

# Corporate Social Responsibility of European Retail Chains in Poland

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## *Abstract*

*The article reviews the core conceptual aspects of the corporate social responsibility as a principle of business viability, and then focuses on the relevant practices adopted by major international retail chains operating on the Polish market.*

*The empirical background consists of fact-based accounts, drawn from either corporate websites or retail companies' reports, with a view to generating a kaleidoscopic "rich picture" of current practices.*

*The main conclusions include: the sharp increase in public's and authorities' sensitivity towards social responsibility in business, the switch from external pressure to self-commitment of retail companies in pursuing relevant actions, and the concern towards fitting measures taken in this respect into corporate strategies, also adapting them to peculiarities of Polish market.*

**Keywords:** *corporate social responsibility, retail trade, international retail chains, practices, Poland.*

**JEL classification:** L81, M14.

## **Introduction**

In Poland, the concept of CSR was not very well-known in the early years of its transition towards the market economy. There were primarily foreign companies which introduced the respective idea, including retail multinationals which have been steadily developing on this market ever since the mid-1990s.

CSR started to draw attention after World War II, when mass production was causing more and more additional costs – pollution, waste etc. This kind of concerns led to exogenous conditioning being imposed onto firms by the state, customers and the public at large (Lindgreen, Swaen & Maon, 2009), and further evolved into an endogenous strategic driver of sustainable competitive advantage (Porter & Kramer, 2006). At macro-level, CSR is increasingly recognized as an ingredient of the sustainable economy (Herrmann, 2004); it can also be viewed as companies' response to the changes in the business environment: consumer expectations, competitor actions, globalization, pollution etc. (Aguilera et al., 2007).

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The main research propositions contained in this article are as follows:

- the current market position of retail companies significantly determines their engagement towards CSR;
- the CSR strategies of retail multinationals in Poland are in line with their global strategies, though the implementation methods are adapted to the specific situation of each operating market.

The analysis is confined to selected direct sales companies and Carrefour; these companies were selected due to the higher maturity degree of their CSR activities and the availability of reliable data. In line with the method proposed by Moreno & Capriotti (2009), fact-based evidence were drawn from websites of their headquarters and Polish branches, and further corroborated with author's personal experience with the respective companies. Reference is also made to how CSR commitments and practices are tackled in business reporting.

This article is structured as follows: in the next section, the literature tackling the evolutionary path in conceptualising CSR is reviewed; sections 3 and 4 are concerned with operationalising the CSR concept in the retail business, the former discussing the respective issue from a sectoral perspective, while the latter focuses on concrete practices and experiences encountered on the Polish retail market, with a view to international retail chains. The final section concludes.

## **1. The concept of corporate social responsibility**

The origin of CSR concept dates back to the 1960s. Over the years, a variety of approaches of this concept have been formed. One may point out three main streams of analysis: Bowen's school, M. Friedman's school, and the modern school - the managerial approach - which combines the previous ones and focuses on the relationship with stakeholders.

Bowen (1953) pointed out that business, by the fact that it functions, is responsible towards society. Bowen and his adepts introduced the model and definitions underlying CSR as a concept, in which business has the responsibility to serve society in a pro-active manner (Freeman, 1984).

By contrast, M. Friedman's school took a minimalist view on CSR. It privileges companies' orientation towards profit and assumes that the only social responsibility of business is to earn as much money as possible for stakeholders; profit should be obtained in a legal, honest and ethical manner. (Friedman, 1962). As a promoter of free market play, M. Friedman is critical towards non-market organizations, arguing that these entities are likely to induce disruptions in the functioning of market mechanisms, which are a guarantee of freedom of the individual, his right to ownership, and undermine the basic criteria of assessing the functioning of companies and debilitating the main purpose of their operations, which is the attainment of profit (Friedman, 1970). M. Friedman believes that altruism, favored by Bowen, should be peculiar to the government, the social security system and individuals.

In turn, P. Drucker indicates that the cost of social programmes, which burden company budgets, may have a negative impact on their competitiveness and, as a result, lead to higher costs being placed on products (Drucker, 1973).

