The Identification of Selected Dysfunctions and Paradoxes in Corporate Social Responsibility Management in Small Enterprise

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Abstract—The study presents a brief and synthetic discussion of selected conclusions resulting from multidimensional and in-depth empirical studies. Its theoretical part presents the assumptions referring to social responsibility management from the perspective of the specific nature of small enterprise functioning, while the empirical part presents the selected dysfunctions and paradoxes in social responsibility management referring to this group of enterprises. The paper is summarized by a short list of the resulting recommendations.

Keywords—Small enterprise, social responsibility management, social responsibility of small enterprise.

I. INTRODUCTION

Social responsibility management in a small enterprise, owing to the noticeable gap in research and studies, of both theoretical and practical nature, cannot be referred to as the phenomenon of well-recognized borders and clear connotations. Until the turn of 20th and 21st century social responsibility of small enterprises was not scientifically recognized at all [27]. It was not until 1980 when the Journal of Small Business Management published, in the group of a few pioneering research works, an article by E. Wilson entitled Social Responsibility of Business: What are the Small Business Perspectives? and initiated the debate whether it is justified to adapt social responsibility concept assumptions to the reality typical for a small business [33]. Currently its crucial foundations are still being clarified; a coherent theory has not yet been established [22], while the existing situation and research directions referring to a small enterprise social responsibility persist strongly diversified in their substance, methodology and space. Their vast majority refers to small and medium-sized enterprises jointly, without differentiating these extensively different groups by the specific nature of their management. The published studies pay little attention to problems of targeted and rational impact on this small enterprise activity dimension, as well as its role in influencing both innovation and entrepreneurship. The doctrinal trend keeps dominating and absorbs the discussion between supporters and opponents of this concept. Therefore an attempt has been undertaken to fill in, at least partly, both methodological and empirical deficiencies within the so-called instrumental trend related to actual processes and enterprise reaction to social problems.

The objective of the hereby paper is to present selected dysfunctions and paradoxes in social responsibility management of a small enterprise and therefore to clarify the instrumental dimension of social responsibility concept. Due to the limited scope of the paper only key assumptions and selected problems, related to the dysfunctions of social responsibility management, were presented in its content at the expense of an extensive research process description and the presentation of abundant, detailed empirical research results (quantitative – statistical and qualitative – preferences and behaviors description as well as case studies) which are offered in the cycle of publications (including a monograph) by the author [26] giving way to synthetic, not yet published in such form and perspective, conclusions referring to dysfunction problems.

II. RESEARCH METHODOLOGY

The conclusions presented in the paper, resulting from reference sources and empirical studies refer to the research process no. N N115 55 0138 entitled: Social responsibility management in a small enterprise. Identification – evaluation – improvement directions, financed by Polish Ministry of Science and Higher Education in the period of 2010-2012. The research process was divided into a few stages: initial research and three stages of targeted research (preceded by pilot studies in the period of 2008-2010) in the course of which small Polish, British, Irish, German, Czech, Norwegian, Italian and Spanish enterprises were analyzed. The total of 320 enterprises was surveyed. For this purpose diversified tools and research methods were used, e.g.: a survey, an interview questionnaire, observation, organization documentation analysis or comparative analysis based on case studies. In the theoretical part descriptive analysis method was applied based on extensive Polish and foreign reference sources revision. The selected research sample is characterized by a relatively large diversification. The studied companies were divided (according to the size criterion – number of employees) into: microenterprises employing from 1 to 10 workers and the remaining small enterprises employing from 11 to 50 workers (“larger” small enterprises). Additionally, the division was made (according to the criterion of primary operations) into: manufacturing, service, family and non-family companies.

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components: ideological dimension based on its constituting concept of social responsibility is comprised of the following referring to the described category it can be assumed that the advantage [26]. As the result of the presented interpretation operations which can become the source of competitive can also be the subject of purposeful, rational and institutional internal and external social groups (and units). Moreover, it identifies social responsibility as economic, legal, ethical and philanthropic commitment of an enterprise addressed to socially responsible activities [1], [3], [8], [14], [25], [29], [31], to extensive, complex, integrated approaches covering components characteristic for both traditional and modern approaches (especially the assumptions and elements of social responsibility models) with clear emphasis on normative recommendations [12].

