disclosing even the principle of this agreement<sup>63</sup>:

*They [the gas companies] killed cows because they lost the copper wiring in the field. [When the cows were dead], the farmer sued the company. They signed an agreement and [the farmer] had to sign a confidentiality agreement<sup>64</sup>.*

In concrete terms, this means that a resident who has legally agreed on a rental price for the subsoil or who has settled a lawsuit out of court with a company cannot talk about it. If the gags are not signed, residents are warned not to reveal anything about the incident. This approach has led to a high level of information asymmetry between residents of the counties of Bradford, Sullivan and Susquehanna.

A more pernicious<sup>65</sup> gag is also used by the gas companies in the northern counties of Pennsylvania, consists in agreeing on these non-disclosure agreements directly with local authorities, such as local politicians in the counties (observed in Bradford) receiving income related to the gas development<sup>66</sup>. These practices significantly contribute to the loss of confidence on the part of some residents regarding the practices of these companies<sup>67</sup>.

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62 Ludwig, M. (2012). Silencing communities: How the Fracking Industry Keeps Its Secrets [online], *Truthout*. <http://truth-out.org/news/item/9004-silencing-communities-how-the-fracking-industry-keeps-its-secrets>.

63 Mentioned during interviews by respondents PL, PM, PO, PP, PQ, PT, PU, PV and PW.  
64 PM (2012). Interview conducted by Emmanuelle Jobidon on November 27, 2012.

65 Ludwig, M. (2012). Silencing communities: How the Fracking Industry Keeps Its Secrets [online], *Truthout*. <http://truth-out.org/news/item/9004-silencing-communities-how-the-fracking-industry-keeps-its-secrets>.

66 PM (2012). Interview conducted by Emmanuelle Jobidon on November 27, 2012.

67 Mentioned during interviews by respondents PL, PM, PO, PP, PQ, PT, PU, PV and PW.

## ***Intimidation***

From 2007 to 2010, conflicts accumulated and intimidation emerged in the counties of Bradford, Sullivan and Susquehanna. An *anti*-gas resident confesses she received anonymous threats on the Internet site where she shares information about the gas industry<sup>68</sup> and from workers on a gas pipeline<sup>69</sup>. These incidents were reported to the local police. Another *anti*-gas resident said an employee of a gas company that intended to do seismic testing on his property threatened him. When the resident refused access on his property, he insulted his wife and allegedly verbally attacked him.

*He got very ignorant with me and started name calling, called me a tree hugger, some names I wouldn't want to repeat.*<sup>70</sup>

After this confrontation, the employee showed his "weapon" to the resident, and, in the days following the altercation, he remained in his car in front of the residence, pretending to target the resident with an imaginary gun<sup>71</sup>. As in other cases of bullying (from either side), this incident was reported to the local police.

Some residents also report that some local citizens employed by the gas companies were fired for reporting problems (water and health) related to gas development<sup>72</sup>.

## ***Local polarization***

In addition to their economic, environmental and social impacts, these strategies of engagement used by gas companies led to the degradation of local social relations due to the polarization of viewpoints. Given these conflicts, some *anti*-gas residents began to feel they were citizens on a mission.

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68 PD (2012). Interview conducted by Emmanuelle Jobidon on October 30, 2012.

69 PM (2012). Interview conducted by Emmanuelle Jobidon on November 27, 2012.

70 PT (2012). Interview conducted by Emmanuelle Jobidon on October 16, 2012.

71 PT (2012). Interview conducted by Emmanuelle Jobidon on October 16, 2012.

72 PL (2012). Interview conducted by Emmanuelle Jobidon on October 20, 2012.

*Even though we don't have money like the gas companies, we are just citizens working class citizens we can still stand up to Goliath like David did in the Bible, David defeated Goliath with a slingshot, he did not need millions of dollars and thousands of lawyers.<sup>73</sup>*

Thus, a movement began to organize to denounce questionable industry practices. It took the form of meetings between opponents, online discussion groups, demonstrations and information sessions about the harmful consequences of shale gas exploitation<sup>74</sup>. Similarly, the *pro*-gas citizens of Dimock in Susquehanna County began a movement called *Dimock Proud* to share, on the Internet and within their community, the pride they experience helping the nation achieve its goals of energy independence.

## Discussion and conclusion

The social cohesion of the counties of Bradford, Sullivan and Susquehanna has been deeply affected since 2007. This section maps the relationships affected and identifies indicators of social cohesion in regards of the mechanisms used by gas companies.

### ***Relationships***

Four types of relationships have been affected. The first relationship altered is that between gas companies and the government. This is due to the fact that some politicians elected at state level are both politicians and representatives of the gas industry, a situation that many residents of the counties of Bradford, Sullivan and Susquehanna denounce. The second relationship altered is between the government and the community; it is based on two main factors. The first one comes from a loss of trust in citizens of their government, both at the state and federal level, due to the fact that the Pennsylvania Department of Environmental Protection (DEP) and the Environmental Protection Agency (EPA) have been

73 PD (2012). Interview conducted by Emmanuelle Jobidon on October 30, 2012.

74 PV (2012). Interview conducted by Emmanuelle Jobidon on October 18, 2012.

widely perceived as more keen to defend the interests of gas companies than those of the citizens. The second factor relates more specifically to the anti-gas citizens who have also lost faith in their government following the establishment of a list describing some activists in the region as “eco-terrorists.” The third altered relationship involves relationships between companies and communities. Strategies of engagement mobilized by companies towards citizens in the early industrial operations set the tone for their relationship. Indeed, upon arrival, the gas companies (directly or through subcontractors) approached the landowners in a rather controversial way to obtain contracts for the exploitation of their subsoil. These approaches based on rough and even sometimes misleading information, which varied from one landowner to another, contributed to local community division, eroded social cohesion, and polarized the population between *pro-* and *anti-*gas citizens. Another factor that affected relationships between businesses and the community is concerned with the climate of fear in residents who are victims of the industry’s damage, such as wells contamination. They refused to speak because they feared retaliation and being ignored. The fourth relationship altered is between community members, into *pro-* and *anti-*gas factions. It appears as conflicts, broken communication channels and threats. This situation has been exacerbated by a heavy media presence.

### ***Social cohesion***

All but one indicator of social cohesion have been impacted negatively (see Table 5).

	Indicator	Definition	Present or not	Causes
1	Belonging	Feeling of being part of one big family	No	Conflicts between pro- and anti-gas broke the sense of belonging in the community. Threats among community members altered the trust between the citizens and between the citizens and the companies.
2	Participation	Commitment to political, religious, volunteer or other type of activity	Yes	Citizen involvement in the community has increased since their arrival. This is due to the fact that opponents of the industry have come together to discuss and take political action against the companies. In response to the anti-gas combinations, pro-gas citizens also gathered in order to show their pride to participate in the country's energy independence (Dimock Proud).
3	Inclusion	Equity regarding opportunities and outcomes of labour market, education, health and housing.	No	Inclusion disappeared. The arrival of the gas companies may have brought new job opportunities to the area, but residents believe that these offers are only reserved for foreigners, thereby strengthening their sense of injustice.
4	Recognition	The diversity of opinions and values between different cultures or groups are accepted and respected.	No	Protecting citizens against discrimination and harassment is not encouraged and threats uttered against them are demonstrated. In addition, numerous violations of environmental laws and spills in the region do not instill a sense of security in the population by the gas companies.
5	Legitimacy	Confidence of the population in their role in protecting the rights and interests of community members when it comes to public institutions	No	Legitimacy has eroded in communities considering government actions at both the state and the federal levels, as a result of promoting the rights and interests of gas companies to the detriment of community members.

**Tab. 5.** Evolution of the social cohesion in the Bradford, Sullivan and Susquehanna counties

Only the increase of citizen participation has been observed in the county since the arrival of the gas companies. As belonging, inclusion, recognition and legitimacy have been largely negatively affected, it can be concluded that gas companies have contributed to the erosion of social cohesion within the community.

## Contributions and limitations of the chapter

This chapter proposed two main contributions which contrast with the dominant view on corporate-community relations and social cohesion. The first contribution of this paper is empirical. It provides a novel, on the ground, and detailed analysis of the erosion of social cohesion in a community, resulting from the strategies of engagement and operations of companies. Indeed, as of 2012–2013, the community of the counties of Bradford, Sullivan and Susquehanna is described as divided between *anti*-gas residents, who advocate environmental and social interests, and the *pro*-gas residents, who defend economic and national interests.

The second contribution concerns the role of the government. The role played by the government, at any level, is primary in the strategies implemented by gas companies. In 1958, Theodore Levitt denounced the change in the government paradigm in relation to business and community relationships: *the government is becoming a player rather than an umpire* (Levitt 1958: 46). Thus, rather than mediating the relationship between businesses and the community, the government is involved, abandoning its primary role of protecting and promoting the common good. This study highlights two conflicting definitions of public good. The first concerns perceived national interests (energy security as a significant driver of US national and international policy), which provides special rights to companies whose operations contribute to achieving this “public good.” By contrast, the second focuses on the respect of civil rights of citizens and quality of life in a community. The experience of these counties, based on this research, suggest that the first definition has prevailed over the second. The second contribution of this paper is to identify the strategies used by gas companies to control a community. We identified several strategies which benefit companies in their local operation. As a conclusion, the analysis of the erosion of the local social

cohesion as a result of the presence, practices and actions of gas companies opens the door to further studies of critical cases that could lead to a better theorizing of strategies of destruction of social cohesion.

## Disclaimer

We are not able to conclude whether all of these strategies result from the deliberate intentions of the gas companies or if they are the result of negligent acts or omissions. However, the research presented here suggests that these strategies and practices have contributed to allowing companies to pursue their operations in the local communities.

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## THE STRATEGIC APPROACH OF CSR FOR THE BANKING SYSTEM IN ROMANIA

### **Gligor - Cimpoieru Diana Corina and Munteanu Valentin Partenie**

Faculty of Economics and Business Administration, Pestalozzi Str. No. 16,  
300115, Timișoara, Romania.

Gligor - Cimpoieru Diana Corina (Lecturer Ph.D.)

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diana.gligor@feaa.uvt.ro

Munteanu Valentin Partenie (Associate Professor Ph.D.)

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valentin.munteanu@feaa.uvt.ro

### **Abstract**

Through this paper we have aimed at defining and underling the importance of a CSR approach that brings long term benefits for both the company and the supported cause, in a win-win perspective, that is connected with other company's activities and its overall strategy, taking in consideration the needs and expectations of all stakeholders, and being articulated as an investment plan designed with respect for efficiency and efficacy, a *strategic approach* versus a *traditional approach*. From this perspective we have analysed the CSR approach of the banking system in Romania, defining criteria for a strategic approach and testing different hypothesis regarding it.

**Keywords:** *Corporate Social Responsibility (CSR); strategic approach of CSR; traditional approach of CSR; banking sector; Romania*

## Introduction

We have identified the following purposes for this paper:

- *Theoretical (conceptual): to determine what is the meaning of a strategic approach in implementing CSR vs. a traditional approach, to underline the importance of a strategic approach of CSR initiatives and to define which are the main criteria for a strategic approach of CSR;*
- *Practical (empirical): to analyse whether or not the banking system from Romania has a strategic approach in implementing CSR programs (research results and further recommendations).*

### The meaning and the importance of a strategic approach of CSR

The essence of the concept of *Social Responsibility (SR)* is not a new one, most of the business organizations have always been close to local communities and have tried to be *good citizens* since the primary forms of business [Ionescu *et al.* 2010: 62], but during the past decades social responsibility has gained a significant importance all around the world.

Since Howard R. Bowen first mentioned the notion of responsibilities of a businessman almost six decades ago (1953), the concept of *Social Responsibility* or *Corporate Social Responsibility* has captured the interest of both academics and business practitioners.

Peter Drucker in his earlier work called "*The practice of management*" (1954) was also acknowledging the importance of social responsibility and later on, in the '60, Keith Davis was considering that social responsibility had the potential of bringing long term benefits. Three decades later from his first mention of social responsibility, Peter Drucker was already underlining the fact that "*only if business learns that to do well it has to do good can we hope to tackle the major social challenges facing developed societies today*" [Drucker 1984: 55] thus pointing, from our perspective, the importance of an approach in which business organizations are "*doing well*" and "*doing good*" at the same time, in a win-win approach: a mutual benefit

for the business organization implementing a CSR initiative and the supported cause is vital for the long term sustainability of the efforts and the real involvement in solving real problems, beyond the mere image benefit.

In the '70, Harold Johnson considered that the managers of a responsible business organization put in balance *a multiplicity of interests* when making a decision and they are not just *"striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation"* [Johnson 1971: 50]. The same year, George Steiner stated that although *"business is and must remain fundamentally an economic institution"* [Steiner 1971: 164] there are responsibilities toward the society, connected to the size of the business organization (the bigger its size, the bigger the responsibilities). This marks from our perspective the beginning of the acknowledgment that through social responsibility initiatives business organizations must take into account various entities with an impact on the activity of the organization, the so called *stakeholders* of a business organization.

In 1975, Preston and Post were discussing about the fact that social responsibility at that time was consisting of a *"large number of different, and not always consistent, usages"* and referred to it as *"only to a vague and highly generalized sense of social concern that appears to underlie a wide variety of ad hoc managerial policies and practices"* [Preston & Post 1975: 9]. Even more, the authors mentioned the fact that these kind of social initiatives were lacking *any coherent relation to the managerial unit's internal activities* or to the *host environment* [Preston & Post 1975: 9]. All this mentioned aspects related to social responsibility in the '70 underline the lack of a strategic approach and marked a call for correlation of the implemented social initiatives with the core activity of the business organization and other business units. They also marked the fact that too many initiatives were supported and that is seemed that they were randomly chosen through *ad hoc managerial policies and practices*.

The need for the involvement of stakeholders in implementing social initiatives was marked in 1986, by Murray and Montanary that underlined that *"although management scholars recognize that corporate social responsibility has strategic implications for the firm, few have focused on the interdependent and dynamic relationships among the firm and the relevant actors in its social environment"* [Murray & Montanary 1986: 815]. They ex-

pressed also the need for developing “*a theoretical framework for management to use for planning, implementing, and controlling social responsibility activities*” [Murray & Montanary 1986: 816], thus underling the need for a well articulated plan in implementing corporate social responsibility programs.

The fact that economic and social objectives were so long perceived as being distinct and opposite for business organizations was representing a *false dichotomy* according [Porter and Kramer 2002: 63]. Even more, the authors stated that in a long term approach “*social and economic goals are not inherently conflicting, but integrally connected*” [Porter and Kramer 2002: 63]. They argued that a strategic approach of philanthropic initiatives is reached when there is a convergence of interests between the social benefits and the economic benefits.

