

SOCIAL RESPONSIBILITY ACTIVITY OF SMALL ENTERPRISE – SELECTED AREAS*

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Abstract

Rules of social responsibility concept apply more to large enterprises activity than small ones. That is why there exists the need for indication of specificity of social responsibility in this enterprise group. The aim of the paper is to present social responsibility activities in selected areas of social responsibility in a small enterprise. The discussion is of theoretical and empirical nature.

Key words: social responsibility, small enterprise, social responsibility activity

Paper type: Conceptual paper

1. Introduction

The concept behind business responsibility aimed at big enterprises (mostly national, international and global ones), operating within unpredictable market, and crisis of not only economy, but also of elementary ethical values, social consent to maximize the profits in running business, regardless of its negative effects for an individual, community or natural environment.

The last decades have developed literary and empirical achievements in the scope of social responsibility dedicated to this group of enterprises mainly. It turns out that the circumstances of conducting business activity refer to all business groups, small ones as well, operating mostly locally or regionally. Hence adapting social concept rules to a small enterprise activity seems to be sensible.

The article assumes that social responsibility means economic, legal, ethical or philanthropic commitment of an enterprise towards internal and external social groups, and can be an object of deliberate, efficient and institutionalized activity which may become the source of competitive advantage.

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The article aims at presenting social responsibility activities in selected areas of social responsibility small enterprises. The study presents fundamental models of social responsibility and shows social responsibility activities of a small enterprise in: economic, legal, ethical, and philanthropic areas. It also concerns internal and external stakeholders. The character of the discussion is theoretical and empirical*.

2. Models of social responsibility as the basis for interpretation of social responsibility activities

Theoretical achievements concerning social responsibility comprise a few basic models. The most commonly referred to is the model by A.B. Carroll, which applies the pyramid need pattern by Maslow and distinguishes four levels of social responsibility of enterprises: economic, legal, ethical and philanthropic.

According to A.B. Carroll economic responsibility underlies social responsibility. It means that an enterprise should generate profits or, at least, should not make losses. Otherwise, there exists no social responsibility at all. The author of the model gives priority to economic responsibility, as it is the basis for the remaining types of social responsibility. That is the reason why the model described is most often referred to in professional literature as *after profit obligation model*.

The economic foundation of social responsibility is the background of legal level, according to which an enterprise striving after profit must act in accordance with the law. An enterprise is obliged to obey 'the rules of the game' determining its activity in market economy**. Ethical (moral) area of social responsibility indicates the necessity to act decently, just, honest and proper in the area which lacks legal regulations. At the top of the pyramid there is social philanthropic responsibility which is linked with donating parts of its resources to the society by an enterprise, in order to give concrete aid, to improve living conditions or solve social problems (Rybak, 2004: 30–31).

In A.B. Carroll's model an enterprise's profitability is essential for social responsibility, and other areas of responsibility arise when economic efficiency

* The basis for discussing small enterprise responsibility is the research conducted in Polish small enterprises operating in various lines of business. The aim of the research is to assess the degree of consciousness among the owners – managers of small enterprises, concerning social responsibility and analyzing conditions, symptoms and ways of managing social responsibility in a small enterprise.

Empirical research is conducted by means of: questionnaire forms, interviews, observations, organizational documents' analyses, comparative analyses based on case studies. The multi-stage research process is in progress

** Yet, such point of view on responsibility is restricted, as it enables to enact rules which are too general, do not take into consideration all events and circumstances, or are too detailed, which makes them too meticulous and limits the freedom and flexibility of enterprises' activity (Rybak, 2004: 30)

