

# THE ROLE OF CSR IN CORPORATE SOCIAL CAPITAL CREATION

**Justyna Berniak-Woźny<sup>1</sup> and Daniela C. Wilks<sup>2</sup>**

## **Abstract**

*The paper explores the relationship between social capital, corporate social capital and corporate social responsibility and trust in business. The aim of the paper is to highlight the role of the CSR concept in the corporate social capital creation process. The authors started with the review of the social capital concept – its essence, development, and characteristics. Further, the analysis of the business adaptation of the social capital concept was conducted. Finally, the corporate social responsibility concept was presented and its role from the perspective of trust and wider, corporate social capital creation, was discussed. It is concluded that actual implementation of the CSR concept can raise the trust to the business organization and create its social capital.*

**Keywords:** *social capital, corporate social capital, corporate social responsibility, trust.*

## **1. Introduction**

The concept of social capital has been well researched, and there is compelling evidence that social capital benefits individuals, communities, organizations, and even nations. There are various definitions of social capital, but the common denominators to all definitions are the concepts of trust, networks and shared norms that facilitate co-operation. Social capital corresponds to the principles of market exchange in different areas of activities of individuals and organizations, uniting them in order to improve the quality of life in both the moral and material sense (Vveinhardt, Andriukaitienė & Cunha, 2014).

Discussion about the role of social capital in economic life is not new. As Arrow (1972) argues, every economic transaction has within itself an element of trust, and much of the economic backwardness in the world can be explained by the lack of mutual confidence. Unfortunately, public trust in institutions has been seriously shattered by the financial crisis.

---

1 Justyna Berniak-Woźny, Ph.D., Associate Professor, Faculty of Business and International Relations, Vistula University, ul. Stokłosa 3, 02-787 Warszawa, e-mail: j.berniak@vistula.edu.pl.

2 Daniela C. Wilks, Ph.D., Associate Professor, Universidade Europeia-Laureate International Universities, da Quinta do Bom Nome, Estr. Correia 53, 1500-210 Lisboa, e-mail: daniela.wilks@universidadeeuropeia.pt.

Furthermore, The Edelman Trust Barometer 2017 reveals that trust is still in crisis around the world. The general population's trust in all four key institutions — business, government, NGOs, and media — has declined broadly since 2012.

Due to the low levels of trust in business, companies have begun considering trust and trustworthiness as vital elements of their stakeholder communication. As research findings suggest, trust is enhanced by responsible and fair behavior of companies (e.g., Perrini & Castaldo, 2008; Pivato, Misani & Tencati, 2008; Hansen, Dunford, Boss, Boss & Angermeier, 2011), business considers CSR as a core business strategy to increase trust and create social capital.

## **2. The social capital concept**

The term “social capital” has been widely used in a variety of systems such as sociology, economics, politics, general management, social responsibility and ethics, intellectual capital, and human resource management, among other subjects. The first definition of social capital was formulated by Hanifan in her seminar paper “The Rural School Community Centre.” In her words, social capital is “(...) goodwill, fellowship, mutual sympathy and social intercourse among a group of individuals and families who make up a social unit” (Hanifan, 1916, p. 130). She also states that “In community building as in business organization and expansion there must be an accumulation of capital before constructive work can be done” (Hanifan, 1916, p. 130). This view is supported by Fountain (2004) who points that “Social capital, like other forms of capital, accumulates when used productively. (...) Linking cooperation to the economic concept ‘capital’ signals the investment or growth potential of a group’s ability to work jointly” (Fountain, 2004, p. 72).

Since 1970 capital concepts have emerged focusing mostly on the individual, especially on individual human capital like personal connections, personal relationships, and the diverse group of acquaintances (Ueda, 2010). The first systematic analysis of social capital was conducted by Bourdieu (1986), who wrote about this concept in conjunction with cultural and symbolic capital and its conversion to economic capital. Bourdieu defined social capital as “the aggregate of actual or potential resources which are linked to possession of durable networks of more or less institutionalized relationships of mutual acquaintance and recognition,” (Bourdieu, 1986, p. 248).

The economic perspective of social capital was developed by Coleman, for whom social capital is an economic resource for action, claiming that social capital is “(...) defined by its function.

It is not a single entity, but a variety of different entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors – whether persons or corporate actors – within the structure” (Coleman, 1988, p. 98). This definition expands the concept of social capital and introduces a vertical component next to the horizontal associations and behavior within and among other entities, such as companies. Vertical associations are characterized by hierarchical relationships and an unequal power distribution among members. Additionally, Coleman (1988) identified three forms of social capital, namely obligations and expectations, social norms, and information channels. Obligations and expectations can be understood as a “credit slip” that people hold, and that can be cashed when necessary. As for social norms, they provide the criteria for rewarding or sanctioning individual actions, and information channels provide appropriate information as an important basis for action.

