



LOCAL GOVERNMENTS AS STAKEHOLDERS OF SOCIALLY RESPONSIBLE COMMERCIAL ENTERPRISES

Magdalena Stefańska and Tomasz Wanat

Poznań University of Economics, Poland

Among groups of stakeholders important for companies are local governments. Although they have a significant impact on businesses, they are often omitted in corporate communication. This article aims to determine the impact of this CSR awareness of local authorities on the image of socially responsible business enterprises, with the special emphasis on the role of CSR communication of that trading companies. The specific objectives of the authors is to identify the level of knowledge about CSR officials, knowledge of social involvement on the example of businesses and to identify conditions which determine the perception of the activities of socially responsible entities in the field of marketing communications. In order to identify relationships between local authorities and socially responsible companies a survey was conducted, including all local governments in Poland (population of 2800). As a result, 430 questionnaires were collected (15% rate of return). The results of research indicate inter alia the existence of discrepancies between local governments knowledge about CSR in general, as well as in the evaluation of the level of community involvement in the affairs of retailers' communities. The research was funded by a grant funded by the National Science Centre No. DEC-2011/03/ B/HS4/03576.

Keywords: CSR, Retail organizations, Local governments.

Introduction

Part of socially responsible commercial entities promise in their strategy to build positive relationships with local communities, by taking up a number of initiatives for residents, workers and their families, as well as to protect the environment. The positive climate of stakeholders is conducive for creating competitive advantage on the local markets - by attracting more skilled workers and reducing costs. Gaining support for the initiatives of local communities becomes one of their social goals. As a result, it can be assumed that both the objectives of the local governments and business organizations in terms of wealth creation for residents and ensuring sustainable development are of common interest. Local governments are ones of the stakeholder groups, which significantly determine the strategies of enterprises. They create local regulations by defining the framework for conducting business. Among their responsibilities there are: determination of investment areas, deciding about the nature of permissible activities in the area, creating special tax conditions to attract investors. In the interests of local governments remains the creation of conditions which support the development of entrepreneurship and implementation of sustainable development concept at the same time.

In spite of numerous publications describing the role of CSR in strengthening the relationship between a company and its environment (e.g. Porter and Kramer, 2008; Visser, 2010, Frederick, 1994,

Korschun, Sen and Bhattacharya, 2009, also Husted and Allen, 2010, as well as Stefańska, 2014a), what can be observed is a certain scarcity of knowledge about the way companies are perceived by representatives of local governments. The cooperation between retailers and local governments in terms of social responsibility has not been a subject of research so far. The only aspect which has already been assessed are the general relations between businesses and local governments in area of, for example, supporting entrepreneurship¹. For instance, research conducted among SMEs showed a lack of mutual understanding between companies and local authorities and their insufficient cooperation in supporting entrepreneurship. Other barriers to development pointed out by entrepreneurs are: excessive taxes, lengthy process of issuing building permits, or a lack of zoning plans (Companies about local governments. Dr Małgorzata Starczewska-Krzysztofek's comment, 2014 <http://biznestuba.pl/eksperci/przedsiębiorstwa-o-samorządach-komentarz-dr-malgorzaty-starczewskiej-krzysztosek/>). Other restrictions in the cooperation seem to be: the fact that both sides inadequately recognize the other side's needs, the lack of proper communication, as well as bureaucracy. Another reason for this situation may be the officials' fear of being suspected of corruption and favoring selected entities. As a result, the both sides' potential in the achievement of social objectives is not sufficiently explored. At the same time it is clear that a genuine partnership, in agreement with the stakeholders theory and the sustained development concept may integrate socially proactive companies and governments, as well as initiate their cooperation in the implementation of projects for the society.

The Role of the Local Authorities and CSR Communication

The way the representatives of local authorities assess retailers' CSR activities plays an enormous role for the latter. The transformations taking place in retail trade, including concentration and integration, lead to the marginalization of non-attached retail trade, normally represented by small family firms, with a small potential for competing with organizations having high marketing and sales competences. As a result, local markets are the scene of conflict between the integrated and the fragmented retail trade. A possible reason for this situation may be the lack of involvement of local governments, which do not have a specific policy of the sustained development of the market, which should include defining the conditions for the co-existence of various types of entities on the market and preventing the monopolization of the market.

