

**THEORETICAL
AND PRACTICAL
ASPECTS OF CSR
IMPLEMENTATION
BY FOREIGN INVESTORS**

THEORETICAL AND PRACTICAL ASPECTS OF CSR IMPLEMENTATION BY FOREIGN INVESTORS

Editors

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INTRODUCTION

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The authors of this book represent a multinational group which is interested in studying the activities of foreign investors in implementing their respective corporate social responsibility programmes in developing host countries at three levels: local, regional and national. At present, CSR is one of the essential „products” accompanying nearly any investment activity. This is why foreign investors, equipped with modern tools, should aim to take the lead in this process.

The concept of CSR in the management sciences is often misunderstood because it is usually seen as one of the means employed in the challenge of achieving a better competitive position. On the other hand, for the development sciences CSR is an effective instrument for income redistribution and serves as an additional support for unprivileged social groups.

The authors seek to verify the main hypothesis formulated for the purposes of the monograph, that the readiness of multinational corporations to serve local communities depends on the maturity of the national and local legal framework. The more developed the country is in terms of its legal standards, the more the local community tends to benefit from CSR. On the contrary, in poor countries with weak institutions, multinational companies are not obliged to respect the needs and desires of the local population. It will be interesting to find out if this hypothesis has been positively verified.

For many decades capitalist enterprises had one aim for the most part: the maximization of profits regardless of the social and environmental impact linked to the activities of the enterprise. This aim began to change in the late 19th century. Andrew Carnegie popularized the principles of charity and stewardship in 1899 when he published *The Gospel of Wealth*. However, at the time, Carnegie's ideas were the exception rather than the rule.

The concept that an enterprise is not only responsible for its financial affairs evolved and was eventually described with a formal term: Corporate Social Responsibility, which means that a business organization takes responsibility for the impact of its activities on its employees, customers, the community, and the natural environment.

Corporate Social Responsibility has become one of the most significant and important concepts of modern management. The literature on this topic provides a variety of definitions of this phenomenon, but it is generally considered to be a broad construct that comprises activities which address the needs of stakeholders and

various social issues¹. This means that company managers and owners are not only responsible for financial management and the legal aspects of their business activities, but in some respects they are also responsible for society as a whole².

Corporate Social Responsibility is often defined as a concept in which companies integrate social and environmental elements with business operations, management and their relationship with stakeholders. That kind of understanding of CSR has been recognized by the EU. The European Commission defines Corporate Social Responsibility as „the responsibility of enterprises for their impacts on society”. To fulfil their social responsibility, enterprises „should have a process in place to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders³.

Philippe Kotler defines Corporate Social Responsibility as a „continuous 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”⁴.

Kotler, one of the most important modern management lecturers, stressed the discretionary character of these activities. According to him „corporate social responsibility is a commitment to improving community well-being through discretionary business practices and contributions of corporate resources”⁵.

The two most important and substantially different approaches to this concept are the self-regulation approach and the legal regulation approach⁶.

Of course, between these two extremes, there are many alternative approaches involving co-regulation. All of these dimensions are defined and characterized as follows:

1. *The Self-Regulation Approach*, in which companies decide by themselves how much they engage in CSR and which CSR activities they wish to implement. The role of the state is limited.
2. *Legal regulation*, in which the government plays the most important role. This is reflected in multinational initiatives which are based on legally binding commitments.

¹ See: M.B.E. Clarkson, *A stakeholder framework for analyzing and evaluating corporate social performance*, „The Academy of Management Review” 1995, vol. 20 no. 1, pp. 92–117, A.J. Hillman & G.D. Keim, *Shareholder value, stakeholder management, and social issues: what’s the bottom line?*, „Strategic Management Journal” 2001, 22(2), pp. 125–139, D.L. Swanson, *Addressing a theoretical problem by re-orienting the corporate social performance model*, „The Academy of Management Review” 1995, 20(1), pp. 43–64; D.J. Wood, *Corporate social performance revisited*, *Academy of Management Review* 1991, vol. 16, no.4, pp. 691–718.

² J. McGuire, *Business and Society*, McGraw-Hill Book Company, New York 1963, p. 144.

³ European Commission, *A renewed EU strategy 2011–2014 for Corporate Social Responsibility*, Brussels 2011.

⁴ Ph. Kotler, N. Lee, *Corporate Social Responsibility: Doing the most Good for Your Company and Your Cause*, Wiley 2005, p. 3.

⁵ R. Holme, P. Watts, *Corporate Social Responsibility: Making good business sense*, World Business Council for Sustainable Development, Geneva 2000, p. 6.

⁶ See: T. Chahoud, *Internationale Instrumente zur Förderung von Corporate Social Responsibility (CSR)*, „Analysen und Stellungnahmen” 2005, no.2, p. 2; P. Utting, *Rethinking Business Regulation: From Self-Regulation to Social Control*, United Nations Research Institute for Social Development, Geneva 2005.

3. *Co-regulation approaches*, in which stakeholders are involved in a company's CSR policy-making process. In this „third way” NGOs, business associations, governmental organizations and multilateral institutions work together in a constructive manner to achieve complementary goals in the CSR process.

The increasing complexity of the area makes it impossible to extract a single coherent model of CSR. Our research into Corporate Social Responsibility has revealed that there are two the main models: the first one is an After Profit Obligation model, referring to Maslow's pyramid of needs, and described by the American economist A.B. Carroll. This model divides company responsibility into four levels (responsibilities): economic, legal, ethical and philanthropic. The economic level is elementary and the most important one for the company, therefore, philanthropic activities appears as a responsibility with a higher order⁷.

The primary and overarching objective of the company is to achieve a profit, which allows for the implementation of other targets. In the case of incurring losses or the absence of profits, society obviously cannot require the company to incur responsibility in other areas. These are additional areas of responsibility, which can only be implemented when an organization reaches a satisfactory level of profitability.

The *After Profit Obligation* model assumes that in the area of economic responsibility there is a choice between profit and risk. Proponents of this approach recognize that difficult market conditions force entrepreneurs to prioritise their own interests, which also has the effect of maximizing social wealth. Milton Friedman believed that the contribution of a particular company to the general welfare lies in its efficient and effective production of goods and services, this continues for as long as society finds it useful, leaving issues of social responsibility to the state⁸.

The second model, which was primarily popularized in the work of D. J. Wood, is called Before Profit Obligation. In some respects this model is a reverse hierarchy. It is considered that the highest and most important values are moral values, however, they are subordinated to all other values. Therefore, at the base of the pyramid lies moral responsibility, which is applied regardless of the conditions in which the organization operates⁹.

According to this model, the moral attitude of the owners, managers and ordinary employees create added value, which affects the formation and depths of the relationships with stakeholders and gives the company a competitive advantage. The model is based on the assumption that the company is a part of a more differentiated whole, consisting of functionally interdependent and liquid structures. The primary purpose of an enterprise belonging to this structure is therefore, in compliance with

⁷ A.B. Carroll, *Business and Society: Ethics and Stakeholder Management*, College Division South Western Publishing Co, Ohio 1993.

⁸ E. Grzegorzewska-Ramocka, *Cele ekonomiczne i społeczne przedsiębiorstwa*, „Gospodarka Narodowa” 2009, nr 7–8, s. 63.

⁹ See: *World's 10 Biggest Refined-Copper Producers in 2013*: <http://www.bloomberg.com/news/2014-02-17/world-s-10-biggest-refined-copper-producers-in-2013-table-.html>; KGHM International, *Corporate Social Responsibility 2013*, pp. 7–10.

the applicable rules, to provide support for the socio-economic order, the recognition of certain values for a common framework and the implementation of the basic objective of economic development. The idea of mutual solidarity means that a company which is seeking profits should not harm the society it resides in.

Corporate Social Responsibility can be thought of as an element of the wider area of economic sciences, which is called social economics and, in some cases, social enterprise.

There is a close relationship between CSR and social economics, since the former aims to support a selected target group (jobless, poor, physically disabled, socially excluded), while the latter includes identical political objectives.

The concept of the social market economy should also be considered, it is widely used in the European Union, and was also introduced to the Polish Constitution (article 20 states: „A social market economy, based on the freedom of economic activity, private ownership and solidarity, dialogue and cooperation between social partners, shall be the basis of the economic system of the Republic of Poland”). The very concept is a legacy of the Freiburg school, which is often defined by the advocates of liberalism as a viable approach (in this case, the term „social” is understood to mean „no state intervention”) or – on the contrary – the same approach is recognized as having the features of the welfare-active state. G.W. Kołodko characterized the principles of a social market economy by writing about the need to reconcile efficiency with justice (Kołodko 2000). Regardless of the differences between the supporters of the welfare state and the liberal approach, the common element is the issue of sensitivity to the problems plaguing contemporary societies: unemployment, poverty, exclusion. That is why the above mentioned article 20 refers to the „solidarity dialogue and cooperation of the social partners”. CSR and social economics fits into the wider philosophy of the social market economy, and should be treated as a superior value.

Social economics can also be treated as a response to the irregularities in the functioning of the national economy and the failure of the neoliberal model.

There are various interpretations of CSR, as it is difficult to clearly identify its standards. The relativism which is apparent in the determination of the scope of CSR activities depends on social norms, cultural factors and the general level of economic advancement. However, it should be pointed out that a particularly important determinant of CSR is the attempt to move away from the exclusive priority of maximizing profits.

The popularity of CSR is increasing, especially in advanced economies, partially because it is treated as an additional incentive for broadening the market or as the media acclaims, in the long term, CSR activities contribute to gaining a competitive advantage.

The relationship between CSR and the concept of sustainable development should also be emphasized. Although the concept of sustainable development was developed later, CSR deals with the philosophy of sustainable development, especially with reference to the third pillar, i.e. as far as social justice is concerned. The company that wishes to implement the principles of sustainable development must respect CSR expectations. This approach has been popularized by the World Bank, which treats

CSR as a commitment of business to contribute to sustainable development in collaboration with employees, their families and the local community in order to improve the general quality of life for both business and social development¹⁰.

Explanations and critiques of Corporate Social Responsibility appear regularly in the media and in academic literature. Many of these discussions are rather repetitive, but one that has added to the analysis of the concept was published in a special section of *The Economist*, „The good company: A survey of corporate responsibility”¹¹.

The thesis of the section was that the corporate social responsibility movement dominates most management thinking, and that this is unfortunate because it is not necessary if the functioning of capitalism is understood. Furthermore, CSR is practiced in many different ways, this creates confusion with regard to what it really means.

Some economists have argued that there is no need to impose CSR on corporations as they are acting in a responsible manner already. The point is made that capitalism has been the driving force behind unparalleled economic and social progress, but unfortunately it is still suspected, feared, and deplored. Two reasons are given for this fear of capitalism: the source of one concern is the idea that profit is inconsistent with the public or social good, and also the belief that in their pursuit of private gain corporations are placing crippling burdens on society and the environment. „*The Economist's*” article does not consider either of these reasons to be appropriate¹².

The text states that enlightened self-interest and ethical conduct work well together. However, these two values must be understood in relation to the ultimate good of the corporation, and without these two values business is not possible. The first value is rooted in common decency – that is, being just, honest, and fair. The second value involves distributive justice where the benefits generated within the corporation are aligned to the contribution made in adhering to the aims of the corporation – for example, pay is linked to performance and promotion to merit. With regard to stakeholders, corporations should take them into account without being accountable to them¹³.

At the present time, there is a new and very serious dilemma: what are the expected limits of CSR and how far can it go towards meeting the demands of local communities? There are many well known cases in which local authorities go too far in their expectations (the typical example is the Sierra Gorda community which has been known to threaten to disrupt the operations of copper companies if their demands are not met).

¹⁰ S. Zapala, M. Kazimierczak, *Ryzyko, ciągłość biznesu, odpowiedzialność społeczna*, Wolters Kluwer, Warszawa 2011, s. 165.

¹¹ *The Good Company: A Survey of Corporate Responsibility*, „The Economist” 2005, January 22: Special Section.

¹² „*The World According to CSR: Good Corporate Citizens Believe That Capitalism Is Wicked But Redeemable*”. *The Good Company: A Survey Of Corporate Social Responsibility*, „The Economist” 2005, January 22, pp. 10–14.

¹³ *The Ethics of Business: Good Corporate Citizens, and Wise Governments, Should Be Wary of CSR. The Good Company: A Survey of Corporate Social Responsibility*, „The Economist” January 22, 2005, pp. 20–22.

Although there are several arguments in favour of social involvement by business corporations, there are also many arguments against their social involvement - including the following:¹⁴

- Profit maximization is the primary purpose of business, and for it to have any other purpose is not socially responsible (as argued in Responsibility for Ethics 7.2). For it to have anything other than a profit maximizing goal is to sabotage the market mechanism and distort the allocation of resources. In general then, it is contrary to the basic function of business to become involved in social matters. It should not be forgotten that business is an economic institution, not a social one, and its only responsibility is to manage itself efficiently within the law. The corporation would be irresponsible if it did not pursue profits and operate within an efficient market.
- Business corporations are responsible to their shareholders and, in effect, have no authority to operate within the social area. When a corporation becomes involved in social matters, there is a question of legitimacy. Even if corporations are sufficiently competent and powerful to bring about social changes in matters which are considered to be beyond the range of their immediate involvement, there is a real question as to whether such endeavours are appropriate. Managers should let shareholders decide whether or not they wish to become involved in social issues.
- Social policy falls within the jurisdiction of governments, not business.
- Business lacks training in social issues, and lacks the social skills necessary to carry out social programmes. In other words, business is not competent to undertake social responsibility tasks.
- Social responsibility is viewed by some as another excuse to let big business increase its power. This increase in power comes about as a result of business becoming involved in social as well as economic matters. Imposing business values on social issues may lead to an inappropriate degree of domination: business already has sufficient power, and it would be inappropriate to extend that power to other areas.
- Business involvement in social matters increases costs - not only financial costs to the organization, but also possibly even social costs - instead of decreasing them. This in turn may lead to business failures.
- There is no acknowledged source of reliable guidance or policy for business with regard to questions of social responsibility, and it is not easy to choose between responsible and selfish activities in social issues. Social responsibility is an elusive concept for which few standards are available with which to evaluate and control the activities of corporations.
- As institutions operating within society, business corporations cannot be held accountable for their actions in a way that is sufficient to satisfy the demand for appropriate social involvement. Institutions involved in social matters should be

¹⁴ R. W. Sexty, *Canadian Business and Society: Ethics & Responsibilities*, 2nd edition, McGraw-Hill 2011.

held accountable to society for that involvement. At the present time, there are few mechanisms available to ensure that business corporations are held accountable for the results of their social activities.

In the years 2020–2021 we witnessed very crucial and fundamental events connected with the COVID-19 pandemic and the conduct of the leading pharmaceutical companies producing vaccines against the coronavirus (like Pfizer, Moderna, AstraZeneca, Johnson & Johnson, or those developed in Russia, China or India etc.). Pfizer benefited from huge subsidies amounting to 6.5 billion euros. The main question with regard to these subsidies is still open and unanswered: Did these enterprises act mainly in the interest of the international community or did they merely grasp the opportunity to enrich themselves in a brutal manner (seeking better prices, suddenly halting the production of vaccines, refusing to deliver vaccines at lower prices to less wealthy countries etc.). It would seem that this debate is endless because of the valid arguments on both sides.

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FDI IN A NEW THEORETICAL APPROACH

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Abstract

Foreign direct investment (FDI) is an inherent element of the contemporary global economy. This chapter focuses on the analysis of foreign direct investment theories from an economic point of view. These theories present various currents of thought resulting from the change of approach to capital migration by various researchers. Many of them concentrate on determining the reasons for the movement of capital abroad, determine the entities directing the migration and the connections or results stemming from these flows both for the destination country of the investment and the country from which the capital comes from. Contemporary theories focus on the connections resulting from networks created by foreign investors. These theories continue to develop, but to date no theory has been developed that would fully explain all of the processes related to foreign direct investment which combines motives, determinants, types and directions of flow.

Key words: foreign investment, FDI, theories, transnational corporations – TNC, internationalization

1. Introduction

Theories concerning foreign direct investment (FDI) have been formulated over the course of many years in a changing global economy. They present various currents of thinking resulting from changes in the approach of various researchers to the migration of capital. Many of them focus on describing the reasons for moving capital abroad, and also on describing the entities carrying out the migration or the consequences of these flows both for the target country of the investment and the country of origin of the capital.

These theories attempt to explain the reasons for establishing international companies and the motives for conducting investment activities outside the country as well as determining the factors for choosing the location of this activity¹. Only a few

¹ M. Stawicka, *Rola bezpośrednich inwestycji zagranicznych w zmniejszaniu dysproporcji rozwojowych nowych krajów członkowskich Unii Europejskiej*, „Nierówności Społeczne a Wzrost Gospodarczy” 2008, z. 13, s. 296, <http://www.ur.edu.pl/pliki/Zeszyt13/25.pdf>.

of the better-known economic theories clarify the mechanism of connections between foreign investment and foreign trade in the existing scholarly record in terms of theories explaining the genesis of foreign investment and its influence over host countries and the economy of investing in general. Contemporary theories focus on the links resulting from networks created by foreign investors.

There have long been attempts to clarify the reasons for implementing FDI on the basis of numerous economic theories. Among them, one may find theories explaining the influx of FDI in microeconomic and macroeconomic terms. The theories mentioned emphasize various factors which create foreign direct investment and indicate the various consequences of foreign investment at the microeconomic and macroeconomic level (Table 1).

Table 1. Theories explaining the influx of FDI in microeconomic and macroeconomic terms

In microeconomic terms, which explain foreign investment from the point of view of the company making such an investment, these are, among others:	Macroeconomic theories describe the influx of foreign direct investment from the point of view of the whole economy. They are, among others:
Theories about international portfolio investment	Theories about the level of economic development
Theories about technological advantages	Theories about currency areas
Theories about the international product life-cycle	Theories about comparative advantages
Theories about advantages of oligopolistic companies	Theories about dynamic comparative advantages
Theories about internalization of foreign direct investment	
Theories about location factors	
The eclectic theory of international production	

Source: M. Salamaga, *Modelowanie wpływu bezpośrednich inwestycji zagranicznych na handel zagraniczny: w świetle wybranych teorii ekonomii na przykładzie krajów Europy Środkowo-Wschodniej*, „Zeszyty Naukowe Uniwersytetu Ekonomicznego w Krakowie. Seria Specjalna. Monografie” 2013, nr 223.

Another classification of foreign direct investment theories is presented by Górniewicz and Siemiątkowski, it refers to using the advantages of the country of the investment's location on the one hand and the marketing strategies used by investors on the other hand (Table 2).

Table 2. Classification of foreign direct investment theories

Theories emphasizing the investor's use of the advantages of the country of the investment's location	Theories stressing the investor's pursuit of an expansive market strategy
The ownership advantage theory The appropriability theory The theory of currency areas	The oligopolistic reaction theory
	The imitation theory
	The product life-cycle theory
The theory of foreign direct investment location, Ozawa's theory	The product diversification theory
	The theory of internalization (internal transactions)
The evolution theory of a country's investment position in foreign markets	
The endogenous growth theory	

Source: G. Górniewicz, P. Siemiątkowski, *Wprowadzenie do międzynarodowych przepływów kapitału*. Towarzystwo Organizacji i Kierownictwa „Dom Organizatora”, Toruń 2006, p. 118.

The interactions between foreign investment and trade have been of interest to many scientists. The issues that have been studied are mainly the complementarity of trade and foreign investment, the substitutability of trade and FDI or the issue of exports and imports in the exchange between transnational corporations². The main models are presented in Table 3.

Table 3. Review of selected theoretical models presenting the influence of FDI on foreign trade

Author of the model	Selected assumptions of the model	Character of inter-dependence between FDI and foreign trade
R.A.Mundell (1957)	Assumptions of the neoclassical Heckscher-Ohlin model, differences in production factors endowments between countries, homogeneous products, differences in the prices of production factors, a limited capital mobility	substitutive
A.Schmitz and P.Heimberger (1970)	The mobility of production factors (including capital), the heterogeneity of products in different countries	complementary

² A. Borowicz, *Wpływ zagranicznych inwestycji bezpośrednich na konkurencyjność eksportu Polski*, Wydawnictwo Uniwersytetu Gdańskiego, Gdańsk 2016, s. 16.

M.B.Krauss (1974)	The diversification of countries in terms of production factor endowments and in terms of the prices of these factors, the mobility of goods produced and the factors of production	substitutive
K.Kojima (1975, 1987)	Assumptions of the Heckscher-Ohlin foreign trade theory, differences in production factor endowments between countries, adjusting factory prices in different countries to global prices	substitutive (when FDI is located in comparatively advantageous sectors) or complementary (when FDI is located in comparatively disadvantageous branches)
J.R.Markusen (1983)	No trade barriers, the mobility of factors of production, an identical endowment of countries in production factors, the modification of the Heckscher-Ohlin theory assumptions	complementary
T. Ozawa (1992)	Connecting the interdependencies of FDI, foreign trade and economic growth in a paradigm of economic development, the evolutionary character of countries moving through successive stages of development, the evolutionary direction of changes in the pattern of comparative advantages, the free flow of production factors	complementary in terms of the whole economy, and complementary or substitutive in terms of sector depending on the phase of economic development and the specific product sector
K.Fukao, H.Ishido and K. Ito (2003)	Country endowment in two factors of production: capital and labour, the continuity of the production process, no technological gap between countries, the different structure of production factors, no homogeneity of goods produced in different countries (a different quality level of goods), considering various options of foreign trade costs and FDI costs	complementary or substitutive depending on the level of investment costs and foreign trade costs
J.P.Pontes (2004)	An identical number of consumers in the country and abroad, costs of transporting goods incurred by buyers, competition between companies in terms of choosing the production location, the presentation of economic relations between the country and foreign countries as a model of the static non-cooperative game played by two groups of companies (producing intermediate goods and final goods)	complementary with a high level of trade costs or substitutive with a low level of costs

Source: M. Salamaga, *Modelowanie wpływu bezpośrednich inwestycji zagranicznych na handel zagraniczny w świetle wybranych teorii ekonomii na przykładzie krajów Europy Środkowo-Wschodniej*, „Zeszyty Naukowe/Uniwersytet Ekonomiczny w Krakowie. Seria Specjalna. Monografie” 2013, z. 223.

It should be emphasized that the review of selected theoretical models showing the influence of FDI on foreign trade included in Table 3 does not exhaust all possible theoretical presentations of the problem considered that may be found in the literature on the subject. Attempts have been made to specify such models that have contributed significantly to the development of foreign trade and foreign investment theories.

Currently, the activity of foreign direct investors is considered in conjunction with the theories of the internationalization of company activities, wherein, besides neoclassical theories of international exchange, the analysis encompasses theories of the internationalization of companies as well as theories of international management (Table 4).

Table 4. Selected economic theories about the internationalization of company activities

Neoclassical theories of exchange	Theories about the internationalization of companies	Theories about international management
<ul style="list-style-type: none"> – Harrod's orthodox theory of exchange – The Heckscher-Ohlin theory complemented by Samuelson and Stolper – Neofactor theories – Neotechnological theories 	<ul style="list-style-type: none"> – The behavioural theory – The theory of imperialist assumptions – Cost degression models – The product life-cycle theory – Location theories – Porter's diamond structural model – The internationalization theory – Dunning's paradigm theory – Internationalization process theories (the Uppsala model) 	<ul style="list-style-type: none"> – The competitive advantage theory – The concept of a core competence – The transnational organization model – Network organization models – The five partners model

Source: authors' own elaboration based on M. Komor, *Internacjonalizacja przedsiębiorstw na rynku Unii Europejskiej – ujęcie marketingowe*, Wydawnictwo Beck, Warszawa 2017, p. 72.; A. Jarszewka-Romaniuk *Przedsiębiorstwa międzynarodowe*. Oficyna Wydawnicza Branta, Bydgoszcz-Warszawa 2004, p. 55.

Due to the multitude of theories explaining the flows of capital at an international level, the study below focuses on theories strictly connected with foreign direct investment.

2. The product life-cycle theory

Foreign investment may be connected with the product life-cycle theory, which is based on the link between international trade and the technological changes in particular countries concerning the production of specific goods³. R. Vernon's product life-cycle theory refers in a sense to the concept presented by Hymer and Kindlerberger. According to R. Vernon, every product goes through three stages during its life cycle: that of a new product, a maturing product, and a standardized product. This also refers to the functioning and expansion of foreign investors into the remaining markets. Initially, the new product is only sold within the internal market. With time, while the product is being perfected and the costs of production are lowered, exports to markets with a similar development level and a similar product structure are commenced. Moreover, the innovator company makes extraordinary profits owing to its monopolistic position. During the maturing stage, the product is perfected, mass production begins and, at the same time, sales networks are expanded. To lower the costs even more and make it logistically easier to reach sales markets, production is moved to countries where production factors are cheaper. This is the way to create foreign investment that contributes to lowering production costs and increasing the product's availability as well as to transform importers into exporters. During the final stage, the technology becomes uniform and universally accessible, which leads to the complete standardization of the new product and, subsequently, to its transformation into a mass product. Finally, the product's life cycle is prolonged even though the product is possibly being withdrawn from the market in its home country. In practice, there have been many examples confirming the validity of Vernon's theory such as prolonging the product life cycle in the car industry in the case of some models manufactured in Volkswagen's factory in Brazil or Fiat's factory in Poland.

At present, manufacturing all of the product components in one factory would be ineffective; thus, cooperation between domestic and foreign companies has become more intensive and contributes to the increase in international trade exchange⁴. The emerging key elements are the changes in the philosophy of certain international companies that decide to break up production processes and relocate specialized production units, research and development centres, centres of services, logistics etc. abroad.

³ A. Budnikowski, *Międzynarodowe stosunki gospodarcze*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2006, s. 110.

⁴ H. Nordas, S. Miroudot, P. Kowalski, *Dynamic Gains From Trade*, „OECD Trade Policy Working Paper” 2006, no. 43, pp. 11–13.

3. The ownership advantages theory

One of the theories worthy of consideration is the ownership advantages theory developed by Hymer⁵ and Kindlerberger⁶. According to its assumptions, foreign direct investment makes sense if the investor possesses certain resources that companies from the host country do not have and this contributes to gaining a competitive advantage. This initial hypothesis of Hymer's was complemented by Kindlerberger, who believed that the limited competitiveness of the domestic market might be an additional element causing investors to expand abroad. A competitive advantage may be spotted in various areas: technology, organization, the product, lower production costs. There are differences between particular countries that are still being exposed and their source is the advantages that some companies have over others, both at the domestic and international level. Eventually, globalization decreases these advantages. It may occur that companies from developed countries lose their advantages to the benefit of companies from other countries, which will in turn result in the reversal of foreign investment directions. The relevant aspect of the ownership advantage of companies is based on the assumption of imperfect market competition, which makes it possible for the company making the investment to use the advantages it possesses to gain the desired surplus over the costs it has to cover in connection with FDI. For this reason, the company should use the advantages typical of a monopolistic company or one functioning in oligopolistic conditions. Such a thesis was first formulated by S. Hymer⁷ with the theory of a company's ownership advantage. He considered the company's advantages in terms of non-classical factors of production to be the reason for implementing FDI. These factors have an influence on the company gaining an advantage at two levels: a technological advantage and an advantage whose source is in the oligopolistic or monopolistic sphere. The first group is created by modern production factors such as knowledge, technology, organizational structure, information, administration, management and marketing etc. This is indicative of the focus on quality features represented by the company. The second group includes, above all, the company's power which results from its size, due to which the company can actively influence product prices, actively shape the demand for its products as well as gaining a financial advantage resulting from the possession of equity capital, which also has an influence on the achievement of a more favourable credit position, not only on the domestic market but also abroad.

The abovementioned theory was further developed in the research conducted by F. T. Knickerbocker⁸, who claimed that the reason for FDI was the imitation effect

⁵ S. Hymer, *The International Operations of National Firms. A Study of Foreign Direct Investment*, MIT Press, Cambridge, 1960.

⁶ Ch. Kindlerberger, *American Business Abroad*, Yale University Press, New Haven 1969.

⁷ S. Hymer, *The International Operations of National Firms. A Study of Foreign Direct Investment*, MIT Press, Cambridge, p. 196.

⁸ F. Knickerbocker, *Oligopolistic Reaction and Multinational Enterprise*, Harvard University Press, Boston 1973.

which is present on markets characterized by a high level of branch concentration. The oligopolistic reaction theory assumes that companies use a defensive strategy of following the leader into new markets for fear of losing their export market, but also in order to prevent the reinforcement of their competitor's position. However, this theory does not explain the initial reason for one of the companies carrying out an expansion into markets in the form of direct investment and forming the beginning of a „chain” of further investment made by other companies. A similar stand was taken by E. Graham concerning the theory of threats, which may be used to explain the phenomenon of what is known as intersecting investments – a bidirectional flow of capital in the form of FDI between particular countries. It is assumed that the reason for foreign investment is a kind of „retaliation”. A company's realization of a foreign investment causes a company from the country of the investment's location to make a direct investment, a so-called counter-investment⁹. The views included in the oligopolistic reaction theory were further developed in the deliberations of R. Caves, who considered the limited absorption capacity of the local market to be the motive for making investments in the form of FDI.

From this perspective, FDI is perceived as a function of market demand. During the course of its development, an oligopolistic company encounters a demand barrier which makes further growth and sales development of the manufactured product impossible. According to Caves, in this case, the company has two choices: it may opt for product diversification on the domestic market or take a decision to expand geographically, and thus, go beyond the country's borders with their traditional product. Using the knowledge gained on the domestic market, the company chooses to locate its activity abroad. This ensures an improved competitive position and more rapid reactions to market changes without incurring additional costs. However, the motivation to invest abroad is conditioned by the legal protection of the transferred production in the form of a patent or copyright¹⁰. The theory of oligopolistic parallel behaviour is connected with E. Graham and F. Knickerbocker, but the researchers' way of thinking was different. Graham presumed that companies could enter the markets of competitors by way of retaliation. Thus, each of the competitors is deprived of their monopolistic position in its home market. This concept assumes that each of the competitors has a similar ability to appear on foreign markets and a similar state of development of home country markets for particular competitors. However, this assumption appears to be difficult to fulfil. The assumed effect in the form of lowering costs (which is related to increasing production) may be eliminated by the retaliatory activities of competitors (producing a reduced sales level for the first competitor on the home market as a result of the second competitor's activities).

Therefore, the hypothesis of Knickerbocker would seem to be more realistic, he observed the effect of imitation. In the case where one competitor becomes involved in a direct investment in a particular country, another one, by way of imitation, will

⁹ M. Kowalski, *Teoretyczne przesłanki umiędzynarodawiania działalności przedsiębiorstwa*, „Ruch Prawniczy, Ekonomiczny i Socjologiczny” 2004, t. 66 nr 1, s. 93–102.

¹⁰ Op. cit., pp. 93–102.

be willing to invest in the same way in the same host country. Such an activity is possible after the company has estimated the potential share in the market of the host country. One example of this kind is the well-known case of Coca Cola and Pepsi Cola in Poland. The observations made by Graham and Knickerbocker¹¹ were characteristic of global trends from the second half of the 20th century. However, the range of activities described by Graham and Knickerbocker will tangibly decrease due to the progressing phenomenon of globalization, the elimination of differences in the economic development of particular countries and also the avoidance of competition by potential competitors at the domestic level as well as in the international arena. However, what will increase is the scope of cooperation between foreign investors and local companies in the host country. It is possible to form international relations by creating a network of cooperation or engaging in simultaneous cooperation and competition.

4. The location theory

One of the most popular theories which attempts to explain the phenomenon of foreign direct investment is the location theory, which is a combination of a theory concerning foreign expansion motives from the point of view of an international company with theories focused on the host country's features¹². Decisions related to FDI are multi-stage processes. First of all, the company should decide whether to invest. In the cases where the company is allowed to choose its preferred option, it will then concentrate on choosing the location. There are many criteria for location decisions in the literature¹³. It is worth highlighting three basic categories of these criteria. Firstly, foreign investors aim to gain market access that also encompasses access to know-how and technologies. Secondly, FDI may be driven by increasing efficiency, this includes cost reduction as a key element of this investment aim. Contextual factors encompass both aggregate macroeconomic data such as unemployment and the institutional framework for business operations which is important for investors because it may limit ownership and management prerogatives. Access to domestic markets has been commonly recognized as the dominant criterion¹⁴. Big countries have a comparative advantage in attracting foreign investment. As has been proved by research conducted by big German international concerns¹⁵, companies capable

¹¹ F. Knickerbocker, *Oligopolistic Reaction and Multinational Enterprise*, Harvard University Press, Boston 1973, pp. 192–196.

¹² J. Rymarczyk, *Internacjonalizacja i globalizacja przedsiębiorstwa*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2004, s. 41.

¹³ H. Shatz, A. Venables, *The geography of international investment*, „Policy Research Working Paper” 2000, no. 2338, pp. 1–24.

¹⁴ M. Bognanno, M.P. Keane, D. Yang, *The influence of wages and industrial relations environments on the production location decisions of US multinational corporations*, „Industrial & Labor Relations Review” 2005, pp. 171–200.

¹⁵ M. Stumpf-Fekete, *Regime Shopping und Arbeitnehmer Mitwirkung: Standortentscheidungen deutscher Konzerne in einer entgrenzten Wirtschaft*, Universität Dortmund, Dortmund 2000.

of global activity look for locations in every geographical macroregion all over the world.

The probability of an international company making an investment decision in favour of a given region is conditioned by the superiority of the region's features in the area of influence concerning the investment's profitability and by comparing it with other locations under consideration.

Since the time of Keynes and Kalecki¹⁶, changes in investment rates and the capital intensity of investment have determined the course of the business cycle; this thesis is the starting point for building models treating economic growth as a variable dependent on the growth in capital supply. According to W. Rostow, the author of the concept of economic convergence that was popular years ago, countries not possessing sufficient resources of indigenous capital can make their economic development more dynamic with the influx of FDI. Using capital in this form is a tie-in transaction which is made at three levels, namely: capital, technology, and experience. It should, therefore, be treated not only as an additional capital supply but more broadly: as a transfer of various factors of production among which technological, managerial, and marketing skills play a significant role¹⁷. These theories are relevant. The most important change that has occurred since the time they were created is that, currently, global investors are not only American, Japanese, and Western European concerns offering branded products but there are also enigmatic companies from exotic Arab and Asian countries. The decision concerning the location of direct investment is never accidental, but rather, it is preceded by market research, an in-depth analysis of the political situation and the evaluation of the long-term economic development prospects of the host country. At the same time, it is evident that investors are attracted by absorbent and politically stable markets with a cheap workforce, one that is rich in resources, in which it is possible to realize a monopoly rent without much difficulty. The ability to persuade investors to choose an FDI location, which is described as investment attractiveness, is a combination of the benefits to be achieved while conducting economic activity which stems from specific features of the area where this activity is proposed to take place.

5. The internalization theory

The internalization theory indicates imperfections in market functioning on the one hand and, on the other hand, assumes in accordance with R. Coase's theory, that lowering the transaction costs incurred by companies is possible by internalizing particular operations that were previously conducted outside the company, this policy may be pursued by a company that wishes to limit or eliminate such costs (seeking a partner, negotiation costs and others connected with contracts). At the same time, the company gains incomparably more control over the whole process. Mounting

¹⁶ M. Kalecki, *Teoria dynamiki gospodarczej* [w:] *Dzieła. T. 2. Kapitalizm, dynamika gospodarcza*, Państwowe Wydawnictwo Ekonomiczne, Warszawa 1979, s. 355.

¹⁷ J. Dunning, *Studies in International Investment*, Allen & Unwin, London 1970, p. 27.

transaction costs are a complication for many companies and with time they increasingly constitute a more distinct subject of scientific interest¹⁸. On the other hand, an entirely opposite tendency also exists, which is to relocate particular stages of the production or service process outside the company, this is called outsourcing. Such activities may result in companies depriving themselves not only of such functions and activities that can successfully be taken over by other companies but also of such functions and tasks that are the core of a given company's activity¹⁹.

In order to achieve the condition necessary for the appearance of capital flow in the form of foreign direct investment, namely the internalization of incentive advantages, it is essential to refer to R. Coase's assertions²⁰. He paid attention to the fact that conducting an international transaction via the market is not necessarily the most effective form of carrying it out. Using the market causes the incurrence of additional costs related to establishing cooperation rules between both sides, costs of pricing, administrative fees, transaction risk costs etc., which pushes the company towards vertical integration. What underlies the striving for the internalization of company activity are the relationships between four groups of factors that make it possible to avoid the unfavourable effects of market imperfection or at least allow the company to use these imperfections. These factors result from the specificity of: the branch of the industry under consideration (market structure, product features), the region (distance, cultural and language differences), the nation (the political system, legal regulations), the company (managerial and marketing skills). The necessary condition for observing internalization is the existence of the possibility of organizing and carrying out an internal transaction within the company at a lower cost than would occur via the market. The concept of internalization cannot encompass all aspects of company activity. Internalization may be observed with reference to the intermediate goods used in production (raw materials, semi-finished products, technological knowledge, research and development activity), but it is impossible in the case of utility supplies (water, electricity) and retail sales²¹.

In summary, the benefits connected with the internalization of a company's activity are as follows: lowering the costs related to transaction services with regard to transactions made on the external market, eradicating the costs of the legal protection of property, reducing demand uncertainty, the freedom of shaping pricing policy, exercising control over product quality, avoiding the losses resulting from the lack of future markets, controlling supply sources and conditions by which resources are sold together with technology, controlling sales markets, the possibility

¹⁸ R. Sobiecki, J. Pietrewicz, *Koszty transakcyjne: skutki zmian dla przedsiębiorstw*, Szkoła Główna Handlowa, Warszawa 2011.

¹⁹ U. Arnold, *New dimensions of outsourcing: a combination of transaction cost economics and the core competencies concept*, „European Journal of Purchasing & Supply Management” 2000, vol. 6, no. 1, 2000, pp. 23–29.

²⁰ R. Coase, *The nature of the firm* [in:] *Essential Readings in Economics*, Palgrave, London 1995, pp. 37–54.

²¹ M. Kowalski, *Teoretyczne przesłanki umiędzynarodawiania działalności przedsiębiorstwa*, „Ruch Prawniczy, Ekonomiczny i Socjologiczny” 2004, z. 1, pp. 93–102.

of using practices employed in competitive strategies such as providing subsidiaries with subsidies originating from the parent company, manipulating transfer prices etc., weakening state interventionism, fully utilizing the administrative, managerial and marketing potential developed by the parent company.

6. The eclectic theory of international production

While analysing the economic literature, one finds different theories explaining the determinants of the influx of foreign direct investment. The influx of foreign capital originating from transnational corporations is usually analysed using J. H. Dunning's eclectic theory of international production. This was first presented in 1977 and developed in subsequent publications. J. H. Dunning used the ownership advantages theory and creatively developed two other theories: R. Mundell's theory of location²² and the theory of internalization based on the concept of transaction costs, which was formulated by R. Coase. According to J. H. Dunning's theory, there are three types of advantages over competitors that determine the effectiveness of activity on a foreign market, and they are extensively described by the so-called OLI paradigm, which stands for ownership, location, and internalization²³. Ownership advantages are advantages which are characteristic of the company (e.g. its own technology, global brand recognition) that may be used to compensate for additional costs related to opening production plants in a foreign country and may overcome the weaknesses the company has when compared to local companies. Location advantages mean access to large local markets, lower costs of production factors such as the workforce and natural resources as well as a better infrastructure. In his publications, J. H. Dunning mentioned many other location conveniences for the foreign investor (the distribution of natural resources, transport costs and accessibility, the technical advancement of host countries, market opportunities, cultural similarities and economic policy)²⁴. According to J. Dunning's theory of international production²⁵, which is regarded as the most significant theory referring to reasons for FDI, existing trade barriers may affect the investment's location but are not perceived as a sufficient reason to internalize production. Globalization processes have an unwavering tendency to equalize manufacturing costs; therefore more importance will be assigned to the remaining elements mentioned by J. Dunning resulting in a foreign investor's location advantages.

The OLI paradigm should be considered to be the most up-to-date while analysing the variety of motives of foreign investors deciding to invest their own capital by

²² J. Róžański, *Zmierzch międzynarodowych przepływów kapitałowych*, 2017.

²³ J. H. Dunning, *Towards an Eclectic Theory of International Production: Some Empirical Tests*, „Journal of International Business Studies” 1980, vol. 11, no. 1, pp. 9–31.

²⁴ M. Jaworek, *Bezpośrednie inwestycje zagraniczne w prywatyzacji polskiej gospodarki*, Towarzystwo Naukowe Organizacji i Kierownictwa „Dom Organizatora” Toruń 2006, s. 43.

²⁵ J. Dunning, *Multinational Enterprises and the Global Economy*, Addison-Wesley, Wokingham 1993, p. 81.

establishing subsidiaries or branches in host countries. However, one may cast doubt on some factors indicated by Dunning that are connected with location and internalization (the decreasing differences in manufacturing costs constituting the basis for the location concept or the outsourcing benefits contradicting the theory of transaction costs). As shown above, ownership advantages appear to be the least questionable. In spite of the progress of globalization, most well-known theories explaining the occurrence of international capital flows are still up-to-date, though with certain limitations. Location advantages remain up-to-date although increasing labour costs in developing countries may limit some of these advantages.

Inequalities and the technological backwardness of many regions are among the global problems with which the world economy is struggling. In contrast to the outcome that some economists predicted, the advancing process of globalization has not resulted in an evening out of the development disparities among particular regions of the world, and in certain cases it has deepened these disparities. There are, however, groups of countries or regions that have been able to take advantage of some of the aspects of the globalization process and, above all, the activity of transnational corporations²⁶. In a way, the effect of globalization and the liberalization of global markets results in the equalizing of living standards, thereby creating similar tastes among consumers while preserving the similarity of cultural patterns. However, due to the transformations taking place in the global environment, recent years have seen a distinct decrease in the usefulness of the OLI paradigm tools to study new and more specialized practices in the international business of companies, including outsourcing and offshoring. Attempts to change this state of affairs have moved in the direction of bringing the existing paradigm up to date by incorporating new elements into particular OLI conditions and extending the scope of the study of international business theories. A more effective course of action has proved to be the new concept of analysing the related processes of outsourcing and offshoring that has been referred to as the DLE paradigm – disintegration (D), location (L), externalization (E). The concept of DLE was created by B. L. Kedia and D. Mukherjee²⁷. Similar to the OLI paradigm, it has an eclectic character as utilizes research from four domains: management, international business, new economic geography, and the evolutionary theory. The DLE concept may be regarded as a developing paradigm, mainly within the scope of international business. The formation of a new concept of analysing outsourcing and offshoring processes as one of the trends of the current foreign expansion of companies came about as a result of the growing incompatibility between theory and practice in international business, especially the decreasing usefulness of the paradigm. On the other hand, there has been an increase in research achievements in international management as well as in other fields. Using the eclectic

²⁶ J. Kraciuk, *Korporacje transnarodowe a zjawisko luki technologicznej w krajach rozwijających się*, „Zeszyty Naukowe Szkoły Głównej Gospodarstwa Wiejskiego. Ekonomika i Organizacja Gospodarki Żywnościowej” 2006, z. 61, s. 13–24.

²⁷ B.L. Kedia, M. Mukherjee, *Understanding Offshoring: A Research Framework Based on Disintegration, Location and Externalization Advantages*, „Journal of World Business” 2009, vol. 44, pp. 250–261.

method, B. L. Kedia and D. Mukherjee adopted and included in their presentation selected themes of new and existing concepts or theories in order to create a framework and analytical tools that are better suited to the current practices of companies in terms of outsourcing and offshoring²⁸. The DLE concept encompasses two separate elements and, in this respect, it differs from the OLI paradigm. The first one is the analysis of determinants and factors concerning changes to the global environment and in companies competing on the global market. The second element concerns the determination of sources of competitive advantages and benefits achieved by companies that satisfy the conditions (DLE) of involvement in outsourcing and different forms of offshoring. Advantages of business disintegration and of the modularity of the chain of company values constitute condition D. Obtaining the advantages of locating some activities in a different country which offers the values desired by a given business constitutes condition L. Determining the possible advantages of externalizing selected activities beyond the organization constitutes condition E, this is in comparison with the advantages of internalizing these activities. Under DLE conditions, the processes of outsourcing and offshoring are considered together as a set of organizational and strategic decisions and moves leading to changes in value chains and company business models. The DLE paradigm created by B. L. Kedia and D. Mukherjee is a new concept for analysing the processes of outsourcing and offshoring in companies which deserves attention. Due to the need for stimulating the foreign activities of transnational corporations, it would be advisable to provide incentives prompting them to offshore activities of higher value as well as technological requirements, thereby creating more benefits for the host economy. An active innovation policy may produce such incentives in the form of supporting the development of the required location values (e.g. in regions) that would be focused on the activities of foreign and domestic companies²⁹.