Social capital was later researched from the macroeconomic and political perspective. In *Making Democracy Work: Civic Traditions in Modern Italy*, Putnam (1993) presents the political, institutional, and economic value of social capital. He conducted a comparative study of regional governments in Italy (cities in northern and southern Italy) to determine the source of differences between the flourishing economy and civic culture of the North and the relative poverty and economic backwardness of the South. Northern Italy’s history of community, guilds, clubs, and choral societies has led to greater civic involvement that turned to social capital and greater economic prosperity. A lack of similar social institutions and social capital have prevented the South from carrying out the cooperative efforts on which regional economic success depends. Hence Putnam defines social capital as “networks, norms, and social trust” that “facilitate coordination and cooperation for mutual benefit” associated with trade, money-lending, and the flourishing of democracy. Continuing his research, Putnam (2000) looked at the American social trends through the prism of social capital, which led to the publication of his famous book *Bowling Alone: The Collapse and Revival of American*, a provocative and stimulating account of the causes and consequences of America’s declining social capital. Using the example of bowling leagues, he showed that many traditional civic, social and fraternal organizations (bowling leagues) had undergone a massive decline in membership while the number of people bowling had increased dramatically.

Putnam made a distinction between two kinds of social capital: bonding capital (or exclusive capital) and bridging capital (or inclusive capital). The former occurs when one is socializing with people from a similar niche, such as the same age, race, religion, or any other social category. The latter tends to reinforce particular identities and homogeneous groups.

Bridging capital links people to a more distant acquaintance who moves in different circles from their own. Bridging capital tends to generalize broader identities and wider reciprocities, rather than reinforcing a narrow grouping. Putnam argues that these two kinds of social capital, bonding and bridging, strengthen each other. Consequently, with the decline of the bonding capital inevitably comes the decline of the bridging capital that, for example, may lead to greater ethnic tensions.

The third kind of social capital was advanced by Woolcock (2001), linking capital, which consists of relationships up and down the social and economic scale. According to this author, linking social capital allows people to leverage resources, ideas, and information from contacts outside their social milieu.

Characterizing social capital, we should also look at this concept from the perspective of the quality of the relationships. Then we can make distinctions between strong ties with someone with whom one might discuss a serious problem or problems, and weak ties, episodic, single-stranded and more fleeting ties. According to some social scientists, our mix of social relationships has become weaker, more episodic and opportunistic. If this is so, it certainly has implications for our ability to mobilize others towards collective goals (Wuthnow, 1998).

Taking a step further, Nahapiet and Ghoshal (1998) have divided social capital into three components:

- structural – this dimension corresponds to the systems and creates conditions, in which the norms and beliefs are formed;
- cognitive - this dimension corresponds to the norms and determines the overall rules of the “game” on which cooperation between participants is based;
- relational - this dimension embodies the motivating element of the formation of beliefs in the system, defined by norms;

Based on various studies, Antoni and Portale (2011) have distinguished three aspects of social capital. The first aspect is related to social systems, which allow the participants to obtain strategic advantages, generate social and economic outcomes. The second aspect is related to the concept of generalized trust, moving beyond the boundaries of kinship, friendship, and acquaintance. Finally, the third aspect is related to relational characteristics of social capital concerning acquired social skills and personal charisma.

Social capital can be characterized by scope, form, and channel (Grootaert & Bastellear, 2002). *Scope* refers to the actors involved and can be micro (person to person), macro (society level) or meso (vertical, e.g. between a senior company official and a local resident).

*Form* refers to the method by which social capital is created, and can be cognitive (by changing attitudes and perceptions) or structural (via creating a forum for interactions, such as a committee). Structural social capital facilitates information sharing, collective actions and decision-making through established roles, social networks and other social structures supplemented by rules, procedures, and precedents. As such, it is a relatively objective and externally observable construct (Uphoff, 2000). Cognitive social capital refers to shared norms, values, trust, attitudes, and beliefs. It is, therefore, a more subjective and intangible concept (Uphoff, 2000). *Channel* refers to the way in which the acquired social capital translates into positive social outcomes.

For Padlam (2000), social capital can either be glue that provides social cohesion or the lubricant that helps members of society to rub-along together. It consists of the stock of active connections among people: the trust, mutual understanding, and shared values and behaviors that bind the members of human networks and communities and make cooperative action possible (Cohen & Prusak, 2001). This is the reason why the World Bank see in this concept a bedrock for sustainable development and claims that: “The traditional composition of natural capital, physical or produced capital, and human capital needs to be broadened to include social capital. Social capital refers to the internal social and cultural coherence of society, the norms and values that govern interactions among people and the institutions in which they are embedded. Social capital is the glue that holds societies together and without which there can be no economic growth or human wellbeing” (World Bank, 2001).

