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KNOWLEDGE – ECONOMY – SOCIETY

DILEMMAS OF THE CONTEMPORARY MANAGEMENT

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Chapter 30

Corporate Community Involvement – Agency Perspective

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1. Introduction

The increase of western society's wealth as well as their governments' inability to resolve social and welfare issues have caused a growing interest in what the companies are doing apart from their services, production or distribution. What has been attracting most attention so far are the negative externalities and unethical business practices.

Therefore external stakeholders are focusing on companies, just like previously clients have been focusing on issues of quality, service and price and are beginning to raise the level of expected standards. They don't want to simply give clearance for the financial results. They also want to hold the companies accountable for social results¹.

The article's aim is to set the theoretical and empirical grounds for applications of companies' social actions. Various forms in which companies achieve their social goals will be analyzed, along with the institutions that are responsible for the execution of these goals as well as pros and cons of particular solutions.

One of those forms are corporate foundations. Their growing number in recent years may be related to the common acknowledgment of the role that companies play in the process of social changes. The creation of corporate foundations is an expression of the companies' strategic approach to social and philanthropic actions and giving them an institutional framework that should contribute to the company's success².

2. Theoretical premises for corporate community involvement

The number of different concepts and views on whom the company should serve is at least equivalent to the number of management theories. Their evolution goes from emphasizing exclu-

¹ G. Parston [in:] *The organization of the Future*, F. Hesselbein, M. Goldsmith, R. Beckhard, San Francisco, Jossey-Bass Inc., January 1997.

² *Fundacje korporacyjne w Polsce – raport z badań*, Projekt CEENERGI Polska, 2009, www.forumdarzcyncow.pl.

sively the interests of owners to including the interests of all groups of stakeholders in everyday company actions.

The European concept of ownership rights clearly links the right to own things, manage and profit from them with such a way of doing so, that does not endanger the interests of the society as a whole. Thus the owner is not only granted with rights but also embarked with obligations.

Exercising the rights of ownership creates externalities which also affect third parties and while positive externalities created outside the market and legal system are not controversial, the negative ones like environmental pollution or natural resources exploitation are the source of many controversies and protests in the society.

Not all legal regulations restricting ownership rights and forcing the owner to internalize the externalities are effective. There is a growing counteractive influence that organized groups of owners are able to exert in their surroundings. This has to be taken into account while spelling out the company strategy. Not doing so may hurt the company in the long run³.

At the end of the 19th century a new theory began to perceive the company as a social entity. It's main statement was that from a wider perspective, the large scale of companies activities along with the needed capital and professional management team is making the company look more like an association of investors rather than specific owners. Furthermore, the quality of the company's action decides on the fate of the employees, suppliers, clients and other citizens. Thus the company should fulfill specific expectations of the society such as: care for the employees, honesty and social justice. In other words the company should achieve social goals apart from economical ones⁴.

Perceiving the company as a social entity has later on evolved into the stakeholders theory. Although this theory has also been evolving in the past decades, the basis has remained the same. It perceives the company as a system of stakeholders, each of whom has specific expectations towards the company. Stakeholders are all those groups of people, who affect the achievement of company's goals or remain under it's influence. These groups are: shareholders, employees, influential groups, government, unions, competition, clients, suppliers, cooperation partners, local society, etc.⁵. The stakeholder theory highlights that proper management of contacts with stakeholders allows the company to achieve its goals. Due to huge differentiation among companies the meaning of particular stakeholder groups will vary. Thus it is up to the wisdom, experience and prudence of the managing team to decide whose expectations will be fulfilled, in what order and to what extent⁶.

The most fundamental, or first level stakeholder is the local society along with various forms of its organization like local governments or NGO's. Without proper relationships with these stakeholders, the company cannot survive nor expand.

³ D. Cogman, J.M. Oppenheim, *Kontrowersyjny biznes dla społecznie odpowiedzialnych*, "Trzeci Sektor" 2008, nr 13, p. 76.

⁴ W.T. Allen, *Our Schizophrenic Conception of the Business Corporation*, "Cardozo Law Review" 2001, No. 14, pp. 261-281 after: J. Jeżak, *Ład korporacyjny. Doświadczenia światowe oraz kierunki rozwoju*, Wydawnictwo C.H. Beck, Warszawa 2010.