Following the integrated approach stream the hereby study identifies social responsibility as economic, legal, ethical and philanthropic commitment of an enterprise addressed to internal and external social groups (and units). Moreover, it can also be the subject of purposeful, rational and institutional operations which can become the source of competitive advantage [26]. As the result of the presented interpretation referring to the described category it can be assumed that the concept of social responsibility is comprised of the following components: ideological dimension based on its constituting assumptions (frequently called social responsibility idea or doctrine) and instrumental dimension related to addressing actual social problems and manifested in the form of targeted and institutionalized activities. The latter dimension is understood as the concept of responsible community management. Among the proposals related to social responsibility management the dominating ones are multielement and process oriented suggestions [4], [13], [17], [19], [20], [23], [30], [32], [34]. Their analysis allows for accepting a model construction based on implementing such activities as: the identification of social responsibility areas and subjects, its planning, organizing, influencing and controlling.

Their systemic presentation also seems vital. In spite of numerous theoretical, methodological and application oriented controversies, an effective implementation of particular social responsibility management functions may result in many measurable advantages for an enterprise, e.g.: the establishment of a good producer, service provider, employer, citizen image; the construction of organizational culture based on dialogue and cooperation; creating friendly social infrastructure as well as intellectual and social capital; enhancing creativity and entrepreneurial activities; increased innovation level, especially in the area of social innovation.

The vision of social responsibility management in an enterprise depends on many aspects. One of them is an enterprise size and the resulting consequences in management. A different course of management functions and processes should be expected in a small, family-owned enterprise of local range, comparing to an international corporation. Therefore, bearing also in mind a significant literature and empirical gap in this respect, attention should be paid to relations between the characteristic qualities of a small enterprise and social responsibility management.

The specific nature of small enterprise functioning is associated with its quantitative properties resulting mainly from the obligatory characteristics: number of employees, turnover size and income value, but also qualitative qualifications. Small enterprises are characterized by flexibility, dynamism, openness, small range of operations, limited complexity of internal processes, individual nature of product range and also reduced diversification. In the context of social responsibility management the decisive role of an owner running a small business is of crucial importance (especially in case of microenterprises) since he/she is, at the same time, the company founder, its owner with due resources in his/her disposition, manager, entrepreneur and an innovator. Even in the situation of delegating powers and authority to a hired manager the decisive power is still that of an owner. It is him/her who decides whether his/her company is, or is not, socially responsible. The owner is also the carrier of particular emotional and cognitive competencies as the incentives for deliberate and effective activities which constitute the subject matter of particular social responsibility management functions. First of them focuses on the identification of social responsibility areas and subjects.

Following A. B. Carroll, the coexistence of interdependent and non-gradable areas of social responsibility, i.e. economic,
legal, ethical and philanthropic ones, may constitute the basis for the identification of both objectively functioning manifestations and formalized activities. The accomplishment of fair and legally correct economic and social objectives represents the required minimum for companies aspiring to be referred to as socially responsible businesses. In the situation of the need for “actions coming from the heart” (and not only within the framework of marketing activities) they can also share their goods with those in need and become philanthropists not seeking publicity. An organic openness of a small enterprise ensures and a limited range of activities, in a way, imposes correct dialogue with external stakeholders by means of clients, suppliers, regulators, local community. On the other hand, the particular type of organizational and social “agility” and the peculiar territorial and mental proximity also offer foundations for close cooperation with co-workers. It is important that a small company owner not only recognizes its responsibility potential (his/her and that of his/her employees), but is also capable of making responsible economic decisions and putting them into practice.