From a strategic point of view of social responsibility, it is obvious that the business organization should take in consideration long term objectives. The long term value creation is not only related to economic and financial value, but concerns value creation in three dimensions which is called *the Triple P bottom line* that includes *Profit – the economic dimension, People – the social dimension, Planet – the ecological dimension* [Graafland et al. 2004: 57].

In 2005 Philip Kotler and Nancy Lee were launching a landmark book for CSR entitled “*Corporate Social Responsibility: doing the most good for your company and your cause*”. Their contribution was very significant, especially from a practical perspective because they manage to describe in very down-to-earth approach which are the main types of CSR programs that a business organization could implement: *Corporate Cause Promotions, Cause-Related Marketing, Corporate Social Marketing, Corporate Philanthropy, Community Volunteering and Socially Responsible Business Practices*. At the same time they also had an important theoretical contribution for the importance of a strategic approach in implementing a CSR initiative. Thus they pointed out some of the characteristics of a strategic approach, versus a traditional one (concentrated almost exclusively on philanthropy). In Table 1 there are systemized those characteristics pointed out by Kotler and Lee which could be considered significant from the perspective of the differences between the “*traditional*” and the “*new*” approach.

The Traditional Approach	The New Approach
The social objectives and the business objectives were seen as being separate	The objectives of doing well (for the benefit of local communities or other stakeholders) and doing good (the business organization) are seen as interconnected.
Business chose social causes to support as far away as possible from their business activity for not raising suspicions about their egoistic motivations	Business organizations could also benefit from implementing a CSR program
There was no connection between the business strategy and the social activities	It is important to integrate CSR activities and principles into the strategy of an organization
CSR activities were carried-out as reaction on exogenous challenges	CSR activities as part of the business organization's strategy and fit with values
Decisions regarding the choice of a social issue to were made due to the increasing pressure of <i>"doing good to look good"</i>	Decisions regarding the choice of a social issue to be supported were made on the principle of <i>"doing well and doing good"</i>
The rule was <i>"do good as easily as possible, resulting in a tendency to simply write a check"</i>	The rule in developing and implementing a CSR program is <i>"doing all we can to do the most good, and not just some good"</i>
Companies had a fixed budget for social activities	The business organizations allocate resources according to the specific needs and don't limit their input just to money
Funds were allocated to as many organizations as possible, based on the perception that the visibility of the initiatives should be increased	Few causes are supported so that the impact is significant
Usually the donors were just one of many sponsors	The social involvement is important for building brand identity
Companies supported a variety of organizations and social issues through the years	Companies support few causes, and they create partnerships with external partners (stakeholders)

**Tab. 1.** The differences between a traditional and a strategic approach according to Kotler and Lee, in our synthesis (2005)

Commitments were mostly for a short term	Long term commitments
There was a tendency to avoid issues associated with core business products	Business organizations chose to support social issues connected with their business activity
The decisions regarding the social issues to be supported were heavily influenced by senior management and the board of directors	The decision regarding the social issues to be supported are made with the support of various groups like employees or customers
There were few attempts to coordinate giving programs with other corporate strategies and business units	CSR programs are coordinated with business strategies for other units like marketing or human resources departments
For the evaluation part, <i>"the approach was simply to trust that the good happened"</i> and little was done to establish quantifiable outcomes	Trusting is no longer enough, evaluation becomes critical

Later that year, at least apparently as a replica to Kotler and Lee's (2005) work, Deborah Doane viewed CSR as an attempt to show *"the friendly face of capitalism"* to a *"generation that felt that big business had taken over the world, to the detriment of people and the environment"* [Doane 2005: 23], especially after fierce criticism regarding corporate behaviours like the Shell's 1996 oil spit in the North Sea or Nike's *"sweatshop labour"* and as *"a way of partnering with the enemy"* [Doane 2005: 24]. Doane acknowledges the rise of the CSR movement *"from a fringe activity by a few earnest companies"* to *"a highly visible priority for traditional corporate leaders"*, the fact that CSR reports *"are now commonplace in the media"* [Doane 2005: 23], that socially responsible investment has become more popular (a fact proven by the introduction of the Dow Jones Sustainability Index and the FTSE4Good), that *"socially linked brands, such as Fair Trade, are growing very quickly"*, that *"the unprecedented growth of CSR may lead some to feel a sense of optimism about the power of market mechanism to deliver social and environmental change"*, that *"there are some strong business incentives that have either pushed or pulled companies"* toward CSR and that CSR initiatives *"may provoke changes in basic practices"* [Doane 2005: 24]. She also noticed the Economist denounce (???) of CSR the same year in

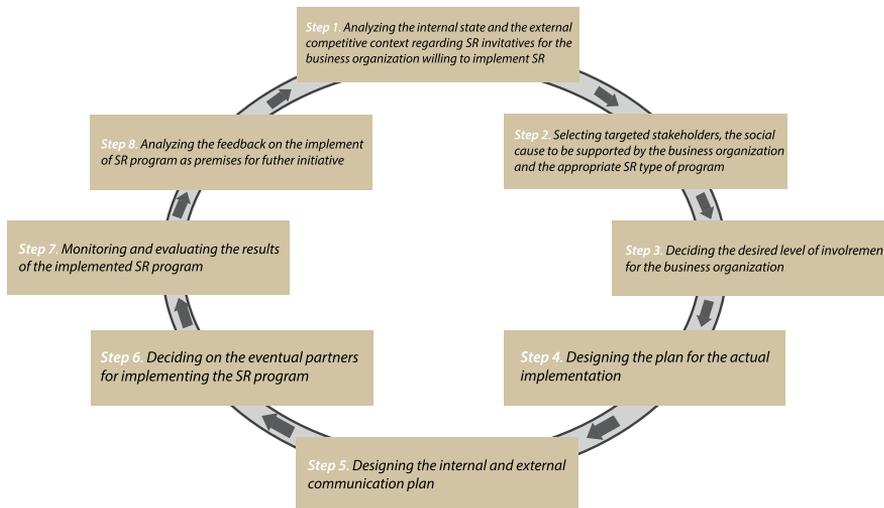
an article that according to her *"argued that the only socially responsible thing a company should do is to make money – and that adopting CSR programs was misguided, at best"* [Doane 2005: 24] (very close by the famous argument of Milton Friedman that the only responsibility of a company is to make profit). Also, she reminds the Joel Bakan work presented in a book and the documentary *"The Corporation"* that is stating that corporations are *"psychopaths"* and by embracing CSR activities *"we are allowing the psychopath to be charming"* [Doane 2005: 26]. Doane concludes that CSR *"is a placebo", "lulling us into a false sense of security"* and that legislative measures are needed in order to regulate business behaviour [Doane 2005: 29]. The reason why we have chosen to present Doane's arguments more detailed is that on one side they reflect very well the criticising position against CSR and risks associated to its wrong implementation and, on the other hand, all the issues relating to CSR activities could be allocated from our point of view to the lack of a strategic approach in implementing CSR. We think that there is not a problem with the legitimacy of the CSR concept, but rather to its implementation. If a business organization implementing socially responsible initiatives is focusing only on reaping the image benefits from a simple public relations perspective, then it is more that obvious that all the potential business benefits it could gain from a strategic approach are just myths, like in Doane's argumentation.

In 2006, Porter and Kramer published another article about the social involvement in which they analyzed the link between the competitive advantages of a company and its social responsibility stating even from the beginning that *"the prevailing approaches to social responsibility are so fragmented and so disconnected from the business and strategy"* that *"they obscure many of the greatest opportunities"* [Porter & Kramer 2006: 79] and that by treating their social initiatives as they treat their core business choices business organizations could gain competitive advantages. In their view, the economic success and the social wealth are no longer seen *as a zero-sum game* [Porter & Kramer 2006: 79].

In a more recent approach Perez-Batres *et al.* (2012) we could notice a debate between those who use CSR initiatives only as a way for misleading stakeholders with their social and environmental achievements in order to misguide attention from severe problems (actions called *greenwashing*) considered to represent *"symbolic"* initiatives of CSR from those initiatives truly committed, called *"substantive"* initiatives.

In 2012 Gligor-Cimpoieru proposed an eight steps circular model for implementing CSR programs in a strategic approach, represented in Figure 1.

**Fig. 1.** The proposed Model for implementing a Social Responsibility program from a strategic approach



[Gligor – Cimpoieru 2012: 278]

Based on the presented literature review we have summarized several criteria for defining a strategic approach that we have then used for designing a tool of analysis:

**Tab. 2.** The analysis tool of key aspects that define a strategic approach

No. crt.	Criteria	Meet	Not meet
●	Reporting of CSR results is transparent and easily available (C1)		
●	Correlation of the implemented CSR programs with the core activity of the business organization (C2)		
●	Long term sustainability of the support for a certain cause (C3)		
●	Based on a well-articulated plan (C4)		
●	Evaluation and feed-back have a significant importance (C5)		
●	Significantly related to the main stakeholders expectations (C6)		
●	Long-term partnership in local communities or with civil society (C7)		

## Analysis of the CSR approach of the banking system in Romania

### *Research methodology. Defining the sample*

The research consisted in the qualitative analysis of the CSR reports published by the 40 commercial banks in Romania (including the subsidiaries of foreign banks). From our perspective the Romanian business strategy of the banking system, especially these past year of international crisis (following the shock determined by the sub-prime actives crisis from 2007-2008), could be characterised by a mitigation of the lending activity (which has a strong expansionist and less prudential character in the years prior to the crisis), with banks changing their orientation from rapid growths to a visible prudential strategy with a strong limitation of credits. The credit institutions adapted their strategy, their territorial expansion plans and their product portfolio and switched to a more rigorous control of the operational costs, but they also begin to have a more rigorous management of their corporative reputation. In this context, we consider that the implementation of corporate social responsibility programs and principles could bring major benefits for both the improvement of operational aspects of the activity of these organizations, including diminishing risks on a long term approach, and their reputation, with closer results for them.

We have divided our sample according to two major criteria:

- According to their legal status: like the majority of the other banking systems from the European Union, the Romanian banking system is a two levels system including the National Bank of Romania and the rest of the commercial banks, with 31 banks with the status of autonomous legal entity in Romania and 9 subsidiaries of foreign credit institutions;
- According to their market share, we have identified **large banks** that include eight financial institutions that hold at least 5 % market share: *BCR - Banca Comercială Română* (The Romanian Commercial Bank), with *BCR Banca pentru Locuințe* (BCR Housing Bank) that operate distinctively

– having a majority of Austrian capital, *Banca Română de dezvoltare BRD* (The Romanian Bank for Development) - *Groupe Societe Generale* – with a majority of French capital, *Banca Transilvania* (Transilvania Bank) and *CEC Bank* – both with a majority of Romanian capital, the first one having a majority of private capital, and the second one of public capital, *Unicredit Ţiriac* (Unicredit Ţiriac Bank) – with a majority of Italian capital and *Raiffeisen Bank*, with *Raiffeisen Banca pentru Locuințe* (Raiffeisen Housing Bank), which operated distinctly from the previous one – with a majority of Italian capital) and **small and medium size banks** ( which hold less than 5 % of the market share, most of them having foreign capital).

Our analysis took in consideration all of the 40 financial organizations placed on the second level of the banking system, starting by identifying all those who publish CSR or alike reports on their web page. We must mention the fact that in Romania CSR reporting (or alike reports, called for instance corporate citizenship reports or sustainable development reports) are strictly a form of voluntary behaviour, and do not constitute the subject of no other kind of regulation.

Our findings regarding these aspects are presented in **Table 3**.

**Tab. 3.** Analysis of the existence of CSR reporting according to the legal status and dimension of Romanian financial institutions

Financial institutions	Total	CSR Reporting	
		Absolute frequency	%
I. Classification according to their legal status	40		
Autonomous legal entity in Romania	31	22	70,96
Subsidiaries of foreign banks	9	5	55,55
II. Classification according to their market share	40		
Large	8	7 (including housing divisions)	87,50
Medium and small	32	20	62,5

Those 27 banks from Romania that report CSR activities on their web site are: AlphaBank Romania, ATE Bank Romania, Bancpost, "Carpatica" Bank, Railway Commercial Bank, Romanian Commercial Bank – Erste, Romanian Commercial Bank – Erste ("Housing" Division), Intesa Sanpaolo Bank,

Millenium Bank, BRD - Gorupe Societe Generale, Romanian Bank, Transilvania Bank, Leumi Bank, CaixaBank, CitiBank, Fortis Bank, Garanti Bank, ING Bank, MKB Romesterra, OTP Bank, Porsche Bank, OProcredit Bank, Raiffeisen Bank, Raiffeisen Bank ("Housing" Division), Royal Bank of Scotland, Romanian International Bank, UniCredit Ţiriac Bank.

We could thus noticed that the frequency of CSR reporting is higher in the case of financial institutions that are autonomous legal entities in Romania than in the case on those who are subsidiaries of foreign financial institutions and also that large banks report their CSR activity more than the medium and small ones.

### ***Research steps and hypothesis***

For our analysis to determine if the Romanian banking system has a strategic or traditional approach in implementing CSR programs *in the first stage* we have identified if certain criteria (presented in Table 2), that we have defined based on the literature review as being relevant for a strategic approach, are meet for each bank from our sample. Each criteria is analysed in a binary logics: Meet - 1, Not meet - 0.

Bank (name)			
No.	Criteria name	Meet	Not meet
	Reporting of CSR results is transparent and easily available (C1)	1	0
	Correlation of the implemented CSR programs with the core activity of the business organization (C2)	1	0
	Long term sustainability of the support for a certain cause (C3)	1	0
	Based on a plan well articulated (C4)	1	0
	Evaluation and feed-back have a significant importance (C5)	1	0
	Significantly related to the main stakeholders expectations (C6)	1	0
	Long-term partnerships in local communities or with civil society (C7)	1	0
	TOTAL PERCENTAGE	Max 7	Min 0

**Tab. 4.** Example of analysis for meeting a certain criteria of a strategic approach in the case of the main bank in Romania (BCR)

We have considered that for a strategic approach in implementing CSR programs at least five of the criteria has to be met. From all the mentioned criteria C1 and C2 must definitely be met, from our point of view, for a strategic approach, to which at least three of the other five (C3-C7) must be added.

This kind of analysis allows the articulation of the following research hypothesis:

### **RH1: In the Romanian banking system, we encounter a traditional approach of CSR initiatives**

For the testing of this hypothesis we will calculate a general score for the banking sector for characterizing the global way of approaching CSR:

where:  $S_i$  = score (the sum of criteria) for the  $i$  bank;

$N$  = the number of banks that report CSR activities on their official site;

$s$  = the total possible score of a bank;  $s \in \{1, 2, 3, 4, 5, 6, 7\}$ ;

$N_s$  = number of banks that have the  $s$  score.

Based on the two types of criteria, if  $SCOR_{CSR} \in [0; 4,99)$  the sector's approach is traditional, and if  $SCOR_{CSR} \in [5 ; 7]$  the sector's approach is strategic.