⁵ R.E. Freeman, D.L. Red, *Stockholders and Stakeholders: A New Perspective on Corporate Governance*, "California Management Review" 1983, No. 3, p. 91.

⁶ U. Gołaszewska-Kaczan, *Zaangażowanie społeczne przedsiębiorstwa*, Białystok 2009, p. 38.

Theoretical aspect that may explain the meaning of the term local society revolve around the term: community. It is one of the most basic sociological concepts, meaning a group of people sharing something in common or a local society.

There is a well known analysis conducted by G.A. Hillary, who reviewed 94 various community definitions and concluded that most of them include three elements: space, common connections and social interactions⁷.

Another approach to this term is represented by R.L. Waren, who considers community as a certain unity, composed of a combination of social entities and systems serving important social functions and having local relevance⁸.

For example, the function of mutual help or the function of social participation attached to the church, local associations, business and others. A very important characteristic is the so called horizontal community pattern. It refers to the structural and functional mutual linkages between various local entities including: churches, local businesses, associations, as well as values systems, norms and patterns that work towards the integration of people within the local community.

Linkages within a local community may be functional when appear after using the same network of services or organizations of social and cultural life. Some of the functional linkages may become economical linkages when the local people begin to perform transactions with each other via local organizations or with local organizations⁹.

In the Polish literature, among the most important findings one could point to the work of P. Starosta, who provides definitions of the local community¹⁰. It is a type of spatial and societal structure, constructed from:

- geographical territory outlining one gathering of people inhabiting that territory;
- systems of linkages, dependencies and institutions making the whole systems altogether integrated from within, which means that it is able to undertake common actions in resolving its problems;
- certain level of mental unity of the whole or part of local population with the spatial and societal structure yielding a significant cultural value.

Each company therefore enters with its activities into a society, introducing new technologies, employing workers and more or less consciously exerting influence on the surroundings.

There is also the opposite going on. The local society influences the company at each stage of development. The level of education in the region influences the quality of personnel, other entities in the region become cooperating partners and suppliers. The local society accepting the company and buying its products legitimizes its further development.

Various local groups may be empowered to proclaim their expectations. It may be rooted in the law, morality or real actions and may influence the company's behavior, paths of development, its operating processes and results of its actions¹¹.

⁷ G.A. Hillary, *Definition of Community: Areas of Agreement*, "Rural Sociology" 1955, No. 20.

⁸ R.L. Waren, *The Community in America*, Chicago 1972, p. 5.

⁹ H. Hallaman, *Neighborhoods their Place in Urban Life*, California 1984, pp. 13-15.

¹⁰ P. Starosta, *Poza metropolią*, Łódź 1995, pp. 31-32.

¹¹ G.T. Savage et al., *Strategies for Assessing and Managing Organizational Stakeholders*, "Academy of Management Executive" 1991, No. 5, pp. 61-75.

Members of the local community not only choose the government but also influence its decisions and attitude towards the company¹². Therefore the best solution is to "create a sense of common interest between the company and local people. The people must understand that the business should be profitable in order to keep going, and the company has to understand that its goal is to serve the needs of local people as good as possible"¹³.

Each company's basic mission is to participate in the social development, to provide welfare to the people, to achieve profit, a part of which should be directed to social needs and development of the country, to act in harmony with the society and people¹⁴. Companies have to manifest, that they deserve trust from the society. Local communities are amazingly quick in their responses to any signs of danger, be it environmental deprivation or interference with the spatial harmony. This type of reaction has to be considered as very positive and within the longterm interest of companies¹⁵.

Reassuring, it has to be concluded that understanding the role of company's stakeholders should lead to increased interest in social actions.

As a consequence of and on the basis of the stakeholders theory, the idea of corporate social responsibility has emerged. Corporate responsibility is described as a concept according to which the company willingly includes social interests, the environment as well as relationships with various stakeholder groups at the stage of strategy building. Thus a responsible corporation fulfills three basic tasks:

- promotes responsibility as the basis for the company's actions,
- improves the ways of presenting results to suit the needs of all stakeholders,
- supports the process of company improvement in ethical, ecological and economical aspects.

Social responsibility is a process, through which companies manage their relationships with various stakeholders, who may have actual influence on the success of the business. Therefore just like quality management they are considered an investment, and not a burden.