is obtained.* Acknowledging the primacy of ethical values over others which should be submitted to them, is the basis for creating *before profit obligation model*, popularized by Y.Ch. Kang and K.J. Wood. The model reverses and partly modifies A.B. Carroll's pyramid. According to the authors each enterprise is obliged to follow moral bans and imperatives, at each stage and in each sphere of its activity, not only after reaching a required profit level. In other words, profit gained regardless of norms is not morally justified, that is why enterprises should be subject to external social control (Rybak, 2004: 32). Ethical area of social responsibility determines the consent to enterprises' activity. In the Kang and Wood's model an enterprise is obliged to take into account stakeholders' expectations and treat their aims equally with their own. Applying this assumption, an enterprise gains the freedom of generating profits. Only after meeting legal and ethical conditions, the enterprise can increase profits and conduct philanthropic activity. According to the authors philanthropic activities mean voluntary involvement into enterprises' stakeholders and, in wider sense, they concern social problems in macro scale (Rybak, 2004: 33; Adamczyk, 2009: 43). Through mentioning the essence and importance of stakeholders in obtaining satisfactory results in social responsibility by the enterprise, Kang and Wood's model corresponds with the assumptions of the stakeholders' theory, which claims that one of an enterprise's key targets is to balance contradictory aims connected with business activity aspired to by groups of stakeholders. Stakeholders form groups of interests which are assumed to be the subjects meeting a few requirements, acknowledged to be basic. They mostly comprise putting forward demands against enterprise (regardless of their nature). Interest groups aspiring to the title of stakeholders, have an actual or potential opportunity to enforce the fulfilment of requirements. They also wish to apply, conditionally or unconditionally, their impact on an enterprise decision process, in order to meet their demands (Mendel, 2002: 18). Stakeholders are most commonly categorized into primary and secondary, key and secondary, internal and external ones. The division of stakeholders into internal and external ones corresponds to the most common classification of social responsibility into internal^{**} and external^{***}.

* Controversies over the rightness of Carroll's statements are common and concern mainly view on accepting an enterprise's profitability, passing over legal and ethical rules

** Internal social responsibility is directed to internal interest groups in an enterprise. i.e. owners (shareholders), managerial staff (including senior staff – board of directors, supervisory board, middle management), the remaining staff members, trade unions.

*** External social responsibility is directed to stakeholders functioning in an enterprise's closer and more distant surrounding, i.e. clients, suppliers, competitors, financial institutions (including lenders), retailers, wholesalers, creditors, investors, representatives of state administration and local governments (regulatory agencies, so called administration police – work standards and safety inspectorate, health inspection, environmental protection, building inspection, etc. (Jagoda, 2003: 76),

3. Social responsibility areas vs. social responsibility activities of small enterprise

It seems that model view on social responsibility and the proposal of pyramid system of its areas, with economic area being its background – at least for surface, outside analysis of the problem – is compatible with a small enterprise as the enterprise type with specific features. On the other hand, a more thorough analysis and a wider context of examining the possibilities of intentional, rational influence on social area (including social responsibility) in small enterprises, makes us verify this, seemingly obvious system of social responsibility. It is hard to maintain the right, long-term legal and economic course of action without thorough, ethical qualities, influencing all decisions and processes connected with conducting business activity. Making responsibility for running a firm conditional only on economic factors may bring about serious dysfunctions and abuse.

The author's* findings show that small enterprises are usually focused on short-term profits in the form of efficiently gained profits and capital-intensive development, which is mostly present in advantage of operational over strategic activities. The tendency is demand-oriented, especially in price policy, and limits the efforts to obtain competitive edge, even in cost area. This impatience and desire to gain immediate, predominantly financial profits, typical of 'small entrepreneurs', is manifested in domination of economic aims over social aims. This trend does not seem to become common or long-term in each examined enterprise. The positive fact is the growing awareness of small enterprises' owners – which is, of course, dependant on their size, field, time of market presence, experience, etc. The awareness refers to importance and meaning of non-traditional sources of gaining competitive edge.

I mean here intellectual potential based on non-material resources and long-lasting values. Entrepreneurs under study declare the wish to develop this area and declare a wider, more expansive social activity, according to their possibilities and real external conditions. It appears the problems owner or manager has to cope with are admittedly similar, regardless of an enterprise's size. The specificity of a small enterprise is also reflected in realisation of certain areas of its social responsibility. And so:

Economic area

Practical realisation of social responsibility concept in a small enterprise can denote increasing its value and raising the level of its competitiveness and

economic organizations (trade associations, chambers of commerce), local communities, social organizations, media, international institutions, etc.

