

**SOCIAL RESPONSIBILITY AS A DETERMINANT
IN THE IMPROVEMENT OF ORGANIZATIONAL
COMPETITIVENESS (CASE STUDY)**

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A b s t r a c t

The level of involvement of Polish companies, especially micro, small and medium-sized ones, in their activities consistent with the concept of Corporate Social Responsibility is relatively small. On the one hand, it may be due to poor knowledge concerning this subject, especially about the benefits that derive from it, and what can be achieved (e.g. improved image, increased competitiveness, the ability to innovate). On the other hand, there is a need to bear, particularly in the beginning, the necessary costs, and this reimbursement is not immediately felt by the company.

The aim of this article is to present a way of implementing the concept of Corporate Social Responsibility and its impact on improving the competitiveness of the audited company. The analysis was carried out at the largest wood processing plant in the Opole region.

**ODPOWIEDZIALNOŚĆ SPOŁECZNA JAKO CZYNNIK POPRAWY
KONKURENCYJNOŚCI ORGANIZACJI (STUDIUM PRZYPADKU)**

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Słowa kluczowe: odpowiedzialność społeczna, przemysł tartaczny, konkurencyjność.

A b s t r a c t

Stopień zaangażowania polskich firm, zwłaszcza mikro, małych i średnich, w działalność zgodną z ideą odpowiedzialności społecznej przedsiębiorstw jest stosunkowo niewielki. Z jednej strony może to wynikać ze słabej znajomości tej koncepcji, a zwłaszcza korzyści jakie dzięki niej można osiągnąć

(m.in. poprawa wizerunku, wzrost konkurencyjności, możliwość wdrażania innowacji), a z drugiej z konieczności ponoszenia, zwłaszcza na początku, niezbędnych kosztów, których zwrot nie jest odczuwalny przez przedsiębiorstwo natychmiast.

Celem artykułu jest ukazanie sposobu wdrażania koncepcji odpowiedzialności społecznej przedsiębiorstw oraz jej wpływu na poprawę konkurencyjności badanej firmy. Analizę przeprowadzono w największym zakładzie przerobu drewna na Opolszczyźnie.

Introduction

The dynamic changes occurring in the world, resulting from technological, organizational, economic and social progress, indicate that corporate social responsibility is playing an increasingly important role in shaping the image of any organization that wants to enter the market, be competitive and influence sustainable socio-economic development. Polish enterprises are increasingly realizing that their activities should be based on durable, strong and transparent relationships not only with employees, suppliers, and investors, but also with customers, the community and the state administration. Hence, the concept of social responsibility is gaining more and more popularity and becoming an important part of strategic management. It plays a particularly important role in specific industries where, due to various conditions (for example the financial location of a company), it is more difficult to enter the market. One of them is the wood processing industry, and in particular sawmills, which are mostly characterized by an improper realization of mandatory EU standards (particularly in terms of ensuring proper working conditions and environmental protection), not to mention the actions expected or desired by the environment in which it operates.

This article describes the social responsibility of an organization in the sawmill industry of Poland. The primary objective is to recognize the need to implement the concept of social responsibility in the context of achieving by the company a competitive advantage with the example of a large sawmill plant located in the Opole region.

The term corporate social responsibility

The idea of corporate social responsibility (i.e. CRS) is a concept distinguished around the world. The basis of its doctrine is business ethics dating back to 1899 (BERNATT 2009, p. 23). It was established on the basis of two principles: charity and stewardship which generally promote certain obligations of business to the society in which it operates. Convergent Stakeholder Theory (WOŁOSZYN et al. 2012, p. 10) has also made a significant contribution.

It assumes a close correlation between the factors that determine the activities of the company and at the same time are in some way dependent on the company. In a modern sense, it appeared for the first time in the United States in the sixties, while in Europe in the mid-nineties (POLEK-DURAJ 2010, p. 241). In Polish enterprises, it is a phenomenon relatively less popular.

