

ENTREPRENEURSHIP AND CORPORATE SOCIAL RESPONSIBILITY

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ABSTRACT

This paper examines corporate social responsibility (CSR) in modern entrepreneurship, focusing on its role in sustainable business development. CSR is defined as a voluntary commitment that integrates economic, social, and environmental objectives into business practice. The paper highlights the key CSR principles, sustainability, accountability, and transparency and their importance in responsible decision-making. The study also explores how entrepreneurship influences CSR implementation due to the specific characteristics of small, owner-managed firms. Entrepreneurs contribute to economic growth, innovation, and employment, while also affecting society and the environment. Their personal values and stakeholder relationships play an important role in shaping CSR practices. The findings indicate that CSR-oriented entrepreneurship improves stakeholder trust, reputation, and long-term competitiveness. Overall, CSR represents an essential framework that supports both business success and social well-being.

Key words: Social Responsibility, Entrepreneurship, Stakeholders, Ethical Business, Sustainable Development

INTRODUCTION

Corporate social responsibility is based on the concept that companies have an obligation to direct their business activities toward meeting the needs of their stakeholders and to engage in the process of creating value rather than wealth (Jamali and Mirshak, 2006). In contemporary societies, there are numerous reasons why companies must implement the concept of corporate social responsibility, among which the most important are (Spence, Gherib and Biwole, 2011):

- moral obligations, which arise from the fact that companies must demonstrate responsibility toward society and the environment in which they operate,
- sustainability, which must be directed toward environmental preservation and the advancement of society,
- licenses to operate, which represent the obligation of all companies to obtain explicit or implicit permissions from states, local communities, or various stakeholder groups in order to conduct business activities, and
- reputation, which companies use to enhance their image, strengthen their brand, and increase share value through the implementation of various corporate social responsibility activities.

Most companies, in the course of their operations, create significant social value in a variety of ways, such as job creation, improvement of working conditions, tax payments, engagement in environmental protection activities, and similar initiatives. In contemporary markets, an increasing number of companies attempt to generate social value through various activities related to corporate social responsibility. The application of the corporate social responsibility concept is increasingly less seen as a source of competitive advantage and is more often regarded as a mandatory element of all business operations.

Corporate social responsibility can be defined as the voluntary commitment of companies to contribute to sustainable economic development by integrating concern for society and the

environment into their business operations and interactions (Banerjee, 2008). It represents an obligation that companies undertake in order to improve social welfare through optional business activities and the resources at their disposal. One of the fundamental and most important characteristics of corporate social responsibility is its voluntary nature, as there is no legal regulation that obliges companies to implement activities in this area.

Most companies focus their corporate social responsibility activities on improving their brands and creating a positive image among consumers and the general public. Managers and company owners increasingly feel pressure from various stakeholders, who demand the implementation of activities aimed at addressing different social and environmental issues. A large number of companies incorrectly perceive corporate social responsibility, believing that it is sufficient to donate money and provide support to various initiatives that are carried out.

FUNDAMENTAL PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILITY

The uncertainty associated with the nature of corporate social responsibility activities significantly complicates the definition of this concept and the identification of activities that fall within its scope. The nature of corporate social responsibility imposes the imperative of identifying activities that can be classified within this concept. In order for a certain activity to be classified as part of corporate social responsibility, it must be based on three fundamental principles (Crowther and Aras, 2008):

- sustainability,
- accountability, and
- transparency.

Viewing companies as segments of broader social and economic systems implies the obligation to consider the effects of their operations on these systems. In addition to measuring costs and value generated in the present, these effects must also be taken into account due to their impact on the future of the companies themselves. Sustainability indicators show the rate at which resources are used by a company and the relationship between this consumption and the rate of their regeneration.

Company activities that are not sustainable in nature can be addressed in two ways: by developing sustainable practices or by planning for future shortages of resources that are currently being overused. Most companies, as a means of reducing the negative effects resulting from excessive resource consumption, most often implement activities aimed at improving resource efficiency. One example of such activities includes various energy efficiency improvement programs, which are widely used by many companies.