* Due to the limited character of the present study and the research process being in progress, the study does not contain the presentation of detailed empirical findings

innovation. It turns out that the specificity of a small enterprise's functioning brings economic social responsibility to its classic presentation, i.e. profitability, maximizing income, minimizing costs, etc. The author's findings prove that a small enterprise's owners most often treat it this way. Yet, after a more thorough analysis of an enterprise activity, economic area of small enterprise social responsibility does not denote only maximizing profits, but may also concerns widening an enterprise's activity effects, through maximizing value, rational resources allocation, an increase of internal and external enterprise, flow of investment and income, increasing volume and quality of employment, generating high quality goods and services, developing intellectual capital, creating infrastructure of social development, and implementing proven rules and practices, as well as absorbing and transferring technologies.

Forecasted effects in economic area of small enterprise social responsibility are mainly: improved image (good employer, solid and reliable enterprise, reliable business partner, generous donor), interest of potential investors, increasing competitiveness and innovation, shaping social culture organization culture, good relations with stakeholders, etc.

Legal area

Small enterprise social activity area relating to legal obligations means respecting law in: conducting business activity, tax obligations, environmental protection, consumer protection, labour law, business obligations. Consequently, the effects of respecting social legal responsibility are connected with: transparency and openness of activities, reliability and trust in an enterprise's initiatives, providing reliable accounting and financial reporting systems, reliable and prompt fulfilment of financial obligations, solid fulfilment and abiding by the terms of the contract, ensuring stable cooperation with stakeholders, increasing attractiveness and trust of potential investors and financial institutions, etc. (Sokołowska, 2010: 55).

Obligatory character and notable consequences of potential abuse and negligence give legal social responsibility, according to entrepreneurs, a high position. At least in declarative sense. The surveyed representatives of small enterprises acknowledged absolute necessity of abiding by the law. Abiding by the law refers to business activity mentioned above, tax obligations, financial area of activity, relations with stakeholders, human resources, customer protection. It is extremely difficult to assess realisation of social responsibility in legal terms, and mostly it is a declaration which is to be trusted.

Admittedly, recognizing the opinion of business partners: employees, clients, representatives of obligatory institutions (Tax Office, National Insurance Agency, National Labour Inspection, etc.) about its activity would be possible, yet the assessment of its global view of responsibility in the sense of abiding by the formal law, as well as the customary law, is seriously hindered by many factors.

According to entrepreneurs, conducting business activity in accordance with the law does not always guarantee creating positive image and its decoding as business environment would wish.

Stormy business reality and unstable, full of gaps, often incoherent law become grounds for illegal or half-legal business activity. Business contacts are not always based on transparent rules, and, despite business experience, there exists a serious risk of encountering dishonest contractors. The group of examined entrepreneurs is composed both of the ones who did assert their rights, are asserting their rights, or will assert their rights before court, and of the ones who were or are sued by their business partners.

The cases are complicated and multidimensional. The businessmen are quite reluctant to share this kind of knowledge with other people, and any assessment or comment on contentious issues cannot be base for this kind of study. According to many examined businessmen, abiding by the law is not a privilege, but a necessity, which is linked with numerous sanctions that even fundamentally hinder activity.

Ethical area

Accepting and respecting law has its grounds in ethics. In case of an enterprise, ethics is embodied by behaviour of subjects constituting it.

An enterprise operates within certain set of rules, whose source can be found both in individual cognitive codes, and level of ethical development of owners, senior managers, employees, commonly followed norms, values, rules embodied by behaviour, customs, habits, etc. of individuals, groups and all organization, as well as in legal or social rules established nationally or internationally. Ethical activities in business are based on an assumption that enterprises abide by the law, moral rules and norms as a consequence of voluntary commitment. The power and range of ethical activities are an outcome of many factors, where the owner's sensitivity to taking morally positive initiatives, in case of a small enterprise which is mostly dominated by the owner, is one of the main determinants.