Porter & Kramer (2006) propose a "fundamentally new way to look at the relationship between business and society, that does not treat corporate growth and social welfare as a zero-sum game". They introduce a framework within which individual companies are supposed to:

- identify the social consequences of their actions;
- discover opportunities to benefit society and themselves by strengthening the competitive context in which they operate;
- determine what CSR initiatives they should address; and to find the most effective ways of doing so.

Over the years, the meaning attached to the CSR concept was gradually enriched, hence a growing number of definitions; for instance, Dahlsrud (2008) reported 37 such definitions. For the purposes of this article, it is worth quoting the one proposed by Hopkins (2004) that is particularly comprehensive and pragmatically oriented: "CSR is concerned with treating the stakeholders of the firm ethically or in a responsible manner. 'Ethically or responsible' means treating stakeholders in a manner deemed acceptable in civilized societies. Social includes economic responsibility. Stakeholders exist both within a firm and outside. The natural environment is a stakeholder. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for peoples both within and outside the corporation."

A distinction of practical relevance is the one between 'explicit' and 'implicit' CSR " (Matten & Moon, 2008), as shown in table 1:

**Table 1. 'Explicit' and 'implicit' CSR compared**

Features	Perspective of approach	
	Explicit CSR	Implicit CSR
Representation	Activities that give shape to companies' responsibility towards the interests of society	Companies' role within the wider institutional framework of the society
Manifestation	Policies, strategies and programs pursued by companies on a voluntary basis	Codified, mandatory requirements that operationalise values and norms companies should abide to
Motivation	Companies stakeholders' expectations regarding future incentives and opportunities	Consensual, legitimate expectations of the society regarding the roles of major societal actors, including companies

Source: adapted from Matten & Moon (2008)

Operationalising the CSR concept basically involves enacting dedicated practices, communicating with stakeholders, benchmarking and reporting. For such purposes, a referential based upon four key CSR dimensions was proposed by the "Business in the Community" network (BITC, 2003):

- market (customer and customer associations, suppliers and business partners);

- employees – how the company treats the employees (pay and working conditions, health checks and insurance, recruitment process);
- society (education, healthcare, quality of life);
- environment (reduction of waste and pollution).

Historically, according to Marten & Moon (2008), CSR practices emerged in the United States and took a rather explicit form, while European companies were slower in adopting such practices, but mostly in implicit form and within large business rather than SME's.

## 2. CSR in retailers' strategies

Challenged by fierce competition and higher client expectations, companies are searching for increasingly effective action, including in the field of CSR. "The corporations' competitive strategies should include - apart from specific goals such as market share, product differentiation or smart promotion - the goal of harmonizing stakeholder expectations. In this context, the commitment to social responsibility becomes an important pillar in gaining the partners' and the public's confidence..." (Miron, Petcu & Sobolevski, 2011).

The social responsibility of retail trade is an important aspect in its functioning, due to the type of operation involved, which entails close contact with the client who, in turn, is positioned, in his "natural environment". Both the scope and size of CSR in the retail business evolved in line with the change of situation in the sector itself, as well as in its wider context. The most important factors concerning these changes are:

- the growing significance of retail trade companies in terms of distribution, increased competition in trade
- client expectations;
- greater social awareness.

Under fragmented market conditions, the social responsibility of retailers were limited to supplying clients with the goods they expected (Hutt & Burnett, 1982). The retailer was perceived as an agent acting in the interest of the buyer. The guarantee of service quality was the direct contact between clients and shop owners.

The emergence of department stores (in mid 20<sup>th</sup> century), followed by other forms of mass merchandisers (supermarkets, discount stores, hypermarkets and "category killers"), triggered the introduction of specific standards such as return-of-goods guarantees or principles such as "guaranteed lowest price" or "satisfaction or money-back guarantee". However, nowadays this is no longer enough. Consumers (or organizations representing them) put social pressure on retailers to supply only what is good for the purchaser. The concept of "good" is comprehensive: it means the supply of products which are safe in terms of the purchaser's health, but also environmentally friendly; it also means ensuring that the process of rendering services does not devastate or destroy the natural environment.