### **3. Corporate social capital**

According to Ueda (2010), the concept of social capital goes beyond communities and societies, and has high utility from the perspective of contemporary business management, particularly in the creation of the corporate value. This explains the growing interest of business in this concept. Social capital increases the value of human capital, allows the company to achieve a consensus, promotes understanding between business and public sector organizations, reduces transaction costs, facilitates cooperation, balances the economic behavior under the norms and ethical principles (Bueno, Salmador & Rodríguez, 2004).

Social capital makes an organization more than a collection of individuals focused on achieving their own private goals. It bridges the space between people through the creation of high levels of trust, strong personal networks, dynamic communities, shared understandings, and a sense of equal participation in a joint enterprise—everything that draws individuals together into a group.

This kind of connection supports collaboration and commitment, give access to knowledge and talent, and supports consistent organizational behavior (Cohen & Prusak, 2001).

On the other hand, in authors' opinion lack of social capital can lower the efficiency of an organization. Especially lack of trust can have an extremely negative impact as can cause problems with attracting and retaining talents, problems with customer loyalty, weaker negotiating position with business partners, more difficult process of gaining social license to operate.

Leenders and Gabbay define Corporate Social Capital (CSC) as: "The set of resources, tangible or virtual, that accrue to a corporate player through the player's social relationships, facilitating the attainment of goals" (Leenders & Gabbay, 1999, p. 3). These authors define four levels of Corporate Social Capital, namely the individual human being, groups or departments where individuals work together, the organization itself (being the collection of groups or departments), and the inter-organizational network of organizations.

Generally, social capital has three dimensions (NBS, 2104) as follows:

- social networks - the shape and structure of the network of relationships;
- trust and reciprocity - the quality of relationships, the degree of trust imbued in relationships, and their ability to influence people's actions and willingness to take risks;
- shared norms and value - that effective communication and collective action are enhanced by a common stock of norms and values.

Corporate Social Capital arises from all relationships of a company (i.e., the relationships within the company, as well as the relationships of a company with consumers and other partners) and forms the foundations of the company (Cohen & Prusak, 2001).

Organizations derive value from both internal and external social capital. According to Berzina (2011), the internal corporate social capital is stated in company spirit, teamwork, climate for employee mutual collaboration and cooperation, labor-management partnerships, product development, and conflict resolution. Relationships among internal stakeholders give rise to enhanced efficiency and reliability in operations, project, and innovation management. These outcomes result mainly on the basis of two main benefits: improved sharing and dissemination of information and knowledge and commitment and retention of employees.

The external corporate social capital can be divided into different levels of the enterprise environments and groups of relationships in these environments. The three main groups of corporate external environment consist of social capital accumulation on competitor and market level, on broader industry level, and on enterprise macro environment level.

External social capital focuses on employees' and the firm's relationships with external stakeholders, such as neighboring communities, customers, and regulators. Building external social capital contributes to competitive advantage and cost reductions, based on the following benefits:

- access to a company's external information and knowledge;
- reputation among customers, regulators, and neighboring communities;
- talent recruitment;
- broader benefits associated with social development and the business environment (NBS, 2104).

Corporate social capital, as the name suggests, is a form of capital together with financial, physical, human and others (see Table 1). All these forms of capital are related to each other and can be exchanged.

**Table 1.** Forms of capital

Type of capital	Definition
capital (general use)	any form of material wealth used, or available for use, in the production of more wealth; the remaining assets of a business or person after all liabilities have been deducted, i.e., net worth.
financial capital	money and paper assets; does not directly produce goods and services, but can be used to purchase factors of production which can produce goods and services.
physical capital	stock of produced goods that contribute to the production of other goods and services.
other tangible assets	factors of production that nature supplies, for example land.
human capital	stock of enterprise accumulated by a worker – knowledge, competences, experience, and the know how; it is valued for its income earning in the future.
social capital	social networks and the norms and sanctions that govern their character; it is valued for its potential to facilitate individual and community action, especially through the solution of collective problems

**Source:** adapted from Halpern (2005, p. 4).

Like other forms of capital, social capital requires investment in the designing of the structure of commitments and expectations, responsibility and authority, norms (or rules) and sanctions, which allows creating a successful and functioning organization (Coleman, 2005).