Ethical activity of a small enterprise comes down to discerning the results of his/her own decisions by an entrepreneur, and taking responsibility for them (Sokołowska, 2010: 55–56). According to owners of small enterprises, ethical spectrum of small enterprise functioning is too important, not the most important, in day-to-day running of the business. Most businessmen under study acknowledge the legitimacy of possessing effective ethical programme for preventing and detecting legal irregularities, and promoting moral values. Unfortunately, this fact opposes institutionalization of ethics in enterprises. What is meant here, is ethical codes, standards and procedures (in case of a small enterprise it is more lawful to use procedures) concerning ethical procedures in enterprises (including the ones which reduce petty offence), towards various subjects, training employees and

promoting practical clues connected with standards and procedures (or instructions) of ethical activities, monitoring and controlling unethical activities of employees. The entrepreneurs stress that the results of applying ethical rules can be: earning external and internal stakeholders' trust, developing employees' commitment, widening employees' co-responsibility, creating community for solving problems, and easing conflicts, raising clients' loyalty, increasing credibility among clients and improving public image.

Philanthropic area

Philanthropic activity is an essential part of socially responsible activities, most often associated with the concept of social responsibility.

Philanthropic activity, out of all areas of social responsibility, is probably most exposed to improper perception of its nature, and, consequently, fulfilling its decisions. Entrepreneurs often present philanthropic activity as global socially responsible activity, boasting with big amounts of money donated to noble aims. But, unfortunately, they show substantial abuse of labour law, violation of the offered goods and services quality, lack of transparency in financial reporting and obligations towards representatives of so called administration police (Tax Office, National Labour Inspection, etc) (Sokołowska, 2010: 56–57). Philanthropic activity is often equated with marketing activity through advertising charity activities, including sponsoring or widely understood *public relations*.

An activity can be referred to as philanthropic when: most of its activities aim at supporting certain activities, majority of which are social, there is no mutual performance, support is silent and discreet, the enterprise's name is not exposed, and the activity itself comes from altruistic motives. (Adamczyk, 2009: 146). In the enterprise group under study philanthropic activity generally takes the form of donation or other aid, as an enterprise's response to requests from social organizations, various types of institutions or individuals in need. Hardly ever do enterprises search for people in need themselves.

Many enterprises decide to give financial support to various organizations, considering it a mutual advantage. It is a good form of promotion and a way to obtain tax relief for an enterprise. Owners of small enterprises most often mention the following donees: foundations, schools, sports organizations, churches, hospitals, social welfare homes, individuals with financial or health problems. Charitable activity of the examined small enterprise is predominantly of incidental nature.

4. Social responsibility activities for stakeholders

Social responsibility activities by an enterprise realized in the four areas mentioned above: economic, legal, ethical and philanthropic, are targeted to internal and external individuals and social groups which are directly or indirectly

interested in its activity. Dividing stakeholders into internal and external implies the division of social responsibility into internal and external one. Internal social responsibility of a small enterprise comprises employees and managerial staff.* The examined group of small enterprise owners claim that an enterprise can express its responsibility through: respecting employees' rights (labour code, civil code), avoiding discrimination, ensuring the employees decent payment in time, giving access to welfare benefits, assuring access to information, creating safe work conditions, developing friendly atmosphere and team spirit, etc. Social activities towards managerial staff can mainly refer to: decent remuneration, developing good owner-manager relationship, undisturbed flow of information, creating conditions for professional fulfilment, taking responsibility for decisions. The subjects of external social responsibility are: clients, suppliers, contractors, retailers, wholesalers, creditors, financial institutions, competitors, representatives of state and self-government administration, trade and business organizations, natural environment. A small enterprise is usually characterized by close contacts with its surrounding. The contacts are usually close, long-term, and get informal with time.

This situation facilitates developing social dialogue. In most cases regional range of a small enterprise activity influences its concern to develop positive image among its regular and prospective partners.

