HOW TO BUILD COMPETITIVE EDGE THROUGH CORPORATE SOCIAL RESPONSIBILITY IN SMES - COMPARISON ANALYSIS OF POLISH AND DANISH ENTERPRISES

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Abstract
The processes taking place in the modern economy mean that the functioning of enterprises is constantly changing. The effects of these changes directly translate into the development of business entities. In this context, one should pay attention to those elements whose implementation in a functioning enterprise may give impetus to a faster development than a rival. One such element seems to be the implementation of the concept called Corporate Social Responsibility (CSR). The study aimed to find out the opinions of using CSR concept in the process of building competitive edge among entrepreneurs from the Small and Medium-sized Enterprises (SMEs) sector in Poland and Denmark. The choice of a partner country for Poland to conduct a comparative study was not accidental. Denmark is often mentioned as one of the most socially responsible countries in the world. Qualitative research was used to collect data. Between February and November 2016, ten individual in-depth interviews were conducted with representatives of micro, small and medium-sized enterprises representing various industries (trade, services, production) in Poland and Denmark. Analysis of the results shows a similar level of development and use of CSR as a tool to build competitive advantage in Poland and Denmark, where all surveyed companies submitted such a declaration. The two main motivations for the respondents from the two surveyed countries differ widely. From Polish side, there is perception of CSR as a positive standard - a norm that is worth observing sets the framework for the action of contemporary companies and positively influences their image and willingness to act in accordance with its internal ethical standards. From Danish side, the most important reason for implementing CSR activity are: the company’s performance following its objectives, values, and vision and ensure the development of the company through the transparency of the operation.

Keywords: Corporate Social Responsibility (CSR), competitive edge, Small and Medium-sized Enterprises.

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1. Introduction

To achieve market success, it is not enough to “think” about yourself, your financial performance, your profits, your costs, or your employment. Increasingly, Small and Medium-sized Enterprises (SMEs) undertake to implement the strategy of internationalization and globalization. Suszynski (2007) argues that globalization creates a new quality of the market mechanism that creates more challenges for the broader group of its participants, even civilizations, and therefore demands them at the level and intensity they did not experience before. Meeting these challenges leads to far-reaching changes in the foundations and functioning of enterprises and the evaluation of the results from their activities. The most important factors in such distinction, functioning, and evaluation of enterprises are the criteria and values broader, even globally accepted, e.g., value for the customer, value for the shareholder (Suszynski, 2007, p. 53). This position proves that purely business activities, which are so important to an economic agent, are often inadequate. The answer to such market behavior is, among others undertaking such activities, the final recipient of which will also be the group of people who have not yet been associated with the business entity concerned. The tool that serves such a “modern look” on the company’s environment are the tasks performed under the concept of Corporate Social Responsibility (CSR).

CSR has been in long term use as an explicit framework to understand the business and society relationship better. At the beginning, CSR was used as a general term arguing that managers ought to seriously consider their impacts on society. It was later thought to embrace those actions which managers and organizations take to protect and improve the welfare of society along with business’s interests. In this view there are two dynamic aspects of CSR, protecting and improving. To protect society implies that companies need to avoid their negative impacts (e.g., pollution, discrimination, unsafe products). To improve the welfare of society suggests that companies need to create positive benefits for society (e.g., philanthropy, community relations). Another early thought was that companies had not only economic and legal obligations but also certain responsibilities that extended beyond those obligations, though these were not spelled out (Caroll, 2015, p. 90).

Today, the economic responsibility remains vital, because owners and investors expect companies to provide them as a condition of existence fair-to-good returns, and the legal responsibility continues to be relevant in that it clarifies and expresses minimum levels of behavior and performance.

