

## SUSTAINABLE DEVELOPMENT AT ENTERPRISE LEVEL: CSR IN SPAIN AND POLAND

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**Abstract.** This paper is an attempt to review the European debate between proponents of the voluntary and the obligatory case for CSR in the middle of the economic crisis that we are living. Starting by the analysis of the current European government-led initiatives to foster CSR among companies we move to the analysis of two specific national government-led initiatives in the EU area, Spain and Poland. Finally, the paper focuses on the comparison of both cases, as an example of the disparities between national policies in Europe. The lack of a regulatory European framework for CSR could explain the misbalance between country initiatives.

**Keywords:** Corporate Social Responsibility, sustainable development, Spain, Poland, the EU.

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### 1. Introduction

Corporate social responsibility (CSR) can be defined as ethical, economical, social and environmental obligations, beyond legality, that an organization has with their stakeholders. CSR can be treated as sustainable development facets reflected at corporate level (Dudzevičiūtė 2012). These obligations derive from the impact of the organization's activity on society. The integration of CSR into an organization's management requires the organization to acknowledge the impact of its activities on the society and to react with some policies to address negative impacts. Mark-Herbert and von Schantz (2007:4) say that “companies are encouraged to actively work with CSR. But it is not only an opportunity given to the companies; it is also in many cases expectation by customers, employees, society and other stakeholders”.

CSR is an increasingly pervasive phenomenon on the European Union (EU) context and an umbrella term

overlapping with some, and being synonymous with other, conceptions of business-society relations (Matten and Crane 2005). The European debate between proponents of the voluntary and the obligatory case for CSR is not new. The voluntariness of CSR has been a topic of interest in Europe after the publication of the *Green Paper, Promoting a European framework for Corporate Social Responsibility* (European Commission 2001). Since this time, a majority of views consider the voluntary nature as essential to the success of CSR policies in the European context (Herrmann 2004).

What is new in the debate about CSR? Traditionally, CSR has been considered a mode of implementing human rights, labor, and environmental standards and it has long been discussed as a possible remedy to the inequalities created and exacerbated by globalization (Herrmann 2004). However, during the financial crisis, it is presumed that organizations act more conservatively and defensively and might choose not to engage in CSR projects as Karaibrahimglu (2010)

has recently demonstrated analyzing global operating companies listed in Fortune 500. In this context of crisis, the voluntary nature of the EU's CSR initiatives calls its efficacy into question.

This paper starts by the analysis of the current European government-led initiatives to foster CSR among companies. We move to the analysis of two specific national government-led initiatives in the EU area, Spain and Poland, confirming the patterns of differences in national emphasis amongst the practices of European nations. Finally, the paper focuses on the comparison of both cases, as an example of the disparities between national policies in Europe. We finish by highlighting the lack of a regulatory European framework for CSR and consequently, the misbalance between country initiatives.

## **2. CSR in the European Union**

The concept of CSR was introduced in the EU through the Green Paper which defined CSR as *“a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”* (European Commission (2001:6). This definition was reaffirmed by the final report of the Multi-Stakeholder Forum on CSR (2004). The EU's definition of CSR, clearly focus on its voluntary nature and its intrinsic links with stakeholders (Delbard 2008). In 2006 the European Commission published a policy whose essence was strong support for a business-lead initiative called the European Alliance for CSR (European Commission 2006).

In October 2011 the European Commission published a new policy on corporate social responsibility. The new policy puts forward an action agenda until 2014 covering eight areas of interest:

Enhancing the visibility of CSR and disseminating good practices.

Improving and tracking levels of trust in business.

Improving self-initiatives and co-regulation processes.

Enhancing EU policies in the fields of consumption, investment and public procurement in order to promote market reward for responsible business conduct.

Improving company disclosure of social and environmental information.

Further integrating CSR into education, training and research (European Commission 2011).

Remarking the importance of national and sub-national CSR policies: the Commission invites EU Member States to present or update their own plans for the promotion of CSR by mid 2012.