An enterprise activity for clients may consist in: treating clients with honesty and respect, abiding by consumer rights, prompt and reliable order processing, caring of clients' health and safety, respecting human dignity in marketing activities, producing high quality goods and services, etc. In case of suppliers and contractors, entrepreneurs perceive social responsibility activities as long-lasting cooperation with their enterprises, as well as reliable and prompt payment of dues. Social responsibility activities for retailers and wholesalers refers to supplying them with high quality products, promptly and at decent price, ensuring stable cooperation, and abiding by contracts. The entrepreneurs claim that in most cases their creditors expect reliable and prompt fulfilment of financial obligations, and abiding by contracts. Moreover, small enterprise's responsible activity in relation with financial institutions (which can also be creditors), that play key role in providing short-term and long-term financial support for enterprises, may can also rely on solid and prompt fulfilment of financial obligations, delivering full and clear information, professional finance management, ensuring reliable

* In case when owner and managerial function is held by an owner, internal stakeholder group is composed of employees only. When the two functions are separated, the group is joint by hired manager or managers. In case of micro-firms which do not hire employees, this kind of social responsibility will be analyzed only in relation to results of the owner's decisions and behaviour. Moreover, when the small firm's structure and legal form is based on conducting business activity as limited liability company, shareholders become an important subject

accounting systems and corporate financial reporting. In relation with competition, entrepreneurs view opportunities for social responsibility activities through: ethical rules of competition, respecting market rules, efficient cooperation, co-contribution to the trade development, creating the culture of ethical business activity.

An enterprise responsibility is also assessed through its fulfilment of obligations towards state administration institutions and self-government institutions. Entrepreneurs 'treasure' this kind of relationship the most and attach special attention to it. The relationship between a small enterprise and these institutions is fundamental, sometimes even for their existence. Each enterprise (including small ones) thus is forced to fulfil public and legal obligations towards self-governments and state, comply with norms and legal provisions, guarantee reliable financial accounting and reporting.

An enterprise can play active role in social life not only in the field of economy, but also as an object which takes part in various social initiatives. Local communities, as well as regional, national, international social organizations, and a so called 'silent' subject which takes the form of natural surroundings, compose a group of stakeholders who are involved in creating social capital by an enterprise. It is mainly the small enterprise, operating locally or regionally, which maintains friendly and close contacts with partners from the nearest surrounding, with local communities among them, playing the part of employers, donors, or simply producers or suppliers of particular and accepted goods. Social responsibility of a small enterprise towards these stakeholders may take the form of: conducting safe activity, supporting social activity (within the scope of philanthropic activity mentioned above), implementing environmentally friendly technologies and practices, or protecting social values.

Enterprise's social activities directed to all groups of stakeholders should be preceded by their proper analysis, recognition of their aims, expectations, and power of bargaining position. This forms legitimate grounds for verifying and dividing into key and secondary stakeholders, and next planning and organizing the activities which correspond with earlier analyses.

5. Conclusion

The realization of social responsibility in small enterprises seems to be spontaneous, chaotic and temporary. Its disorderly and incidental character presumably influences small enterprises, where it is less formal, more intuitive. Economic and legal social responsibility areas are of major importance for the examined enterprises, while ethical and philanthropic issues are of minor value. Most entrepreneurs, to a minor or major extent, accomplish certain elements/areas of social responsibility (economic, legal, ethical, philanthropic; they shape relationships with internal and external stakeholders), though awareness does

not always parallel actual realization and possibilities. This course of events may arise due to insufficient knowledge of entrepreneurs about the nature of social responsibility concept and its potential notable benefits for an enterprise. Indeed, measurable effects of social commitment should come with time, yet is a long-term investment. A small enterprise, on taking into consideration numerous economic, organizational, social, and psychological factors, may make good use of its potential in order to create social responsibility spectrum, within internal and external social responsibility (in relation with external partners).

It is emphasized by prescriptive (standard) trends that social responsibility must be practical and targeted at gaining measurable results. It should also offer solutions of real problems which enterprises and stakeholders contend with. Successful realization of social responsibility concept, and globally, managing social responsibility areas in a small enterprise, requires creating and implementing a complex and integrated model/set of recommendations, procedures which take into consideration specific internal and external factors. Social responsibility concept should be realized consciously and treated as an activity targeted at specific, easy to monitor and measure effects, which take the form of profits, and so become an element of an enterprise management system (Sokołowska, 2010: 59). The realization processes of social responsibility activities, within model areas of social responsibility presented in this paper, is a tiny section of the entire problem and does not exhaust the issue of realizing social responsibility concept in a small enterprise. The subsequent studies by the author will be developing the contents of the present article.

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