There is a common understanding among companies, politicians, stakeholders, and customers that CSR is important, and SMEs need to do more if they want to achieve improvements in the world. It has become clear
that the expectation that SMEs would be able to adopt the whole CSR agenda was too optimistic and unrealistic. There are many reasons for that. It would be naïve thinking, like in the classical approach to CSR, that large enterprises are the norm and model to follow and to each (Jenkins, 2006, pp. 241-256). It is worth recalling the key differences between small and large organizations presented, among others, by Gibb (2000, pp. 13-34). Large operators are characterized by the strong formalization of actions, the small ones by their informal nature. When large entities will include CSR in their strategic plans, or even build their company strategy on this concept, the small ones will take rather unplanned activities. In the end, the large enterprises will act based on many standards and norms, and SMEs by entrepreneurs’ intuition and ad hoc action. In larger firms, staff will be assigned to these activities, the smaller operators will appoint one person for managing the companies CSR as an additional activity. As a result, CSR in large enterprises will be embodied in large social marketing campaigns, while in SMEs it will be limited to local operations on a small scale, the effects of which are hard to measure or to monitor, and mostly relate to environmental challenges and safety.

According to Pogorzelski (2008), the concept of CSR is simply not to deceive, not to discriminate, not to favor one at the expense of others, not to manipulate (and other unethical practices) in communication and sales. It seems that many CSR projects have failed because their managers have entered this concept into the framework of tools and processes, as is the case in implementing promotional projects. Showing the socially-oriented face of an organization in this form can be counterproductive.

Evidence suggests that the majority of SMEs believe that organizations like themselves should pay significant attention to their social and environmental responsibilities (Southwell, 2004, pp. 96–111). SMEs play a crucial part in investments in social capital that can help to overcome common problems in society, but they tend not to reflect on their social practice as they are frequently motivated by personal moral convictions not business reasons (Habisch, 2004, pp. 25–34).

Undertaken business ventures are always preceded by the question: “Is it worth to me?” Observing the activities of SMEs in Poland in the area of CSR, it seems that the doubts revolve around the same questions.

You cannot be surprised by this approach because the firm opinion is that the primary task of business is to make a profit is still valid. According to this assumption, everything that a company does, such as creating new products or hiring people, is making money. A focus on the short term can mean long-term investment projects in CSR are not of immediate concern (Carlisle & Faulkner, 2004, pp. 143-152). On the other hand, it has been argued that being smaller and flatter, SMEs may be better placed than large firms to take advantage of

There is no evidence in Poland that companies that engage in CSR are developing faster, earning more, or have more loyal customers. There are, however, in-house research studies that show ethical companies with credible management staff and support workers. By applying these principles in practice, they achieve significantly higher levels of employee motivation, identification with the employer, and employer satisfaction than a similar company not using these methods (Jagielska & Rok, 2006). CSR, primarily for employees, is the foundation for successive social ventures, facilitating the overall strategic goals of the company. A key educational problem is the conviction of companies that social engagement will increase their intrinsic and external value. The lack of measuring tools for the implementation of the social concept does not undermine the benefits of a CSR enterprise.

An enterprise that intends to do business with respect to the principles of corporate social responsibility must be aware of the need for a comprehensive look at its areas of operation. CSR is not a package of individual programs and actions, but a coherent management concept. The implementation of a comprehensive CSR strategy should be integrated with the objectives of the business and the needs of society. Achieving synergies requires the selection of tools and areas of action appropriate to the company profile and its surroundings. CSR is positioned as another management function that considers the company’s responsibility for the competitive reality in which it operates. It is important to understand the essence of CSR and to skillfully develop the necessary elements to prove that it is an effective management formula and a genuine contribution of the company to the proper functioning of the environment.