Local authorities are responsible for economic and social development as well as the environmental protection, in order to improve the quality of residents' lives. They have the necessary tools to influence the form and direction of the development of the city. In practice this involves, among other things, solving the environmental, social, economic and spatial problems and challenges facing today's urban centres and rural areas. Sustainable development of these spaces requires creating local regulations defining the conditions for the development of a given space, including land-use planning. With reference to retail trade, it should be noted that in some European countries special trade permits have been required for many years, with a view to protecting the already existing outlets, differentiating trade forms, imposing the pro-ecological attitudes on investors, as well as regulating the influence of investments on the local labor market (Ciechomski 2010, p. 266). Such policy allows for the implementation of the sustained development idea in relation to trade.

Therefore, it is in retailers' interest to care about good relations with local communities and local authorities. Companies may undertake a variety of activities in this respect, among others:

- cooperation with local governments, e.g. in solving the problems of the local labor market,
- developing activities for young people, including the organization of optional classes for children,

¹ According to representatives of communes, businesses are sufficiently supported and the proper development of entrepreneurship is ensured. However, entrepreneurs claim that they are not sure about what kind of support they can obtain from local governments. More about it in: Raport Biznes i Samorząd-wzajemne relacje, 2014, p. 4.

- informing officials about their own CSR initiatives, in order to obtain support and involvement of the public sector,
- organizing events integrating the local community,
- cooperation in the area of providing health care for employees and their families,
- organizing educational programs for residents, e.g. on health or environment protection,
- sharing their knowledge, e.g. by organizing meetings related to the local community needs,
- involving residents in initiatives beneficial for a number of people,
- cooperation in the area of the protection of environment.

It can be assumed that the diversity and the intensity of the CSR activities of retail units should be reflected in the local authorities' opinions about these units. The bigger number of such activities, the more positive these opinions should be. However, it would be an oversimplification to claim that activities undertaken by retail companies are the only factor influencing the local governments' attitudes towards them. What is also significant in this respect are the attitudes of the representatives of local authorities towards CSR. Those, in turn, result from their knowledge about CSR, social sensitivity, awareness of social problems, etc. Entities with a higher level of the CSR awareness may more positively assess retail units' activities. The same CSR activities may be less favorably evaluated by persons with a lower level of the CSR awareness. Therefore, the following hypothesis can be formulated:

H1: If the level of the CSR awareness of representatives of local authorities increases, their positive attitude towards CSR activities of retail entities also grows.

Attitudes towards the retail entities' CSR activity to a large extent depend on the intensity of the CSR communication (cf. e.g. Amaladoss and Manohar, 2013; Du, Bhattacharya, and Sen, 2010). Lack of such communication may result in a negative opinion about retail units, whereas adequately intensive communication can ensure a good opinion about these units. It justifies a statement that communication is an indispensable factor shaping the attitudes of local governments towards retail entities' CSR.

H2: The CSR communication is a factor shaping the attitudes of local authorities towards retail entities.

Research Methodology

The research on the attitudes of local authorities towards the CSR activities of retail entities involved 431 entities, which account for 15% of the overall number of units (2800). The research had an indirect form and was conducted over the period from October to November 2014. The questionnaire contained scales used for researching opinions and attitudes.

The questions were answered by division managers, secretaries and specialists. Letters were not addressed to particular persons, on the assumption that they would be directed to the most competent employees. Due to the incomplete data in a part of questionnaires, 346 of them were accepted for the analysis. Table 1 includes the basic information about the sample.

Table 1. The respondents' characteristics

Gender	Number of answers	%
Woman	227	65,6
Man	99	28,6
No answer	20	5,8
Total	346	100,0
Length of service in the local government	Number of answers	%
Up to 5 years	87	25,1
6-10 years	97	28,0

11-15 years	41	11,8
16-20 years	39	11,3
21 and more	56	16,2
none	26	7,5
Total	346	100

Source: own elaboration

The questionnaire was divided into three parts, which referred to, respectively: CSR activities of retail companies, their communication about CSR and local authorities' CSR awareness (knowledge). All the three items were measured by means of the 1 – 7 scale, where 1 meant 'I definitely disagree' and 7 – 'I entirely agree'. Means and standard deviations related to opinions about retail trade units are presented in Table 2. This research was focused on the assessment of retail companies' activities. This was caused mainly by the fact that there are shops in every local government unit and also by the fact that companies from this sector declare to be socially responsible.

They communicate about their social involvement through both the media and shops.

The research procedure was divided into the following three parts.

