



ELEMENTS OF SOCIAL RESPONSIBILITY MANAGEMENT IN LOCAL GOVERNMENT UNITS

Krzysztof Marecki, Maciej Wieloch

SGH Warsaw School of Economics
Collegium of Management and Finance

Abstract: The aim of the considerations in the article (the authors intend to deepen the analysis in subsequent studies on the role of the social responsibility in the management processes of the local government unit and identify the most important international standards of social responsibility) is to present the phenomenon of social responsibility reporting of local government units and the conclusions resulting from the management of these units. The examined issues focus on determining whether it is possible to adapt the concept of the scope of corporate social responsibility (CSR) in local government units and the ways of including it in the management strategies of local government units.

Keywords: corporate social responsibility, social responsibility management, local government units

DOI: 10.17512/znpcz.2018.4.24

Introduction

The concept of corporate social responsibility (CSR) is one of the most widely discussed issues related to business in recent decades. However, rarely (or almost never) are these issues addressed in the analysis of the functioning of local government units (LGUs). It seems to the authors of the article that despite many voices of opposition, the concept of social responsibility in local government units should be broadly discussed by the managers of these units because it involves three strong processes:

- globalization,
- development of the information society - which is associated with an increase in the awareness of residents within the organizational self-government and administrative division,
- an increase in the importance of image and reputation - due to the limited resources and established strategic goals, non-financial factors are becoming increasingly important.

Genesis and development of the idea of social responsibility

The idea of corporate social responsibility developed along with the free market economy. As one of the first authors, the idea of corporate social responsibility was raised by A. Carnegie, an American magnate, engaged in charity, who wrote: "Yes, it is the duty of a wealthy man to live a modest and not ostentatious life", and only

after fulfilling these conditions should profits from its activities be allocated to activities that "will bring the greatest benefits to local communities". A. Carnegie's ideas focused on using the surplus wealth of private individuals to meet the needs of other individuals and groups of people. Thanks to this, it was possible to achieve additional benefits from the entrepreneur's activity for the entire focused community. This idea, despite the fact that it concerns business, though based mainly on private benefits, is in its nature close to the basis of the functioning of local government units - satisfying the needs of the community.

An important period in the development of the idea of corporate social responsibility was the time of the "Great Depression", which forced governments and private entrepreneurs to change attitudes towards employees, stakeholders and local communities. Further development of the concept of corporate social responsibility began after the end of World War II. In modern terms, the concept of social responsibility appeared in the United States in the 1960s. However, this appearance was accompanied by a trend of thinking that opposed the broad interpretation of corporate social responsibility. An example of a different approach is the thought of M. Friedman who he expressed the view that a corporation as a legal entity has no social liabilities other than profit and that the allocation of enterprise resources to socially useful purposes is a form of taxation and an attack on the independence of the enterprise in the area of deciding how to spend generated profits (Friedman 1970, p. 120). This view still has many supporters today, but other approaches are becoming increasingly more popular, in which reference is made to the thesis which was formulated in 1932 by E.M. Dodd, talking about the goals of modern business in the form of both bringing income to owners and acting in the public interest (Dodd 1932, p. 1145-1163).

An important stage related to the development of the concept of corporate social responsibility was the Caux Round Table in 1994. The document contains seven principles related to responsible business conduct corresponding to social responsibility¹:

- business responsibility: from responsibility to shareholders towards the concept of responsibility towards stakeholders - business should play a role in improving the living conditions of customers, employees and shareholders by sharing with them the goods created and in local self-government units of all the members of society, through activities in the adopted socio-economic plans,
- economic and social impact of business: towards innovation, justice and the global community - a business should contribute to economic and social development not only in the countries in which it operates, but also to the development of the entire global community, through the effective and prudent use of natural resources, and in local government entities all actions should aim at a systematic increase in the pace and effectiveness of socio-economic development,

¹ Business rules adopted during the Caux Round Table debates published in 1994 ([www.cauxroundtable.org/...](http://www.cauxroundtable.org/)).