#### 4. Corporate social responsibility

Corporate Social Responsibility (CSR) is currently one of the most dynamic and complex business issues debated by both practitioners and academics. As international and global corporations have much greater resources than individual countries/governments, it is increasingly expected that the responsibility for solving certain social problems is transferred to business. This expectation is, for example, well expressed in the UN report on the activities of the world's 3,000 biggest companies, which estimates that one-third of profits would be lost if firms were forced to pay for use, loss, and damage of the environment (The Guardian, 2010). Consequently, CSR is increasingly focused on solving social problems emanating from and influencing both global and local communities. This replaces the perception that CSR is simply a reputational management issue to build and sustain organizational trust (Bachmann & Inkpen, 2011).

From the 1950's onwards, business scholars and practitioners have provided various definitions of CSR. The CSR concept relates closely to corporate citizenship (Bowen, 1953; Carroll, 1979; Mason, 1960), corporate social responsiveness (Ackerman & Bauer, 1976; Strand, 1983), and corporate social performance (Stanwick & Stanwick, 1998; Wood, 1991). Common to these concepts is the idea that organizations should not only be concerned with making profits but also be engaged in "actions that appear to further some social good, beyond the interests of the firm and things required by the law" (McWilliams, Siegel, & Wright, 2006, p. 1).

CSR is multifaceted and encompasses a number of topics, including, but not limited to, philanthropy, managerial values, corporate governance, political involvement/behavior, regulation, ethics, in addition to monetary matters such as finance/economics. Examples of CSR include support to the local community, participation in charitable events, promotion of non-discrimination activities, expansion of worker benefits, operating efficiently, minimizing pollution, transparency, product safety, and generating profits (Evans, Haden, Clayton & Novicevic, 2013). Business organizations are sometimes pressured to implement CSR initiatives (for example, by unions, governments or consumers), but they also implement CSR initiatives in order to raise profitability, to build a reputation or to win local communities' favor (Fleming & Jones, 2013).

Most academics currently perceive CSR as an obligation of every organization (Robbins & Decenzo, 2001; Perrault & McCarthy, 2002; Staples, 2004). According to Robbins and Decenzo (2001), CSR refers to the obligation of a firm, beyond what is required by law or economics, to pursue long-term goals that are good for society.

Perrault and McCarthy (2002) define CSR as a firm's obligation to improve its positive effects on society and reduce its negative effects. Following the same lines, Staples (2004) considers CSR as a firm's obligation to protect and improve the welfare of society and its organization in the present as well as in the future.

However, there are some academics which are less radical regarding the concept of CSR (e.g., Van Marrewijk, 2003; Chakraborty, Verghese, Singh, Mrityunjay, Aga & Gupta, 2004; Idowu & Pappasolomou, 2007;). For example, Van Marrewijk (2003) defines CSR as a company's activities - voluntary by definition - demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders. Chakaraborty et al (2004) view CSR as a means of achieving commercial success in ways that honor ethical values, respect people, communities and the natural environment, and encompass all those actions of the organ+izations which affect society and its well-being. Along the same lines, Idowu and Pappasolomou (2007) define CSR as a concept which refers to corporate behavior over and above legal requirements and voluntarily adopted to achieve sustainable development.

The concept of CSR is dynamic and has changed over time. Just to give an example, the European Commission (EC) used to define CSR as a concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders on a voluntary basis (EC, 2001). Nowadays, EC (2011) defines CSR as "the responsibility of enterprises for their impact on society," in the interest of:

- **enterprises** - CSR provides important benefits to companies in risk management, cost savings, access to capital, customer relationships, HR management, and their ability to innovate;
- **the EU economy** - CSR makes companies more sustainable and innovative, which contributes to a more sustainable economy;
- **society** - CSR offers a set of values on which we can build a more cohesive society and base the transition to a sustainable economic system (see [http://ec.europa.eu/growth/industry/corporate-social-responsibility\\_pl](http://ec.europa.eu/growth/industry/corporate-social-responsibility_pl)).

The conception of CSR is very demanding and not necessarily practiced by all business organizations that claim to be socially responsible. Fleming and Jones (2013) in their book *The End of Corporate Social Responsibility* debate whether the whole idea of CSR is fundamentally incompatible with a capitalist profit maximizing system. They wonder not so much whether it is the end of CSR, but whether it has ever started. Also, Visser argues that the global financial crisis represents "a multi-level failure of responsibility – from the individual and corporate level to the finance sector and entire capitalist system" (Visser, 2010, p. 2).

In the article “The age of responsibility. CSR 2.0 and the New DNA of Business,” he presents the evolution of business responsibility by dividing it into five overlapping ages – the Ages of Greed, Philanthropy, Marketing, Management and Responsibility. Table 2 briefly outlines each Age.