The OLI paradigm has also been broadened and transformed by its author and shifted towards the macroeconomic theory of economic development. In this theory, Dunning³⁰ presented the concept of an investment development path. IDP consists of distinguishing the stages of the development of a country depending on its tendency for direct involvement in foreign investment that can be explained by means of the eclectic theory. As a measure of a given country's investment position, Dunning³¹ adopted the factor of net value of FDI per capita and shows the dependence of this measure on an indicator of the level of economic development, in this case he chose GDP *per capita*. The author distinguishes between the various investment level development paths of countries which correspond to development stages and, at the same time, phases that shape the investment position on foreign markets. He divided

²⁸ Ibid.

²⁹ A. Zorska, *Paradygmat DLE jako nowa koncepcja analizy procesów outsourcingu i offshoringu w korporacjach transnarodowych*, SGH – KES, Warszawa 2012 (mimeo), s. 12–16, s. 210–212.

³⁰ J. H. Dunning, *Towards an Eclectic Theory of International Production: Some Empirical Tests*, „Journal of International Business Studies” 1980, 11, no. 1, pp. 9–31.

³¹ Ibid.

countries into four groups according to their economic development and their investment position on foreign markets.

1. Countries with a very low level of per capita income; they are characterized by a zero or negative net value of foreign direct investment; these countries neither make investments themselves, nor are they sufficiently attractive places as FDI locations.
2. Countries with an average level of income; in these economies, the level of foreign investment is growing, but they invest abroad only to a limited extent.
3. Countries that are both recipients and providers of direct investment; the growth in per capita GDP value is accompanied by the enhancement of the relationship between investment made abroad by domestic companies and investment undertaken by foreign companies.
4. Countries with a notable specialization in foreign direct investment; they offer advanced telecommunications and technological infrastructure, a specialized business environment and a high level of staff qualifications, this makes them the main recipients of FDI in sectors with a high level of technology. This is accompanied by the processes of creating industrial clusters in terms of advanced technologies.

According to the IDP model, economies go through a five stage relationship between the GDP per capita income and their position on this path:

1. The pre-industrial stage – advantages only stem from natural resources, and the economy's attractiveness to FDI is based on the natural resources of the host country.
2. The attractiveness of the country as an FDI location is increasing, but the export of investment is still at an insignificant level.
3. The developing country is approaching economic maturity, there is a slowdown in the pace of the influx of FDI due to a deterioration in traditional advantages, and, at the same time, the pace of investment outflow abroad speeds up.
4. The competitiveness of companies is increasing due to the appearance of ownership and location advantages, which leads to an equalization in the growth rates of incoming and outgoing FDI flows.
5. There is a reinforcement of existing trends, that is, of the equal pace of FDI inflow and outflow between countries whose economic development is highly advanced and which display the greatest tendency for the mutual allocation of resources (the net value of investment export oscillates around zero).

Both the fourth and fifth stages are typical of the most developed economies.

7. The global competitiveness theory

The theory related to the competitive strategy of a company operating in the international arena was formulated by M. Porter. According to him, it is useful to take a global approach to managing a company and to forming its whole strategy of functioning, globalization occurs when it offers an opportunity to gain a competitive advantage which is the result of the integration of the company's activities at a global

level. The global competitiveness theory is a strategy by means of which a company carrying out activities on an international scale attempts to gain a competitive advantage through a concentrated configuration or the coordination of geographically dispersed activities or by using both strategies simultaneously. The concentration of activities is facilitated by: advantages resulting from the learning curve, advantages derived from the scale of the activity as well as the advantages gained from the coordination of activities located in one place. M. Porter's concept encompasses two principal types of international company activity: exports together with imports and foreign direct investment; that is why it may be described as having a relatively general nature.

8. The geobusiness theory

This theory was designed to help to overcome the limits of other concepts with regard to international trade and foreign direct investment such as the fragmentary nature of their perspectives, the incompleteness of possible strategic options and the one-sidedness of their outlook. This concept is an attempt to create an analytical scheme that would serve the purpose of explaining and predicting the possible behaviour of companies regardless of the form of their international activity. In geobusiness theory, the issue of the behaviour of international companies has been comprehensively presented and encompasses a broad set of variables. Three of the most important groups of variables have been distinguished: those that are necessary (variables describing products, country-related variables and international variables), those that provide motivation (encompassing company-specific factors and variables determining the competitive position of the company), those that control and set boundaries (the influence of governments in terms of international activities as well as international treaties and agreements)³².

9. The theory of the international transmission of resources

This theory was described by J. Fayerweather in 1969³³. It explains the role of transnational companies in terms of the distribution of resources between countries in the form of trade and investment. This theory is connected with management and enterprise technology. The international flow of resources and the activity opportunities resulting from it stem from the disproportionality between the supply of resources and the demand for these resources in particular countries. Transnational corporations use the opportunities which arise from this by employing an appropriate strategy to determine the type of resources, the choice of countries to trade with and the forms of resource transmission. The role of the company in the transmission of

³² T. Pakulska, M. Poniatowska-Jaksch, *Geobiznes*, Szkoła Główna Handlowa, Warszawa 2017, s. 9–19.

³³ J. Fayerweather, *International business management*, „The International Executive” 1969, vol. 11 no. 1, pp. 10–11.

resources abroad is defined by three groups of factors. They are: government actions, differences in resource demand and availability and the company profile. This theory takes into account the conditions of oligopolistic competition, which are treated as one of the factors prompting foreign expansion, but it does not address the dynamic aspect of companies entering foreign markets³⁴.

10. The global horizons theory

This theory encompasses the analysis of the factors leading to the change in a company's geographical horizon and prompting it to undertake international activities. The issue of the geographical horizon does not exist in traditional economic theory as it is assumed that a company has perfect, free information, which makes it possible to use the available opportunities regardless of where they occur. In economic reality however, the geographical horizon of a company's activity is limited to the domestic, regional, or local market. In the course of a company's development, the horizon often undergoes changes. This may be caused by internal factors (such as the development of a new technology, the creation of a new product, an internal initiative, the dependence on supply sources from abroad) or external ones (the influence of consumers, the foreign expansion of competitors, government activities). These factors broaden the geographical horizon and constitute a complement to the concepts discussed above.

11. Conclusions

In summary, to review foreign direct investment theories it may be stated that there are many and varied concepts describing the international flow of investment capital. These concepts are constantly developing but, to date, no theory has been developed that would fully explain all of the processes connected with foreign direct investment linking the motives, determinants, types, and directions of the flow.

In recent decades, J. H. Dunning's eclectic theory of international production has been widely perceived to be the most general concept presenting the reasons for making foreign direct investments in the most comprehensive way. The OLI paradigm (ownership, location, internalization) has been both widely accepted and used in empirical research. This theory has also been used to study changes in international flows such as, among others, the fragmentation of production, the delocalization of production, the growth of the trade in tasks that are elements of production processes. However, the updated OLI paradigm in the form of the DLE paradigm (disintegration, location advantages, externalization advantages) has proved to be more useful in conducting a usable analysis including the processes of outsourcing and offshoring. Fulfilling these three conditions may provide the basis for taking

³⁴ M. Kuzel, *Kapitał intelektualny organizacji w procesie internacjonalizacji polskich przedsiębiorstw – inwestorów zagranicznych*, Wydawnictwo Naukowe Uniwersytetu Mikołaja Kopernika, Toruń 2018, s. 221–246.

a rational decision with regard to the allotment and transfer of the realization of activities in a specific form beyond the borders of the country. Big companies, and most particularly transnational corporations, have been transferring, in accordance with the DLE paradigm, particular elements of production and service processes to off-shore companies, most commonly to countries where labour costs are low. However, the coronavirus epidemic has shown the risk connected with the defragmentation of production undertaken in this way. That is why it seems that there will be changes in the paradigm oriented mainly towards profit and a new paradigm will appear together with new concepts in which more significance will be attached to risk and the ways of limiting it.

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INVESTMENT ACTIVITY OF FOREIGN COMPANIES ON NON-EUROPEAN MARKETS

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Abstract

Non-European markets, which are for the most part represented by former developing countries, are an important and attractive area for economic activity by companies originating not only from highly developed but also from less developed economies. The „traditional” exporters to Africa, Asia and Latin America (US and west-European companies) are today being joined by Chinese and Indian companies, which are active in various regions. They are being followed by central European investors, including Polish ones. At present, certain African markets are quite attractive to Polish companies. Investments in African markets make up an increasing share in global FDI at the moment. Political stabilization in some Sub-Saharan African countries and an economic boom after many years of turbulence are the key factors. Also, the African ruling classes are willing to cooperate with the demands of foreign capital. This in turn creates a challenge for the governments of medium developed countries, like Poland, to support the logistical and financial needs of their own investors.

Keywords: *direct foreign investment, non-Europeans markets, theoretical approach, institutional limitations, Polish investors*

1. Introduction

Foreign investors are seeking to undertake business activities in new markets using a number of different strategies. The most straightforward way is to buy an existing enterprise (brownfield investment) or to create a joint venture with a foreign partner (if the partner proves to be reliable), but greenfield investments, i.e. the creation of a company from scratch, which usually produces better financial results in the long run, are a more ambitious, though difficult and risky path.

Economic difficulties in highly developed countries have intensified the competition between potential investors in search of new areas of activity. It is possible that this competition will soon intensify further due to the slowdown in the economic

growth of China, the main investor in Africa in recent years. India might take the place of China as the main investor.

Major corporations play a leading role in direct investment. However, for a medium developed economy in which there are few native concerns and national capital is less competitive, the expansion of companies with a more modest potential is more important. Is such capital expansion possible given the conditions of the Polish economy with limited institutional, logistical and even financial (e.g. credit) support from the state? According to the authors, such support is indispensable. This statement is the thesis which has been adopted for the purposes of this paper.

2. Review of the theoretical framework of foreign direct investment

The theory of foreign direct investment (its conditions, possibilities for effective application, etc.) consists of various threads. Some were created as the side product of studies concerning the investment cycle or the ageing of investments.

Theoretical studies concerning FDI were developed nearly fifty years ago, hence their universality and applicability to the conditions of today's world economy is questionable.

In the 1960s, the American economist Raymond Vernon described product life cycle patterns. They rely on the movement of production: as the product becomes older in terms of technology, its production is moved to a new location with lower production costs and with less demanding markets. At a later stage, it returns (in form of an import) to the primary market¹.

In turn, the British economist John Harry Dunning analysed the factors prompting companies to undertake foreign investments. Dunning determined the stages of economic advancement, as described by the index he developed. It describes the investment activity of national capital and the intensity of foreign investment inflow².

The latest contribution to the theory of foreign direct investment was made by British economists James R. Markusen and Anthony J. Venables³. They presented in the form of a model the impact of foreign investment on the development of local industry. The production of intermediate goods, made by the local sector for the production of final products, which is created due to foreign investment leads to an increase in prosperity in the host country.

The authors of this paper refer to the universality of existing theories of foreign direct investment in a critical way. They stated in another article that the theory of foreign direct investment did not explain the motives for undertaking direct activity abroad in the case of companies from emerging markets.

¹ R. Vernon, *International Investment and International Trade in the Product Cycle*, „The Quarterly Journal of Economics” 1966, issue 2.

² J.H. Dunning, *International Production and Multinational Enterprise*, Allen and Unwin, London 1981.

³ J. R. Markusen, A. J. Venables, *Foreign Direct Investment as a Catalyst for Industrial Development*, „NBER Working Paper” 1997, no. 6241.

The missing element concerns the competitive advantage of enterprises from those markets that undertake direct investments in medium and underdeveloped economies. Until now, these investments were the domain of the strongest companies in the world, which had a certain technical and organizational advantage, allowing investments in selected countries. This type of explanation was found in works of many authors who comment on the essence of FDI. The issue of comparative advantage of enterprises from emerging markets remains, however, a kind of mystery for economists dealing with this topic⁴.

At present theoretical discussions concerning foreign direct investment are not in line with the conditions of the contemporary economic policy of African, Asian and Latin American countries, the medium-developed European countries may also be included in this category. Recent years have been dominated by the trend of opening the national economy and this applies to most of the modern world. The presence of foreign capital in an underdeveloped economy is indispensable at the present time. However, the experience of many countries has also highlighted the weaknesses of this approach. National economies have lost key assets and improvements in the labour market situation have been meagre as well. It should be emphasized that Vernon's arguments about the investment cycle should push the governments of underdeveloped and medium developed countries to take a more flexible approach in their choice of techniques. At present, economic growth is based on labour-saving techniques and on the „locomotives” of the economy, i.e. the leading branches where foreign direct investments are most common at that particular time. However, for direct investments to have a beneficial influence over the local labour market, then technologies requiring lower qualifications, i.e. a lower degree of technological advancement, rather than an increased degree of automation should be implemented. It is also an opportunity for potential investors from medium developed countries, including Poland, because competition in these cases is weak.

3. Institutional and cultural conditions of foreign direct investment on non-European markets

In many countries, the institutional system is ineffective or does not exist at all (Central and West African countries, including the Central African Republic, Niger, Mali, Chad). The general uncertainty and instability regarding property rights, intellectual property etc., discourages economic entities from engaging in long-term enterprises and thus the necessary investments in fixed capital are not made. The example of some countries has shown that even positive economic indicators are not enough to prevent the outbreak of a financial crisis and the collapse of the state. A political crisis is as dangerous as a macroeconomic imbalance. It always leads to the loss of investor confidence in the actions of the authorities of a given country. The fragility of this trust is particularly evident in countries where corruption, nepotism

⁴ R. Piasecki, J. Gudowski, *Determinants of foreign direct investment by companies from emerging economies*, „Journal of Modern Science” 2015, no. 1.

and crony capitalism are rampant. The market is ineffective if the necessary financial, social, legal or political infrastructure is absent.

The assumption that an efficient institutional and legal system has a fundamental importance for economic development is applicable in all countries. Developing countries are characterized by weaknesses in their market institutions and legal systems. A lack of structural reforms, huge income disparities, fragility of investor confidence and corruption cast a deep shadow over their prospects for development. The general perception of a lack of discipline, poor organization and low or insufficient levels of education and knowledge in society has been confirmed. There is no doubt that a strong state is necessary with respect to creating and maintaining the effectiveness of institutions.

As the Nobel Prize winner Douglas C. North wrote in a World Bank report, it is of paramount importance to motivate people to invest in better technologies, increase their skills and organize efficient markets. These are the motivations inherent in vital institutions. What primarily distinguishes rich countries from poor ones is the existence and quality of certain institutions. Of course, this is not about creating more bureaucratic bodies, government agencies, committees or institutes. Market support institutions do not have to be official and do not even have to be formalized⁵.

The most important functions of institutions include reducing transaction costs, cutting down the costs of entering the market for new products and facilitating access to information. Recognizing the problem of transaction costs involves an acknowledgement that the institutional determinants of markets are crucial. It is known that the course of the balance of supply and demand depends largely on the level of social trust and on the transparency of the operating conditions, which is the end result of the quality of the legal system, moral principles and mentality of the economic entities. In other words, the efficiency of the markets and, consequently, the level of the transaction costs depends on the institution. Institutions and transaction costs are two sides of market efficiency.

Almost 200 years ago, the English economist T.R. Malthus wrote that the principles of wealth and the misery of nations are the subject of all inquiries of political economy⁶. In observing the development of individual countries in the world, we should ask ourselves why some nations, social groups and economic institutions are growing faster, while others are developing more slowly or not at all? Why are some countries and enterprises more competitive than others? Why have the competitive differences deepened throughout history rather than decreasing? Of course, there is some evidence which may be gathered from economic history of countries that made up for delays and joined the group of leaders (e.g. the countries of Southeast Asia, Ireland, Finland).

This problem has been analysed by many scientific disciplines, including economics, political science, history, sociology and anthropology. The mechanism has

⁵ D.C. North, *The Historical Evolution of Policies*, „International Review of Law and Economics” 1994, no. 14, pp. 381–391.

⁶ D.S. Landes, *Bogactwo i nędza narodów*, Muza SA, Warszawa 2000, s. 3.

already been extensively described many times, but there is still disagreement as to which factors play a decisive role. Why is Africa in such a bad economic situation? Why is Latin America's progress towards democracy, prosperity and social justice so slow, especially when compared to the US and the EU?

Colonialism, imperialism or any other form of political and economic dependence have often been blamed⁷. It was thought that African chaos was a consequence of the lack of responsibility and greed of colonial powers. An attempt was made to explain Latin American underdevelopment as being due to US imperialism. Certainly, these explanations may be true to some extent, but in recent years there has been an increasing current of opinion that the real reasons for the underdevelopment of these areas should be sought out elsewhere, e.g. in the value systems of given societies that do not always go hand in hand with pluralistic political systems, entrepreneurship or social justice.

The success of South Korea, Taiwan, Hong Kong or Singapore substantially undermine the theory of dependence. In turn, the dynamics and positive mobility of ethnic groups such as the Chinese, Japanese or Koreans in the US undermines the credibility of theories that some ethnic groups lag behind because of racist persecution or discrimination.

The African system of values, attitudes and institutions are characterized by progress-resistant features such as:

- A culture oriented towards the past and present, not to the future. As a consequence, without a clear and dynamic vision of the future, there is no planning, forecasting or constructing scenarios of actions, nor any policy that would affect the course of events (you can clearly see the huge advantage of such future planning in nations such as the United States of America and Japan),
- Excessive focus on a leader that will supposedly arrive and bring order. This leader often refers to magical powers or religious fundamentalism,
- Implicit subordination of the individual to the community which inhibits individual initiative,
- A high degree of fatalism, irrationality and faith in magic,
- Disregard or profound ignorance of the economic realities of life.

Many authors hold the view that without a profound cultural change it will not be possible to break free from the backwardness of many societies, in particular African, Latin or Asian ones. Several decades ago, to explain the reasons for the rapid economic recovery of Germany after World War II, E.F. Schumacher drew attention to three fundamental factors, namely „education, organization and discipline”. He surprised other economists by not emphasizing the capital required (although Germany benefited financially from the Marshall Plan)⁸. The case of Arab countries, which for the most part, have not been able to use surplus capital from the sale of oil to improve their competitive position, has confirmed the veracity of Schumacher's views. Capital

⁷ L.E. Harrison, *To Modernize Some Have to Change Their Culture*, „International Herald Tribune” 2001, March 1.

⁸ E.F. Schumacher, *Small is beautiful*, Glasgow 1973.

is a necessary factor for development, but it is not in itself a sufficient condition for real progress to be made.

Experts on the subject have come to similar conclusions in describing the problems of Latin American countries. They are convinced that these countries are not fully „culturally prepared” for democracy and the market economy. Also, in this case, they appeal for cultural changes as a precondition to modernization. Otherwise, these countries will not join the dynamic stream of global changes. These changes are inevitable and irreversible, as they are closely related to the huge progress being made in the field of communication and information technology.

If these countries remain committed to their system of traditional cultural values they will only lag further behind. Many researchers believe that an anti-intellectual culture which is deeply rooted in slavery, segregation and self-isolation is the biggest obstacle to the positive mobilization of Afro-Americans. Moreover, it is difficult to explain their circumstances other than recalling the cultural factors of why the Chinese living in Malaysia, Indonesia, Thailand and the Philippines are economically better off than other foreigners living in these countries, not to mention the prosperity of the Jews living in Central and Eastern Europe before World War II. This does not necessarily mean that the West or the Japanese should impose their value systems on other nations. However, modernization and effective integration into globalization processes would be very difficult or even impossible without cultural changes.

It is important to point out that history has proven that the role of cultural factors can clearly be limited. The example of a divided Germany or Korea shows that an ineffective economic system, lack of democracy or bad economic policy can weaken the positive effects of cultural factors (e.g. the GDR had only 30% of West Germany's work efficiency) or even completely destroy them (e.g. the starving North Korea vs. the highly developed South Korea). This leads to the conclusion that the real success of a nation or its competitive position is determined by a number of beneficial factors that act in a pro-developmental way over a long period of time.

The cultural and institutional conditions mentioned above have a huge impact on the perception of a given country by foreign investors. This is particularly important in the case of foreign direct investment.

4. Examples of Polish investments in Africa, Asia and Latin America

In recent years, Polish enterprises have undertaken some investments in Africa, Asia and Latin America. Data concerning the total amount of funds invested (production investments) are not available, we only have partial indicators. Some examples are discussed below.

In 2014, the QKR Corporation Limited, an entity owned by Kulczyk Investments and Qatar Holding, signed an agreement with the South African mining group AngloGold Ashanti to acquire 100 percent of the shares in AngloGold Ashanti Namibia Limited. An open-pit gold mine in Namibia belonged to this company.

The transaction value was set at approximately PLN 336 mln. Under the agreement, every quarter the South African partner will receive 2% of the net amount from the sale of 18.75 thousand ounces of gold at a price per ounce of not less than \$ 1,350.

In 2013, Azoty Zakłady Chemiczne Police bought 55% shares in the Senegalese African Investment Group for \$28.85m, thereby gaining access to deposits of raw materials in Senegal. The Ebola outbreak has temporarily stopped the expansion of the Polish company.

Attempts to cooperate with Saudi capital are especially interesting and ambitious. This is a consequence of the revival of economic and political relations with Saudi Arabia, which followed the mutual establishment of embassies in both countries a few years ago. In the years 2004-2013, several Polish-Saudi companies were set up, including Polimex Mostostal Siedlce S.A. with Saudi companies (POLIMEX ARABIA LTD), Elektrobudowa Konin with the Saudi company Al-Alamiyah and BIATEL ARABIA (with the participation of Biatel S.A. and Saudi Almashrik Co.) in the telecommunications and IT sector.

In Latin America, the largest Polish investment is the construction of a copper mine by KGHM in Chile. This is the flagship Polish investment in the world in recent years (\$4bn). However, it has not accrued any benefits in its initial years due to the global crisis on commodity markets and the drastic fall in copper prices. However, KGHM's presence in Chile is fully justified considering Chile's copper resources.

Obviously, not all attempts at the capital expansion of Polish companies are successful. Known cases of failure include the Kulczyk group's investment in gas exploration in Central Asia, as well as the experience of KGHM in Angola and Congo. In the latter case, around \$40m was invested, this was followed by a decision to withdraw from Africa. The project ended in fiasco because after mining the ore, it turned out that KGHM did not have the technology required to process it.

Moreover, not every press release about Polish investment fully corresponds with the truth. Recently, the public was informed about Ursus selling 1,500 tractors to Ethiopia, where an assembly plant will also be built. However, the majority stake in Ursus, which is currently based in Lublin, belongs to Chinese capital.

However, the internationalization of investment capital presents a great opportunity for Polish enterprises. One example is the international concern Boryszew operating in the automotive industry, in which Polish companies participate (including Impexmetal). In 2015, the Boryszew Group signed a contract for the production of Audi car parts in Mexico, which is to be a beachhead for expansion into the markets of other NAFTA countries.

5. Current support for Polish investors from government institutions

There are a number of institutions in Poland involved in supporting the development of Polish business abroad. These are primarily the Ministry of Foreign Affairs,

the National Chamber of Commerce and others. The effect of the cooperation between the first two are the Trade and Investment Promotion Departments established in recent years at the Polish embassies. The trade.gov.pl website was created, which is designed to acquaint entrepreneurs with the specifics of foreign markets.

The Polish Information and Foreign Investment Agency (PAIiIZ) also provides information support for Polish investments abroad. The pilot programme was launched in 2011. In the first stage, PAIiIZ, covered EU markets (the Czech Republic, Germany, France and the United Kingdom) as well as Ukraine and Russia. In the longer term, the programme will also take into account non-European markets.

The Government Export Support Programme is also worth mentioning. Under the Programme, support with low interest rate credit applies to investment projects in the so-called non-market risk countries. Private institutions are also involved in these information activities. It is a pity, however, that scientific institutions dealing with this issue at some Polish universities have been closed down in recent years.

Moreover, economic missions with representatives of Polish companies have been organized for years on the occasion of visits by the president, prime minister or some ministers.

The abovementioned activities, as well as others not listed here, that were launched by various government departments and agencies, are undoubtedly a step in the right direction. Of course, these activities will not remove the biggest barrier for medium capital, i.e. financial limitations.

6. Conclusions

Non-European markets, representing the former so-called developing countries are an important and attractive area of economic activity for both high and medium developed countries. Asian leaders, i.e. China and India, whose presence is visible on the world stage especially in Africa, have already joined the group of existing „traditional” investors in Africa, Asia and Latin America, i.e. American and Western European companies. They have been followed by investors from medium developed countries, including Poland.

Among the many difficulties accompanying the investment expansion of these countries, one of the most important is the long period of the „maturation of investments” on non-European markets, and thus the attainment of the full economic capacity of the funds invested. There are various reasons for this state of affairs. In the case of investments in mining and the exploration of deposits, the preparation of appropriate infrastructure requires a long period of time. Irrespective of such objective requirements, there are also non-formal issues that must be overcome regardless of the economic sector and the size of the investment engaged. These are local conditions, including cultural, moral and systemic conditions, that is, everything that makes up the Myrdalian term of the „soft state”. These types of phenomena still exist, even though it has been more than half a century since Myrdal, and require not only skills in solving sensitive issues which are for the most part foreign to the European

mentality, but also – from an economic point of view – the acceptance of a long period of investment inactivity. High fixed costs and the freezing of funds are therefore a barrier for many potential investors.

The nature of the capital expansion of Polish enterprises is varied. These are investments on capital markets as well as brownfield and greenfield direct investments. In the case of direct investment, at present, African markets are the most promising ones for Polish capital. Foreign investment in sub-Saharan Africa is a global trend today. This is due to the increasingly stable political situation in this region and its economic recovery after many years of economic, political, as well as environmental and social problems (the latter are, among others, the AIDS threat, the disease has become less of an issue but it has been superseded by COVID-19). The new situation in this part of the world is evident in the attitude of local governments, which are willing to cooperate with foreign partners as never before. These factors are also challenges for the leaders of medium-developed countries, whose actions should take into account the logistical and financial needs of potential investors for the purpose of successful expansion.

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CORPORATE SOCIAL RESPONSIBILITY – FASHION OR NECESSITY?

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Abstract

The paper consists of two parts. The first one includes an interpretation of the concept of Corporate Social Responsibility by various international institutions. The legal arrangements regulating CSR and the standards contained in SA 8000 and ISO 26000 are discussed. The results of a survey conducted in the Lubelskie voivodeship make up the second part. The research was based on a sample consisting of 448 companies. It was found that many companies are not engaged in CSR activities in the manner proposed by the European Commission or they are not conscious of the possibilities of CSR.

Keywords: CSR, legal aspects, implementation, Lubelskie voivodeship, research

1. Introduction

The literature concerning corporate social responsibility (CSR) is abundant. This is the result of interest in the environmental risk due to pollution, poverty in many regions of the world and the need for a broadly understood concept of social solidarity. But what is corporate social responsibility and how should it be understood? Some activities which are labelled as CSR are actually painfully ironic, when for example, a female celebrity buys a pair of sandals for an African child to endorse a luxury shoe manufacturer. Perhaps it is precisely this vague understanding of the term that encourages international institutions, including EU ones, to clarify its scope and indicate the framework of its conduct. At the same time, the obligatory application of CSR principles should not be ruled out in the future, considering the scale of civilizational challenges which confront us.

2. Legal aspects of CSR

CSR is a concept that is widely used in the world, both in the corporate and academic sphere, which has had a significant impact on the analyses of the legal aspects of CSR.

Currently, there are many legal norms regulating CSR, they have been widely adopted and used in both developed and developing countries. The concept that enterprises bear some responsibility towards society, going beyond maximizing shareholder profit, has deep roots and the concern for wider society shown by business communities has been noted for centuries.

CSR is sometimes defined as an idea by which enterprises integrate social and environmental goals with economic ones and shape management policies and relations with shareholders in the case of companies. CSR therefore means the public attitude towards the economic and human resources of society and a desire to acknowledge that those resources are used on a wider social scale, not only to meet the narrow interests of individuals and companies¹.

This approach is in line with the expectations of the European Union. The European Commission has defined CSR as „the responsibility of enterprises for their impact on society” with the concept that „enterprises voluntarily include social and environmental considerations in their business activities and relations with stakeholders”². In order to meet this responsibility, the strategies of enterprises should include both social and environmental elements (biodiversity, climate change, resource management effects, life cycle assessment, pollution prevention), work and employment practices (training and diversity, gender equality, employee health and well-being), local development and activism, integration of people with disabilities, ethics (combating bribery and corruption), human rights and customer requirements for all concerned³.

The Commission document for the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions presents numerous proofs of acceptance, not only of the voluntary nature of CSR, but also of freedom in interpreting this notion. Enterprises should develop CSR themselves, enterprises must be free to stimulate innovation and to develop an approach to CSR that is appropriate to their situation. The CSR mechanism is likely to remain informal and intuitive for most small and medium-sized enterprises, in particular micro-enterprises⁴.

In 1986, an international network of business leaders from Europe, Japan and the United States called the Caux Round Table was established. Its main goal is to alleviate tensions in the sphere of economic activity. According to the adopted position of the Caux Round Table, global business circles are responsible for maintaining global

¹ W.C. Frederick, *The growing concern over business responsibility*, „California Management Review” 1960, no. 2, p. 70.

² *Komunikat komisji do Parlamnetu Europejskiego, Rady, Europejskiego Komitetu Ekonomiczno-Społecznego i Komitetu Regionów*, available online: <https://ec.europa.eu/transparency/regdoc/rep/1/2011/PL/1-2011-681-PL-F1-1.Pdf> [access: 29.12.2019].

³ European Commission, *A renewed EU strategy 2011–2014 for Corporate Social Responsibility*, Brussels 2011, p. 6.

⁴ A. Balcerak, *Metamorfozy modnych koncepcji zarządzania na przykładzie Społecznej Odpowiedzialności Biznesu (Metamorphoses of fashionable management concepts on the example of Corporate Social Responsibility)*, „Organizacja i Kierowanie” 2015, nr 3 (168), s. 7–9.

peace and stability, joint leadership is necessary for the greater recovery and harmonization of the world economy, mutual understanding and cooperation should be based on the most important moral values and responsible action of individuals. The main task of the Round Table was to develop constructive economic and social relations between the countries represented by the participants of the Round Table, and to accept joint commitments to the rest of the world (e.g. Principles for Business published in 1994)⁵. The document refers to the concept of CSR in the context of changes taking place in the social, political and economic sphere around the world. It defines appropriate business behaviour, issues regarding responsibility towards stakeholders, and refers to respect for environmental protection, as well as legal rules.

The World Business Council for Sustainable Development defines CSR as a continuous commitment by business to ethical behaviour and towards making a contribution to sustainable economic development by improving the quality of life for employees and their families as well as for the local community and society as a whole. The Council emphasizes that although the ultimate goal of economic activity is profit and economic development, the impact of economic activity on society must not be overlooked⁶.

CSR, in the interpretation of the United Nations Industrial Development Organization (UNIDO), goes beyond the narrow spectrum of philanthropic activity and falls well within the domain of business management, which skilfully correlates social and environmental aspects as a part of daily operational activity, as well as the interaction with stakeholders. As a result, the CSR concept enriches the company with the opportunity to balance economic, environmental and social imperatives, while at the same time meeting the expectations or requirements of stakeholders and investors. It seems appropriate to form a separate concept of CSR as it is understood by UNIDO – a specific concept of strategic management as well as standard forms of philanthropy or sponsorship. A broad understanding goes beyond the typical understanding of the implications of pro-social activity for improving the reputation of the business or building a corporate brand.

The world's largest corporate citizenship initiative, as expressed in the principles arising from the Universal Declaration of Human Rights, operating since 2010 as the concept of the UN Secretary General – the UN Global Compact initiative is aimed at introducing the concept of sustainable development and social responsibility in a global business environment and mentions the following vital principles: support and respect for international human rights, respect for freedom of association, the possibility of concluding collective agreements, the elimination of forced and child labour, the prohibition of discrimination, counteracting environmental changes, supporting ecological activities, promoting the development of new technologies conducive to improving the natural environment, fighting against corruption.

⁵ See: *Caux Round Table for Moral Capitalism*, available online: <https://www.cauxroundtable.org> [access: 12.12.2020].

⁶ R. Holme, P. Watts, *Corporate Social Responsibility: Making good business sense*, World Business Council for Sustainable Development, 2000, p. 6.

Social Accountability International: SA 8000 Standard, one of the first standards in the area of international social responsibility, is based on universal values arising from international human rights conventions, it was developed on the initiative of the United Nations. It includes the Universal Declaration of Human Rights, the United Nations Convention on the Elimination of All Forms of Discrimination against Women, and the United Nations Convention on the Rights of the Child. Other conventions developed by the International Labour Organization concern: forced or compulsory labour (Convention 29 and 105), homework (Convention 177), child labour (Convention 182), employment age (Convention 138 and 146), safety, health and the working environment (Convention 155 and 164), employment of persons with disabilities (Convention 159), discrimination (Convention 111), remuneration (Convention 100), conclusion of collective agreements (Convention 87, 98, 135)⁷. The structure of the SA 8000 Standard is similar in general terms to the ISO standard in the field of quality management, and the requirements regarding CSR result from the above mentioned conventions. Unlike ISO 26000, the SA 8000 Standard provides the basis for certification. Obtaining a certificate requires the company to undergo an audit by an entity accredited by SAI (Social Accountability International). Unlike ISO 26000, SA 8000 Standard emphasizes working conditions and it does not cover customer and investor issues. The CSR management system in accordance with this standard may be combined with other areas of management⁸.

Each of the UN member states is required to develop a National Action Plan for the implementation of the UN Guiding Principles on Business and Human Rights. The National Action Plan for the implementation of the UN Guidelines for 2017-2020 was adopted in May 2017. The Plan was created on the basis of 3 pillars envisaged in the UN Guiding Principles on Business and Human Rights, this was adopted in 2011.

The European Commission recommends that entrepreneurs seeking a formal approach to CSR should use the OECD Guidelines for Multinational Enterprises, which define the principles and standards of responsible business in areas such as competition, human rights, protection of the environment, the fight against corruption, transparency of information and due diligence in business, employee relations, job security, taxation, science and technology, consumer rights, as well as procedures for how to resolve disputes with stakeholders affected by the corporation.

Another set of global guidelines of a universal nature (which may be used in many types of organizations, regardless of their size and location, operating in developed and developing countries) was developed by the International Organization for Standardization (ISO)⁹ and constituted a holistic approach to the concept of social responsibility and sustainable development as may be seen in ISO 26000: Social

⁷ D. Orleańska, *SA 8000. Standard Odpowiedzialności społecznej drogą do zrównoważonego rozwoju organizacji*, „ABC Jakości” 2007, nr 3–4, s. 20.

⁸ E. Skrzypek, *Spółeczna odpowiedzialność – standardy i raportowanie*, „Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu” 2015, nr 378, s. 210.

⁹ In 2005 ISO established the largest ISO working group on social responsibility in history.

Responsibility (published on November 1, 2010)¹⁰, which lists areas such as good employment practices, caring for the environment, respecting human rights, honest practices, consumer rights, community involvement and development.

According to ISO 26000, the perception of an organization as socially responsible and its actual activities in the field of CSR may have influence, among others on the organization's reputation, competitive advantage, ability to acquire and maintain human resources, morale, employee involvement and efficiency, the position of investors, owners, sponsors, relations of the organization with entrepreneurs, government institutions, suppliers, media, customers and community. This is a special standard recommended by the European Commission to enterprises to implement social responsibility, because it does not include requirements and is not intended for certification or for use in regulatory or contractual purposes. Instead, it was devised to help organizations operate in a socially responsible manner, which is becoming the requirement of societies around the world, and is not just a matter of choice¹¹. According to the guidelines on how to provide information concerning ISO 26000, publishing reports on the assessment based on ISO 26000 is not considered to be appropriate. Only information about its use or inspiration is allowed¹².

The purpose of the AA 1000 standard is the transfer of social and ethical issues to the strategic management of the organization. The AA 1000 standard is a standard that facilitates the definition and assessment of the achievement of strategic goals and the conduct of an audit of compliance assessment. The structure of the AA 1000 standard consists of three parts. The first part is the framework assumptions that draw attention to the basic principles: responsiveness, transparency and compliance. Part two is the assurance standard that is used at the stage of assessment and quality assurance and reliability. The last part deals with stakeholder involvement. The recommendations included in this standard indicate the right of stakeholders to present their position and involves them in the company's activities¹³.

The general principles of social responsibility lead to specific principles that the company should respect, in particular: the principle of participation (participation of stakeholders in achieving goals), the principle of completeness (all areas of the company are subject to assessment and audit), the principle of measurability (all information and areas of activity relevant for stakeholders should be assessed), regularity principles (auditing and reporting based on current data), the quality principle (processes are constantly improved), the availability principle (establishing effective communication), and also the credibility principle, the comparability principle, the

¹⁰ Works on the standard were preceded by a feasibility study prepared by the Consumer Policy Committee. Consultations among stakeholders of over 300 institutions from 69 countries have allowed to determine the status of this standard as a guide in the field of social responsibility.

¹¹ ISO 26000 *Guidance on social responsibility*, available online: <https://www.pkn.pl/informacje/2013/09/iso-26000> [access: 01.12.2021].

¹² Ibid.

¹³ J. Adamczyk, *Działania normalizacyjne w zakresie społecznej odpowiedzialności przedsiębiorstw*, „Przegląd Organizacji” 2011, nr 12, s. 23.

comprehensibility principle, the principle of continuous improvement¹⁴. The AA 1000 standard provides support for every enterprise because the area of stakeholders is complex, and their full identification and the consideration of different expectations poses a challenge for every organization¹⁵.

The ISO 14001 standard covers environmental management systems as well as issues related to product life cycle, communication and effective leadership. The protection of the environment is one of the pillars of CSR. The significance of this area also stems from the fact that maintaining the balance of the natural environment creates unique socio-economic value. The quality of the environment influences the comfort of our lives, and the availability of natural resources has an impact on business development. The protection of the environment should therefore occupy a special place in implementing the concept of CSR¹⁶.

The most popular guidelines in the field of social reporting can be found in reporting standards, which include general reporting principles and detailed recommendations regarding the content of a report, the so-called GRI G.4. – Global Reporting Initiative (GRI). The purpose of the GRI Reporting Framework is to create a generally accepted framework for reporting the economic, environmental and social aspects of organization activity. The forms were designed for organizations of any size, sector or location. In 2013, GRI published the latest and most complete G4 social reporting guidelines. This standard extended the scope of social reporting in the area of stakeholder involvement in the process of creating a report, thereby emphasizing the role of the value chain and the selection of content that should appear in a report in terms of their merit.

Directive 2014/95/EU of the European Parliament and of the Council imposed on selected organizations the obligation to draw up reports concerning the area of social responsibility. Pursuant to the Directive, starting from January 1, 2017, large entities that are public interest entities that exceed at the balance sheet date, the criterion of an average number of 500 employees during the financial year should include in their report a statement of non-financial information including the information necessary to understand the development, results and situation of the individual and the impact of their activities relating at the very least to environmental, social and labour issues, respect for human rights and the fight against corruption.

Satisfying the information needs of stakeholders is the cornerstone of CSR reporting, and the organization thus signals its openness to taking on social responsibility, developing its listening ability and dialogue with stakeholders¹⁷. The most popular CSR reporting tools which confirm that the business is being run

¹⁴ Ibid., p. 24.

¹⁵ E. Skrzypek, *Spółeczna odpowiedzialność – standardy i raportowanie*, „Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu” 2015, nr 378, s. 210–211.

¹⁶ Regulation (EC) No. 1221/2009 of the European Parliament and of the Council of 25 November 2009 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS), repealing Regulation (EC) No. 761/2001 and Commission Decisions 2001/681/EC and 2006/193/EC.

¹⁷ M. Wróbel, *Raportowanie społecznej odpowiedzialności w Polsce w świetle unormowań Dyrektywy Parlamentu Europejskiego i Rady 2014/95/UE*, „Zeszyty Naukowe WSH. Zarządzanie” 2016, nr 2, s. 85.

responsibly include: Global Reporting Initiative (GRI) guidelines, OECD Guidelines for Multinational Enterprises, United Nations Global Compact Principles, Guide to Responsible Investment, the ISO 26000 standard in the field of social responsibility, the SA 8000 standard and the AA series standards¹⁸.

The public administration in Poland assumes the role of an intermediary between business and society in the dialogue concerning business responsibility for social and environmental issues. Activities in this area are particularly focused on creating favourable conditions for enterprises and other market participants to make voluntary commitments for sustainable development. The first activities for the establishment of the CSR Team at the Ministry of Labour and Social Policy (now the Ministry of Family, Labour and Social Policy) took place in 2004. In 2009, the Prime Minister, by ordinance No. 38 of 8 May 2009 established the Corporate Social Responsibility Team, through which the following working groups were formed: the group focused on the CSR promotion system in Poland, the group focused on responsible investment, the group concerned with sustainable consumption, and finally, the group concerned with the relationship between CSR and education. In July 2014, a new team was founded by the Minister of the Economy as an auxiliary body to the Minister. The composition of the CSR Team includes a total of 46 members: 15 representatives of the Ministry, 8 representatives of central institutions, 2 representatives of international organizations, 3 representatives of scientific institutions, 9 representatives of social organizations, 8 representatives of trade unions, 1 representative of the Joint Commission of Government and Territorial Self-Government¹⁹.

3. Corporate social responsibility in local business

Research concerning the application of the principles of corporate social responsibility in the Lubelskie Voivodeship was carried out in the form of repetitive piloting. First, in 2012 and 2015, this took place in and around Łuków town, where talks were held with a small group of entrepreneurs in order to find the level of knowledge and application concerning CSR in the local environment. The main goal was to determine to what extent entrepreneurs are aware of the challenges they face when they carry out tasks related to CSR, and whether CSR practices improve competitiveness. These studies have shown that:²⁰

¹⁸ J. Adamczyk, *Raportowanie społecznej odpowiedzialności przedsiębiorstw (CSR reporting)*, „Przegląd Organizacji” 2013, nr 4, s. 8.

¹⁹ *Zespół do spraw CRS*, Departament Dialogu i Partnerstwa Społecznego, dostępny online: <http://www.dialog.gov.pl/dialog-miedzynarodowy/spoleczna-odpowiedzialnosc-przedsiębiorstw-csr/zespół-ds-crs/> [dostęp: 02.07.2020].

²⁰ A. Chruślińska, J. Gudowski, *Społeczna odpowiedzialność biznesu w lokalnej działalności gospodarczej (Corporate social responsibility in local business)*, „Zeszyty Naukowe” 2013, vol. 1, no. 39, Uczelnia Warszawska im. Marii Skłodowskiej-Curie; R. Piasecki, J. Gudowski, *Corporate Social Responsibility: The Challenges and Constraints*, „Comparative Economic Research” 2017, vol. 2, no. 4.

- The awareness of CSR objectives at a company level is generally low. Only one in four respondents stated that he was aware of the concept of CSR. Most interlocutors understood the concept of corporate social responsibility to be the act of helping the needy, which, in their opinion, should be performed by the state and non-governmental organizations. For some of the respondents, the term CSR was associated with the involvement of company employees in solving problems concerning the local community, as well as solving company problems in the field of employee rights. Interviews also featured the theme of sustainable development (recycling, energy saving).
- The CSR concept had actually been implemented in the enterprise: despite the low awareness of CSR goals, almost half of the respondents said that CSR activities are implemented in their enterprises. They support local cultural activities (picnics, exhibitions, academies), participate in charity campaigns, provide assistance for people in a difficult situation, engaged in environmental protection and the application of ethical business standards. Ethical premises or the desire to stand out in the market were indicated as the most common reason for applying CSR rules.
- Undertaking CSR activities for the residents of a given region is important from the point of view of small and medium enterprises, since their customers reside in the local community for the most part. Nearly half of the respondents confirmed that CSR activities improved the image of their companies.

In July 2018, the next stage took place, this time in the form of a survey, which was carried out with a group of 448 enterprises operating in the Lubelskie Voivodeship. Students from the University of Economics and Innovation in Lublin, affiliated with the Student Science Club, participated as interviewers. It should be emphasized that they approached this task very responsibly, enriching the forms of the questionnaires with information from a complementary interview. The students of the University live in various places in the Lubelskie Voivodeship, hence the breadth of the geographical scope of the research, and in addition, it concerned enterprises of various scales and activities. Out of a total of 448 surveys, 162 were conducted in Lublin, 103 in other large cities of the voivodeship (Zamość, Chełm, Puławy, Kraśnik) and 183 in smaller towns. The differences in the location of the enterprises were an auxiliary factor taken into account in the analysis.

The scope of the project included several aspects with regard to corporate social responsibility. The starting point was whether the entrepreneurs have any knowledge about CSR, and in turn, whether they undertake any CSR activities. It was only at this point that a qualitative issue arose concerning which measures are planned and how a given company implements them in this area and what the effects are. For formal reasons, and not to discourage respondents, the respondent's sex, age, education, etc. which is typically used in social surveys was not applied.