The principle of accountability encompasses situations in which companies recognize the impacts of their activities on the external environment and assume responsibility for the effects they have caused (Moon, 2007). The concept underlying the principle of accountability involves the quantification of the effects resulting from corporate actions. This quantification includes both internal effects, which arise within the organization, and external effects, which occur in the company's surrounding environment. As part of corporate social responsibility, the concept of accountability establishes the obligation to report to all stakeholders affected by corporate activities. This includes reporting to external stakeholders on the effects of corporate actions, while clearly highlighting the consequences for each stakeholder group (Moon, 2007).

The accountability dimension emphasizes the need to view the company as part of a broader social environment. Companies have responsibilities toward the entire environment in which they operate, not only toward their owners. In addition to corporate acceptance of responsibility, it must also be acknowledged that external stakeholders possess sufficient influence to affect corporate activities. External stakeholders play a role in determining whether a given corporate activity is justified from their perspective and what its cost is for the company and other stakeholders.

The principle of accountability requires companies to implement appropriate measures that ensure adequate levels of impact control over their operations and transparent reporting of their activities. These activities result in additional costs for the company, related to the development, collection, and publication of information. In order for these activities to have value for both the company and its environment, the

benefits achieved must exceed the associated costs. The effects are assessed based on the usefulness of selected measures for decision-making processes and on the way resources are allocated within the company and between the company and its stakeholders. Such reporting must be based on the following characteristics (Crowther and Aras, 2008):

- clarity and comprehensibility for all stakeholders,
- relevance of information for users,
- reliability in terms of measurement accuracy, impact representation, and elimination of bias,
- comparability, which implies consistency over time and across different companies.

Corporate social responsibility reports published by companies almost always include both qualitative facts and assessments, which typically complement quantitative elements. Qualitatively expressed components of reports significantly reduce their comparability over time, which is why certain users evaluate the impacts of activities differently, interpreting them within the context of their personal values and priorities. This can significantly increase the influence of subjective factors in the process of drawing conclusions.

The lack of a clear and precise understanding of effects, combined with inevitable subjective elements influencing assessments of relative impact, results in a limited number of standardized indicators for measuring the principle of accountability as a component of corporate social responsibility. This limitation reduces the possibility of comparing corporate social responsibility information across companies. Despite these constraints posing challenges for the development of environmental accounting, they can also be beneficial for corporate managers, as the lack of comparability of performance requires them to consistently demonstrate strong results in their operations.

Transparency is a principle which implies that the external impacts of a company's activities can be assessed in a real and objective manner based on its reports. In order for a report to be considered transparent, no significant fact or piece of information must be concealed. The aim of transparency is to ensure that all effects, including external impacts resulting from corporate activities, are clearly visible to all stakeholders through the reporting mechanisms employed by the company.

The application of the transparency principle is particularly important for external users of information, as they do not have access to the same level of knowledge and detail available to internal users regarding corporate social responsibility practices. Transparency represents an extension of the principles of sustainability and accountability, and it can also be viewed as part of the process of recognizing a company's responsibility for the external effects generated by its activities. It also represents a highly important element in the process of delegating authority to external stakeholders.

THE NECESSITY OF CORPORATE SOCIAL RESPONSIBILITY IN BUSINESS

Corporate social responsibility (CSR) represents a business philosophy that is increasingly applied in contemporary business conditions. The aim of CSR policies implemented by companies is to create self-regulatory mechanisms that enable monitoring of activities and ensure effective compliance with legal regulations, international standards, and ethical principles (Asemah, Okpanachi and Edegoh, 2013). The necessity of CSR arises from the elements on which it is based. CSR represents a voluntarily accepted commitment by companies to carry out activities that protect and enhance the well-being of society, while simultaneously safeguarding their own interests. Managers are not only responsible for achieving company-related objectives, but also for objectives that generate benefits for society as a whole.

