

## **CULTURAL DETERMINANTS OF CORPORATE RESPONSIBILITY - AS DETERMINED BY THE IMPLEMENTATION OF THE ORGANIZATIONAL CULTURE OF CSR**

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### **Abstract**

Corporate social responsibility is a multidimensional concept with a wide range of effects, and is identified with the responsibility of enterprises for their impacts on society. These actions in companies are manifested not only in the care about the environment, labor and working conditions, but above all, it is the kind of activity on the basis of similar values, perceiving the needs of people in production processes, distribution and consumption, as well as the implementation of the principles of corporate social responsibility in all areas of company. It may be understood as the trend of social inclusion within the scope of responsibility of daily business operations, and its effective compliance becomes an important criterion for assessing the credibility of the company by its suppliers, customers, or employees. More and more often it is perceived by managers as a factor of strategic nature, which defines the ability to achieve economic goals. The aim of this article is to present the cultural conditions of the implementation of the CSR concept in economic practice, to indicate the key role of organizational culture for the successful implementation of activities in the field of responsible business.

**Key words:** CSR, organizational culture, firm goal, corporate control

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### **Introduction**

Rapid development of Corporate Social Responsibility (CSR) was observed in the 80's. In the past, organizations were simple, and their activity was associated with purchasing raw materials from suppliers, changing them into products and selling to customers. This process was most often served by business owners or members of their families. Managers' concerns focused on meeting the expectations of these two groups of stakeholders and meeting business goals, most often expressed in the category of profit. Over time, organizations became bigger, processes more complex, the capital easily available. Legal,

social and demographic conditions made family strength no longer sufficient. Growing social self-awareness, more and more dispersed shareholding, strong environmental and labour movements resulted in organizations being at the centre of multidimensional and multidirectional relations. Boundaries between entities and their surroundings become smooth, blurred, fuzzy, and changes in technology and conditions of functioning gain unprecedented dynamics, losing their predictability as to the time, direction and scope. These changes, as well as large social pressure exerted on entities, especially transnational corporations, cause the need for more stringent requirements on all effects of their activities, especially those with a negative impact. The concept of Corporate Social Responsibility is an attempt to respond to these expectations. There is no single, universally accepted version of CSR, but most authors interested in this issue underline the need to focus on real, not declarative, organizational practices. The organizational culture, understood as a set of basic principles, values, standards, procedures that function within an organization, determines the practical and real possibility of implementing socially responsible business objectives.

The aim of this article is to identify the role the organizational culture plays in the implementation of the idea of corporate social responsibility. A thesis was formulated that without appropriate cultural patterns, activities within CSR will only have a declarative nature or will result from current calculations. If the culture is not changed, CSR cannot be given a strategic dimension. The predominant type of the organizational culture will determine the scope of activities undertaken in the field of Corporate Social Responsibility.

## **1. Corporate Social Responsibility**

In literature on the subject, there are many parallel definitions of CSR. Moreover, there is no agreement on what areas the concept of corporate social responsibility should include, and its scope is often matched to the needs of groups promoting it. Thirty years ago, D. Votaw (in: Garriga, Melé, 2004), argued that corporate social responsibility always means something, but not always the same for everyone. For some, it is the idea of liability, for others it is the socially responsible behaviour in an ethical sense, many equate it with charitable contribution, and others identify it with social awareness and sensitivity. The most frequently identified differences concern such areas as the scope and level of state intervention, public sector involvement in economic activities, sources of financing and organization of systems of education and the labour market, as well as legislation in the range of environmental protection (Ranägen, 2013).