The starting point of the discussion concerning the application of CSR principles in the local environment was the entrepreneur's awareness of this concept. To Question 1 „Are you aware of the concept of corporate social responsibility?” about

2/3 of the respondents answered affirmatively. Is this a large share? It seems not, but this trend was further confirmed by the answers to the subsequent questions in the survey, which means that the idea of CSR requires popularization. The positive responses were reduced later in the survey because only about 50% of respondents from Lublin and larger cities in the region declared that they used CSR (in response to Question 4), and even fewer (42%) in the small town and rural environments. Therefore, differences in responses depending on the location of the company were negligible. Of course, these results should not be considered as highly representative, but on the basis of a quantitative approach, even with a random selection of enterprises, a distinctive trend was noted. As a side note, it should also be emphasized that in Lublin CSR was popularized in the years 2013-2014 within the framework of the Swiss Contribution, although this activity only concerned recycling²¹.

Questions from the qualitative survey lead to more interesting insights. There were several of them. At the beginning, the intellectual task was a request to try to define the concept of CSR (Question 2). At this point, we shall skip the issue of the correctness of the answers, but we shall return to this point later. It turns out that there were fewer people able to deal with this request than those who declared a knowledge of the concept of CSR, although the share was close to the number of enterprises applying the principles of SOB (data below), which confirms the generally quite low level of knowledge among local entrepreneurs concerning CSR.

Table 1. Knowledge of the concept of CSR, ability to define and use of CSR (% of surveyed entrepreneurs)

Location	Knowledge of the concept of CSR	Ability to define CSR	Use of CSR	Total number of surveys (of 448)
Lublin	69	43	46	162
Other cities	62	52	56	103
Towns	66	38	42	183

In addition to the issues mentioned above, the respondents received a list of activities which CSR may be associated with, to identify the appropriate ones. Complementary answers with regard to their understanding of CSR were obtained in this way. For example, Question 3 „What activities are associated with corporate social responsibility?” contained the following options for answers:

- (a) Charity (social assistance)
- (b) Emergency assistance
- (c) Environmental protection
- (d) Other (what?)

²¹ *Raport Społecznej Odpowiedzialności Biznesu Polskiej Korporacji Recyklingu sp. z o.o. 2013–2014, Lublin 2014.*

This question included the option of multiple choice. Variants „a” and „c” dominated the responses. Variant „b”, i.e. „emergency assistance”, was chosen by significantly fewer respondents.

The statements concerning the „d” option are interesting. There were a few, as almost 10% of respondents chose this option and presented their views concerning the scope of the activities of corporate social responsibility, other than those listed in the survey. These statements are sometimes so interesting that it is worth paying attention to them. Some of them concerned the forms of business conduct, i.e. the application of business ethics principles (including honesty towards employees, adequate wages, fair competition), investing in human resources (training, internships) or guaranteeing the quality of products. Some statements were surprising, e.g. when a respondent stated that the manifestation of corporate social responsibility is paying taxes honestly, and another that it is the creation of a national, social and employee community. Still other statements testified to a high degree of social sensitivity, such as „running a nursery not for profit but because of the lack of a nursery in the area”. In this context, it is worth quoting the statement of a person running a small enterprise in Kraśnik:

The role of a businessperson - entrepreneur-employer is unique, because this person influences many factors in the environment through his or her activities. Because I'm aware of the responsibility that lies with me, I treat my work as a mission. My business has an impact on the fate of the people employed in my company. For me, corporate social responsibility is first and foremost a moral and ethical responsibility. I try to run the business to educate employed people through my own attitude: honesty, justice, clean and good intentions, respect for the other person. We live in a time of materialism and consumerism. In today's world people are exploited to make money. It should be different. We should make money for the good of people.

It may be seen that the approach of entrepreneurs to the issue of understanding corporate social responsibility concerns a very wide range of activities and – rather characteristically – may refer to social attitudes. What results from this interpretation of activities within the sphere of CSR and the resulting philosophy of conduct (which, according to the respondents, should be widely applied and should characterize the supply side of the market economy) is an implicit departure from the principle of maximizing profit by an enterprise which dominates in business. Such attitudes regarding humane content are perhaps close to the oldest statement that we could associate with CSR, from a contemporary perspective it is the unknown or practically forgotten 1891 encyclical *Rerum Novarum* of Pope Leo XIII: „Employers are ordered to respect the human dignity of the worker, treating him as a slave is forbidden. They should reasonably measure his work time and enable him to create a home and family”²².

How do companies which declare that they apply (in their understanding) the idea of CSR implement this in practice (the second part of Question 3)? With this

²² F. Seppelt, K. Loeffler, *Dzieje papieży*, Poznań 1936, s. 591.

question, there were again differences depending on the location of the enterprise. As may be seen in the table above, 46% of companies surveyed in Lublin made the declaration that they apply CSR. Statements about activities promoting environmental protection were particularly numerous (waste segregation, recycling, greening activities, training in environmental protection, implementation of ISO 14001, implementation of electronic forms of documentation to reduce paper consumption, the purchase of low-emission vehicles, promotion of environmentally friendly building materials, maintaining order around the plant).

In the case of companies located outside Lublin, there were fewer responses with regard to the environment. Is this a coincidence? Or does it prove a different – better – knowledge of the essence of corporate social responsibility in large cities?

In smaller cities, social sensitivity turned out to be the dominant feature of the respondent's understanding of CSR. Two groups of implemented activities may be identified in this case: charity and sensitivity in urgent situations that threaten security. Among the charity activities that were recognized as a manifestation of CSR, respondents mentioned making donations to hospices and orphanages, sponsoring local events, supporting sports clubs or transferring 1% of their tax payments to public benefit institutions, and among the examples of offering assistance in emergencies were fundraising to cover the costs of surgery for a sick child or free fruit donation for children in schools. Although such activities are not considered to be a manifestation of CSR according to the current legal arrangements, their presence somehow strengthens the social side of economic activity, giving it a more „human” face.

In analysing the results of the survey, unusual statements should also be mentioned. They present a different understanding of the idea of CSR. The unusual answers included hiring the best specialists, dog breeding for dog therapy, professional activities for the elderly, the more rapid delivery of ordered orthopaedic equipment, the promotion of national traditions on the occasion of state anniversaries.

Qualitative questions naturally split the sample into smaller groups of respondents. This was also the case with the issue of benefits for companies applying (benefits in their subjective opinion, we will return to this matter later) the principles of CSR. Respondents could indicate two types of benefits achieved, while the questionnaire did not include any suggestions for answers (Question 5). Due to the small size of this group of respondents (a total of 205 companies claimed to apply CSR), we omit the geographical criterion, although it should be noted that the benefits of using CSR were observed more often in small towns than in cities. It is a source of speculation as to whether this is a coincidence or a regular occurrence.

The improvement of the company's image turned out to be the main benefit of applying CSR principles, this included: promotion, PR expansion, social esteem, increasing the number of clients, greater customer loyalty, building a greater degree of trust in the company, and generally having better relations with the local community. Corporate social responsibility, according to respondents, allows for improvements to be made in the competitiveness of a company, which in turn leads to a stronger position on the market. This observation is based on the company's own experience.

Of equal interest were the other answers concerning the benefits of using CSR, although they were not so clearly focused on a single sphere of activity. We shall list the more original ones, including the ones showing the high degree of social sensitivity of the respondents. One answer that was not uncommon was a statement about self-fulfilment due to the implementation of CSR principles about a sense of internal satisfaction from the implementation of an important social obligation or about their own satisfaction with the joy of clients. There was also a statement about acting for the benefit of the Polish economy and also on this occasion of learning to be more patriotic. The act of supplying schools with free apples, an initiative supported by a government agency after the introduction of Russian sanctions, was also noted as an example of CSR. Another effect of the application of CSR was a quality certificate granted to the company, the acquisition of more qualified staff or a reduction in costs due to a lower consumption of energy and materials. According to another respondent, CSR allows him to obtain a higher profit margin.

Only a few of the answers given indicated the lack of any benefits for companies and the barriers impeding small companies due to high initial costs, although the benefits of CSR in the long term were not denied.

In summary, for this section of the answers, which concerns less than half of the total number, it may be stated that these companies generally benefit, but there are also benefits for the recipients of their products and services through the implementation of CSR.

The analysis and presentation of the survey results in the light of the discussed sources of international law for CSR showed that this is a specific concept, which is controversial in its nature. Perhaps it is for this reason that respondents incorrectly cited some of the definitions of this concept, or even declined to give any. It should be emphasized, however, that the respondents correctly noted that in the pursuit of the desired image of the enterprise, good intentions related to environmental protection, ethical premises or enlightened employment practices may be revealed in proactive social activities²³. Unfortunately, in many cases companies fail to get involved in social activities in line with the CSR definition proposed by the European Commission.

In addition, the discourse concerning CSR is often conducted as if the dynamics of the business-society relationship were simple and predictable, and in any case, as if both sides of this relationship were homogeneous and well defined. In essence, however, the society towards which the business community should be responsible is a dynamically complex system, the elements of which have diverse, and even frequently conflicting needs and values that change over time. What seems to be beneficial for local society today may prove to be disastrous for global society in the future. It is not feasible for enterprises to contribute to solving all current and future social problems. It would also be naive to expect that enterprises would choose to be controlled by society. On the contrary, it is the company which has more opportunities to control the perception of problems, and thereby making them worthy of attention.

²³ See: W. Urban, *Spółeczna odpowiedzialność biznesu w warunkach stosowania Lean Management* [w:] E. Skrzypek (red.), *Innowacje i ryzyko w nowej gospodarce*, Wydawnictwo UMCS, Lublin 2014, s. 141.

CSR is a concept which is often considered to be fashionable, especially with regard to critical statements. It is worth remembering that most of today's established management approaches were once considered to be fashionable novelties. It seems appropriate that enterprises should have a mechanism to integrate social, environmental, ethical and human rights issues, as well as consumer problems with their activities and core strategy, in close cooperation with stakeholders in order to maximize the creation of shared values for their owners and other stakeholders and society as a whole.

The current fashion for CSR may be considered in terms of a novelty with a rapidly growing popularity, as well as a new manifestation of an old idea. It is a universal idea, and the main CSR assumptions may be utilized in part or perhaps even superficially. The rationality of the motives that drive organizations which are involved in activities that come under the CSR banner seem to be particularly difficult to assess. Doubts related to this fashion for social responsibility do not usually relate to its harmfulness to „socially responsible” institutions, but rather to the social consequences of the appropriation of this area by business.

New technologies which already allow for business processes to be monitored in terms of sustainable development will certainly contribute to the development of socially responsible business activities. The digitization of processes, the control of their environmental effectiveness and the tools designed to gain precise knowledge of every stage of a process or a supply chain will certainly contribute to reducing the incidents of social and environmental abuse.

With a generally low level of awareness of CSR activities among entrepreneurs, the companies which apply these activities have a distinct advantage. These are the de facto CSR leaders. Universities offering specialized courses and even postgraduate studies, which would result in the acquisition of knowledge concerning CSR and in the formal sphere, issue a certificate called, for example, „Lublin's Corporate Social Responsibility Card”, could play a positive role in spreading the concept of CSR.

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THE IMPACT OF THE ETHICAL INSTRUMENTS ON THE COMPANY'S SOCIAL IMAGE. A CASE OF BRITISH AMERICAN TOBACCO POLSKA

*If a business is managing products which pose health risks,
it is all the more important that it does so responsibly*

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Abstract

The aim of this paper is to discuss activities of British American Tobacco, the company for which environment, health and safety management are high priorities. As explained on its website, BAT's vision is to lead the tobacco industry through growth, productivity and responsibility¹. Despite the bitter controversy over BAT's performance, the company is making great efforts to emphasize its commitment towards promoting ethical values through the realization of all kinds of programmes and projects for the benefit of society, the environment and its employees. BAT supports and eagerly implements social goals and programmes, integrates ethical sensitivity into all decision making, policies, and activities as well being very scrupulous in obeying the relevant ethical norms and regulations.

Keywords: *company social image, ethical instruments, British American Tobacco Poland*

¹ A.B. Carroll, *Business and Society: Ethics and Stakeholder Management*, Cincinnati, Ohio: College Division South-Western Publishing Co. 2003; Brent D. Beal, *Corporate Social Responsibility: Definition, Core Issues, and Recent Developments*, SAGE Publication, Texas 2017.

1. Introduction. The origins of British American Tobacco



Source: *British American Tobacco*, www.bat.com.pl [access: 20.01.2021].

British American Tobacco is the world's most international tobacco group and it is also the second largest listed tobacco company in the world, it is based in London. At present, the company employs 53000 people in 40 countries including 500 people in Poland.

It was established in 1902, when the United Kingdom's Imperial Tobacco Company and the American Tobacco Company of the USA decided to form a joint venture, the British American Tobacco Company Ltd. James „Buck” Duke was appointed chairman. The parent companies reached a settlement over cooperation conditions, for example, „they agreed not to trade in each other's domestic territory and assigned trademarks, export businesses and overseas subsidiaries to the joint venture”. British American Tobacco started its business in dozens of countries including Canada, China, Germany, South Africa, New Zealand and Australia, but not in the United Kingdom or in the USA.

In 1911 important changes took place as the American Tobacco Company sold its share of the company, and Imperial Tobacco gradually reduced its shareholding. However, it was not until 1980 that Imperial Tobacco divested itself of its remaining interests in the company. In 1976, the group companies were reorganized under a new holding company, B.A.T Industries. Some years later, in 1994, BAT acquired its former parent, the American Tobacco Company, with its popular Lucky Strike and Pall Mall brands. In 1999, after buying Rothmans International, BAT attracted a great deal of criticism from human rights groups as it acquired shares in a factory in Myanmar as a part of the deal. That is why, after an „exceptional request” from the British government, BAT sold its share of the factory in 2003. During the same year,

BAT acquired Ente Tabacchi Italiani (ETI) S.p.A, Italy's state tobacco company, which moved it up to the number two position in Italy, the second largest tobacco market in the European Union. In 2007, 600 people lost their jobs because BAT closed its remaining UK production plant in Southampton, however, their Group Research and Development Centre laboratories and some financial functions are still based there. Recently, BAT invested a considerable sum of money in the Scandinavian Tobacco Company (STC) producing cigarettes and snus, i.e. a form of smokeless tobacco, which is acknowledged by health experts to be less harmful than cigarettes.

2. The Approach of British American Tobacco Poland towards the fulfilment of CSR programmes

The BAT product portfolio includes over 200 brands of tobacco products. In 2018, the company sold over 667 billion cigarettes, manufactured in 44 factories in 41 countries. The company employs over 57,000 employees worldwide. In Poland, BAT began operations in 1991. On the Polish market, the British American Tobacco Group includes: British-American Tobacco Polska S.A. in Augustów which is a production company, British American Tobacco Polska Trading Sp. z o.o. in Warsaw, which deals with distribution and marketing activities and the CHIC Group, a company managing the largest distribution and sales network for electronic cigarettes in Europe (eSmoking World), a factory that produces liquids for electronic cigarettes in Ostrzeszów (eSmoking Liquids) and a modern research and development centre called the eSmoking Institute, located in Poznań. The British American Tobacco factory in Augustów is one of the most important British American Tobacco production plants in the world. Due to continuous investment, the factory is developing dynamically and is one of the most modern in the European Union. Over the past three years, about PLN 650 million has been invested in the development of the factory in Augustów. Due to the extension of its facilities, the plant's production capacity has increased fourfold. Currently, the factory produces about 52 billion individual cigarettes on an annual basis, 75% of the product is exported and goes to over 50 markets around the world. In terms of size, it is the second largest production plant within the BAT Group in the world.

The main reason why 40% of 1000 most profitable American companies employ ethical programmes is to become more successful. The data show that the profitability of the companies which belong to the Ethics Officer Association is 7% higher than the profitability of the competing companies which do not belong to this Association².

British American Tobacco, as a company claiming to be faithfully committed to ethical values and responsible operations, spends a lot of money on ethical projects and realizes the concept of CSR through a wide range of programmes. In fact, they concern three main areas: society, the natural environment and employees.

² M. Duszyński, *Social factors in the emergence of Polish corporate governance*, WSB-NL, Nowy Sącz 2020, pp. 12–15.

2.1. Programmes for the benefit of society

One of the programmes, which was directed towards the public, centres around youth smoking prevention. BAT introduced this programme because it is convinced that juveniles should not smoke cigarettes. For this reason, the company together with two big international corporations have financed about 130 programmes concerning the prevention of smoking among youth in more than 70 countries.

British American Tobacco entirely supports the laws banning the sale of tobacco products to teenagers below the age of eighteen, if such regulations apply within a given country. It also takes the view that these products should be bought by adults who are aware of the harmful effects of smoking cigarettes. In order to achieve this aim, the company supports all types of programmes which oppose the sale of tobacco products to anyone under a minimum age and encourages other partners, such as governments and non-governmental organizations to participate in this type of activity and programmes. For example, BAT's companies have persuaded governments to initiate a regulatory minimum age for the sales of tobacco products, where none existed previously, or to raise the minimum age to 18 where it is lower. As a consequence, BAT has helped to achieve this regulation in many countries, for instance: in Jamaica, Pakistan, Russia and Ukraine.

Another programme directed towards benefiting society is the Responsible Sales Programme which was set up under the auspices of the State Association of the Tobacco Industry (KSPT) initiative and the Governmental Representative for Family Matters. It has been ongoing for seven years and during its sixth edition, in 2003, a www.stop18.pl website was created where relevant information can be found.

The main aim of this programme is to teach retailers how to refuse sales to children and to raise awareness of this issue among politicians, educators and the media. For this reason, BAT's commercial representatives have made all kinds of brochures and booklets available which explain the relevant laws as well as labels and posters, bearing the message „I do not sell tobacco products to underage youth”. Apart from this, an educational film was made which informs adults how they should react in situations where they witness children buying tobacco products.

The first edition of the Programme in 1998 did not only have an informative character as commercial representatives visited more than fifty thousand shops where they left leaflets to remind the staff about the ban on selling tobacco products to juveniles. There was also a free helpline provided which was used by more than a hundred thousand people. Apart from this, a very dynamic TV information campaign began which was joined by several advertising agencies.

During the second edition, in 1999, due to cooperation with the Employers' Association for Distributing Companies, the number of sale centres was doubled to one hundred thousand. The surveys conducted by OBOP (The Centre for Public Opinion Surveys) indicated that more than 80% of the sale centres accepted the regulations of the Programme and signed a declaration that had been specifically drawn up for this purpose.

In November 2001 subsequent edition of the Programme was implemented and it was the largest campaign launched for the benefit of the public. On this occasion, the activities were directed not only towards the sellers but towards society as a whole. Apart from British American Tobacco Polska, the campaign was joined by Philip Morris Polska S.A. and JT International Company Poland, RUCH S.A., The General Council for the Associations of Commerce and Services, Polish Television, and many others. On Polish Television, short films were shown which were designed to persuade adults to react whenever they witness juveniles buying cigarettes. It is worth noting that these films were created for free by two agencies, and Polish Television offered considerable discounts to broadcast them, perhaps realizing how serious the problem is.

During the edition of 2002, the Programme received the support of, among others, the Agency for the Protection of Competition and Consumers (UOKiK) and the Society of Children's Friends. The sales centres participating in that edition were joined by Kolporter, Real, Tesco, PKN Orlen, Shell, and others.

With the exception of the Programme of Responsible Sales, British American Tobacco organizes special Educational Programmes, the main aim of which is to make indispensable educational information available to teachers and parents and to make teenagers realize what the consequences of smoking cigarettes are. Also, the Programme aims to instruct children how to oppose their peers who may try to encourage them to smoke. Within the framework of this activity in Poland in 2001, a Programme called: „I think no, I say no” was created and its purposes were: to educate youths to be assertive, to help them to solve difficult problems and to make proper choices as well as not giving in to negative influences from others.

British American Tobacco can also be proud of its active involvement in the financial support of scientific research designed to help to better understand the health risks stemming from smoking cigarettes. What is more, there is the Scientific Research Group which attempts to develop products with lower levels of toxicants in the cigarette smoke and financially supports the independent Institute for Science and Health which also conducts research on diminishing the harmful influence of tobacco products.

Concerning its activities for the benefit of the local community, British American Tobacco Polska created a Programme called the Augustów Academy, the first edition of which took place in April 2004. The main aim of this enterprise is to help the youth and unemployed people from the Podlasie region to find a job. This activity is supported by the local government of Augustów, businessmen and various types of higher schools. The partners of this Programme support the youth and unemployed in their search for employment, they train them by organizing all kinds of work experience programmes, and frequently employ these people as well-qualified workers.

2.2. Programmes for the benefit of the natural environment

Companies which obey the established rules of responsible business concentrate to a considerable extent on the protection of the natural environment or on the reduction of environmental pollution. The operations of British American Tobacco greatly affect the environment, so the company has committed itself to following high standards of environmental protection and it obeys these standards in a scrupulous fashion. To further this aim, the company is equipped with an environmental management system which is in accordance with the best international practices and norm ISO 14001.

BAT is absolutely convinced that eco-development is a top priority for the protection of the environment. Eco-development refers to development at the regional and local levels which is consistent with the potential of the area involved, with attention being given to the adequate and rational use of natural resources, technological styles and organizational forms that respect the natural ecosystems as well as local social and cultural patterns. Research conducted by the United Nations indicates that the world population will have grown by 50% by 2050 and for this reason, the public should take greater care of our planet. Thus, BAT, is trying to minimize its negative effects on the natural environment and in all of its activities it employs the rule of the three Rs, i.e. Reduce, Recover and Recycle. The main aim of this Programme is to reduce the consumption of energy and natural resources, particularly of carbon oxides which contribute substantially to the greenhouse effect.

British American Tobacco Polska, which has its factory in Augustów, has examined the issue of the natural environment protection from three points of view:

- Air protection - in this case, attention is paid to diminishing the emission of harmful substances such as sulphur dioxide, nitric oxide, carbon oxides or dust into the atmosphere. For this reason, a special boiler room has been built, due to which British American Tobacco Polska maintains the emission of pollution at an acceptable level.
- Waterway protection - the company has rebuilt its network of sewage and water systems, so all of its sewage is directed to the city purification plant.
- Refuse economy - British American Tobacco Polska contributes a great part of their refuse to the Centre for Communal Refuse Utilization in Suwałki for composting. Also, rubbish segregation is conducted by the company, and because of this, only 8% of its entire refuse output is taken to a dumping site. As far as raw materials which can still be utilized are concerned, they are stored in warehouses and sold to other companies for utilization.

It is well-known that more and more cigarette butts and empty packages are littering our planet. For this reason, British American Tobacco has presented in its report certain information about the contents of filters and cigarette packages and their influence on the natural environment. Consumers can learn that filters are made from raw materials which have a biodegradation period of about 9 months. As far as the packages are concerned, their degradation period depends, to a large degree, on the conditions of their disposal location because they are made from more complex materials, such as aluminium foil, etc.

2.3. Health protection in the work place

The BAT company is particularly concerned about the health and working conditions of its employees. By taking this approach, the company is attempting to become a leader in minimizing or eliminating negative effects on employee health which is a priority for the company. British American Tobacco equips its larger factories with medical care centres and for the smaller ones medical care in local health service centres is guaranteed. Taking the experience of other companies into account, British American Tobacco continuously attempts to improve the level of medical services offered. What is more, some programmes designed to estimate the threat of industrial accidents in the workplace have been introduced. One of them is „Zero accidents and injuries at work place” which is about reducing the number of accidents at work. In order to achieve this, an indicator has been created to allow for the recognition of serious situations and their elimination before any accidents occur. Outcomes are compared with those of other international companies using LWC (Lost Workday Cases) which indicates the quantity of lost days in the workplace. As far as the year 2001 is concerned, the LWC indicator was reduced from 1.26 to 0.5, while in 2003 no accidents were reported.

In comparison with other companies, British American Tobacco has produced very good results in the fields of environmental protection and the health and safety of their employees, however, it always aims to raise its standards even further.

2.4. Globalization and honest economic activity

In a general sense globalization is „the process transforming local or regional products or phenomena into global ones, or „a process by which the people of the world are unified into a single society and can function together. This process is a combination of economic, technological, sociocultural and political forces”. Globalization is a term that is frequently used with reference to economic globalization which may be understood as the „integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology”.

In the opinion of BAT, an improved flow of capital and an easier flow of technology or skills can, to a great degree, enhance life in society as a whole, especially in countries where the process of welfare distribution is unfair. Along with other international companies, BAT endeavours to plan and implement the best work practices which will not only comply with the existing legal framework but will also support societies through solving people's problems. Through a very serious approach to the question of responsible business practices, in a very individual way BAT is striving to prove that the long-term investments of each company can have a serious influence on the development of a given country. The benefits gained by companies not only form an income stream for their owners but they may also be used to finance social aims through the high taxes paid by these companies. In turn, this improves the level of living conditions through increased expenditure from consumers.

BAT is a company which supports the economic development of the countries in which it operates. The statistical data indicate that the tobacco industry supports the

economies of more than 100 different countries mainly through its high employment level (about 100 million employees), which as a consequence, contributes to greater budget incomes in these countries.

However, as British American Tobacco has noted, there have also been some negative consequences to the globalization process, such as a lack of respect for the integrity of other countries and the imposition of one's own views on the majority. For this reason, international companies should conform in an appropriate way to the existing standards, norms and culture of a given country.

2.5. BAT's Statement of Business Principles

Together with its managers and external stakeholders, BAT has developed a Statement of Business Principles, which forms the basis on which the company runs its business in terms of corporate responsibility. It consists of three Business Principles: Mutual Benefit, Responsible Product Stewardship and Good Corporate Conduct, each one is supported by Core Beliefs³. The principle of Mutual Benefit covers the issues connected with building good relationships with stakeholders. Multinational enterprises, like BAT, must build long-term shareholder value in order to succeed on the international market and the best way of doing this is by taking account of the needs of all of its stakeholders.

Core Beliefs

- We believe in creating long term shareholder value.
- We believe in engaging constructively with our stakeholders.
- We believe in creating inspiring work environments for our people.
- We believe in adding value to the communities in which we operate.
- We believe that suppliers and other business partners should have the opportunity to benefit from their relationship with us ("Statement of Business Principles").

The principle of Responsible Product Stewardship deals with consumer demand for a legal product and credible information about the risks of smoking cigarettes.

Core Beliefs

- We believe in the provision of accurate, clear health messages about the risks of tobacco consumption.
- We believe that the health impact of tobacco consumption should be reduced while respecting the right of informed adults to choose the products they prefer.
- We believe that relevant and meaningful information about our products should continue to be available.
- We believe that underage people should not consume tobacco products.
- We believe that our brands and products should be marketed responsibly and directed at adult consumers.

³ Statement of Business Principles. Social Report 2002/2003 15 Feb. 2005 <www.bat.com/socialreport>.

- We believe in the appropriate taxation of tobacco products and the elimination of illicit trade.
- We believe in regulation that balances the interests of all sections of society, including tobacco consumers and the tobacco industry.
- We believe that smoking in public should be approached in a way that balances the interests of smokers and non-smokers.
- The principle of Good Corporate Conduct forms the basis according to which BAT's businesses should be managed.

Core Beliefs

- We believe that our businesses should uphold high standards of behaviour and integrity.
- We believe that high standards of corporate social responsibility should be promoted within the tobacco industry.
- We believe that universally recognised fundamental human rights should be respected.
- We believe that the tobacco industry should have a voice in the formation of government policies affecting it.
- We believe in achieving world class standards of environmental protection.

According to BAT, all of its branches have adopted the Statement and they are also encouraged to engage in dialogue with stakeholders to help to determine how it should be realized in practice. Moreover, cooperation with stakeholders helps the company to make the right kinds of improvements to its activities and reveals things that the company might not otherwise have been aware of.

3. BAT relationship with stakeholders

In 2003 and 2006/2007 two Social Reports were published in which the results of a social dialogue concerning the following fields were presented: the workplace (employees), cooperators (tobacco owners), the natural environment, consumers, society as well as political and legal issues.

a) The workplace

During the discussion with the stakeholders, many issues connected with the functioning of BAT were raised. One of them concerned the workplace. According to BAT, there is no employee discrimination within the company, and what is more, it ceaselessly makes an effort to assure a greater number of managerial positions for Poles. As far as employee recruitment is concerned, this policy is implemented at a very high level as the company endeavours to achieve its goals through employees who are well-qualified and have the ability to react in an appropriate manner to ethical problems. Also, the company strictly follows the rules of the Work Code and for this reason, redundancies only occur when there is no alternative to the existing restructuring plan. Before a decision about group redundancies is made, BAT calls a meeting with the labour union representatives and attempts to achieve some kind of compromise concerning

the redundancies. Moreover, the company informs the local authorities and institutions about the impending redundancies, and presents projects concerning the further development of employee skills, various types of training and also assists the newly redundant employees in their task of finding suitable employment.

The expectations of the stakeholders were, among others, the creation of a greater number of posts, the continuation of the concept of part-time employment, practical help for the redundant employees in finding a new job or obtaining new qualifications. Also, the social groups wanted the Polish BAT employees to obtain promotions more rapidly and to be able to work in other countries where the company has branches. Another suggestion from the guests was the wish to help employees who are in a difficult family situation and to treat all employees equally. As far as investment in employees is concerned, this question was also tackled during the discussion. The company's guests wanted employees to have further organized for them, which would help them to obtain certain qualifications. One important topic turned out to be a discussion concerning the improvement in the internal information exchange process.

In response to all of the issues raised, BAT established some ways of acting upon them. With regard to the question of training for employees, the company stated that each employee is responsible for obtaining their new qualifications and that the company is in turn responsible for making their development consistent with the needs of the firm. For this reason, the company organizes all types of training, with English lessons being just one example. As far as working abroad is concerned, the company is making every effort to increase the number of people who are employed in BAT's foreign branches. In the case of providing support for employees who happen to be in a difficult financial situation, the company helps to the greatest degree possible, for example: it supports employees who have seriously-ill children, provides housing loans and co-finances their holidays. BAT does its utmost to be a transparent company and it always strives to inform its employees at once about changes and problems if they occur. From 1996 to 1998, in order to improve the general conditions of the workplace, the company modernized its factory in Augustów and assigned 286 million PLN towards achieving this goal. At the end of the discussion about the workplace, the company specified the following obligations on its part:

- Before redundancies take place, all other alternatives will be taken into consideration.
- Cooperation with labour unions will be maintained.
- Employees who have been made redundant will be offered help in their task of finding a new job.
- Training will be diversified and better fitted to the employees' needs.
- Staff training will be provided for Polish employees who would like to work in BAT's branches abroad.
- Financial support for employees in a difficult situation.
- Financial rewards for effective work.
- The creation of an improved information flow channel between the staff and their managers in order to inform them more rapidly and effectively about the company's aims, market situation and product strategy.

b) Cooperation with Polish plantation owners

From 1996 to 2001, British American Tobacco Polska supported the plantation owners from the Augustów area with an amount totalling 20.8 million PLN. About 15.9 million PLN was spent on equipment for the plantation owners which is gradually being repaid with tobacco supplies. The Plantation Fund, which deals with low-interest loans and finances the research concerning new type of tobacco, received 4.9 million PLN.

During this discussion, the stakeholders offered to increase the competitiveness of Polish tobacco on the international market and to help Polish plantation owners financially in the production of tobacco. Also, the question of a long-term cooperation guarantee with the plantation owners and the specification of import quantity were raised.

Upon hearing about the expectations of the guests, BAT assured its social partners that it will continue to cooperate with Universal Leaf Tobacco Poland (ULTP), an international company which specializes in the purchasing and processing of tobacco, in order to contribute to the quality and profitability of Polish tobacco. BAT also promised to maintain its partnership ties with plantation owners and to inform them about any changes on other markets. Finally, it resolved to continue to participate in negotiations with the Ministry of Agriculture, during which the amounts of support payments for plantation owners are established.

c) Protection for the natural environment

At present, companies need to pay special attention to the protection of the natural environment. For this reason, BAT developed, in its factory in Augustów, a strategy for dealing with this issue which is in accordance with all international standards. Its effects are monitored and compared with the indicators of other British American Tobacco factories around the world.

Nevertheless, from the point of view of the social partners of BAT, the company should, to a greater degree, support the ecological programmes concerned with collecting and recycling used cigarette packages and introduce some educational programmes for the general public to encourage people to dispose of cigarette packages and butts in locations specifically designated for this purpose.

In response to these suggestions, the company decided to raise their standards of protection for the natural environment and pledged to place the slogan „Take care of the environment” on cigarette packages and to provide the necessary information on the company website concerning the disposal of cigarette packages and butts in designated areas.

d) The risks of smoking – relationships with consumers

British American Tobacco is aware of the risk of smoking cigarettes, but it is of the opinion that the relevant authorities and public institutions specializing in health protection should be the main source of information concerning the harmful effects of smoking cigarettes. According to BAT, adults are already aware of these consequences

and they should make their own decisions about their health. Nevertheless, the company willingly cooperates with governments in warning about the risk of smoking cigarettes and, to further this aim, it places health warnings on the cigarette packages and in its marketing materials which are then distributed widely.

Polish stakeholders expect British American Tobacco to sincerely inform consumers about the harmful substances in cigarette smoke and to suggest ways of giving up smoking. Another issue concerned how the company might provide support for medical services.

In response to these suggestions, the company agreed that data concerning the contents of its products should be made accessible to the general public and to achieve this goal, two websites have been created. In addition, it declared that it would financially support the local health service in Augustów within the existing legal framework. What is more, apart from visible health warnings, all packages will carry a telephone number for those individuals who would like to get help in giving up smoking.

The issue of Environmental Tobacco Smoke (ETS), i.e. tobacco smoke in the air, which is sometimes called „second hand smoke” is being dealt with more and more frequently. Some scientists maintain that this is a significant threat to passive smokers which causes serious diseases, including lung cancer, heart disease and respiratory illness, while British American Tobacco maintains that there is no scientific proof that tobacco smoke causes any chronic diseases or cancers⁴.

In the opinion of its social partners, British American Tobacco should initiate some programmes that would set aside certain areas for smoking or encourage smokers to avoid smoking in the company of non-smokers. The final suggestion from the guests was the idea of initiating a cooperation process between BAT and the construction sector in order to improve ventilation systems in smoking areas.

In response to these suggestions, BAT stated that the adverse effects of passive smoking are presented in an over-exaggerated manner however, it admitted that smokers should treat non-smokers with due respect and avoid smoking while being in their company. As far as the employees of British American Tobacco are concerned, it is possible for them to smoke in the smoking rooms during meetings, if the non-smokers in the same room agree to it. In addition, there are some designated areas for smoking BAT employees which are equipped with special air filtration systems („Secondhand smoke”).

Another problem concerns the so called „Safe cigarette”. The research conducted to date has failed to establish whether a cigarette can be „safe” it has shown that there are no unanimous results with which to address this issue. The only way to reduce the harmful effects of cigarette smoke on human health is to lower the quantity of tar substances within it. According to BAT, the „safe” cigarette does not exist yet, but the company is conducting research aimed at limiting the quantity of tar substances and the content of some other substances in tobacco smoke.

⁴ *Our Standards of Business Conduct 2020*, BAT 2020, available online: https://www.bat.com/group/sites/uk__9D9KCY.nsf/vwPagesWebLive/DO5TXKRH [access: 14.07.2020].

The expectations of the social partners of BAT would be, first and foremost, to create a tobacco product which would not be so harmful.

In response to this, the BAT company has stated that research which concerns reducing the harmful effects of cigarette smoking is still being conducted but in the opinion of the company, there is no „safe” cigarette as yet, and the only solution to avoid poisoning the system is to simply quit smoking.

e) The prevention of smoking among underage youth

At present, more and more underage youth are reaching for a cigarette. The BAT company is attempting to ameliorate this problem through the application of various types of programmes which support laws that limit the access of teenagers to cigarettes. It also supports the fines levied on retailers who sell tobacco products to them. To this end, the firm cooperates with other international companies that support the ban on cigarette sales to underage youth. As mentioned previously, BAT introduced an educational programme called „I think no, I say no” which teaches juveniles how to be assertive and avoid the malign influence of their peers encouraging them to smoke cigarettes.

The expectations of the social partners included the following issues: supporting educational programmes for the youths and their parents, the indirect sponsorship of activities which limit smoking, promoting responsible sales policies among retailers, and limiting contact with retailers who sell cigarettes to underage youth.

With the conclusion of the discussion concerning this subject, BAT resolved to strive towards gaining a greater number of partners such as authorities or state institutions for its educational programmes for the youth and their parents. Moreover, British American Tobacco promised to increase its participation by 20% in the budget of the Responsible Sale Programme. Finally, the company declared that it will evaluate the Responsible Sale Programme every year and it will correct it according to the existing needs („Youth smoking prevention”).

f) Responsible marketing

Most advertisements of tobacco companies, although they are of course targeted at adult consumers, have a considerable influence on juveniles and encourage them to buy cigarettes. The main aim of BAT's advertisements is to influence the largest group of adults possible, without influencing underage youth. The company eagerly participates in activities which limit access to cigarette purchase by underage people, for example, through the warning on cigarette packages „Sale to underage youth is forbidden”. The BAT company agrees with the principle that the advertisement of tobacco products should abide by certain rules, and for this reason, along with two other international companies, it has created the International Marketing Standards which has defined the rules for the appropriate promotion and distribution of tobacco products.

The expectations of the social partners of the BAT company centred on, among others, promoting the fashion of non-smoking and refraining from presenting

smoking as an attractive habit. Other ideas included the creation of a system to acquire consumer opinions about tobacco products through the operation of a telephone consumer centre. The remaining suggestions were: to fight against competitors breaking the law, to promote responsible marketing among them, and to convey an appropriate profit margin to the commercial partners of BAT.

In response to these suggestions from its social partners, BAT resolved to pay close attention to its marketing activities so that they would not conflict with Polish law and International Marketing Standards. Finally, a decision was reached to concentrate more on the distribution of advertising materials which only reaches the adult market. In conclusion, the company stated that it had already supplied its commercial partners with sufficient information concerning its commercial profit margin.

g) Responsibility towards the society

The BAT company makes an effort to fulfil the norms of a responsible business in the best way possible and for this reason, because it stays in touch with the local authorities of Augustów where the British American Tobacco factory is located.

In the opinion of the social partners, the company ought to carefully balance its financial profits against its social aims. In addition, it should regularly participate in programmes for the benefit of society and support such initiatives. The last suggestion was to undertake some activities aimed at promoting knowledge about responsible business policies, and that BAT should promote its image as a company acting in accordance with CSR rules through local mass media.

In response to these suggestions, the British American Tobacco company presented programmes designed for the benefit of society with the participation of some BAT employees. In response to the expectations of its guests, BAT resolved to continue the „Augustow Academy” enterprise which helps unemployed graduates to find a job. Moreover, the company declared that it would commence its cooperation with the Fund for the Development of Initiative through which it provides job training as well as student training. The last issue raised in the discussion about being a „responsible investor” was that the company would undertake to start some activities in cooperation with the local authorities through which it would be able to present its economic goals to the wider society as well as the means it intended to use to fulfil these goals.

h) Political and legal issues

BAT is absolutely convinced that as a responsible manufacturer of tobacco products it may be of assistance to regulators, through the provision of both information and practical experience, in addressing the burning issues surrounding its product: „under-age access, illicit trade, product information, product safety, involuntary exposure to smoke and the development of potentially less harmful products”. BAT is also actively engaged in policy formation through lobbying. However, as the company emphasizes, all lobbying activities are conducted in a transparent and clearly specified way, for both society as a whole and the authorities. In addition, this regulatory engagement is scrupulously monitored by BAT's regional CSR committees.

During the discussion, the social partners requested that the company follow all of the applicable legal principles very strictly and to keep their partners informed about tobacco trade operations and their influence on the whole economy. At the end of the discussion, the partners presented their expectations with regard to the lobbying issue, which according to them, should be conducted in a way that would be above any suspicion of corruption.

In response to these suggestions, the BAT company undertook to precisely follow the applicable legal principles in its operations and to be transparent in its lobbying activities. BAT has also agreed not to finance any political parties or election campaigns.

4. Charity activities

With ever increasing frequency, BAT is making anonymous donations to charities. One such charity activity was the financial support offered to the sports club in Augustów in the amount of 137 thousand PLN in 2000, and 144 thousand PLN in 2001. However, since 2001 BAT has not sponsored any sports club because the law does not allow companies that produce tobacco products to sponsor any type of sports events as well as educational, health, cultural or political activities. Despite these restrictions, the accounts published by British American Tobacco indicate that in 2003 the company donated about 180 thousand PLN to charity, and about 180 thousand PLN in 2004.

According to the social partners, the company should support sports clubs, especially those set up at schools as well as cultural and social activities, for example, through the donation of used electronic equipment. Finally, the guests proposed that it would be a good idea to develop BAT's charity activities not only in the local area but all over Poland.

In response to the proposals, British American Tobacco resolved that it would continue to support its chosen charity activities, however, because of the existing law, it cannot inform the public about the amount of money donated and the purposes it serves.

5. Smuggling and illegal trading

Smuggling and illegal trading are very common in the tobacco industry. This global problem causes losses, not only to the tobacco companies but also to the state budget. The research conducted by the Commission for Tobacco Industry Matters (KSPT) indicates that BAT cigarettes represent only 3.1% of all the cigarettes which are smuggled into our country. Tobacco products from Ukraine amount to 54.1% of all cigarettes smuggled to Poland while the cigarettes from British American Tobacco Ukraine represent 1.9% of all cigarettes smuggled into the territory of our country. What drives cigarette smuggling is the fact that the excise duty on them was raised when Poland entered the European Union. But this is not the only factor. Weak

criminal penalties, poor border controls, low arrest rates and corruption in some parts of the world add to the problem as well.

To limit these phenomena, the BAT company:

- Cooperates with the central and local authorities and supports the development of legal principles to limit illegal trade.
- In September 2003, a conference was organized with the participation of BAT experts and members of customs clearance offices from all regions of Poland.
- Since 2000, BAT has been financing the research conducted by Pentor and Almares, which are companies concerned with finding ways to limit illegal smuggling.
- Cooperates with the Ministry of Internal Affairs and Administration concerning reports about legal changes designed to limit cigarette smuggling.

The following expectations were expressed by the guests at the meeting:

- Apply more influence on state authorities to limit illegal smuggling and trade.
- Organize various types of training for custom officers to facilitate the control of illegal dealings.
- Form groups dedicated to limiting smuggling activities.
- The initiation of a special programme which allows for the minimization of illegal trading through improving the control exercised in small market places.
- Motivating honest sellers.

In response to these proposals, the company declared that it would do everything in its power to decrease illegal commerce and smuggling. To this end, the company precisely follows its rules of responsibility to society which are at the centre of the commercial politics of the company. They concern the following activities:

- The sales of tobacco products only to those clients who have a good reputation on the market and supplying them with quantities they are able to sell,
- Cooperation with special organizations that deal with the liquidation of the illegal commerce of BAT products.

6. Critical assessment: Can a cigarette manufacturer be socially responsible – the BAT perspective?

In the modern world, corporations are facing increasing expectations originating from society to report their socially responsible activities. British American Tobacco, as the first tobacco company, has developed a wide-ranging CSR strategy which explains how it intends to demonstrate social responsibility and outlines the programmes which have been introduced to achieve this aim. What is the true reason for the implementation and application of CSR programmes by companies like BAT?

First of all, British American Tobacco has pledged to cooperate extensively with governments, parents, teachers and non-government organizations in programmes to prevent under-age smoking. As stated on its website, in 2007, it ran or supported about 75 such programmes and more than 60 per cent of them focused on preventing

under age access to cigarettes. These are impressive numbers. However, does the BAT company really want to eliminate smoking among youngsters? Maybe youth smoking prevention programmes are only being introduced to improve the company's image in society, or „to distract the public from ethical questions posed by their core operations?“ Away from the public gaze, the truth would seem to be completely different from the public relations message. According to the BBC, there is documented evidence which reveals that the marketing tactics used by BAT in Malawi, clearly breach their own marketing code and encourage young teenagers to smoke. The company does this mainly through the sale and promotion of single cigarettes, which are particularly attractive to youth in that country as not many of them are able to afford a whole packet of cigarettes, and through music events with celebrities wearing branded T-shirts. Africa is one of British American Tobacco's key markets and the profits that it generated there amounted to £2.9 billion last year. However, the World Health Organization estimates that smoking-related deaths in Africa will double in the next twenty years and that by 2030 smoking-related deaths will be greater than those caused by TB and Malaria combined. The truth is that BAT is actively engaged in programmes that prevent under-age smoking only in more developed countries where it cannot afford to be indifferent to public opinion, however, in distant parts of the world, where the law is not properly enforced, BAT just takes advantage of its circumstances to increase profits.

Secondly, according to the American economist professor Milton Friedman, the primary responsibility of business is to maximize profits for its shareholders. Participation in social programmes is very expensive and as a consequence this leads to price rises which are detrimental, both for the company and for the society. What does BAT introduce these programmes for? Does the company, which spends millions of pounds on social programmes, really not expect anything in return? Is the satisfaction of its stakeholders enough? British American Tobacco is not a charity organization, and its main aim is to gain the largest possible profit. Each step it takes and each decision it makes is determined solely by financial considerations. In fact, nothing else counts. Undoubtedly, having read its CSR strategy, BAT gives the impression of a company which was only established to help the world with its societal problems, provide community support, protect the natural environment, improve standards of living, and that profit is of secondary importance. What hypocrisy and insincerity.