The second step of our analysis is targeting the way in which large banks approach CSR implementation. Based on these banks market position and on the fact that they are all integrated in European bank groups with a tradition in implementing sound business practices, we are formulating our following research hypothesis.

## **RH2: Large banks have a strategic approach**

For testing this hypothesis we will determine the percentage from the total number of large banks integrated in the category of a "strategic approach"; we consider this hypothesis validated if over 75 % of the large banks are fulfilling the requirements for a "strategic approach".

The last stage of our study consists of a qualitative analysis of the determinants of a strategic approach of CSR programs. The evaluation criteria are divided in two categories: criteria that refers to the traditional (short- or long-term) bank actions in the field of CSR implementation (C1-C2 criteria) and criteria that constitute the substance of a strategic approach (C3-C7 criteria), a category that is secondly divided in two sub-categories – criteria that impose a certain endogenous determination, exclusively based on the efforts of a certain bank (C3-C5 criteria) and criteria that need a certain exogenous determination, based on partnerships with the external environment (C6-C7 criteria). Based on these considerations, we are formulating the following research hypothesis.

### **RH3: In the case of banks with a strong endogen determination in implementing CSR programs, we have a strategic approach**

The testing of the hypothesis: the statistic analysis for each criteria to see if it is "meet" or "not meet"; the research hypothesis is considered to be accepted if the number of C3-C5 criteria meet (which define an endogenous determination for CSR programmes) is larger than the number of criteria C4 – C5 meet (related on exogenous determination).

## ***Findings and results***

Based on the analysis of the sites of the 27 banks that report the kind of CSR implementation they have, we have determined the following scores, presented in Table 5.

**Tab. 5.** The number of banks with a traditional or a strategic approach

Score	Number of banks	% from the total number of banks	% from the total number of banks that have a CSR reporting
0	4	10 %	14,82 %
1	3	7,5 %	11,11 %
2	6	15 %	22,22 %
3	2	5 %	7,41 %
4	0	0 %	0 %
<b>Total 0-4 (traditional)</b>	<b>15</b>	<b>70 %</b>	<b>55,56 %</b>
5	3	7,5 %	11,11 %
6	4	10 %	14,82 %
7	5	12,5 %	18,51 %
<b>Total 5 – 7* (strategic)</b>	<b>12</b>	<b>30 %</b>	<b>44,44 %</b>

We have considered that all banks that had at least five points (C1-C2 criteria mandatory and at least three of the C3-C7 criteria).

We could notice that only 30 % of the total number of Romanian banks and only 44,44 % of the banks with a CSR report are fulfilling the defined conditions for a strategic approach, and we could thus conclude that the RH 1 hypothesis is accepted, which proves the fact that the way in which CSR programs in this sector are implemented continues to be focused on punctual cases, acute, but with a reduced sustainability. This conclusion is supported also by the result shown by the sector's score.

Stepping to the analysis of the eight banks that are included in the large banks category, the first observation we could make is that one of them (CEC Bank), does not have on its site CSR reports.

For the other seven, our analysis showed the following results (Table 6).

**Tab. 6.** Scores of large banks for a strategic approach

Bank	Score
Romanian Commercial Bank – Erste	6
Romanian Commercial Bank – Erste ("Housing" Division)	6
BRD - Gorupe Societe Generale	7
Raiffeisen Bank,	7
Raiffeisen Bank ("Housing" Division)	7
UniCredit Ţiriac Bank	7
Transilvania	1
Number of banks included in a strategic approach	6
% from the total of large banks	75 %

Based on these results, we can state that the RH3 hypothesis is validated, two of the large banks (those with a Romanian capital) being still included in a traditional approach. Very often good business practices, included in a strategic approach of CSR were transferred from the main international banks.

The detailed analysis for each criteria that constitutes the substance of a strategic approach is revealed by the following results (Table 7).

Criteria	Number of banks that reach the criteria	% from total number of banks	% from total number of reporting banks	Number of banks with a strategic approach that meet the criteria	% of the banks included in a strategic approach
<b>Endogenous criteria</b>					
Long term sustainability of the support for a certain cause (C3)	14	35.00%	51.85%	12	100 %
Based on a plan well articulated (C4)	14	35.00%	51.85%	11	91,66%
Evaluation and feedback have a significant importance (C5)	5	12.50%	18.52%	5	41,66 %
<b>Exogenous criteria</b>					
Significantly related to the main stakeholders expectations (C6)	15	37.50%	55.56%	11	91,66 %
Long-term partnership in local communities or with civil society (C7)	12	30.00%	44.44%	11	91,66 %

**Tab. 7.** Analysis of the CSR strategic approach in Romanian banking system

Starting from the data collected through a qualitative analysis, we can consider that the RH3 hypothesis is partially validated: a significant percentage of the Romanian banks that posted CSR reports on their sites have very good scores for the C3-C4 criteria, but low scores for the C5 criteria. This proves that the respective financial institutions plan their activities on long term, focus on some projects that could allow long term benefits, but show little interest on the feedback component (there are only a limited number of cases in which flexibility of the projects is reported).

## Conclusions and further research

CSR reporting in Romania is from our perspective still in its initial accepting phase, meaning that not all banks are taking in consideration its relevance in building corporate reputation. We have find that more than one third of all Romanian banks have some kind of CSR reporting, with just one of the large banks not having a CSR report (which is in fact the only large bank with Romanian capital), and with banks having autonomous legal entity in Romania reporting more than those that are just subsidiaries of foreign banks.

But beyond that, beyond the number of banks that report CSR in Romania, the real issues is what kind of approach these banks have in implementing CSR initiatives; from our point of view is not important just to have a CSR reporting, in the attempt to gain the image benefit of implementing a CSR program, but is also important to see how could you also benefit from CSR implementation, in win-win approach, how your activity could improve taking in consideration CSR principles, how could improve your dialog and results with your clients, employees, local communities and other stakeholders, how you perceive your investment made in CSR like any other investment that need a well articulated plan, with clear objectives and targets to reach, with efficiency and efficacy as defining principles, with evaluations and redefined objectives just like any other investment plan. All these are done to ensure that CSR is perceived not just like a public relations activity of a business organization, but as a core strategic activity connected to business objectives and overall strategy.

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## INCLUSION A COMPANY TO RESPONSIBLE INDEX IN POLAND – MARKET REACTION

**Janusz Reichel, Agata Rudnicka, Błażej Socha, Dariusz Urban and Łukasz Florczak**

Faculty of Management, University of Łódź  
ul. Matejki 22/26, Łódź, Poland

[jreichel@uni.lodz.pl](mailto:jreichel@uni.lodz.pl)

### **Abstract:**

Current development of corporate social responsibility concept and practice caused that investors pay more and more attention to social and environmental aspects while building their investment portfolio. This triggered a growth of socially responsible investment market and socially responsible stock indexes where companies that meet certain criteria related to CSR are listed. The Respect Index is the example of such indexes from Poland.

The main goal of the presented paper is to check how the market reacts on an announcement about an inclusion of a company to the Respect Index. The Respect Index and the relatively young socially responsible investment market in Poland delivers a unique chance to explore described processes in a country with economy just two decades after the transition. We can observe whether few years only since the launch of the responsible index on Warsaw Stock Exchange have allowed Polish investors to learn this new market and react on new opportunities it creates.

**Keywords:** Corporate Social Responsibility, Socially Responsible Investment, socially responsible stock indexes, Respect Index, Poland.

## Introduction

Creation of responsible indexes for listed companies around the Globe is one of the sign that the concern about social responsibility is rising. Enterprises regardless their size and areas of activities declare the interest in developing responsible management approach. It results in many different initiatives that try to create possibilities to reward the organizations that have made effort to implement the concept of Corporate Social Responsibility (CSR).

One of the most current definitions of CSR describe it as “the responsibility of enterprises for their impacts on society” (COM(2011) 681 final: 6). The very similar definition was introduced in the *Guidance on Social Responsibility ISO 26000* where CSR is understood as “a responsibility of an organization for the impacts of its decisions and activities on society and the environment” (ISO 26000:2010). According to the previous definition by the European Commission (COM(2001) 366 final: 6) it was treated as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. The concept of CSR does not have its long tradition comparing to other managerial theories but one can observe the evolution of its definitional construct. In the past different definitions referred for example to: the obligation that managers have to the society, environmental responsibility, stakeholder relationship management, input to the sustainable development, strategy of enterprise etc. (e.g. Dahlsrud 2008, Freeman 1987, Carroll 1987, Carroll 1999, Lee 2008).

There are many different models that try to describe the concept of corporate social responsibility in the context of enterprise management. The most recognized and discussed model is developed by the a.b. Carroll who treated CSR as four coexisting spheres of responsibility: economic, legal, ethical and philanthropic. He improved his model and presented it as a three dimensional one related to the corporate performance (Carroll 1979). Other well-known models that try to correlate CSR with organizational performance were also introduced (see: Wartick and Cochran 1985, Wood 1991). Nowadays in the era or information and social media development the model of CSR 2.0 is also discussed (see: Visser 2011 or Visser 2010). The attention here is put on more interactive relations with interested parties and the scale of impact that the taken actions

have on them. Some authors distinguish many forms of CSR: corporate social responsibility, corporate social responsiveness or corporate social rectitude which put attention on different aspects of relation between enterprises and stakeholders (e.g. Frederic 1994).

The interpretations of CSR vary. Some authors focus on voluntary involvement of business, personal motives of managers, ethical roots, stakeholders management or strategic dimension strictly related to managerial system of organization (Bowen 1953, Donaldson and Preston 1995, Lantos 2001, Moir 2001, Galbreath 2009, Jamali 2008, Freeman *et al.* 2010). Hence the scope of activities and their recipients may differ significantly from one-off philanthropic projects addressed to local community, ecological problem solving actions, events aimed at improving occupational health of employees, social marketing actions that involve customers, projects that support sustainability or improvement of ethical infrastructure of the organization and many others.

CSR project are not only evaluated by the stakeholders who are affected but also by the whole market environment. Investors pay more and more attention to social and environmental aspects of business and vote by owned capital on companies that take those aspects into account in their strategies. This caused a growth of so called Socially Responsible Investment (SRI) and socially responsible stock indexes. We can even speak of socially responsible investment market. Socially responsible investment "is an alternative investment philosophy and strategy seeks to encourage responsible behaviors, including those supporting positive environmental practices, human rights, religious views or what is perceived to be moral activities (or to avoid what is perceived to be amoral by the SRI society, such as alcohol, tobacco, gambling, firearms, military relations, or pornography)" (Mutual Funds 2013). It is also understood as "an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance factors, and of the long-term health and stability of the market as a whole. It recognizes that the generation of long-term sustainable returns is dependent on stable, well-functioning and well governed social, environmental and economic systems" (PRI 2013). The *Eurosif* managed to proposed the following, relatively short, definition: "any type of investment process that combines investors' financial objectives with their concerns about Environmental, Social and Governance (ESG) issues" (Eurosif 2012: 8).

Companies that meet certain criteria related to CSR are listed on socially responsible stock indexes. Thanks to them specific financial products are developed which enable to invest in a portfolio of these companies. There are some examples of these indexes such as: FTSE4Good series, Johannesburg Stock Exchange Socially Responsible Investment Index (JSE SRI), DAXglobal Sarasin Sustainability Germany Index and the DAXglobal Sarasin Sustainability Switzerland Index, The Istanbul Stock Exchange Sustainability Index (ISE SI), OMX GES Nordic Sustainability Index, Dow Jones Sustainability Index (DJSI), and the Polish one, which is called the Respect Index (RI).

The main goal of presented paper is to make the closer look at the Respect Index and check how the market reacts on an announcement about an inclusion of a company to the Respect Index. Authors were going to verify if the moment of inclusion of a company to the socially responsible index (on the example of the Respect Index) means anything for the financial market – does it react or not?

Researching the Respect Index and SRI market in Poland has a unique value: an exploration how the relatively young SRI market behaves and how growing interest in CSR among companies and society translates to investors choices.

## Literature review

The integration of product and financial markets leads to greater interdependence between all economic activities. Transnational corporations' activities should be considered in an international or even global context in which regulation is usually missing or weaker than in the country context (Becchetti and Ciciretti 2009: 1283). That is why nowadays people more and more demand corporations to act in a responsible way and there is a necessity to understand an influence of engaging in socially responsible actions on economic performance of the company. However it is important to remember that issues taken into account when talking about SRI can include not only financial aspects but also religious, ethical and issues arising from well-known corporate scandals (Bartkowiak and Janik 2012: 1214).

There is an assumption that a link between corporate responsibility (CR)

of the company and its market results or price of its shares on stock market exists. Although the literature on the subject is quite rich the nature of this link is still discussed. One of the main problems is a possible mutual dependence between company's performance and its CR policy and difficulties with discovering what influences what: good results allow to engage resources in CR policy or responsible policy leads in turn to good results.

There are arguments that implementation of CR improves social, environmental and also economic performance of the company (see for example Fombrun and Shanley 1990). But some authors rise the issue that implementing CR means for the company higher costs which is the straight way to worsening its performance and competitiveness, for example Walley and Whitehead (1994) who deny that win-win strategy always works. Arguments for both positions can be found.

In this light the two options appear: market can 1. award or 2. punish a company which announces its CR activities or which CR activities are broadcasted. The moment of an inclusion to the responsible stock market index and the market reaction for the announcement of that fact can offer an opportunity to find if and how the investors react. This knowledge could be crucial for SRI market. There exist also a third option which stresses an assumption that socially responsible activities are unrelated to financial performance. Literature shows a lot of efforts to explore the nature of links between CR policy of the company and its performance or market response. Below there are the chosen exemplary cases presented.

The article of Mackey *et al.* (2007) focuses on the market consequences of engaging in socially responsible actions. The main conclusion of the article is that investors can find on a market a "product" in the form of opportunity to invest in companies that engage in socially responsible activities (Mackey *et al.* 2007: 818, 830). Authors of the paper present a simple model of supply of and demand for opportunities to invest in socially responsible firms. Supply and demand for these investment options determines whether socially responsible activities that reduce the present value of the cash flows are positively or negatively related to the market value of the company.

There are investors that are interested not only in maximizing profit from their investment. If the demand for socially responsible investments created by these investors is greater than the supply of these investment

opportunities, “such investments can create economic value for a firm” (Mackey *et al.* 2007: 833). In another case, the unfavorable development of supply and demand could adversely affect the market value of firms that report social involvement activities.

The interesting equilibrium model was also presented by Heinkel, Kraus, and Zechner (2001). It takes into consideration the fact “that social investing can impact a firm’s environmental and other ethical behaviors” (Heinkel *et al.* 2001: 448). “Investors benefiting from higher ESG companies might decrease the demand for low ESG companies, and therefore, it increases the cost of their capital” (Bartkowiak and Janik 2012: 1216).