- Defining the basic dimensions of the perception of retail units' activities. Factor analysis was used for this purpose.
- Creating indexes for the independent variable (CSR awareness), as well as for the moderating variable (CSR communication of retail units).
- Performing a bootstrap analysis for the particular dimensions of the perception of retail units' activities, obtained at stage 1.

Table 2. Descriptive statistics of the way local governments perceive CSR activities of retail companies

Retailers:	Mean	Standard deviation
By their activity improve the residents' lives.	5,09	1,386
Create workplaces for residents in many sectors.	5,00	1,443
Contribute to the revitalization of their surroundings.	4,43	1,491
Organize actions for people who need help.	3,74	1,477
Offer safe products.	4,24	1,335
Truthfully inform customers about their offer.	4,11	1,341
Act honestly, follow the fair play rules.	4,14	1,348
Organize charitable actions for residents who need help.	3,66	1,585
Sponsor people, organizations and entities, donating financial or material resources.	4,27	1,458
Identify problems of the local community and help solve them.	3,61	1,386
Educate residents in the environmental issues (e.g. waste recycling).	3,08	1,439
Instruct consumers about healthy eating.	3,18	1,425
Show how to contradict discrimination, by setting a good example.	3,19	1,343
Seek talented people among the residents and support their development.	2,95	1,367
Organize training courses for unemployed residents.	2,55	1,476
Treat residents as their partners.	3,82	1,481
Are a significant investor (develop land, build roads, sidewalks, parking lots, etc.).	3,75	1,746

Actively participate in the protection of environment (e.g. encourage residents to use eco-bags, provide bins for various types of waste, organize tree-planting actions, etc.).	3,45	1,560
Contribute to the budget of their town or village.	4,36	1,536
Engage residents in common charitable actions.	3,37	1,540
Organize integration events for residents, in order to achieve objectives important for the local community (e.g. competitions, shows).	3,15	1,577
Equip their shops with facilities for disabled residents, to a higher extent than it is required by law.	3,27	1,561
In our town (village) employ people discriminated because of e.g. age, sex, disability.	3,30	1,552
Focus exclusively on selling goods and services.	5,25	1,587
Are focused on profit. The community's needs are of a smaller significance.	5,12	1,594

N=346

Source: own elaboration

Defining the Basic Dimensions of the Perception of Retail Units' Activities

In order to define the basic dimensions of the perception of retail units' activities, the component factor analysis was performed. Due to the fact that seven variables from table 2 (4, 8, 9, 15, 20, 21 and 22) showed high cross-loadings, they were excluded from the analysis and the factor analysis was conducted again. The results are shown in Table 3.

Table 3. Factor analysis results

	Components			
	CSR activities	Honest trade behavior	Shaping local wellbeing	Negative stereotype of trade
By their activity, retailers improve the residents' quality of life		0,330	0,711	
Retailers create workplaces for residents in many sectors			0,765	
Retailers contribute to the revitalization of the areas where they operate		0,416	0,680	
Retailers offer safe products		0,730		
Retailers truthfully inform consumers about their offer		0,816		
Retailers act honestly, following the fair play rules		0,817		
Retailers identify the local community's problems and help solve them	0,661	0,439		
Retailers educate residents in environmental issues (e.g. waste recycling)	0,753			
Retailers instruct consumers about healthy eating	0,762	0,322		
Retailers set an example as to how to contradict discrimination	0,787			
Retailers seek talented persons among residents and support their development	0,737			
Retailers treat residents as partners	0,525	0,449		
Retailers are an important investor in our area (develop land, build roads, sidewalks, parking lots, etc.)	0,659		0,450	

Retailers actively participate in the protection of environment (e.g. encourage residents to use eco-bags, deploy bins for various types of waste, organize tree-planting actions, etc.)	0,724		0,355	
Retailers substantially contribute to our town's (village's) budget	0,432		0,630	
Retailers operating in our area employ people discriminated against because of e.g. age, sex, disability, etc.	0,622			
Retailers focus exclusively on selling goods and services				0,895
For retailers profit is the priority. The community's needs are less important				0,881

Source: own elaboration

The factor analysis allowed for explaining 67.8% of the variances of the majority of variables (KMO=0.897). It resulted in establishing four dimensions describing the perception of the CSR activities of retail units. These are: the first dimension: „CSR activities” of retail units, the second dimension: “Fair trade activities” of retail units, the third dimension: “Shaping local wellbeing” by retail units and the fourth one: “The negative stereotype of retail trade”.