2. Corporate social responsibility and competitiveness – discussion

Defining the notion of competitiveness - like the concept of CSR - is not an easy and unequivocal task and provides many discussions. It is well known that there are many diverse factors contributing to the efficient and more competitive functioning of the business entity. They can be among others well-designed and implemented business objectives, efficient strategy, offering the attractive customer products, maintaining good relations with other market participants. The importance of these factors in the modern conditions of functioning of business entities does not decrease. They are, however, supported by others, which in turn translate into broadly understood market success.
The implementation of these factors, including corporate social responsibility, is evidence to the level of enterprise competitiveness and can become one of the most important market factors. The pursuit of increasing competitiveness is not a mere activity within the inside enterprise. Competitiveness is a theoretical notion and the state and process relating to the sphere of activity of market institutions. Stankiewicz (2002) determines competitiveness as the ability of an economic entity to successfully implement its objectives in a competitive market. Elements that are part of the concept of competitiveness are (Rybak, 2003, p. 11):

- competitiveness potential - opportunities for the effective functioning of the company on the market;
- competitive advantage - it is possible to achieve as a result of the strategy pursued by the company;
- competitive instruments - tools and methods to win customers and suppliers under conditions that the company accepts and pursues its goals;
- seller’s competitive position - the market’s assessment of what the company offers.

For the existence of competitiveness, the market is essential, and it is itself a feature and mechanism regulating the behavior of the market players (Roszyk-Kowalsk, 2006). It can be argued that competitiveness is also considered to what is happening in the business environment. This position is in line with the idea of recognizing the competitiveness of an enterprise. Under this concept, competence can determine its ability to create development tendencies continuously, increase productivity, and effectively develop outlets in the conditions of offering better and cheaper goods and/or services to competitors (Adamkiewicz, 2001, p. 1). There are causal relationships between the elements of the company’s competitiveness, which means that changing one of these elements causes another to change. Simultaneous changes in the individual components of a company’s competitive advantage, competitive advantage, and customer competition instruments affect a company’s ability to compete.

Considering the concept of corporate social responsibility in the context of competitiveness of companies are also worth referring to many of the emerging discussions in the literature.

Grayson and Hodges (2004, p. 9) maintain that the driver for business success is entrepreneurialism, a competitive instinct, and a willingness to look for innovation from non-traditional areas such as those increasingly found within the CSR agenda. They stated that one way to engage SMEs more effectively in CSR is to demonstrate how they can achieve added value and competitive advantage through realizing and maximizing the opportunities
presented by CSR, an often-neglected dimension of SME performance management.

The modern look at CSR appeared in ‘50th thanks to Bowen (2013). He explained that business activity concerns ordinary people and therefore business should conduct such actions that will be coherent with social aims and values. On the European ground, the idea of responsible business was developed in the Davos Manifesto (1973) which included a statement that business does not only mean generating profits but is also a service regarded as an obligation to fulfill the expectations of enterprises’ surrounding and to balance interests of various groups that operate within it. Small firms are unlikely to employ individuals in marketing or PR roles and therefore are not likely to consciously pursue goodwill from their CSR activities for commercial exploitation (Jenkins, 2009, pp. 21-36).

CSR positively influences the realization of the enterprise development concept and thus attains a higher degree of its competitiveness. Activities that may become important factors for this postulate include (Stępień, 2009, p. 33):
- acquisition of new “environmentally friendly” products;
- using “cleaner” production technology;
- identification of important environmental points (protection of waters, land, air, landscape, waste management, production technology and technology);
- the inclusion of an economic entity in a pro-ecological group of organizations;
- reducing future environmental commitments;
- strengthening management systems through comprehensive “environment-economy” interaction information;
- to isolate the environmental management system as a tool to support eco-friendly activities;
- increase the attractiveness of the business unit due to the level of interaction “economy-environment.”

Actions carried out under CSR also indirectly lead to many policy objectives, such as greater integration of labor markets, increased social cohesion, increased innovation, and sustainable use of natural resources. The controversy surrounding the concept of corporate social responsibility derives from the existence of a group of its opponents who, by listing CSR risks, are trying to depress these actions and consider them socially unjustified. Among the arguments in view “against” CSR are (Griffin 1996, p. 150):
- the main purpose of the enterprise is to generate profit;
- there is a conflict of interest between stakeholders;

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2 The latest ideas promoting CSR in Europe and the rest of the world include: Global Compact by UN (1999), Lisbon Strategy by EU (2000), Green Paper on Corporate Social Responsibility by European Commission (2001), European CSR Campaign (2005) and many more.
running social programs does not fall within the core competence of businesses;
the implementation of social programs becomes a tool for influencing businesses.