Better aligning European and global approaches to CSR (the OECD Guidelines for Multinational Enterprises; the 10 principles of the UN Global Compact; the UN Guiding Principles on Business and Human Rights; the ILO Tri-partite Declaration of Principles on Multinational Enterprises and Social Policy; the ISO 26000 Guidance Standard on Social Responsibility).

Related to the importance of national CSR policies, it is recognized that many public policy measures to support CSR are best carried out at national, regional and local level. Local and regional authorities are encouraged to make smart use of EU structural funds to support the development of CSR, especially amongst SMEs, and to partner with companies to better address problems such as poverty and social inclusion (European Commission 2010).

At this respect, The Commission intends to create with Member States in 2012 a peer review mechanism for national CSR policies and invites Member States to develop or update by mid 2012 their own plans or national lists of priority actions to promote CSR in support of the Europe 2020 strategy, with reference to internationally recognized CSR principles and guidelines and in cooperation with enterprises and other stakeholders, taking account of the issues raised in this communication.

## **3. CSR in Spain and Poland**

CSR patterns of differences in national emphasis amongst the practices of European nations have been documented (Adams *et al.* 1998). Cultural factors may help to explain differences in what CSR is understood as responsible behaviors and there are also considerable influences from the different economical and political structure of societies as well as from accidents of history. In 2011 the European Commission published a compendium of public CSR policies in the EU which gives an overview of public policies on CSR in the 27 EU Member States and the European Union. In this study we examine two European environments, Spain and Poland, taking into account the

lack of a regulatory European framework for CSR.

### **3.1. CSR developments in Spain**

In Spain there is a growing movement in favor of CSR. Associations, top managers of major corporations, academic institutions, NGOs and the media are promoting CSR. Although the degree of CSR implementation could be better, Spanish companies have learnt that CSR could be the way to gain more competitiveness. Well known Spanish multinational companies are in fact following the “journey to CSR” in areas such banking (Santander), telecommunications (Telefónica) or fashion (Inditex).

According to Melé (2004), there have been two “waves” of CSR in Spain. The first was in the 1970s and the second at the beginning of the 21<sup>st</sup> century. Spain is traditionally a catholic country where there is also a growing interest in the development of the civil society. However, the framework for CSR has been the law, with numerous regulations on ecology, labor and other issues.

Spain’s national government has been gaining prominence in CSR areas, especially during the last years. Spain has not only attached a ministerial responsibility to CSR but has introduced policies to encourage CSR, both domestically and within the global business of Spanish companies. Even regional governments have developed policies for CSR. Consequently, some important legislation has come into force showed below.

*LISMI 13/1982*: Law for the social integration of handicapped people, among other measures it establishes the obligation of hiring a minimum quota of 2% of handicapped people in companies with more than 50 workers. This law also establishes alternative measures.

Law 39/2006 of 14 December on the Promotion of Personal Autonomy and Care for dependent people. The Dependency Law is the result of the greatest effort of solidarity, humanity and social commitment by Spanish society in the last decade and a way of social innovation for companies. The law regulates home help services madding up of a set of initiatives that are carried out in the home of the dependent person in order to cater for his/her everyday needs, provided by entities or companies that have been accredited for this function.

*LO 3/2007*- Law for the effective equality between women and men: Especially within the labor market,

this Organic Law that pursues to guarantee the effective equality between women and men within all fields.

*Law 30/2007* on Public Procurement and *PRE/116/2008* the Green Public Bid Plan of the General Administration of the Government and its Public Bodies: Environmental and social criteria are included under certain requirements for the hiring of Civil Servants.

*Royal Decree 221/2008* by which the State Council of Social Responsibility of Companies was set up: It’s a multi-stakeholder advisory body for the State Government regarding CSR. It acts as a collegiate quadripartite advisory and consultancy body for government, with an equal number of representatives from business, the trade unions, civil society and government at central, regional and local levels. It is responsible for fostering and promoting the implementation of CSR policies, and proposing new measures.