M. Bernatt (Bernatt, 2009) finds sources of CSR in the philosophical idea of responsibility, which is a consequence of freedom. When moving this concept to the ground of economic relations, it is considered that an entrepreneur who enjoys economic freedom must also be responsible. As a base for CSR, the author indicates business ethics, and its origins have roots in *Rerum Novarum* by Leo XII of 1891, and the work by E. W. Lord called *The Fundamentals of Business Ethics of 1926*. The first voluntary code of good practices, related to functioning of entrepreneurs, is Sullivan's rules. The preamble to the rules says that "*The global purpose of Sullivan's rules is to promote economic, social and political justice in relation to companies that do business: to promote human rights and ensure equal chances at all levels of employment, including racial and gender diversity, ( ...) greater tolerance and understanding among nations; thereby helping to improve the quality of life of communities, workers and children*"<sup>1</sup>. The aforementioned principles were directed mainly to American entrepreneurs operating in South Africa during the apartheid period.

A. Dahlsrud (Dahlsrud, 2008) made a synthetic list of definitions of CSR. For this purpose, he applied the encoding technique, and then the grouping technique, and consequently distinguished five main definitional areas: environmental dimension; social dimension; economic dimension; shareholding dimension; voluntarist dimension. All five dimensions have been identified in 40% of the definitions, at least three of them appeared with a frequency equal to 97%. What is more, E. Garriga and D. Melé (Garriga, Melé, 2004), pay attention to the multiplicity of theories of CSR, while identifying four key groups:

1. instrumental theories - focused on economic factors, in which they understand organizations as tools to create wealth;
2. political theories - focused on the social power of corporations and co-related responsibilities. Corporations adopt certain social responsibilities and rights or interest in social cooperation;
3. integration theories - business should be socially integrated. Continuity, growth and even existence of entities is dependent on society, which is why its expectations must be included in strategies implemented by organizations;
4. ethical theories - relations between business and society are embedded in ethical values. This leads to understanding CSR from the perspective of ethics, and social responsibility is treated as an ethical obligation.

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<sup>1</sup> <http://www.thesullivanfoundation.org/The-Global-Sullivan-Principles.html> access on 11.03.2015

In economic reality, CSR must also draw on the achievements of each of the above theories. A.B. Carroll (Carroll, 1991), was the first person to make a synthesis of basic principles of CSR identified as a specific philosophy of activity. The author presented responsibilities of economic entities towards the environment in the form of a pyramid of corporate social responsibility: philanthropic, ethical, legal and economic.

The economic dimension refers to M. Friedman's statement (in: Bernat, 2009), that *"social responsibility rests solely with units, and responsibility of companies with the provision of profit to shareholders"*. He emphasized that the entrepreneur's sole objective is to maximize profit in the name of its obligations to shareholders. Legal responsibility is required by society. This includes respecting the regulations related to all aspects of a company's functioning, including environmental protection, labour law, consumer protection, anti-corruption laws or contractual obligations. The use of ethical standards in business is expected by society. It concerns avoidance of undesirable behaviours, acting with the spirit of the law. Compliance with the law is the minimum standard, while taking actions beyond this minimum is the expected value. Philanthropic activities, such as support programs for the development of society (e.g. education, health, etc.), involvement in the local community, etc., are desirable as well (Walkowiak, Oliński, 2009).

The most often distinguished areas of corporate social responsibility are as follows<sup>2</sup>:

1. Organizational order - shaping an ethical organizational culture, codes of ethical conduct, risk management, communication of CSR activities through disclosure of non-financial data, anti-corruption activities, etc.;
2. Staff - dialogue with members of the organization, taking care of safety in the workplace, respect for human rights, anti-discrimination activities, reconciling work and family life, etc.;
3. Environment - rational and efficient use of resources, particularly those of a non-renewable nature, reducing negative effects on the environment, for example, dust emissions, noise, waste production, etc.;
4. Product - responsible approach to the supply chain, including extraction and transportation of raw materials, creating products, their transport, responsible investing, etc.

Summing up the previous considerations and focusing on the discourse conducted, the definition contained in the European Commission's Green Paper of July 18, 2011 shall be considered prominent in this article. Within this definition, CSR is understood as a concept whereby companies voluntarily take into account social and environmental aspects of its

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<sup>2</sup> <http://www.mg.gov.pl/node/10892> access on 12.03.2015

business activities and relations with its stakeholders. Corporate social responsibility is a process through which companies manage relationships with various stakeholders who can have a real impact on the acceptance of their activities"<sup>3</sup>.