In the recent years the idea of sustainability is attracting a lot of attention. It was popularized in 1987 by the World Commission on Environment and Development. It is concept of conducting business activities, using the environment and organizing the social life in a manner, that enables a dynamic increase in quality of new production processes and management systems while maintaining high quality of life¹⁶. Consequently, the foundations of the sustainable growth mean that:

- the company's role is to create value and support economic development,
- growth and development of the company depends on how effectively it uses its resources,
- the company runs on the basis of good relationships with its surroundings, which are rooted in common interest¹⁷.

¹² M. Grzybowski, *Firma odpowiedzialna społecznie. Filozofia przedsiębiorstwa XXI wieku* [in:] *Spoleczna rola współczesnego marketingu. Materiały konferencyjne*, Fundacja INNOWACJA, Warszawa 2004, p. 40.

¹³ D. Bollier, *Mierzyć wyżej. Historie 25 firm, które osiągnęły sukces, łącząc skuteczne zarządzanie z realizacją misji społecznych*, Business Press, Warszawa 1999, p. 61.

¹⁴ *Zarządzanie z pasją, czyli rozmowy z Konosuke Matsushitą*, Wydawnictwo Forum, Poznań 2004, p. 45.

¹⁵ U. Kuciński, *Przestrzeń operacyjna firmy a jej otoczenie lokalne* [in:] *Lokalizacja przedsiębiorstwa a konkurencyjność*, Wydawnictwo SGH, Warszawa 2001, p. 34-35.

¹⁶ E. Kościński, *Koncepcja trwałego rozwoju jako możliwość przewyższenia doraźności* [in:] *Zrównoważony rozwój. Wybrane problemy teoretyczne i implementacja w świetle dokumentów Unii Europejskiej*, (red.) B. Poskrobko, S. Kozłowski, Komitet Człowiek i Środowisko przy prezydium PAN, Białystok-Warszawa 2005, p. 37.

¹⁷ J. Adamczyk, T. Nitkiewicz, *Programowanie zrównoważonego rozwoju przedsiębiorstw*, PWE, Warszawa 2007, pp. 92-93.

What attracts attention is the similarity between the corporate social responsibility concept and the sustainable growth concept. However the former is based mainly on transparency, dialogue with stakeholders, reporting to the society, while the latter is focused on value creation, environmental issues, human capital, etc.¹⁸. Therefore sustainable growth can be considered more as an overarching idea. In both concepts the community involvement of the company is a part of a greater whole, thus becoming a bridge between economical, ecological and social aspects.

3. Empirical premises for corporate community involvement

Figures and tables should be placed as close as possible to where they are cited. Figures and tables should be numbered separately and consecutively. The premises for corporate community involvement are based primarily on a conviction that it leads to: increased profits, team spirit among the employees and more customer loyalty¹⁹. These premises are purely psychological and ethical (philanthropy based on doing the society a favor), as well as focused on company profits (providing new instruments of competition)²⁰.

Research conducted by Donors Forum among Polish companies shows that the strongest “motivational factors for community involvement were: building brand image, moral obligations, conviction that one should help others, responding to social expectations, building client trust”²¹.

The above cited factors seem justified if we look at statistical data. In the year 2002 as many as 345 000 British citizens have bought a product or a service, with a social donation included in the price²². Research performed by Business in The Community Research International LTD shows that currently more than half of consumers decide to buy a product linked to a social goal²³.

Other research in the USA shows that 2/3 of respondents lay more trust in companies that conduct social activities and could switch their preferred brand to a brand associated with a good cause if other factors remained the same²⁴. Research conducted by Council of Foundations shows that increasing the company’s community involvement by 1 has led to an increase of company’s reputation by 0,27 in the case of production companies and 0,55 in the case of retail companies. Further on, an increase in reputation by 1 has led to an increase in customer loyalty by 0,42 for producers and 0,32 for retailers²⁵.

¹⁸ M. Van Marrewijk, *Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion*, “Journal of Business Ethics” 2003, No. 44, p. 101.

¹⁹ A. Millie, J. Jacobson, *Employee and the Special Constabulary: A Review for the Foundation*, The Police Foundation 2002, p. 6.