Most often mentioned by the opponents of CSR, however, is the argument that the company incurs significant costs associated with the implementation of this concept. Equal attention is paid to the difficulty of measuring the benefits of investing money for social purposes (Rojek-Nowosielska 2006, p. 57). In an owner-managed SME, the CSR direction taken often will depend much on personal values. The subjective judgment of the owner-managers has a strong influence over the strategic decision of SMEs. Usually, the CSR activities can be motivated by values of the owner-manager. Change process of CSR should be guided by the owner-manager, who have the necessary interpersonal skills to build both internal and external networks to help identify, access and disseminate new knowledge and skills (Jones, 2003, pp. 15–33). Companies may experience difficulties in making CSR operational; there often seems to be a gap between rhetoric and implementation (Grayson & Hodges, 2004). However, in SMEs, this gap may be smaller, due to the closeness of the owner-manager to the day-to-day operations of the company, and therefore easier to overcome.

Despite the actions of opponents of social responsibility and arguments highlighting the risks involved, there is no doubt that CSR is becoming a strategic concern for the business of an ever-larger group of companies. CSR is based on ethical, universal, and timeless values. It is an excellent element of the fundamental development objectives and actions of enterprises; therefore society’s trust in business increases and an enterprise benefits more. CSR attitude should not be a single charity action, dishonest PR, a set of incoherent actions or be limited only to sponsorship. It should be a company’s well-considered sub-strategy coherently implemented with other ideas. Especially for SMEs, it is usually a result of an owner’s and all employees attitude, value system and working style (corporate culture).

Acting on CSR in smaller companies also seems reasonable in terms of building a long-term competitive advantage on the market.

2. Research methodology

The study aimed to find out the opinions of using CSR concept in practices of building competitive edge among entrepreneurs from the SME sector in Poland and Denmark. The choice of a research partner country for Poland to conduct a comparative study was not accidental. Denmark is often mentioned as:
one of the most socially responsible countries in the world;
the country that has the most socially responsible companies in the world;
a country whose people are very equal;
a country without corruption.

Why is that? There can be several answers to that, but the legislation in the country on environment and workplace environment plays a central role in the development of CSR in Denmark. Another answer can be the right cooperation between companies and strong unions. In Denmark, there is normally a positive dialogue between companies and unions. In general, Denmark has a long tradition of dialogue on many levels. The high level of legislation forces the companies to be more responsible on many levels. Not because they want to be more responsible, but because they must be more responsible. On the one hand, it is good that companies are forced into CSR, but it is a challenge. The legislation provides the society with a good level or responsibility. But many companies only do what they must do. That way the legislation can be an obstruction for developing CSR. Some companies can “hide” behind the legislation and are not motivated to do more.

Qualitative research was used to collect data. Between February and November 2016, ten individual in-depth interviews were conducted with representatives of micro, small and medium-sized enterprises representing various industries (trade, services, production) in Poland and Denmark. These interviews enabled us to recognize respondents’ awareness of corporate social responsibility and their customs and beliefs about CSR practices.

The interview questionnaire was created because of international cooperation, based on the ISO 26000 standard. As a result of the joint work, a single version of the interview questionnaire was created. Interviews were conducted mainly with owners or co-owners (8 Polish companies, 4 Danish companies). The respondents in the second group were co-decision-makers or strategic decision makers (2 Polish companies, 4 Danish companies).

In the Danish study, the respondents’ group was extended to include high-level executives in the company but not influenced by strategic decisions - two Danish companies.