Thirdly, can a cigarette manufacturer really behave in a socially responsible manner if it openly admits that its products pose a real risk to health, but it will nevertheless not stop making them? The question might seem irrelevant upon taking a closer look at some data. From a 15 percent share of the world tobacco market, BAT makes profits of more than £2.7 billion a year. As about 5 million people die from tobacco-related diseases every year, BAT's 300 brands of cigarettes which are sold in 180 countries could be causing up to three-quarters of a million premature deaths. What was the BAT vision? „To lead the tobacco industry through growth, productivity and responsibility“. Really? Through responsibility? Is killing so many people each year a responsible strategy? It is not a matter of condemning smoking

because tobacco is a legal product and adults have the right to choose for themselves whether to smoke or not. If British American Tobacco stopped producing cigarettes, someone else would start. However, boasting about how the company takes care of its customers' health through the implementation of Harm Reduction programmes would seem to be rather inappropriate, knowing that so many people die due to tobacco-related diseases⁵.

Fourthly, BAT emphasizes that good relationships with its stakeholders are very important because they help the company to make the right kinds of improvements to its activities and reveal things that the company might not otherwise have realized. What is more, through discussion with its social partners, the company may respond to their needs. The question is, whose needs does the company actually aim to respond to? Are they really the stakeholders' needs? For example, as a part of Social Responsibility in Tobacco Production, BAT Polska was reported to have spent about 16 million PLN on equipment for plantation owners, for which they gradually make repayments in the form of tobacco supplies. Who benefits from this? Both sides of the agreement do, however, having the farmers supplied with modern equipment and proper training, BAT guarantees itself continuous supply of high quality tobacco. Another programme that claims to prove how British American Tobacco implements CSR policy concerns safety management at the workplace. The company funds the Zero Accident Award for those branches which have recorded no accidents at work. Why was this programme introduced? Is it because BAT really cares about the health of its employees or maybe because accidents at work cause losses for the company?

There are many questions that will probably remain unanswered as CSR itself arouses a lot of controversy, especially in the case of companies producing risky products like cigarettes. It is probably impossible to find out the true reason for companies to implement CSR programmes. Some of them really believe in the power of the CSR concept, while others only wish to raise their reputation with the general public and government. „British American Tobacco has made a long-term commitment to adhere to corporate social responsibility principles. The extent of this commitment will only become clear over time. Some similarity may be found between BAT and Nick Naylor, the protagonist of the film satire titled *Thank You for Smoking*. On the one hand, Nick, the chief spokesman for a Big Tobacco company, twists the truth or spins on behalf of cigarette companies, but on the other, he begins to think about how his work makes him look in the eyes of his twelve-year-old son Joey, for whom he is trying to remain a role model. BAT behaves in exactly the same way, on the one hand, it produces and sells products which cause the death of many people, on the other, the company does everything it can to create a favourable impression on society. Is that Corporate Social Responsibility?

⁵ *Statement of Business Principles (2015–2018)*. Social Report 2016/2019 15 Feb. 2005, available online: www.bat.com/socialreport [access: 14.07.2020].

7. Conclusion concerning BAT's ethical strategy

When evaluating the CSR strategy of BAT it is important to consider the wider consequences of the firm's responsibility for the effects of its production and the distribution of cigarettes in the context of its relationships with every group of stakeholders. Why are BAT and other cigarette companies committing immense sums to a variety of social programmes? Why does BAT open its factories in the poorest areas of Poland with both high structural unemployment and the lowest average wages in the country? It may be postulated that these activities are thought-out and consciously implemented by the company.

One may wonder whether the production of socially damaging products (but not those forbidden by law) is ever morally justifiable. Investing large sums in a stakeholder trust is a form of hiding the „damaging” image of the firm, which produces products which are harmful to health, while the consumption of such products generates long-term specific macroeconomic costs. In this context, the implementation of social programmes must be viewed as a form of „dirty marketing”: on the one hand the company destroys the health of its clients while on the other it funds the health treatments that they need; on the one hand it makes money selling its cigarettes and on the other it invests in social activities aimed at preventing smoking. Is this activity rational and logical? Rather not, it is more a sharing of its assets with stakeholders in order to project an image of a friendly company that takes care of society and is keen to respond to social expectations. It is a way of masking socially-negative cigarette production, the harmful nature of smoking and the conscious shaping of the image of a company producing „normal consumption products”. Such activities allow for profit maximization in the long-run and are a good way to invest in stakeholder trust and in the creation of positive relationships with them.

The BAT Polish strategy is founded on basic parameters which are perceived and evaluated by stakeholders in the following way:⁶

- Poles evaluate firms mainly on the basis of product quality and the way in which companies treat their employees and partners.
- Ethical and responsible activities, involvement in social and charitable activity or the way in which a firm approaches the natural environment are seen as issues of secondary importance.
- The firm is perceived primarily through the perspective of basic, everyday roles: by the client who wishes to purchase a good product and be served well; or by the employee who wants to be remunerated justly and treated well.
- Even for opinion leaders the main factors are: its responsibility/trustworthiness are understood in the context of a company's ability to deliver a good, safe product of high quality, its financial situation, position on the market and long tradition, e.g. issues related to the fundamental „economic” area of a firm's existence.

⁶ Based on a survey of 1000 respondents, conducted by the Authors.

- Aspects of secondary importance include: the organizational culture that guarantees appropriate, ethical employee relations and issues of the firm's involvement in the social life of its surrounding environment—participating in charity auctions, etc.
- Among opinion-makers there is a dominant view that the firm should go beyond its basic duties (following the law, paying taxes, employing workers) and participate in the improvement of the wider society. Both issues are seen as interlinked and mutually supportive.
- The starting point of a pro-social activity is the completion of the basic functions of the firm. On the other hand, the development of good relationships with the wider society and supporting various initiatives that are intended to improve it, are the preconditions for market success in the longer-term timeframe.
- Currently, the main sources of information are conversations with other people and media information about the behaviour of firms in a social setting, ethics and ecological issues. Personal experiences with the firm and its products are also important.
- One in every four Poles obtains company information from packaging. Other sources are less welcome (reports, advertising, the internet). The least-often accessed sources of information are reports by external institutions, but this may be caused by the difficulty of accessing them and the low level of interest in more general and more in-depth materials.
- Respondents were asked to evaluate the effectiveness of multiple ways of informing the wider society about CSR activities. Journalistic reports and packaging information or the data available at sales points were rated as being most effective (e.g. in the form of a logo conveying information about the firm following ecological or CSR standards).
- Advertising campaigns or long reports about the pro-social and pro-ecological activity of a firm were seen as less useful.

As a result of the factors listed above, cigarette companies fulfil their role in an appropriate manner, based on the expectations towards them held by the wider social environment. Of course, this in no way changes the question as to whether the firm engages in social activities „out of the goodness of its heart” or to improve its image and reduce the perceived moral negativity of its basic production activities.

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CORPORATE SOCIAL RESPONSIBILITY IN PAKISTAN

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Abstract

This chapter aims to highlight the different shades of CSR in Pakistan. It delves into describing the different approaches to CSR and the legal aspects of it, both internationally and locally. Through an analysis of a literature review and comparative analysis this chapter reveals that CSR is still in its infancy in Pakistan. Big companies or MNCs have well-defined CSR programmes. Moreover, CSR is still largely viewed as corporate philanthropy. There are some companies that lead in the CSR field by investing in socially important issues. A major limitation for the research on which this chapter is based was the unavailability of data and information from the internet and at the company level as well.

Keywords: CSR, Pakistan, chances, limitation

1. Introduction

Corporate Social Responsibility (CSR) is an emerging concept in Pakistan, a developing country that is strategically well-located. Pakistan shares a border with Iran, Afghanistan, China and India, and the Arabian Sea lies to its south. This part of the chapter aims to shed light on CSR in Pakistan but first, it is pertinent to establish the backdrop of Pakistan in order to contextualize the topic better. Pakistan presents favourable demographics with a population of about 212 million¹, it has a burgeoning youth population. Owing to its geostrategic location, the flagship project of China's Belt and Road Initiative (BRI), the China-Pakistan Economic Corridor (CPEC) is being implemented in Pakistan which essentially entails energy projects, infrastructure projects, and the development of a port at Gwadar, a city in Balochistan province.

Despite its favourable location and demographics, Pakistan has never been able to fully „develop“, and is undergoing a major economic crisis even as I write this chapter. The Real GDP Growth Rate in the year 2020 is projected to be 2.4, while the inflation rate is expected to be 13%². The low growth rate and high level of inflation

¹ Pakistan | Data, Data.Worldbank.Org, 2020, available online: <https://data.worldbank.org/country/pakistan>.

² Pakistan and the IMF, IMF 2020, available online: <https://www.imf.org/en/countries/PAK>.

can be attributed to the Structural Adjustment Programme (SAP) of the IMF on account of Pakistan's 4,867 million deficit in terms of purchases and loans³. Over the past year, the exchange rate was allowed to depreciate, with a cumulative depreciation of 25.5 percent, there were also cuts in the development budget, energy prices were increased and there was an increase in taxes⁴.

Even though the current account deficit (CAD) narrowed⁵, the abovementioned measures further exacerbated the problems of the lower and middle class in the country, creating frustration in the public sphere. The job market does not present a rosy picture. The recent sugar and wheat crisis (it is important to note that wheat is the staple food of Pakistan) are imposing further pressures on the economy. Most of the current issues can be traced back to governance issues in the country.

Pakistan became independent from British colonial rule on 14 August 1947. Since it gained its independence it has been the victim of a self-centered and self-serving group of leaders⁶. There have been numerous hardships endured in the political and social arena. Three major military coups have been executed since 1947. Pakistan's economy and political structure has been plagued by many governance issues which include corruption, the mismanagement of public funds, the inability to collect revenue, an inefficient bureaucracy, and a lack of transparency and accountability. It was not possible for a newborn state like Pakistan to grow on its own. Hence, it has relied heavily on foreign aid since its foundation. The governance issues only worsened with foreign aid. In her book *Dead Aid*, Dambisa Moyo writes that countries that rejected the aid route became more prosperous while aid-dependent countries remain trapped in the vicious cycle of corruption, market distortions and further poverty – hence, they require more aid⁷.

Billions of dollars have been poured into Pakistan under the ambit of „foreign aid” which includes aid from multilateral as well as bilateral sources. Yet, in 2015, 75.4 percent of the population lived under the poverty line of \$5.5 per day⁸. This is an alarming figure bearing in mind the amount of aid that has been donated to Pakistan since it became independent. The problem mainly lies in the way in which these aid programmes are structured and implemented which makes the recipient country more dependent on aid rather than creating an environment where aid is no longer needed.

Owing to the civil unrest in the country, foreign investment has been low, especially after the launch of operations against militant groups after the 9/11 attacks. FDI in Pakistan was revived largely because of the launch of CPEC in the previous

³ Ibid.

⁴ *The World Bank in Pakistan*, available online: <https://www.worldbank.org/en/country/pakistan/overview>.

⁵ Ibid.

⁶ U. Javaid, A. Latif, *Historical Analysis Of Successive Governments In Pakistan: A History Of First Six Decades, 1947–2007*, „Pakistan Vision” 2017, no. 18, pp. 214–228.

⁷ D. Moyo, *Dead Aid: Why Aid Is Not Working And How There Is A Better Way For Africa*, Penguin, London 2009.

⁸ *Pakistan Data*, Data. Worldbank.Org, 2020, available online: <https://data.worldbank.org/country/pakistan>.

decade. FDI is always considered to be better than aid as it creates opportunities for the livelihood of the locals and helps the economy grow. Moreover, another feature of FDI is the CSR policies of the MNCs in developing countries.

With the global issues that have surfaced today like climate change, the violation of human rights, as well as famine and poverty, collective action must be taken by all stakeholders in the global economy which surely includes the corporations. This chapter aims to highlight the importance of CSR programmes in Pakistan which are being implemented by international as well as local firms. Let's begin by reviewing the existing literature concerning CSR.

2. Understanding CSR

According to the United Nations Industrial Development Organization (UNIDO) Corporate Social Responsibility (CSR) is a management concept whereby companies integrate social and environmental concerns into their business operations and interactions with their stakeholders⁹. CSR is for the most part a concept where the economic, environment and social aspects of a business interact, while addressing the expectations of shareholders and stakeholders. All over the world this concept is either viewed as a strategic business management concept or charity/philanthropy¹⁰. CSR initiatives are usually implemented in following fields: environmental management, eco-efficiency, responsible sourcing, labour standards and working conditions, employee and community relations, gender balance, human rights, good governance, and anti-corruption¹¹.

When such programmes are implemented properly they can bring about a whole lot of competitive advantages which are beneficial for the company and society as a whole. From the company's point of view, it can induce access to capital and markets, higher sales and profits, lower operational costs, improved productivity and quality, efficient human resource management, an enhanced brand image and reputation, enhanced customer loyalty, better decision-making and risk-management processes¹².

Corporations around the globe are increasingly working towards integrating CSR programmes in their businesses. In this day and age, with increased awareness concerning issues such as labour rights, environmental issues, harassment in the workplace and so on, there is increased pressure on corporations to take socially and environmentally conscious decisions. Over the years companies have also come to realize that CSR activities result in financial advantages as well.

The concept of Corporate Social Responsibility (CSR) is still a developing concept in Pakistan. Even today the concept is for the most part confused with the

⁹ *What Is CSR?* | UNIDO, Unido.Org, 2020, available online: <https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what-csr>.

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

philanthropic activities of corporations or with consumer welfare. In the contemporary social sciences discourse the concept is much debated. With the rise of globalization and an increase in the level of awareness with regard to the negative impacts of businesses on the environment and society as a whole, companies are becoming more responsible in the way they conduct business. In the context of Pakistan, a limited volume of literature is available, as this is still a notion which has not been fully developed. The Sustainable Development Policy Institute's (SDPI), report: „Corporate Conscience – *The case of Pakistan*” defines CSR as conducting business in the interest of the wider community in an ethical way; responding positively to the priorities and expectations of society, balancing shareholder interests against the interests of the wider community and being a responsible citizen in society¹³. According to William C. Fredrick's definition of CSR, businesses are responsible for using their available economic and human resources in a way that contributes to the overall welfare of society rather than just contributing to the profits of the company¹⁴.

It is quite evident that there is as yet no clear definition of CSR, rather the way in which it is defined always depends on the context in which the term is used. The broader definition is concerned with what the relationship between global corporations, governments of countries and individual citizens should be¹⁵. It is pertinent to emphasize that CSR is a way for businesses to show concern for the environment and about the social welfare of people. Yu and Zia-ud-Din quote the words of John Zinkin of Nottingham University:

defining responsible behaviour and getting CSR right is difficult because it is a journey, not a destination. As countries evolve, getting richer and better educated, so society's expectations of company behaviour become more demanding. Therefore, what was good enough yesterday may no longer be good enough today, and certainly will not be good enough tomorrow”¹⁶.

It is safe to say that CSR is a profound concept that varies from society to society. The concept will keep developing over time with changes in the circumstances of societies. Various examples of literature concerning CSR agree on four different elements of CSR which are Philanthropic responsibilities, Ethical Responsibilities, Legal Responsibilities, and Economic Responsibilities.

- **The Philanthropic Responsibilities** of a company refer to the voluntary contributions made by the company for the betterment of society and the environment; this is referred to as the old form of CSR¹⁷. This form of CSR includes charity

¹³ Afshan Ahmed and Iftikhar Ahmed, *Corporate Conscience: CSR In Pakistan* (Bangalore: Prakruthi, 2011).

¹⁴ Ibid.

¹⁵ Shuhong Yu and Malik Zia-ud-Din Zia-ud-Din, *Corporate Social Responsibility In Pakistan: A Legal Perspective With Reference To Mnes*, „Journal of Politics and Law” 2019, vol. 12, no. 3.

¹⁶ Ibid.

¹⁷ Ibid.

work by the corporations to compensate for natural resource extraction or other businesses activities which are deemed harmful to society. This is primarily to earn good will among ordinary citizens and is incorporated into the company strategy.

- **The Ethical Responsibilities** refer to the company adhering to moral norms and rules that exist in society out of a sense of respect. This may be practiced more by foreign companies. An example of this could be a Multinational Company (MNC) allowing half days on Fridays in Muslim countries, like Pakistan, out of respect for the importance of „Fridays” in Islam.
- **Legal Responsibilities** require the company to adhere to applicable laws – both international and local. This form of responsibility requires corporations to provide goods and services that meet certain criteria and requirements¹⁸.
- **Economic Responsibility** is the set of obligations that the business owes to its owner and shareholders¹⁹. This requires the businesses to be efficient in its operations to maximize profits.

Different companies have different motivations to pursue CSR in their activities. Some companies have enshrined it in their business strategy in order to maintain stability others wish to contribute towards the welfare of society. There are many companies that are motivated due to public pressure, social media, globalization and climate change.

3. Legal Structure of CSR in Pakistan

There are different guidelines and sets of rules set out in both international and local laws which govern the implementation of CSR in Pakistan. Yu and Zia-ud-Din have conducted an in-depth analysis of the existing legal structure of CSR in the world and in Pakistan. For the purpose of this research and to avoid any repetition, I will largely rely on their analysis. The sources of laws concerning CSR may be found out in different legal instruments like the international guidelines, treaties, precedents, etc.

a) International Laws

One of the most important sources of guidelines originates from the Organization for Economic Cooperation and Development (OECD) which were adopted in 1976 and revised in 2011.²⁰ The governments of 30 countries work together on this platform to address social, economic and environmental issues related to the MNEs. Their guidelines include the disclosure of CSR reports, the environment, bribery control, consumer interests and taxation. Another set of significant guidelines for CSR are listed in the United Nations Global Compact which was framed in 2000 and has ten principles. The issues that it encompasses range from human rights, the environment to labour rights, etc.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

The International Labour Organization's (ILO) declaration for MNEs is called the „Tripartite Declaration of Principles concerning MNEs and Social Policy”.²¹ It provides guidance to MNEs as well as governmental, employers' and workers' organizations. Other guidelines include NGO guidelines and a Code of Conduct. NGO guidelines are mainly sets of rules and restrictions set forth by the local NGOs in the area where the MNEs are located. The Code of Conduct on the other hand is a list of guiding principles formulated by each company which all stakeholders must follow for effective business operations.

It is pertinent to note that none of the above guidelines, except for the Code of Conduct of individual companies, are binding in nature. The aforementioned guidelines are all completely voluntary by nature and cannot be enforced upon the companies by these supranational organizations. Furthermore, none of the guidelines have a monitoring process which makes one consider their relevance. Moreover, it is worrisome that if these laws are not binding and if an MNE exists in a country with a poor law and order situation then the question is who looks out for the local citizens.

b) Local Laws

The CSR laws in Pakistan mainly revolve around the basic labour laws, corporate laws, environmental laws, consumer protection laws and guidelines from SECP²². First and foremost, the basic laws of CSR are enshrined in the Constitution of Pakistan. In this document, all forms of slavery are forbidden, the employment of children below the age of fourteen years in factories, mines, or any other hazardous environment is prohibited, humane work conditions must be provided while also ensuring maternity benefits for women.

Secondly, the Labour Laws of Pakistan also lay the groundwork for CSR policies for companies. They provide restrictions on working hours and the provision of a safe and healthy work environment²³. The Industrial Relations Ordinance (IRO) 2002, provides legislation for the formation of workers' unions.

Thirdly, the „Code of Corporate Governance” and the „Guidelines of CSR” provided by the Securities and Exchange Commission of Pakistan (SECP) are by far the most important and valuable guidelines that govern CSR in Pakistan. The former lays down the guiding principles for the Board of Directors with regard to their appointment, duties and audits. The latter provides guidelines for companies to promote responsible business behaviour which supports the interests of the public and promotes the development of society. The guidelines encourage companies to have clearly defined CSR strategies in the areas of skill development, poverty alleviation, health, education, safety, the environment and many more²⁴.

²¹ Ibid.

²² Ibid.

²³ Ibid.

²⁴ Ibid.

While discussing the different types of legislation that exist in Pakistan which are related to CSR, it is imperative to mention the „Companies Ordinance 1984” at this point. This ordinance is the one that essentially governs all aspects of company and corporate affairs and is quite a lengthy document. However, it is almost comical that not even a single part of the document mentions anything related to environmental protection, community services and other core principles of CSR²⁵.

In the sections above, I have only briefly outlined the legal structure of CSR in Pakistan, without going into the details of different sections or the terms of the guidelines. The reason being, all of these guidelines are merely just principles stated on paper and not legally binding, except for the „Constitution of Pakistan” and the „Labour Laws”, and these only provide the broader legal structure for MNEs, not for CSR programmes in particular. Companies can voluntarily follow these guidelines. Hence, it seems futile to delve further into this. It is more productive to analyse the different CSR programmes of different organizations to obtain a holistic view of what is happening on the ground. This approach is followed in the section below.

4. Pakistani CSR in the Literature

As mentioned above, CSR in Pakistan exists in the form of philanthropic activities or voluntary donations from corporations. Most of these activities can be attributed to religious teachings and societal norms in Pakistan. People generally believe in giving to charity because of the teachings of their religion. However, over time CSR has been gaining popularity in the West and likewise, is now gaining some momentum in the Global South as well. Unlike before, CSR is not non-existent in Pakistan. Companies have started to incorporate CSR into their strategies and have initiated various programmes as well.

The Nike Scandal: in fact, Pakistan became acquainted with CSR for the first time in 1996 when the issue of child labour in the football industry hit international headlines²⁶. In 1996, Life Magazine published pictures of Pakistani children stitching soccer balls for Nike in Sialkot, Pakistan²⁷. After the scandal, the Government of Pakistan, along with international organizations conducted in-depth research into the case to analyse the extent, nature, size and socio-economic characteristics of child labour in Pakistan. The data collected showed that 3.3 million children in the age range of 5 to 14 were working. The data revealed that about 70 percent of children were unpaid and that the children who were paid only earned USD 0.4 – USD 0.5 while each ball was sold in western countries for about USD 30 – USD 50²⁸. The reasons why parents or guardians allowed their children to come forward were manifold. Almost

²⁵ Ibid.

²⁶ M. Sohail, Y. Laila Durrani, *Corporate Social Responsibility (CSR) in Pakistan: A Critique Of The Literature And Future Research Agenda*, „Business & Economic Review” 2017, vol. 9, no. 1.

²⁷ F. Scamardella, *Law, Globalisation, Governance: Emerging Alternative Legal Techniques. The Nike Scandal in Pakistan*, „The Journal of Legal Pluralism and Unofficial Law” 2014, vol. 47, no. 1, pp. 76–95.

²⁸ Ibid.

70 percent of the population who spoke out lived in rural areas under conditions of extreme poverty. There was a lack of educational facilities and low industrial productivity. Other issues that surfaced due to this scandal included discrimination between genders within the workforce.

The situation presented above exposed the fact that even though labour laws and laws regarding the employment of children exist in Pakistan, the companies involved in the scandal completely neglected them. The scandal also highlighted the reality that child labour was not only a legal issue but was also a socio-legal problem²⁹. Nike drafted their Code of Conduct in 1992 which included a statement about working conditions and that the document represented „a first step in a conscious strategy to improve working conditions in factories”. The statement was completely ignored by Nike. However, Nike defended itself by saying that they were not the direct employers of those children but rather, the contracting party was.

The incident makes it evident that Nike's CSR policy was more skewed towards maximizing its profits rather than paying attention to its workers. It is hard to believe that such a big organization was simply unaware of the real situation in Sialkot. This example shows how MNEs who had their units and factories in developing countries in the 1990s and early 2000s operated. Additionally, it also sheds light on the nuances of the legal structure in Pakistan. Even though laws existed in relation to child labour, Pakistan had clearly succumbed to corporate pressure. Furthermore, gender discrimination and a lack of education was also a cause of child labour³⁰. It is pertinent to note that the issue of child labour might have been eradicated from this particular industry because of the attention that the case received but it may just have moved to other local industries in Pakistan.

The SDPI's report concerning CSR which was published in 2002 discusses a reactive CSR strategy rather than a proactive one³¹. Some corporations in Pakistan react in the case of a natural disaster and help society in a situation which could be described as disastrous in some fashion. Most companies conduct CSR due to external factors rather than internal ones. The report highlights the companies that have pronounced CSR practices which are Nike, Unilever Pakistan, and the Engro group of Industries.

SECP published its findings based on a survey concerning CSR practices in Pakistan in 2005 according to which the companies in Pakistan focus mainly on philanthropic activities and legal compliance³². CSR is not considered to be a core value of the company and the activities are more situational rather than a continuous process. Moreover, the reporting of CSR activities was given a low priority for companies. However, it was observed that larger corporations are more likely to have a functional CSR policy.

²⁹ Ibid.

³⁰ Ibid.

³¹ F. Khan, U. Nomani, *Corporate Social Responsibility and Natural Disaster Reduction in Pakistan*, Sustainable Development Policy Institute, 2002.

³² M.S.Yunis, L. Durrani, *Corporate Social Responsibility (CSR) in Pakistan: A Critique of the Literature and Future Research Agenda*, „Business & Economic Review” 2017, vol. 9, no. 1, pp. 65–88.

Another survey based on research was published in 2006 by the Pakistan Centre of Philanthropy (PCP). The survey revealed that 64 percent of the companies, publically listed in Pakistan, were involved in social work but that was only because of religious teachings or due to humanitarian relations³³. This suggests that even by 2006 the concept of CSR had not yet developed. It was also revealed that companies were motivated to undertake charitable activities to gain a marketing advantage, tax benefits or to obtain a favourable public image.

The section above was included to give readers an idea about the chronological development of the notion of CSR in Pakistan. Another report by SDPI was published in 2011 which presented the up-to-date picture of CSR in Pakistan from that time. The report concluded that Multinational Corporations in Pakistan are leaders in the implementation of CSR programmes³⁴. MNCs have separate departments that design and implement these programmes. Additionally, these MNCs also have special teams that report on CSR activities in a well-defined manner. Moreover, the report stated that medium and small scale businesses are largely unaware of the idea of socially responsible behaviour³⁵. Most of the industrial groups do not even have a Code of Conduct and that the CSR activities performed by most of the organizations were voluntary in nature. The report highlighted the fact that the existing Corporate, Environmental, Labour, and consumer laws were governing CSR in Pakistan.

However, since 2011 the CSR concept in Pakistan has evolved. I believe that social media has played a major role in increasing the degree of awareness of the general public concerning basic human rights, citizen rights, and consumer rights. This is certainly a step in the right direction but the scope is quite limited. As most of the population still resides in rural areas and access to education is low, most people are still unaware of their rights and the issues that businesses create. Currently, the number of organizations that have CSR programmes has increased significantly.

Yu and Zia-ud-din maintain that in comparison with the local companies in Pakistan, the Multi-national Enterprises (MNEs) have a higher level of investment and profits. Hence, the CSR practices of MNEs are much more well-defined and larger in scale³⁶. Therefore, the greater part of Pakistan's CSR activities originate in MNEs. However, a few of the local firms and MNEs in Pakistan have a well-structured CSR programme. There was a halt in FDI in Pakistan after the 9/11 attacks which posed a major setback for CSR. However, ever since the middle of the previous decade there has been a rise in Chinese investment under China's CPEC project. Due to an increase in Chinese investment and successful military operations against militant groups, other countries have shown an eagerness to invest in Pakistan. Currently, Pakistan presents an interesting situation where different players are present, this includes a few local companies which are in the process of establishing well-structured

³³ Ibid.

³⁴ A. Ahmed, I. Ahmed, *Corporate Conscience: CSR in Pakistan*, Prakruthi, Bangalore 2011.

³⁵ Ibid.

³⁶ Shuhong Yu, Malik Zia-ud-Din Zia-ud-Din, *Corporate Social Responsibility in Pakistan: A Legal Perspective with Reference to Mnes*, „Journal of Politics and Law” 2019, vol. 12, no. 3, pp. 87–104.

CSR programmes, a few MNEs which took a lead in this arena a few years ago, and some new players in the field – the Chinese companies.

5. Comparative Analysis

In order to obtain a more nuanced understanding of the CSR situation in Pakistan, this section aims to dig deeper into the CSR initiatives of different companies (local and international) in different sectors. It is important to note the information and data limitation here. Since there is a severe lack of reporting of CSR activities in Pakistan the main sources of information are the company websites, reports and newspaper articles. Additionally, there is no system to „monitor and evaluate” such initiatives at the global as well as at the local level which means that there is no „higher authority” or platform that has all of the pertinent information with regard to CSR. Most of the CSR activities are voluntary initiatives taken by various companies. This poses some major limitations on the scope of this research.

Furthermore, for the purposes of this research, while I tried to get in touch with the CSR departments in different companies and in so doing I came to realize that most of the companies in Pakistan, even the MNEs, do not have a separate department or even a unit devoted to CSR programmes. Most of the CSR activities are planned and implemented by the relevant project teams in various project areas.

a) Oil and Gas Industry (Upstream companies – Exploration and Production, E&P)

The companies working in the Exploration and Production (E&P) sector of the Oil and Gas industry are largely responsible for finding crude oil and natural gas and bringing it to the surface. The companies working in this sector are generally considered to be responsible for damaging the environment and the ecosystem in the areas in which they work. Hence, it will be interesting to see how these companies „compensate” for the damage that they unleash on the environment. Upstream companies in the E&P sector in Pakistan have commitments with the President of Pakistan under the Petroleum Concession Agreements (PCAs) and Production Sharing Agreement (PSAs) to spend a certain agreed amount on social welfare³⁷.

Apart from the aforementioned agreements, it is pertinent to mention the significance of case-law in Pakistan. Pakistan follows a Civil Legal System and assigns great importance to the precedents set by the courts in their decisions³⁸. In 2013, the Supreme Court of Pakistan presented its landmark decision related to the CSR activities of local companies and MNEs which involved the Oil and Gas Development Company Limited (OGDCL) and 25 other E&P companies³⁹. According to the

³⁷ *Oil and Gas Development Corporation Limited (CSR Department)*, „Revised CSR Policy – 2019”, 2019, available online: <https://ogdcl.com/sites/default/files/Revised%20CSR%20Policy%20-%202019.pdf>.

³⁸ Shuhong Yu and Malik Zia-ud-Din Zia-ud-Din, *Corporate Social Responsibility in Pakistan: A Legal Perspective with Reference to Mnes*, „Journal of Politics And Law” 2019, vol. 12, no. 3, pp. 87–104.

³⁹ Ibid.

application submitted by a resident of the locality where the companies worked, the Oil and Gas companies were in violation of certain laws as well as terms and conditions as stipulated in the PCA. According to the agreement, the companies are obliged to control environmental pollution, and provide jobs and gas facilities to the local people⁴⁰. The court found that the companies were in violation of the agreement and the Director General of the Petroleum Concession (DGPC) was ordered to solicit biannual reports from all of the E&P companies with regard to their CSR activities⁴¹.

This case made it quite clear that even though legally binding laws related to CSR do not exist in Pakistan, the departments concerned can be forced to honour their obligations. This landmark decision also serves as a case in point for other companies to fulfil their social responsibility.

b) Oil and Gas Development Company Limited (OGDCL)

OGDCL is a publically listed company in Pakistan and is one of the leading companies in the E&P industry. The company website states that initiatives are being taken to ensure good governance throughout the company. These initiatives include the introduction of a Code of Ethics and Business Practices, merit-driven hiring, performance appraisals, and lastly but most importantly, the development of policies under CSR as a part of its business principles⁴².

The company website seems to have a very clearly defined CSR strategy. „The company has always given top priority to the development of communities residing in and around the company’s area of operations”⁴³. OGDCL believes in the twin objectives of business and social commitment. The objective of the company is to invest in certain areas of education, health, water, civic amenities, infrastructure, sports, and emergency relief in collaboration with local communities to alleviate poverty. OGDCL states very clearly on their website that their CSR budget is equivalent to 1% of their previous year’s pre-tax profit which was 805 million Rupees for the year 2017–18⁴⁴. This is in addition to the commitment OGDCL made under PCA and PSA.

OGDCL’s activities in the area of education include educating the local communities, providing local schools with books and computers, renovating schools, etc. In the field of healthcare the company provides free healthcare services to people in areas where the company conducts its operations. The company has also invested in providing clean drinking water to communities in the project areas. Moreover, under CSR, Rs. 190 million was allocated to establish water channels and pipelines for human consumption and agricultural purposes in various districts of Balochistan province. Additionally, OGDCL has invested in infrastructure development and has been active in emergency and relief donations in the case of natural disasters.

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Oil and Gas Development Corporation Limited (CSR Department), *Revised CSR Policy – 2019*, 2019, available online: <https://ogdcl.com/sites/default/files/Revised%20CSR%20Policy%20-%202019.pdf>.

⁴³ Ibid.

⁴⁴ Ibid.

c) Pakistan Petroleum Limited (PPL)

PPL has been at the forefront in the energy sector since the 1950s, according to their website. It is a publically listed company in Pakistan whose core values include value creation, respect, integrity, serving the nation and empowerment⁴⁵. According to the company website, the CSR programme of PPL dates back to the 1950s when the company was established. In 2001, the PPL Welfare Trust (PPLWT) was formed to provide CSR services in different thematic areas that include education, health, infrastructure development, socio-economic uplift, and post-disaster rehabilitation. Needs analysis, scoping, planning and the execution of CSR projects are all activities which are carried out by local partners⁴⁶. Corporate Donations was a project initiated by the company in 2016–17 to further strengthen their CSR portfolio.

At present, the most prominent CSR programme of PPL is the construction and operation of the Sui Field Hospital which is in a locality where the company carries out its business activities. Healthcare facilities are provided to employees as well as to the population of the surrounding areas. Annually 300,000 patients are provided with consultancy services, treatment and medicine, and about 3,000 patients are provided with treatment for various ailments at the Patient Department. Moreover, PPL has also constructed another Public Welfare Hospital in Sui, a city in Balochistan.

On the education front, the company established a model school in Sui in the 1950s. Since that time, it has contributed to this vital sector. Other sectors that the company gets involved in through its CSR activities include livelihood generation, infrastructure development and post-disaster rehabilitation.

As yet, there is no information with regard to budget allocation for CSR activities on the PPL website. Furthermore, the website does not mention any timeframe for the implementation of its CSR programmes. It is ambiguous as to whether the programmes are still operational or not and, if so, under what conditions.

d) Multinational Corporations in the E&P sector

• United Energy Pakistan (UEP)

United Energy Pakistan (UEP) is a subsidiary of the United Energy Group (UEG), an energy company listed on the Hong Kong Stock Exchange⁴⁷. This is the largest foreign oil and gas exploration and production company in Pakistan. The business activities of UEP span over 20,000 square kilometres, and are spread across the Sindh and Balochistan provinces. UEP's website states that UEP is an environmentally conscious company and works diligently to make sure that no harm is caused by any of its activities. The company not only complies with applicable laws related to Health, Safety and the Environment (HSE) but they also have a set of internal policies designed to minimize any adverse environment impact. Moreover, the website clearly

⁴⁵ *Corporate Social Responsibility*, „Pakistan Petroleum Limited”, available online: <https://www.ppl.com.pk/category/departments/corporate-social-responsibility> [access: 2020].

⁴⁶ Ibid.

⁴⁷ *Investing in Sustainable Development. Oil and Gas Company Pakistan*, „United Energy Pakistan Limited”, available online: <https://uep.com.pk/csr/csr-overview/> [access: 2020].

states that the company works in close collaboration with the communities they encounter to create a positive impact through CSR activities.

UEP's parent company is also a part of the China-Pakistan Economic Corridor (CPEC) where it has invested in a wind energy project located in the Jhimpir Wind Corridor in Sindh province⁴⁸. UEP aims to further strengthen the friendship between Pakistan and China.

All of the exploration and production companies in Pakistan are obligated to make a contribution to the Social Investment funds with the relevant district government⁴⁹. UEP not only contributes to this but also has a sizeable budget earmarked for CSR activities.

Notable CSR projects of UEP include eleven schools built in collaboration with the Citizen Foundation (TCF) with the aim of educating children in underdeveloped areas of Pakistan. In the Health sector, UEP built a Mother and Child Research and Training Centre in Matiari in collaboration with Agha Khan University. On the livelihoods front, the company tries its best to hire from local communities. UEP also runs an Operator Training programme to provide technical training for local youth. Many people who were trained in these training centres in the past now occupy senior positions in the company.

• **MOL, Pakistan**

MOL Pakistan is a fully owned subsidiary of the Hungarian MOL Group and has been operating in Pakistan since 1999. MOL is one of the most prominent players in the Oil and Gas exploration sector in Pakistan. Firstly, the webpage of MOL Pakistan is not an elaborate one. Secondly, it does not mention any CSR programmes anywhere which would tend to give a visitor to their website the impression that maybe the company does not invest in CSR programmes at all.

According to its latest news article, MOL Pakistan has been investing in CSR initiatives in Pakistan in the education sector. In 2010, the company formed a partnership with the Citizen Foundation (TCF) to undertake the construction of three primary schools in MOL Pakistan's operational areas. The CSR activities of MOL Pakistan are also supported and encouraged by the Hungarian Embassy in Pakistan. At the inauguration of the first school, the Hungarian Ambassador donated 20,000 USD and promised a further 40,000 USD for another two schools to be constructed by MOL Pakistan. A present, 350 students are enrolled in the primary school, half of whom are girls.⁵⁰ The schools are appreciated by the local communities and by the parents of the students as well.

e) Discussion

The preceding section clearly shows that CSR has been an element of company policy in Pakistan since the 1950s. However, it is also pertinent to note that

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ S. Rai, *MOL Pakistan's Corporate Social Responsibility and Education*, „The Nation” 2020.

the companies in the E&P sector are obligated to be socially responsible under the Petroleum Concession Agreement (PCA). Nevertheless, according to the company websites, CSR has been a part of their company structure for decades, but it is quite clear that the concept is still in its infancy in this particular sector. There exists no separate CSR department or unit in these companies which is strange as these particular companies are supposed to invest in environmental protection as well as community development projects. MOL, an international company, does not even mention anything related to CSR/sustainability on their webpage for Pakistan. The fact that there are no separate CSR departments illustrates the actual importance of such initiatives to these companies.

However, one cannot ignore the projects that are being implemented by these companies in the fields of education and healthcare. The local companies, PPL and OGDCL, have actively donated in times of any natural disaster in the country, and are certainly not shy about flaunting this information. Corporate donations in the case of natural disasters and calamities are one of the salient features of CSR in Pakistani companies, it is more of a reactive policy rather than a proactive one. Nevertheless, it is definitely a step in the right direction as the companies feel obligated towards fulfilling their social responsibilities.

Out of all the companies that are part of the analysis, UEP takes the lead in CSR in the E&P sector in Pakistan. The company website clearly defines its CSR strategy and its importance for the company. Additionally, the model that they work with includes training the locals in specific skills that are imperative for employment opportunities in certain project areas and eventually these „trained” locals are hired for those jobs. I believe that skills development is a great service for the locals as it eventually helps in the eradication of poverty.

Moreover, only OGDCL mentions on their website the size of the budget that it sets aside for CSR. Other companies do not mention any figure which makes their CSR policy obscure, as a consequence. Furthermore, there are no monitoring and evaluation mechanisms in place to monitor whether the companies are following their own CSR policies or the PCA. The landmark decision of the Supreme Court in the OGDCL case shows that even though well-defined laws concerning CSR do not exist as yet, companies can be forced to conform to them with good governance and public awareness which are the two tenets of the successful implementation of CSR in Pakistan.

6. CSR in the Telecom Sector in Pakistan

a) Pakistan Telecommunication Company Limited (PTCL)

Pakistan Telecommunication Company Limited (PTCL) is one of the biggest telecommunication companies listed on the Pakistan Stock Exchange Limited. The mission of the company states that it wishes to be a partner of choice for customers, develop their staff and to deliver value to the shareholders⁵¹. According to the website

⁵¹ *Corporate Social Responsibility*, „Pakistan Telecommunication Company Limited” 2020, available online: <https://ptcl.com.pk/Info/Corporate-Responsibility> [access: 02.08.2020].

of the company, PTCL has been at the forefront of CSR in an attempt to contribute to economic development and improve the lives and quality of life for the community at as a whole. PTCL has actively donated in times of any natural disaster or calamity⁵².

PTCL's major CSR programme is called „PTCL Razakaar” whereby employees volunteer to act as ambassadors for the organization and participate in humanitarian and philanthropic activities. The President and CEO of PTCL has stated:

We feel that the involvement of our employees is crucial if we wish to continue to make a significant positive impact in the community. The aim is to encourage the spirit of volunteerism and to harness the skills, passions and talents of our teams. What better way to start the holy month of Ramadan than to rediscover a sense of purpose in life and pledge to create something good for years to come⁵³.

Another CSR initiative of PTCL is the „Box of Happiness” whereby PTCL employees all over the country are invited to donate hand-picked gift boxes for children⁵⁴. The response from the employees was overwhelming as 1000 boxes were collected over the two-week period of the campaign.

b) Telenor Pakistan

Telenor is one of the leading MNCs in Pakistan in the telecom sector. The company is part of the Norwegian Telenor Group. The company's mission is to empower the societies that they operate in. Telenor Pakistan pays special attention to its people and invests in both professional and personal development⁵⁵. Moreover, the company culture promotes the acceptability of certain ideas, innovation and diversity.

The Telenor website does not mention CSR at any point but rather uses the term „Sustainability”. Under their sustainability portfolio there are various projects of which the flagship project is „Telenor Hum Qadam”⁵⁶. The project aims to instill social awareness and responsibility in their employees by encouraging them to volunteer for development projects. The areas that employees volunteer in are disability, education, health, the environment and emergency response. To date, employees have volunteered more than 70,000 hours of their free time⁵⁷.

Telenor is the first company in Pakistan to focus on disability and to work to make it their priority. Their project „Open Mind” aims to raise awareness, provide access and promote the inclusion of disabled persons⁵⁸. The website provides very clear steps on how they are working towards mainstreaming the employment of DPs in Telenor. Moreover, the organization has also donated money in times of natural disasters.

⁵² Ibid.

⁵³ Ibid.

⁵⁴ Ibid.

⁵⁵ *Sustainability – Telenor Pakistan*, „Telenor Pakistan” 2020, available online: <https://www.telenor.com.pk/about/sustainability/corporate-sustainability/#1550820035503-c6e0c9a6-4183>.

⁵⁶ Ibid.

⁵⁷ Ibid.

⁵⁸ Ibid.

Another interesting area that Telenor has worked in is Digital Birth Registrations. In Pakistan only 33.6 percent of the births are registered and about 60 million children are unregistered⁵⁹. The reasons for this are manifold and include, social and economic factors, weak governance structures, and high costs in terms of time and money at the time of registration. To this end, Telenor collaborated with UNICEF Pakistan, the Government of Pakistan and a range of other stakeholders to conduct a feasibility study. Through this study different models of registration came to the forefront. The pilot project was carried out in the Thatta district of Sindh Province where Telenor retailers and some of the government's female health workers were used as facilitators. The facilitators were equipped with smart phones and customized mobile applications which digitized the standard birth registration form with the necessary documents being photographed. The transparency of the whole process was ensured through mobile banking apps. The data collected was easily extracted by government departments for online submission. This system also disseminated information concerning maternal care and child's health to the beneficiaries. The project is being scaled up in five other districts under the same partnerships.

Moreover, under its sustainability portfolio Telenor works on Human Rights, Education and E-Education.

c) China Mobile Pakistan (Known as Zong 4G)

China Mobile Pakistan is a subsidiary of the China Communication Corporation, the world's biggest telecommunications giant. Zong envisages the provision of a fully connected environment in Pakistan by leveraging its technological edge while providing the most reliable and affordable products⁶⁰. The CEO of Zong stated that, „By fostering environmental stewardship, empowering team members, championing human rights and promoting the enhancement of responsibility for social developments, we expanded our CSR portfolio to address the needs of marginalized members”⁶¹.

Zong 4G is one of the few companies that I came across during the course of my research which happened to publish a CSR report. They emphasize being a socially responsible organization by taking initiatives in areas such as education, healthcare, and the economic empowerment of disadvantaged communities. Zong, like its competitors, also implements an Employee Volunteerism programme called „New Hope”. The programme encourages employees to volunteer their time for projects in remote communities. Under this programme, Zong has committed more than 100 volunteers and over 2000 volunteer hours.

Under the area of health, Zong launched a Breast Cancer Awareness campaign. The awareness sessions were mainly conducted at their headquarters in Islamabad where over 100 female employees were educated about the dangers of Breast Cancer. Zong has also formed a partnership with DoctHERs with the aim of reducing the rural-urban divide in society especially with regard to healthcare facilities. Under this

⁵⁹ Ibid.

⁶⁰ *Corporate social responsibility report*, Zong 4G, 2018.

⁶¹ Ibid.

initiative it provided 9 telemedicine centers, two in each of the four provinces with Zong's 4G MBB devices for the provision of healthcare facilities for marginalized communities. Due to Zong's efforts, 6000 individuals from remote communities have been provided with healthcare facilities.

Zong has also worked in the education sector wherein it provides educational support to the students of WISE College in Lahore, 4G awareness sessions in four provinces of Pakistan, a research lab that was established at a university in Lahore, and a tour for the Mashal Model School of Zong headquarters in Islamabad.