²⁰ A.M. Golewska-Stafiej, *Wstęp, czyli o czym jest ta książka [in:] PR a społeczne zaangażowanie biznesu, czyli jak budować relacje z grupami ważnymi dla firmy i realnie zmieniać świat na lepsze*, (red.) A.M. Golewska-Stafiej, Fundacja Komunikacji Społecznej, Warszawa 2004, p. 11.

²¹ *Zaangażowanie społeczne instytucji finansowych w Polsce. Raport z badań Forum Darczyńców*, Warszawa 2011, 19 kwietnia.

²² <http://www.ipsos-mori.com/>.

²³ I. Komuda, *Causa Related Marketing to pozytywne działanie na rynku*, “Magazyn Odpowiedzialnego Biznesu” 2002, nr 1, p. 25.

²⁴ *Cone/Roper Cause Related Trends Report: Evolution of Cause Branding*, Cone Inc., Boston 1999.

²⁵ *Measuring the business Value of corporate Philanthropy, Research report executive summary, for the Council on Foundations*, Walker Information Inc., October 2000.

Corporate community involvement is also a non-financial instrument for motivating employees. Various research on this subject shows that among others: voluntary service within the framework of social programs gives the employees a chance to develop their skills and they become more loyal towards their company, more willingly recommend their employer to others and are more devoted to their work²⁶.

According to the Social Investment Forum, in the year 2001, almost one in every 8 dollars invested in the USA has reinforced socially responsible enterprises²⁷.

Research performed by The McKinsey Quarterly among 4238 managers of 116 various countries, shows that a vast majority of managers (84% of respondents) is positive that in order to generate high ROI the company has to invest in the widely perceived public goods²⁸.

Respondents of the Center for Corporate Community Relations research would willingly give up on their cooperation with a company that did not manifest any concern for the public interest²⁹.

Would consumers rather choose the products of companies that are socially oriented? Rather definitely the public opinion is not indifferent towards companies that engage in social actions. I would like to point to the results of research conducted among more than 12 thousand consumers from 12 European countries. It was performed for CSR Europe by the MORI company (Market and Opinion Research International) in September 2000 and focused on the attitudes towards the role of business in today's society. Around 70 % of consumers confirmed the importance of community involvement in choosing a company's product or service and one out of five respondents declared the willingness to pay more for products manufactured in conditions pro ecological and pro social. It is worth mentioning that it was the first case of such complex research on product social responsibility in Europe³⁰.

Other research conducted among 23 thousand respondents from 23 countries shows that 60% of respondents evaluated the company according to its social input and 40% of respondents evaluated negatively those companies that do not act in accordance with the rules of social responsibility also more than 90% of respondents thought that business should not be focused solely on profit³¹.

Competing on the global market forces the companies to publish detailed social reports, undergo social and ethical auditing and adapt to emerging standards in this matter. Thus it can be said that an increase in the awareness of the society has forced the companies to change their management system. This change has proved beneficial in the economical aspect, which further reinforced strategies directed towards social dialogue with all stakeholders.

Currently most of the companies investing huge financial resources into social activities perceive it as inevitable costs of doing business and not as an investment into future benefits. This

²⁶ See U. Gołaszewska-Kaczan, *Zaangażowanie społeczne przedsiębiorstwa*, Wydawnictwo Uniwersytetu w Białymstoku, Białystok 2009, pp. 136-139.

²⁷ Social Investment Forum, *Report on Socially Responsible Investing Trends in the United States*, Washington DC 2001.

²⁸ *The McKinsey Global Survey of Business Executives: Business and Society*, "The McKinsey Quarterly" 2006, No. 2, pp. 33-39.

²⁹ R. Barnes, *Americans value business' philanthropic performance, study finds*, "The Chronicle of Philanthropy" 1995.

³⁰ <http://www.ipsos-mori.com/researchpublications.aspx>.

³¹ *Badanie Millennium Poll 1999* after: D. Cogman, J.M. Oppenheim, *Kontrowersyjny biznes dla społecznie odpowiedzialnych*, "Trzeci Sektor" 2008, lato, nr 13.

is especially important in controversial sectors such as: new technologies in biotech, medicine, agricultural production, private firms entering the educational sector, healthcare, insurance, entering developing markets, gambling, etc. Company activity in these fields evokes suspicion and public debate. To participate in such debates and influence their outcomes, the companies have to be perceived as acting in accordance with the rules of social responsibility³².