The first step is to plan social responsibility and along with it set goals in the form of a mission, vision, strategic objectives and strategic as well as operative plans and methods for their implementation defined in a strategy focused on social responsibility. One of a small enterprise qualitative attributes may also be vital in case of this component which results from the specific nature of its management. It usually refers to a rudimentary implementation of a strategic management process. The absence of formalization in this respect results in the situation in which a long-term business idea, including its detailed implementation plan, happens mainly to be in the mind of an entrepreneur and is rarely written down in a formal way. Nevertheless, the need for planning skills in business is also reflected in planning social responsibility, while the implementation and coordination of assumptions depends on efficient organization. The basic component or social responsibility organization is represented by an adequate organization structure system ensuring rational and fair work, power and responsibility division, as well as working conditions and organization. Social responsibility organization also requires a specialist position or, as the result of organizational development, an organization unit dedicated to this sphere of operations. Organizational structure in a small enterprise is usually of very limited complexity, which facilitates efficient communication and coordination of tasks. Its particular attribute is both centralized authority of owners and favorable conditions for team work. The participation of staff in management processes is usually small. It is only when a manager or managers are hired that some part of responsibilities for company activities are transferred to them. Within the framework of organizing processes it is vital to integrate activities in the framework of organic functions and their responsible implementation. Internal processes occurring in a small enterprise, i.e. production, rendering services, sales or supply are developed to a limited extent and feature small capacity in resources absorption comparing to similar processes in larger companies. Therefore, it seems that it is easier to implement economically rational, but also ethical and legal rules, which go along with organic functions fulfillment in this group of enterprises. The organization of social responsibility should also be associated with creating friendly working conditions resulting from the followed ethical and social values. The institutionalization of social responsibility principles takes place in organizational culture and ethical codes.

The establishment of organizational culture based on universal values such as honesty, sincerity, justice and responsibility does not, in any way, violate the rules of profit maximization, but supports its ethical realization. Entrepreneur’s inclination towards socially responsible behavior can be well identified in basic assumptions, standards and values, as well as visible artifacts which are related to social responsibility establishment. This represents another stage of social responsibility management, filled in with substantive activities within the framework of social responsibility areas addressed to subjects/stakeholders, this time specified in their goals, expectations and scope of authority. Social responsibility is also influenced by management concepts, methods and techniques supporting particular activities. For example, socially responsible projects addressed at employees strengthen management methods within the framework of personal function implementation, while in relation to clients this role is played by marketing solutions.

The level of these activities implementation and meeting stakeholders’ needs becomes the content of social responsibility controlling processes. Controlling also refers to the scope of plans realization and an ongoing, multidimensional measurement of social responsibility. Social responsibility management can be of formal character and result from social responsibility standards implementation (e.g. SA 8000, AA 1000, ISO 26000), or represent informal and incidental nature. Internal and external determinants are also significant, e.g.: an enterprise size calculated by the number of employees, the subject matter of activities, an enterprise age, family orientation, its legal and organizational form, awareness of an owner and staff, etc, but also the qualities of an immediate and more distant environment, including its economic, legal, political and cultural context.

IV. DYSFUNCTIONS AND PARADOXES IN PARTICULAR ELEMENTS OF SOCIAL RESPONSIBILITY MANAGEMENT – SELECTED CONCLUSIONS FOLLOWING EMPIRICAL STUDIES

The emerging, from empirical research results, image of a small enterprise social responsibility management refers, only to a small extent, to the presented above model assumptions resulting from the clash of social responsibility concept principles and the specific qualities ingrained in small businesses. The studied enterprises featured diversified level of preparation for functioning as a socially responsible company. The level of knowledge presented by their owners is quite satisfactory. It seems, however, that it is not sufficient enough to construct consciously, based on this competence, an enterprise competitive advantage. The owners do not list it
among factors responsible for their companies’ competitiveness. Entrepreneurs most often identify social awareness with economic and ethical awareness. It may sound surprising that only few of them associate social awareness with law and philanthropy. The majority of respondents perceive social responsibility in terms of a compulsory category rather than voluntary, being more concerned with problems and costs it entails rather than advantages. Financial means for social purposes are most frequently transferred to activities referring to economic area of social responsibility, the smallest portion of means is offered to charity. Entrepreneurs notice many asymmetries in the knowledge about social responsibility, especially with reference to possibilities of social responsibility management methods selection, and their knowledge about it as well as possibilities for meeting stakeholders’ expectations. The most popular source of knowledge about social responsibility is that provided by mass media. The majority of positive characteristics, in the area of owners’ knowledge about social responsibility and its management, among Polish small enterprises were presented by larger family-owned businesses functioning in the service sector, which have been present on the market for more than three years. European companies are dominated by family and older British service and trade companies, as well as manufacturing non-family Norwegian enterprises. The most of surveyed enterprises declare informal social responsibility management, even though there is a large group among them which does not notice any need for having any impact on this activity dimension, especially in relation to the underlying profits. In case of identifying areas and subjects of social responsibility, the majority of business owners recognize them in an informal way, without putting any particular emphasis on systematic analysis of goals, expectations and manifestations of power. In fact, none of enterprise groups was in any particular way distinctive within the framework of this management function. External stakeholders are most important for entrepreneurs as clients, financial institutions and regulating authorities, i.e. representative of State and local administration authorities. Employees are relatively highly ranked among the groups interested in the functioning of studied enterprises. Natural environment receives relatively little recognition.