**Table 2.** The ages and stages of CSR

<b>Economic age</b>	<b>Stage of CSR</b>	<b>Modus operandi</b>	<b>Key enabler</b>	<b>Stakeholder target</b>
Greed	Defensive	Ad hoc interventions	Investments	Shareholders, government & employees
Philanthropy	Charitable	Charitable programs	Projects	Communities
Marketing	Promotional	Public relations	Media	General public
Management	Strategic	Management systems	Codes	Shareholders & NGOs/ CSOs
Responsibility	Systemic	Business models	Products	Regulators & customers

**Source:** Visser (2010, p. 2).

From the business practice observations, it can be assumed that the dominating view is still the Strategic CSR. However, the Systemic one is increasingly more popular among CEOs and strongly supported by the international organizations (especially those engaged in the implementation of sustainable development). As Visser explains, the Strategic CSR means relating CSR activities to the company’s core business (e.g. Coca-Cola and water management), often through adherence to CSR codes and implementation of social and environmental management systems, which typically involve cycles of CSR policy development, goal and target setting, program implementation, auditing and reporting.

Porter and Kramer (2006) claim that, by taking a strategic approach, businesses can determine what activities they have in the value chain, what are the necessary resources for being socially responsible as well as choosing the activities that will strengthen their competitive advantage. They further argue that CSR practice should seek a balance between economic and social benefits, long-term objectives, and short-term gains. Therefore, to achieve these ends, companies need guidelines to balance different stakeholders’ concerns. By including CSR as part of a business overall strategic plan, organizations can ensure that the increase in profits and shareholder’s value do not undermine the need to behave socially and ethically towards other stakeholders.

The Systemic CSR proposed by Visser (2010) is much more advanced and complex than the Strategic CSR.

It focuses on activities that identify and tackle the root causes of our present unsustainability and irresponsibility, typically through innovating business models, revolutionizing their processes, products and services and lobbying for progressive national and international policies. Companies that embrace the Systemic CSR will be those that collaboratively find innovative ways to tackle our global challenges and are rewarded in the marketplace as a result. Furthermore, Visser states that in order to be implemented CSR must become the DNA of the organization. Hence, he proposes the DNA Responsibility Bases, which are Value creation, Good governance, Societal contribution, and Environmental integrity (VEGS). Each DNA Base has a primary goal and each goal has key indicators. Table 3 summarizes the goals and key indicators of the DNA Model.

**Table 3.** DNA Model of CSR 2.0

DNA Code	Strategic Goals	Key Indicators
Value creation	Economic development	Capital investment (financial, manufacturing, social, human & natural capital) Beneficial products (sustainable & responsible goods & services) Inclusive business (wealth distribution, bottom of the pyramid markets)
Good governance	Institutional effectiveness	Leadership (strategic commitment to sustainability & responsibility) Transparency (sustainability & responsibility reporting, government payments) Ethical practices (bribery & corruption prevention, values in business)
Societal contribution	Stakeholder orientation	Philanthropy (charitable donations, provision of public goods & services) Fair labor practices (working conditions, employee rights, health & safety) Supply chain integrity (SME empowerment, labor & environmental standards)
Environmental integrity	Sustainable ecosystems	Ecosystem protection (biodiversity conservation & ecosystem restoration) Renewable resources (tackling climate change, renewable energy & materials) Zero waste production (cradle-to-cradle processes, waste elimination)

**Source:** Visser (2010, p. 14)

In the Value Creation DNA Code, we can see the social capital investment as one of the key indicators. This perspective is supported by Lins, Servays and Tomayo (2015), whose research results indicate that social capital, in addition to financial capital, can be an important determinant of firm performance, and

highlights the circumstances under which CSR can be beneficial for the value of the firm. Their findings prove that corporate social capital, built up through investments in CSR, pays off. The authors examined the mechanisms through which higher CSR levels might generate excess returns during the 2008-2009 financial crisis period and found that high-CSR firms benefit through higher profitability, sales growth, employee productivity, and a reduction in accounts receivable, relative to low-CSR firms.

Consistent with this view, in the 2016 PwC Global CEO survey, 64% of CEOs say that “corporate social responsibility (CSR) is core to their business rather than being a stand-alone program.” The respondents (CEOs) explained that this is because they care about building trust with consumers, partners, governments, and their employees. According to the PWC Report:

*There is a body of research supporting the idea that, when there is a high level of trust in a company, it drives business performance by attracting new customers and retaining existing ones. A high level of trust also makes employees more committed to staying with the company, partners are more willing to collaborate and investors more prepared to entrust stewardship of their funding. Consequently, those organizations that can build trust seem to garner significant benefits (PWC, 2016, p. 14).*

To conclude, **trust** in business is recognized by most of global CEOs as something that impacts on their essential point. This is increasingly becoming more important as the levels of trust in businesses are declining. As previously stated, The Edelman Trust Barometer (2017) reveals that trust is in crisis around the world. Trust in all four key institutions — business, government, NGOs, and media — has declined broadly, but trust in business remains higher compared to trust in government or media.