- business behavior: going beyond the letter of law to a spirit of trust - a business should recognize that honesty, openness, truthfulness, keeping promises and transparency of its activities not only contribute to its credibility and stability, but also alleviate tensions between companies, and in the local government unit e.g. not only accountability to the councils at a given level, but also to local communities,
- respect for legal rules - in order to avoid tensions and to promote freedom of trade and production, equal conditions of competition as well as fair and impartial treatment of all the participants, a business should respect both international and local law, and in local government units, e.g. not only the rule of law connected with local government or accounting regulations, public financial law but also the norms and rules of conduct resulting from the local conditions and habits,
- support for multilateral trade and production - businesses should support multilateral trade agreements concluded by GATT / World Trade Organization and similar international agreements, and in self-government units, e.g. resulting from local or partner agreements,
- respect for the environment - businesses should protect and, wherever possible, contribute to improvement of the environment, promote sustainable development and prevent waste of natural resources, and in local government units, for example, support eco-development, avoid illegal activities - businesses should not allow bribery, money laundering or other corrupt practices, and in the local government, for example, the development of cooperation under (public-private partnership) PPP.

The main emphasis of the social responsibility of the local government unit seems to be focused on activities aimed at stimulating the professional activity of citizens - members of the broadly understood community.

Definition of corporate social responsibility and the possibility of its application in local government units

As indicated by numerous authors, there is currently lack of a single and coherent definition of corporate social responsibility in literature, especially one that could apply to the specifics of local government units. Let us assume that corporate social responsibility is considered to be "a business philosophy of taking into account and reconciling the interests of the owners of capital / community with a wide range of different stakeholders.

It is worth presenting here the concept of R.E. Freeman and S.R. Velamuri presented in the article: A New Approach to CSR: Company Stakeholder Responsibility, where it was suggested that the phrase "Corporate Social Responsibility" (CSR) should be replaced by the term "Company Stakeholder Responsibility" (CSR) (Freeman 2006). The concept is not only about a lexical change in the wording, but about a new approach to understanding responsibility and taking a broader view of the functioning of entities, taking into account the needs of other stakeholders. So is the concept of social responsibility to be only

"corporate", that is, for entities operating in business and profit-oriented? Of course not, and as this article tries to demonstrate, it is not "business" that is the primary source of the need for accountability, only entities appointed to meet the needs of stakeholders, that is, among others, local government units. Social responsibility can be regarded intuitively as an immemorial characteristic inscribed in the decision criteria of local government units. This does not mean, however, that this feature is implemented in a way natural and desirable from the point of view of accepted criteria. And here comes the concept, and one of the basic assumptions of these considerations, that the tools of implementing social responsibility developed within the framework of the recently developed CSR concept can be applied to the functioning of local government units.

The basic assumption of social responsibility is to base the success of the individual (but not only the formal strategic plan) on its long-term, sustainable development resulting from the inclusion of three dimensions in its activity: economic, ecological and social. In this definition, therefore, emphasis is placed on the "participatory" role of subjects and objects in the communities. In documents of the European Communities (EC): "Corporate social responsibility is a concept in which capital owners voluntarily decide to cooperate for the benefit of society and a cleaner environment". Paradoxically, therefore, with such an approach, the issue of social responsibility is by its nature much closer to self-governments than to traditional economic activity. Thus, it may seem that the methods of the corporate social responsibility system could be transferred and successfully used in local government units as their goals are very close to those stated for corporations. The level of advancement of management methods in corporations is by definition much higher than that in local government units. It results mainly from higher expenditures and larger control requirements in corporations. From here it can be assumed that the tools used in corporations in the area of social responsibility are more advanced. What is more, since the "business" and "self-government" approaches are convergent in this respect (in terms of taking into account the needs of the community), the question arises of the possibility of using these tools in local government units.

The approach of the authors of the article is close to the Anglo-Saxon concept of social responsibility of local government units, in which the definitions of social responsibility are built on the basis of aggregation of individual elements of the activities of members of the local government community. These approaches emphasize:

- acquiring and effective spending of (from the point of view of socio-economic goals), subsidies,
- compliance with applicable legal norms,
- implementation of ethical standards in its activities, determined by stakeholders,
- carrying out activities in accordance with the expectations of the society.

The approach to social responsibility can, therefore, be considered using shared values as an element of building an increase in efficiency, effectiveness and social satisfaction, through the separation of four levels of responsibility: economic, legal, ethical and ecological.

Social responsibility as an element of management strategy

Defining the genesis and the exact scope of the term "social responsibility of territorial self-government units" makes it possible to analyze the possibilities of integrating social responsibility into local government management strategies, i.e. through levels of responsibility, strategy creation principles, potential benefits, and socially responsible investment.