The Martin *et al.* 2009 in their paper suggests that elements of CSR are potential contributors to shareholder value and both value maximization and CSR can potentially be seen as complementary undertakings (Martin *et al.* 2009: 111). They refer to different researches to link positively better reputation of a firm with better operating performance (Martin *et al.* 2009: 115). CSR is presented as an important factor that helps to develop and maintain the reputation and thus can be perceived by a company as “an opportunity to invest (and create value) in its relationships with all of its important stakeholders” (Martin *et al.* 2009: 117). The reputation as a unique, intangible, difficult to imitate and valuable asset is critical to creation of a competitive advantage of a company – this thesis was stressed for example in the work of Roberts and Dowling (2002).

Becchetti and Ciciretti (2009) examine the impact of CSR on corporate performance from a risk-return perspective using stock market data and a large sample. The study shows, that risk adjusted returns from socially responsible companies are not significantly lower than those of control sample stocks and tend to be less risky (Becchetti and Ciciretti 2009: 1292). Authors suggest, that SR investors are more patient: “most of them are institutional funds with long term-strategies” (Becchetti and Ciciretti 2009: 1290) and “that CSR helps to minimize transaction costs with stakeholders, thereby reducing an important source of corporate risk” (Becchetti and Ciciretti 2009: 1292).

Another example is the paper by Nelling and Webb (2009) in which they examined, using different statistical approaches, the causal relation between corporate social responsibility (CSR – measured by KLD index) and financial performance of more than 600 US firms from 1993 to 2000). Authors tried to explain the “virtuous circle” – if CSR leads to better finan-

cial performance, or better financial performance allows to devote more resources to social activities (Nelling and Webb 2009: 198). Standard OLS regression showed link between firm's level of CSR and its financial performance (measured by lagged return on assets and stock return) (Nelling and Webb 2009: 201). Results from fixed effects models suggest that the relationship between CSR and financial performance is not as strong as previously reported – ROA and CSR are still positively related, but “firm's past stock return is no longer a significant determinant of its CSR score” and “the weighted CSR score is no longer a significant predictor of financial performance” (Nelling and Webb 2009: 202). Authors finally suggest that there is no evidence that CSR improves financial performance – “the only aspects of CSR driven by stock market performance is employee relations. If socially responsible activities provides benefits to the firm, they appear to manifest themselves in forms unrelated to financial performance” (Nelling and Webb 2009: 209).

The Aktas *et al.* (2011) founded an interesting way to research the stock market performance of socially responsible investments. According to their work mergers and acquisitions offer a valuable framework for learning how socially responsible targets influence the acquirer's choices. They use Innovest's Intangible Value Assessment (IVA) ratings as a measure of responsible performance of companies. The authors used the event study methodology to search abnormal returns that will show the wealth creation for shareholders as an effect of merger and acquisition decisions. And this way they “can analyze the impact of targets' social and environmental performance on acquirer gains.” (Aktas *et al.* 2011: 1753-1754). The main advantage of their approach “is that it avoids endogeneity issues between environmental (and/or social) performance and financial performance” and in the proposed framework, it allow to relate “the financial performance of the acquirer to the environmental performance of the target; these are two different firms” (Aktas *et al.* 2011: 1754). The results confirmed that “SRI is value creating for shareholders within the context of M&A announcements.” It means that the acquirer benefits – thanks to higher gains for its shareholders – from better social and environmental performance of the target. This gain is of 0.9% for acquirer shareholders. Although it seems to be not much but “For an acquirer worth \$100 million in equity, this represents a dolar gain of \$0.9 million.” (Aktas *et al.* 2011: 1754).

There are two possibilities of the acquirer's shareholders award in the

M&A framework: 1. *learning from target* ("positive announcement returns imply that the acquirer learns from the target's SRI practices"), 2. *discipline the target* ("positive announcement returns imply that the acquirer may reverse the value destroying SRI activities of the target") (Aktas *et al.* 2011: 1754). According to the detailed results authors founded the support for the first above hypothesis that "that acquirer learns from the target's SRI practices and experiences, and socially responsible investing pays for acquirer shareholders, at least within our M&A framework." (Aktas *et al.* 2011: 1760).

Pätäri *et al.* (2012) presented their research that confirmed the positive association between CSR (firm's sustainability efforts ) and firm performance in the global energy industry. Two groups of firms were analysed. The first sample consists of 60 energy companies included in Dow Jones Sustainability Index (DJSI), and the second sample consists of the 150 biggest companies in the energy industry. Based on several variables, including: growth in net sales, increase in personnel, return on assets, return on invested capital, and year-end market capitalization, it was tested whether firms that are more sustainability-driven differ in terms of performance measures from the companies that are not included in the DJSI. "The empirical analysis finds evidence of positive association between sustainable development and firms' financial performance, especially when performance is measured as the market capitalization value" (Pätäri *et al.* 2012: 317). It was possible thanks to better control of costs and better profit generation by DJSI companies.

Reverte in his article (2012) examined the effect of CSR disclosure quality on one of the main determinants of firm value (cost of equity capital) for a sample of Spanish listed firms. The Author analysed "whether investors reward firms that make higher quality CSR disclosures" (Reverte 2012: 266). As a result a significant negative relationship was found what implies "that the cost of equity capital is an important channel through which the market prices CSR disclosure" specially for those firms operating in environmentally sensitive industries (Reverte 2012: 266).

The majority of the studies that have examined the linkage between CSR and firm performance found the positive association between the two. Many authors used the event study methodology to search abnormal returns that will show the wealth creation for shareholders. Other studies, for example, present analysis whether investors reward firms that make

higher quality CSR disclosures.

### **The Respect Index**

Respect Index (RI) is the first responsible index in the Central and Eastern Europe that has been published since 2009 at Warsaw Stock Exchange. It consists of companies managed in a responsible and sustainable way that operate in correspondence with the best standards in broadly defined corporate governance and in relation to environmental and social criteria. In order to reflect changes among operating policy of companies the Respect Index is reconsidered twice a year. The audit consists of three phases. The main aim of the first phase is to identify companies characterized by the highest liquidity that means focusing on 140 companies belonging to the three major indexes at Warsaw Stock Exchange. During the second phase there is conducted an evaluation of corporate governance practices and investor relations at every single company. The third phase focuses on assessment of the company maturity in terms of social responsibility. The results of the audit make up a base for building a list of companies that create Respect Index (Respect Index 2013).

The main objective of the paper by Bartkowiak and Janik (2012) was to analyse effectiveness of sustainable investment. The authors assume that companies included in the Respect Index can be treated as sustainable – this could be a question of further discussion which is not the subject of our article. The paper of Bartkowiak and Janik also include in the separate analysis banks from the Respect Index as well as the assets of the Sustainable Investment Fund SKOK. The main research objective was to check if effectiveness of the companies and banks reflected in the Respect Index and the Investment Fund SKOK is higher or lower than main market indices. To find the answer “the Sharpe ratio was calculated from daily and weekly returns” for four half-year editions of the Respect Index and WIG20 was used as a benchmark (the index of 20 major companies from the Warsaw Stock Exchange) (Bartkowiak and Janik 2012: 1213). The conclusion that matters to our article is that “the effectiveness of the Respect Index was higher than that of WIG20 index” (Bartkowiak and Janik 2012: 1213 and 1221). However an important limitation is that “The results might have a random character or it might be a result of KGHM company (the leader of recent increase) which has a significant representation in the index” (Bartkowiak and Janik 2012: 1223).

## Research method

The empirical analysis of this study investigates the relationship between announcement of CR activities and the market reaction for the announcement. We analysed 28 companies from Warsaw Stock Exchange (WSE), included in the Respect Index editions. Two companies (Mondi Świecie and Kredyt Bank) were excluded from our research. The first one, Kredyt Bank, due to merger with BZ WBK and the second Mondi Świecie, due to a withdrawal from WSE. Table 1 summarises companies included in our dataset divided into editions of the RI. Every of the below listed company was analyzed in each edition, in which it participated, what gives together in total 90 events.

**Tab. 1.** Companies included in the Respect Index editions considered in the research.

	I edition	II edition	III edition	IV edition	V edition
1.	Apator S.A.	Barlinek S.A.	Apator S.A.	Apator S.A.	Apator S.A.
2.	Bank BPH S.A.	Bank Handlowy w Warszawie SA	Barlinek SA	Bank BPH S.A.	Bank BPH S.A.
3.	Bank Handlowy w Warszawie SA	Bank Millennium SA	Bank Handlowy w Warszawie SA	Bank Handlowy w Warszawie SA	Bank Handlowy w Warszawie S.A.
4.	Barlinek S.A.	BRE Bank SA	Bank Millennium SA	Bank Millennium SA	Bank Millennium S.A.
5.	Ciech S.A.	Budimex S.A.	BRE Bank SA	Budimex S.A.	Budimex S.A.
6.	Elektrobudowa S.A.	BZ WBK SA	Budimex SA	Ciech SA	Elektrobudowa S.A.
7.	Grupa LOTOS S.A.	Elektrobudowa SA	DM IDMSA	DM IDMSA	Grupa LOTOS S.A.
8.	Grupa Żywiec S.A.	Grupa Lotos SA	Elektrobudowa SA	Elektrobudowa SA	ING Bank Śląski S.A.
9.	ING Bank Śląski SA	ING Bank Śląski SA	Fabryka Farb i Lakierów Śnieżka SA	Grupa Lotos SA	Jastrzębska Spółka Węglowa S.A.
10.	KGHM Polska Miedź SA	KGHM Polska Miedź SA	Grupa Lotos SA	ING Bank Śląski SA	KGHM Polska Miedź S.A.
11.	Polskie Górnictwo Naftowe i Gazownictwo S.A.	Lubelski Węgiel „Bogdanka” S.A.	ING Bank Śląski SA	KGHM Polska Miedź SA	Lubelski Węgiel „Bogdanka” S.A.
12.	Polski Koncern Naftowy ORLEN S.A.	Polskie Górnictwo Naftowe i Gazownictwo S.A.	KGHM Polska Miedź SA	Lubelski Węgiel „Bogdanka” S.A.	Netia S.A.
13.	Telekomunikacja Polska S.A.	Polski Koncern Naftowy ORLEN S.A.	Lubelski Węgiel „Bogdanka” S.A.	Netia SA	Polska Grupa Energetyczna S.A.

14.	Zakłady Azotowe w Tarnowie – Mościcach SA	Telekomunikacja Polska SA	Netia SA	PBG SA	Polski Koncern Naftowy ORLEN S.A.
15.	Zakłady Magnezytowe „ROP-CZYCE” S.A.	Zakłady Azotowe w Tarnowie-Mościcach SA	PBG SA	PGE Polska Grupa Energetyczna SA	Polskie Górnictwo Naftowe i Gazownictwo S.A.
16.			PGE Polska Grupa Energetyczna SA	Polskie Górnictwo Naftowe i Gazownictwo S.A.	Powszechny Zakład Ubezpieczeń S.A.
17.			Polskie Górnictwo Naftowe i Gazownictwo S.A.	Polski Koncern Naftowy ORLEN S.A.	Telekomunikacja Polska S.A.
18.			Polski Koncern Naftowy ORLEN S.A.	Powszechny Zakład Ubezpieczeń S.A.	Zakłady Azotowe w Tarnowie -Mościcach S.A.
19.			Telekomunikacja Polska SA	Telekomunikacja Polska SA	Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.
20.			Zakłady Azotowe w Tarnowie -Mościcach SA	Zakłady Azotowe w Tarnowie -Mościcach SA	
21.				Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.	

Source: Own elaboration based on Respect Index 2013.

RI Edition	Daily obs.	Weekly obs.
I	600	120
II	600	120
III	800	160
IV	840	168
V	760	152
Total	3600	720

**Tab. 2.** Number of observations (rates of return).

Source: Own elaboration

To measure reaction of investors we employed data from Stooq web site

(Stooq 2013). To verify hypothesis about the relationship between CSR and value of stock we used event study methodology. First, we collected share prices of each company in every RI edition. Second, we calculated daily and weekly rates of return during the estimation period. Table 2 reports number of observations.

Event study methodology is based on the assumption that a particular event may affect the value of the stock. The hypothesis that (due to CSR announcement) the value of the company has changed will be translated in the stock reactions showing an abnormal return (AR). For calculating abnormal return we used the following formula:

$$AR_{it} = R_{it} - E[(R)_{it}] \quad (1)$$

Where:

$AR_{it}$  – abnormal return

$R_{it}$  – rate of return

$E(R_{it})$  – expected return generated by a benchmark model – in our study represented by Warsaw Stock Exchange Index (WIG).

Event study methodology states that the information is readily impounded into stock prices. Null hypothesis (2) implies that that abnormal returns on stock are expected to be 0, meanwhile alternative hypothesis (3) states that abnormal returns are expected to be different from zero.

$$H_0: E(AR_t) = 0. \quad (2)$$

$$H_1: E(AR_t) \neq 0. \quad (3)$$

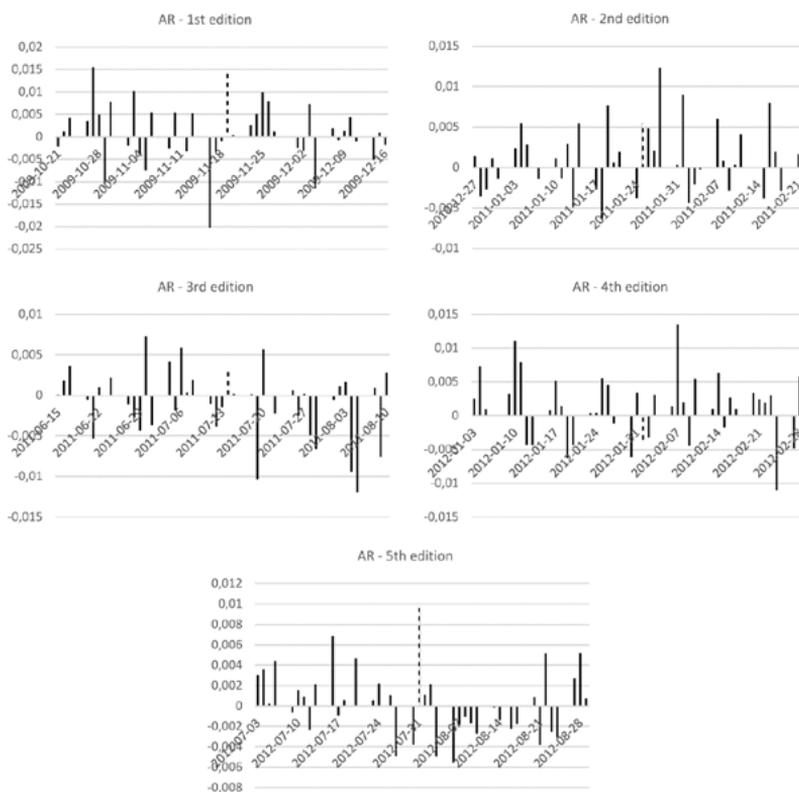
To analyse the link between corporate responsibility and stock value we used two nonparametrical tests. First one is the Corrado Rank Test (Corrado 1989).