Hollander (2002) noted that contemporary retailers not only offer products, but may also be the creators of a specific style of life; for example, the American outlets 'The Gap' or 'The Limited' tell their consumers, in part, what they should wear and, in part, characterise their buyers. The role of trade in creating a certain lifestyle is becoming ever more significant. Mass retailers are not only "gatekeepers" who barricade entry on the market by unwanted goods, but they also constantly increase their impact on what is to appear on the market by offering goods carrying their own brand.

This trend means that, more and more often, retailers manage supply chains, for which they become responsible. This leads to their implementing social responsibility standards which they elaborate themselves in the supply chains; they also monitor compliance with these standards. Another aspect of this responsibility is the ethics standards on cooperation with the supplier, who is frequently a weaker market partner; these standards would be favorable to both parties in the exchange process. Their application favors the forging of long-term relationships with manufacturers; this is an important factor in the creation of permanent competitive edge by retail companies (Śmigielska, 2009).

An important role in creating a given style of life is currently carried out by shopping centres, which are also places where various types of services are offered, e.g. cultural services - for this reason they are referred to as shopping and leisure centres. Hollander (2002) compares the role of these contemporary centres to that of the old outdoor marketplace (the local market). He notes that these fulfill important social and recreational functions, at least for some market segments. Frequently they are the place where young people gather in search of casual meetings or who go to concerts and cinemas.

The retail trade remains an important employer, despite the tendency to replace the traditional methods by self-service and progressive computerisation, since work in this sector is frequently perceived as not requiring higher qualifications. For this reason, trade is responsible for recruiting employees, motivating them, creating the right work atmosphere and organising training sessions. The application by retailers of CSR principles towards their employees, under conditions of stiff market rivalry, is directly responsible for making them more competitive, which favors their popularity.

The outcome of retail structure development is more shops and larger shops. The location of retail outlets (particularly premises with large surface areas, which often look like commercial centres) may significantly impact the functioning of local communities. Companies which are guided by the principles of CSR should ensure that they are located in premises which are well adapted to the current structure, not disfiguring the surroundings and whose operation does not lead to greater noise or communication difficulties.

Rapid economic growth in the latter half of the 20<sup>th</sup> century brought with it negative effects in the form of devastation to the natural environment. Many social organisations and movements were founded and they started bringing pressure to bear on government policy, prompting the introduction of provisions on

environmental protection, as well as provisions concerning companies, including retail enterprises.

The growth in social interest in this problem and its propagation through mass media led to retailers demonstrating more and more often socially responsible conduct, with the objective of being perceived as good “corporate citizens” (Gunther, 2006). As a result, trade outlets started putting into practice a range of activities supporting different organisations and campaigns in the form of sponsoring. Apart from nationwide activities, it is the local environment activities which play an important role, organised by one or several shops belonging to the network. The driving force for this approach is the willingness to build a positive image in the local environment. As noted by Middlemiss (2003), “CSR is taking centre stage to provide more sustainable long term brand value”.

CSR retailers' operations practice is the result of their tradition, steps taken by various pressure groups and the competition, the image-building strategy and measures adopted in response to current social problems. These not only help building a positive image for a given retail organisation (whose impact on profitability is difficult to measure) but also facilitate the creation of sustainable competitive edge (as e.g. relations with suppliers or employees), and may also constitute the basis for long-term company strategy. As Porter & Kramer (2006) noted, CSR may signify not only costs, obligations and charity work - it may also be an opportunity, innovation and source of competitive advantage.

### **3. The activities of retail multinationals in Poland in the context of their CSR global strategies**

This paper builds upon the findings of Luna Sotorrió & Fernández Sánchez (2008) that the region or country of the firm influences the level, components and motivation of its social behaviour, while "differences in CSR among different countries are due to a variety of longstanding, historically entrenched institutions" (Matten & Moon, 2008).