A mature business, especially a large one, has to understand its specific role in the today's economy. Its main task is to organize the work of the society, create foundations for productivity and technological growth, and foundations for the competitiveness and growth of the whole economy. As presented research results show, a company's attitude that is socially responsible may positively influence its perception by the environment and generate positive outcome in the longrun, there is strong dependence between this type of spending and consumer satisfaction, which leads to increased sales and profit³³.

4. Essence, levels, forms and types of corporate community involvement

CCI – corporate community involvement, also called corporate community investment refers to the company's engagement in social initiatives which is expressed through financial, material and human engagement into fulfilling the social and economical needs and expectations of the community that it operates in. This is more narrow than the term corporate social responsibility because it is narrowed down to just one stakeholder (group) – the local community or society in general. Participants of this stakeholder also belong to other groups of stakeholders (suppliers, clients, employees) therefore CCI actions impact those groups as well.

According to the World Economic Forum definition, CCI is the input that the company provides to the society as if it was its citizen through activities, social investments, charity programs and involvement in public reforms³⁴. It embraces various forms of activity but always within the framework of company's participation in resolving social problems regardless of the program or tools used, bringing benefits to the society and the company alike³⁵.

In the literature one could also find a term *corporate citizenship* that is associated with the company's links to the community. In my opinion the citizenship of a company is an idea that expresses the organization's internal value system through external actions. It is a manifestation of a social contract between the business and the society that emerges as a consequence of a debate on social matters between business, government, various social groups and NGO's. This debate is about the company's role in serving the public good. Therefore, I claim that corporate citizenship is an overarching idea and a bigger concept than corporate community involvement or even corporate social responsibility.

³² D. Cogman, J.M. Oppenheim, *op. cit.*

³³ L. Baruch, Ch. Petrovits, S. Radhakrishnan, *Is Doing Good Good for You? How Corporate Charitable Contributions Enhance Revenue Growth*, "Strategic Management Journal" 2010, No. 31, pp. 182-200.

³⁴ P. Łukasiuk, *Spoleczne zaangażowanie (CCI) a społeczna odpowiedzialność biznesu (CSR). Narzędzia CCI*, www.corporategiving.pl.

³⁵ *Odpowiedzialny biznes 2007. Raporty społeczne i innowacyjne strategie CSR. Materiały konferencyjne*, FOB, Warszawa 2007.

CCI can be perceived through the prism of power and its intensity. There are four levels of social involvement distinguished by B. Rok through the power criteria:

The first level embraces the so called obligatory actions that involve basic business activity. At this level mainly business goals predominate. The company manufactures products or provides services using local natural or human resources. The society benefits from access to these resources also other entities benefit via cooperation (*i.e.* public private) or the taxes paid. In the end it contributes to the development of the region.

Subsequent levels descend from the so called voluntary actions.

At the second level we are dealing with commercial undertakings performed in the social environment. They are planned actions aimed at providing commercial success and at the same time bringing benefits to the local community. They are rather one time initiatives and companies participate in them along with governmental and civil organizations. They contribute to the development of the region's infrastructure, employment growth and economic growth³⁶. At this stage also sponsoring begins, helping to promote the company. The second level is mainly about serving the business goals. The social goals have second place but they can become huge in size and range.

The third level is about investing in the local community. It refers to actions that the management team chooses and considers as significant to reinforcing the company's interests and reputation. These actions are about resolving certain social issues like raising environmental awareness, supporting education or health care. They do not bring direct profit to the company but provide future benefits in the form of healthy, educated and environmentally conscious society³⁷. At this level one can observe a relative balance between business goals and social goals.

The fourth level is the highest level in terms of community involvement and consists of philanthropic activities. "It is a responsible and efficient designation of private money to achieve social objectives. (...) it is increasingly becoming a strategic activity (...) it is aimed at resolving specific social issues with the use of advanced tools and specialized personnel"³⁸.

Very often this is done in collaboration with local government organizations and NGOs. In addition to financial resources companies offer their employees assistance (legal, accounting), as well as donations in kind. Philanthropic activities are voluntary and selfless, which is why business goals come are put into second place or not at all taken into account.