To examine the probable linkage between CSR announcement and abnormal return on stock, we based our research on 40 days event window for daily data and 8 weeks event window for weekly data. To verify findings from the Corrado Rank Test we used the Wilcoxon Signed Ranked

Test (Siegel 1956). It compared two related samples (rate of return calculated for the event day/week and that of day/week before the event). Our results were calculated with usage of MS Excel and SPSS Statistics.

## Empirical findings

Graphs shown below present abnormal returns during the all five RI editions. Regular bars present abnormal returns during estimation period whereas the bold (red) one represent AR during event day. In case of 1st, 2nd, 3rd and 5th edition we can observe positive AR during event day whereas in 4th edition AR is negative. It might suggest that investors positively react on announcement about belonging to the RI. It also can be interpreted as a market reward for firms being socially responsible.



**Fig. 1.** Daily abnormal returns.

The results presented above have been tested for statistical significance. At significance level of 0,1 (using the Corrado Rank Test) we can reject the null hypothesis that abnormal return are expected to be 0. That means, that in 2nd and 5th edition abnormal returns during event day (Day 0) are statistically significant (see table 3).

**Tab. 3.** Corrado Test Statistics for daily abnormal returns

Day	1st editon	2nd edition	3rd edition	4th edition	5th edition
-20	-0,46	0,22	0,04	0,29	0,68
-19	0,18	-0,71	0,71	1,54	0,95
-18	0,26	-1,21	0,95	0,17	0,44
-17	0,48	0,46	0,20	-0,09	1,51
-16	1,19	-0,86	-1,39	0,54	1,31
-15	0,79	-0,52	0,95	1,43	0,60
-14	-1,88*	1,14	1,59	-1,27	0,66
-13	1,02	0,37	0,18	-1,49	-0,56
-12	-0,53	-0,03	-0,29	0,07	0,64
-11	1,56	-0,01	-0,91	0,88	1,70
-10	-0,84	-1,27	2,10*	-0,23	-1,29
-9	-1,04	-0,42	-1,19	-1,78*	0,40
-8	0,82	-1,61	1,50	-0,82	0,17
-7	-0,41	0,37	0,15	-0,60	1,68
-6	0,28	-0,86	2,14*	0,56	0,46
-5	-0,99	-2,23*	0,20	1,03	0,80
-4	0,60	2,06*	1,04	0,44	-0,36
-3	-3,08*	0,59	-0,71	-0,27	0,31
-2	-0,18	-0,10	-1,04	-1,25	-1,80*
-1	-0,01	-1,12	-0,62	-0,34	-1,09
<b>0</b>	<b>1,71</b>	<b>2,23*</b>	<b>0,64</b>	<b>-1,45</b>	<b>1,78*</b>
1	0,11	0,67	0,29	-1,72	0,25
2	0,65	-0,10	0,31	0,62	0,95
3	1,02	2,31*	-1,53	-0,48	-0,92
4	1,65	0,27	-0,13	1,23	-1,82*
5	1,12	1,12	-0,04	-1,07	-0,78
6	0,16	-0,97	-0,60	-1,07	0,11
7	0,23	-0,69	0,33	1,88*	0,05
8	-0,40	-0,48	-0,40	-0,76	-0,62
9	-0,79	0,39	-0,18	1,68	-0,25
10	0,31	0,91	-0,82	-0,38	-0,07

11	-2,14*	-0,67	-2,10*	0,50	-1,35
12	0,14	0,16	0,00	0,15	-0,44
13	-0,30	0,05	1,02	0,88	0,66
14	0,01	0,05	0,86	0,64	-1,31
15	1,00	-0,82	-0,04	0,05	1,64
16	-0,33	1,08	-2,08*	0,78	-0,52
17	-0,95	0,76	0,49	-0,82	0,42
18	-0,65	-1,12	-1,02	-1,07	0,80
19	-0,33	0,59	-0,62	1,60	1,56

\* - significant at the 0,1 level

Source: Own elaboration

Empirical findings obtained with usage of the Corrado Rank Test were confirmed with the Wilcoxon Signed Rank Test. The statistically significant abnormal returns were noticed during event day in 2nd and 5th edition. Table 3 summarizes the results from the Wilcoxon Signed Rank Test.

	I ed. 19.11.2009 - I ed. 18.11.2009	II ed. 25.01.2011 - II ed. 24.01.2011	III ed. 14.07.2011 - III ed. 13.07.2011	IV ed. 01.02.2012 - IV ed. 31.01.2012	V ed. 31.07.2012 - V ed. 30.07.2012
Z	-1,363	-1,817*	-,747	-,574	-1,650*
Asymp. Sig. (2-tailed)	,173	,069	,455	,566	,099

\* - significant at the 0,1 level

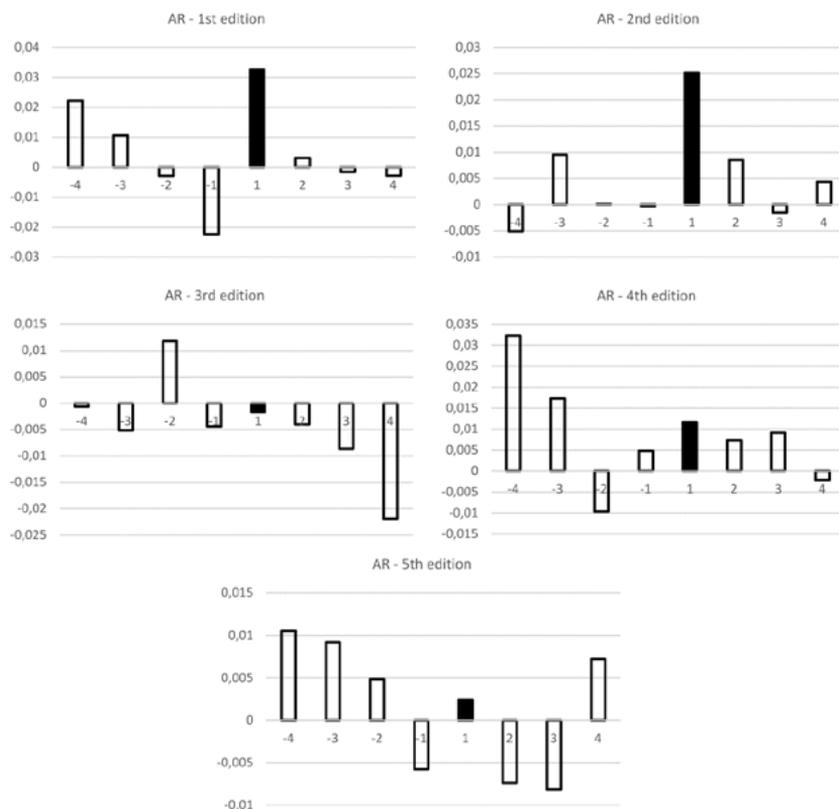
Source: Own elaboration

**Tab. 4.** Wilcoxon Signed Ranks Test Statistics for daily abnormal returns.

To verify how long it takes investors to discount the information about including a company to the RI we decided to take into account also weekly abnormal returns. Graphs shown below present abnormal weekly returns during the all five the RI editions. Regular bars present abnormal returns during estimation period whereas the bold (red) one represent AR during the event week. Similar to the daily data, we obtained 4 positive and 1 negative weekly abnormal returns, however for weekly data the negative one was observed in 3<sup>rd</sup> edition, not in the 4<sup>th</sup> as it was for daily

data. The strongest market reaction for the announcement was observed during the event week in 1st and 2nd edition of the RI.

**Fig 2.** Weekly abnormal returns.



Source: Own elaboration

Empirical results based on weekly data were tested for statistical significance as well. Both test (the Corrado Rank Test and the Wilcoxon Signed Ranks Test) confirmed statistical significance of weekly abnormal return during the event week in 2nd edition. It is worth to mention, that in the case of Wilcoxon Signed Rank Test, the result was obtained on the higher level of significance. During the event week in the 1st edition one can observed statistical significance of abnormal return (at significance level of 0,001) using the Wilcoxon Signed Ranks Test. It is worth to point out that results based on daily data in four of five cases were confirmed also with weekly data. Table 4 and Table 5 present above mentioned results.

Week	1st edition	2nd edition	3rd edition	4th edition	5th edition
-4	0,63	-1,02	0,26	2,24*	1,02
-3	0,55	0,60	-0,60	-0,55	0,31
-2	-0,48	-1,02	2,30*	-1,05	0,75
-1	-1,96*	-0,25	-0,85	-0,85	-1,29
<b>1</b>	<b>1,66</b>	<b>2,22*</b>	<b>0,43</b>	<b>-0,25</b>	<b>0,31</b>
2	0,33	0,04	0,00	-0,15	-1,11
3	-0,18	-0,74	-0,43	0,85	-1,29
4	-0,55	0,18	-1,11	-0,25	1,29

\* - significant at the 0,1 level

Source: Own elaboration

**Tab. 5.** Corrado Test Statistics for weekly abnormal returns.

	I ed post - I ed pre	II ed post - II ed pre	III ed post - III ed pre	IV ed post - IV ed pre	V ed post - V ed pre
Z	-3,408*	-2,840*	-,485	-,261	-1,207
Asymp. Sig. (2-tailed)	,001	,005	,627	,794	,227

\* - significant at the 0,1 level

Source: Own elaboration

**Tab. 6.** Wilcoxon Signed Ranks Test Statistics for weekly abnormal returns.

The motivation of this study was to shed some light onto debate in CSR literature about how the market reacts on an announcement about an inclusion of a company to the responsible index. Although empirical findings of this research are mixed, in our opinion there are some conclusions that can be drawn from this study. First, researching the Respect Index and SRI market in Poland has a unique value: an exploration how the relatively young SRI market behaves and how growing interest in CSR among companies and society translates to investors choices. Hence, the mixed results of empirical study may reflect the process of the market maturation and more rapid discounting of information by investors.

## Summary

To sum up, empirical findings based on daily as well as on weekly data gave mixed results. However in our opinion there are some conclusions that can be drawn from this research. First of all the results may reflect the fact that SRI market in Poland is relatively young which is probably connected with the relatively low awareness of corporate responsibility among investors. To some extent this situation seems to be understandable taking into account relatively short history of Warsaw Stock Exchange itself.

Second, there is the reason to believe that awareness of CSR is rising and SRI market is becoming more and more mature. The period of time in which investors discounted the information about announcement that a company belongs to the RI has been changing. In the 1st edition we can observe positive market reaction on RI announcement only when weekly data are observed, when during the 5th edition positive abnormal return one can observe during event day.

Third, the results presented in this study shown that being socially responsible can be, to some extent, profitable for both – companies and investors.

We are aware of limitations of our study. Share prices can be influenced by wide range of other events than only a broadcasted fact of the RI inclusion. We were not able to identify other than the RI announcement factors that can explain abnormal returns on shares of selected companies. In the event study methodology there are also other event tests than these used in this study (e.g. CAR) however both tests used gave similar results.

In our opinion further research should focus on analyzing whether abnormal return after the announcement about the first entry to the Respect Index is statistically different than abnormal return after announcements about belonging to next editions of the RI (when a company belongs to the RI longer than one edition). It is also worth analyzing if there is any relationship between rapidity of market reaction and information about CSR available to investors. Broadening the scope of the analyses presented in the article by including other than non-parametrical test empirical

tools, seems to be another interesting avenue for future research.

A final contribution of this study lies in its potential to stimulate further research on this ground. Future studies should attempt to answer the question whether the findings could be generalized to other countries from the region or other emerging markets all around the world.

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## SOCIAL MEDIA AND THE DEVELOPMENT OF CORPORATE SOCIAL RESPONSIBILITY IN SPORTS ORGANIZATIONS

### **Paweł Kuźbik**

Faculty of Management, University of Łódź  
ul. Matejki 22/26, Łódź, Poland

kuzbik@uni.lodz.pl

## Introduction

Since the dawn of time, people at different stages of their development as a civilization, have wondered how the world will look like in the future?

They envisioned new, so far belonging only to the realm of imagination, technologies that would facilitate daily life and create new possibilities. They believed in such solutions that would help people communicate better, exchange various kinds of data, or move from point A to point B at a fast pace.

People in fact are seekers and explorers; they have the nature willing to create, but also to destroy. They are creatures ready to take responsibility and care for themselves and others, and the environment in which they operate, but they also succumb to greed and selfishness, where widely understood gains serve only a narrow group, not the whole environment.

Modern man again asks a lot of questions about "tomorrow", but increasingly these questions are marked by the consequences of new solutions and by the

care of and responsibility for those who are not yet here but who will have to face not only their future but also the past of their predecessors. This applies to the activities not only in the field of economy and economics, but in all areas of human activity, including sport - the domain dynamically developing in the twenty-first century. Sport is focused, on the one hand, on personal development, and on the other hand on development of whole communities and regions, but it is also huge business, generating billions in revenue.

As an observer of the current reality, the author of this article is not free from questions focused on the future and implications, both positive and negative, of the expected development. In order not to lose the transparency of the current study, the author focuses only on certain part of "the observed world", and tries to show the relationship between social media, corporate social responsibility and sport. The combination of these three areas, taking into account current trends, creates new opportunities to build relationships between sports organizations and their stakeholders. It creates an opportunity to increase transparency of the activities in the area of sport, and for the organization to open up to all interest groups, and offers a chance to accelerate sustainable development through dialogue and control.

If it is said that the traditional economic organizations should be responsible, and act in accordance with the rules of fair play, be reliable and realize the expectations of all stakeholders, it is hard not to agree that it likewise applies to the sport.

Because, since the dawn of mankind, sport practiced under different conditions and for different purposes, both personal and collective, has taught responsibility : not only for your own body or physical condition, but also for the tribe, the village, and - in more developed societies - for the rival, the show and the fans. Physical activity is associated with health, the rules of fair play and respect for the defeated, and many examples of sportspeople's and sports clubs' activities provide information on how many positive values can be brought by sports competition: awareness, education and inspiration to action.

Since sport, new technologies (including transport) and social responsibility are developing rapidly and are looking for their own identity in many areas, it is difficult to determine today how sports organizations will look like in the future, which way they will develop and what barriers

they will overcome, but one thing is certain - one cannot lose sight of the core values and goals that should become part of this type of organization. Just like you can never forget that every organization, be it business or other, was created by the people and for the people. And that is a huge responsibility.

We live in an era of information and the development of new technologies, there is no doubt about it. Environment is changing rapidly and every organization needs to adapt to the new requirements. There appear possibilities that used to be distant and unclear, but today giving tangible benefits and building specific relationships.