The main premise of CSR is the concept of enterprise as a consistent member of society. "CSR can be defined as a concept whereby companies integrate social and environmental concerns in their daily business operations and in their interaction with their stakeholders on a voluntary basis" (ŻEMI-GAŁA 2007, p. 11). According to the European Commission, social responsibility is an organization's voluntary acknowledgement of social and environmental issues in business, which are not obliged by binding legal requirements and do not arise from contracts. Therefore, it is a concept through which the company has already been mobilized from an early stage of building the management strategy to determine a stable and clear relationship with employees, investors, customers, suppliers and the local community. Responsibility in this regard is based on the assumption that (BERMAN et al. 1999, p. 206):

- an organization has a relationship with various stakeholders, who also decide on its functioning and are dependent on it,
- an analysis of the relationship is considered in terms of benefits, not only for the organization but also for stakeholders,
- each stakeholder's primary aim is to maximize their own benefit,
- decisions are a priority.

It should be borne in mind that being responsible is not only about the implementation of necessary requirements, without which the operation of enterprises would not be possible whatsoever, but primarily on the development and care for the human capital and creation of positive relations with the company's environment; since those elements significantly determine its value. Additionally, the impact of the business on the environment in which it operates plays a crucial role. Therefore, social responsibility points to a commitment from the organizations to take action in various areas (i.e. economic, legal, philanthropic, sociological and ecological) that are desired, expected or required by the society. At the same time, these areas are considered in two dimensions: internal (includes activities within the organization, e.g. in relation to the employees, by providing them with proper working conditions) and external (its range includes the attitude toward customers, investors, as well as the impact on the local community and on the natural environment). The enterprise's approach towards CRS may be either active or passive. This is conditioned on the degree of an organization's commitment in this field and objectives to be achieved. The passive approach, as opposed to active approach, is characterized by a lack of direct, detailed action which is focused on causing

certain effects. It is inextricably linked to the fact that corporate social responsibility plays a dual role. On the one hand, it assumes that organizations should bear the consequences of their actions, regardless of whether those actions are positive or negative, and on the other hand, it assumes that an essential element of an organization's proper functioning is responding to the needs of stakeholders within their environment.

The properly implemented concept of social responsibility generates significant benefits for the organization, society and the economy. The most significant profits shall be: creating a positive opinion of all stakeholders, improving the quality of working conditions, acquiring new customers and investors, developing human capital, improving the natural environment and increasing the competitiveness of companies on a global level while at the same time creating conditions for sustainable social and economic development (POLEK-DURAJ 2011, p. 242).

The level of an organization's involvement in social responsibility is determined by many factors. The most significant are the following – own competencies and prerogatives, capital, human and natural resources, stakeholders, cultural traditions and the social and ecological situation in which a particular organization operates.

Characteristics of the Polish wood processing industry

Despite its unusual specificity, the wood processing industry, resulting from factors both internal and external (e.g. improper working conditions, obsolete machines, lack of major foreign investment) plays an important role in the national economy. Its distinct role stems mainly from the fact that it operates on a natural, yet renewable, domestic raw material base. According to the Central Statistical Office of Poland – at the end of 2014 the forest area in Poland accounted for 9,196.9 thousand hectares, which corresponds to a forest cover of 29.4% and allows about 25–26 million m³ of wood per year to be obtained, while still maintaining other forest functions not related to production. Therefore, this branch of industry does not require a relatively large demand for energy needed to process the wood. At the same time, it has the opportunity to recover and recycle wood waste. These elements largely determine the ecological character of the wood processing industry, which is important in terms of achieving sustainable development.

Every year, Polish forests provide to the market a significant amount of raw wood material in the form of round wood. It is divided into several main groups of products purchased by separate branches of the wood industry, among which the sawmill industry dominates because it has the largest

quantitative share of timber purchases (about 38% of the total harvest). The majority of the revenue from timber sales is collected by the State, particularly by the State Forests National Forest Holding organization (at more than 50%). Of significant importance is the relatively high dynamics of the marketed timber production and the average employment (Tab. 1, Tab. 2), despite many unfavorable factors.