At each stage corporate community involvement takes different forms. The most popular among them are financial assistance, matching time, matching funds and pay-roll. Financial assistance consists of giving a donation for a specific purpose to a specific beneficiary, thus obtaining a possibility of tax deduction. There are however situations when donors do not specify the goal nor the manner in which money must be spent and run the risk of having that money spent against their primary intentions. That's why huge companies create foundations, which realize grant programs or pass donations and oversee the spending of financial resources. The company might also order specific service in non-profit organization and pay for them.

It should be noted that single donations of money by companies raise many controversies related in most cases to the justification for giving away shareholders' money by managers who have no competence in solving social problems.

³⁶ B. Rok, *System społecznej odpowiedzialności*, [in:] *Więcej niż zysk, czyli odpowiedzialny biznes. Programy, strategie, standardy*, (red.) B. Rok, Forum Odpowiedzialnego Biznesu, Warszawa 2001, p. 52.

³⁷ U. Gołaszewska-Kaczan, *op. cit.*, p. 102.

³⁸ M. Pękacka, *Wywiad z Magdaleną Pękacką Forum Darczyńców*, www.odpowiedzialnybiznes.pl.

As for the pay-roll, it relies on the voluntary declaration of employees, consisting in regular donations of small part of their wages to a chosen non-profit organization or a social program. Often the company doubles the amount collected by employees which is known as matching funds. In addition, the company can measure the time of employee work and pass its money equivalent for a specific purpose or to a chosen organization.

In Poland “participants of the Philanthropy Leaders competition have donated 81 771 133 Polish zloty in 2010. It’s more than 30 million more than the previous year when philanthropy expenditure dropped due to the crisis. This competition attracted 35 companies”³⁹. The results prove that financial involvement is the most preferred form of community involvement among companies.

Another form of community involvement is material help. It consists of giving products or lending free of charge infrastructure or equipment to other institution or persons in need. There are various benefits to the company from this form of social involvement. There is no need of engaging financial resources, the company can make use of its excess stocks that would expire otherwise, excess production capacities can also be engaged to help non-profit organizations at minimum costs. This form however is not very popular among companies due to the necessity of searching and monitoring the recipients so that the merchandise is properly used. Another problem is the need to pay the VAT tax by the donor and by the recipient to absorb the costs of transport and storage and the issues of time and quality.

Another form of corporate community involvement is providing free services to a chosen organization thus allowing a better use of the company’s own resources like employees, offices and machines. The disadvantage of this form is the lack of tax deductions in this matter.

Corporate volunteering on the other hand “consists of the commitment of the employees to participate in social activities for an NGO. The volunteering employees donate various types of work to persons in need, using their skills and talents, and at the same time developing new skills in different fields. The company supports the employee in such actions for example through the delegation of another employee in their working time or provision of logistical or financial backup”⁴⁰. As expressed by the company personnel sent to coordinate volunteering programs in Poland, there are various benefits to the company like:

- “building new relationships with social partners and strengthening the existing ones”;
- the possibility to take part in volunteering actions of business partners for example customers;
- reinforcing the company’s positive image among employees and raising the level of their identification with the company;
- better ambience at the workplace, “positive attitude of people towards each other, and the company is nothing but the people”;
- increase in motivation among employees;
- taking on the roles of company ambassadors by the employees in the local environment;
- integrating the employees of various regions and departments;
- acquiring new forms of competence development such as: the ability to coordinate projects, work in a team, communicate and give feedback on the effectiveness;

³⁹ *Liderzy filantropii 2011/ 5 lat konkursu, research results* – www.forumdarzcyncow.pl.

⁴⁰ B. Rok, *Odpowiedzialny biznes w nieodpowiedzialnym świecie*, Akademia Rozwoju Filantropii w Polsce i Forum Odpowiedzialnego Biznesu, Warszawa 2004, p. 51.

- increasing employee awareness of issues that are relevant to company value, corporate social responsibility and corporate community involvement;
- strengthening the company's image as a CSR leader;
- strengthening the image of the company as a good employer who creates a good ambience in the workplace and takes care of the employees development"⁴¹.

These benefits acquired by volunteering companies are difficult to overprice.

Corporate community involvement can have different range, strength and frequency. That's why we are speaking of various types of activities like: actions, social programs and campaigns. Actions are single or repeated social activities like: collecting funds for flood victims, they can form part of a bigger social program.

Social programs are usually planned and longterm activities aimed at counteracting negative social effects. Often they are performed in cooperation with other institutions like non-profit organization or local government. Social Campaigns on the other hand consist of participating and helping to organize social media campaigns regarding a a specific social program or promoting certain values and changing attitudes.