The purpose of this article is to show the possibilities provided by social media to build relationships between sports organizations and their stakeholders, and consequently, to develop their social responsibility.

## **Communication and information revolution of modern man.**

From time immemorial, people have been fascinated by what this world will be like in the short or longer term. It is difficult to assess reality through the prism of science fiction books, more so to base on them argument in a scientific paper, but today those novels written many years ago are becoming an interesting study of their authors' visions as to what could be expected in the future, and what can already be confronted with the reality of everyday life. Visionaries were never in short supply, and the man was able to draw inspiration from almost any source – and it has not changed today.

More than half a century ago Stanislaw Lem in his book "The Magellanic Cloud" wrote about the archaic forms of storing knowledge; traditional books and celluloid tapes, on which films had been recorded, landed on the scrap heap, replaced by trions, or quartz crystals, whose structure could be permanently altered by means of electrical oscillations. In the language of today's user of available technology, we would say that he wrote about usb drives, because they are of similar usability as trions were for the characters of the book. What is more, this technology was used to build the Trion Library, where all information and knowledge that

man had been able to gather, were to be stored. Today we know that a similar task has been undertaken by Google. Moreover, from the further parts of this science fiction book we learn about something that we now call the Internet.

More and more similar comparisons are made today and the available gadgets and technological solutions are compared to those which were used in popular science fiction films, like "Star Wars" or "Star Trek", and which were screenwriter's visions only of how the thing might look and what purpose serve, listing for example small communicators by means of which another person could be connected in any place in the world, and which we now call a mobile phone. Futuristic visions of the future become a reality today in many areas and change people's life.

An interesting study has been found by the author of the blog: "Blog Charliego Bibliotekarza" [Blog of Charlie the Librarian, <http://charliethelibrarian.com> 02.09.13] in Małopolska Digital Library. The blogger presents an article of 1926 "Ilustrowany Kuryer Codzienny"<sup>75</sup>. The author of that article writes about how the world would look like in 2000 and interestingly, many of his visions have come true.

He wrote, among other things, about electricity and gas in homes, the energy from the air, as well as about remote transmission of films, the ubiquitous radio, information, chronicles, news with moving pictures in the text, button activated, about frosted milk glass shimmering with light. Furthermore, in the described article we can read about the global village which can be travelled around instantly, or about the fall of the press and books in printed form<sup>76</sup>, where the interesting position can be activated by "turning on the apparatus". The relevance of the vision is really interesting.

Therefore, it cannot be denied that the world is changing and it is changing very fast. Consequently, not only technology is undergoing transformation, but also the processes, relationships, bonds which this technology determines and the awareness of the effects of its actions, both positive and negative. In the words of JF Coates<sup>77</sup>: *Multiple forces affect*

<sup>75</sup> This article is excerpted from number 79 "Ilustrowany Kuryer Codzienny" of March 20, 1926

<sup>76</sup> In 2013, the American publisher of Newsweek resigned entirely from the printed version of his paper, remaining on the market in the electronic version.

*businesses, some of them are long-term and have been in action for a long time, others are brand new and sometimes surprising; these forces expand the scope and radically change the means of communication in the activities of corporations. Over the next decade, the three main strongholds of media in business operations will expand and diversify. These three areas subjected to change are: partners in the communication process, methods of communication and media contents [J.F. Coates, 1995-96, p. 17]. Further in the quoted article it is stated that: Gone is the era when big companies could rely in their operations on the arduousness of procedures and legal proceedings, as well as blurring techniques in order to deceive the participants. New skills will be based on the early capture of information related to the decisions, and on associating it with the requirements of the community members [J.F. Coates, op. cit., p. 19].*

Moreover, the above mentioned author predicted the appearance of, among other things, social media ( although, he himself did not fully understand their modus operandi, or that this phenomenon might be named so), which for particular organizations were to become not only an important tool to build up relationship between the organization and the client, but also a source of information about their needs and expectations: *Micro-scale demography – knowledge of the immediate social environment – will create an opportunity to provide information more tailored to personal needs and reception. Processing of data will identify the characteristics of customers in a much more detailed way than it is possible today [J.F. Coates, op cit.: 20]*

An interesting and thought-provoking application can be reached by searching the website: “Did you know?”<sup>78</sup> which was developed by an English teacher Karl Fisch and which from year to year lives to see the next update, showing the world in its dynamic “run”.

From the K.Fisch study we can learn, among others, that the top ten occupations in 2010 did not exist in 2004, and it has been just and as many as six years. This probably means that we educate our children, our students for jobs that do not yet exist, or to use a technology that does not yet exist, not to mention the problems arising from them.

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77 JF Coates (1922-2010) was president of the consulting firm Coates & Jarratt, Inc. in Washington. He has also lectured at The George Washington University in Washington.

78 <http://thefischbowl.blogspot.com/2009/09/did-you-know-40-economist-media.html>

Analyzing the users registered on the social networking site Facebook and related to that fact traffic, you can risk saying that if Facebook was a country, it would be the third largest country in the world. Further information from the Fisch study shows that 32 million different phrases<sup>79</sup> are searched monthly in google.com, in 2006 it was 2.7 million. The first commercial text message was sent in 1992; today the number of text messages sent per day exceeds the population of the earth. Interestingly, to gather 50-million customers, individual media needed: Radio – 38 years, TV – 13 years, Internet – 4 years, Ipod – 3 years, Facebook – 2 years!

Further we learn that in 1984 there were approximately 1,000 Internet-supporting devices; in 1992 – 1 million, and in 2008 – a round billion. Given these trends, it was calculated that in the New York Times there is more information in a week than 18<sup>th</sup>-century man learned throughout his whole life. Fisch argues that in 2012<sup>80</sup> there will be generated 4 exabytes of different information that is more than in the past 5000 years. Forecasts based on the available data show that the amount of technical information doubles every year, and NTT Japan<sup>81</sup> has completed testing of optical cable with a capacity of 14 trillion bits per second, which is equivalent to 2660 CDs listened to per second or 210 million phone calls answered per second. It is calculated that this number triples every six months and this state of affairs will continue for at least the next 20 years. In 2013 we expect a computer whose parameters will match human brain, but it is noted that, maintaining this dynamics of development, in 2049 an average citizen will be able to afford to buy a computer with the parameters of brains of the whole of human species.

The information found in the Fisch study is on the one hand fascinating but on the other hand it is frightening. For information-communication revolution is happening now in front of our eyes and it is difficult to judge which way the world will go, but it can be assumed ( as it is heralded by more science-fiction films or by various visionaries from all walks of life) that what is fantasy for us today, it may become commonplace for future generations and that it cannot be forgotten that in addition to many amenities, new threats should also be expected – therefore, with the development of new technologies it is important that the development should continue alongside with human responsibility for the whole

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79 It should be emphasized that the quoted data comes from 2012; today with every moment this information will be changing and possibly expanding.

80 Data comes from 2008 application, updated in 2012

81 [http://www.ntt.co.jp/index\\_e.html](http://www.ntt.co.jp/index_e.html)

environment and all stakeholders.

## **The specificity of sports organization's environment versus the responsibility**

From the perspective of this study it is not legitimate at this time to categorize or divide sport, according to national or international structures. It seems essential, however, to indicate the specificity of the environment of the sports organization which, although its primary goal of operating is to create conditions for practicing sport and for organizing sports events [Szwarc (Red) 2000: p.23-25], is, after all, subjected in the current environment to similar rules of market economy as are many other areas of life [Z. Waškowski 2011: p. 253].

While sports organizations must follow the principles of economic accounting, build effective structures, take care of customers, look for new techniques and methods of management, the area of sport is so specific and differs significantly from traditional business organizations with that that one of the most important groups of stakeholders are fans. This specific stakeholder is keenly interested in the functioning of the club (organization) and often emphasizes (in different places, not only in the stadium) his deep affection for the club colors. It is hard to find the traditional organizations whose "clients" would react in such a vivid and emotional way to the successes or failures of the company. Achieving such high loyalty among these organizations is only a wishful thinking of their managers.

But these are not all the differences which are worth noting. This specific group of stakeholders, like the sports fans are, should also include the following elements distinguishing the environment of the traditional economic organization from the sports organization [A. Sznajder 2008: p.61]:

- Sports organizations operate on the sport market on the supply side and are highly varied (action goals, legal status, organizational structure, scope of activities, the importance for the whole discipline, ways of decision-making, etc.);
- Objectives of sports organization [G. Foster, S.A. Greyser, B. Walsh

2006: p. 8] are more varied than those of companies operating in other industries (sport result, financial gain, satisfaction with trophies, the integration of the local environment, social mission, etc.);

- The decisions of the management of sports organizations are very quickly commented by the media and fans;
- Professional clubs on the one hand compete with one another, on the other hand are interdependent (player transfer, exchange of experience and technology, sports result, infrastructure, finance);
- The sport market has a regulated nature. This means that clubs of a nature of commercial law companies must respect not only provisions generally applicable, but also the ones that are specific the sport ( Act on Sport in Poland, rules of Polish sports unions, rules of domestic companies managing professional leagues, international rules set by UEFA and FIFA, IOC, etc.);
- The sport market has a double dual nature. Clubs operate simultaneously on the sport market and on the advertising-sponsorship market. The sale takes place in the primary market (sports event) and in the secondary market (the sale of sport product through the media, other economic activity);
- The products offered by the clubs are varied depending on whether they are offered to consumers (sports event, club souvenirs, products which are the result of additional economic activity, etc.) or to institutional buyers (TV rights, branding rights, etc.).

Given the characteristics of the functioning of sports organizations and their client group, as well as the fact that the sport in its message is characterized by values and should base its foundations on the responsibility, it is difficult not to agree that it needs to build lasting relationships between an organization and its environment. It is especially in this type of "firms" where we can notice the symbiotic relationship between the organization itself and its stakeholders where the two-way effect is clear enough.

However, considering the fact that professional sport is a big business, it is not free from a number of pathologies, such as corruption, doping, racism, directing the course of the competition and setting their results,

collaboration with mafia structures that make money on set competitions, etc.

Putting all these variables together, a picture is revealed to us in which sport, as a rapidly developing area of human activity that attracts a lot of people around the world, generates huge profits and has an immense impact on shaping human behavior and on the development of the various regions, even demands responsibility. It has in fact something to answer for and somebody to answer to.

Area of sport seems to be the perfect place to “interact” on its own ground with the concept of social responsibility, which thanks to this “transfer” also has much to gain, among other things by establishing its position in the world of business and developing new solutions useful in all sectors and well-identified and practically applied on the ground of sports organizations.

Sport like no other area of life provides simple examples of the implementation of social responsibility in its everyday life (often of an unconscious nature), and of the need to care for all stakeholders, not just a small group, interested only in the financial result. Although the managers of the sport still do not fully understand this dependence, the sport, in its broad sense as an area of human activity, with its nature, and its original purpose, is somehow forcing behaviors and the need to act according to the rules proposed by the idea of social responsibility.

Thus, it is not possible to “do sport” without the involvement of its environment, or against its expectations, and to treat stakeholders as passive observers or buyers of specific products and services. In the words of Pierre de Coubertin:<sup>82</sup> *Sport is part of the heritage of every human being and can never be replaced* [KW Europejskich 2007: p. 2].

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82 Pierre de Coubertin, in fact Pierre de Fredey, Baron de Coubertin (born January 1, 1863 in Paris, died September 2, 1937 in Geneva) - French baron, historian and educator, considered the father of the modern Olympic movement. The founder and the second president (1896-1925) of the International Olympic Committee (IOC), [www.wikipedia.org](http://www.wikipedia.org) [09/04/2013]

## Social media in sports as an opportunity for responsible dialogue and building lasting relationships.

In 2013, the Responsible Business Forum<sup>83</sup> published a report that shows the dominant trends in the concept of corporate social responsibility. According to this study these are the following issues [N.Ćwik, A.Gruszec-ka-Tieśluk 2013]:

- The growing importance of social reporting
- Business and human rights – a challenge for countries and companies
- Sustainable supply chain – a new chapter
- Sustainable cities – a challenge for the business?
- Ecology of the future – less and more economically
- The emphasis on measurement – to manage means to measure
- Strategies leading to the future.

Among the dominant phenomena there is reporting [T. Brzozowski 2011: p. 377], that is the need for organizations to notify their stakeholders about their activities and strategies that will lead to the future.

It seems therefore that, taking into account the area of sport, these two trends come to the fore, and corporate social responsibility is here to play a leading role. Because, the point is not to only inform the “fans” by means of press about what is currently happening in the club, or what happened in the past, but to actively involve the stakeholders into dialogue where both parties will have a sense of full participation in daily practice, and the communication between the club and the “fan” will have a contemporary character with a focus on the future.

As it has already been mentioned here, we live in the information age.

In the globalizing and informatizing environment, the perception of organization's behavior takes on new meaning, and the transparency and communication have become factors for success of development strategy of any business. Today's stakeholder, so to speak, has evolved alongside the development of the Internet, where there is more and more often talked about “permanent connection” and communication, in the first place

83 Responsible Business Forum organizes projects to support the development of CSR in Poland and engages in initiatives to promote the concept of corporate social responsibility and sustainable development. It is a leader among non-profit organization for the promotion of CSR in Poland. [www.odpowiedzialnybiznes.pl](http://www.odpowiedzialnybiznes.pl)

with the help of new technologies. This phenomenon is described by, among others, D. Tapscott, who pointed out the outstanding common standards of “the citizens” of the Internet, and which are clearly different from those that characterized previous generations without access to a global network. Among them are [D. Tapscott 2009: p. 34-35]:

- Freedom
- Personalization and customization (adjusting to one’s needs)
- Careful observation
- Credibility
- Entertainment
- Cooperation
- Speed
- Innovation

A stakeholder of the twenty-first century is today someone who [M. Roszkowska-Śliż 2012: p. 91]:

- Is part of the network, is connected to the others
- Is curious of the world, aware and better informed
- Trusts his friends , not advertising
- Likes to share, collaborate and take collective actions
- Appreciates freedom
- Does not separate work from play, and uses his free time for creative activities in the network
- Is active
- Is a prosumer<sup>84</sup>
- Is always online, responds in real time and expects the same from the others
- Communicates on the bases of peer-to-peer
- Is able to self-organize and influence the activities of companies.

We can of course argue with so stated thesis because certainly not in all areas of human activity we deal with a similar type of stakeholder. It is hard not to notice the impact which this group can have on the social,

84 Prosumer (eng. professional/producer + consumer) – a calque and portmanteau word – professional/producer and the consumer – the consumer involved in the co-producing and promoting products of a favorite brand or simultaneous production and consumption of goods and services. A term coined in 1980 by Alvin Toffler, a writer and futurist. Prosumer is a consumer with a vast knowledge of products and services of his interest, which he uses when making purchasing decisions, and willingly shares with others. He tries, especially via the Internet, to play an active role in developing and promoting products and services of his favorite brand. <http://pl.wikipedia.org/wiki/Prosument> [5.09.13]

cultural or political phenomena.