Perhaps what is more concerning about the low levels of trust, is the connection between the fears of the public and the role of business in worsening them. Sixty percent of the general population surveyed worry about losing their jobs due to the impact of globalization and foreign competition. More than half say the pace of change in business and industry is moving too fast. The research findings also reveal high expectations - three out of four respondents agree that a company can take actions that both increase profits and improve the economic and social conditions in the community where it operates (The Edelman Trust Barometer, 2017). If business fails to meet these expectations, it will be a victim of the rising tide.

Employees who do not trust their organizations are less loyal, less motivated, and less productive. Similarly, customers who perceive a breach of trust are more likely to switch to a competitor. When trust is lacking in supplier relationships, more resources are needed to enforce and monitor contracts, which results in increased transaction costs. Organizations that lose the trust

of their investors are more likely to perish. Given the foregoing, managing the trust of stakeholders is a vital task for organizations. Considering that there are many different stakeholder groups, with particular needs and perspectives, this might be a challenging task (Pirson & Malhotra, 2008).

Research findings (PWC, 2014), highlight five areas of benefits that may guide business to increase the levels of trust, namely:

- 1) Better business terms, processes and conditions.
- 2) Enhanced innovation and entrepreneurship, which contributes to competitiveness.
- 3) More loyal, productive and engaged employee relationships.
- 4) Stronger external relationships up and down the value chain.
- 5) Greater resilience to withstand shocks and crises more effectively.
- 6) Trust, as a form of social capital, strengthens the relationship between the stakeholders within the company and between the company and its surrounding environment. To conclude, it is worth pointing out that organizations create social capital better than the market does (Bowey & Easton, 2007).

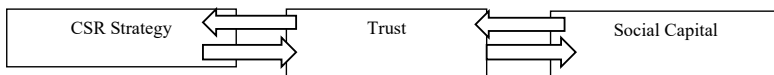
## **5. Conclusions**

Contemporary business operates in a very dynamic and challenging environment. The situation is made even more complicated by the problem of trust in business as an institution (The Edelman Trust Barometer, 2017). It is impossible to manage an organization effectively and efficiently without internal and external stakeholders' trust. The lack of trust means unengaged and disloyal employees, disloyal and cynic customers, more difficult negotiations with investors and business partners, negative approach of public administration, difficulties with gaining a license to operate from the local communities and demanding media relations. All these potential problems are understood by business practitioners and researchers. That is why trust is becoming an issue discussed by the C-level executives and intensively researched by academics.

As was presented in the paper, one of the key concepts, and at the same time strategy, that allows companies to approach the trust issue holistically is CSR. However, it must be highlighted that having CSR initiatives implemented is not enough.

To be perceived as a genuinely socially responsible organization at least the Strategic CSR approach (the one that starts from the core of the business) must be adapted. In more mature organizations the Systemic CSR approach that assumes designing new business models with CSR in its DNA should be considered. In case of such corporate social responsibility practices, trust and further corporate social capital will be developed or created as presented in

Figure 1. What is more, following the Herreros' (2004) approach claiming that social capital can be a source of more social capital and the Woolcock's (2001) perception of trust as an outcome of social capital that comes with time, we can assume that the social capital will create more trust. This trust will develop a more optimal ecosystem for the CSR strategy creation and implementation in a systemic manner.



**Figure 1.** The role of CSR strategy in trust and social capital creation

Referring to the NBS (2014) corporate social capital three dimensions (social networks, trust and reciprocity, shared norms and value), it should be highlighted that trust is the foundation of social capital. The internal and external relationship based on trust is the starting point of organizations' network development or shared norms and values agreement and effective communication.

In authors' opinion, the strategic or systemic CSR approach proposed by Visser (2010) is a serious investment, but the return investment can be high. In the knowledge economy, the human and social capitals are the most difficult to obtain but also the most valuable ones. It is the core of value creation and the "must have" factor for business with a long-term orientation.

To sum up, the purpose of this study was to explore the relationship between social capital, corporate social capital and corporate social responsibility and trust in business. The authors looked at the CSR concept from the perspective of trust and social capital creation, which nowadays are perceived as the key success and competitive advantage factors. The main conclusion is that the large majority of studies show the relevance of these concepts. This line of research is obviously important given the current low levels of trust. More investigation is needed to elucidate the ways in which trust can be fostered.