In compliance with the established objectives, this State Council has the following functions: To issue reports and carry out studies at the request of the Government or on its own initiative; To draw up and submit an annual report to the Government; To constitute an Observatory on CSR in Spain; To promote and reinforce CSR; To collaborate and cooperate with other similar Councils, including those that operate at international level; To participate, to the extent that is decided, in national and international forums organized to discuss issues of CSR.

*Royal Decree 1615/2009*, for regulating the granting and use of the distinctive “Equality in the Company”.

*Law of CSR in Extremadura (15/2010 of 9 December)*. At a regional level, there have been some interesting initiatives as illustrated by the Autonomous Community of Extremadura. This law has had an important host national. Based on it, other autonomous communities and the national government itself are considering issuing other regulations.

*LO 2/2011 Spain’s Sustainable Economy Organic Law*. This law regulates that government-sponsored commercial companies and state-owned business enterprises attached to the central government shall adapt their strategic plans in order to file annual corporate governance reports and sustainability reports in accordance with generally accepted standards, with a special focus on real gender equality, and the full integration of people with disabilities. This suggests that new developments of CSR are to be expected in

Spain in the future. The law contains various measures related to CSR, some of them closely linked to transparency, like the disclosure of the remuneration of company directors, and others closely linked to sustainability in the management of state-owned companies. It also includes a provision on the promotion of CSR. Article 37 creates incentives for companies, in particular SMEs, to incorporate or develop CSR policies. It stipulates that the government shall provide them with a set of performance indicators for their self-assessment with regard to social responsibility, as well as reporting models or references that comply with international standards on the matter. Companies that achieve the minimum threshold in the above indicators may voluntarily request to be recognized as socially responsible companies.

A number of other authorities in Spain, foundations and business associations take also initiatives to promote corporate social responsibility. We highlight AECA Committee for CSR. It is also remarkable the growing number of Spanish non-profit organizations working to promote sustainable management. They encourage collaboration and the exchange of experiences and training. The Retos Network, launched in Spain under the Community eQual initiative, brings an approach to social responsibility that is both multi-dimensional (in that not only companies are socially responsible, but also public bodies, social partners and citizens themselves) and territorial (focusing on local development).

According to CSR Europe (2009, 2010), CSR in Spain is dominated by five key areas: Diversity management, social cohesion and cooperation development; CSR to face economic crisis: CSR contribution to productive economy; Transparency, communication, CSR standards and Reporting; Social Responsible Investment; Integrating CSR in Education Scheme.

### **3.2. CSR developments in Poland**

Poland in the late 80's and 90's has undergone the transformation by which the Polish economy, which was a centrally planned economy, has evolved into a free market economy. This process began to bring fast results.

The CSR of business is strongly associated with the concept of business ethics because the Catholic religion is a factor having a significant impact on social and economic behaviour of Polish society. The practical development of business ethics in Poland began

after 1989. However this development was slow. One of the first academic centres which finished focused on the development and popularization of this discipline was the research team of Economic Ethics Institute of Philosophy and Sociology in the Polish Academy of Sciences. However the concept of CSR went to Poland a bit later through the Responsible Business Forum which was founded in 2000. It is not only the oldest but the largest non-governmental organization in Poland which deals with the concept of CSR in a comprehensive way. The mission of the Responsible Business Forum's is to disseminate the idea of responsible business as a standard in Poland in order to increase the competitiveness of enterprises, social satisfaction and improve the environment. It supports companies in becoming more responsible, builds coalitions of companies around the solving of social problems, creates a community of socially engaged companies, creates space for exchange of experience among managers, public administration and social organizations, is actively seeking solutions to social responsibility for companies operating in Poland which are sufficient for their needs and capabilities, works with NGOs and public authorities to build social and political climate which favours the development of the concept of CSR.