The development of CSR activities undertaken by foreign retail companies in the late 1990s in Poland is marked by the gradual embedding of CSR into their corporate strategies: foreign retailers that - in the early 1990s - were often less accountable in this respect are now - due to the vivid competition - imposing the social responsibility standards not only on their relationship with consumers and local communities, but also with suppliers, employees and general public (Śmigielska, 2012).

The direct sales system was one of the first new forms of retailing introduced in Poland as a result of foreign investment. Oriflame Poland Spółka z o.o. (a limited liability company), Amway, and Zepter International Poland started their distribution activities as early as in the early 1990s (Tajer, 1995). Their wide range of goods and high standards of service quality position them well on the unsaturated market. Those companies also faced problems - one of them, for example, resulting from the show of a film presenting the meeting of Amway

distributors; the company's organizational culture, not appealing to the Polish general public, had an adverse impact on Amway's image. Other critical remarks refer to the situations in which buying decisions are made on a sudden impulse, because clients are not able to make rational choices when pushed by salespeople who apply persuasive sales techniques. In this context, it was much appreciated that, in 1995, the Polish Direct Sales Association (PSSB - its members represent most of major companies operating in Poland) introduced the Direct Sales Code. The Code follows, to a large degree, its European (FEDSA) and world (WFDSA) counterparts.

The most important provisions of the Code include (Federation of European Direct Selling Associations, 2004):

- the salesperson is not allowed to apply confusing and unfair sales practices,
- demonstration of the offered product and necessary explanations should be thorough, especially with respect to its price, possible lending conditions and terms of payment, the consumer's right to withdraw from an agreement or to return the product, warranty conditions, post-sales servicing and terms of delivery,
- the company and its staff are obliged to include a notice in the order agreement, allowing the Consumer to withdraw from the agreement within 10 days of the date of concluding it, and to get a refund.

As regards salesperson-client relationships, the Code goes much further than the binding Act of 1 July 2000 in terms of certain consumer rights, and in the area of the consumer's right to return products, it guarantees the rights not offered in non-direct selling agreements.

The international direct selling companies introduced CSR activities on the Polish market. In connection with the nature of their activities, their positive image is an important source of competitiveness. For example, Amway stresses that social responsibility is not confined to social aid programmes (for instance, the "One by One" campaign offering assistance to children) and stated its commitment to become, by 2014, the world's leading sustainable direct selling company<sup>2</sup>.

Cosmetics companies competing on the Polish market - Avon Cosmetics Polska and Oriflame, have similar experience. Avon's global website features CRS activities under the "Corporate Citizenship" heading and further specifies the related key topics: Economics, Empowerment, Environment, Governance, People & Diversity, Philanthropy, Product Responsibility, Stakeholder Engagement, Supply Chain, Workplace & Safety<sup>3</sup>; in turn, the company's Polish website presents a detailed description of social programmes. They include two social campaigns: "Avon against breast cancer"<sup>4</sup>, focused on increasing awareness and preventive measures, and "Avon against violence"<sup>5</sup>, offering assistance to women

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<sup>2</sup> <http://www.amway.pl/en/about-amway/making-a-difference>

<sup>3</sup> <http://www.avoncompany.com/corporatecitizenship/corporateresponsibility/aboutthisreport/index.html>

<sup>4</sup> <http://www.avonfoundation.org/breast-cancer-crusade/>

<sup>5</sup> <http://www.avoncompany.com/corporatecitizenship/violenceagainstwomen.html>

who have experienced physical, psychological, economic and sexual violence<sup>6</sup>. Such activities target mainly women (the company's market segment) and comply with CSR global strategies.