The social responsibility of territorial self-government units as a management strategy can be present in various spheres of their activity and at various levels. The principles of creating a strategy of social responsibility in the local government can be traced to three main stages traditionally used in the "business" approach (see: Porter, Kramer 2007):

Stage I - determining the key points of interaction between the local government and the community. This stage is based on searching for answers to the questions about how the local government unit influences the local community and how this community affects the self-government unit as an organization. As part of it, the objectives and expectations, the impact of activities on the environment are analyzed, but also norms and incentives that affect social activities and the possibility of supporting activities by local entities are analyzed.

Stage II - defining which social problems should be reacted to. It is very important when defining the problems to classify them because it allows the social and economic issues that have the greatest impact on assessment of the activities of the local government to be identified.

Stage III - creating a schedule of social activities. LGU should undertake a limited number of initiatives (the principle of rational management in two varieties), which will bring benefits to stakeholders. This will allow the best results to be achieved and will enable competitive advantages to be created over other local government units.

Therefore, creating a strategy of social responsibility for self-government is, to a large extent, related to analysis of the feedback impact within the self-government-society relationship. The strategic approach to CSR in territorial self-government units therefore takes into account the outside-in and inside-out impacts. The following benefits can be identified:

- improving the image and reputation,
- reducing the number of unforeseen events related to the impact on the environment,
- greater activity of the local community,
- reducing the costs of LGU functioning,
- attracting and keeping the best employees and actively functioning councilors, activists, volunteers, etc.,
- higher efficiency of the performed tasks,
- lower risk of unforeseen threats,
- stable increase of inflows,
- greater opportunities to attract capital, minimized investment risk.

Local government units applying the principles of social responsibility can therefore achieve a range of benefits in various aspects of their activities. These benefits may manifest themselves in the sphere of perception, attractiveness, operational expenses or greater local activity. At the same time, it should be remembered that the costs related to implementing the principles of social responsibility appear immediately, while the benefits may appear only after some time.

The integration of social responsibility into the strategies of local government units is also accompanied by a growing awareness of stakeholders in this area - this concept is known as socially responsible investing. When defining socially responsible investments, it should be noted that the term combines financial hopes (e.g. the expected, maximum rate of return in achieving socio-economic goals from the obtained sources of financing, with their social expectations and needs). This concept was widely disseminated in the 1980s in connection with political and social events and the necessity to adapt investment strategies to new realities.

The trend of socially responsible investment owes its development to the following factors:

- efficiency - stakeholder-investors realize that social responsibility creates synergies with their results in achieving their goals,
- the quality of available information - stakeholder-investors are able to easily verify which local government units operate socially responsibly and which do not,
- accessibility through globalization processes, including the speed of information flow,
- increasing the position of women in the local community,
- corruption scandals.

Therefore, it should be assumed that the local government unit invests socially responsible when:

- investments are screened (by examining policies and behaviors and their impact on the achieved qualitative and quantitative results - more extensive reporting),
- there is the influence of socially aware stakeholders on the LGU strategy (to examine whether an LGU directs its operations so as to improve the situation of all its stakeholders),
- invests in the local community (e.g. through financial support for local social services).

References

1. Asongu J.J. (2007), *The History of Corporate Social Responsibility*, "Journal of Business and Public Policy", Vol. 1, No. 2.
2. Bąk M., Bednarz P., Kulawczuk P., Rataj R., Szczeńsiak A., Zając P. (2007), *Analiza korzyści ekonomicznych ze stosowania zasad społecznej odpowiedzialności biznesu (CSR) w polskich przedsiębiorstwach*, Instytut Badań nad Demokracją i Przedsiębiorstwem Prywatnym, Warszawa.
3. Byłok F. (2016), *Economic Conditioning of Consumption In Poland and Hungary. A Comparative Analysis*, [in:] Nowicka-Skowron M., Illés C.B., Tözsér J. (eds.),