A good example could be the events of 2010 in Africa called "Arab Spring", i.e. the social protests and armed conflicts in the Arab countries ongoing since 17 December 2010. The cause of their outbreak was the dissatisfaction of citizens with the living conditions, unemployment, rising food prices and government corruption and nepotism, as well as limiting civil liberties by authoritarian regimes [[http://pl.wikipedia.org/wiki/Arab-ska\\_wiosna](http://pl.wikipedia.org/wiki/Arab-ska_wiosna); 12.09.13]. An interesting fact was that a huge role in the flow of information between the disgruntled citizens, regarding postulates, mobilization points, etc., was played by social networks, which was extensively reported on by traditional media.<sup>85</sup>

The strength of the influence of stakeholders using social media was seen in Poland by the company ITI Neovision-NC+.<sup>86</sup> Existing subscribers of digital platforms "N" and "Canal+" received unfavorable proposals to migrate to the combined television NC+, which was met with great indignation and quick response on Facebook. A page "AntyNC+<sup>87</sup>" was created, which quickly gathered frustrated and confused customers who by pointing out the errors and fraudulent practices to NC+ platform led to taking interest in this matter by the Office of Competition and Consumer Protection (OCCP).

President of OCCP, having examined the evidence, found that ITI Neovision by unilaterally changing the contracts (price of service and program offer), concluded with subscribers of "n" television, had broken the law. Additional violation of the rules was an offer by NC+ of too short a time for resignation from the platform's services, and notifying the subscribers by means of regular mail, not registered mail.<sup>88</sup> As a result, the OCCP imposed a fine on ITI of approximately PLN 11 million.

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<sup>85</sup> A similar role was played by social media during the riots in Turkey in 2013 against the Turkish government. Since Facebook and Twitter served demonstrators for instant exchange of information, there was a suspicion that the authorities were blocking access to those websites, which was reported by news agencies around the world [<http://www.wykop.pl/link/1539331/twitter-i-facebook-zablokowane-w-turcji/>]

<sup>86</sup> NC+ is a new platform for digital television after the merger of two stations – "N" and "canal+", whose owner is the ITI Neovision company.

<sup>87</sup> <https://www.facebook.com/antyncplus?fref=ts>

<sup>88</sup> [http://www.mowimyjak.pl/fakty/informacje/nc-ukarane-przez-uokik-dlaczego-uokik-ukaral-nc-plus-czy-spolka-zaplaci-11-mln-zl-abonenci-cyfry-plu,22\\_55559.html](http://www.mowimyjak.pl/fakty/informacje/nc-ukarane-przez-uokik-dlaczego-uokik-ukaral-nc-plus-czy-spolka-zaplaci-11-mln-zl-abonenci-cyfry-plu,22_55559.html) [12.09.13]

The profile of "AntyNC+" on Facebook has gathered nearly 100,000 members, and their pressure and expectations have led to changes not only in the television offer, but also in managerial positions in the NC+.

Therefore, there is no doubt that "network traffic" should not be underestimated because today it plays a very important role, and Internet users are no longer only passive observers of reality, but rather the ones who decide what is important and what is suitable for publication [D. Gillmor; 2006].

Internet users are now very strong community, which, thanks to new information technologies, is actively involved in the dialogue with political parties, companies, sports clubs, sports, music and film stars. K. Kelly writes about social change in the twenty-first century and the formation of a "digital socialism" [K.Kelly; 2009]; while C.Shirky in turn identifies three levels within it, and they are [C.Shirky: 2010]:

Level 1 – Sharing – Internet users share photos, information about themselves, videos, interesting articles, opinions about products and services, comment current results of matches, etc. This is the easiest and least demanding form of cooperation in the net [M. Roszkowska – Śliż 2012: p.85].

Level 2 – Co-production (co-operation) – individuals work together to achieve a particular goal. For example tagging, projects such as open Source or Wikipedia.

Level 3 – Collective action – group initiatives in the network. Users commit themselves to undertake a joint effort for a particular purpose, and collective decisions are binding for all. Examples of such actions may be already mentioned here story on NC+ television and a Facebook profile AntyNC+.

Taking into account these three levels of digital socialism, it should be noted that among Internet users there will be a completely different motivation to be active in the network and that not everyone will follow suit. Ch.Li and J. Bernoff distinguish six categories of users [Ch. Li, J. Bernoff 2008: pp. 41-45]:

- Creators- often generate new content, blog entries, on-line articles, share new video and audio materials, etc.
- Critics – people who often react to the content generated by oth-

er Internet users, evaluate products and services, point out errors, and assess behavior of for example sportspeople or celebrities

- Collectors – collect information, make use of RSS, tag
- Participants – users of social networking sites
- Viewers – consume contents and products made by others
- Passive users – do not participate in any of these activities.

Sports organizations, including sports clubs or sports federations, quickly understood that trust and transparency, as well as multilateral communication with their stakeholders will decide about an image of a given brand, attractiveness to potential sponsors or the number of recipients of a live sporting spectacle. Described earlier specificity of the sports organization's environment forces sports organizations to find a balance between the different interests [J.Vos, 2003], and social media have here a key role to play. The dialogue is to be pro-active, systematic, and the exchange of information or opinion very frequent [G. Aniszewska 2012: p.103].

According to GR Marketing<sup>89</sup> study for as much as 81% of the fans in the United States Facebook and Twitter are the main source of information about the sport, and 40% draws information from the websites. Traditional media were indicated by significantly fewer people – the television by 13%, and the radio by only 4%. According to the socialbakers reports, it is the sport that has the highest average number of fans on Facebook (Tab. 1).

**Tab. 1.** The 10 Biggest Industries on Facebook by Average Number of Fans.

No.	Industry	Average Facebook Page Size by Number of Fans
1	Sport	1689316
2	Fashion	1405276
3	Retail Food	1241707
4	FMCG	1092116
5	Entertainment	1052668
6	Media	813593
7	Electronics	713062

89 <http://blog.wirtualnemedi.pl/grzegorz-byszewski/post/sport-i-social-media> [12.09.13]

8	Auto	622016
9	Retail	582721
10	Beauty	547005

Source: [www.socialbakers.com](http://www.socialbakers.com) [January 20- February 18, 2012] after: <http://blog.wirtualnemedi.pl/grzegorz-byszewski/post/sport-i-social-media> [12.09.13]

In 2012, The Next Web<sup>90</sup> service honored those clubs that use social media in an exemplary way to build relationship with their key stakeholders who are the fans. Distinguished were:

- Chicago Bulls for the Bulls Connect platform which connects in one place fans of the team from all over the world and allows them to share opinions, comments, photos or videos. You can have your own blog or join a specific group. Registration is a matter of seconds and is conducted through Facebook Connect.
- McLaren team of Formula 1 – Twitter. Formula 1 team profile on Twitter is a place where both formal and less formal information is published. The big advantage for fans is “first hand” news from the stable of Jenson Button and Lewis Hamilton, which the fans get access to faster than other people.
- FC Barcelona – Facebook. Barca’s page on Facebook gathers over 44 million fans, and the entries are placed in three languages (English, Catalan and Spanish). The big advantage is visually appealing content and a number of engaging applications.
- Dallas Cowboys – Google+. One of the top NFL teams (American football league) is famous for using new media to communicate with fans. As one of the first in the last year, it conducted on Google+ the so called Hangout, a live meeting of 9 fans of the team with the player DeMarcus Ware.
- Boston Celtics – Instagram. 17 times NBA champions, they were the first professional sports organization which decided to use Instagram, and thanks to placing exclusive and impressive photos from

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<sup>90</sup> Information about The Next Web ranking comes from the website of the blog by Grzegorz Byszewski <http://blog.wirtualnemedi.pl/grzegorz-byszewski/post/sport-i-social-media> [12.09.13]

the matches, trainings or the locker room, they get to 280,000 fans all over the world, regardless of where they currently are.

- Pittsburgh Penguins – Pinterest. To attract more representatives of the fairer sex, marketers of the NHL team use Pinterest. In addition to typically sports content, you can also find on the team's profile pictures directed at the main target group, active in this service, that is women. Array names: A Great Snack for Hockey, Wedding on Ice, Beyond the Rink, the Penguins Art, speak for themselves.
- Chelsea London – You Tube. The official channel of the Champions League winners in 2012, is an extension of pay-TV, Chelsea TV, and gathers 140,000 viewers. Exclusive video content, such as an interview with Fernando Torres soon after his signing of the contract with the club, are of great interest to fans.

It is not surprising that marketing has become a leading "platform" upon which sports organizations build their relationship by means of social media, because it is a powerful business, and marketing orientation of clubs is essential here [M. Klisiński, M. Szwaja 2012: p. 83].

The number of fans of clubs and other sports organizations on social networks continues to grow, and the global network enables integration around common values or goals (Tab. 2).

**Tab. 2.** Ranking of popularity of sport organizations on Twitter and Facebook

No.	Team	Twitter followers	Facebook fans	Facebook talking
1	FC Barcelona	16848412	44621799	819125
2	Real Madrid	7940454	41644220	1726450
3	Manchester United	200512	35022488	1018002
4	NBA	8351212	19349775	560532
5	ESPN	13626739	8939832	519947
6	Chelsea	2267410	18516433	446674
7	Los Angeles Lakers	3153317	16703694	118808
8	AC Milan	1163618	17279439	545169
9	Arsenal	2434529	14811685	517952
10	WWE	2809828	12861714	395033

Source: <http://www.sportsfangraph.com> [15.09.13]

Such dynamic development of social media and their increasing role in shaping the relationship between the organization and its environment, must have an impact on the development of the concept of corporate social responsibility, not only in traditional organizations, but also in the sports industry [H. Sheth, K.M.Babiak 2010: p. 433-450].

Increasingly, analyzes are made showing the relationship between the activities of responsible sports organizations and their financial results [Y. Inoue, A. Kent, S. Lee 2011; p. 531-549], so that the concept of corporate social responsibility is likely to become for the managers a measurable value, significantly contributing to the growth of not only the organization itself, but also of the entire environment.

Global examples give impulse also to sports organizations in Poland to invest in social media. Although it is still little appreciated or used technology to build relationships, as for its potential, an upward trend is noticeable, and increasingly social media accentuate their presence in the daily practice of sports organizations in Poland (Tab. 3-6).<sup>91</sup>

Club	Facebook (Fans)	Twitter	YouTube	Other	CSR section on the web	Own foundation
Asseco Resovia Rzeszów	41.775	No	No	No	No	No
AZS Politechnika Warszawska	8850	Yes	Yes	No	No	No
Delecta Bydgoszcz	9426	No	No	Blog	Yes	No
Effector Kielce	2554	No	Yes - on fans' request	No	Yes	No
Indykpol AZS Olsztyn	3733	Yes	Yes	No	No	No

**Tab. 3.** Social media in volleyball clubs in Poland

<sup>91</sup> The survey was conducted from the perspective of a stakeholder seeking information on a given club with the use of social media. Analyzed were the official website and fan page of the clubs of four most popular sports in Poland, in the highest-class leagues. The survey was conducted in 2013.

Jastrzębski węgiel	12607	No	No	Sms, e-mail, newsletter	Yes	No
Lotos Trefl Gdańsk	4923	No	Yes	No	No	No
Skra Bełchatów	85 290	No	Yes	Radio	Yes	No
Wkręt met AZS Częstochowa	7508	Yes	No	No	No	No
Zaksa Kędziejyn Koźle	18493	No	No	Form with opinions	No	No

Source: Own, based on the research August 2013.

**Tab. 4.** Social media in speedway clubs in Poland

Club	Facebook (Fans)	Twitter	Youtube	Other	CSR section on the web	Own foundation
Polonia Bydgoszcz	5600	No	Yes	No	No	No
Włóknarz Częstochowa	17158	No	No	Own tv	Yes	No
Start Gniezno	8938	Yes	Yes	No	Yes	No
Stal Gorzów	15333	Yes	Yes	No	No	No
Unia Leszno	7372	No	Yes	No	No	No
Stal Rzeszów	6023	No	No	No	No	No
Unia Tarnów	3694	No	Yes	No	No	No
Unibax Toruń	14897	Yes	Yes	No	No	No
Sparta Wrocław	5472	No	Yes	No	No	No
ŻkŻ Falubaz Zielona Góra	820 fan page for children	No	Yes	No	Yes	Yes

Source: Own, based on the research August 2013.

**Tab. 5.** Social media in basketball clubs in Poland

Club	Facebook (Fans)	Twitter	Youtube	Other	CSR section on the web	Own foundation
Anwil Włocławek	5753	No	Yes	No	No	No

Asseco Prokom Gdynia	8814	Yes	Yes	No	No	No
AZS Koszalin	3000	No	No	Google +	No	No
Energa Czarni Słupsk	5745	Yes	Yes	Blog	Yes	No
Jezioro Siarka Tarnobrzeg	No	No	No	No	No	No
Kotwica Kołobrzeg	No	No	No	No	No	No
PGE Turów Zgorzelec	2775	Yes	Yes	No	No	No
Polpharma Starogard Gdański	3971	No	Yes	No	No	No
Rosa Radom	2606	No	Yes	No	Yes	No
Start Gdynia	924	Yes	Yes	No	No	No
Stelmet Zielona Góra	5796	Yes	Yes	No	No	No
Trefl Sopot	4571	No	No	No	No	No

Source: Own, based on the research August 2013.

Club	Facebook (Fans)	Twitter	Youtube	Other	CSR section on the web	Own foundation
Cracovia Kraków	10089	No	No	G+	No	No
Górnik Zabrze	37114	Yes	Yes	Wiki encyclopedia	Yes	Tak
Jagiellonia Białystok	No	No	Yes	No	No	No
Zagłębie Lubin	10994	No	Yes	Blog	No	No
Korona Kielce	22467	Yes	Yes	Blog	No	No
Lechia Gdańsk	57919	Yes	Yes	Instagram; RSS	No	No
Lech Poznań	289366	No	Yes	G+	Yes	No

**Tab. 6.** Social media in football clubs in Poland

Legia Warszawa	304421	Yes	Yes	G+; RSS; LinkedIn; Instagram	Yes	Yes
Piast Gliwice	No	No	Yes	No	No	No
Podbeskidzie Bielsko-Biała	9804	No	Yes	RSS	No	No
Pogoń Szczecin	19613	Yes	Yes	G+	Yes	Yes
Ruch Chorzów	19791	Yes	Yes	Newsletter e-mail	No	No
Śląsk Wrocław	78516	No	Yes	RSS	No	No
Widzew Łódź	33347	No	Yes	RSS	No	No
Wisła Kraków	126676	No	Yes	RSS;	No	No
Zawisza Bydgoszcz	10381	Yes	Yes	No	Yes	No

Source: Own, based on the research August 2013.