## 2. Organizational culture

Research in the field of organizational culture have always been marked by multidimensional, multi-facet and interdisciplinary natures of the conducted dispute. However, as a consequence, despite years of structured work on the role and importance of the systems of values and standards, and the influence on the functioning of the organization, one universally accepted concept has not been formed. The very notion of culture in management has been taken from the sociology of organizations, however, modern knowledge is a compilation of inquiries in psychology, sociology, anthropology, and management science (Siemiński, 2013). Using cultural concept in the studies on organizations has led to formation of three major approaches: anthropological (cultural), executive (management) and critical. From an anthropological perspective, the organization is identified with the culture and at the same time, it is treated as an isolated community that develops and nurtures patterns and definitions of situations that are characteristic for it. In the managerial approach, culture is considered a variable in the organization, which may have two natures: dependent or independent, and therefore may be shaped at the level of the organization or is introduced by its participants and determined by the national culture. The critical approach was aimed at identifying asymmetric relations in the organization, exposing rigid ideologies that inhibit its development, promoting communication and dialogue, and above all, creating critical knowledge, which is the driving force behind each change (Siemiński, Krukowski, Szamrowski, 2014).

Researchers agree that despite the unique character a number of common characteristics for each culture can be distinguished (Siemiński, 2008): it is comprehensive; it does not have a separate quasi-physical being, which could be directly observed; it exists and is unique and exceptional; it is historically conditioned; it is soft (mild); it is not taught consciously, but passed on in the social process; it is hidden in people's minds.

In this article, the organizational culture will be defined in accordance with E.H. Schien's concept (Schien, 2004), who understood it as a set of rules of conduct, values, norms that were found, established and developed by a group, aimed to deal with problems of

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<sup>3</sup> europa.eu/rapid/press-release\_DOC-01-9\_en.pdf access on 11.03.2015

internal integration and external adaptation, which, thanks to sufficiently good functioning, delimit its members ways of thinking, feeling and acting in the organization. This definition brings both the adaptive function (external) of the culture and the integration function (internal), and points to a possibility of its active shaping, although it does not define the extent of these changes.

Based on dominant characteristics or conditions, cultural types are distinguished, which can be grouped according to the number of differentiating dimensions by creating one-, two- and multi-dimensional typologies<sup>4</sup>. Among the most commonly cited and used models in practical studies is the model of competing values by K.S. Cameron and R. E. Quinn (Cameron, Quinn, 2011). In this concept, the authors proposed a two-dimensional distribution of organizational cultures based on separated main dimensions: flexibility - stability and orientation to external issues - orientation to position in the environment. On this basis, four patterns of organizational cultures have been distinguished: clan, adhocracy, hierarchy and market.

The clan culture concerns a family organization. It is dominated by a sense of community, unity of professed goals and values. Leaders often assume the role of mentors, promote rules of cooperation, reaching a compromise and teamwork. This way, they increase the level of commitment and enhance employees' loyalty to the organization. The pursuit of personal development and a sense of responsibility is more important than profit. The organization aims at creating a friendly working atmosphere. The adhocracy culture is characteristic of organizations focused on success and development, taking up new challenges and appreciating entrepreneurship and flexibility. Leaders are most often visionaries who are not afraid to take risks. Readiness for change, innovation and the need to experiment are to ensure the organization's internal coherence. The hierarchy culture is formalized and attached to the organization's structure and division of responsibilities. Work is done according to strictly defined rules. Leaders are good coordinators, striving for the greatest efficiency and effectiveness of operation and stability. Rules and regulations are a guarantee of consistency. In the market culture, results and performance of tasks are the most important factors. The measure of success is participation in the market, which is why this type of organizations pursue an aggressive strategy in order to strengthen their own competitive position. Leaders are supervisors, who strive for victory and expansion. Employees are characterized by

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<sup>4</sup> Por. Siemiński, 2014, pp. 64-83

ambition and an attitude to achieve the accepted assumptions. A guarantee of coherence of the organization is the desire to win (Cameron, Quinn, 2011).