Within the framework of corporate community involvement there are also other activities that are difficult to qualify as belonging to a specific level or form like sponsoring or CRM (Cause Related Marketing). This difficulty comes from the commercial character of these activities which serve mainly business purposes and bring quantifiable benefits like better company image or increased sales and at the same time help to resolve socially relevant issues.

Sponsoring is a partnership agreement in which the sponsor provides the sponsored entity with financial measures necessary for achieving its goals in return for the commercial potential that goes with the sponsored entity and enables to promote the sponsoring company or its products. Becoming part of the initiative the sponsor acquires the effect of connotation with what the initiative represents and the positive image of the sponsored entity is being projected to the sponsor. The sponsors brand goes along with the actions and happenings of the sponsored institution. The benefits are therefore mutual.

D. Maison and N. Maliszewski, the authors of a chapter dedicated to CRM in the book "Good heart propaganda – a thing about social advertising" define cause related marketing as commercial activities performed by the company with the use of money, techniques and marketing strategies in order to support socially relevant causes and simultaneously strengthen the company's own business. In the authors' view, thanks to these types of activities the company promotes its own image in relevance to the cause it fights for, obtaining an increase in funding of that cause and at the same time gaining better image, product differentiation, consumer loyalty and increase in sales of its products⁴².

Another phenomena is social sponsoring or marketing alliance based on a conscious support of an institution or a social action in return for promoting the company's logo. The relationships between the company and the sponsored entity may have long-term character and build long-lasting relationships between them based on mutual benefits.

A popular phenomena in the USA is the so called corporate giving, which similar to patronage and therefore related to philanthropy. It consist of collecting donations be companies acting

⁴¹ *Wolontariat pracowniczy w Polsce. Przewodnik dla biznesu*, CSRinfo, Warszawa 2001, p. 14.

⁴² D. Maison, P. Wasilewski (red.), *Propaganda dobrych serc, czyli rzecz o reklamie społecznej*, Agencja Wasilewski, Kraków 2002.

with the idea of taking the responsibility for certain areas of social life. Their motive is to support socially useful undertakings that are made available totally free of charge.

The above presented characteristic of different types and forms of community involvement, although it does not completely exhaust them yet points to their variety and proves the need of their application.

5. Corporate foundations as a manifestation of a strategic approach to achieving the company's social goals

A corporate foundation is a separate identity established and financed by the company. Its goals is to undertake socially useful activities. It seems to be the most mature form of undertaking the company's social activities and thanks to stable corporate funding they are the most similar to the traditional foundation (described as an institution equipped by the founder with property designated to serve purposes established by the founder). Corporate foundations enjoy a stable and independent source of financing which enables them to develop longterm programs of community involvement. This characteristic makes them an important supporting factor for social initiatives⁴³.

Corporate foundations are perceived as a tool in fulfilling the ideas of strategic philanthropy. This idea is based on the possibility or even necessity from the longterm perspective, to support social initiatives in such a manner which ties charity with business goals like brand building, human capital management, reputation management, etc.

First of all establishing a foundation allows for a separate structure managing corporate charity and therefore is not a burden to employees, at the same time enjoying a "controlled independence" from the company's core activities. Secondly it allows for a more consistent strategy of community involvement. The third reason is the owners or founders personal motives. Finally the fourth cause is reputation and benefits associated with it.

In the Polish financial sector 15 out of 22 companies have corporate foundations⁴⁴. They are a corporate instrument used for conducting social activities. "The foundation is supposed to create the image of a bank, it is very important in the banking sector which "thrives on opinion" and social projects are supposed to build its prestige and act as institutions of social trust"⁴⁵. As indicated by the BI-NGO Index research 34 out of 500 firms – being 6.8% – have decided to establish a foundation.

Therefore I believe that corporate foundations in our country are becoming a significant group of organizations, being the effect of companies' thoughtful involvement in resolving our countries social problems. These entities allow the companies to build long-term strategies, carefully choose partners, acquire additional financing and make better use of available tax deductions and legal regulations.

Apart from that, the foundations perspective is long-term, they are financially independent from the company's goals and its financial situation. Therefore corporate foundations can allow themselves to experiment and discover new or less popular fields. They can be innovative, future

⁴³ *Fundacje korporacyjne w Polsce – raport z badań*, Projekt CEENERGI Polska 2009, www.forumdarczynow.pl.