Table 1
Dynamics of marketed timber production in the wood processing industry in total between the years 2006–2014

Specification	2006	2007	2008	2009	2010	2011	2012	2013	2014
Industry in total	111.2	111.2	104.4	95.5	109.0	107.5	100.5	101.8	104.1
Industrial processing	112.8	112.4	104.0	96.1	109.9	108.7	100.7	101.9	105.5
Wood processing industry	106.7	113.7	101.2	94.5	107.6	103.0	102.5	103.4	109.7

Previous year = 100%, fixed prices

Source: own elaboration on the basis of data from the Central Statistical Office of Poland.

Table 2
The average employment dynamics in the wood processing industry in total between the years 2006–2014

Specification	2006	2007	2008	2009	2010	2011	2012	2013	2014
Industry in total	101.8	104.7	102.8	94.3	98.9	100.7	98.5	92.8	101.9
Industrial processing	102.5	105.7	103.2	93.0	98.6	101.0	98.5	98.6	94.8
Wood processing industry	103.7	107.8	103.2	99.9	89.6	96.8	94.9	98.9	104.1

Previous year = 100%, fixed prices

Source: own elaboration on the basis of data from the Central Statistical Office of Poland.

The wood processing industry plays a special role since it is the primary recipient and at the same time the place of sawing timber, characterized by both large dimensions and surfaces. The products of the sawmill industry are an indispensable base for the production of other industries (e.g. construction sector, furniture industry). It is also worth noting that the by-products from sawmills are of great importance to the country's energy balance as they are a source of renewable energy. A characteristic feature of the Polish sawmill industry is an extensive location of plants, mostly in rural areas, with a relatively large group of entities, especially small mills characterized by small scales of production. These groups of mills are constantly changing. However, among all the branches of the wood processing industry, it is the sawmill industry that is currently growing steadily and relatively intensely.

According to the National Business Registry, the number of entities operating in the industry after privatization first sharply decreased and then increased more than 12%, and for several years remained relatively stable (around 8,600–8,700). The actual number of sawmills operating in the market is oscillating stably between 1,200 and 1,400, with a basic core of 700 companies. Most of them are small factories; only about 3% of them employ more than 49 people, and a negligible proportion are large corporations. The Opole region has a relatively weak position in terms of the number of operators from this particular industry, and the number of companies is the lowest in the country.

The high functioning of the Polish wood processing industry in the market may be a little astonishing, especially because this branch of industry has been characterized by considerable economic and financial difficulties since the beginning of the transformation process. This was mainly caused by a complete reorganization of the sawmill industry in the second half of the nineteen nineties. Before that time, the market was dominated by approximately thirty powerful enterprises, which grouped a dozen wood processing plants in one voivodeship, and their centralized management did not allow for rational economics. Typically funds earned from profitable plants were directed to plants less profitable or even unprofitable, which did not bring visible benefits either party, because this did not increase production or capacity and did not introduce any required modernization. After the abolition of the centrally planned economy, enterprises from the wood processing industry were left unaided and failed to perform reforms and lift the burden of restructuring. In this situation, most of them found themselves on the verge of bankruptcy and the only rational choice was to close the plant. The free space in the market was then occupied by new businesses, especially small ones, using mainly existing production plants run by the timber industry and other rural production plants (e.g. the old brickyards). Their launching usually followed a few months of standstill when a substantial part of the property had already been auctioned or sold off, and the best employees had found new employers. Currently operating sawmills, in comparison to the period prior to privatization, are characterized by a limited volume of production in m³.

Apart from the changes that occurred, essential for the proper functioning of this sector were and still are high costs associated with the purchase of raw wood material. Currently, it is one of the fundamental problems of these manufacturing plants, since the generic raw materials are more than 55% of their costs. The main supplier of wood to the Polish market is State Forests National Forest Holding, who control 78% of harvested timber in the country, thus it has a significant effect on the structure of the wood market primarily by shaping the supply of material. Since 2006, the final price has been set on the