These cultural types create conditions for actual implementation of the CSR philosophy in a variable degree. M. Rozkwitalska (Rozkwitalska, 2006) pointed out values that distinguish companies which are socially responsible, among other things: responsibility for consequences of their actions, reliable communication addressed both to the environment and internal clients, taking care of environmental protection, fulfilment of obligations, keeping agreements, promoting the everyday functioning of standards and ethical behaviours or transparency of undertaken actions. R. Walkowiak (Walkowiak, 2009) extended this list with staff's creative attitudes, desire to improve, develop and experiment.

### **3. Cultural conditions for the process of implementation of the corporate social responsibility concept**

The discussion on the concept of corporate social responsibility is characterized by an assessment of the nature and intent of undertaken actions. It shows the extent to which CSR activities result from the organization's internal needs and are based on the values and standards to be complied with, and the extent to which they are socially responsible only in situations of legal compulsion or calculation of costs and benefits.

The evolution of organizations' approaches to CSR follows a four-stage scheme: open hostility, social responsibility, social response and social contribution. M. Oliński and R. Walkowiak (Oliński, Walkowiak, 2009) suggest that the lowest level of social responsibility is characterized by a negative attitude towards the very concept of CSR and its implications. Organizations undertake CSR initiatives only if they have no other choice. In a situation when their actions lead to overstepping the ethically or legally acceptable boundaries and have been noticed, efforts are made to underway to deny them or cover them up. The second dimension is most commonly defined as an attitude, in which the organization does all within legal requirements, but nothing else. Therefore, it is a minimalist attitude. The next level is not characterized by a negative or neutral attitude towards the CSR. Social response describes a situation, in which organizations follow primary legal and ethical duties, and in some cases exceed them. M. Oliński and R. Walkowiak (Oliński, Walkowiak, 2009) pointed out that the organizations operating at the level of social reactions take active participation in social programs, if they are convinced to them. These actions can have both formal and informal natures, and when persuading owners of these organizations, the economic calculation of these projects must not be neglected. Organizations on this level are very sensitive to the

economic viability of operations. Social contribution, the highest level of social responsibility, is achieved by an organization when it sees itself as a citizen of society and actively looks for opportunities to contribute to social good.

Similarly, the relation between values rooted in the organizational culture and the way of implementing socially responsible activities is described by D. Wheeler, B. Colbert and R.E. Freeman (in: Klimkiewicz, 2011). They distinguish three levels of coherence of the organizational system of values and the practice of CSR activities:

Level 1 - Compliance culture, the organization does not attach much importance to relations with stakeholders. The culture is adapted to society's basic requirements, and the company is focused on avoiding actions leading to "destruction of value" (economic, social, and environmental).

Level 2 - Relationship management culture - the organization treats good relations with interest groups as key factors for its development. CSR initiatives are subjected to current needs and expectations of various interest groups, but are not a result of a long-term strategy.

Level 3 - Sustainable organizational culture - the organization is focused on building synergies between social, environmental and economic values.

Seeking a relation between the organizational culture and the CSR strategy, K. Basu and G. Palazzo identified four types of organizations (Basu, Palazzo, 2005, pp. 1-2 in: Klimkiewicz, 2011):

- Barons (Robber Barons) represent organizations acting in accordance with M. Friedman's vision, focusing on generating profits. In their opinion, corporate social responsibility is solely the responsibility of the state. CSR activities are not reflected in the implemented strategy, nor are rooted in the organization's cultural values.
- Benefactors (Robbin Hoods) - social responsibility is treated as a moral obligation and is recognized in the organization's values. Undertaken actions are often philanthropic and unconnected with the core business. These activities are not part of the organization's strategy.
- Book Keepers - CSR is part of the organization's strategy. Elements of social responsibility are included in the company's functioning practice. This is due to the fact that the influence of stakeholders on the possibility of the business conducted has been noticed. Undertaken actions are a response to the expectations and needs of pressure groups. Therefore, they are associated with the implemented strategy, however, they are not always a reflection of values professed in the organization.