Under the theme of Law and Order Zong has equipped the Sheikhpura police department with 4G enabled ecosystems to provide a safe haven to help the police deal with juvenile cases separately from regular criminal ones. The initiative has helped the police department to streamline day-to-day activities using electronic databases and e-ticketing. In 2017, more than 2000 cases were facilitated due to the digitalization of the Child Safety Centre.

d) Discussion

The CSR programmes in the telecom sector are quite diverse and dynamic by their nature. Stark differences may be observed when comparing the CSR activities of local companies and MNCs to the European and Chinese MNCs.

The main feature that exists in all three companies is the employee volunteer programme which would seem to be their biggest CSR initiative. Employee volunteering programmes are a great way to instill the spirit of volunteerism in employees. While the initiative seems amazing per se, it is however, completely voluntary in nature which leaves the matter completely in the hands of the employees.

Additionally, another feature which is common to all three companies is their corporate donations in times of natural disaster.

Sadly, the CSR programme of PTCL seems to be the least promising one. In this day and age they just seem to have an outdated sense of development. Telenor and Zong on the other hand, seem to be taking a leading role by leveraging technology to improve the lives of communities in Pakistan. The interesting point to note is that these companies are working on issues that no other company or even the government takes an interest in, such as working for the benefit of disabled persons, human rights and child protection. The preceding point shows the extent to which these companies are involved at the grass-root level and understand the underlying issues in society. Without a doubt MNCs have taken the lead in CSR in the telecom sector in Pakistan.

7. CSR Activities as a part of the China-Pakistan Economic Corridor (CPEC)

A changing and emerging trend has been observed over the past few decades with the rise of China as an international player in international trade and global politics. China is assisting developing countries with a new model of economic partnership

under the auspices of its Belt and Road Initiative (BRI). Kuo and Kommenda wrote that BRI is described as the 21st century Silk Road, which is made up of a „Belt” of overland corridors and a maritime „road” of shipping lanes⁶². The Belt and Road Initiative mainly consists of China’s overly ambitious development project that includes over 71 countries in Asia, Africa and Europe and is worth \$ 1 trillion⁶³. BRI is facing immense criticism, especially from the West, and is sometimes termed as the „Chinese Marshall Plan” – a state-backed campaign for global dominance⁶⁴. The tools of financing used under BRI range from interest free loans and grants to concessional loans to Foreign Direct Investment (FDI).

Broadly speaking, BRI entails six economic corridors and its flagship project, the China-Pakistan Economic Corridor (CPEC), is relevant to our discussion about CSR in Pakistan. In recent times, Pakistan has been struggling with an energy crisis, low levels of foreign investment due to challenging security issues and weak infrastructure⁶⁵. CPEC is a \$ 62 billion initiative that includes projects in the energy sector, infrastructure development which entails the construction of a port in Gwadar, highways, railways, mass transit systems, Special Economic Zones (SEZs), and certain other projects. The Chinese have consciously become involved in CSR projects in certain project areas. The reasons for this policy may be manifold.

Firstly, there has been a lot of criticism concerning China’s Belt and Road Initiative in the International media. The US in particular has been involved in analysing the projects under BRI and often warns the beneficiary countries of BRI about its harmful impacts. Additionally, in Pakistan too, CPEC is a hotly debated topic and much of the news revolving around it tends to be negative. Hence, CSR under CPEC may be seen as a strategy to counter the criticism of CPEC.

Secondly, under CPEC there are projects that are destined to harm the environment like Coal Power Plants and infrastructure projects. Hence, a lot of the effort that is being put into CSR activities may be attributed to the fact that the Chinese are „trying” to compensate for the damage that they are generating.

It is pertinent to talk about the biggest CSR initiative under CPEC which is being carried out by the Engro Coal and Power Plant in Thar, Pakistan. The project mainly involves exploitation and power station construction by a joint venture of Pakistani and Chinese companies, Sindh Engro Coal Mining Company and China Machinery & Engineering Corporation⁶⁶. The project worried many locals as it has immense potential to damage both the environment and society. The CSR activities are being

⁶² L. Kuo, N. Kommenda, *What Is China’s Belt And Road Initiative?*, „The Guardian” 2018, available online: <https://www.theguardian.com/cities/ng-interactive/2018/jul/30/what-china-belt-road-initiative-silk-road-explainer>.

⁶³ Ibid.

⁶⁴ Ibid.

⁶⁵ B. Kelemen, *China’s twofold cpec strategy in Pakistan: Present Security Challenges And Future Prospects*, Institute of Asian Studies, Bratislava 2017.

⁶⁶ Z. Sun, Jai K.; Zhao L., *Corporate Social Responsibility and Sustainability of Local Community: A Case Study of the Transnational Project in China-Pakistan Economic Corridor*, „Sustainability” 2019, vol. 11, no. 22, p. 6456.

carried out by the „Thar” foundation which is an autonomous organization formed specifically for this purpose⁶⁷. The Thar foundation is one of the few organizations in Pakistan that were formed purely for the promotion of CSR activities. Schools, solar electricity sources, and a clinic with a pharmacy are being built in every village⁶⁸. Due to the shortage of drinking water, solar water pumping and water plants were also facilitated. Among other activities, steps are being taken to provide people with livelihood opportunities. To date, over 4000 localities have been provided with employment opportunities. Moreover, the foundation is also working on activities related to education, health and the environment.

8. Concluding remarks concerning CSR in Pakistan

From the literature above it is quite evident that CSR in Pakistan today presents a much more promising picture from the one prior to the year 2010. It has progressed beyond its infancy stage in the last decade. Nevertheless, it is still an emerging concept in Pakistan and as mentioned above it will remain a dynamic concept that will keep changing over time.

It is still considered to be philanthropy by many individuals and corporations. This is especially the case in the E&P sector, the companies that attempt to compensate for the damage caused to the environment are considered to be engaging in philanthropy rather than carrying out a conscious business policy.

The international laws and guidelines that exist are completely voluntary in nature. None of the guidelines provided by the existing supranational organizations are legally binding. Nor do these guidelines provide any mechanism to monitor and evaluate CSR programmes. Additionally, in Pakistan there are no laws to date that clearly define the CSR policy for companies, it is rather the case that the relevance of CSR in Pakistani law can be inferred from different legal documents like the Constitution of Pakistan which clearly defines labour rights and Labour Laws which in turn, clearly define the rules that govern the rights of the employed individuals. Hence, works need to be implemented within the legal and policy domain to make companies obligated towards CSR initiatives.

Moreover, a common feature of all of the CSR programmes mentioned above are the donations given in times of natural disasters and calamities. Again, philanthropic activities are seen by companies as CSR. It is important to note that these kinds of donations are reactive activities rather than proactive ones. They are not something that the company plans, it is more a question of necessity.

It is also worth mentioning that bigger organizations, both local and international, have more pronounced CSR programmes and policies. Some examples of the companies in Pakistan that have well-defined CSR portfolios are Unilever, Engro, Pakistan State Oil (PSO), Shell Pvt Ltd, Fatima Fertilizers, Zong 4G, Telenor, and

⁶⁷ Ibid.

⁶⁸ Ibid.

many more. Unilever is one of the leading organizations in „sustainability”. Unilever, being an MNC, has set targets to be achieved by 2020⁶⁹. It has various projects which come under the headings of Health, Environment, and Better Livelihood.

It is also imperative to explore the difference between „sustainability” and CSR. I have not been able to understand the difference completely even after reading various articles on it. According to an Environmentalist, Saliha Akram, who has the diverse experience of working at different organizations in their sustainability departments, CSR and sustainability are different concepts⁷⁰. Sustainability is a concept that entails measures and practices that sustainably balances resource usage and supplies over time and includes working towards economic viability, being environmentally sustainable, and contributing to society⁷¹. CSR is a concept that agrees with sustainability on the last point. This gives a little bit more perspective into the fact that activities related to making the businesses environmentally sustainable and economically viable do not come under the ambit of CSR. Rather, activities that are more inclined towards community development are, and should be, considered to be CSR.

One very important aspect to discuss while exploring CSR is governance. When state institutes perform their tasks appropriately then companies can be obligated to fulfil their share of social responsibility. However, as evident from the OGDCL case in the Supreme Case of Pakistan, well-functioning institutions are imperative to streamline CSR in companies operating anywhere around the globe. Companies that are in violation of laws and agreements must be dealt with appropriately.

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⁶⁹ *Sustainable Living*, Unilever Pakistan 2020, available online: <https://www.unilever.pk/sustainable-living/>.

⁷⁰ Akram Saliha. Interview by Author. Telephonic Interview. Islamabad, 27th February 2020.

⁷¹ Ibid.

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THE CORPORATE SOCIAL RESPONSIBILITY OF MINING MULTINATIONAL ENTERPRISES AND LOCAL COMMUNITIES: EVIDENCE FROM CHILE

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Abstract

CSR policies have become a key issue for multinational mining enterprises in Latin America and in Chile. These firms in particular, have increased the value attached to being recognized for having certain principles and corporate values. Also, the UNESCO Social development goals (2015), have defined the relevance of partnership in obtaining those goals. Thus, CSR has become a key attribute of management models, improving its standing as an appropriate path for sustainable business.

This paper analyses the impact of global Mining MNEs, with operations in Chile, with a focus on their Corporate Social responsibility policies, and its impact on key variables in local communities. In order to do so, a descriptive analysis is carried out which takes into account environmental policies, community engagement and the mitigation activities resulting from the current pandemic (Covid-19), as a proxy for CSR management policy. The outcome has been that the CSR policies of these MNEs have provided a set of decisions whose effect may be expected to be positive. The main conclusion is that the MNEs in the sample apply a management model which is closely connected to its stakeholders (community, workers, nature), which enables them to qualify for Global Corporate Citizenship status.

Keywords: *Corporate Social Responsibility, community needs, management policies*

1. Introduction

From a political point of view, the beginning of the 21st century was set in motion by the United Nations Millennium goal declaration which spelled out the challenges that societies would face in a globalized world. This involved a global call to all actors to fight poverty and to promote human rights, encourage tolerance and solidarity as well as to improve the protection of the natural environment for sustainable economic development. With UN (2001) and some years later (2015), UNESCO set out

social development goals as a specific commitment for policy makers up to 2030¹. Since then, it has not only been individual firms which have been required to set out a new framework, but also international organizations and business forums had to start to reflect upon it as well. In order to pursue certain ideals, the active engagement of all actors is required, this includes the business sector. In particular, given that large multinational companies have become increasingly important for foreign direct investment, as well as global development, they have a very significant role in addressing certain global social challenges.

Thus, the APEC (Asia Pacific Economic cooperation), which has been following its commitment to the environment since 1993, also set out new criteria for investment, linking it to its climate change impact, and the ESG standard. This means that investments must fulfil certain environmental, social and governance standards, as well as the diversity of every economy that those investments go to. Thus, over a period of time between 2004-2014, sustainable investment grew by 25% GSI².

In APEC 2019, special attention was paid to sustainable development focused on protecting the oceans and the marine ecosystem, smart cities and clean energy. Moreover, at present³, an environmentally favourable agreement aimed to support the trade of those goods friendly to the environment is under negotiation at the WTO. Certain properties are useful in achieving climate protection goals, such as reducing air and noise pollution, managing waste water and improving energy efficiency, which is especially relevant for mining industry.

Therefore, a better understanding is required of how multinational companies integrate within their management models, the requirements to create shared social value (value for the company itself, its shareholders, stakeholders, and both communities and society as a whole), as they relate to environmental protection initiatives. Thus, CSR becomes a social integration model with organizations aimed at achieving more than one goal: Adaptation, the achievement of various goals, integration and latency as a cultural system to maintain motivation among its stakeholders⁴.

Therefore, on the one side, organizations become closer to the reality that they face, which tends to reveal what goals are actually possible. On the other side, organizations work in a more open system, which attempt to involve the whole community which is eager to participate in those decisions dealing with its own cultural setting⁵. Therefore, there are two cultural realities, which for the sake of the sustainability of the firm, must assimilate with each other. However, when it comes to CSR policies

¹ UNESCO and Sustainable Development Goals 2015, UNESCO.org, available online: <https://en.unesco.org/sustainabledevelopmentgoals>.

² Global Sustainable Investment Alliance, 2017, available online: www.expoknews.com.

³ Asia-Pacific Economic Cooperation, APEC 2020, available online: www.apec.org.

⁴ T. Parsons, *The social system*, Free Press, New York 2017.

⁵ U. de Oliveira, *Ethnographic supporting Corporative Social responsibility policies and practices* [Work-Based approach to social sustainable development. Doctoral Thesis proposal], Walden University 2015.

in the mining industry, the evidence makes it clear that some firms applied them without community interaction, leaving aside the socio-cultural factors involved⁶.

Thus, a gap arises between policies and the activities concerning CSR models of transnational mining firms which still apply the Carroll's model⁷ approach to CSR, which is focused on philanthropy. However, this restrictive approach has been extended to environmental factors by Yokleva & Vazquez-Brust⁸, which would seem to be more relevant with regard to CSR policies in modern multinational mining firms, at least in the Chilean case of such firms.

On the other side, globalization will extend its influence over all societies, as long as it has an impact on labour markets through the substitution of skilled labour for capital, financial resources are integrated, mega cities or the megalopolis is generated, and the way in which local communities deal with economic progress is transformed. Moreover, communities have better means to become more engaged and aware of the challenges that MNEs pose to its quality of life expectations, improved jobs and income increases. Therefore, the research question is: Do mining MNEs with subsidiaries in Chile have CSR policies concerning its stakeholders that consider the environment and community; this extends to a pandemic situation such as the current Covid-19?

The remainder of the paper is organized as follows. The first section describes globalization characteristics and their implications for MNEs. Then multinationals and their CSR policies dealing with community needs and the environment are revisited, this section is complemented by a selected literature review. The third section is reserved for analysis and discussion. Finally, some conclusions are reached.

2. Methodology

This is descriptive research which uses a sample of mining MNEs operating in Chile to answer research questions. These multinational firms are listed in the International Council of Mining and metal (ICMM), the main concern is their impact on local community needs and the environment, as a proxy for the CSR approach. Also, the requirements arising from Covid-19 are also considered as a further development to set Multinational Mining firms within the framework of Global corporate citizenship.

Leopold's matrix, which is a qualitative environmental impact assessment⁹, allows for the identification of the relevant parameters of environmental and social impact of MNE operations. According to the Leopold matrix method, EIA (environmental impact assessment) consists of three basic elements:

⁶ Ibid.

⁷ A.B. Carroll, *The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders*, „Business Horizons” 1991, vol. 34, no. 4, pp. 39–48.

⁸ N. Yakovleva, D. Vazquez-Brust, *Stakeholder perspectives on CSR of Mining MNCs in Argentina*, „Journal of Business Ethics” 2012, vol. 106, no. 2, pp. 191–211.

⁹ L.B. Leopold, E. Clarke, B. Hanshaw, R. Balsley, *Procedure for Evaluating Environmental Impact. Geological Survey Circular 645*, U.S. Geological Survey, Washington 1971.

- a) Listing the impact on the environment that may be induced by a business project, including the estimate of its magnitude.
- b) An evaluation of the importance of each of these effects following some criteria (geographic, economic, social).
- c) A matrix framework evaluation is carried out, which is a combination of magnitude and importance estimates.

It is determined whether these companies match some of those criteria concerning the environment and community, assuming that private profit is compatible with social benefits.

3. Globalization and multinationals enterprises

In the last decade of the 20th century, globalization became the key development factor for the international economic order. Its nature seemed to define the core of MNEs, but also, the institutional framework of market destiny defines its impact on the environment, local development and energy demands, Zerk (2006). Moreover, as long as globalization is based on integration and interdependence, it is also a driving force for more cooperation, specialization, competitiveness and industrial delocalization. Thus, while in 1969 there were 7300 companies in the global markets, in 2008 there were 82000 firms¹⁰.

However, delocalization is not neutral for resources flows. Therefore, competitive advantage has become an issue of public policies coordination at regional, geographic and local levels. Thus, globalization became an accelerating factor for global MNEs, to become more deeply aware of their social responsibilities which are properly addressed in its management models¹¹.

Given the importance of multinational firms and their incidence on the global economy, and also the scope of globalization, there are social implications for local communities, OECD¹². Global outward FDI increased from USD 2 trillion (1990), to USD 19 trillion (2009), with the characteristics of MNEs being more important than the economic profiles of countries to explain FDI and exports¹³.

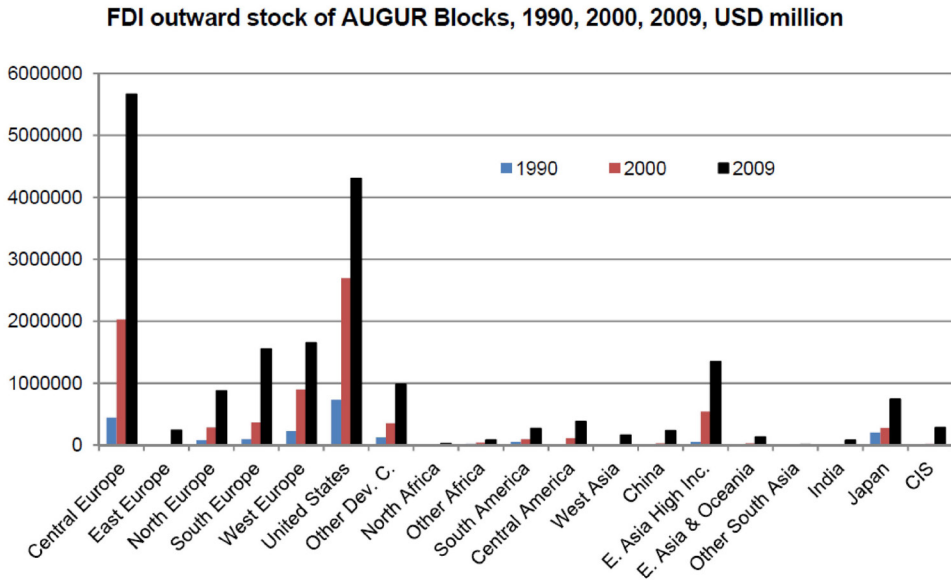
¹⁰ N. Beauchemin, *Corporate responsibility: How do companies do behave in periods of emergency*, Master thesis for the joint program of Global economic Governance & public affairs. University of Lodz, Lodz 2020 [computer description].

¹¹ G. Hunya, *The role of Multinationals in International Business integration. Research Report 384*, The Vienna Institute for International Economic Studies, 2012.

¹² *Multinational enterprises in the global economy: Heavily discussed, hardly measured*, OECD 2018.

¹³ G. Hunya, *The role of Multinationals in International Business integration. Research Report 384*, op. cit.

Figure 1



Source: WIIW. The role of multinational Companies in Business integration, Hunya, G. (2012). CIS: West Asia and East Europe. AUGUR Blocks: Central Europe.

Moreover, more sophisticated technology applied to communications and data processing has allowed for the more rapid movement of data and information, capital flows, and the building up of global services networks to support productive, financial and commercial decisions. The e-business, model and the whole variety of economic activity arising from it (e-commerce, business to business), has lower transaction costs. Thus, services flow at a faster rate than trade flows.

Technology also has an impact on productive process efficiency, and in turn this has an effect on both environmental protection and community needs. Estimates for the years 2018 and 2019, for energy efficiency parameters, indicate improvements of 1.3% and 2.0% respectively¹⁴.

The scope of technology impacts extend to social, economic, environmental and ecological areas. In fact, the upcoming fourth industrial revolution is almost exclusively a technological one (robotics, learning machines, automation, artificial intelligence), all of which will have a cross over effect on society life styles, home working, and so on, thus widening the scope of CSR for MNEs¹⁵.

¹⁴ „The Sustainable Development Goals Report” 2020, pp. 1–68.

¹⁵ K. Schwab, *La cuarta revolución industrial*, Penguin Random House Group Editorial, Buenos Aires 2017.

4. Multinational mining enterprises, social responsibility and local communities

The organizational units of MNEs are located in different countries, with different institutional settings and cultural backgrounds, by definition they are complex organizations, Zerck et al (2006). This complexity is transferred to its management practices, so that a conscious choice must be made to transfer them abroad, either in a standardized form (McDonalds), or in a modified form according to the peculiarities of each market which they are involved in (mining enterprises).

As these companies are engaged in different countries, it becomes necessary to define this concept and its implications at an international level. For the United Nations,

corporate social responsibility (CSR), is an initiative of business to invest a part of its earnings in the well-being of society, with the purpose of projecting a positive public image and to create a base of educated consumers. It is a commitment to contribute to sustainable economic development, and to work with employees and their families, local community and society as a whole, to improve the quality of life and preserve the environment¹⁶.

The underlying issue concerns the relationships between the benefits arising from a firm's social responsibility, and the private profit maximization target that these firms are aiming for. Therefore, different models have been developed to accurately represent these variables. Among them, is the Pyramid of Corporate Social performance which was proposed by Carrol¹⁷, who connects CSR with the expectations society has concerning legal, economic, social and ethical dilemmas that business practices have to solve¹⁸. However, this approach, has been extended to the environmental factor by Yakovleva and Vazquez-Brust¹⁹, which seems to be more relevant concerning CSR policies in modern multinational mining firms.

Moreover, since the beginning of the 21st century, the scope of CSR policies have been extended to include new fields like natural disasters, and with the current situation of the sanitary emergency due to Covid-19, which means a deeper engagement

¹⁶ E. Accinelli, H. de la Fuente Garcia *Responsabilidad Social Corporativa, actividades empresariales y desarrollo sustentable*, Universidad Nacional Autónoma de México, 2013, available online: <http://www.redalyc.org> [access: 2020].

¹⁷ A. B. Carroll, *A three-dimensional model of corporate performance*, „The Academy of Management Review” 1979, vol. 4, no. 4, available online: <https://www.researchgate.net/publication/230745468>. A. B. Carroll, *The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders*. „Business Horizons” 1991, vol. 34, no. 4, pp. 39–48.

¹⁸ N. Beauchemin, *Corporate responsibility: How do companies do behave in periods of emergency*, Master thesis for the joint program of Global economic Governance & public affairs. University of Lodz, 2020 [computer description].

¹⁹ N. Yakovleva, D. Vazquez-Brust, *Stakeholder perspectives on CSR of Mining MNCs in Argentina*, „Journal of Business Ethics” 2012, vol. 106 no. 2, pp. 191–211. DOI:10.1007/s10551-011-0989-4.

of business in the challenges of society. Thus in the year 2000, CSR policies moved to a new level: The Global Corporate citizenships (GCC)²⁰.

The core of the GCC approach is that business functions within society as another stakeholder itself, which necessitates the ability to go beyond ethical concerns about social responsibilities, thereby engaging with management policies in social issues with the aim of reaching citizenship status²¹.

GCC means taking a step beyond the obligations of the law, and focusing on long-term goals. The differences between CSR and GCC are as follows:

Table 1

Parameter	CSR	GCC
Ethics	The willingness of key executives to follow ethical behaviour guidelines	Integrating the morality of business activity into its decision framework
Power	Reaching outside markets provides evidence of a firms power	The needs of society require business engagement
Time span	The focus on middle and long-term orientation has an influence on each business activity	A long-term orientation based upon sustainability and prestige
Values	Responsibility	Credibility, Transparency, Trust. (Triple bottom line).
Key indicators	ISO 26000, Compliance	Dow Jones sustainability index. FTSE4GOOD Global Index *PCSI Mexico

Source: Own elaboration based on Internet webpages

*PCSI: Price and quotas sustainability index

According to Mababu (2010), the top executives and directory boards of the multinationals, consider the commitment to CSR, to have a positive impact on profits, as well as firm prestige²². Also, those firms that follow a business ethics framework, improve their competitive advantage²³.

²⁰ A. Cortina, *Etica en la empresa. Claves para una nueva cultura empresarial*, Trota, Madrid 2008. K. Schwab, *La cuarta revolución industrial*, Penguin Random House Grupo Editorial, Buenos Aires 2017. Yakovleva, N., & Vazquez-Brust, D., *Stakeholder perspectives on CSR of Mining MNCs in Argentina*, op. cit.

²¹ N. Beauchemin, *Corporate responsibility: How do companies do behave in periods of emergency*, Master thesis for the joint program of Global economic Governance & public affairs. University of Lodz, 2020 [computer description].

²² X. Zhao, A. Murrell, *Revisiting the corporate social performance-financial performance link: A replication of Waddock and Graves*, „Strategic Management Journal” 2016, no. 37, pp. 2379–2388.

²³ W. Luetkenhorst, *Corporate social responsibility and the development agenda*, „Inter Economics” 2004, no. (39)3, pp. 157–166. J. Garcia, O. Zavaleta, *Is the relationship between CSR activities and financial performance of organizations a short term result?: An answer with a panel data analysis*, „Contaduría y Administración” 2019, vol. 64, no. 4, pp. 1–25, available online: www.cya.unam.mx/index/php/cya.

Also, beyond fulfilling social and environmental responsibilities and good practices with its stakeholders, it generates strategic benefits from a financial point of view, resulting in reputation gains and valuable intangible capital flows (credibility, seriousness)²⁴. Managers perceive social responsibility as a pathway to improving their public image and reputation which facilitates their company's access to the markets, and higher sales volumes when those values manifest themselves. Thus, Mexico has witnessed a substantial increase from 42 companies, (2008) to 118 (2016,) that participate within organizations aimed at fostering CSR practices. A similar situation has been the case in Chile from 2010 up until the present time.

In recent years, there has been an increased commitment to pursue a more active role in work with public organizations when it comes to solving emergencies, such as natural disasters. Among these organizations, is the Office for the coordination of Humanitarian affairs, which is sponsored by the UN (2016), and the connecting business initiative (CBI), in a joint effort with the United Nation Development Programme aimed at changing the way private business engages before, during and after a crisis. The World Economic Forum also provides a framework with the Engineering & Construction Disaster Resource Partnership (DRP) to develop an alliance between the private and public sector to speed up the Engineering and Construction requirements following natural disaster recovery programmes. All of these entities provide firms with the proper incentives to be recognized as a responsible citizen. Moreover, the US Chamber of commerce has a Corporate citizenship centre which manages the Disaster Corporate Aid Tracker which provides data concerning the amount of private sector financial resources helping to solve natural disasters. Between 2005 and 2017, private sector business spent USD 2.7 billion to deal with the consequences of earthquakes, hurricanes, and tsunamis²⁵.

Thus, Multinational Mining Companies, in Latin America and Chile, are well aware of the impact of their CSR policies, this improves their commitment to public interest organizations aimed at recognizing the higher status attached to those guidelines. However, not all MNEs choose this path as a way to deal with business challenges. This approach usually generates distrust, because on occasion and in certain countries, they use their power to demand exceptions concerning tax policies, lower wages, community expectations or weaker environmental regulations²⁶.

This occurs in the middle and less developed countries, where the debate concerning the role of the multinationals is both stronger and more politically biased. In many cases, these countries have natural resources and cheap manpower which the multinationals try to take advantage of. This leads to conflict concerning how to

²⁴ J. Garcia, O. Zavaleta, *Is the relationship between CSR activities and financial performance of organizations a short term result?: An answer with a panel data analysis* „Contaduría y Administración” 2019, vol. 64, no. 4, pp. 1–25, available online: www.cya.unam.mx/index/php/cya.

²⁵ N. Beauchemin, *Corporate responsibility: How do companies do behave in periods of emergency*, Master thesis for the joint program of Global economic Governance & public affairs. University of Lodz, Lodz 2020 [computer description].

²⁶ R. Piasecki, *Responsabilidad Social: Desafíos y limitaciones. Responsabilidad Social empresarial*, Editorial Universidad de La Serena, La Serena 2018.

negotiate and distribute the benefits generated by the business. In many cases, they are accused of imposing some conditions that negatively impacts national sovereignty (Greenpeace, 2012).

A guide to avoiding these conflicts was proposed by the OECD (Organization for cooperation and economic development, 2010), which issued Guidelines for multinational companies. These are recommendations directed by governments to multinational companies, which enunciate principles and voluntary norms for compatible responsible managerial behaviour which complies with the local legislative system. The purpose of these Guidelines is to guarantee that the activities of these companies must be executed in harmony with its community interest, such that the base of mutual trust is strengthened in those areas which concern to its productive activity, improving the climate for the foreign investment and the contribution from multinational companies to sustainable development, and a reduction in poverty and inequality.

Among their main topics it includes:

- a) To contribute to economic, social and environmental progress according to the purposes of pursuing sustainable development.
- b) To respect the human rights of people affected by their activities in accordance with their obligations and the government's international commitments.
- c) To support the formation of human capital, particularly by means of the creation of employment opportunities and the offer of technical education to employees.

The relationship between the environment, communities, quality of work and multinational companies is so strong and specific that the ILO, (International Labour Office, 2008), has made the following statement. „To be sustainable, companies must be socially competitive“. „To do good and to prosper, are mutually reinforcing activities“, especially when it comes to workers, the environment and communities.

However, there is no agreement as yet about the conditions that should be completed in order to obtain an effective contribution to a reduction in poverty, and about the way in which resources are used in a sustainable path to contribute in particular to Millennium goals. While business associations, espouse a traditional model in which businesses primarily exist to pay taxes and generate employment, the organizations of the United Nations believe that the company should behave in a responsible way by guiding their management strategies, deliberately to this end they should make an effective contribution to the reduction of poverty and inequality.

The table below provides data concerning information about the status of Mining MNE's operating in Chile, and their commitment to CSR policies. It is interesting to focus on the fact that all of the Mining companies in the sample have made donations of significant financial resources, to help local authorities to defeat the coronavirus pandemic.

Table 2

Mining Multinational	COVID -19	Resources for Community	Community Engagement	Environment	ICMM (*)
BHP Billiton www.bhp.com	USD 8.0 million fund to support the early detection of Covid 19, and equipment	USD 20 million Preservation of biodiversity	Matched Giving Programmes. Employees commitment (56000 hrs 2013) USD 33 million (2004–2013)	USD 5 million on research about sustainability (2011–2016) USD 9 million to protect diversity (2010–2017)	Yes
AMC www.amine-rals.cl	USD 6.0 million fund to provide equipment and medical inputs.	Budget for Rural education USD 1.1 million (2013)	It applies a social contract USD 1.2 million (2012–2014).	10 principles for sustainable development. 85% of water use efficiency Reduction of emissions plan. 2018-2022	Yes
TECK www.teck.com	USD 2.5 million fund to support hospital equipment needs	USD 22 million of Community investment (2018)	Community relationships Codes Short term goals (2020) Long-term goals (2030)	Committed to UNESCO Sustainable Goals.	Yes
CODELCO www.codelco.com	Plan to improve protection against Covid-19. Donations of ventilators	USD 10.000 million approval for community development project. Half of it for infrastructure projects	Corporate policy about community development. 160 agreements	77% of water recycling (2017). USD 752 million investment in sustainability. (2010–2017)	Yes
Anglo-American www.anglo-american.com	USD 5 million fund for equipment and medical inputs.	Anglo-American way: Social performance compromise.	Committed with UN 2030 SDG To foster and sustain communities	Management of water consumption to improve the balance of value with the KPI model	Yes

Source: Mining Multinationals annual sustainability report 2018–2019, Mining Corporate webpages

(*) For Mining Multinational Firms, to be member of ICCM means an appropriate management code and to provide a market signal for investors.

5. Analysis and discussion

From the data arising from Table 1, the relevance that the community and environment have for Multinational Mining management policies would seem to be self-evident. At the top of the list, water use (recycling programmes), and air pollution are priorities for implementing control activities and allotting budgets with financial resource allocations which are evaluated through a working plan, KPI indicators, or in some cases, a specific commitment to both UN millennial and UNESCO goals.

Most Mining MNEs, devote a great deal of attention to the impact of their policies on these issues, as well as compromising within the scope of benchmark management practices, and implementing checking point events such as, grievance mechanisms, the joint planning of activities, and setting up local councils for the evaluation of these plans. It would seem that so long as these issues arise, there will be negative consequences for applying the wrong policies, either concerning water use or energy sources, the lasting impact on the wellbeing of the company and its way of life may be significant, unless mining MNEs face the challenge of anticipating these effects.

The reaction of these companies to the Covid-19 pandemic has been interesting to note as an extension of its commitment to their communities. All of the firms within the sample have made a contribution, either financial or in the form of equipment to help public authorities to combat the effects of the pandemic which amount to roughly USD 22 million (April 2020). Besides, from an operational point of view they have also made adjustments to the sanitary policies of their working sites and implemented social distancing, the wearing of sanitary equipment and the like. It seems that all of these data, lead one to conclude, on the surface at least, that these firms have a new status that goes above and beyond CSR, and that they are in fact becoming Global Corporate Citizens.

6. Conclusions

The analysis allows us to conclude that those variables related to community and the environment, have a strong influence over the management compromises of MNEs. It is expected that these activities may lead to a reduction in rural-urban migration rates, which have become a positive externality of this sort of CSR management. Besides, this allows us to reinforce new approaches concerning CSR, away from those limited ones, which focus only on the purposes of the firm.

The community responded well to participating in the CSR programmes mentioned above, with a positive effect experienced with regard to local employment opportunities and entrepreneurship activities. Most MNEs, have policies of permanent dialogue which are complemented by grievance mechanisms. The balance sheet of the whole set of activities implemented by Mining Multinationals in this area shows a positive outcome and with it, the expected favourable perception by the community. It follows that to integrate the environmental dimension into CSR policies, along

with community engagement, it is a better approach to obtain sustainable status for mining companies.

Finally, these data lead, at least in this descriptive approach, to the new status of these firms in the sample that have progressed beyond conventional CSR models, to become Global Corporate Citizens. Further and more detailed research is required to obtain a full understanding about the significance of each one of these variables and its share of influence in order to gain a definitive understanding of GCC status.

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CSR IN FOREIGN COMPANIES IN MEXICO

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Abstract

At present, the world requires support in a social context, for this reason Company Social Responsibility (CSR) is required to help society. CSR originates from other countries that have a certain social vision, it allows them to benefit society with socially responsible activities. The objective of the research is as follows: to gain knowledge about the CSR activities in foreign companies operating in Mexico. A qualitative, descriptive methodology will be used to accomplish this. In Mexico, the need to learn more about the CSR is appreciated, this process requires further promotion and diffusion throughout society in general.

Keywords: *Company Social Responsibility, Foreign Companies, Mexico*

1. Introduction. The essence of Corporate Social Responsibility

From the strategies associated with socially responsible behaviours, it is possible to attract stakeholders that become customers or consumers. Non-social responsibility behaviours harm companies in the marketplace because society perceives their behaviour and demands positive activities from them in favour of their communities.

Companies with Foreign Investment are among those that have taken the CSR approach which allows them to bring benefits to society through their socially responsible activities. The objective is to learn more about CSR in foreign companies operating in Mexico. A qualitative, descriptive methodology was applied. The work is divided into Corporate Social Responsibility, Foreign companies in Mexico, the impact of CSR and its challenges.

In Europe during the 80s social pressure began to mount on companies due to their increase in power, this was a product of the policy of economic liberalization, globalization and neoliberalism. CSR is shaped by an economy that needs to acquire a more social and human face. Companies are called upon to contribute to solving social problems¹. Organizations must formalize policies and management systems that promote relationships with shareholders, employees, customers, suppliers and the environment, these organizations are known as stakeholders and generally oppose company stockholders or shareholders.

¹ W. Avendaño, *Responsabilidad Social (RS) y responsabilidad social corporativa (RSC): Una nueva perspectiva para las empresas*, „Revista Lasallista de Investigación” 2013, vol. 10, no. 1, pp. 152–163.

CSR is an ethical commitment in response to the expectations of stakeholders, with the purpose of contributing to a socially and environmentally sustainable, but economically viable pathway of development. The components of CSR, according to Carroll², are as follows: economic, legal, ethical and philanthropic.

According to Carroll³, some definitions of CSR are:

- a) CSR is the recognition and integration into their operations by companies of social and environmental concerns.
- b) It is a business model that combines efficiency and equity to favour the creation of total wealth in the long term and in a sustainable way, thereby preserving environmental capital and the physical, financial and intellectual capital of the organization.
- c) Stakeholder theory conceives of the legitimacy of the company from the perspective of the creation of wealth for society and the well-being of interest groups.
- d) It is a philosophy adopted by the management of institutions to act, for their own benefit and for their workers, families and the social environment.
- e) It is a commitment by companies to contribute to sustainable economic development by working with employees, their families, the local community and society in general to improve their quality of life.
- f) CSR is the voluntary integration by companies of social and environmental concerns in their business operations and in their relationships with their partners.

CSR implies that institutions develop an integral vision where profitability benefits and improves the immediate environment in society⁴. Zorro states that the ethics that prevail in decisions about development are based on the logic of capitalism and neoliberalism, and determine the exercise of a certain form of social responsibility.

CSR refers to a set of obligations and commitments, both legal and ethical that derive from the activity of organizations and have an impact on the following areas: social, labour, environmental and human rights. In terms of global statistics, it may be seen that companies are inclined to support education and health by relating them to the responsibility of the company with the main reasons being to strengthen the image and reputation of the company and increase the commitment and sense of satisfaction of its workers⁵.

Certain principles which were enunciated in the Universal Declaration of 1948 and developed in the International Pacts of 1966 and beyond, they cover aspects of the political, economic, social and cultural life of countries: They include the Rio Declaration, Millennium Goals, United Nations Global Compact, OECD Guidelines,

² A. Carroll, *Ethics in Management* [in:] R.E. Frederick, *A Companion of Business Ethics*, Blackwell Publishing, Malden Mass 1999, pp. 141–152.

³ Ibid.

⁴ C. Zorro-Sanchez, *Ética y responsabilidad social en el mundo globalizado*, „Ethics and Economics” 2011, vol. 8, no.1, pp. 76–94.

⁵ J. Boza, D. Pérez, *Estudio de la responsabilidad social de las empresas. Aplicaciones a las empresas de Gran Canaria*, „Economic Analysis Working Papers” 2009, vol. 8, no. 4, pp. 1–16.

the Green Paper of the European Union, Lisbon Forum 2000, European CSR Alliance, among others.

To describe various public and private institutions, it is necessary to start from the meaning and values that correspond to the institution, as well as to its responsibilities of cooperation with other institutions. The interactions of a company include not only those who work in it, but also people from the wider community, those who use its services or its products, and who are affected by its activities⁶.

2. Foreign Investment Companies in Mexico

Foreign investment can either be direct or indirect, the first form of investment involves the creation of jobs with the best working conditions, a CSR policy that includes social and environmental aspects, as well as healthy finances. The best qualified companies are multinationals. Mexican CSR companies adopt certain standards and distinctions. They measure the impact of their activities more systematically. There are few Mexican companies that have adopted this comprehensive approach that incorporates all of these best practices. Most seem to adopt an unsystematic approach instead.

The International Standard, ISO 26000, includes seven evaluated CSR issues which are: Organization Governance, Human Rights, Labour Practices, Environment, Fair Operating Practices, Consumer Affairs, Active Participation and Community Development. The Companies which have achieved the status of Most Social Responsibility in Mexico are: BBVA Bancomer, Cemex, Coca-Cola, Grupo Bimbo, Puma, Banamex, Volkswagen, Telmex, Ford, HSBC, Walmart, Alcatel-Lucent, Home Depot, GEO Corporation, Bank of America Merrill Lynch, Bridgestone, Metlife, Nextel, InterContinental Hotels Group, Toshiba, Bio-Pappel, J.Walter Thompson (JWT), Axtel and Avon.

In order to systematize responsibility, some international organizations adopted the triple bottom line model, which groups it into certain dimensions: economic, social and environmental management. The Centre for Excellence in Responsible Businesses at Schulich is one of the largest and most influential institutes dedicated to studying the triple bottom line model which includes: social, environmental and financial considerations in the ranking methodology. Among the Mexican companies that stand out are Lala (18), Bimbo (19), ICA (20), Telcel (29) and Aeroméxico (52).

Some examples of CSR are:

1. Cemex: its rating is more notable in the face of certain financial problems that the company has faced in recent years, it has several programmes for employees, such as corporate volunteering, monthly health campaigns, a dining room with nutritious food and good prices.
2. Coca-Cola: The company has high levels of charitable contributions (4%). Its sustainability platform consists of three forms of well-being: individual, social and environmental.

⁶ C. Calvo, *Las diferentes teorías que sustentan la Responsabilidad Social de la Empresa: estado de situación y prospectiva*, Montreal 2000.

3. Coca-Cola FEMSA: The business school found that this company has a low employee turnover (2.5%). However, it also has an extensive and detailed approach to water care.
4. FEMSA: 84,000 employees attended the FEMSA University. It invested a total of 579 million pesos in environmental programmes.
5. Hewlett-Packard: In Mexico it is one of the companies with the best performance in environmental management and with an impressive score in waste management and with electronic waste. It has a broad, comprehensive and balanced approach to social responsibility rather than a narrow or fragmented one. It has the lowest employee turnover in its industry, which suggests that it is a good place to work.
6. Cuauhtémoc Moctezuma: His vision of social responsibility is broad, comprehensive and balanced, with an emphasis on good environmental management.
7. Walmart de México: It lacks many benefits for its employees, such as a pension plan, short-term loans, a child care programme, maternity and paternity leave, but it is an effective environmental manager with a high degree of ecological efficiency. In addition, 25% of its energy comes from renewable sources.
8. Home Depot: One of its strengths is its performance in the area of equal opportunities. About 43% of its workforce are women, also, 30% of its executive managers are female.
9. Herdez: It has areas of strength, especially in terms of philanthropic donations. It has a policy of the rapid adoption of social responsibility, which often follows the notions of business paternalism and understands it as a form of value distribution.
10. Telefónica Movistar is an example which shows that CSR practices are driven by the globalization of corporate activities, with good corporate governance practices.

Coca-Cola stands out with its „Living Positively” programme, CEMEX with its practices that are case studies for success and referenced in business schools worldwide, BIMBO with a tradition in issues of responsibility, and initiatives such as its hybrid flotilla or its biodegradable packaging, PUMA with its Safe, Peace and Creative programmes, and its achievements such as the Clever Little Bag that revolutionized shoe packaging, Walmart with its understanding of the environmental issue as a business strategy.

3. The impact of CSR with foreign investment companies in Mexico

Six stories of companies with foreign investments that originate from a CSR policy to benefit society are presented. Unilever initiated a Sustainable Life Plan which focused on reducing its social impact in a positive way by changing the methods used to produce the natural ingredients that Unilever uses in its products. The objective was to improve the nutritional profile of its products and to reduce its environmental impact. The plan was to make all of the agricultural ingredients that the multinational company uses in its products sustainable by 2020.

Danone consists of four pillars: its products (water, dairy products, children's nutrition and medicinal foods to address specific illnesses), its relationship with people

throughout its value chain, its relationship with the environment and its dissemination of knowledge and research concerning food. Danone trains and grants financing, through the Margarita programme, to more than 170 dairy farmers to produce higher quality and more cost-effective milk. In terms of environmental sustainability, the company strives to recycle materials and reduce its carbon footprint. At present, 25% of its packaging is made from recycled PET, and the carbon footprint of all of its operations has been reduced by 35%. By 2050, Danone expects to reduce its carbon footprint by 100%.

Cuauhtémoc Moctezuma (CM) Heineken is aware that water is vital for beer production, but it is also vital for life itself. The company has a focus on sustainability and social responsibility. The distribution of the vital liquid in cans was its main contribution. In 2014, the beer company's plan was initiated to launch its emerging water canning plan at its Orizaba plant, which has the highest recognition in Mexico for water consumption and environmental responsibility. The process required a reengineering of the production processes, as well as the development of new skills among employees and the purchase of specialized equipment. The cans were the ideal container for conserving and transporting water, as this container offers benefits, such as lower weight and the possibility of recycling, which led to an initial production run of 50,000 cans filled with water during 2015.

Pepsico empowers Nahua women with CSR, the projects must focus on human development and have the potential to boost self-management, productivity, development and sustainability in vulnerable populations of the country. In 2014, Insepac postulated that its project „Breeding and fattening dairy goats and poultry as an alternative to improving the nutrition provided by Guerrero mountain” with the resources of PepsiCo, Insepac has bought and distributed goats and chickens among the three communities, and it has trained women in the care of animals, the production of derivatives and the formation of committees and cooperatives for the administration of resources.

From the time of its foundation, the Mexican Restaurant Corporation (Wings, Chili's, La Distilería, El Lago, Olive Garden and The Capital Grille) has carried out initiatives that support diverse causes, from combating child malnutrition to caring for the environment. It has an alliance with private assistance institutions, such as Santa María, Nutre a Niño and Cáritas Lomita. Al Rescate is another programme through which the restaurant operator freezes and donates unsold food from its restaurants to civil society organizations, it was created in partnership with Banco de Alimentos de México (BAMX) and Bank of America Merrill Lynch. Another of its programmes is the collection of used edible oil, which is sold to companies that converts it into biodiesel, which can be used to power ships and for cargo transportation.