Social responsibility planning is not a full process either, since only its individual elements were identified among the surveyed companies. The majority of studied businesses either do not or only residually implement the components of strategic management. Among the underlying objectives these of economic nature are the dominating ones and only less than a quarter of the analyzed sample defined its mission, vision and strategic objectives (frequently interchangeable ones) which cover hardly traceable relations with social responsibility problems. The knowledge about international social responsibility principles is also very poor, such as e.g.: Global Compact, Sullivan principles, or the Caux Round Table. Over half of entrepreneurs do not plan to undertake any activities related to social responsibility but, on the other hand, the absence of formal planning does not mean the absence of plans referring to particular social responsibility areas and subjects. The majority of owners are not in the possession of formalized general strategy, or functional strategy, or any module dedicated to social responsibility issues within the framework of personal or marketing oriented function implementation.

The organization of social responsibility is mainly related to organizational structure. All companies have a simple and uncomplicated structure. The dominating relations are formal and functional, and in few ordnance ones. A position or a unit responsible for social responsibility issues is quite uncommon. The most often observed phase of organizational maturity concept comes down to an initial phase, since social responsibility issues are dealt with “by the way” within the framework of additional activities performed by other departments (in “larger” small enterprises). The surveyed entrepreneurs declared manifestations of the so-called peaceful and creative types of organizational cultures which value cooperation, communication, ingenuity and innovation. On the other hand, however, the respondents did not declare any methods for organizational standards establishment and consolidation based on ethical values. The majority of entrepreneurs do not observe any need for social responsibility concept implementation and its integration with their management system.

Social responsibility establishment represents the most developed management function, although almost completely unconscious. Many activities, referring to employees (including managers), clients, suppliers, competitors, local community, financial and State institutions, etc., or even not sufficiently noticed, in the identification of both areas and subjects, natural environment, are very extensive in their dimension and scope. However, the crucial problem is the reciprocity rule which does not have the general character in cooperation with stakeholders who do not always follow economic rationality, ethics or legal regulations (not to mention any form of philanthropy).

The most dysfunctional component takes the form of social responsibility controlling, which practically does not exist in the studied enterprises. This dimension of functioning is not subject to the appropriate scope of monitoring and, based on that, adequate improvements. The vast majority of entrepreneurs have never heard of international standards underlying social responsibility normalization and reporting. None of the respondents measure social responsibility in their businesses.

It was interesting and also surprising to find out that planning, organizing, influencing and controlling, in case of dysfunctions, did not present any particular characteristics related to size, activity type, age, family or non-family, as well as the origin of enterprises. These determinants, however, referred to: knowledge and attitude of entrepreneurs, as well as the identification of social responsibility areas and subjects.