E-drewno portal, where the wood from forest districts across Poland is sold. In this form, the sale consists of three stages. In the first two stages, forest districts offer a particular type of wood with a fixed minimum price below which it cannot be sold. Then, entities place orders and offer a price. Here, while dividing the timber, the history of the purchase of raw material is taken into consideration, which means that the best chance for purchase is from plants operating for some time on the market who have already benefiting from this form of purchase. The situation is different in the third stage of the electronic auction, where one can buy timber that has not been sold yet. Here, the price is fixed during the auction and this determines who the buyer will be. Consequently, the price at the third stage is much higher than in the first and second stage, but anyone who wants to purchase timber, and has adequate resources, can do it. This adopted form favors one party more (e.g. companies operating in the market for many years), and others less (e.g. the newly established plants), but it is much better than previously, where producers had a specific allocation of wood at an arbitrary price, usually high, established by the State Forests National Forest Holding.

Polish sawmilling, despite its fairly good market situation, faces financial, organizational and technical problems. Often, the lack of adequate financial liquidity is the reason for the relatively low level of investment and modernization (including the improvements in material working conditions) in the industry. Simultaneously, it also has an impact on the poor level of commitment of the owners of wood processing plants in adopting the corporate social responsibility concept, especially in areas expected and desired by the society.

Whereas continuous organizational-technical problems stem from the number of threats to workers' health (including an unfriendly working environment, a lack of full mechanization of machining operations, as well as exploited and obsolete machines) and improper organization of work both by the employer and the employee. Furthermore, employers do not always give due importance to conduct training on health and safety risks, hazards in the workplace and those raising the need to use personal protective equipment.

It should be noted, however, that despite the various obstacles present in the sawmill industry, which generate its unusual characteristics, many manufacturers have been able to enter the market and successfully operate in it since 2000. There has also been some foreign investment, which positively impacted the image of sawmills in Poland and increased its profitability.

The impact of corporate social responsibility in terms of improvement of competitiveness in the sawmill industry (case study)

The degree of implementation of corporate social responsibility as mentioned before depends on many factors. In fact, in Polish reality, apart from the financial situation of the company, employee education and the promotion of corporate social responsibility plays a significant role, since the level of knowledge, despite making some attempts in this field, is unsatisfactory. Mainly, corporations with foreign capital are characterized by a good knowledge of the principles of social responsibility, which was confirmed by recent studies. Small and medium-sized plants only occasionally undertake social activities since the entrepreneurs often believe that the costs incurred in this regard are too high and ineffective. This belief is improper, because the costs incurred, although they will not be returned immediately, will in the long-run perspective bring a variety of benefits for the company, society and the economy.

The wood processing plant that was analyzed is located in the Opole Voivodeship. Before restructuring in 1997, the plant was liquidated and taken over by the joint stock company known as Opole Wood Industry OPDREW. This was created thanks to employees and other individuals with the participation of a strategic investor, and was a part of the Opole Wood Industry OPDREW with headquarters in Opole. As a result of the wrong decisions of the principal investor, the company remained in this form only until 2001, when it filed for bankruptcy. Plants belonging to OPDREW were put up for sale. In 2002, the plant was purchased by the Department of Wood Industry Sp. z o.o. Unfortunately, the sawmill was still facing many challenges, ranging from financial ones, resulting from a lack of adequate capital, through problems with obtaining raw timber, low quality of working conditions, a low level of employee involvement, problems with acquiring new favorable orders and the failure to create a positive image of the environment. These factors affected the company position in the market, which ceased to be competitive. Therefore, the company began to look for a strategic partner which would invest in the modernization of the sawmill, and thus support the industrial development of the region. In late 2006, the plant was purchased by an international Swedish – Finnish corporation, which is an integrated company engaged in the processing of raw material, the production of paper and industrial packaging and environmentally-friendly wood products; with the aim of satisfying customers, while maintaining safe conditions for employees, the environment and society. The corporation undertakes in all of its European plants various measures in terms of social responsibility, which significantly allows it to maintain a competitive position in the market.

After taking over this particular plant, the new firm firstly introduced measures required by European Union standards. These were introduced in four spheres:

1. The health and safety of workers (a formal employee safety policy has been implemented within the system of practical tools to ensure acceptable levels of risk, identification of threats and the prevention of occupational diseases and occupational diseases – this system is in line with international safety and health standards OHSAS 18001, BS 8800).