⁴⁴ *Zaangażowanie społeczne instytucji finansowych w Polsce*, Warszawa, www.forumdarczynow.pl [19.04.2011].

⁴⁵ *FOB o fundacjach korporacyjnych*, www.odpowiedzialnybiznes.pl.

oriented, entrepreneurial and active without the excessive risk⁴⁶. They are also endowed with more social trust due to their non-market identity. Thus, in order to provide the best quality of their services, they can undertake more risks than commercial organizations.

It is worth considering what attributes a corporate foundation should have in order to for it to achieve the above mentioned and play a strategic role in implementing the corporate community involvement.

Based on literature studies one could distinguish the following factors, that should guarantee the success of a corporate foundation if they act simultaneously (Tab.1).

Table 1. Eight key succes factors – the strategic role of the corporate foundation in implementing corporate community involvement

Area	Corporate foundation attribute
Analyzing business and social needs	The company defined the ways in which implementing corporate community involvement by the foundation will support its business areas. The analysis of needs was performed for each area of foundations activities, including analysis of suport mechanisms.
Choosing a strategic area of social activities in connections to the company's market activity	The foundation acts on the basis of a strategy which specifies an area of activity for the foundations' program to focus on. The best solution is to choose an area that is somehow linked to the company's market activity.
Financing mechanism	The company creates the mechanisms for financing the foundation in the long-term.
The presence of employes in the foundations statutory bodies	Within the statutory bodies of the foundation there are company employes as well as people uninvolved with the company (such as experts or scientists) .
Variety of involvement forms	The foundation uses various forms of involvement, depending on the programs being enacted.
Corporate volunteering	Within the programs run by the foundation, mechanisms of employee involvement are constructed.
Evaluation of actions	The foundation evaluates the effectiveness of the conducted programs from the perspective of goals and social results. A similar evaluation is done by the company from the perspective of business field goals.
Effective communication with the environment	Key stakeholders have the possibility of knowing what the foundation is doing(<i>i.e.</i> reporting on the social activity, special part on the website dedicated to that field).

Source: CSR Consulting, based on *Revealing the Foundations – a guide to corporate foundations in England and Wales*, The Smart Company, 2006.

⁴⁶ M. Westhues, S. Einwiller, *Corporate Foundations: Their Role for Corporate Social Responsibility*, "Corporate Reputation Review" 2006, Vol. 9, No. 2, p. 146.

Before a company decides to establish a foundation, it is worthy to consider the key issues and dilemmas involved, such as:

- Will the foundation take on all of the company's social activities?
- Is the foundation the proper way of implementing the company's social programs?
- The degree of the foundations independence and relationship with the company (*i.e.* employees participation in foundations statutory bodies);
- Longterm financing form the company and/or from external sources;
- Strategi action plan including the choses social problem for the foundation to focus on;
- Transparent and effective management structure;
- Regular monitoring and measuring the results of conducted programs;
- Fair verification of intended effects from the social and business perspective⁴⁷.

Certainly among the corporate foundations operating in Poland one could find those, that in a very complex and effective way are successfully implementing social programs and could serve as example to the social sector.

Therefore in the authors view it would be advisable to create on the basis of case studies, a catalogue of good practices in the functioning of corporate foundations, that could serve as an example in the future.

6. Conclusion

A report published in 2005 by the World Bank in cooperation with the European Commission shows that more than in 2005 shows that more that 80% of investigated companies get involved in social projects and programs. The scale and sort of this involvement obviously differ but they have one thing in common – the willingness to implement programs that respond to the needs of local communities and bring social benefits⁴⁸.

Increasingly, the companies are looking for ideas on social activities that apart from social goals also support business areas such as company's reputation, employee motivation or even create new business opportunities⁴⁹. The consideration of business benefits gives corporate community involvement a more strategic character and – as western countries' many years of experience in this field show – positively influences the effectiveness of achieving social goals.

It is not easy to build an effective strategy for corporate community involvement. In this filed the companies are reaching for various tools and implementation mechanisms. Establishing a corporate foundation for conducting social programs is one of them.

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⁴⁷ *Fundacje korporacyjne...*, *op. cit.*

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