- Statesmen - CSR is part of the strategy implemented in the organizations, and results from values there professed. Managers of these organizations recognize the close relation between economic and social aspects as well as their strategic role in management.

Only the coherence of the systems of values with the strategic dimension of the CSR concept gives it a real and consistent character, while associating it with the organization's business goals. Entering the next phases of social responsibility requires the organizations and managers that represent them to undertake actions in the range of changing the organizational culture. Without changes made to the systems of professed values and norms valid in the company, all changes will have a temporary or "fake" character. Consistency between values and norms declared in the organization and the CSR concept guarantees giving it a strategic dimension and including it in the daily practice of workers.

Elaboration of basic assumptions and formulation of basic propositions on which philosophy of CSR is based requires identification and in-depth analysis of contextual factors. This analysis is made on many levels, and it is aimed at integrating the micro and macro-social perspectives. It is often recommended to carry it in the form of a dialogue with stakeholders<sup>5</sup>.

Based on the identified factors, the organization creates its vision of socially responsible activities. By giving them a strategic dimension, it will be included in the everyday life of its operation. The whole implementation process is carried out in the cultural 'environment' of the organization. Consistency of implemented CSR values with the current culture ensures their durability and dominance of reinforcers. For this reason, implementation of changes in the organization's approach to the issue of social responsibility requires an anticipatory, or at least a simultaneous, beginning of the cultural course correction process. Only a change in the way of thinking will bring a real effect. R. Connors and T. Smith (Connors, Smith, 2011) point to a frequent lack of effectiveness of managers' actions in this regard, which is due to the strength and durability of culture. In their opinion, they mainly use standard methods, such as hiring new people, implementation of new strategies, structures, which if have any effect, it is seen at the operational level only. *"Leaders try to change the behaviour of employees without affecting their ways of thinking (belief) too often. The result is subordination, but not commitment, participation, but not investing, progress, but not a permanent increase in efficiency"* (Connors, Smith, 2011).

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<sup>5</sup> Por. <http://www.csr.szczecin.pl/baza-wiedzy/wdraanie-csr> access on 11.03.2015

## Conclusion

The observations made indicate that the corporate social responsibility has many meanings, and as many reasons for a practical implementation of its objectives. Sometimes it may be the result of compulsion, sometimes economic calculation, moral reasons, and sometimes for all of these reasons at the same time. The dynamic, chaotic and unpredictable nature of changes in the environment increases uncertainty of the functioning of many organizations. The growing self-awareness of stakeholders, the level of their organization, and the company's high vulnerability to the impact of new media, including the social media, results in the fact that at least the economic calculation requires them to be socially responsible. The costs of abandoning such actions may be quite severe as evidenced by numerous examples. Building the organizational culture based on the assumptions of the CSR makes actions in this area have a permanent and real nature, and not just a marketing one related to image building. Even in the economic downturn, strong cultural conditions allow making socially responsible decisions, which is confirmed, among other things, by research conducted in Estonia. Numerous studies and, above all, management practice, show that the cultural course correction process is complicated and time-consuming. Its effective implementation requires the involvement of the organization's full potential, and the undertaken measures must be internally consistent and targeted to achieve the set objective. Managers must show real commitment and daily confirmation of validity of undertaken actions in their practical application. To consolidate new cultural patterns, the entire range of available methods of course correction in all areas from the human resource process to organizational solutions and managerial forms of work must be used.

The analysis made shows that the dominant type of organizational culture determines the possibility of implementing the CSR assumptions and identifies the most common cause of actions undertaken in this regard. The dominant cultural model determines whether these actions are only a defensive reaction to minimize loss or a consequence of real faith in their validity and a multidimensional benefit.

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