Creating Indexes for the Independent Variable (CSR Awareness) as well as for the Moderating Variable of the Retail units' CSR Communication

In order to create the indexes of “the CSR awareness”, in the first place the internal cohesion of the scale was tested. The Cronbach coefficient was used for this purpose for eight items. These items, along with the means and the standard deviations are presented in Table 4.

Table 4. The descriptive statistics of the items used for the creation of the “local governments' CSR awareness” index

Item	Mean	Standard deviation
The role of the authorities is to encourage entrepreneurs to engage in activities for the local community	5,51	1,352
The sustainable development concept is the basis for the development and actions in our town (village)	5,54	1,340
The local authorities show appreciation for companies which especially contribute to the development of the area	5,01	1,586
The local government invites companies to training courses or conferences on corporate social responsibility or sustainable development	4,58	1,644
The social responsibility concept is commonly known in my environment	4,16	1,451
I have a good knowledge about the social activities of retailers in our town (village)	3,98	1,599
In my opinion, retailers engage in the development of our area to a sufficient degree	3,37	1,564
The corporate social responsibility is a concept which I associate with retail trade companies	3,99	1,491

Source: own elaboration

For the eight studied items α – Cronbach was 0.799, which can be evaluated as a satisfying result. The “CSR awareness” index was created by means of the factor analysis for one presupposed factor. The advantage of this procedure over the method of averaging results is the fact that it assigns various weights to particular analyzed items. An analogical procedure was applied in relation to the “CSR communication” index. Five items were used for the creation of this index (means and standard deviations are presented in Table 5).

Table 5. Descriptive statistics of the items used for creating the „retail units’ CSR communication” index

Item	Mean	Standard deviation
We receive reports about social responsibility of sustainable development from retailers.	2,06	1,373
The source of information about pro-social behaviors of retail chains is their participation in competitions organized by local governments, e.g. fair play, or the CSR leader.	2,87	1,526
Messages about social involvement of retailers appear mainly in the local media (radio, press, or television)	4,01	1,550
I learn more about the social responsibility of retailers when I do my shopping than at work	4,66	1,539
I learn more about retailers’ activities for the community as a customer than as an official	4,65	1,607

Source: own elaboration

Reliability coefficient alpha – Cronbach had the value 0.634, which is a low, but acceptable result. Like before, the index was obtained by means of the factor analysis of a presupposed factor.

A Bootstrap Analysis for the Particular Dimensions of the Perception of Retail Units’ Activities, Obtained at Stage 1

The correlation between the dimensions obtained at stage 1, the CSR awareness of local authorities, as well as the CSR communication of retail units is presented in Table 6.

Table 6. The coefficients of correlations between the variables used in the research

	CSR activities	Honest trade behavior	Shaping local wellbeing	Negative stereotype of trade
CSR awareness of local authorities	0,381**	0,253**	0,267**	0,084
CSR communication of retail units	0,444**	0,089	0,221**	0,034

** significant at the level of 0.01

Source: own elaboration.

Due to the fact that there was no statistically significant correlation between the CSR awareness of local authorities and the negative stereotype of trade, the bootstrap analysis was not performed for this variable.

In the first place the bootstrap analysis was conducted for: “CSR activities” as a dependent variable, “CSR awareness of local authorities” as an independent variable and “CSR communication of retail units” as a moderating variable. The Sobel procedure proposed by Preacher and Hayes (2004) was applied for the analysis. The results show a significant interdependence between “CSR activities of retailers” and “CSR awareness of local authorities”. Adding the CSR communication brought about significant indirect

effects (95% of the confidence intervals did not contain zero: 0.086 and 0.191). On the other hand, the correlation between the dependent and the independent variables is still statistically significant (0.21), which indicates that the intervening variable is not the only factor shaping the perception of the CSR of a retail trade unit (c.f. Chart 1)

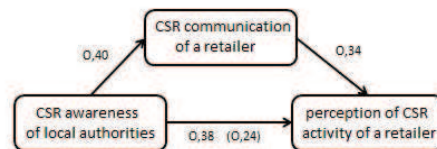


Chart 1. Bootstrap analysis of the perception of CSR activities of a retail trade company
Source: own elaboration

Secondly, the bootstrap analysis was conducted for “shaping local wellbeing”, as a dependent variable, “CSR awareness of local authorities” as an independent variable, and for “CSR communication of retailers”, as a moderating variable (Chart 2).