- Contemporary Issues of Enterprise Management in Poland and Hungary*, Szent Istvan University Publishing, Gödöllő.
4. Dodd E.M. (1932), *For Whom Are Corporate Managers Trustees?*, "Harvard Law Review", Vol. 45, No. 7 (May, 1932).
 5. Freeman R.E., Velamuri S.R. (2006), *A New Approach to CSR: Company Stakeholder Responsibility*, [in:] Kakabadse A., Morsing M. (eds.), *Corporate Social Responsibility, Reconciling Aspiration with Application*, Palgrave Macmillan, London.
 6. Friedman M. (1970), *The Social Responsibility of Business Is to Increase its Profits*, "The New York Times", 13.09.1970.
 7. Klimkiewicz K. (2008), *Global Reporting Initiative – czyli trochę o raportowaniu społecznym*, <http://www.fob.org.pl/strona.php?id=a-692&kat=> (accessed: 21.08.2018).
 8. Komunikat Komisji dla Parlamentu Europejskiego, Rady i Europejskiego Komitetu Ekonomiczno-Społecznego. Realizacja partnerstwa na rzecz wzrostu gospodarczego i zatrudnienia: uczynienie Europy liderem w zakresie odpowiedzialności społecznej przedsiębiorstw. (KOM 2006) 136, Bruksela, <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0136:FIN:PL:PDF> (accessed: 21.08.2018).
 9. KPMG – University of Amsterdam Reporting Survey 2005, KPMG survey: More Top U.S Companies Reporting on Corporate Responsibility, CSR Wire, June 10, 2002, <http://www.csrwire.com/article.cgi/153.htm> (accessed: 21.08.2018).
 10. Krawczyk-Sokołowska I., Łukomska-Szarek J. (2017), *Public and Private Financing of Innovative Activity of Enterprises in Poland*, "Zeszyty Naukowe Politechniki Częstochowskiej. Zarządzanie", nr 27, t. 2. DOI: 10.17512/znpcz.2017.3.2.05.
 11. Łudzińska K. (2008), *Społeczna odpowiedzialność przedsiębiorstw i jej wpływ na budowę wartości*, [in:] Szablewski A. (red.), *Migracja kapitału w globalnej gospodarce*, Difin, Warszawa.
 12. Nakonieczna J. (2004), *Społeczna odpowiedzialność – nowy akcent globalnej strategii przedsiębiorstw międzynarodowych*, [in:] Haliżak E., Kuźniar R., Symonides J. (red.), *Globalizacja a stosunki międzynarodowe*, Oficyna Wydawnicza Branta, Bydgoszcz-Warszawa.
 13. Porter M.E., Kramer M.R. (2007), *Strategia a społeczeństwo: społeczna odpowiedzialność biznesu – pożyteczna moda czy nowy element strategii konkurencyjnej?*, "Harvard Business Review. Polska", nr 5.
 14. Roszkowska P. (2008), *Raportowanie społecznej odpowiedzialności biznesu*, [in:] Szablewski A., Pniewski K., Bartoszewicz B. (red.), *Value Based Management – koncepcje narzędzia, przykłady*, Deloitte, Poltext, Warszawa.
 15. Skawińska K. (2009), *Raportowanie społeczne – dobrowolne czy obowiązkowe*, <http://www.fob.org.pl/raportowanie-spoeczne-dobrowolne-czy-2572819.htm> (accessed: 21.08.2018).
 16. Skowron-Grabowska B., Tözsér J. (2016), *The Problems of Corporate Social Responsibility. The Issues of the Economic Theory and Practice*, [in:] Nowicka-Skowron M., Illés C.B., Tözsér J. (eds.), *Contemporary Issues of Enterprise Management in Poland and Hungary*, Szent Istvan University Publishing, Gödöllő.
 17. Szymczak M. (2008), *Uwarunkowania rozwoju koncepcji społecznej odpowiedzialności przedsiębiorstwa w Unii Europejskiej*, "Biuletyn URE", nr 5.
 18. www.cauxroundtable.org/viewfile.cfm?fileid=7

ELEMENTY SPOŁECZNEJ ODPOWIEDZIALNOŚCI BIZNESU WYKORZYSTYWANE W JEDNOSTKACH SAMORZĄDU TERYTORIALNEGO

Streszczenie: Celem rozważań prowadzonych w artykule (autorzy zamierzają pogłębić analizę w kolejnych badaniach nad rolą społecznej odpowiedzialności w procesach zarządzania jednostką samorządu terytorialnego i identyfikacją najważniejszych międzynarodowych standardów społecznej odpowiedzialności) jest prezentacja zjawiska raportowania odpowiedzialności społecznej jednostek samorządu terytorialnego oraz wniosków wynikających z zarządzania tymi jednostkami. Analizowane kwestie koncentrują się na ustaleniu, czy w jednostkach samorządu terytorialnego możliwe jest dostosowanie koncepcji zakresu społecznej odpowiedzialności biznesu (CSR) i sposobów jej włączenia do strategii zarządzania jednostkami samorządu terytorialnego.

Słowa kluczowe: społeczna odpowiedzialność biznesu, zarządzanie odpowiedzialnością społeczną, jednostki samorządu terytorialnego