## References

- Ackerman, R., & Bauer, R. (1976). *Corporate Social Responsiveness: The Modern Dilemma*. VA: Reston.
- Antoni, G. D., & Portale, E. (2011). The effect of corporate social responsibility on social capital creation in social cooperatives. *Nonprofit and Voluntary Sector Quarterly*, 40(3), 566-582.

- Arrow, K. (1972). Gifts and exchanges. *Philosophy and Public Affairs*, 1(4), 343-362.
- Bachmann, R., & Inkpen, A.C. (2011). Understanding institutional-based trust building processes in inter-organizational relationships. *Organization Studies*, 32(2), 281-301.
- Berzina, K. (2011). Enterprise related social capital: Different levels of social capital accumulation. *Economics & Sociology*, 4(2), 66-83.
- Bourdieu, P. (1986). The forms of capital. In J.G. Richardson (Ed.), *Handbook of Theory and Research for the Sociology of Education*. Westport, CT: Greenwood Press.
- Bowen, H. R., (1953). *Societal Responsibilities of Businessman*. New York: Harper&Row.
- Bowey, J. L., & Easton, G. (2007). Net social capital processes. *Journal of Business and Industrial Marketing*, 22(3), 171-177.
- Bueno, E., Salmador, M.P., & Rodríguez, O. (2004). The role of social capital in today's economy: Empirical evidence and proposal of a new model of intellectual capital. *Journal of Intellectual Capital*, 5(4), 556-574.
- Carroll, A.B. (1979). A three-dimensional conceptual model of corporate performance. *Academy of Management Review*, 4(4), 497-505.
- Chakraborty, S. K., Verghese, K., Singh, J., Mrityunjay, A., Aga, A., & Gupta, A., K., (2004). Management paradigms beyond profit maximization. *The Journal of Decision Makers*, 29(3), 97-117.
- Cohen, D., & Prusak, L. (2001). *In Good Company. How Social Capital Makes Organizations Work*. Boston: Harvard Business School Press.
- Coleman, J. C. (1988). Social capital in the creation of human capital. *American Journal of Sociology*, 94, 95-120.
- Evans, W. R., Pane Haden, S. S., Clayton, R. W., & Novicevic, M. M. (2013). History of management thought about social responsibility. *Journal of Management History*, 19(1), 8 – 32.
- Fleming, P., & Jones, M.T. (2013). *The End of Corporate Social Responsibility: Crisis and Critique*. London: Sage.
- Fountain, J. E. (2004). *Building the Virtual State: Information Technology and Institutional Change*. Brookings Institution Press.
- Grootaert, C., & van Bastelaer, J. (2001). *Understanding and Measuring Social Capital: A Synthesis of Findings and Recommendations from the Social Capital Initiative*. Washington: World Bank.
- Grootaert, C., & van Bastelaer, J. (2002). *Understanding and Measuring Social Capital: A Multi-Disciplinary Tool for Practitioners*. Washington: World Bank.
- Halpern, D. (2005). *Social Capital*. Cambridge: Polity Press.
- Hanifan, L. J. (1916). The Rural School Community Centre. *Annals of the American Academy of Political and Social Sciences*, 67, 130-38.

- Hansen, S. D., Dunford, B. B., Boss, A. D., Boss, R. W., & Angermeier, I. (2011). Corporate social responsibility and the benefits of employee trust: A cross-disciplinary perspective. *Journal of Business Ethics*, 102(1), 29-45.
- Herreros, F. (2004). *The Problem of Forming Social Capital: Why Trust?* New York: Palgrave Macmillan.
- Idowu, S., O., & Papasolomou, I. (2007). Are the corporate social responsibility matters based on good intentions or false pretenses? An empirical study of the motivations behind the issuing of CSR reports by UK companies. *Corporate Governance*, 7(2), 136 – 147.
- Leenders, R. T. A. S., & Gabbay, S. M. (Eds.). (1999). *Corporate Social Capital and Liability*. Boston: Kluwer Academic Publishers.
- Mason, E.S. (1960). *The Corporation in Modern Society*. Cambridge: Harvard University Press.
- McWilliams, A., Siegel, D., & Wright, P., M. (2006). Corporate social responsibility: strategic implications. *Journal of Management Studies*, 43(1), 1-18.
- Nahapiet, J., & Ghoshal, S. (1998). Social capital, intellectual capital and the organizational advantage. *The Academy of Management Review*, 23(2), 242.
- NBS, (2104). *Measuring and valuing social capital. A Guide for Executives, Network for Business Sustainability South Africa*. Retrieved from <http://www.nbs.net/knowledge>
- Padlam, M. (2000). Social capital: One or many? Definition and measurement. *Journal of Economic Surveys*, 14(5), 629-653.
- Perreault, Jr, W. D., & McCarthy, E. J. (2002). *Basic Marketing: A Global-Managerial Approach*. Boston: McGraw-Hill Irwin.
- Perrini, F., & Castaldo, S. (2008). Editorial introduction: Corporate social responsibility and trust. *Business Ethics: A European Review*, 17(1), 1–2.
- Pirson, M., & Malhotra, D. (2008). Unconventional Insights for Managing Stakeholder Trust. *MIT Sloan Management Review*, 49, 43–50.
- Pivato, S., Misani, N., & Tencati, A. (2008). The impact of corporate social responsibility on consumer trust: The case of organic food. *Business Ethics: A European Review*, 17(1), 3–12.
- Porter, M. E., & Kramer, M. (2006). Strategy and Society: the link between competitive advantage and corporate social responsibility. *Harvard Business Review*, December.
- Putnam, R. (1993). *Making Democracy Work: Civic Traditions in Modern Italy*. New Jersey: Princeton University Press.
- Putnam, R.D. (2000). *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon and Schuster.
- Robbins, S., & Decenzo, D. (2001). *Fundamentals of Management*, 3<sup>rd</sup> ed. New York: Prentice-Hall, Upper Saddle River.
- Stanwick, P., A., & Stanwick, S., D. (1998). The relationship between corporate social performance and organizational size, financial performance and