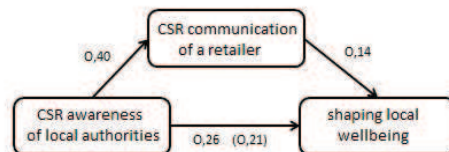


Chart 2. Bootstrap analysis of the perception of shaping local wellbeing
Source: own elaboration

The same Sobel procedure proposed by Preacher and Hayes (2004) was used for the analysis. The results showed a significant correlation between “shaping local wellbeing” and “CSR awareness of local authorities”. The addition of “CSR communication” brought about significant indirect effects (95% of the confidence intervals did not contain zero: 0.008 and 0.101). On the other hand, the relation between the independent and the dependent variable is still statistically significant, which indicates that the intervening variable is not the only factor influencing the perception of shaping the local wellbeing by retail units.

Conclusions and Managerial Implications

Neither of the formulated hypotheses was refuted. The higher level of the CSR awareness of local governments meant their better perception of the CSR activities of retail units. What is more, communication played an important role. Although it cannot be viewed as the only intervening factor in the positive perception of retail units, its role is significant.

The presented research results have certain practical implications. Firstly, if trade companies want to practice CSR in their operations, they should take into account the local authorities’ level of knowledge about and the awareness of CSR. If local governments represent a low level of the CSR awareness, engaging in the CSR activities will not improve the relations, regardless of their intensity. Secondly, retail companies should take a good care about the appropriate communication about their CSR activities. Lack of such communication may undermine the effects of the CSR activities.

Further Research

The research has an innovative character. The way in which retailers communicate about CSR affects their perception by local authorities, as well the question to what degree the local governments' knowledge determines this perception had not been studied before. With the growth of the CSR idea among the representatives of local authorities, there will be a growing expectation that the companies operating on the local markets should define the way in which they contribute to building welfare and sustainable development. At present, such activities would allow companies to positively distinguish themselves from other entities and to build the image of socially engaged companies.

References

1. Amaladoss, M. X., Manohar, H. L., 2013, Communicating Corporate Social Responsibility – A Case of CSR Communication in Emerging Economies, *Corporate Social Responsibility and Environmental Management*, 20(2), 65-80.
2. Bhattacharya C. B., Korschun D., Sen S., 2009, Strengthening Stakeholder-Company Relationships Through Mutually Beneficial Corporate Social Responsibility Initiatives, *Journal of Business Ethics*, no. 85.
3. Ciechomski W., 2010, *Koncentracja handlu w Polsce i jej implikacje dla strategii konkurencyjnych przedsiębiorstw handlowych*, Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu, Poznań.
4. Du, S., Bhattacharya, C. B., Sen, S., 2010, Maximizing Business Returns to Corporate Social Responsibility (CSR): The Role of CSR Communication, *International Journal of Management Reviews*, 12(1), 8-19.
5. Frederick W. C., 1994, From CSR₁ to CSR₂, The Maturing of Business-and-Society Thought, *Business & Society*, vol. 33, no. 2.
6. Husted B. W., Allen D. B., 2010, *Corporate Social Strategy*, Cambridge University Press, Cambridge.
7. Porter M. E., Kramer M. R., 2011, Tworzenie wartości dla biznesu i społeczeństwa, *Harvard Business Review Polska*, maj.
8. Preacher, K. J., Hayes, A. F., 2004, SPSS and SAS procedures for estimating indirect effects in simple mediation models, *Behavior Research Methods, Instruments, and Computers*, vol. 36, nr 4, s. 717-731.
9. Przedsiębiorstwa o samorządach, Komentarz dr Małgorzaty Starczewskiej-Krzysztofek, <http://biznestuba.pl/eksperci/przedsiębiorstwa-o-samorzadach-komentarz-dr-malgorzaty-starczewskiej-krzysztofek/> (access: 10.01.2015).
10. Raport Biznes i Samorząd-wzajemne relacje, 2014, s. 4.
11. Stefańska M., 2014 Rola społecznej odpowiedzialności w tworzeniu przewagi konkurencyjnej przedsiębiorstw handlu detalicznego, Wyd. UE Poznań.
12. Visser W., 2010, The Age of Responsibility: CSR 2.0 and the New DNA of Business, *Journal of Business Systems, Governance and Ethics*, vol. 5, no. 3.