V. RECOMMENDATIONS

The identified, selected dysfunctions require improvements and therefore the need arises to identify directions for
adequate activities in this matter in the cross-section of particular management components. It seems founded to recommend as follows:

1. the knowledge and related attitude of entrepreneurs should be focused on social aspects of enterprise functioning with particular emphasis on social responsibility, therefore it is required to invest in owner’s individual intellectual capital and the establishment of human capital with reference to moral qualifications. Ethical trainings focused on case studies and also simulations of ethically questionable situations are highly recommended. Additionally, an entrepreneur has to be aware of his/her special role as the mentor defining directions for further business activities, not only for his/her staff, but also for stakeholders;

2. the identification of areas and subjects should take the form of more precise management referring to relations with stakeholders focused on the identified sustainable areas of economic, legal, ethical and philanthropic social responsibility. Their systematic analysis is required regarding expectations and their power of influence on company operations. Optimal choice and the hierarchy of stakeholders’ expectations ensure better balance between economic and social goals. On the basis of a well thought over cooperation with partners an entrepreneur is capable of constructing unique social competencies as the foundation for social capital establishment. Adequate implementation and development of social capital can enhance innovation and competitiveness processes;

3. accepting and defining value perception determinants is of crucial significance in the course of a planning process. The existing international principles of social responsibility can become helpful in applying ethical values within the cluster of goals pursued by an enterprise. Additionally, the general strategy should be prepared, covering the social responsibility module and ultimately, with gradual growth of company potential also the functional one, following flexibility qualities and reluctance for formalization in small enterprises;

4. in the course of organization activities it is crucial to implement both assumptions and principles underlying social responsibility concept, directly integrated with organic functions. Moreover, organizational values ingrained in organizational culture require strengthening and their conscious establishment;

5. social responsibility construction should be based on the implementation of a broad spectrum of management strategies specific for particular domains, so that particular areas are correlated with the expectations represented by the involved subjects;

6. social responsibility measurement involves controlling processes which are both difficult and complex. Therefore, it is required to adjust the available measures and normalization standards to the conditions of small enterprises functioning. Initially social responsibility can only be roughly estimated rather than precisely defined, however, later – in the course of available opportunities development and entrepreneurs becoming convinced of their correctness – systematic social involvement of an enterprise can be monitored. It is also important to undertake corrective measures if significant deviations are diagnosed.

The presented above short list of recommendations represents an incentive for identifying recommendations addressed to entrepreneurs, in most cases lacking information, as compared to those who manage large businesses. It should also be remembered that it is absolutely not allowed to replicate solutions applied in large companies in the reality of small businesses. The specific nature of small companies imposes precisely targeted solutions. Attention should also be paid to the fact that even after small enterprises reality modeling the situational context makes this group highly inhomogeneous and difficult for clear identification.

VI. CONCLUSIONS

The conducted research results have confirmed that social responsibility management in a small enterprise still remains an insufficiently recognized problem, not only in the aspect of limited literature reference sources especially in the assumptions dimension, but mainly in its real life practice context. The presentation of just the selected dysfunctions, related to social responsibility management in the studied enterprises, allowed for the presentation of quite a pessimistic vision of these entrepreneurs who did not take up the challenge resulting from social responsibility application. However, such unsatisfactory perspective changes its dimension when individual cases are analyzed referring to companies presenting strong and multidimensional involvement in socially responsible activities. As it turns out, indeed, in none of the analyzed companies any formal (methodologically arranged) management of this performance dimension was observed, but still practically each of them was characterized by some specific, worth paying attention to or at least registering and replication, component. Such a conclusion may offer to research workers an opportunity of approaching differently the informal, flexible and dynamic activities which are undertaken by small companies’ owners in the context of social responsibility who, on the one hand, are reluctant to accept stiff rules and standards and, on the other, expect support, especially on the part of institutional environment. An effective institutional mechanism can support the enormous potential of small enterprises to persist socially responsible which is ingrained in their entrepreneurship, as well as the need for ongoing creativity. It is also important to establish socially responsible attitudes in society, so that the rule of reciprocity is followed, i.e. a socially responsible enterprise can count on socially responsible society represented by stakeholders. Additionally, the specific attributes of social responsibility have to be investigated continuously, as well as its areas management, typical for small entrepreneurs only, which offer the potential of resulting in measurable advantages. Even more so, entrepreneurs are willing to accept simple and effective solutions which do not fit into an organically complex and multidimensional concept of social responsibility. It seems that especially in view of the multidimensional economic
crisis and its effects, the primary source of which is the erosion of ethical values, a particular infrastructure of social responsibility is worth establishing. Thus, the discussion initiated by this paper requires continuation and more extensive exploration, since it does not present all aspects of the issues raised.

REFERENCES


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