Of all the clubs of the four most popular sports in Poland, at the foreground is the football club Legia Warszawa ( Polish champion in 2013). Warsaw residents use many types of social media, such as Facebook, Twitter, Google+, RSS, LinkedIn or Instagram, gathering the largest group of fans on their Facebook fan page. In addition, the club, as one of few, has a separate section on their official website devoted to CSR issues; they also set up their own Foundation, which cooperates with the club in achieving social goals.

That CSR will be increasingly hosted in social media of sports organizations is of no doubt. Polish sports organizations, wanting to follow the global examples and increase their competitiveness, need to work closely with their environment. Recently, it has been also understood by the Ministry of Sport and Tourism in Poland, which began to communicate their objectives and strategies for development through social networks. Recent campaigns for an active lifestyle or non-dismissing children from PE lessons, appeared on the

You Tube channel<sup>92</sup> and quickly spread on Facebook and Twitter.

## Conclusion

The world will be changing, and technology will be developing. Are we able today to determine which direction the next generation will follow? Certainly not! However, we can do the hard work that will bring satisfaction not only to the present communities, but also to the future ones. Balance between the economic, social and environmental goals is becoming today the biggest challenge for the ubiquitous organizations and if we take into account the sports organizations, we should outline the challenge of balancing economic, social and environmental goals with those of the sport.

And just like the environment is changing in which we operate, change must the methods and techniques of management, because there appear issues that have not been before. New solutions will always generate new opportunities, but also new risks. In this case also sport is no exception and must be characterized by responsibility.

If you see in the world, the development and potential of social media to develop relationships between the organization and the environment, it is difficult to imagine that this "force" would not benefit the concept of corporate social responsibility.

Today, thanks to the online tools, we are able to obtain information about organizations from a variety of sources, monitor their activities, as well as verify the truthfulness of the information. This allows organizations to become more open and transparent, and web-based stakeholders work together and create CSR initiatives. Between the organization and its stakeholders, there is a frequent and regular interaction and dialogue [J. Szumniak – Samolej 2012; p. 73].

Therefore, it is not surprising, that CSR is beginning to evolve and adapt to the environmental conditions in which people operate, and the concept of CSR 2.0 is gaining popularity [W. Visser 2011]. It is about global

92 <http://www.youtube.com/watch?v=oiLpkTteWjE> – Stop zwolnieniom z WF [15.09.2013]; [http://www.youtube.com/watch?v=BPP\\_bOj5j24](http://www.youtube.com/watch?v=BPP_bOj5j24) – Kampania o aktywności ruchowej [15.09.2013]

partnerships, about moving away from the passiveness, characterized by unilateral actions, aimed at a narrow, selected group of stakeholders. Today, it would be more appropriate to involve them in daily practice and conduct multi-faceted dialogue, moving away from a rigid framework in favor of creativity and innovation [K. Bachnik 2011; p. 5]. Organizations, in particular the sports ones, need to understand that stakeholders can generate opportunities, but also risks; they can make the organization stronger, but also weaken it almost overnight, so it is important to share knowledge and experience. Organizations and their "environment" must be close to each other and work together – it will benefit everyone, both today and "tomorrow".

Sport, corporate social responsibility and social media have a great opportunity to become a team that will develop in a sustainable manner, benefiting each other as well as broadly understood environment. Because a new era is approaching.

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## AUTHORS OF THE CHAPTERS

Chapter	AUTHOR(S)
1	<p><b>Adriana Paliwoda-Matiolańska</b> is an associate professor at the Faculty of Management, Cracow University of Economics. Lecturer, participant of many conferences and professional trainings devoted to CSR and sustainability in Poland, Europe and USA.</p> <p><i>Contact: Adriana Paliwoda-Matiolańska, Wydział Zarządzania, Katedra Handlu i Instytucji Rynkowych, Uniwersytet Ekonomiczny w Krakowie, Poland; paliwoda@uek.krakow.pl</i></p>
2	<p><b>Hedda Ofoole Mensah</b> is a research associate at the Hamburg School of Business Administration and a doctoral student at the Faculty of Economic and Social Sciences at the University of Hamburg, Germany. Her research focus is on International Business Ethics, CSR within supply chain management and CSR Governance.</p> <p><i>Contact: Hedda Mensah, Universität Hamburg, Faculty of Economic and Social Sciences, Von-Melle-Park 9, D-20146 Hamburg, Germany, Hedda.mensah@gmail.com</i></p>
3	<p><b>José-Félix Lozano</b> is Ph.d. in ethics for the university of Valencia. Actually he is tenure lecturer for business ethics and social corporate responsibility, applied ethics, and development ethics, at the Universidad Politécnica de Valencia (Spain), and researcher at Ingenio Institute (CSIC-UPV). His research topics are: business ethics and corporate social responsibility, business ethics education, ethics of development. He was fellow of the DAAD (German academic exchange program) and of the Studienstiftung des deutschen Volkes (Foundation of the Germany students). He has published several articles in the Journal of Business Ethics, Science and Engineering Ethics, Journal of Philosophy of Education, and Journal of Academic Ethics, among others.</p> <p><i>Contact: INGENIO (CSIC-UPV), Universidad Politécnica de Valencia, Camino de Vera S/n (Edif 8E: acc J). 46022- Valencia, Spain. jlozan@dpi.upv.es</i></p>

4	<p><b>Silke Bustamante</b> is Professor for Management and Course Director of the Division of Service Management at the Berlin School of Economics and Law. Her research focuses on CSR Management, cultural aspects of CSR and the role of CSR for trust and reputation. She was Visiting Professor at Kobe University in Japan and the UADE in Buenos Aires, Argentina. Before, she worked several years as a consultant for the Boston Consulting Group in international strategic projects.</p> <p><i>Contact: Berlin School of Economics and Law, Alt-Friedrichsfelde 60, 10315 Berlin / Germany. Silke.Bustamante@hwr-berlin.de</i></p>
5	<p><b>Ceren Altuntas</b> is an Assistant Professor at the Department of Transportation Services in Yasar University. She graduated from the Department of Business Administration of Dokuz Eylul University in 2002. She has a master degree in Total Quality Management at Dokuz Eylul University and a PhD degree at the Department of Business Administration in the same university. She worked for the several firms in logistics sector (including Arkas Holding - Hapag Lloyd and Trans Union Logistics) from 2002 to 2009. Her research interests include sustainability, ethics, supply chain management, quality management, and logistics.</p> <p><i>Contact: Yasar Universitesi, Selcuk Yasar Kampusu, Üniversite Caddesi, No: 35-37, Ağaçlı Yol, Bornova, İzmir PK. 35100, Turkey; ceren.altuntas@yasar.edu.tr</i></p>
	<p><b>Duygu Turker</b> is an Assistant Professor at the Department of Business Administration in Yasar University. She graduated from the Department of Business Administration of Dokuz Eylul University in 2001. She has M.Sc. degree in Environmental Sciences at Ankara University, MBA degree at Dokuz Eylul University, and a PhD degree on Public Administration at Dokuz Eylul University. Her research interest includes CSR, business ethics, interorganizational relations, and entrepreneurship.</p> <p><i>Contact: Yasar Universitesi, Selcuk Yasar Kampusu, Üniversite Caddesi, No: 35-37, Ağaçlı Yol, Bornova, İzmir PK. 35100, Turkey; duygu.turker@yasar.edu.tr</i></p>
	<p><b>Huriye Toker</b> is an Associate Professor in the Faculty of Communication in Yasar University. She has an administrative and research experience on many national and international projects. Her research interests include communication, media, gender studies, European politics, political elections and corporate social responsibility.</p> <p><i>Contact: Yasar Universitesi, Selcuk Yasar Kampusu, Üniversite Caddesi, No: 35-37, Ağaçlı Yol, Bornova, İzmir PK. 35100, Turkey; huriye.toker@yasar.edu.tr</i></p>

**6** **Magdalena Stefańska, PhD**

She is an lecturer in the Department of Marketing Strategies at the University of Economics Faculty of Management in Poznan. She specializes in CSR, retailing and marketing communication. She wrote and published in 2014 book on "The Role of CSR in creating competitive advantage of retail organizations". She is an author of over 80 articles. She is also an co-author and co-editor off the book "Fair Trade in CSR Strategy of Global Retailers", published in 2015 by Macmillan Palgrave.

In the years 2008-2010 she was director of scientific grant financed by Ministry of Science and Education (MNiSW) entitled "Determinants and strategies for positioning as a source of gaining competitive advantage in retail trade" (project number N N115 326734). In 2012 she started working again as leader on new grant financed by the National Science Center, entitled "The influence of corporate social responsibility (CSR) on creating competitive advantage of trade organizations in context of stakeholders theory", number of contract DEC-2011/03/B/HS4/03576.

She lectures courses for master and bachelor degree students both in Polish and English languages, connected with image building strategies, marketing, marketing communication and sales management.

*Contact: Poznań University of Economics, Department of Marketing Strategy, al. Niepodległości 10, 61-875 Poznań. m.stefanska@ue.poznan.pl*

**Prof Tomasz Wanat, Associate Professor**

Dr. Tomasz Wanat is an Associate Professor in the Department of Marketing Strategy, Poznan University of Economics. His research interests are judgment and decision making and consumer behavior. He is the author of books and papers published mainly in Poland.

*Contact: Poznań University of Economics, Department of Marketing Strategy, al. Niepodległości 10, 61-875 Poznań. t.wanat@ue.poznan.pl*

**7** **Emmanuelle Jobidon** is a specialised environmental manager working in the municipal world in Montréal, Québec, Canada. Revisiting Gasland: Fracking The Earth, Fracking Communities has been her research project with Professor Emmanuel Raufflet during her Masters in Management, specialised in Corporate Social Responsibility, at HEC Montréal. Emmanuelle Jobidon received excellence award for her work.

*Contact: 33-A rue St-Louis, Salaberry-de-Valleyfield (Québec) Canada J6T 1M3. emmanuelle.jobidon@outlook.com*

7	<p><b>Emmanuel Raufflet</b> is an associate professor in Management, Sustainable development and corporate social responsibility in the Dept of Management at HEC Montreal, Québec, Canada. He has published more than 50 papers and chapters 30 teaching cases, and edited 5 books.</p> <p><i>Contact: HEC Montréal, Service de l'enseignement du management, 3000 chemin de la Côte Sainte-Catherine, Montréal (Québec) Canada H3T 2A7. emmanuel.raufflet@hec.ca</i></p>
8	<p><b>Diana Gligor-Cimpoieru</b> is a lecturer at the Faculty of Economics and Business Administration, West University of Timișoara, România. Her teaching and researching activities are focused mainly on topics related to Business Ethics and Corporate Social Responsibility (CSR), she was a guest speaker at several conferences about CSR, conducted evaluations and offered consultancy on CSR aspects to several multinational companies, was a volunteer in CSR projects and she was a member in the implementation of multiple projects with European funding.</p> <p><i>Contact: Diana Gligor-Cimpoieru, faculty of Economics and Business Administration, Pestalozzi 16, Timisoara 300115, Romania; diana.gligor@e-uvt.ro</i></p>
	<p><b>Valentin Munteanu</b> is an associate professor at the Faculty of Economics and Business Administration, West University of Timișoara, România; a researcher and an expert in European Project Management (Leonardo da Vinci, Structural European Funds), Operational Management (PhD in Production Scheduling) and Business Ethics and CSR; member in Romanian Society for Financial and Economical Analysis (SRAEF) and Romanian Academic Management Society (SAMRO), consultant for member in Body of Experts of Regional Development Agency - WEST.</p> <p><i>Contact: Valentin Munteanu, faculty of Economics and Business Administration, Pestalozzi 16, Timisoara 300115, Romania; valentin.munteanu@e-uvt.ro</i></p>
9	<p><b>Agata Rudnicka</b> is an associate professor at the Faculty of Management, University of Lodz. A member of Working Group on CSR in Ministry of Economy in Poland. In 2013 was listed on the List of 50 Women of Polish CSR prepared by the Responsible Business Forum. Participant of many conferences and professional trainings devoted to CSR and sustainability.</p> <p><i>Contact: Wydział Zarządzania Uniwersytet Łódzki, Matejki 22/26, Łódź 90-237, Poland; rudnicka@uni.lodz.pl</i></p>

9	<p><b>Błażej Socha</b> is a PhD Candidate at the Department of Business Management, Faculty of Management, University of Lodz. His research and publication interests include Innovation Management, Value Based Management and Business Valuation. He has taught courses on Corporate Finance, Economical Analysis and VBM. Member of Polish Association of Finance and Banking.</p> <p><i>Contact: Wydział Zarządzania Uniwersytet Łódzki, Matejki 22/26, Łódź 90-237, Poland; bsocha@uni.lodz.pl</i></p>
	<p><b>Dariusz Urban</b> is an associate professor at the Department of Business Management, University of Lodz. His fields of interest are sovereign wealth funds, socially responsible investment, financial economics and behavioral finance. He teaches corporate finance and macroeconomics.</p> <p><i>Contact: Wydział Zarządzania Uniwersytet Łódzki, Matejki 22/26, Łódź 90-237, Poland; durban@uni.lodz.pl</i></p>
	<p><b>Janusz Reichel</b> is an associate professor at the Faculty of Management, University of Lodz, Poland; a researcher and an expert in projects, programmes and assessment procedures e.g. 7PR (European Commission), Leonardo da Vinci (National Agency), Fund for Civic Initiatives (Polish Ministry of Labour and Social Affairs) and other; a member of Technical Committee in Polish Committee for Standardization working on ISO 26000 Guidance and a member of Working Group on CSR in Ministry of Economy, Poland.</p> <p><i>Contact: Wydział Zarządzania Uniwersytet Łódzki, Matejki 22/26, Łódź 90-237, Poland; jreichel@uni.lodz.pl</i></p>
	<p><b>Łukasz Florczak</b> is an assistant at the Faculty of Management, University of Lodz. He is interested in real options, value based management and strategic management. Participant of professional trainings (as a trainer) in preparing business plans and performing strategic analysis. He has PRINCE2 Foundation certificate (02718823-01-DYBU).</p> <p><i>Contact: Wydział Zarządzania Uniwersytet Łódzki, Matejki 22/26, Łódź 90-237, Poland; lukasz.florczak@uni.lodz.pl</i></p>
10	<p><b>Paweł Kuźbik</b> is an associate professor at the Faculty of Management, University of Lodz, Poland. His research interest includes management in sport organizations, CSR and Organisational Behavior.</p> <p><i>Contact: Wydział Zarządzania Uniwersytet Łódzki, Matejki 22/26, Łódź 90-237, Poland; kuzbik@uni.lodz.pl</i></p>

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- Voluntary versus mandatory solutions
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[biuro@csri.org.pl](mailto:biuro@csri.org.pl)