2. Environmental protection (introduction of an environmental policy as a formal document, moreover regular training in the field of the ISO 14000 series are systematically conducted).

3. Improvement of the quality of finished products (all finished products possess a verification system – Chain-of-Custody, thanks to which it is known that the wood comes from certified forests).

4. Consumer protection (the plant has implemented a security system for finished products).

It should be borne in mind that the actions in the first two areas have a significant impact on the quality of social objectives. Moreover, attention was given to the professional development of both managers and employees, as the motto of the corporation is that investment in buildings and equipment does not bring the expected benefits if it is not accompanied by adequate investment in employee education and training. The staff undertakes training in various fields, among others those related to methods of shaping workstations, cost accounting, production planning and control, quality management, communication and employee management.

In addition, the plant has carried out various types of entrepreneurial activities in terms of other non-mandatory activities in order to function following the social responsibility concept. The most important issues were the implementation, firstly in an informal form, a code of ethical conduct of business (trainings were carried out for both superiors and subordinates) and social commitment by supporting the local community (e.g. financial support for schools, sport competitions, cultural events, and the construction of a sports hall).

In this particular plant, surveys were conducted twice and the analysis of statistical data in the field of workplace hazards, accidents, the number of product recipients, employee productivity and efficiency were performed. The purpose of the survey was to acquire the respondents' opinions about the working conditions, their motivation, their involvement and their perception of the organizational culture. The survey was conducted in April of 2004 and in December of 2014. The first survey was completed by 65 people, which accounted for 54% of the entire crew, while the second survey was completed

by 85 people, and accounted for 50.3% of the crew. In both cases the respondents were randomly selected.

Based on the analysis of surveys and statistical data, it can be concluded that significant changes have occurred with regards to the organization and its crew since the introduction of new rules of operation at the beginning of 2007. Among the favorable changes are the following:

- a decrease in the number of accidents at work (in 2007 – 10 accidents, 2008 – 6, 2009 – 8, 2010 – 5, 2011 – 4, 2012-2013 – 0, 2014 – 1);
- improvement of working conditions (modernization of machinery and tools, systematic training on occupational hazards, abiding by the established working hours, provision of personal protective equipment to employees and awareness of the need for their use);
- increased employee motivation and engagement, and hence their productivity;
- higher level of organizational culture;
- improvement of interpersonal relations between superiors and subordinates;
- increase in the efficiency of business activity (increase in raw materials purchased by 190%, which increased the abrasion by 150% – compared to 2007);
- improved image of the company (social activities for the local community e.g. financing of the construction of a sports hall – 100,000 zł);
- better domestic and foreign market competitiveness (increase in sales of lumber by 129% – compared to 2007);
- acquiring new customers (e.g. gaining Chinese buyers – export of wood) and the deepening of loyalty (preferential terms of sale for permanent long-term customers).

In addition, it can be concluded that the management and staff of this company, through appropriate and regular training and good information flow, are well aware of the concept of corporate social responsibility and its positive aspects. A major role was played by the experience of a foreign investor who has been successful in its other European plants operating in accordance with this concept for many years.

Summary

The implementation of the concept of social responsibility in enterprises is becoming more and more popular, and at the same time necessary. It takes institutionalized forms, both in the individual EU countries, and in the structures of the European Community, becoming a worldwide trend. CSR

measures have become a strategic area and a priority in the political agenda, because taking actions in this field are an indispensable element of any organization that wants to be competitive in domestic and foreign markets. By shaping appropriate attitudes in all areas of social responsibility, organizations are more flexible and they perform better in the constantly changing market and often undertake new challenges.

On the basis of the analysis of this wood processing plant, it may be concluded that the operation according to the concept of corporate social responsibility brings significant benefits for the organization, employees and the environment in which it operates. An improved competitiveness on the global level is confirmation of the above statement and that is especially important in the sawmill industry. The sawmill presented here may be a good example for other wood processing plants that want to be competitive in the market and act in accordance with the concept of sustainable socio – economic development.

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