The necessity of CSR stems from the fact that it represents a continuous commitment by companies to ethical business conduct and contribution to economic development, while simultaneously improving the quality of life of employees, their families, local communities, and society at large. CSR enables the integration of economic, social, and environmental considerations into corporate processes and decision-making structures. It facilitates the progress of all segments of society through the use of innovation to develop creative and value-adding solutions to various challenges faced by society and the environment.

The role of CSR is reflected in the inclusion of internal and external stakeholders and cooperation with them in order to more effectively manage potential risks and build corporate credibility and trust among all segments of society. The importance of CSR lies in its approach, which considers the interests of all

stakeholders within the organization and society, and incorporates these interests into strategy development and implementation (Ali et al., 2010).

The necessity of CSR is also evident in its ability to provide companies with opportunities for differentiation from competitors and for reducing operational costs. In modern societies, CSR represents a management strategy that enables companies to generate positive impacts on their environment through their business activities (Asemah, Okpanachi and Edegoh, 2013). Companies operate within their environment in order to maintain or enhance their reputation among stakeholders and thereby improve their financial and non-financial performance.

The financial and non-financial effects of the crisis led to numerous negative phenomena, among which a significant decline in trust at the level of national economies stands out. The challenges companies faced forced them to focus on economic performance and to ignore the impact of their activities on future generations and the environment.

Awareness of the negative consequences of such business practices highlighted the necessity of implementing CSR across all segments of corporate operations. In contemporary markets, corporate behavior focused solely on economic outcomes, while ignoring social and environmental impacts, is no longer acceptable (Wustenhagen et al., 2007). Companies must simultaneously pursue profit maximization and environmental and social responsibility in the societies in which they operate.

The necessity of CSR has imposed an imperative for changes in corporate business models, procedures, rules, and operational practices. Companies must continuously improve their operations in order to adapt to rapid and frequent changes in the markets in which they operate. CSR represents an indispensable component of modern business and encompasses issues of business ethics, corporate performance in relation to society and the environment, and the management of relationships with various stakeholder groups.

ENTREPRENEURSHIP IN ACCORDANCE WITH THE PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILITY

The small size of companies and the limited number of employees are often considered the most important characteristics of entrepreneurship. These characteristics typically result in a high level of homogeneity among entrepreneurial firms, which significantly influences entrepreneurs' attitudes toward corporate social responsibility (CSR). In addition to size, there are numerous other internal and external factors that affect the ways in which entrepreneurs apply CSR principles in their business activities (Jenkins, 2006).

The behavior of entrepreneurial firms is often observed from the perspective of their owners, i.e., the entrepreneurs themselves. Entrepreneurship is frequently characterized by management styles that are strongly linked to the personality of the entrepreneur. These management styles are generally less formal in nature and may vary significantly depending on individual traits, which also strongly influence entrepreneurs' attitudes toward the implementation of CSR principles in business practice.

The most common form of entrepreneurship consists of owner-managed businesses, in which the same individual holds both ownership and decision-making authority. This close relationship between the entrepreneur and the company significantly influences corporate strategies, policies, practices, and the role of the firm within society. All of these elements have a direct impact on the implementation of CSR principles in entrepreneurship (Hamman, Habisch and Pechlaner, 2009).

An organizational structure in which the entrepreneur is both owner and manager enables a high level of autonomy and directly affects the ways and motivations for applying CSR principles. Research findings indicate that entrepreneurial firms have favorable preconditions for demonstrating socially responsible behavior (Lepoutre and Heene, 2006). Entrepreneurial firms often create new jobs, stimulate economic growth, and introduce innovations that drive national economic development and improve various aspects of quality of life in the communities and environments in which they operate.