- environmental performance: An empirical examination. *Journal of Business Ethics*, 17, 195–204.
- Staples, C. (2004). What does corporate social responsibility mean for charitable fundraising in the UK? *International Journal of non-Profit and Voluntary Sector Marketing*, 9(2), 154-158.
- Strand, R. (1983). A system paradigm of organizational adaptations to the social environment. *Academy of Management Review*, 8(1), 90–96.
- Ueda, K. (2010). The significance of social capital in modern enterprise management. *The Senshu Social Capital Review*, 1, 75-91.
- Uphoff, N. (2000). Understanding social capital: Learning from the analysis and experience of participation. In P. Dasgupta & I. Serageldin (Eds.). *Social Capital: A Multifaceted Perspective*. Washington, D.C.: World Bank.
- Van Marrewijk, M. (2003). Concepts and definitions of CSR and corporate sustainability: Between agency and communion. *Journal of Business Ethics*, 44, 95–105.
- Visser, W. (2010). The age of responsibility, CSR 2.0 and the New DNA of Business. *Journal of Business Systems, Governance and Ethics*, 5(3), 7.
- Vveinhardt, J., Andriukaitiene, R., & Cunha, L. M. (2014). Social capital as a cause and consequence of corporate social responsibility. *Transformations in Business & Economics*, 1(32A), 483-505.
- WEF (2015). The evolution of trust in business. From delivery to values. *World Economic Forum Leadership*. Retrieved from [http://www3.weforum.org/docs/WEF\\_EvolutionTrustBusinessDeliveryValues\\_report\\_2015.pdf](http://www3.weforum.org/docs/WEF_EvolutionTrustBusinessDeliveryValues_report_2015.pdf)
- Wood, D. (1991). Corporate social performance revisited. *Academy of Management Review*, 16(4), 691-718.
- Woolcock, M. (2001). The place of social capital in understanding social and economic outcomes. *Canadian Journal of Policy Research*, 2(1), 11-17.
- Wuthnow, R. (1998). *Loose Connections: Joining Together In America's Fragmented Communities*. Cambridge, MA: Harvard University Press.

## **Others**

- EC 2001, COM (2001) 366.
- EC 2011, COM (2011) 681.
- Edelman Trust Barometer 2017.
- Retrieved from <http://www.edelman.com/trust2017/>

## **Biographical notes**

**Justyna Berniak Woźny** – Ph.D., Institute of Management, Vice-Head of Management Programs at Vistula Universities. Vice-President of the Polish Economic Society (Krakow Office). MBA degree at Oxford Brookes University and Polish Open University. PhD degree at Leeds Metropolitan University in the field of Corporate Social Responsibility (CSR). Experienced lecturer and business trainer in marketing communication and CSR. Author of many training and study programs in traditional (f2f) and e-learning mode of delivery. Her current research interests range across Business Ethics, Corporate Social Responsibility (mostly from the marketing and HR perspective), University Social Responsibility and Business Education for Sustainability.

**Daniela C. Wilks**, Ph.D., is a psychologist by training holding degrees from Universidade do Porto, MA from Okayama University and PhD from the University of Sheffield. She is currently associate professor at Universidade Europeia – Laureate International Universities in Lisbon. She has taught for many years Business ethics and Corporate Social Responsibility (CSR) and has carried out research on several topics in the field of Human Resources Management. During recent years her focus has been on Internal CSR.