Nutriline is one of the leading brands in the world in terms of sales of vitamins and nutritional supplements, with almost 100 years dedicated to researching the benefits of plant nutrients in the human diet. In 1920, its founder, Carl Rehnborg, studied the link between phytonutrients and the benefits they provide to human health with the first herbal supplement – phytonutrients are chemical substances that are present in

plants, they are responsible for giving them colour and flavour, and helping them to fight infections and overcome the inclemencies and pressures of their environment.

Currently, Nutrilite grows, harvests and processes plants on its own farms, which have organic certification. Pest control is implemented biologically, using natural methods. One of these organic farms is in the rural community of El Petacal, in the municipality of Toluca, Mexico. There, for the most part, alfalfa, broccoli, asparagus, spinach, cactus, tangerine, lemon, grapefruit and orange are grown and processed. Two other farms are in the United States and one more is in Brazil. In the four farms, the seeds that are grown are specifically selected by Nutrilite scientists, to produce the best plants.

When they reach their maximum level of phytonutrients, the plants are harvested, dried and processed. The raw material of the farms is sent to the granulation plant in Buena Park, California, where the powdered material that will give life to the vitamins is manufactured. In addition to the granulation plant in Buena Park is the Nutrilite Health Institute, a building that houses the research and development processes of the brand. In these facilities, the company performs around 25,000 quality tests on its supplements every month, in order to ensure that they have the highest quality.

There are minor activities that create great differences and can be applied without consuming many resources or too much time such as: Start with employees, positively influence your society, support a startup with a social or environmental mission, join a foundation or social cause, adopt a green area and reduce your energy impact, become a mentor and provide connections, campaign for social responsibility, recycle, get involved and don't pollute.

4. CSR Challenges

CSR represents a strategy for the conquest of markets and an opportunity to achieve the goals of the company based on the improvement of the working conditions of employees. Carroll mentions that if the company is contemplated from the point of view of the individuals that compose it, their behaviour greatly determines the growth of the organization, since job satisfaction is not only based on the remuneration obtained, but also on other aspects including a sense of fair remuneration, social advantages and the reputation of the company. The proposal to train people with a disposition towards responsibility within the institution requires that they reach a sufficiently autonomous and reasonable level of moral maturity, which will enable them to assume ethical convictions with a sense of responsibility within their companies.

The manager is a decisive factor for the institution to become an ethical space, then it can ensure the promotion of socially responsible policies for the long term. The communicative integration of the manager generates dialogue and the exchange of expectations, it also promotes organizational systems in every way. The reference range for organizations is wide and ranges from the minimum required which is to

strictly comply with applicable legislation to that of achieving a socially responsible management model.

Some negative factors, such as excessive salary inequalities between executives and grassroots workers, can lead to demotivational situations that worsen the results or crisis when only personal gain is pursued, thereby limiting the interests of others.

5. Conclusions

In recent years, proposals have been designed worldwide in order to promote practices within the framework of CSR, and institutions in different countries have taken initiatives through various activities and programmes.

An organization which operates as a community has certain fundamental values that make a sense of identity such as CSR viable, and in this case they are a sense of moral or ethical responsibility that is specified with obligations in relation to activities, behaviours or policies carried out by the company. It is attributed to the organization as a sort of collective responsibility, and is reciprocated with the stakeholders.

CSR activities offer visible benefits for the company, and it is important to communicate the performance of these activities to consumers and the general public, thereby maintaining the balance between their implementation and dissemination to avoid divergences between what is done and what is perceived. In fact, perceived CSR has begun to occupy a space in the relationship between the different economic agents. Moral behaviour within the company is often used as a strategy for improving results. The objective was to match the CSR programmes of foreign companies in Mexico. However, certain recommendations can create an ethical link that is not mandatory, which may lead to a challenge in the short term.

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7. Zorro C., Ética y responsabilidad social en el mundo globalizado, „Ethics and Economics” 2011, vol. 8, no. 1, pp. 76–94.

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SOCIAL RESPONSIBILITY OF PUBLIC AUTHORITIES AND BUSINESS: PROSPECTS OF DEVELOPMENT

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1. Introduction

The Constitution of Ukraine defines our state as democratic, social, legal (Article 1) and establishes a number of provisions on its social responsibility (Article 3)¹, which is a determining factor in establishing democratic principles, harmonious combination of interests and values of all subjects, their coherence. Therefore, it is one of the most effective means of ensuring integrity, social harmony, social justice, etc. In essence, it is an integral element in the macro-system „man-state-society”, the foundation on which the whole system of relations in society is built.

At the same time, social responsibility, as a universal form of connection and interdependence of the individual, the state and society, serves as a means of mutually limiting actions in relation to natural, economic, social and cultural realities. It is not only about the responsibility of man to society and the state, but also about the social responsibility of the state to society and the man.

Scholars and practitioners recognize that social responsibility is an important tool for building partnerships for the formation of parity of interests of business, state and society. After all, public relations in the triangle „power-business-society” is a fundamental principle and a powerful source of development of both the economic component and the solution of social and environmental problems, a necessary prerequisite for stability and order, harmonization of state institutions and society. This is due to the fact that the category of social responsibility, acquiring signs of systemicity, embeds in the processes and determines the activities of all social actors. Thus, in the social sphere, it ensures the implementation of social guarantees for the

¹ Constitution of Ukraine [electronic resource], <http://zakon1.rada.gov.ua/cgi-bin/laws/main.cgi?page>.

population. As for business structures, it is about gaining certain competitive advantages and a positive image. At the same time, in the field of public communications, it promotes the establishment of links between public authorities, business and civil society institutions. Each of these entities has very specific obligations to others: public authorities and officials are responsible for failure to fulfill their responsibilities to society and the individual, and ordinary citizens for compliance with their responsibilities to society and the state. Accordingly, in the current difficult conditions of economic, political, demographic and social development of Ukraine, social responsibility can and should become a unifying national idea, without which it is impossible to find a way out of the protracted systemic crisis that has affected all aspects of public life². After all, we are talking about the awareness of the state subjects of the unity of the social space, the conscious fulfillment of their responsibilities to fellow citizens, society and the state.

At the same time, it should be noted that the predominance of migratory sentiments, hopelessness for a better future, indifference and irresponsibility in the general system of socio-economic relations in Ukraine does not encourage strengthening and development of social responsibility and is a consequence of its absence or insufficiency. We are talking about ignoring legal and social norms, impunity for irresponsible behavior, perception of illegal behavior as a norm, especially for rich people. Therefore, the most significant negative consequence of the predominance of irresponsibility is defined by 56.3% of experts in the general system of public relations in Ukraine³. The presence of general distrust in the system of public relations, which was identified by 55.7% of respondents, is both a cause and a consequence for business, which constrains its prospects on the way to strengthening social responsibility⁴. And for a civilized functioning, non-compliance with the rules of law, fair competition, respect for other economic entities and life is the reason for the loss of authority of both public authorities and business.

In the light of European integration aspirations and globalization challenges facing Ukraine, there is an urgent need for research and practical testing of recommendations on social responsibility issues of public authorities at all levels, public administration, the state as a whole (macroeconomic level) and business (micro-economic level and corporate social responsibility), but also personal – a person, a citizen, all members of society. And each of these levels has subjects and objects between which there are public-administrative relations, institutions operate, roles and functions change. However, at the same time, the state level is of fundamental and integrative importance, at which fair and transparent rules of the „game” are formed

² O.A. Grishnova, *Social responsibility in the context of overcoming the systemic crisis*, „Demography and Social Economy” 2011, no. 1(15), p. 32–40.

³ P.Ya. Kalyta, *Socially oriented business, or business with care for people. Part one. In the world and in Europe* available online: http://www.corporatecitizen.org.ua/Library/SocBizn_1.doc

⁴ M.M. Ihnatenko, *Theoretical principles and practical directions of formation of corporate social responsibility of agrarian and food enterprises*, „Agricultural Economics: International Scientific Journal” 2015, no. 1, p. 28.

– the activities of all subjects and all citizens, an effective control system is created to ensure their strict implementation. All this highlights the need for further scientific research into the formation of social responsibility for the sake of ensuring the effectiveness of both public authorities and business structures and their interaction.

Social responsibility is considered in the context of political and legal responsibility, moral responsibility and is closely related to the ethical evaluation of public authorities, thus a wide range of research of individual (personal) social responsibility and corporate social responsibility is relevant and necessary.

The following foreign scholars have studied the practical aspects and world experience of social responsibility: H. R. Bowen⁵, P. F. Drucker⁶, M. Friedman⁷ and others. Among domestic scholars a significant contribution to the study of this issue was made by: O.Yu. Berezina⁸, N.V. Vodnytska⁹, U.A. Volynets¹⁰, I.O. Voronchak¹¹, L.A. Hrytsyna¹², O.O. Zelenko¹³, A.M. Kolosok¹⁴, A.S. Konovalenko¹⁵, A.Kulish¹⁶, T.S. Smovzhenko¹⁷, I.M. Tsaryk¹⁸, V.M. Shapoval¹⁹ and others.

A wide range of issues of theory, methodology and methods of implementing the concept of social responsibility in public authorities are covered in scientific publications by M. Piren, S. Seryogin, O. Melnychenko (ethical aspects), T. Mamatova, A. Kolpovska (activities of local governments). In particular, A.M. Kolpovska

⁵ H.R. Bowen, *Social Responsibilities of the Businessman*, Haper & Row, New York 1953, p. 284.

⁶ P.F. Drucker, *The new meaning of corporate social responsibility*, „California Management Review” 1984, No. 26 (2), pp. 53–63.

⁷ M. Friedman, *The Social Responsibility of Business is to Increase its Profits* available online: <http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html>

⁸ O. Yu. Berezina, *Social responsibility of corporations in the system of social and labor relations* [dissertation thesis], Kharkiv 2011.

⁹ N.V. Vodnytska, *Management of the labor sphere of an industrial enterprise taking into account the social responsibility of business* [dissertation thesis], Kharkiv 2008.

¹⁰ U.A. Volynets, *Economic principles of regulation of socially responsible activity of subjects of economy in Ukraine* [dissertation thesis], Rivne 2016.

¹¹ Voronchak I. O. *Formation of regional policy of implementation of social responsibility of business* [dissertation thesis], Lutsk 2015.

¹² Grytsyna L.A., *The mechanism of formation of corporate social responsibility in enterprise management* [dissertation thesis], Khmelnytsk 2009.

¹³ O.O. Zelenko, *Theoretical and methodological principles of forming a strategy of social responsibility of an enterprise* [dissertation thesis], Lugansk 2012.

¹⁴ A.M. Kolosok, *Criteria for assessing the social responsibility of business*, „Scientific Bulletin of Volyn State University named after Lesya Ukrainka” 2013, No. 5, (254), p. 78–82.

¹⁵ A. S. Konovalenko, *Estimation of level of social responsibility of small and medium business* [dissertation thesis], Donetsk 2010.

¹⁶ A. Kulish, *Social responsibility of business in the banking sector in questions and answers*, TOB «НВП Поліграфсервіс», 2007.

¹⁷ T.S. Smovzhenko, A. Ya., Kuznetsova, *Corporate social responsibility*, UBS NBU, 2010, 314 p.

¹⁸ I.M. Tsaryk, *Regulatory tools for strengthening the social responsibility of business in the system of national economy* [dissertation thesis], Chernihiv 2011.

¹⁹ V.M. Shapoval, *Udoskonalennia ekonomichnoho mekhanizmu stimulyuvannia ekologichnoi vidpovidalnosti pidpriemstv Ukrainy* [Improvement of the economic mechanism of stimulation of ecological responsibility of enterprises of Ukraine], PDTU, Mariupol, 2011, issue 2, p. 234–239.

identifies areas for the development of the concept of social responsibility in public administration in the context of decentralization of power in Ukraine based on a comparative analysis of the components of social responsibility of local governments and business²⁰. However, it should be noted that public administration and, accordingly, public power is exercised not only by local governments, but also by the state executive. But the researcher ignores this fact.

A separate area of research is occupied by works on moral and ethical aspects of professional responsibility of public servants, in particular, the constructive and destructive role of social irresponsibility in public service²¹. For example, S.M. Nevmerzhytsky, R.M. Fedoryak, O.O. Pidkuyko investigate the problematic issues of social responsibility of municipal employees in the system of municipal government, focusing on the ethics of behavior²².

E. Rudakevych and O.M. Rudakevych, in their research on corporate social responsibility, focus on moral principles, emphasizing the need to increase the requirements for public authorities, civil society institutions and business structures to consolidate efforts for integrated development of communities and territories²³.

B.M. Kachala, O.V. Finahina and L.I. Pankova argue that for Ukraine it is extremely important to form the institution of social responsibility as an organized system of ties and social norms that ensures effective use and building of social potential in society through voluntary commitment of all participants in the coordinates „business-government”²⁴. As to O.M. Kuzhman and A.V. Chuiko²⁵, they are convinced that the social responsibility of public authorities and business not only prevents the emergence of contradictions in the relationship between business and government, and business and society, but also contributes to improving society and sustainable economic development of the national economy.

²⁰ A.M. Kolpovska, *Development of the concept of social responsibility in public administration in terms of decentralization of power*, „Public administration: theory and practice” 2016, vol. 2 (16) available online: [http://www.dbuapa.dp.ua/zbirnik/2016-02\(16\)/5.pdf](http://www.dbuapa.dp.ua/zbirnik/2016-02(16)/5.pdf).

²¹ V.V. Lola, O.S. Petrenko, *The phenomenon of responsibility - irresponsibility in public service: conceptualization of the concept*, „Public Administration: Theory and Practice” 2016, vol. 2 (16) available online: http://nbuv.gov.ua/UJRN/Patp_2016_2_23.

²² S. M. Nevmerzhytsky, R. M. Fedoryak, O. O. Pidkuyko, *Social responsibility of municipal employees in the system of municipal management*, Public Administration: Improvement and Development” 2017, no. 5, available online: <http://www.dy.nayka.com.ua/?op=1&z=1079>.

²³ M.I. Rudakevich, O.M. Rudakevich, *Corporate social responsibility in the modern state: moral principles and development*, „Scientific Notes of Taurida National V.I. Vernadsky University”, Series: Public Administration 2020, Vol. 31, (70), no. 6, 2020, pp. 13–18.

²⁴ B. M. Kachala, *Formation of the institute of social responsibility taking into account the possibilities of the social potential of society* [in:] B.M. Kachala, O.V. Finagina, L.I. Pankova, *Social responsibility of government, business, citizens: monograph*, vol. 2 for the title. ed. H.H. Pivniak; National Mining University, Dnipropetrovsk 2014, pp. 121–128.

²⁵ O. M. Kuzhman, *Social economic responsibility: power, business, community (experience of Dnipropetrovsk region)* [in:] O.M. Kuzhman, A.B. Chuiko, *Social responsibility of government, business, citizens: monograph*, vol. 2, National Mining University, Dnipropetrovsk 2014, pp. 170–174.

Without diminishing the importance of the scientific achievements of these researchers, we note that the question of substantiation of the theoretical foundations of content and understanding of the essence of social responsibility of public authorities and business, its evaluation needs further research.

2. Methodology

Defining the research methodology, the results of which are presented in the publication, the authors primarily proceeded from the fact that their main task is to develop the concept of social responsibility and analyse existing practices in its application in public authorities and business structures. The basis was an approach based on an empirical in-depth study of individual facts, the generalization of which allowed to determine the features of a larger class of (similar) phenomena based on the development and application of appropriate theoretical explanations. The peculiarity of the research methodology is taking into account the existing differences in social responsibility in public authorities and business structures and finding common, unifying features - financial capacity and morality. Qualitative and quantitative data, evaluation and determination of the directions of the state strategy for social responsibility of business were used to substantiate the prepared conclusions and recommendations.

Therefore, the aim of the article is to study the theoretical and applied principles, substantiate the content and essence of the concept of social responsibility of public authorities and business, its evaluation, and to develop on this basis promising areas of social responsibility in Ukraine.

3. Social responsibility: concepts and functions

The first definitions of social responsibility date back to the 1950s. Thus, G. Bowen in 1953 noted that the social responsibility of business lies in the implementation such a policy, making such decisions or adhering to such criteria of behavior that could be useful and desirable for society²⁶. And Friedman M., for example, argued that this term should be understood as the actions of the enterprise aimed at obtaining a profit, which is carried out within the current legislation and in conditions of fair competition²⁷.

P.F. Drucker formulated an interesting definition: social responsibility is „taming the dragon”, i. e. the transformation of social problems into economic gain, production, staff skills, and ultimately the welfare of society²⁸. The scientist professed the idea of humanistic management, which should anticipate the consequences of their management decisions. That is, to be socially responsible, constantly monitoring how management decisions affect society and the environment.

²⁶ H. R. Bowen, *Social Responsibilities of the Businessman*, Haper & Row, New York 1953, p. 6.

²⁷ M. Friedman, *The Social Responsibility of Business is to Increase its Profits* available online: <http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html>

²⁸ P. F. Drucker, *The new meaning of corporate social responsibility*, „California Management Review” 1984, no. 26(2), pp. 62.

As for K. Davis²⁹, his contribution is difficult to overestimate. He substantiated the theoretical foundations of social responsibility (not only as economic but also as moral category), proposed a number of principles that focused on practical activities. In particular, he formulated the „iron law of responsibility”, according to which those who do not take responsibility adequate to their power, as a result lose this power.

The concept of „social responsibility” is based on an understanding of the place and role of the man, state and business in society and is a consequence of the evolution of management theory and practice. Already in the 80s of the last century, the principles of social responsibility became the property not only of the business environment, but also of public authorities. During this time, it has been enriched by the work of scientists in various fields, which allows us to talk not only about certain stages of development (philanthropy, strategic philanthropy, social investment, socio-ethical marketing, social responsibility), but also a deeper content and understanding of the definition. However, at the moment there is no single common definition of „social responsibility”, as well as the unity of opinion on its composition, structure and methods of its exertion.

Thus, at present, the modern concept of socially responsible organization applies not only to the sphere of business, but is also relevant to the activities of public authorities and local governments on the basis of international agreements. This is stated, in particular, in the UN Global Compact (Millennium Development Goals) (1999)³⁰. This document considers social responsibility in the areas of human rights, labor relations, the environment, the fight against corruption, etc.

Today, the common definition of social responsibility – according to ISO-26000 „Guidelines for Social Responsibility” – is: „Social responsibility is the responsibility of organizations for the impact of their decisions and actions on society and the environment, implemented through transparent and ethical behavior, which agrees with the sustainable development, health and well-being of society; meets the interests of groups and stakeholders, the current regulatory framework and relevant international obligations and is integrated into the activities and development strategies of the organization or company and is carried out in day-to-day activities”³¹.

As for domestic researchers, N.V. Vodnytska emphasizes the voluntariness of social obligations taken by the owner or managers of the enterprise, which are recognized by such a society, „... in order to provide social guarantees to staff and additional benefits to all stakeholders within the economic feasibility”³². This approach is correlated with the position of L.A.Grytsyna, which points to „... ecological, social, labor and economic aspects of responsibility to the environment, society, local

²⁹ K. Davis, *Can Business Afford to Ignore Social Responsibilities?* „California Management Review” 1960, 2, pp. 70–76.

³⁰ *Sustainable Development Goals 2016–2030*, UNDP in Ukraine, www.un.org.ua/tsih-rozvitku

³¹ International standard ISO / FDIS 26000, *Guidelines for social responsibility* available online: http://www.ksovok.com/doc/iso_fdis_26000_rus.pdf.

³² N. V. Vodnytska, *Management of the labor sphere of an industrial enterprise taking into account the social responsibility of business* [dissertation thesis], Kharkiv 2008, p. 46.

communities, workers, suppliers, consumers and investors”³³. As to O.O. Zelenko, it means „the company’s contribution to the socio-economic development of society, which may be within the minimum limits declared in the legislation of the country, or significantly exceed them”³⁴. Strictly speaking, as well as A. S. Konovalenko, arguing that „this is a system of voluntary measures regulated by the state in order to improve the impact of business processes on society”³⁵.

Instead, I.O. Voronchak considers this category from a regional standpoint, noting that it is: „a system of values and principles of economic management of the region, which is based on conscious consideration of business requirements of legislation and regional interests in economic, environmental, labor, consumer, philanthropic areas to ensure regional development and favorable environment for doing business in the region”³⁶.

It should be noted that domestic publications examine both corporate social responsibility and corporate social responsibility, as a „socio-economic entity within which the corporation and its stakeholders interact, which helps to reduce transactional losses, resolving conflicts of interest and increasing the competitiveness of the corporation through the use of such tools as social investment, social reporting, social partnership, dividend policy and corporate communications”³⁷.

U.A. Volynets argues that from the standpoint of socially responsible activities, it „... is a universal means of interaction of economic entities (society, state, business) in the broad sense, and also allows to assess the results of their activities for social development”³⁸.

I.M. Tsaryk concludes that „corporate social responsibility is a complex multifunctional system that has historical, socio-economic, religious, political and environmental components, based on ethics and causes significant financial transactions at the macro and microeconomic levels”³⁹.

Based on the analysis, we formed our own vision of the essence of corporate social responsibility: the company’s contribution to the socio-economic development of its employees, local community, region or society as a whole, which may be within

³³ L. A. Grytsyna, *The mechanism of formation of corporate social responsibility in enterprise management*, [dissertation thesis], Khmelnytsk 2009, p. 43.

³⁴ O. O. Zelenko, *Theoretical and methodological principles of forming a strategy of social responsibility of an enterprise* [dissertation thesis], Lugansk 2012, p. 7.

³⁵ A.S. Konovalenko, *Estimation of level of social responsibility of small and medium business* [dissertation thesis], Donetsk 2010, p. 9.

³⁶ I.O. Voronchak, *Formation of regional policy of implementation of social responsibility of business* [dissertation thesis], Lutsk 2015, p. 38.

³⁷ O.Yu. Berezina, *Social responsibility of corporations in the system of social and labor relations* [dissertation thesis], Kharkiv 2011, p. 6.

³⁸ U.A. Volynets, *Economic principles of regulation of socially responsible activity of subjects of economy in Ukraine* [dissertation thesis], Rivne 2016, p. 39.

³⁹ I.M. Tsaryk, *Regulatory tools for strengthening the social responsibility of business in the system of national economy* [dissertation thesis], Chernihiv 2011; ISO 26 000: 2010 [electronic resource]: http://znaimo.com.ua/ISO_26000.

the legal minimum or significantly exceed it, in order to raise prestige of the business in the eyes of the public and the achievement of hidden economic goals.

As to the understanding of the concept of „social responsibility” of civil servants or local government officials, in a broad sense, it is usually understood as their awareness of their duty, appointment to citizens, society for public administration decisions, activities to implement public policy on the ground and meeting the interests of the community and possible social consequences. Social responsibility is understood as socially responsible management of decisions that not only ensure economic growth, but also contribute to solving socially significant problems in the social, economic and environmental spheres.

In fact, in the system of public administration, the definition of „responsibility” is widely used in the evaluation of activities: professional, administrative, moral and ethical, political. When it comes to the attitude to the performance of duties, it means a value trait – compliance with certain standards of ethical behavior that correspond to the status of the position, the ability to relate material and spiritual values. Therefore, we should agree with V.V. Bozhkova, who defines social responsibility as „the duty of an individual or legal entity to assess their own intentions and choose behavior in accordance with the rules that reflect the interests of social development, and in case of violation - the obligation to report before society and bear punishment”⁴⁰.

At the same time, in the system of public administration social responsibility has a multifunctional meaning: it not only provides a positive image of state and self-governing institutions, but also contributes to a socio-economic, innovative, cultural and spiritual development of the state, social standards and stable welfare. In terms of its content, the social responsibility of public authorities means the implementation of the declared goals, adopted strategies and concepts, programs and commitments. Accordingly, it implies the obligation to report on the implementation of delegated powers and responsibilities and obliges to adhere to the principles of openness and transparency in their activities.

We completely agree with V.V. Lola and O.S. Petrenko is that the concept of social responsibility is one of the basic for the modern system of public administration. Its essence is reflected in the conscious implementation of the subjects of social relations (individual, team, society) of certain mutual obligations, requirements, expectations (as a mutual social responsibility of civil servants, officials and local governments – community – business), forms a certain social capital, which is a resource of society designed to ensure a constructive dialogue between public authorities, business and the community⁴¹.

⁴⁰ V.V. Bozhkova, L. Yu. Sager, *Socially responsible business as one of the directions of improving the image of domestic business entities*, „Mechanism of economic regulation” 2010, no. 1, p. 147.

⁴¹ V.V. Lola, O.S. Petrenko, *The phenomenon of responsibility - irresponsibility in public service: conceptualization of the concept*, „Public Administration: Theory and Practice” 2016, vol. 2(16) available online: http://nbuv.gov.ua/UJRN/Patp_2016_2_23.

At the same time, it is worth pointing out two key factors that indicate the features of social responsibility, which are inherent in the subjects of public administration:

- public authorities are essential for the stable functioning of society, as they are designed to solve existing problems in life, to coordinate, balance and satisfy objective interests, to ensure sustainable development of the state;
- governance is carried out by authorized bodies and persons with the use of legal and legitimate coercion, and the adopted government decisions are binding on the jurisdiction.

Taking into account these aspects, inaction or improper performance of the assigned powers affects the image of the authorities, their employees and sometimes leads to social tension and crisis. At the same time, we have a rather complex internal structure of the public administration system (interconnection and interdependence), then the miscalculations or inaction of one of the subjects of government may affect the efficiency of the activity as a whole.

Social responsibility is a fundamental category for all economic entities, including public authorities, as the entire system of public administration, because the essence, functions and tasks are identical. Thus, the social responsibility of public authorities is manifested in the implementation of daily activities in various areas and directions. However, it is most concentrated in the implementation of social policy measures - targeted activities to ensure living standards, guarantee social protection and productive employment, minimize social risks, create conditions for human development, which becomes the main function of social responsibility of public authorities.

The importance of corporate social responsibility for the country's economy is best reflected in the functions it performs. In the modern specialized literature, this issue is debatable and needs further study. Scientists argue about the number of functions and interpret their meaning and essence in different ways⁴². In our opinion, the following functions of social responsibility of business should be allocated:

1. Cultural function – reveals the impact of social responsibility on the corporate culture of the enterprise, forms in employees, consumers, partners, investors and other stakeholders a system of values that determines the ethical level of the enterprise, reflects social maturity of the national economy as a whole. This function of social responsibility of business reflects not only the cultural component but also socio-economic, because through changes in the system of values affects its formation and changes the priorities of social and labor relations.
2. Communicative function lies in establishing close cooperation of business with NGOs, governments, local communities, consumers, suppliers, employees in order to form friendly partnerships based on mutual trust. This approach allows the company to establish relationships with the economic environment in which

⁴² O. Yu. Berezina, *Social responsibility of corporations in the system of social and labor relations* [dissertation thesis], Kharkiv 2011, p. 59; U.A. Volynets, *Economic principles of regulation of socially responsible activity of subjects of economy in Ukraine* [dissertation thesis], Rivne 2016, p. 36; I. M. Tsaryk, *Regulatory tools for strengthening the social responsibility of business in the system of national economy* [dissertation thesis], Chernihiv 2011, pp. 47–48.

it operates, minimize the consequences of possible risks, and achieve economic benefits.

3. Informative function – reflects the openness and transparency of the enterprise. It is extremely important for any business that positions itself as socially responsible to communicate the results of its philanthropic activities to the public. To this end, annual social reports are compiled and published, which are essentially hidden advertising and promote the company's entry into international markets.
4. Motivational function – influences the behavior of stakeholders of a particular business environment. Manifested at the micro level of the enterprise in the formation of relations between the employer and employees, and at the macro level in the interaction with external contractors. In the first case, this feature increases the efficiency and productivity of staff. In the second - stimulates demand for the company's products, provides long-term cooperation with public authorities, which is reflected in the receipt of certain preferences for economic effect.
5. Social function – characterizes the results of socially responsible activities of the enterprise, which are manifested in improving the welfare of employees by providing additional material and social benefits (system of leave, free training, free work schedule, medical examinations and treatment assistance, official transport, etc...), as well as the development of local infrastructure (kindergartens, squares, sports grounds, installation of night lighting, cleaning, etc.)
6. Economic function – concentrates the synergistic effect of cooperation of stakeholders. In particular, at the enterprise level, it means provision of additional income from increased sales, promotion of the formation of goodwill, by improving the business reputation and image. At the national level, it strengthens the economic system of the state, increases gross national product and reduces social tensions. This function is the most important and reflects the ultimate goal of corporate social responsibility.

4. Evaluation of the effectiveness of social responsibility

It is extremely important to address issues related to determining the effectiveness of socially responsible activities. In particular, the classification of indicators for assessing the results of social responsibility of an individual enterprise and business in general needs to be further improved (Fig. 1).

The criterion for the success of the company and its social orientation is the publication of a social report that characterizes the initiatives and achievements in this area. The information provided by companies to the public needs to be systematized and analyzed according to certain criteria in order to eventually obtain a rating of social responsibility of companies or regions. The considered indicators of efficiency of social responsibility of business are interconnected in two blocks: spheres of realization (payment, labor training, labor protection, employment, health care, business) and interested parties (the personnel and top managers, the society, consumers, the state, partners). Moreover, the state is represented by public authorities, at the same

time, when it comes to partners, in accordance with the public-private partnership, they can be on the ground „business - public authorities - non-governmental organizations.” As for indicators, in terms of business, they are financial, because their success in the market is determined by profits. When it comes to public authorities, the effectiveness of their activities is in another plane of social indicators, on which the views of both scholars and practitioners have significant differences. Therefore, this is a separate field of scientific research. In the framework of our study, it should be noted that the inefficiency of the use of public funds is not just a sum, but a lost opportunity for certain categories of the population and society as a whole.

Payment indicators: the ratio of the average wage to the average in the industry, wage arrears, the share of labor costs in the cost of production, the share of bonuses in the wage fund and labor protection indicators: the cost of improving working conditions per employee; the coefficient of occupational injuries; staff training: the company's costs for training one employee, the share of employees who have been trained depend on top managers and directly affect the staff.

Health care indicators: the share of employees undergoing annual health check, the company's health care costs per employee, the percentage of the entrepreneur's funds spent on the social package and employment indicators: employment rate, staff turnover, are interrelated and influential both for staff and society.

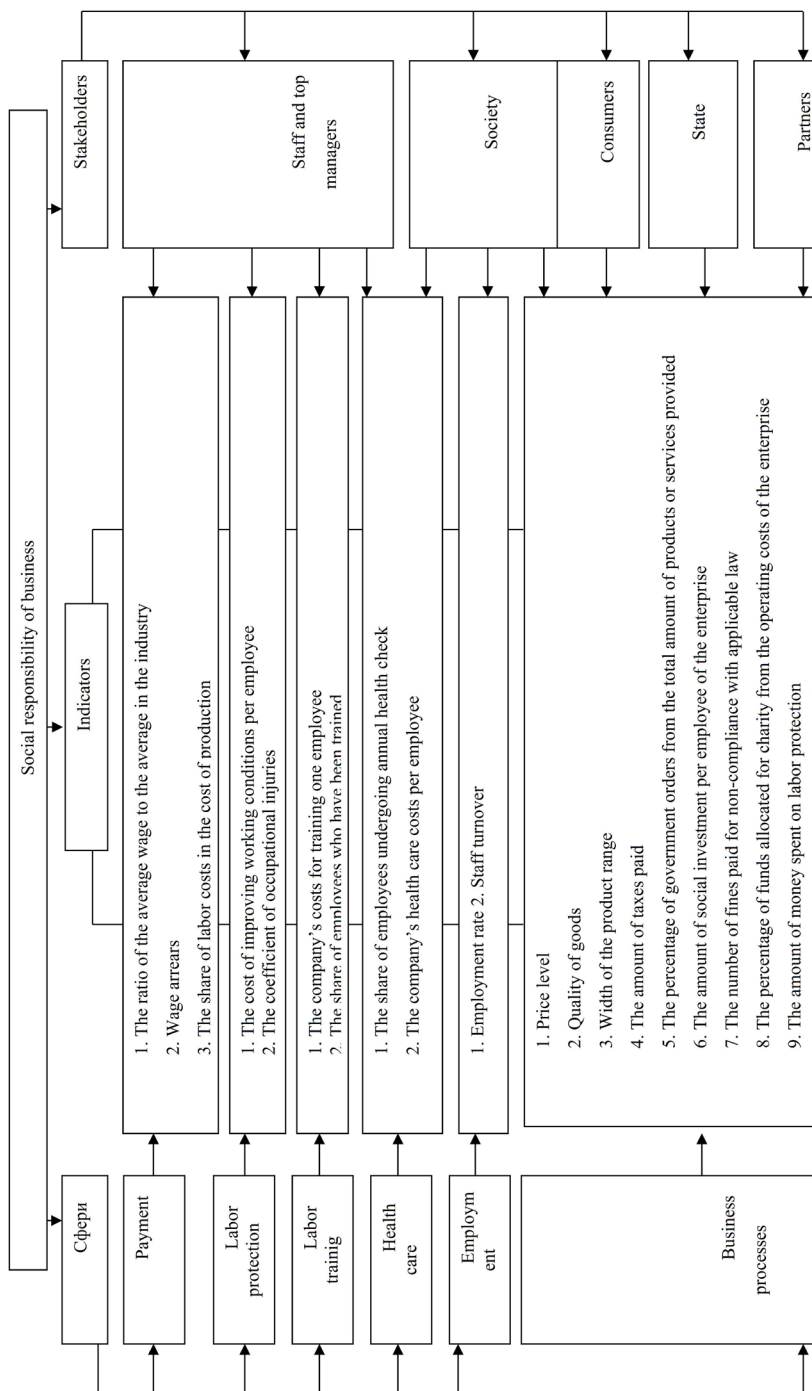
Indicators that characterize business processes: price level; quality of goods; width of product range; the amount of taxes paid; the percentage of government orders from the total number of products or services provided; the amount of social investment per employee of the enterprise; the amount of fines paid for non-compliance with applicable law; the percentage of funds allocated for charity from the operating costs of the enterprise; the amount of money spent on labor protection; the amount of money spent on improving the environmental friendliness of the production process; the amount of funds raised by socio-ethical marketing; the number of complaints filed by the company's partners largely depends on the economic policy of the state and have an impact on the company's partners and consumers of their products. These indicators for assessing the effectiveness of corporate social responsibility can serve as a basis for developing ratings of social responsibility of both enterprises and the region, which will be an additional incentive to adopt socially responsible practices for enterprises and to implement this concept at the regional level. In addition, these indicators can be the basis for the development of a set of measures that will contribute to the future development of corporate social responsibility and the formation of an appropriate strategy.

Scientists assess the effectiveness of social responsibility in different ways; in particular, Voronchak I. O. proposes to calculate the integrated coefficients that combine economic, labor, environmental, consumer, philanthropic components⁴³, and Volynets U. A. uses methods of fuzzy logic and modeling of fuzzy sets⁴⁴.

⁴³ I.O. Voronchak, *Formation of regional policy of implementation of social responsibility of business* [dissertation thesis], Lutsk 2015, pp.75–83.

⁴⁴ U.A. Volynets, *Economic principles of regulation of socially responsible activity of subjects of economy in Ukraine*, [dissertation thesis], Rivne 2016, pp. 130–136.

Fig. 1. Classification of indicators of efficiency of social responsibility of business and their interrelation



These methods are extremely cumbersome in calculations, based on data from the State Statistics Service, which negatively affects the objectivity (representativeness) of the final assessment.

In our opinion, it is best to assess the social responsibility of companies by analyzing their social reporting and correlating the amount of money spent on socially responsible activities to the net profit of the enterprise.

$$C_{sr} = \frac{S-M}{P} \quad (2.1)$$

where: C_{sr} – coefficient of social responsibility of the enterprise (company); P – net profit of the enterprise; S – the amount of funds allocated by the enterprise for socially responsible activities; M – the amount of funds received by the company through shares of social and ethical marketing.

This method allows to determine the level of social responsibility of an individual company, and by determining the appropriate average ratios, you can get data by region and by country as a whole. In addition, we eliminate the impact of socio-ethical marketing on the effectiveness of corporate social responsibility.

Socially responsible activities at the national level are carried out by financially powerful companies, in particular: MTS Ukraine, Kyivstar, Lifecell, Nemirot, Obolon, Foxtrot, SCM, Privat, Concern Galnaftogaz. and others. Due to the limits of the work, we will consider only some of them.

Kyivstar positions itself as a leader in the field of social responsibility. In particular, it introduces „green offices”, increases the energy efficiency of equipment, reduces carbon emissions and reduces the consumption of non-renewable resources. Every year, Kyivstar employees clean public gardens, plant trees and flower beds together with customers and citizens in more than a dozen of cities in Ukraine⁴⁵. However, if you count the coefficient of social responsibility of Kyivstar, it is quite meager:

$$C_{sr} = 7,000,000 / 2,168,375,000 = 0.0032$$

That is from 1000 UAH of net profit Kyivstar spends only UAH 3 on social responsibility.

ASTARTA agro-industrial holding pays considerable attention to social responsibility, in particular in the areas of professional development, occupational safety and health, loyalty to seasonal workers, environmental protection, etc.⁴⁶. The coefficient of social responsibility of this holding in comparison with Kyivstar is more significant and is:

$$C_{sr} = 30,000,000 / 432,000,000 = 0.0694$$

⁴⁵ *Social responsibility of Kyivstar* [electronic resource], <http://www.kyivstar.ua/kr-620/about/responsibility/>.

⁴⁶ *Social responsibility of ASTARTA agro-industrial holding* [electronic resource], <http://astartakiev.com.ua/slaider-na-glavnoi/vysokaja-socialnaja-otvetstvennost.htm>.

That is from 1000 UAH of net profit ASTARTA agro-industrial holding spends on social responsibility 69 UAH, which significantly exceeds Kyivstar's performance, and the mobile operator's social projects are well-publicized, and little is known about the socially responsible activities of the ASTARTA agro-industrial holding, although its contribution deserves more attention. Thus, thanks to the coefficient of social responsibility, it is possible to compare the contribution of companies to the socio-economic development of society and identify real leaders in this area.

The FOXTROT group of companies participates in solving acute social problems and promotes the development of civil society, provides a decent level of social guarantees to its employees, systematically helps socially vulnerable groups, etc.⁴⁷ The implementation of the „green office” program deserves special attention. It should be noted that Foxtrot has made a significant contribution to the development of social responsibility in Ukraine, but it is not possible to calculate the company's social responsibility ratio, as there is no freely available information about its profits.

The experience of the Association of Milk Producers is useful. As part of the social project „I love milk”, on September 25, 2016 in the landscape park „Singing Field” the All-Ukrainian Milk Day was celebrated. About twenty-seven thousand guests attended the event, who consumed more than thirty tons of cheese and dairy products for free. In addition to tasting products of the brands „Como”, „Dobryana”, „Prostokvashyno”, „Galychyna” and others, there were numerous attractions, competitions, contests, entertainment, workshops, sports games and more⁴⁸.

This socially responsible measure is inherently unique, as it involves direct competitors in the production of cheese and dairy products, operating within a single market space. However, they were able to agree and instead of competing with each other, by promoting the usefulness of dairy products and a healthy lifestyle, they achieved an increase in the consumption of their products, i. e. increased the total market capacity. In our opinion, the action is a perfect example of a socially responsible approach to doing business.

In the Volyn region, the following business structures are socially responsible: „Nash Krai”, „Pan Kurchak”, „Dmytruk”, „Amila”, „City Park”, „Zabiyaka”, „Lutsksantekhmonazh G536”, etc. Due to the limited volume of this work, we will consider only some of them.

The Nash Krai chain store has launched the „Live Responsibly” project, which provides for a number of social, economic and environmental initiatives. In particular, in supermarkets „Nash Krai” it is possible to measure pressure free of charge, to buy the goods which are not harmful to environment, to hand used batteries over for processing. The network provides social discounts to large families, anti-terrorist

⁴⁷ Corporate social responsibility of „Foxtrot” [electronic resource], <http://foxtrotgroup.com.ua/uk/csr/responsibility.html>

⁴⁸ World Milk Day [electronic resource], <http://milkday.ilovemilk.info/about>

operation participants, retirees, sorts garbage for further processing, rationally uses water and energy resources⁴⁹.

An example of a socially responsible enterprise in agrarian business is APG „Pan Kurchak”. In particular, in 2016, 340 kg. chicken and 80 kg. sausages were given for free to the children’s camp „Forest outpost” located in Dimer, Kyiv region for children of participants of anti-terrorist operation. The farm also built a kindergarten in the village of Kholoniv in the Gorokhiv district, the estimated cost of which is over UAH 9 million⁵⁰.

Interestingly, the first example is a classic charity and the second – social responsibility. The difference is that from the first option the company will have no profit other than hidden advertising, and the construction of a kindergarten will improve the living conditions of the company’s employees, positively affect the infrastructure of the local community, improve the company’s image and lay the foundations for political success of enterprise’s leader.

The leaders of the Dmytruk brand, which specializes in the production of sausages, have a slightly different vision of social responsibility. In particular, this company joined the event „Let’s make Lutsk clean”, the company’s employees not only took part in the direct cleaning of the park but also after its completion treated all its participants with grilled sausages of their own production. In addition, the Dmytruk brand sponsored Ukraine’s sport fishing team at the World Championships in Finland (where it took first place), thus laying the foundations for its products to enter the world market.

Amila Farm has built more than fifteen homes for its employees. At the enterprise uses Belarusian method when the contract is concluded under which the worker, having worked ten years at the enterprise, receives in his/her property a house furnished with the furniture and household appliances. The farm promotes the development of socio-cultural sphere, in particular, built a bell tower and a church named after Ivan the Theologian, reconstructed a complex in the village of Radovychi, where in one house there are medical and precinct stations, a fire department, house of culture and library⁵¹.

City Park shopping and entertainment complex is a leader in socially responsible business in Lutsk. On its territory, there is a park with trees and comfortable benches, a separate chess square with special tables, the riverbed of „Sapalaivka” where there are huts for ducks, „bridge of lovers” has been built across the river, a gazebo is placed nearby. The whole area is connected by separate paths for pedestrians, rollerbladers and cyclists, equipped with landfills and constantly cleaned at the expense of the entertainment complex. There is the only free skate park in the city. The installation of

⁴⁹ *Corporate social responsibility of the trade network “Nash kraj”* [electronic resource], <http://nash-kraj.ua/ksv#>

⁵⁰ *Social responsibility of AIG „Pan Kurchak”* [electronic resource], http://pankurchak.ua/sotsalna_vdpovdalnst

⁵¹ *Socially responsible business of „Amila” Farm* [electronic resource], <http://agrovolyn.com/news.php?id=486>

a monument to Kuzma Skriabin, which is a precedent for the participation of private capital in honoring the national cultural heritage of the modern era, deserves special attention in the social project of „City Park”.

Other powerful Volyn enterprises position themselves as socially responsible, as they comply with legally defined social standards. However, in some places they are exceeded, in particular, by producing social types of bread (PJSC „Teremno-Bread”), providing workers with health insurance (JV „Modern Expo”), bringing workers to work (LLC „Kromberg and Schubert”), implementing programs to charity and socio-ethical marketing (PE „Tigres”).

Discussion. Based on the carried analysis, socially responsible activities of any organization (public or private sector, NGOs) are seen provided that there are relationships between:

- the organization and society regarding their expectations and mutual influence of their decisions and actions (responsible behavior);
- the organization and its stakeholders regarding ethically responsible potential or actual impact on individuals and organizations;
- stakeholders and society to reconcile, match the interests of stakeholders affected by the organization, and the expectations of society, because although stakeholders are part of society, they may have interests that do not meet the expectations of society⁵².

It should be noted that this standard is not intended for use by public authorities, but they may well apply it because they have similar functions (citizens for civil servants or local government officials are clients provided with administrative, municipal, educational, cultural or social services).

In Ukraine, where business has only finished the period of initial capital accumulation, and the government and civil society institutions are still in the process of reform and formation, there is an opportunity to build a new system of relationships, a new model of partnership based on social responsibility. At the regional level, „public authorities implement the following components of social responsibility: organizational management; respect for human rights; compliance with environmental legislation; establishing quality control of goods and practices of honest business conduct; providing targeted assistance to the population „⁵³. This practice should become widespread.

Any production or social processes that take place within the state require institutional support. That is the legislative definition of the rules of operation, the formation of key priorities for development, budget support, subordination or regulation by certain state or local authorities, and so on. In Ukraine, there is no law „On corporate social responsibility”, public authorities cooperate only with charitable foundations and individual patrons, without understanding the general concept of corporate social responsibility.

⁵² ISO 26 000: 2010 [electronic resource], http://znaimo.com.ua/ISO_26000

⁵³ M. Saprykina, *Development of CSR in Ukraine. Opinions of the main groups of stakeholders* [in:] M. Saprykina, *Corporate social responsibility of business. Expert assessment and practice in Ukraine* [Text], К.: ТЭФ ОЛБИ, 2008, с. 80–86.

It should be noted that in addition to the above, the main inhibitor of socially responsible processes is the state itself, without giving business examples of socially responsible behavior. The number of parity funding programs for social projects is meager, the level of wages in state and municipal property structures is critical, and the system of subsidies is erroneous and does not withstand any criticism. In addition, government officials are constantly discussing the reduction of social guarantees (reduction of maternity leave, reduction of sick pay, increase of retirement age, extension of working hours), which sets a negative example for private companies.