3. CSR and building of competitive edge in Danish and Polish enterprises – research results

Based on the results of in-depth interviews on the concept of CSR in the micro, small and medium-sized enterprises sector in Poland, we can try to determine their impact on building a competitive advantage for individual companies.
The results of the study were also compared with the results of the Danish study.

In the case of the CSR concept, it can confidently say that it has gained its popularity in recent years, thanks to enterprises for searching new ways to enhance their image. In this perspective, the most important component for Polish enterprises turns out to be market relations. Social responsibility to market relations was most appreciated in the declarations of the surveyed enterprises. Responsibility for relations with the target market, which deals with issues related to customers and business practices, is important for 9 out of 10 respondents. Interestingly, Danish companies do not treat business practices and customer issues as the most important. For them, the most important was the practice at the workplace and then the concern for the environment, practically ignored by Polish respondents.

Another important factor that determines the use of CSR by Polish companies is the fact that currently observed increasing consumer awareness is rising. Their demand for both products and behavior is increasing. Customers in their purchasing decisions increasingly rely on trust in each company and its image. Corporate social responsibility can increase customer loyalty and corporate stakeholders. Pro-social and pro-ecological organizations can also facilitate its trust and support of local government and the local community. These issues were detailed by seven respondents in Poland.

The survey respondents indicate that another important element of corporate social responsibility, which can create a specific value for the company are all kinds of investments in employees, including among others training. Half of the surveyed companies in Poland and three companies in Denmark do not encourage their employees to develop their skills and long-term career planning. Polish entrepreneurs, apart from the benefits of a systematic approach to the training of employed employees, do not see the need to encourage them to submit their initiatives.

Only four companies from the surveyed Poles, but 9 of the Dane surveyed, declare that in their company employees are encouraged to submit ideas to improve the functioning of the company.

In the 21st century in a knowledge-based economy, this can become one of the most important elements in building your market position. What’s worse, only three surveyed companies in Poland, compared to 6 Danish, declare that their company has a flexible approach to working hours during the day and home work opportunities. Half of Polish entrepreneurs claim that their company has no such practice at all.

Even worse, our homegrown companies fall out against the Danes when we look at their competitiveness through the prism of the environment - influencing it: only two surveyed companies in Poland compared with 8
Danish enterprises agree that their business activities have an impact on the environment. As many as 7 Polish respondents say that this does not affect their businesses. These ratios also reflect issues related to:

- saving energy thus reducing its impact on the environment;
- a policy to minimize waste;
- knowledge of environmental regulations directly related to the company’s activities;
- carry out additional environmental actions.

Another group of data collected by the researcher, which may indicate that Polish companies are not fully aware of the role of the CSR model used in the enterprise, is an influence of social dialogue on their market position. Despite the fact that 9 of 10 surveyed Polish companies declare that their company has certain rules in place to provide reliable and complete marketing information, only two stated that they are engaging in dialogue with the local community about undesirable, controversial and sensitive issues related to their activities. Three companies stressed that this issue was rather or not strictly relevant to their business. Other companies decided that this issue did not concern their company. This situation is diametrically different than in Danish companies, where six companies declare reliable marketing information but also assumes an external dialogue on every topic. Looking at this type of phenomenon through the prism of market conditions, it is not difficult to make the case that the Danish model guarantees greater efficiency, which undoubtedly translates into a higher level of competitiveness.

In summary, the fact that as many as 8 Polish entrepreneurs consider their business to be socially responsible, does not necessarily mean in practice that they are at a similar level of development and use of CSR as a tool to build competitive advantage, like the Danes, where all surveyed companies submitted such a declaration. This difference is evident by identifying the reasons why Polish and Danish entrepreneurs would like their company to comply with CSR principles.