Oriflame's Polish website<sup>7</sup> presents CSR issues as part of its code of ethics, which stresses cooperation with suppliers within the framework of Oriflame Supplier Code of Conduct, updated in 2011<sup>8</sup>, the safety of the products supplied, the company's friendly attitude to the environment and assistance offered to children under Oriflame Poland Foundation for Helping Children. As part of the activities carried out by the Foundation established in 1999, a number of projects have been implemented, including "Bring back childhood" (2004-2005), "We care about health" (since 2006), and since 2008 - "KuKu", aimed to offer help to children from foster families and family children's homes. Activities conducted in Poland are part of the global strategy of Oriflame – a cofounder of World Childhood Foundation. The presented examples indicate that international direct selling companies introduce the basic concepts of their CRS strategies on the Polish market, creating certain patterns of such practices. It should be noted, however, that CSR instruments are introduced several years after starting their Polish operations. On the basis of information obtained from companies, it may also be stated that the concept of CSR in Poland is often confined to social campaigns, while no attention is given to the other dimensions, including product safety, ethical behaviour towards customers and suppliers (although information on such issues is available on company websites).

Carrefour, a leader of huge distribution in Europe, the world's second largest company and seventh largest employer, also has a significant position on the Polish market. It may be distinguished among other companies as the one which emphasizes CSR<sup>9</sup> activities, which is reflected in its mission statement. The mission stresses the policy of sustainable development based on the "harmonized and simultaneous development in three areas: economic development, environmental protection and social development". In practice, this policy is implemented through the company's engagement in CSR activities.

Carrefour uses to group CSR-related activities into three clusters: social CSR, ecological CSR and systemic CSR. In Poland, social CSR was mainly represented by the programme "Wings"<sup>10</sup> (2007-2010), focused on equal opportunities for all children through supporting children from the poorest families. It is organized by the directors of local hypermarkets. Activities have also been continued to offer help to blind shoppers and cooperate with the CZE-NE-KA group as well as to support the activities of the Food Bank. New initiatives include educational programmes: „Reach your destination safely by bike”, or ”Be trendy, set an example for others” - the sales of shopping bags with fluorescent lights.

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<sup>6</sup> <http://www.wielkakampaniazycia.pl/>, <http://www.avonpolska.pl/akp/03.html>

<sup>7</sup> <http://pl.oriflame.com/>

<sup>8</sup> <http://corporate.oriflame.com/SUSTAINABILITY/People/Suppliers/>

<sup>9</sup> <http://www.csrglobe.com/login/companies/carrefour.html>

<sup>10</sup> <http://www.eurofresh-distribution.com/uk/default.asp?page=4&xid=1004>

Carrefour Polska's ecological CSR focuses on ecological packaging, energy saving and the promotion of pro-ecological attitudes, especially among the youth.

Systemic CRS concentrates on two major areas: human capital management and activating the disabled. Carrefour stresses that it offers job opportunities to people who might have difficulties in finding jobs, women, people without education or extended work experience, and people who have been unemployed for a long time. Staff is offered professional trainings (several thousand participants in 2007) and attractive social packages.

A number of projects have been implemented jointly with other organizations, including Caritas Polska, the Polish Humanitarian Action, the Foundation "Our Earth", the Polish Organization of the Employers of the Disabled, schools, etc.

All those programmes comply with Carrefour group's major CSR activities, while the way in which they are implemented is adjusted to customers' individual needs and the specificity of the Polish market.

### **Conclusions**

Fierce competition in retailing requires companies operating in this sector, especially those participating in global competition, to adopt CSR strategies. Many of those activities strengthen companies' competitive position; expenses in this area may be treated as investment outlays – not costs. The concept of CSR is also based on the dissemination of information regarding undertaken programmes.

In Poland, the development of CSR practices in retail trade goes back to the late 1990s. A number of companies, especially foreign retailers, use their websites to communicate information on the undertaken projects. Unfortunately, only in few cases does such information have a form of well-structured reports, and, in corporate regular reports, CSR projects are sometimes mentioned under different headings, such as relationships with suppliers, promoting Poland abroad, or HR-related issues.

Interestingly, many Polish companies which engage in such activities do not find it necessary to communicate it to the public and do not use to respond to questions pertaining to this area. This indicates that there is no sufficient awareness of the CSR concept and its benefits. This situation makes any systematic research on the subject difficult. On the other hand, the rapid changes in retailing and its increasing significance in Poland encourage to monitor current development and undertake further analyses.

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