During their operations, entrepreneurs exhibit behaviors that allow them to align with the expectations and demands of their stakeholders, including employees, consumers, and the local community. These stakeholder groups are particularly important in the implementation of CSR-related activities by entrepreneurs (Turker, 2009). CSR toward employees includes activities directly related to their physical and psychological working environment. CSR toward consumers refers to the extent to which companies build and maintain strong relationships with their customers and includes offering high-quality products or providing reliable information about their activities. From the perspective of CSR in entrepreneurship, society includes local communities, the natural environment, future organizations, and non-governmental organizations.

Entrepreneurship in accordance with CSR principles involves the following forms of entrepreneurial behavior (European Commission - Directorate-General for Enterprise and Industry, 2004):

- fair and honest relations with consumers, business partners, and competitors,
- concern for the health, safety, and overall well-being of employees and consumers,
- motivation of employees through opportunities for training and personal development,
- maintaining good relationships with and providing support to the local community, and
- demonstrating care for natural resources and the environment.

The implementation of entrepreneurship in line with CSR principles is based on conducting business in a way that strengthens its positive contributions to society while simultaneously minimizing negative impacts on people and the environment. Entrepreneurs who apply CSR principles maintain continuous communication with their key stakeholders. Communication with consumers and business partners takes place in the market, with employees in the workplace within the company, while communication with the local community and the broader environment occurs across multiple different settings.

All activities related to corporate social responsibility are carried out in compliance with legal obligations, as well as through the implementation of activities that are not prescribed as the minimum required obligations and are voluntarily undertaken by entrepreneurs. In modern markets, entrepreneurs play a highly significant role in creating and securing jobs, producing goods and providing services needed by society, as well as paying taxes from which the normal functioning of the state is financed.

The importance of entrepreneurship is reflected in the fact that it is also the most important driver of innovation and competitiveness. Corporate social responsibility should ensure a balance between economic, social, and environmental objectives of business, which require the implementation of various types of trade-offs (European Commission - Directorate-General for Enterprise and Industry, 2004). Activities undertaken by companies in order to achieve CSR objectives are not mutually exclusive and, if implemented appropriately, can provide numerous new business opportunities and strengthen their market position. Significant advantages that can be achieved through the application of CSR include higher levels of customer satisfaction and loyalty, increased employee motivation, improved relations with local communities and public authorities, cost reduction, and enhanced reputation (Dunne and McBrayer, 2019).

The primary motivation of many entrepreneurs to engage in socially responsible business practices lies in their personal values rather than in the expected financial benefits. Such behavior is particularly evident in situations where activities are aimed at contributing to the local communities in which entrepreneurs live and work. Despite the fact that these activities are often carried out without clear planning and are not explicitly linked to business strategies, they demonstrate the genuine voluntary nature of entrepreneurs' involvement in the application of corporate social responsibility principles.

CONCLUSION

Corporate social responsibility has become an indispensable element of contemporary business practice, particularly in the context of entrepreneurship. The analysis presented in this paper shows that CSR is not merely a voluntary addition to business activities, but a necessary framework for ensuring sustainable and responsible development. By integrating the principles of sustainability, accountability, and transparency, companies are able to better manage their impact on society and the environment.

Entrepreneurship, due to its structure and close connection between ownership and management, provides both opportunities and challenges for CSR implementation. Entrepreneurs significantly contribute to economic growth, innovation, and employment, but at the same time must consider the broader consequences of their actions on stakeholders and society as a whole. Their personal values and ethical perspectives often play a decisive role in the extent to which CSR principles are applied in practice.

The findings suggest that CSR-oriented entrepreneurship leads to multiple benefits, including improved stakeholder trust, stronger reputation, increased competitiveness, and better long-term sustainability. Therefore, CSR should be viewed not as a constraint on entrepreneurial activity, but as a strategic approach that enhances business performance while simultaneously contributing to societal well-being.

From a practical standpoint, these findings imply that owner-managers should intentionally embed CSR principles into their core business strategies to unlock tangible long-term benefits like heightened stakeholder trust and cost efficiency. On a broader social scale, a structured shift toward ethical entrepreneurship ensures that small firms, which drive innovation and employment, actively contribute to community resilience and sustainable regional development.

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