The exception in this situation is the National Academy of Sciences of Ukraine and a number of universities, which are intensively promoting the concept of social responsibility of government, business and citizens, organizing round tables, conferences and involving business in these processes.

The contribution of volunteer organizations of Ukraine, which carried out revolutions in this direction, stopping the military invasion and ensuring the stabilization of the social situation of the military in the anti-terrorist operation zone, deserves special attention.

Thus, socially responsible business activities are not defined by the state, they develop independently and are carried out by successful profitable companies, volunteer organizations or individual socially conscious businessmen without a system.

In Ukraine, there are no centralized statistics on corporate social responsibility, and social reporting of companies is voluntary, various in structure and diluted over time, which greatly complicates the study.

The implementation of the concept of social responsibility at the macro and meso levels requires taking into account the interests of all stakeholders, which include: business organizations, public authorities, consumer organizations, trade unions, NGOs, research institutions⁵⁴. Among them, the executive authorities and local governments, given their functional purpose, have a leading role in implementing the principles of social responsibility. Because „parliamentary initiatives, activity of ministry officials, local self-government primarily determine what social policy will be defined in the country, what laws and rules in the field of social responsibility will be established and what labor standards and principles of social responsibility we will have in our enterprises”⁵⁵.

Therefore, the development of corporate social responsibility largely depends on the position of the state. It is the state which must be the leader in the social sphere, protect workers, ensure high environmental standards, create charitable programs, switch to renewable energy sources and encourage entrepreneurs to do the same.

In our opinion, the priority areas for the development of corporate social responsibility in Ukraine include: ensuring a regulatory framework and creating a strategy (concept) for the development of corporate social responsibility; ideological policy

⁵⁴ A.H. Zinchenko, *Social responsibility in Ukraine: Views of different stakeholders. Regional aspect* [in:] A.H. Zinchenko, M.A. Saprykina. - K.: [6. v.], 2008.

⁵⁵ *New international standard on social responsibility ISO 26000* [electronic resource], <http://www.bcdst.kiev.ua/index.php/news/1-latest-news/56>.

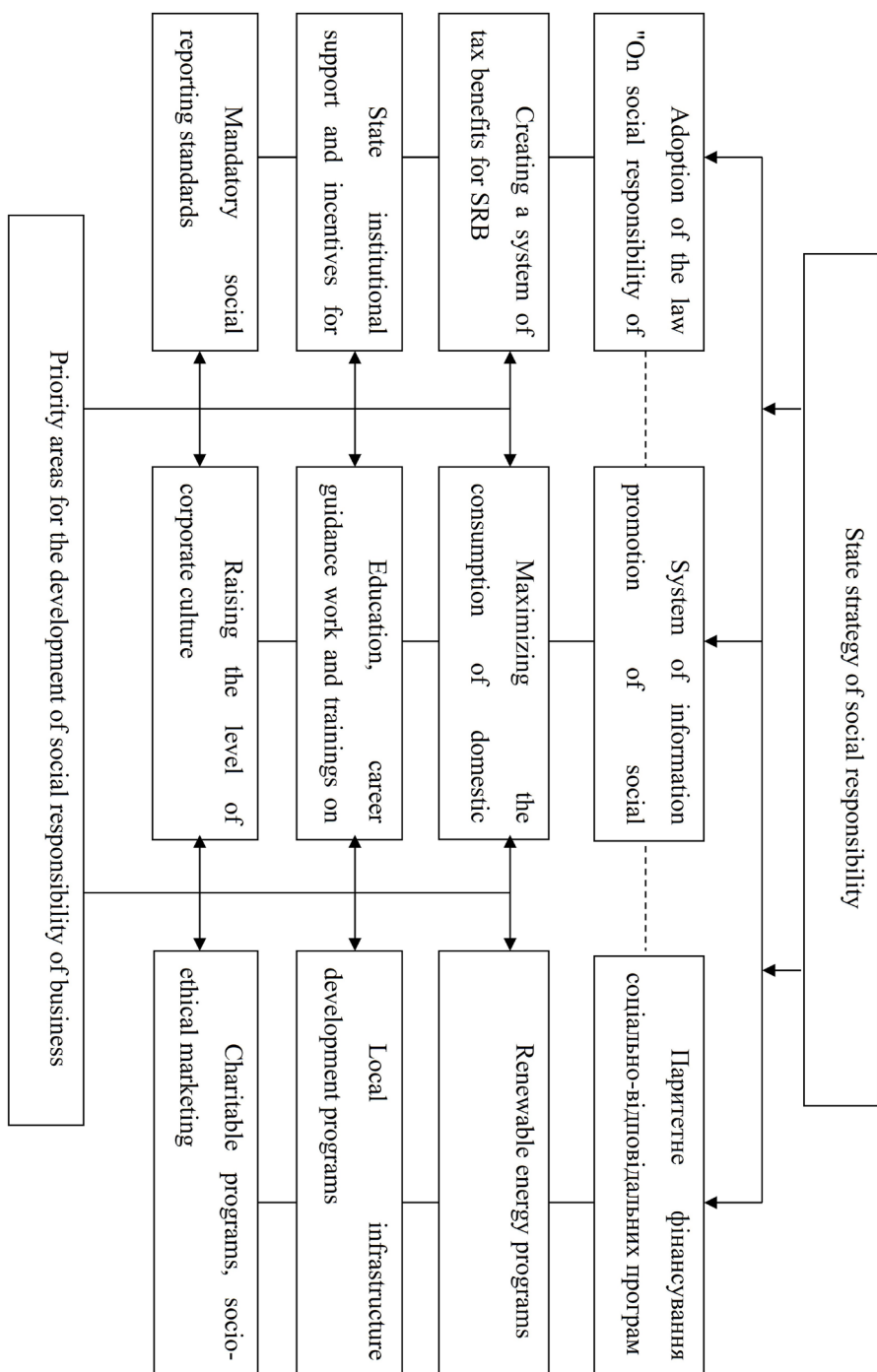
and informational and educational work on the importance of social responsibility, its benefits and necessity for society; formation of the state fund and attraction of means of local budgets for parity financing of the social projects introduced by private business structures; providing various tax benefits and the forming measures of moral incentives for entrepreneurs who have invested in socially significant projects; introducing at the national level mandatory social reporting required for companies for listing shares on stock exchanges, participating in government tenders, obtaining certain licenses, etc.

In particular, it is necessary to create a state strategy (concept) of social responsibility, which clearly defines institutional support, through existing services that interact with business, introduce parity funding for socially responsible programs and ensure informational promotion of corporate social responsibility. Figure 2, taking into account the results of the study, presents the areas of the State Strategy of Social Responsibility, which provides for state institutional support for business, the creation of an appropriate regulatory framework, infrastructure development and more.

The basis for the formation of social responsibility in Ukraine should be the adoption of the law „On corporate social responsibility”. In which it is necessary to define the concept of „social responsibility of business” and the actions that fall under it, to provide state institutional support, to create a system of tax benefits and incentives for socially responsible business structures, to introduce standards of mandatory social reporting.

An important element in promoting corporate social responsibility is its promotion through information advocacy. It is necessary to conduct education and training on the basics of social responsibility at the national level, to instill corporate culture, to encourage the consumption of environmentally friendly products of domestic production, to create videos on the importance of social approach in production and everyday life.

Fig. 2. Directions of the state strategy of social responsibility



The driving force behind the development of social responsibility of business should be the mass introduction of parity funding of socially responsible programs for the creation of renewable energy sources, development of local infrastructure, philanthropy, socio-ethical marketing and more. It is the partial financing of social projects from the state and local budgets, community funds and companies that will ensure the highest efficiency in the use of funds and acceptance of results by the community.

5. Results

Combining and generalizing all interpretations and approaches, we can say that the concept of social responsibility is multifaceted and multilevel. An essential feature of social responsibility is that the state, the public administration system as a whole are responsible to society not only for the efficient use of natural and human resources in the course of its activities to meet the objective interests of society but also for further development, historical destiny before past and future generations.

Social responsibility of business is a broad concept that includes corporate social responsibility (large companies), social responsibility of small and medium-sized businesses and social responsibility of an individual employee; includes their interaction with each other within a certain social group and within the minimum legal requirements approved by the state. Social responsibility involves the company's contribution to the socio-economic development of its employees, local community, region or society as a whole, which may be within the legal minimum, or significantly exceed it, in order to raise the prestige of its business in public and achieve hidden economic goals.

Regarding the social responsibility of public authorities, in the system of public administration it seems appropriate to consider social responsibility in three dimensions:

- state social policy, which is based on balancing and reconciling the interests of all stakeholders at each level;
- responsibilities of public authorities and local governments, civil servants and officials for the implementation of their functions and responsibilities;
- corporate social responsibility of the management system (management, internal system) of public authorities, whose activities are based on standards, compliance with the principles and rules of ethical activities.

In Ukraine, there is no institutional support for social responsibility of business, there is no specialized law or state structure that would take care of this issue. Corporate social responsibility develops spontaneously, thanks to successful profitable companies, volunteer organizations or individual socially conscious businessmen. Taking into account these factors and the consistency of the proposed dimensions of social responsibility in the system of public administration, the directions of the State Strategy of Social Responsibility are proposed, which require appropriate substantive, regulatory and institutional design. The basis for the formation of social responsibility

in Ukraine should be the adoption of the law „On corporate social responsibility”, and an important element of incentives – promotion through information advocacy. Mass implementation of parity financing of socially responsible programs for the creation of renewable energy sources, development of local infrastructure, philanthropy, socio-ethical marketing is possible with partial funding of social projects from the state, local budgets, community funds and companies. Taken together, this will contribute to the efficient use of funds, effective control and a positive perception of the results by the community. The partnership of public authorities and business will become a powerful resource for effective and competitive development, social responsibility to society, the community, socially vulnerable segments of the population, in general, will contribute to the harmonization of social development.

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CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SUSTAINABLE DEVELOPMENT GOALS (SDG). RESPONSE OF FOREIGN INVESTORS IN POLAND IN A COVID-19 PANDEMIC TIME

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Abstract

The purpose of this article is to analyze the involvement of Corporate Social Responsibility mutually related with Sustainable Development Goals in the health sphere that investors showed during the epidemic of COVID-19 and to define the goals to which these companies devoted the most attention. In order to answer the research questions, an analysis was made of good CSR practices submitted by large (numerous Polish offices of FDI companies), medium, small and micro-enterprises voluntarily in the Responsible Business Forum.

The presented analysis follows a pragmatic approach. The example of good CSR practices of FDI companies (and in-kind contribution during the COVID-19 Pandemic Period) in Poland shows a clear division of activities into necessary charity activities (forced by a difficult situation) and a multitude of intangible or low-budget activities supporting / conditioning the company's business activities, even if they are directly aimed at protecting employees or customers. Most of the aid (2/3) provided directly to prevent shortages of equipment and supplies for medical institutions, school students, the elderly or counteracting other effects of the epidemic was directed from companies with foreign capital, although not from those from the list of the richest 20.

There are only one activity to support human entrepreneurship, which could also be beneficial in the post-pandemic period and was initiated by young companies with foreign capital (start-ups). Basically, in the organizational behavior of companies, the postpandemic perspective is invisible, except when considering remote work. Some of the CSR practices were limited to façade activities only. Especially those related to the human environment, including environmental protection (eg zero plastic), education, recruitment and good neighborhood. Employee volunteering became even more popular during the epidemic, but most often it was done remotely.

Keywords: CSR; FDI, Goal 3 SDG; good practices; COVID-19; Poland

1. Introduction

The implementation of CSR is based on both voluntary commitments and activities of companies and, more and more often, on standards (relating to the area of organizational transparency and mandatory reporting of non-financial data) introduced by stock exchanges as well as by national governments and the European Union. Documents prepared by the European Commission were milestones in the development of CSR in the EU:

1. Green Paper: Promoting a European framework for Corporate Social Responsibility¹;
2. White Paper: Communication from the Commission concerning CSR: A business contribution to Sustainable Development², as a result of extensive consultation of EU institutions such as the Commission directorates-general for employment, social affairs, enterprise and the information society, trade, environmental protection, representatives of the business sector, trade unions, media, experts, non-governmental organizations and scientific institutions;
3. „A renewed EU strategy 2011–2014 for Corporate Social Responsibility”³ (European Commission, 2011), where, for the first time it was found that the new definition of CSR constitutes a paradigm shift in EU policy on Corporate Social Responsibility and engagement of companies is no longer seen as only voluntary by the Commission. The reason for such a position was given:

The economic crisis and its social consequences have to some extent damaged consumer confidence and levels of trust in business. They have focused public attention on the social and ethical performance of enterprises. By renewing efforts to promote CSR now, the Commission aims to create conditions favourable to sustainable growth, responsible business behaviour and durable employment generation in the medium and long term⁴.

World Business Council for Sustainable Development⁵ promotes CSR discussion and sustainability. It considers CSR as a driver of social progress which helps

¹ *Green paper: Promoting a European framework for Corporate Social Responsibility*, Commission of The European Communities, Brussel 2001, available online: <https://ec.europa.eu/transparency/reg-doc/rep/1/2001/EN/1-2001-366-EN-1-0.Pdf>.

² *Communication from the European Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development*, Brussel 2002, available online: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2002:0347:FIN:EN:PDF>.

³ *Communication from The Commission to the European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions: A renewed EU strategy 2011–2014 for Corporate Social Responsibility*, Brussel 2011, available online: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52011DC0681>

⁴ *Ibidem*, p. 2.

⁵ *Corporate Social Responsibility*, World Business Council for Sustainable Development, available online: <https://www.wbcsd.org/>

corporations to be responsible citizens. United Nations through its Sustainable Development Goals (SDG) also modifications in corporate behaviors and attitudes. The SDGs were set in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030⁶. They are included in a UN Resolution called the 2030 Agenda. In line with the UN's SDG's agenda of 2030, CSR Europe is establishing the roots for becoming the European Business Hub by supporting more than 10,000 active enterprises in 41 National Partner Organizations. Therefore the concept of SDG as a continuation of MDGs (Millennium Development Goals) is also growing with the CSR concept, connected with it intentionally and organizationally⁷. Among all 17 goals, as many as 8 can be attributed to broadly understood health and wellbeing: (1) no poverty, (2) zero hunger, (3) good health and well-being, (6) clean water and sanitation, (7) affordable and clean energy (8) decent work and economic growth, (13) climate action, (15) life on land. In fact, however, each of the 17 goals has a some meaning in determining people's quality of life and contributing to their better or worse health.

In fact various reasons were indicated why the implementation of CSR principles may be important for the operation of the organization, because, as some believe⁸, the motives underlying CSR have shifted from ethical to strategic (mainly a change of direction from resignation from benefit of society to the benefit of organization) despite the dissemination of principles sustainable development. Some others question the economic benefits to companies whose CSR practices do not necessarily translate them into a real benefit to the environment or society, according to Garcia-Sánchez research⁹.

However there are significant pressure of company's operations on citizens' lives. Their operations have impact not only through production of goods and services and providing employment opportunities but also through training and education, human rights, health and the environment. Health is one of the important factors in CSR activities which includes employee safety, supporting wellbeing, responsible sourcing, chemicals, waste and recycling, and material issues.

In less prosperous countries it is FDI companies are expected to be the solvers of social issues through their CSR programs. For FDI enterprises, when investing in the domestic market, their most important stakeholders should include customer,

⁶ Resolution adopted by the General Assembly on 6 July 2017, United Nations, available online: https://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E.

⁷ Sustainable Development Goals, 2021, UN, available online: <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

⁸ Isaksson L., *Corporate Social Responsibility: A Study of Strategic Management and Performance in Swedish Firms* [doctoral thesis], Bond University, Gold Coast 2010, available online: https://pure.bond.edu.au/ws/portalfiles/portal/18265241/Corporate_Social_Responsibility_A_Study_of_Strategic_Management_and_Performance_in_Swedish_Firms.pdf.

⁹ I-M. García-Sánchez, A. García-Sánchez, *Corporate Social Responsibility during COVID-19 Pandemic*, „Journal of Open Innovation: Technology, Market, and Complexity” 2020, vol. 6, no. 4, p. 126. DOI: 10.3390/joitmc6040126, available online: https://www.researchgate.net/publication/346412011_Corporate_Social_Responsibility_during_COVID-19_Pandemic.

workforce, government and the society. In the group of benefits for organizations implementing CSR has become either an indispensable part of building a company's reputation as a tool to minimize the negative impact from media crisis on the reputation of enterprises¹⁰.

The COVID-19 pandemic in 2020, which forced changes in every area of life around the world, basically confirmed the slightly contested¹¹ change in the EU definition and emphasized the importance of CSR as a mandatory package of the company's activities. Currently, indeed, and not only declaratively, CSR is a signal that a organisation is interested in caring for the well-being of stakeholders and society as a whole¹². According to current research of Tran, „implementing CSR for the community has the most positive impact on the reputation of the business, followed firstly by customers, government and lastly employees. It means that companies should focus on performing CSR for all stakeholders, however, in the case of limited resources, businesses can prioritize CSR activities for the community, then customers, governments and workers in order to optimize efficiency and impacts on corporate reputation”¹³.

In opinion of Harris and He: „Covid-19 pandemic offers a great opportunity for businesses to shift towards more genuine and authentic CSR and contribute to address urgent global social and environmental challenges”¹⁴.

2. Research goal and questions

The COVID-19 pandemic is one of the most impactful shocks worldwide, a real „Black Swan Event” of Taleb¹⁵. And there is no man or institution in the world that would have the experience of fighting such a global problem. Therefore, there are no ready solutions also in the field of CSR, what actions to take. Everything that has happened in the world in this regard is a trial and error method. And descriptions of these behaviors and slowly built entire strategies appear one at a time in the scientific

¹⁰ N.M. Tran, *Applying 2-stage DEA model to evaluate the corporate social responsibility implementing efficiency of FDI firms*, „Management Science Letters” 2020, vol. 10, no. 11, pp. 2491–2500, available online: http://growingscience.com/msl/Vol10/msl_2020_96.pdf.

¹¹ EuroCommerce, 2011, *A renewed EU strategy 2011–2014 for Corporate Social Responsibility*, Position Paper, available online: https://www.eurocommerce.eu/media/7237/position-csr-renewed_csr_strategy_2011-14-07.03.2012.pdf.

¹² C. B. Bhattacharya, D. Korschun, S. Sen, *Strengthening stakeholder-company relationships through mutually beneficial corporate social responsibility initiatives*, „Journal of Business Ethics” 2009, vol. 85, no. 2, pp. 257–272, available online: https://www.researchgate.net/publication/227105764_Strengthening_Stakeholder-Company_Relationships_Through_Mutually_Beneficial_Corporate_Social_Responsibility_Initiatives

¹³ Tran N.M., 2020, *Applying 2-stage DEA model to evaluate the corporate social responsibility implementing efficiency of FDI firms*, op. cit., s. 2498

¹⁴ L.C. Harris, H. He, *The impact of COVID-19 pandemic on corporate social responsibility and marketing philosophy*, „Journal of Business Research” 2020, no. 116, p. 176, available from: <https://eu-ropepmc.org/backend/ptpmcrender.fcgi?accid=PMC7241379&blobtype=pdf>.

¹⁵ N.N. Taleb, *The black swan: The impact of the highly improbable*, Random House, New York 2007.

literature¹⁶. In line with this trend, which is still in the initial phase, we present good CSR practices in Poland in 2020, the year of the COVID-19 pandemic. Not all of them related directly to pandemic events, but even if they were a continuation of previously undertaken pro-environmental, pro-workforce or educational activities, the epidemic situation cast a shadow over them. Organizations had to define themselves in this situation, in a broader sense also take care of their reputation during the post-covid time, about which we do not know yet what it will look like¹⁷.

Our research was based on the interest in a statement that CSR in Poland already has its own local foundations and is no longer a copy of what happened a few years ago in global corporations¹⁸.

Six research questions were formulated:

1. What is the significance of the implementation of SDG Objective 3 in CSR practices in Poland?
2. Has it decreased or increased the frequency of CSR practices as a result of the COVID-19 pandemic?
3. Has the character of CSR activities changed as a result of the pandemic crisis?
4. How could we describe the most popular CSR activities among investors in Poland in general and during pandemics, aimed at achieving SDG Objective 3?
5. What role do companies with foreign capital play in helping during a pandemic?
6. Can we notice in the activities of foreign investors versus Polish investors CSR preparation for a post-pandemic situation?

2.1. Definitions

The term Sustainable Development (SD) was initiated in the 18th century and was particularly focused on forestry. During that time, only a specific number of trees were allowed to cut down to protect the trees population. This system guaranteed a persistent supply of wood without diminishing the resource for future generations.

¹⁶ H.P. Sudharto, M.I. Hairry, B. Prabawani, S. Sri, *Pandemic, SDGs, and CSR: Case Study of Indonesia*. E3S Web of Conferences, 2020. doi:10.1051/e3sconf/202020203007, available from: https://www.e3s-conferences.org/articles/e3sconf/pdf/2020/62/e3sconf_icensis2020_03007.pdf

I-M. García-Sánchez, A. García-Sánchez, *Corporate Social Responsibility during COVID-19 Pandemic*, op. cit. L.C. Harris, H. He, *The impact of COVID-19 pandemic on corporate social responsibility and marketing philosophy*, op. cit. S. Verma, A. Gustafsson, *Investigating the emerging COVID-19 research trends in the field of business and management: A bibliometric analysis approach*, „Journal of Business Research” 2020, no. 118, pp. 253–261, available online: https://www.researchgate.net/publication/342627221_Investigating_the_Emerging_COVID-19_Research_Trends_in_the_Field_of_Business_and_Management_A_Bibliometric_Analysis_Approach; K-H. Bae, S. El Ghoul, Z. Gong, O. Guedhami, *Does CSR matter in times of crisis? Evidence from the COVID-19 pandemic*, “Journal of Corporate Finance” 2021, doi:10.1016/j.jcorpfin.2020.101876.

¹⁷ Y.N. Harari, *The world after coronavirus*, „Financial Times” 2020, available from: <https://www.ft.com/content/19d90308-6858-11ea-a3c9-1fe6fedcca75>.

¹⁸ T. Joniewicz, *Notes of project manager at the non-governmental organization*, „Responsible Business Forum” 2021, available online: <https://odpowiedzialnybiznes.pl/artykuly/zrownowazony-rozwoj-trafia-do-szefow/>.

Elkington¹⁹ argued that corporations should not only focus on maximization of outcome to increase their value but also concentrate on social and environmental issues. Although the term SD was initiated in the 1980s, however, the formal structure of CSR was started in the 1950s and 1960s.

Corporate Social Responsibility is a significant idea in contemporary management. However, there is no one specific definition of CSR; rather it is defined based on the context in which the term is utilized. A wider definition of CSR depends on how the relationship between governments, corporations, and citizens is identified. CSR is a process through which business show their concern about the welfare of the environment and for the people. The concept differs between society and it is expected to keep changing with respect to the circumstances of each society²⁰.

Although the idea was first presented in Great Britain in the 19th century, but it experienced an increased significance in the USA in the 1960s and 1970s²¹. With time, it showed a wider scope in the 1980s when corporate objectives were linked with community liability because of which corporations are accountable for the environment, employees, people along with their profit maximization.

Peter Drucker and other authors in the 1990s have identified CSR as an organ of corporate strategy²². Gray et al.²³ defined CSR as the „process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within a society and society at large". Douglas et al.²⁴ defined it as, „an obligation to pursue policies to make decisions and to follow lines of action which are compatible with the objectives and values of society. Kotler & Lee²⁵ defines as „a commitment to improve community well-being

¹⁹ J. Elkington, *Partnerships from cannibals with forks: The triple bottom line of 21st century business*, „Environmental Quality Management" 1998, 8, no. 1, pp. 37–51, available online: <https://www.semanticscholar.org/paper/Partnerships-from-cannibals-with-forks%3A-The-triple-Elkington/9a-e6e83cfc77c660900aee8a2982e045700126e> DOI:10.1002/TQEM.3310080106.

²⁰ K. Davis, *The case for and against business assumption of social responsibilities*, „The Academy of Management Journal" 1973, vol. 16, no. 2, pp. 312–322, available online: <https://www.semanticscholar.org/paper/The-Case-for-and-Against-Business-Assumption-of-Davis/c7babb794c5e70d7db23c45a-679c09e349327ac1>.

²¹ D. Vogel, *The market for virtue: The potential and limits of corporate social responsibility*, Brookings Institution Press, Washington DC 2005.

²² M. Urmila, *Corporate Social Responsibility*, Maratha Mandir's Babasaheb Gawde Institute of Management Studies, Mumbai 2012, available online: https://www.mmbgims.com/docs/ful_paper/36_Urmila%20Moon_ab.pdf.

²³ R. Gray, M. Javad, D. M. Power, C. D. Sinclair, *Social and environmental disclosure and corporate characteristics: A research note and extension*, „Journal of Business Finance & Accounting" 2001, vol. 28, no. 3–4, pp. 327–356, available online: <https://discovery.dundee.ac.uk/en/publications/social-and-environmental-disclosure-and-corporate-characteristics>, DOI: 10.1111/1468-5957.00376.

²⁴ A. Douglas, J. Doris, B. Johnson, *Corporate social reporting in Irish financial institutions*, „The Total Quality Management Magazine" 2004, vol. 16, no. 6, pp. 387–395, available online: https://www.researchgate.net/publication/238327130_Corporate_social_reporting_in_Irish_financial_institutions DOI: 10.1108/09544780410563301.

²⁵ P. Kotler, N. Lee, *Corporate social responsibility. Doing the most good for your company and your cause*, Hoboken, John Wiley & Sons, New Jersey 2005.

through discretionary business practice and contribution of corporate resources". In Campa and Zijlmans opinion the CSR considers the voluntary use of the corporate resources to have an impact on society's welfare and bearing the responsibility of all stakeholders²⁶. This is implemented through the underlying foundations of accepting economic and legal responsibilities.

Another way CSR is defined by outstanding international organization like for eg. the International Organization for Standardization (ISO) – as the method through which companies can adapt and cope with economics, social and environmental issues for the benefit of communities, and actions linked with social inclusion and human rights²⁷. In a light of American Forum Empresa „CSR involves a new way of doing business whereby companies manage their operations in a sustainable manner economically, socially and environmentally while recognizing the interests of different public audiences they relate to (i.e., shareholders, employees, the community, suppliers, and customers) in consideration of the environment and sustainable development”²⁸. „CSR involves a company's voluntary integration of social and environmental concerns regarding its business operations and relationships with representatives”²⁹. It refers to the responsibility that companies have in structuring their impacts on society. According to United Nations Industrial Development Organization (UNIDO), Corporate Social Responsibility (CSR) is a management concept in which companies assimilate environmental and social issues in their business strategy and operations. Therefore, the concept is viewed as a strategic business management concept or philanthropy. CSR plans are normally carried out in the areas of responsible sourcing, environmental management, labor working conditions and standards, gender balance, good governance, human rights, and anti-corruption³⁰.

European Commission (EC) has a pioneering role in the development of government policies to encourage CSR since the establishment of the European Multistakeholder Forum on CSR. The EC has defined Corporate Social Responsibility as „a concept whereby companies integrate social and

²⁶ D. Campa, E. W. A. Zijlmans, *Corporate social responsibility recognition and support for the arts: Evidence from European financial institutions*, „European Management Journal” 2019, vol. 37, no. 6, pp. 818–827. DOI: <https://doi.org/10.1016/j.emj.2019.01.003>.

²⁷ D. Leonard, R. McAdam, *Corporate social responsibility*, „Quality Progress” 2003, vol. 36, no. 10, pp. 27–32, available online: https://www.researchgate.net/publication/273141980_Corporate_Social_Responsibility

²⁸ J.C. Sanclemente-Téllez, *Marketing and Corporate Social Responsibility (CSR). Moving between broadening the concept of marketing and social factors as a marketing strategy*, „Spanish Journal of Marketing – ESIC” 2017, no. 21, Supplement 1, pp. 4–25, available online: <https://www.sciencedirect.com/science/article/pii/S2444969517300483?via%3Dihub>.

²⁹ European Commission, *Green paper: promoting a European framework for corporate social responsibility*, Office for Official Publications of the European Communities, Brussel 2001, available online: <https://ec.europa.eu/transparency/regdoc/rep/1/2001/EN/1-2001-366-EN-1-0.Pdf>.

³⁰ United Nations Industrial Development Organization, *Annual Report 2020*, Vienna 2021, available online: https://www.unido.org/sites/default/files/files/2021-04/UNIDO_AR2020_EN.pdf.

environmental concerns in their business operations and their interaction with their stakeholders voluntarily”³¹.

A foreign direct investment (FDI) is an investment made by a firm or individual in one country into business interests located in another country. Generally, FDI takes place when an investor establishes foreign business operations or acquires foreign business assets in a foreign company. However, FDIs are distinguished from portfolio investments in which an investor merely purchases equities of foreign-based companies³².

2.2 Sustainable Development and CSR

Bhagwaat³³ emphasized that CSR is strongly linked with sustainable development. However, since sustainable development is a wide concept with many interpretations, therefore, it is strongly argued that where this concept should exactly fit in. The following figure describes some relationship between CSR and sustainable development.

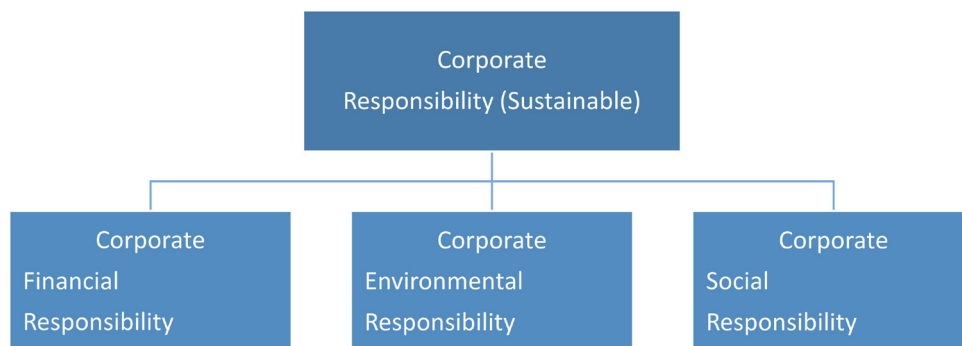


Figure: Relationship between SD and CSR (Bhagwaat P., 2011).

The idea of linking sustainable development in business is based on the moral or ethical belief of maintaining a give-and-take relationship for the company to have a long-run success. The complex system of interdependence is deeply rooted in corporate culture from within and outside it, however, sustainability should be strongly linked with the company’s commitment to reducing its environmental footprints so

³¹ COM, *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions*, 2001, available online: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52011DC0681>.

³² Chen J., *Foreign Direct Investment (FDI)*, Investopedia, 2021, available online: <https://www.investopedia.com/terms/f/fdi.asp>.

³³ Bhagwat P., *Corporate social responsibility and sustainable development*. In *Conference on Inclusive & Sustainable Growth*. Institute of Management Technology, Jabalpur 2011, available online: https://www.researchgate.net/profile/Anca-Turtureanu/publication/227409922_Corporate_Social_Responsibility_and_Sustainable_Development/links/555eeae08ae86c06b5f5868/Corporate-Social-Responsibility-and-Sustainable-Development.pdf.

that the corporation is generally accepted in society. It is proposed that CSR should be taken as a social element of SD where the focus is on corporate management in recognizing their role as a responsible member of society and fulfilling the stakeholders' expectations at the same time.

3. Materials and Methods

In this study, a qualitative descriptive analysis was used. The scope of research includes a textual reading was carried out as an instrument for collecting systematic, objective, and replicable information. This methodology allows the collection of data for research and combining with its interpretation.

Data on good CSR practices in 2020 were obtained from the database of the Responsible Business Forum (where the activities were divided into 7 areas, separated in the ISO 26000 standard)³⁴, the largest NGO in Poland addressing the concept of corporate social responsibility in a comprehensive manner³⁵, whose strategic partners are over 100 companies (mostly FDI origin)³⁶. Updating the database and publishing a more general report „Responsible business in Poland 2020. Good practices” (in Polish) took place on April 15, 2021 based on voluntary submissions of CSR good practices by organizations (one may submit up to 10 practices per year in the end of 2020)³⁷. The 2020 Report for the fifth time also contain information on what good practices are contributing to the achievement of which UN Sustainable Development Goal.

The database of good CSR practices, built since 2001, contains 6,108 examples of good practices implemented in Poland, including 700 companies from 27 industries involved in CSR³⁸. The edition 2020 contains 1,958 examples of good practices (1,696 in the previous edition), which were submitted by 225 companies (214 in the previous edition), mostly FDI companies, but also including 57 companies from the micro, small and medium sector (55 in the previous edition). The reported activities are divided into two groups: the first is new practices, reported for the first time to the report, and there were as many as 1013 of these in 2020 (712 in the previous edition). The second group consists of long-term practices, already published in previous editions of the report, but implemented recently. In 2020, there were 945 such initiatives (983 in the previous edition). Responsible Business Forum experts emphasize that the lower (about 4%) number of long-term practices shows that the pandemic led to

³⁴ 7 core subjects of ISO 26000: Organisational governance, Human rights, Labour practices, Environment, Fair operating practices, Consumer issues, Community involvement and development.

³⁵ The Forum is an expert organisation with the longest tradition in Poland, operating since 2000, that initiates and partners in key activities for the Polish CSR, available online: <https://odpowiedzialnybiznes.pl/english/>.

³⁶ Partners, “Responsible Business Forum” 2021, available online: <https://odpowiedzialnybiznes.pl/english/>.

³⁷ *So far, only the 2019 summary is available in English*, available online: <https://odpowiedzialnybiznes.pl/aktualno%C5%9Bci/responsible-business-in-poland-2019-english-summary/>

³⁸ *Znajdź dobre praktyki*, „Database of the Responsible Business Forum” 2020, available online: <https://odpowiedzialnybiznes.pl/dobre-praktyki/>.

the suspension or discontinuation of some CSR activities. Often they had to change the target. For example, if a company implemented a long-term grant project, then due to the pandemic it allocated these funds to initiatives supporting children, seniors or doctors during the lockdown.

In 2020, the most important was Goal SDG 3 - Good health and quality of and was ahead of Goal 4 – Good quality of education³⁹. Therefore in our analysis, we focused on those CSR practices that were related to health (not necessarily directly responding to a pandemic). We felt, however, that the choice of Goal 3 SDG would best suit pandemic responses. So, we searched the database for good practices in three steps⁴⁰:

- 1) That were assigned to SDG Goal 3 of good health and well-being, assuming that the other SDG goals that were less directly related to health in the pandemic era became less pressing;
- 2) We combined the search for good CSR practices, adopting a double criterion: Goal 3 and one of the 7 core subjects of ISO 26000;
- 3) We combined the search for good CSR practices, adopting a triple criterion: Goal 3 and one of the 7 core subjects of ISO 26000 and one of their sub-subjects (Table 1).

In the study, we analyzed data from 2016–2020, when the database of CSR practices according to the goals of sustainable development and core subjects of ISO 26000 has just been merged. The latest information for the pandemic year 2020 has been presented against the background of the situation before the pandemic (2016–2019).

Data on foreign investments in Poland in 2019 and partially 2020 (until September 18, 2020) were obtained from the report *Foreign Investments Direct in Poland* of the American Chamber of Commerce in Poland 2020, one of 16 such entities from 23 countries associated in the International Group of Chambers in Commerce in Poland (IGCC). Their assessment is based on the data of the National Bank of Poland, UNCTAD databases and microdata (from 2018) from the Orbis database (formerly Amadeus). According to the UNCTAD method, banks and insurance companies were not included in the FDI analysis.

4. Results

4.1 CSR best practices in SDG Goal 3

In 2016–2020, the best practices in the field of Goal 3 were consistently most often related to Labor practice (400) and Community involvement and development (381), where charity and philanthropic activities were strong (163). The situation was similar in the year of the pandemic, but then the dominance of the latter sector was clearly visible. Community support has become an undisputed priority in SCR practices in 2020. Among the activities in this group, it was charity and philanthropic

³⁹ *Report Responsible business in Poland 2020. Good practices (in Polish)*, available online: <https://odpowiedzialnybiznes.pl/publikacje/raport-2020/>.

⁴⁰ *Database of the Responsible Business Forum, 2020, Znajdź dobre praktyki*, available online: <https://odpowiedzialnybiznes.pl/dobre-praktyki/>.

activities (102) that was the main type of good practice. In previous years, the charitable activity was at the level of 10–20 practices, and in 2020 it reached over 100. Health prophylaxis came second (22), but here the difference compared to previous years is not so striking. A relatively frequent direction of good CSR practices was physical activity (41), but this has been marginalized in the era of a COVID-19 pandemic (8 practices in 2020).

Besides the charity a lot of the CSR actions were non-material and those related to employees or customers supported the company's operation and safeguarded its existence. Most popular activities in main core subjects are:

Involvement and development of the local community – in the practice of, among others health service support; assistance for teachers and students in the transition to distance learning; care of seniors.

Labour practices – companies have implemented solutions to support employees and protect them against coronavirus infection. Employers also paid attention to the mental health of their employees during the lockdown. They offered consultations with psychologists and training in coping with stress or supporting the work-life balance. The companies also made it possible for employees to engage in voluntary actions for local communities, groups at risk of exclusion and hospital staff.

Consumer issues – consumer health and safety, including new technologies such as facilitating online shopping.

Table 1. CSR good practices in Poland in a framework SGD Goal 3 by core subjects of ISO 26000 (in 2016–2020).

7 core subjects of ISO 26000	2020	2019	2016-2020	CSR activities by type 2016-2020
Organisational governance	2	0	4	Reporting (2) Management (2)
Human rights	0	0	1	Diversity (1)
Labour practices	132	67	400	Security in the workplace (75) Dialogue with the employee (3) Flexible forms of work (0) Family friendly company (8) Employee integration (25) Employee participation (4) Counteracting fraud (0) Training and development (12) Employee volunteering (46) Work-life balances (10) Employee support (wellbeing) (57) Employee health (160) Employee health

Environment	41	15	83	Biodiversity (1) Ecological education (28) Ekobiuro (2) Eco-construction (2) Eco-efficiency (3) Eco-products (6) Circular economy (2) Renewable energy sources (0) Pro-environmental programs (12) Recycling (2) Zero waste (6) Sustainable transport (19) Sustainable transpo
Fair operating practices	14	7	25	Market education (11) Relationships with suppliers (7) Relationships with stakeholders (7)
Consumer issues	24	9	54	Availability of products and services (16) Consumer education (10) Responsible consumption (8) Facilitation for customers (9) Consumer health and safety (11)
Community involvement and development	175	59	381	Physical activity (41) Security (13) Safety on the road (10) Good neighbor (12) Charity and philanthropic activities (163) Adult education (17) Education of children and youth (16) Social innovation (7) Culture and art (5) Socially engaged marketing (12) Health prophylaxis (56) Entrepreneurship development (2) Job creation and competence development (3) Support for NGOs (23) Cooperation with universities (1) Sustainable cities (0)

Source: Database of the Responsible Business Forum, 2020, *Znajdź dobre praktyki*, <https://odpowiedzialnybiznes.pl/dobre-praktyki/>.

Most frequently, in a year's 2016-2020 good CSR practices in the field of health and wellbeing (1017 in total) were reported by companies from the Finances (163) and Trade (115), than Power engineering (94), Pharmaceuticals (85) and companies related to Fast-moving consumer goods distribution (78), Construction and real estate (63), Services (62), Transport and logistics (52) and much less frequently Chemical industry (36), Media (32), IT (29) and others. At the same time, in 2020 there was

no change in activity visible in the structure of the industries involved. Still the most active sectors in the case of Goal 3 were also Finances (73), Trade (57), Power engineering (31), Fast-moving consumer goods distribution (29) and Pharmaceuticals (28). A similar situation also occurred in the case of less involved industries⁴¹.

4.2. Foreign investments in Poland and CSR in SDG Goal 3

At the end of 2018, there were 24,395 companies in Poland (mainly micro and small) with capital from 107 countries. Large companies accounted for 12% compared to the corresponding data for the structure of Polish enterprises – 0.17%. Foreign companies provide 1/3 of all investment outlays in Poland, and 1/4 of all investments directed to Central and Eastern Europe go to Poland and bring 40% of Polish GDP (companies generate nearly half a milliard of profit annually). In 2020, a slight decrease in the inflow of these investments was observed, but at the same time, the reinvestment pool has been growing steadily for several years, i.e. the income generated by companies remains in the country and serves the further development of the enterprise. Companies with foreign capital employ slightly more than 15% of all employees in Poland and the number of jobs in them increased by 150% in 2010–2018. However, UNCTAD estimates a 45% drop in the inflow of foreign investments in the world in 2020. In Poland, it is expected that such a large decline will not be marked. At the end of June 2020, there were fewer investments, but the declared value of investments increased. The most active countries during the pandemic are South Korea and China. German automotive companies and American capital are looked at with hope⁴².

The assets of companies with foreign capital in Poland increased by 70% in 2010–2018. Three countries: Germany, USA and France own 40% of assets (and achieve the highest profits per year). French Orange, Luxembourg-based ArcelorMittal Poland SA, followed by German Porsche-Plech, Portuguese Sociedade Francisco Manuel Dos Santos (including Biedronka and Hebe) have the largest share in the ranking of companies. and the American CVC Capitall Partners (with Zabka and PKP Energetyka) in 9th place, British Kingsfischer (Castorama Polska) in 13th place⁴³.

Among the initiatives aimed at limiting the current effects of the pandemic by companies (including numerous Polish offices of FDI companies), there are many very diverse practices (Appendix, tab. 2). Among the submitted companies were: clothing company LPP, Coca-Cola, Henkel, Tesco, IKEA, Leroy Merlin, Orange Polska, T-Mobile, Sanofi, ING Tech Poland, Nestlé Polska, Provident, L'Oréal, Foundation KPMG, Carrefour Polska, LOTOS Oil, Biedronka, Skanska, PGNiG, Brown-Forman Polska, Persil, CEMEX Polska, Chiesi Poland, Adamed, PKN Orlen, Grupa Amica, Polpharma. And also banks: Bank Citi Handlowy, BNP Paribas, Santander Bank

⁴¹ *Database of the Responsible Business Forum, 2020, Znajdź dobre praktyki*, available online: <https://odpowiedzialnybiznes.pl/dobre-praktyki/>.

⁴² *Foreign Investments Direct in Poland*, American Chamber of Commerce in Poland, IGCC, Warszawa 2020.

⁴³ *Ibid.*

Polska, ING Bank Śląski and the only one Polish bank – BGK (National Holding Bank). In the group of best practices relating directly to the pandemic, the most visible was the participation of companies with French capital, then American, and then equally with German, British, Swedish, Swiss and Italian.

Out of 32 individual initiatives, 9 were endorsed by Polish companies, but the majority by FDI companies and banks with foreign capital. Only two of them (Orange and Biedronka Foundation from Portuguese Sociedade Francisco Manuel Dos Santos) from the list of the most important / largest companies with foreign capital in Poland entered directly into the actions concerned on coronavirus pandemic. This does not exclude, of course, a greater share of firms with foreign capital in CSR activities in Poland in the year of the pandemic 2020, but not in the area of pandemic assistance.

Only in one special case of combined activities of Airbus BizLab (a French simplified joint stock company), BASF (Germany), Boston Consulting Group (USA), CEMEX (Mexican), Citi (USA), Endeavor (USA), IDB Lab (USA), IE, IESE Business School (Spanish), Microsoft for Startups (USA), South Summit (Spanish) and Telefonica (Spanish) the work related to the post-pandemic future; were more perspective (Appendix, tab. 2).

5. Discussion

In the studies of other researchers, we can find idealistic, pragmatic and analytical beliefs about the questions how businesses have embarked on an effort to support coping with the pandemic, as aligned with the concept of corporate social responsibility (CSR).

In an idealistic approach businesses must act to benefit society, adopt various mechanisms for protecting their employees, clients and maintain the trust of their stakeholders during the pandemic. Companies should look not only for financial performance but also for society's benefit and the welfare of their stakeholders, such as partners, families, employees, customers, and communities⁴⁴.

In the pragmatic approach businesses have engaged in a wide range of philanthropic CSR actions during the pandemic, likely motivated by both utilitarianism and deontological factors in response to the needs of internal and external stakeholders. More precisely indicate three clusters of responsibility: protecting only the interests of shareholders and investors; favoring the wellbeing of the society noticing vulnerable groups; and finally combining the altruistic actions with commercial interests⁴⁵.

⁴⁴ T., Manuel, T.L Herron., *An ethical perspective of business CSR and the COVID-19 pandemic*, „Society and Business Review” 2020, vol. 15 no. 3, pp. 235–253, available online: <https://doi.org/10.1108/SBR-06-2020-0086>; Mahmud A., Ding D., Hasan Md.M., 2021, *Corporate Social Responsibility: Business Responses to Coronavirus (COVID-19) Pandemic*, Sage Open. DOI: <https://doi.org/10.1177/2158244020988710>.