The development of CSR in Poland can be summarized as follows. The initial, first phase of the development (1997-2000) was a time of non active undertakings. It was a time of "taming" the problem of CSR. The second phase, between 2000 and 2002 is defined as the period of the reluctance of Polish companies and economic commentators to CSR and it was a time of "deep belief" that only the free market is the solution to all kinds of economic problems. In the third phase (2002-2004) a growing interest in CSR appears. The declarations of commitment to ethics and social responsibility in business are increasingly recognized in public life. The largest Polish companies are beginning to implement the initial projects in the field of CSR. The fourth stage (2004-2005) is the development of specific but only partial projects, covering selected areas of the major companies. It is understood that currently the fifth stage takes place (2006 - present) which is characterized by an attempt to link CSR with other strategies implemented in the company: e.g. communication strategy, personnel strategy, marketing strategy or strategy for corporate governance. This is the stage in which a variety of problems are manifested and even

conflicts between different activities in companies as well as the differences in organizational culture and trade differences. At this point it is worth stressing that the Polish economy is involved in a much accelerated process of implementing CSR. In countries with highly developed economies these stages have been evolving for decades while in Poland they last only few years.

In Poland, Government representatives are actively following the CSR issues developed at European level since 2004 and they have started national activities to increase awareness on the topic. The European Commission (Directorate-General for Employment and Social Affairs) is supporting the United Nations Development Program in a project called “Accelerating CSR in New Europe”, which will enable the measuring and monitoring of CSR performance in central Poland (and other in Central and Eastern European countries).

The Ministry of Economy in Poland is currently the leading body within the government administration in regards to CSR. The Ministry has been entrusted to support the public administrations in developing and implementing CSR as well as to foster dialogue between various stakeholders. These measures were concretized with the publication, in 2009, of a guide for SMEs called “Sustainable business”. The following year, the Ministry developed 4 working groups, each preparing recommendations for enhanced CSR related implemented issues and promotion in Poland, thereby focusing on four main subjects: socially responsible investment (SRI), sustainable consumption, education and promotion of CSR. Furthermore, the topic of CSR is being actively promoted by the Energy Regulatory Office.

The most important challenge for the Polish CSR today is to organize a whole range of issues and problems related to the CSR which are still new. The key drivers of CSR are eco-efficiency and sustainable development, but also compliance with existing laws and regulations (including EU regulations) are the main topics of the CSR debate in Poland (CSR Europe 2009, 2010).

#### **4. Discussion and Conclusion**

The capitalistic model is far from perfect as the actual crisis has demonstrated. As Perrini *et al.* (2006) pointed out, in the 21<sup>st</sup> century the profit motive is

not enough of a goal in itself and economic systems should be based on socially responsible firms. As the invisible hand of market does not exist *per se*, and adjustments are needed, CSR might contribute to foster the equilibrium in managing firms.

Traditional regulatory models would impose mandatory rules on a country to ensure that companies and other public and private institutions behave in a socially responsible manner. The advantage of regulation in CSR issues is that it brings with it predictability. And, in our opinion, in the middle of the financial crisis, social improvements may be more readily achieved through low (explicit regulation) than via the market alone (companies’ volunteerism).

The lack of a regulatory European framework for CSR could explain the misbalance between the two countries initiatives analyzed. In a number of European countries, the general trend has been until now that corporations have taken on social responsibility on a voluntary basis, without a legal obligation to do so. Although, self-regulation based on Codes of Conduct prepared by multinational corporations or by global NGOs could be the starting point.

As we have analyzed, CSR looks different from country to country. In some EU Member states like Spain the concept is well established and there is a high level of enterprises awareness supported by effective public policies to promote CSR. In other European countries, the awareness and development of CSR is much less advanced, as is still the case of Poland.

Although the degree of implementation of CSR is still superior in Spain than Poland, the study suggests that promising new developments of CSR are to be expected in both countries in the near future approaching positions because, despite differences, a strong consensus have emerged from Spain and Poland, to the effect that CSR is a vital component of national economies in the EU and a strategic variable of core’s business determining future competitiveness.

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