The two main motivations for the respondents from the two surveyed countries are as follows:

1) Polish side:
   - Perception of CSR as a positive standard - a norm that is worth observing, sets the framework for the action of contemporary companies and positively influences their image.
   - Willingness to act in accordance with its internal ethical standards.
2) Danish side:
   - The company’s performance by its objectives, values, and vision.
   - Ensure the development of the company through the transparency of the operation.
Analysis of the results shows significant differences in awareness and attitudes between Polish and Danish respondents. In Poland, the use of CSR to build a competitive edge is far worse than in Denmark. Polish respondents appear to be well-versed in CSR and ethical marketing. They treat CSR as an important part of building a competitive advantage. Sadly, the results of the research, in fact, represent the self-esteem of the entrepreneurs, showing the unexpected satisfaction of native people in business with their involvement in CSR.

When we can look better at their motives, they do not take social responsibility as a factor in determining the market position in the long run and as a driver of innovation and forcing the company to improve communication and marketing standards. The information provided by the study shows that although they anticipate a change in this situation in the future, the current low consumer activity does not naturally force them to do so much CSR action they declare.

The proof of the legitimacy of this thesis can be the fact that in the strategies of the development, Polish enterprises often neglect the dialogue with the employees, which most often have direct contact with the consumer. In-depth and effective communication is a value that is difficult to overestimate. Special attention to this aspect can save enterprise from many problems. Inadequate communication is treated as the most common cause of irregularity and increasing problems.

It should be stated that in every organization, regardless of its size, the lack of clear, legible and confirmed messages creates unnecessary guesses, gossip, overinterpretation, and as a consequence may disturb the rhythm of the enterprise. Therefore, internal communication is a field that requires special attention - without inner harmony, a common position; it will not be possible to build relationships with external entities.

Likewise, the situation appears when we look at the lack of conviction in Polish companies that responsibility towards employees is a long-term investment that translates into concrete business outcomes and, most importantly, is one of the major challenges also for CSR. The importance of this aspect is very soon understood by the Danes, where practically all companies are trying to build their advantage based on systematic improvement of their employees’ qualifications. In Poland, this situation is directly proportional, as we prefer to use the still fragile labor market by releasing less efficient workers, often only in our belief and instead employing new ones without investing in the development of human resources. It seems therefore that companies in Poland are currently operating in a market where the tools for determining the highest level of competitiveness lack in the tool, and the concept of CSR is lacking. This means that Polish companies identifying
themselves with respondents of the above research are seeking to position and promote the leaders and pioneers of social responsibility without seeing or using the most important and practical applications that will help them build competitive advantage in the marketplace.

4. Conclusions

Having analyzed the concept of Corporate Social Responsibility and based on the results of the research, it should be noted that the statement that Polish companies have not yet matured to include social and environmental issues in their businesses remains valid. Especially now, under the conditions of the instability of the modern economy and during the economic downturn, they should lead to a more responsible re-evaluation of the implemented economic model. The differences in motivation to implement CSR in building a competitive edge in both countries are significant. It was mentioned in results that Polish SMEs do not see a chance to secure a solid foundation for rapid development and to build a stable future on the base of CSR. Among other things, by making better use of resources, including staff and the implementation of activities for a broader corporate environment, CSR offers them the opportunity to find a new way to increase their competitiveness. Like many other companies, SMEs are focused on business. According to the research results, there are few SMEs in Poland in comparison to Danish firms, who do CSR because they see CSR as their mission. These companies are in the market, and they are known as social, economic companies. However, even when the enterprise is a social economic business, it can only be in the market when doing business. So the way to get more CSR into SMEs is to teach them that CSR is one of the ways for the company for doing more business.

Future research can focus on a longitudinal study of the relationship between CSR and competitive advantage in SMEs would be required to assess whether long-term competitive advantage can be achieved.

The results presented in this article may be the starting point for next research, but the application possibility is limited by the small sample of companies. In the next step, it would be interesting to look at the relationship between CSR and competitive advantage in SMEs in the aspects of which kind of activity of CSR may provide the best avenues for building a competitive edge.
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**Biographical note**

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