⁴⁵ I-M. García-Sánchez, A. García-Sánchez, *Corporate Social Responsibility during COVID-19 Pandemic*, op. cit.

In an analytical approach, it is necessary to gain an understanding of the best of the various current CSR practices in times of crisis in order to get to grips with the difficult situation now and prepare for the „new normality” to follow⁴⁶.

There are also pessimists who emphasize that according to their findings „we need to be cautious about drawing unambiguous or unconditional inferences about the value of CSR during a crisis. [...] the pre-crisis CSR is not effective at protecting shareholder wealth from the adverse effects of a crisis, suggesting a potential disconnect between firms’ CSR orientation (ratings) and actual actions”. Authors worked on a sample of 1750 U.S. firms using CSR data from two providers, MSCI ESG Stats and Refinitiv ESG. During the pandemic-induced stock market crash (February 18–March 20, 2020), their find no evidence that CSR affected positively stock return⁴⁷.

The presented our analysis follows a pragmatic approach. The example of good CSR practices in Poland shows a clear division of activities into necessary charity activities (forced by a difficult situation) and a multitude of intangible or low-budget activities supporting / conditioning the company’s business activities, even if they are directly aimed at protecting employees or customers. There are few activities to support human entrepreneurship, which could also be beneficial in the post-pandemic period. Basically, in the organizational behavior of companies, the postpandemic perspective is invisible, except when considering remote work.

6. Conclusions and recommendations

In order to answer the research questions, an analysis was made of good CSR practices submitted by large, small, medium and micro-enterprises (1 employee) voluntarily in the Responsible Business Forum, the largest public benefit organization dedicated to the issues of responsible business and sustainable development.

The year of the pandemic saw a large increase in CSR practices (by 40%), including the linking of the largest number to Goal 3 SDG, which has not happened in the past. However, no changed preferences towards linking CSR activities with the core sector of ISO 26000 were noticed. Labor practice (400) and Community involvement and development (381) are the most numerous before and during the pandemic. However, in the latter group, more than 60 percent increase in charity and philanthropy activities is noticeable. And in the Labor practice group, the vast majority of activities aimed at reducing epidemiological barriers in the work and psychological support of employees. Of course, each of the companies had to adapt all its activities to sanitary requirements and government recommendations, without reporting it as a CSR practice. The activities in the field of Labor practice were, in fact, indispensable, even if they were not indicated by the CSR recommendations. Reporting them to the database of good

⁴⁶ Marom M. Lussier R.N., *Corporate Social Responsibility during the Coronavirus Pandemic: An Interim Overview*, „Business and Economic Research” 2020, vol. 10, no. 2, pp. 250–269.

⁴⁷ K-H. Bae, S. El Ghouli, Z. Gong, O. Guedhami, *Does CSR matter in times of crisis? Evidence from the COVID-19 pandemic*, op. cit.

practices was probably dictated by the willingness (already obligatory) to report this type of activity (table 1).

However, one cannot ignore the completely spectacular actions of responsible business, such as support in accelerated research on tests and drugs saving life and health in the case of SARS-COV-2 virus infection by Polish companies and research institutions. But without many donations, the medical care system in Poland would probably collapse during the first wave of the epidemic (table 2).

Most of the aid (2/3) provided directly to prevent shortages of equipment and supplies for medical institutions, school students, the elderly or counteracting other effects of the epidemic was directed from companies with foreign capital, although not from those from the list of the richest 20. The activity of foreign banks was clearly visible, although the nature of this aid varied greatly, from facade to financial aid.

At the same time, there are no promising CSR projects that would provide for an improvement in the situation of society also in the post-pandemic period. These long-term activities that had started before the pandemic changed their character into less hit-and-miss, sometimes even dictated by administrative goals, i.e. by the need to perform them in some form and report. Some of the CSR practices were limited to facade activities only. Especially those related to the human environment, including environmental protection (eg. zero plastic), education, recruitment and good neighborhood. Employee volunteering became even more popular during the epidemic, but most often it was done remotely. Separate research should be devoted to the results achieved as a result of applying good practices in person and remotely.

Ultimately, we must say that we know little about the time after the pandemic, the more we are stuck in the middle of the third wave of COVID-19 cases, which is why the CSR activities of companies in Poland do not see any prospective projects. But maybe they are just us, we do not know yet that the adopted solutions in the field of work and cooperation with stake-holders will stay with us for longer and will bring us benefit and satisfaction. Nevertheless, we recommend considering also the post-pandemic time, which, as many point out, will be a completely new reality and not a return to the old one. And it seems that no one in Poland pays attention to this, neither Polish nor foreign companies (except for young startups).

Limitation

The statistics from the Responsible Business Forum Report appeared exactly in mid-April 2021 and are probably not fully ordered. However, they are certainly very recent.

Appendix

Table 2. In-Kind Contribution During the COVID-19 Pandemic Period

- 1) The first Polish COVID-19 differential test (PAN and Polpharma)
- 2) The Amica Group funded meals for the medical staff
- 3) Support for Polish local governments in a pandemic
- 4) The LPP clothing company is helping during the second wave of the pandemic
- 5) Online loan for companies from the SME sector at Santander Bank Poland
- 6) Santander Bank Poland plans to provide micro, small and medium-sized companies with applications for subsidies from the PFR 2.0 Financial Shield in online banking for companies.
- 7) ADAMED SmartUP recruitment game. As part of it, participants are faced with a set of scientific tasks and puzzles, the solution of which opens the door to this scholarship program.
- 8) The first Polish genetic test MediPAN-2G + FAST COVID (Polpharma)
- 9) PKN ORLEN has prepared nearly 200 beds for patients with SARS-CoV-2 in Płock and facilities necessary for the operation of a temporary hospital.
- 10) Additional Christmas award of PLN 500 for Tesco employees in connection with the pandemic
- 11) The Amica Group supports the hospital in Czarńków
- 12) Tesco Foundation support in the financing of wholesome meals for the charges of care and educational institutions
- 13) PKN Orlen takes part in the Solidarity Corps of Seniors Support - a new government program aimed at protecting the elderly.
- 14) Carrefour launches another pool of funds and supports 41 infectious diseases hospitals in the fight against the second wave of coronavirus
- 15) How to protect yourself from COVID-19? Educational campaign of the Adamed Foundation
- 16) PZU will provide another 200 so-called life bands to hospitals treating patients suffering from COVID-19.
- 17) Chiesi Poland actively supports the fight against the SARS-CoV-2 virus pandemic. The company donated funds and equipment worth over PLN 1 million to support the Polish health care system
- 18) CEMEX Poland donated over 10,000 surgical masks, over 13,000 gloves, 84 helmets and 300 gowns to nineteen non-governmental organizations, medical and school facilities in local communities with which CEMEX plants are adjacent.
- 19) Orange Poland study „How Poles help during a pandemic?”
- 20) Persil donated detergents to over 200 medical institutions
- 21) Brown-Forman Poland – a distributor of premium alcohols, in cooperation with the Warsaw-based restaurant Zakład Mięsny, engaged in the action of delivering hot meals to capital hospitals.

- 22) A care and treatment center, a hospital and two nursing homes receive money from a collection organized by the employees of PGNiG SA.
- 23) Skanska has developed new rules and adapted office space in the CEE region to support the tenants of its buildings in the process of returning to their offices.
- 24) Airbus BizLab, BASF, Boston Consulting Group, CEMEX, Citi, Endeavor, IDB Lab, IE, IESE Business School, Microsoft for Startups, South Summit and Telefonica launched the Restarting Together initiative. This is a global competition aimed at stimulating innovative projects after the COVID-19 pandemic.
- 25) BGK has sold another bonds (for a total of PLN 42.6 milliards) to the COVID-19 Countermeasure Fund.
- 26) During the coronavirus pandemic, the Biedronka Foundation equips social welfare homes, care and treatment facilities, hospices, shelters for the homeless and other care centers for the elderly with protective, disinfecting and hygienic products.
- 27) The company will transfer 10 thousand. liters of disinfecting fluid produced by LOTOS Oil.
- 28) New equipment worth over PLN 1.6 million from IKEA and Ingka Centers for hospital psychiatric wards for children and adolescents all over Poland
- 29) Carrefour Polska, taking care of the safety of seniors - customers of Carrefour hypermarkets in Warsaw, offers them free protective masks.
- 30) BNP Paribas will finance 500 SARS-CoV-2 tests for employees of diagnostic laboratories.
- 31) Henkel Polska joins forces with partners to help minimize the impact of the pandemic on the functioning of various professional groups. Cleaning and personal hygiene products will go to drivers and employees of hospital emergency departments.
- 32) Regular donation of food from stores and organization of food collections in stores – thanks to the joint effort of Tesco employees and charitable organizations, food products reach the most needy every day, of which there are now more and more.
- 33) Ceetrus Polska supports medical and care facilities as well as local initiatives throughout the country.
- 34) It will provide 150 bank computers by BNP Paribas to people struggling with digital exclusion. Wasko is the partner of the initiative.
- 35) The KPMG Foundation in Poland supports schools in this difficult period and provides computer equipment with Internet access for the most needy students. At the same time, the consulting company KPMG supports healthcare professionals. For this purpose, the KPMG Foundation purchased equipment for a laboratory dealing with diagnostics and research on coronavirus, as well as protective masks for medical personnel.
- 36) L'Oréal launches a package of activities to help hair salons reopen. In addition to providing protective materials, the company provides salons with solutions to support return to work.

- 37) L'Oréal in Poland provides hospitals, pharmacies and partner retail chains with over 700,000 products, including water-alcohol gels for hand sanitation, free of charge. The actions taken by the company in Poland are part of a wider solidarity program supporting the fight against coronavirus implemented by the L'Oréal Group across Europe. To this end, the L'Oréal Warsaw Plant reorganized its work to produce 1,400 tons of water-alcohol gel.
- 38) 500 thousand overalls, 300 thousand. helmets and 100 thousand. shoe covers - this is the total number of materials obtained by Grupa LOTOS to fight the pandemic.
- 39) Provident financially supports local hospitals
- 40) Nestlé Polska introduces a package of special benefits aimed at reducing the impact of the epidemic on professional and private life (payment of an additional diet to the monthly salary for employees).
- 41) ING Bank Śląski, ING Tech Poland and the ING Children Foundation will provide PLN 2 million of these funds to selected medical facilities.
- 42) Sanofi supports the Polish Red Cross by helping those most in need during the CO-VID-19 pandemic
- 43) Orange Polska will provide a thousand LTE modems for remote learning.
- 44) T-Mobile Polska, as part of the #GOTOWIDOPOMOCY Legia Foundation campaign, has provided and configured a special help phone, thanks to which seniors will be able to receive comprehensive assistance during the COVID-19 epidemic.
- 45) Employees of the Leroy Merlin stores in Białystok have actively joined the campaign from the beginning of the epidemic, supporting local medics and rescuers with materials and devices.
- 46) Leroy Merlin in Radom donated 120 polypropylene protective suits to the Radom Cancer Center.
- 47) „From April until further notice, we are suspending advertising activities for Coca-Cola and our other brands. During this time, we will focus on ensuring the safety of our employees and communities”.
- 48) Thanks to the cooperation of IKEA and partners, 35 municipalities in Poland received assistance in equipping local quarantine centers. Additional equipment has already been provided to shelters and help points, incl. in Gdańsk, Poznań, Kraków, Kielce, Pabianice and Warsaw.
- 49) The commercial network enables those who, as a result of the coronavirus epidemic, have been deprived of their income sources to work. So far, as many as 650 people have found a temporary job at Tesco.
- 50) Henkel will donate 2 million euros and 5 million cleaning and personal care products to fight the pandemic in the world.
- 51) Carrefour Foundation and Carrefour Polska donate PLN 2,000,000 to Polish hospitals to fight the coronavirus pandemic.
- 52) Santander Bank Polska, together with the Santander Foundation, donated PLN 2 million for medical equipment and launched a charity fundraiser to continue fighting the epidemic
- 53) Bank BNP Paribas, to support the Polish health service, donated funds to perform 1000 tests for the presence of SARS-CoV-2.

- 54) Bank Citi Handlowy has joined the action supporting ambulance workers. From 23.03 to several hundred of them will provide hot meals.
- 55) Coca-Cola announced on its Facebook page that it would donate water and other drinks to all 21 infectious diseases hospitals throughout Poland.
- 56) One million masks for China from LPP.

Source: News: Business in response to COVID-19, <https://odpowiedzialnybiznes.pl/aktualno%C5%9Bci/?src=3065&y=2020>

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CORPORATE SOCIAL RESPONSIBILITY IN PERIODS OF EMERGENCY. A NEED FOR STRONGER GUIDELINES AT THE INTERNATIONAL LEVEL

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Abstract

The engagement of the private sector in the system of emergency management has increased considerably in the last two decades, transforming companies into key actor when managing the consequences of catastrophes, natural disasters and the rebuilding process. However, the reality of such cases is unbalanced and lacking clear guidance about how, with what, and when the private sector contributes. Studies show that different companies take the lead in different disasters and in many different ways. This chapter explores real cases and the International framework in this regard, revealing that there is a need for clearer instructions for companies in periods of emergencies since there are no legally binding rules or any definite consensus on how the private sector should act when facing this type of responsibility.

Keywords: CSR, corporate social responsibility, disaster management, emergency management, private sector, international guidelines.

1. Introduction

In all societies, every citizen has rights and duties, and companies aren't excused from these. The concept of Corporate Social Responsibility has a long history, evolving through time, and acquiring a growing importance with the expansion of globalization. What was once considered philanthropy or goodwill, is today regarded as crucial in the strategy of companies that seek to make a sustainable development from their business. The value of a company is no longer only defined by its profitability or the profits generated for its shareholders, but rather by the responsible behaviour of that company with its various stakeholders. At present that's considered to be equally important. Thus, corporate reputation is based on the type of relationship that is cultivated with employees, providers, customers, shareholders, communities, unions, NGOs, governments, and society as a whole.

In periods of crisis, this citizenship role is even more necessary and relevant. The engagement of the private sector with the system of emergency management

has increased considerably in the last two decades, transforming companies into a key factor when handling catastrophes and rebuilding processes. There have been numerous cases of companies deploying support in affected areas even prior to the government, despite the fact that their operations have also been impacted and their need to ensure the continuity of their operations.

However, the participation of the private sector and the level of assistance provided is neither equal nor reciprocal. While some companies share their expertise, offering innovation, and plenty of money for communities in need, others take advantage of the situation, raising the prices of essential products, searching for profits in the short term, and barely compensating for the damage caused by their own operations. The fact that the decision to help is taken on a voluntary basis, and that at the international level there are no clear and definite guidelines for emergency response, could be one of the explanations for this lack of consistency.

2. CSR in an Emergency

The question of how companies should behave in periods of disaster or during emergencies has no common and clear answer. The literature shows that since the beginning of the 21st-century, the engagement of the private sector has increased progressively as an actor in the management of disasters, due to a parallel escalation in the number of large-scale natural catastrophes – such as earthquakes, tsunamis, wildfires, or floods and the rapid globalization process of the international economy. In this context, as multinational companies operate in a variety of world markets, they extended their traditional programmes of corporate social responsibility to embrace a larger role for business in the global society¹.

The concept of „Global Corporate Citizenship” was described in 2008 by the World Economic Forum’s founder and executive chairman, Klaus Schwab, who presented the Forum’s vision of this extended role of businesses in a Foreign Affairs article. In the text, Schwab explains how state power has been shrinking and, at the same time, the sphere of influence of business has widened and become essential to the survival of governments and for the political stability of nations and regions. Schwab also highlighted the importance of the private sector working with civil society and governments to address key global societal challenges.

A new imperative for business, which is best described as „global corporate citizenship”, must be recognized. It expresses the conviction that companies must not only be engaged with their stakeholders but are themselves stakeholders alongside governments and civil society².

¹ S. White, *Corporate Engagement in Natural Disaster Response: Piecing Together the Value Chain*, Center for Strategic and International Studies (CSIS), Washington D.C. 2012, p. 8.

² K. Schwab, *Global Corporate Citizenship: Working with Governments and Civil Society*, „Foreign Affairs” 2008, vol. 87, no. 1. January/February, p. 114.

In the same year, an official report from the World Economic Forum described the relationship between corporations and disaster response:

Such immediate activities undertaken by companies in response to disasters are not isolated philanthropic gestures. They are based on an understanding of their extended responsibility as a part of the global citizenry in an increasingly interconnected world...there is a desire by an increasing number of private sector firms to engage proactively in humanitarian responses as a part of a wider corporate global citizenship agenda which recognizes the role of business in society (locally and globally) and contributes to developing corporate culture, brand reputation and employee loyalty beyond the short-term financial bottom line”³.

3. International Frameworks

Although corporate activity during periods of emergency is generally on the rise, the level of giving and the „when, how and where” remains highly variable. Studies show that different types of companies take the lead in different disasters and in a variety of ways.

The reason for this confusing scenario may be the lack of specific guidance concerning what business can and should do in terms of addressing emergencies. At the international level, there is no binding legal framework with which to regulate private sector collaboration during periods of emergency, only voluntary agreements and initiatives mainly led by the UN to promote the establishment of public-private partnerships for disaster risk reduction activities. The most relevant framework on this matter is the *Sendai Framework for Disaster Risk Reduction 2015–2030*, adopted by the Third UN World Conference on Disaster Risk Reduction held in Japan, and the „*Guiding principles for public-private collaboration for humanitarian activity*”, developed in 2008 by the World Economic Forum and the UN Office for the Coordination of Humanitarian Affairs (OCHA). However, none of them offer a legal instrument to act as a guide to these relationships.

It is necessary to mention that the Sendai Framework is a relevant point of progress in engaging the private sector in this matter. In fact, the Office for Disaster Risk Reduction (UNDRR) led to the creation of ARISE, a network of private sector entities that voluntarily compromise to work for the creation of disaster resilient societies and committed to implementing the Sendai Framework Disaster Risk Reduction 2015–2030. The United Nations Office for Disaster Risk Reduction also provides tools such as the DRR Community site PreventionWeb and publications concerning good practices.

Another framework sponsored by the United Nations is the UN Global Compact, a voluntary policy initiative for businesses committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights,

³ World Economic Forum, Disaster Resource Partnership (DRP), available online: <https://www.weforum.org/projects/disaster-resource-partnership-drp> [access: 17.06.2020].

labour, the environment and anti-corruption, but it was not designed for corporate engagement in the area of emergency management.

A similar initiative was promoted recently for the 2019 G7 Biarritz Summit, where the „Business for Inclusive Growth” (B4IG) coalition was launched by a group of 34 leading international companies that committed to step up business activities to „advance human rights throughout their value chains, build inclusive workplaces and strengthen inclusion within their internal and external business ecosystems”⁴. The initiative – which is sponsored by French President Emmanuel Macron and coordinated by the OECD seeks to tackle inequality by building bridges between companies, governments and philanthropic organizations. They do not specify the specific steps to be taken in the area of emergency management, however, since the start of the coronavirus crisis, the B4IG companies „have dedicated over €38bn in relief plans or support for their employees, communities, clients and suppliers”⁵.

4. The Importance of Public-Private Collaboration

The analysis of corporate behaviour in periods of emergency is generally linked to public-private alliances made to face serious emergencies. This type of partnership in the sphere of international activity is not simple to set up, it involves a detailed amount of mutual understanding of both worlds and requires constant adjustment. The creation of such knowledge is still a work in progress, for the simple reason that with each international disaster, new information has been generated about how best to employ and coordinate resources and expertise⁶.

The role of companies has become vital in the tactical response to emergencies since the private sector has more flexibility to act swiftly in the deployment of assistance and timely funding. It has become easier for communities to access companies since they are free from many administrative transactions⁷. As stated by Busch and Givens in *Achieving Resilience in Disaster Management: The Role of Public-Private Partnerships*, „Public-private partnerships can reduce the burdens placed on governments to provide certain goods and services both immediately and over time, thereby permitting the public sector to focus on other important strategic priorities”.

⁴ OECD, Thirty-four leading global firms commit to tackling inequality by joining G7 Business for Inclusive Growth (B4IG) coalition powered by the OECD, press release, August 2019, available online: <https://www.oecd.org/inclusive-growth/businessforinclusivegrowth/thirty-four-leading-global-firms-commit-to-tackling-inequality-by-joining-g7-business-for-inclusive-growth-b4ig-coalition-powered-by-the-oecd.htm>.

⁵ OECD, *The B4IG international coalition unites against the inequalities deepened by the COVID*, May 2020, press release, available online: <https://www.oecd.org/inclusive-growth/businessforinclusive-growth/press-release-The-B4IG-international-coalition-unites-against-the-inequalities-deepened-by-the-COVID.pdf>.

⁶ S. White, *Corporate Engagement in Natural Disaster Response: Piecing Together the Value Chain*, op. cit. p. 9.

⁷ A. Chandra, S. Moen, C. Sellers, *What Role Does the Private Sector Have in Supporting Disaster Recovery, and What Challenges Does It Face in Doing So?*, RAND Corporation, Santa Monica 2016, p. 7, available online: <https://doi.org/10.7249/PE187>.

The private-public collaboration has also been highlighted as essential by the US Federal Emergency Management Agency (FEMA), in its report „Crisis Response and Disaster Resilience 2030, Forging Strategic Action in an Age of Uncertainty”, in which it recommends that government must proactively engage business in all emergency management phases. „This partnership will become increasingly important in the future. Working in concert with the private sector, rather than competing with it, the public sector has an opportunity to further enable private sector resources and capabilities to assist in recovery efforts and resilience building throughout communities. Engaging with the private sector in policy development is also important to ensure that the private sector has the appropriate framework in place to work effectively and cooperatively with the public sector to address issues of mutual concern”⁸.

At the international level, there are different platforms designed to enhance collaboration. In 2016 the UN office for the Coordination of Humanitarian Affairs (OCHA) launched the Connecting Business Initiative (CBI), a joint work with the Development Programme (UNDP), that aims to „transform the way in which the private sector engages before, during and after crises”. It is the only joint initiative between United Nations organizations at the intersection of the humanitarian, development and peace agendas that engages with the private sector⁹.

The World Economic Forum is also working to coordinate private sector partnerships in response to natural disasters, with the Engineering & Construction Disaster Resource Partnership (DRP). This model of collaboration aims to form an ongoing alliance between private industry and the public sector/humanitarian organizations in order to ensure a rapid and effective deployment of Engineering & Construction expertise when a natural disaster occurs. The level of engagement depends on each company’s proximity to the disaster area, its assets and skills, and the needs of the affected communities¹⁰.

However, according to the CSIS report „Corporate Engagement in Natural disaster Response”, there is still a tendency for many companies to say; „here is what we have to offer” instead of asking about what is actually needed. In this sense, the report states that it is fundamentally important to design a collaborative platform for all stakeholders when facing a disaster in order to connect demand and supply in an appropriate manner and allow for the exchange of the best ideas¹¹.

Several studies have also highlighted the relevance of the private sector in building resilience, describing it as a key player in preparedness and early response to emergencies. „Businesses play a key role in building resilient communities. As

⁸ FEMA report, US Department of Homeland Security, *Crisis Response and Disaster Resilience 2030, Forging Strategic Action in an Age of Uncertainty*, January 2012, p. 19, available at: https://www.fema.gov/media-library-data/20130726-1816-25045-5167/sfi_report_13.jan.2012_final.docx.pdf.

⁹ United Nations Office for the Coordination of Humanitarian Affairs (OCHA), *Connecting Business Initiative*, available online: <https://www.unocha.org/themes/engagement-private-sector/connecting-business-initiative>.

¹⁰ World Economic Forum, *Disaster Resource Partnership*, available online: <https://www.weforum.org/projects/disaster-resource-partnership-drp>.

¹¹ S. White, *Corporate Engagement in Natural Disaster Response: Piecing Together the Value Chain*, p. 21.

businesses consider what they need to do to survive a disaster or emergency, as outlined in their business continuity plans, it is equally important that they also consider what their customers will need to survive. The ongoing involvement of businesses in preparedness activities paves the way for economic and social resilience within their communities”¹² states the FEMA report.

5. Lessons Learned in Large-Scale Disasters

As described above, corporate engagement has become ever more important with each new emergency, especially with large-scale natural disasters that are occurring with increasing frequency worldwide, mainly due to the consequences of climate change.

With every catastrophe, the business sector has acquired new skills to contribute in all emergency phases and has internalized the lesson that in today's society, standing still is no longer an option if they intend to be perceived as a „responsible citizen” by consumers and other stakeholders. Big companies and multinational corporations in particular have taken the lead in this approach, although it has not been a process without mistakes, difficulties and challenges.

To this day, there is still much room for improvement, and one way to do so is by looking at examples of past events. For instance, one of the main challenges that remain is the uneven quality of the corporate response in periods of emergency. Business activity is highly variable and corporations are often reluctant to publish contribution figures because the monetary sums that are actually donated remain very arbitrary. „Actual contribution sums can fluctuate wildly, they are dependent on annual profit projections, on what other companies are doing, and on how many disasters have already occurred during the fiscal year”, states the report „Corporate Engagement in Natural Disasters”¹³.

However, what is certain is that businesses and non-profit organizations are increasingly central to the process of disaster management, offering critical support in terms of immediate relief and also contributing to the funding of community recovery. The expectations for the private sector are high for each new disaster, however, the reality is that there are no completely clear guiding principles or metrics for how and when companies should participate in disaster recovery and financing.

Despite this scenario, companies are extending the reach of their emergency preparedness, response, and recovery activities to include employees, family members, the wider community and other stakeholders. For example, Office Depot educates small businesses about emergency preparedness through its foundation and Wal-Mart uses its website to promote preparedness among employees and to share tips concerning disaster information¹⁴.

¹² FEMA report, *Crisis Response and Disaster Resilience 2030, Forging Strategic Action in an Age of Uncertainty*, US Department of Homeland Security, Washington 2012, p. 12.

¹³ S. White, *Corporate Engagement in Natural Disaster Response: Piecing Together the Value Chain*, op. cit., p. 3.

¹⁴ A.Chandra, S. Moen, C. Sellers, *What Role Does the Private Sector Have in Supporting Disaster Recovery, and What Challenges Does It Face in Doing So?*, op. cit., p. 5.

The rise of business engagement in disasters and the reinforcement of corporate social responsibility has also been tested by the current coronavirus pandemic. To date, within the first three months of the crisis, we witnessed the swift action of the private sector: fashion companies transformed their factory lines to produce face masks, various companies have donated ventilators, hotels offered free accommodation to doctors and nurses, Beer companies started to produce hand sanitizer and Uber offered free rides and food deliveries for health workers and senior citizens, among other examples.

One way to reflect this increasing engagement of the private sector in the current COVID-19 crisis is by comparing the number of corporate donors registered in the Corporate Aid Tracker of the US Chamber of Commerce Foundation. With a daily update, the website displays more than 33 pages with the names of companies and their response towards the crisis, this compares to only 1 page for the 2016 Zika virus outbreak and the two-page list of business aid for the California Wildfires of 2018¹⁵.

Another source of information that shows a rise in the engagement of the private sector is the survey report „Giving in Numbers”, which was conducted by Chief Executives for Corporate Purpose (CECP), a CEO-led coalition of more than 200 large companies, that promotes corporate philanthropy and social investment. The survey states that the total given by these 250 companies increased by 11% between 2016 and 2018, reaching \$25.7 billion. The top areas to which companies allocate their resources are „Health and Social Services” and „Education”, a trend that established itself in the last annual report. Another point to highlight is that „Disaster Relief” was the programme area that experienced the largest median donation increases despite representing a smaller portion of the total donations in 2018¹⁶.

6. The need for more definite guidelines at the international level

The behaviour of companies in exceptional emergency periods has tested the actual implementation of their CSR policies and the level of integration of their civic responsibility. The present investigation could demonstrate that, despite the accelerating growth in the engagement of the private sector during periods of emergency, the reality is still unbalanced and lacking clear guidance with regard to how, with what, and when companies should contribute. There's a clear unevenness in the aid provided by each company and many factors influence this situation, such as the magnitude of the event, the interests of the company in the affected area, the impact of their operation, and the budget already destined for social help and previous disasters.

An analysis of case studies and the revision of lessons learned from other large-scale disasters, demonstrates a lack of accountability by the private sector in their response towards emergencies. Access and monitoring the financial resources deployed

¹⁵ *Disaster Corporate Aid Trackers*, U.S. Chamber of Commerce Foundation, available online: <https://www.uschamberfoundation.org/disaster-corporate-aid-trackers>.

¹⁶ Chief Executives for Corporate Purpose® (CECP), *Giving in Numbers Survey 2019 Edition*, available online: <https://cecp.co/home/resources/giving-in-numbers/>.

by companies are very difficult to analyse and compare since the information available is not always broken down and detailed. Corporations are often reluctant to publish contribution figures because the monetary sums that are actually donated remain very arbitrary. This scenario makes an in-depth analysis of business behaviour very difficult, although it also represents an opportunity for future studies. Another problem that's encountered when facing emergencies is that many corporations define the type of assistance they can offer individually, instead of asking about what is really required.

7. Conclusions

The study shows that the most effective and widely used model to face an emergency is through the use of public-private partnerships. In periods of emergency, international organizations such as the UN recognize that the State has a primary role in reducing disaster risk, but it also states that overall responsibility should be shared with other stakeholders including the local government, NGOs, and the private sector. The role of companies has become vital in the tactical response to emergencies since the private sector has more flexibility to act swiftly in the deployment of assistance and timely funding. Thus, it is clear that the challenge is to improve this type of alliance and to enhance cooperation models to achieve increasingly successful results.

The International framework in this regard is weak and unclear when facing emergencies. Although there are multiple guidelines of good practices for business, there is no definite or legally binding consensus on how private companies should act in periods of emergencies, it is always up to individual criteria or the degree of pressure exerted by the government. Certainly, when a company is directly responsible for a catastrophe, the law forces them to provide compensation, but when the responsibility is not direct, their collaboration remains at the discretion of each manager. Studies show that different companies take the lead in different disasters and in many different ways.

In this sense, the topic of this research still has a great deal of uncertainty and potential for future thinking and debate since there is a need for more clear instructions for companies during periods of emergency. It is not a straightforward matter, it is understood that individual firms need to be competitive and survive in the marketplace, therefore it is more feasible to apply more definite guidelines rather than compulsory measures. Policymakers, diplomats, and most particularly multilateral and international organizations, can further develop guidelines of good practice for business with a special focus on exceptional periods and crises. For instance, the last revision of the OECD Guidelines for Multinational Enterprises was made in 2011, thus there is an opportunity to make new recommendations for corporate behaviour in this regard, considering that emergencies and natural disasters are increasing worldwide and big corporations have a relevant role to play in the overall response system.

What is clear is that the engagement of the private sector has been increasing, although it still has to improve in many respects. In general, it is possible to affirm that at present companies understand that they are part of an interdependent ecosystem that they must take care of, and they are under pressure to be responsible in times of

emergencies, but there is still much to do with regard to the lack of consistency in the provision of emergency assistance.

A reflection of this reality has been provided by the behaviour of business in the face of the current coronavirus health crisis, while there are some who just wished to take advantage of this tragedy, the vast majority have reacted in an active and innovative fashion by providing assistance to those most in need. Judging by our present circumstances, it is highly likely that the coronavirus pandemic will represent a new turning point in the corporate engagement with emergency situations and that CSR will continue to evolve, therefore it should be subject to a proper evaluation in the near future.

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FOREIGN DIRECT INVESTMENT AND CSR: A SUMMARY

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The authors of *Theoretical and practical aspects of CSR implementation by foreign investors* were guided by a common idea, which may be treated as their main hypothesis. Namely, they assumed that the type of CSR organized by companies that are engaged in foreign investing depends not only on the economic advancement of the host country, but also on its institutional maturity. In this respect, the less developed the host country is, the more CSR depends on the vision of the company's boards and is treated by them instrumentally, which, moreover, harms both the implementation of FDI and CSR principles, as well. It is therefore logical that more developed countries, with a strong legal system, can oblige foreign investors to treat local communities better.

In his book *Institutional Determinants of Corporate Social Responsibility*¹ Robert Kudłak described that very problem in an interesting way. Using Frey's concept of personal motivation, he concluded that there is indeed an impact of institutional and legal conditions on decisions related to the introduction of CSR. Kudłak presented this using the example of highly developed economies, while the current monograph is an attempt to verify this phenomenon in relation to countries or regions that are economically less advanced. So, the question arises: is there also a correlation between institutional maturity and the implementation of CSR?

The starting point in solving this dilemma is the question of the location of FDI in different types of national economy. The creators of FDI theories, especially Dunning, Vernon and Mundell have commented on this point. Their approach, however, as shown in Chapters 1 and 2, does not correspond to today's realities. Nevertheless, the original theoretical currents of FDI are still in use, since the modern extension and substitutes did not update the former ones. As the authors of the chapter titled „FDI in a new theoretical approach” state:

“In recent decades, J. H. Dunning's eclectic theory of international production has been widely perceived to be the most general concept presenting the reasons for making foreign direct investments in the most comprehensive way. The OLI paradigm (ownership, location, internalization) has been both widely accepted and used in empirical research. This theory has also been used to study changes in international

¹ R. Kudłak, *Institutional determinants of corporate social responsibility*, Wydawnictwo Naukowe UAM, Poznań 2018.

flows such as, among others, the fragmentation of production, the delocalization of production, the growth of the trade in tasks that are elements of production processes. However, the updated OLI paradigm in the form of the DLE paradigm (disintegration, location advantages, externalization advantages) has proved to be more useful in conducting a usable analysis including the processes of outsourcing and offshoring. Fulfilling these three conditions may provide the basis for taking a rational decision with regard to the allotment and transfer of the realization of activities in a specific form beyond the borders of the country. Big companies, and most particularly transnational corporations, have been transferring, in accordance with the DLE paradigm, particular elements of production and service processes to offshore companies, most commonly to countries where labour costs are low.”

Even so, the authors of this book critically refer to the universality of existing theories dealing with foreign direct investment. The theory of FDI has not explained the motives for undertaking direct activity abroad especially in the case of investors coming from emerging markets, that are now more and more visible both on developed as well as on less developed markets. The missing theoretical element concerns the competitive advantage of enterprises from emerging markets that undertake direct investments in medium and underdeveloped economies. Until recently, these investments were the domain of the strongest companies in the world, which had technical and organizational advantages, facilitating investment in selected countries. This type of explanation is found in many comments concerning the essence of FDI. The issue of comparative advantage of enterprises from emerging markets remains, however, a kind of a mystery for economists dealing with this topic.

Nevertheless some early concepts of FDI theory have found their followers. This is the case of Vernon’s approach to product life cycle. Its follow up is called „the Uppsala model”, it was designed by Scandinavians Johanson and Wiedersheim-Paul (1975, later modified). This is an interdisciplinary approach that takes into account elements of management and organizational behaviour. According to Vernon’s cycle, the internationalization of production is implemented in stages, although critics indicate that, at present, some companies have just focused on foreign activities since their inception (like FDI in IT services implemented in African countries). It is interesting to interpret where the production of a given product will be transferred. In Vernon’s study, production was primarily transferred from US to European countries. The authors of the Uppsala model assumed that the choice of partner and product location depend on the „mental distance” between the investor’s country and the client country. They include linguistic, cultural, and legal barriers, which are smaller when the level of economic development between the home country and partner country is closer. This behavioural assumption implicitly repeats Vernon’s approach of cooperation between developed countries and also does not take into account the current trends in FDI around the world. But, even so, let us emphasize that the Uppsala model has been proven by Chinese efforts to implement small scale FDI by using Chinese diasporas in host countries.

China is the leading newcomer on the today's FDI markets, it has been that way for a couple of years now. Bearing in mind the scale of the Chinese economy and the centrally planned economic model that still exists there, it may seem strange that the small and medium enterprises sector dominates, both in terms of economic growth and in employment, as well. In 2018, this sector accounted for as much as 97% of the total number of enterprises in China, 80% of employment and 60% of GDP². The microeconomic dominant position of small enterprises is clearly visible, while the macroeconomic one is also very high. For more than 30 years, the Chinese economy has grown at an annual rate of more than 10%, with the small business sector playing a very important role. Moreover, small scale companies in China are not limited to providing a variety of services, as they file as many as 70% of all Chinese patents. However, it is quite possible that Chinese corporations set up small, independent enterprises, which are specialized in research and operate on an outsourced basis.

The scale of the Chinese economy dictates the size of the small and medium-sized enterprise sector. In total, there are 90 million small and medium-sized companies in China. Small companies are responsible for two thirds of exports. Here too, one suspects that we are dealing with a top-down, prescriptive division of tasks. Large companies are responsible for production, small companies are responsible for all further services.

Considering the scale of the small business sector, questions arise about their financial capacity. And here, the element of the prevailing welfare state strategy comes into play. The Chinese strategy for developing the small business sector is generous, various forms of support are offered. For example, in order to encourage banks to lend to these companies, the Chinese central bank has lowered its obligatory reserve ratio, which is, moreover, a painless policy in the short term, as central banks are able to print money in the case of emergency.

The growing range and scale of activity of Chinese investors is the result of a combination of various factors. The saturation of the internal market in China still seems to play a minor role there, which may suggest that the second phase of Vernon's product cycle has not appeared yet. However, it is true that the consumer market in China has changed significantly in recent years due to the increase in local salaries, this is particularly the case for those who are paid the lowest wages. The Atlantic Council's report mentions reducing the extent of poverty in China by nearly half of the currently impoverished population (700 million)³. In addition, there has been an increase in income for the better situated groups. It is interesting to note that Chinese households have savings in American dollars. This creates an additional impulse to support the devaluation of the yuan by the Chinese authorities. Therefore, it is unlikely that the Chinese market will be saturated with local products as a part of the product life cycle.

India is another outstanding newcomer on the FDI markets. One of the crucial reasons for the success of Indian FDI on less advanced markets was appropriate staff

² „Obserwator Finansowy”, www.obserwatorfinansowy.pl [dostęp: 20.03.2020].

³ R. Avendano et al., *Chinese FDI in Latin America. New trends with global implications*, Atlantic Council, Washington 2017.

selection to coordinate geographically dispersed resources. Indian corporations have demonstrated their ability to manage cultural, institutional, geographic and market diversity, thus supporting „the Uppsala model”. Those who introduced management change that was appropriate for foreign expansion achieved the best results. The most successful companies developed teams of talented managers with international experience and gave them decision-making autonomy. This approach is exemplified by the Dabur Company, for example, which operates through a Dubai-based subsidiary and controls all of the global operations and industrial subsidiaries in various countries in which the company operates⁴.

Poland is also representative of the currently numerous newcomers on FDI markets. It is one of the major hosts amongst FDI beneficiaries but it has also become an active capital exporter. This trend concerns not only a few large companies engaged in mining, energy production and metallurgy, but also small companies run by individuals. From a formal point of view it is difficult to classify some of them as „Polish FDI” since they were only established and registered outside Poland. Some of them were established just to cater for the Polish diaspora, while others offer Polish products to local communities, these include food products, or they offer different services, however, they are as yet internationally unknown. One example, are the IT service companies which offer small scale FDI originating from Poland. For the country of FDI origin this is a new phenomenon, it involves native potential being consumed abroad without any benefits to the country of origin.

How to solve this dilemma is another question. If FDI is located in a rich host country, it is virtually impossible for the home economy to benefit from it. An example of this is the German offer for foreign investors. The policy priority in Germany is aimed at small and medium-sized companies, which would necessarily have difficulties in running and maintaining their businesses due to their lower competitiveness level. The German government is aware of the need to encourage foreign entrepreneurs to set up businesses, especially small and medium-sized enterprises, which promote economic growth. For this reason, foreign businesses have a similar support structure in Germany as domestic ones and their relationship with their home country is negligible.

The main interest of this book deals with the application of CSR rules by investors investing in a less advanced beneficiary. In what social and institutional environment does this take place, what are the investor’s motives? It should be stressed that the institutional approach cannot ignore the knowledge concerning and image of a given phenomenon (CSR in this case) in the social perception. If society knows little about Corporate Social Responsibility, what should social institutions do to apply CSR rules? The need for knowledge concerning CSR also applies to local native companies. Paradoxically, those that are aware of the importance of CSR may become the leaders on the local market. The improvement of the company’s image turns out to be the main benefit of applying CSR principles, including: promotion, PR expansion, social

⁴ J. Gudowski, R. Piasecki, *Foreign Direct Investment from Emerging Markets. Theory and Practice*, „Comparative Economic Research. Central and Eastern Europe” 2020, vol. 23, no 2, pp. 7–19.

esteem, increasing the number of clients, increased customer loyalty and a greater degree of trust in the company, generally better relations with the local community. Corporate social responsibility, according to respondents (see chapters „Corporate social responsibility - fashion or necessity?“ and „Corporate Social Responsibility in Pakistan“), allows for improvements to be made in company competitiveness, which leads to a stronger position on the market.

However, at present, the social perception of CSR is low. This is illustrated by the results of the research outlined in the chapters mentioned above, this applies to micro- and small-sized companies based in south-eastern Poland and also in Pakistan. Surveys of corporate social responsibility awareness at the local level reveal that corporate social responsibility awareness at the local level is generally low. The final beneficiaries misunderstood the meaning of CSR. In the case of the Lublin district, only one in four respondents stated that they were aware of the idea of CSR. Some interpretations concerning the nature of CSR were quite peculiar. Most of the respondents understood the concept of corporate social responsibility to be the provision of assistance in crisis situations, which in their opinion should be implemented by the state and non-governmental organizations. Many understood CSR in terms of charity and emergency relief, and even as... the payment of taxes, honestly (sic!). It is interesting to note that some statements showed a high degree of social sensitivity, such as „running a nursery not for profit but because of the lack of a nursery in the area“. Similarly, as in the case of Pakistan, CSR is still in the infancy stage since the concept is for the most part confused with the philanthropic activities of corporations or with consumer welfare.

In order to influence the state of social awareness of CSR it is necessary to teach people about it. This apparent truism includes a number of issues that perhaps even require a reformulation of some views concerning CSR. Let us return to the above-mentioned issue of the higher level of competitiveness of companies which apply CSR principles. In discussions concerning CSR it is assumed that company activity devoted to CSR does not concern marketing-related or similar activities, which in fact support the investor, not society. However, as stated by the authors of the chapter „The impact of the ethical instruments on the company's social image. A case of British American Tobacco Polska“: „The starting point of a pro-social activity is the completion of the basic functions of the firm. On the other hand, the development of good relationships with the wider society and supporting various initiatives that are intended to improve it, are the preconditions for market success in the longer-term timeframe.“

This supports the argument that CSR, if it is to be fulfilled successfully, must serve both beneficiaries and donators.

What role in facilitating CSR implementation should state institutions play? Governance is a very important aspect to explore in any serious discussion about CSR. When state institutions perform their tasks appropriately then companies can be obligated to fulfil their social responsibilities. As shown by the study based on Pakistan, well-functioning institutions are imperative to streamline CSR in companies.

In many countries, however, the institutional system is ineffective (some Latin American countries, including Brazil and Chile, and Asian countries) or does not exist at all (Central and West African countries, including the Central African Republic, Niger, Mali, Chad). The general level of uncertainty and instability with regard to e.g. property rights, intellectual property, etc. discourage economic entities from engaging in long-term enterprises and thus the necessary investments in fixed capital are not made. The example of some countries shows that even positive economic indicators are not sufficient to prevent the outbreak of a financial crisis and the collapse of the state. The development of a political crisis is as dangerous as a macroeconomic imbalance. It leads to a loss of investor confidence in the actions of the authorities of a given country. The fragility of this trust is particularly evident in countries where corruption, nepotism etc. are rampant. The market is ineffective if the necessary financial, social, legal and political infrastructure is lacking.

In summary, it should also be pointed out that one of the essential CSR targets is to implement sustainable development principles. This is very clearly formalized in ISO 26000, which is strictly devoted to CSR. The question then arises as to what kind of investor can implement sustainable development in their host country? The answer is simple: above all, it is a large scale investor, especially one operating in areas closely related to the natural environment. This is shown by the chapter concerning the role of multinational companies in the sustainable exploitation of natural resources (“Corporate Social Responsibility of multinational mining enterprises and local communities: evidence from Chile”). Often, such companies are obliged to conduct themselves in a certain manner by local self-governments, as the case with KGHM investments in copper exploitation in Chile shows. This confirms the leading role of institutions in providing the benefits due to FDI.

Last but not least, the current pandemic situation should be mentioned. This book contains two chapters related to COVID-19 and the reaction of investors. The „CSR and SDG response of investors in Poland in the time of the COVID-19 pandemic” by Izabella Łęcka and „Corporate Social Responsibility during periods of Emergency. The need for more definite guidelines at the international level” by Noelle Beauchemin Bickell. The prevailing sense of shock due to COVID is still a very fresh phenomenon, however, it is worth adding that current events show that the responsibilities of science are more and more visible in the era of globalization and Covid-19. However, this involves the moral and ethical entanglement of science. The world would be helpless at present without the availability of Covid-19 vaccines, that is, without investing in biology. This is associated with awareness-raising measures and the development of conservation measures that may ensure the survival of humans as a species. How companies should operate in emergency situations is the most pressing challenge of CSR.