

Competitiveness growth comparing to corporate social responsibility idea on the basis of the timber industry (case study)

KORNELIA POLEK-DURAJ

Opole University of Technology

Department of Labour Market and Human Capital, 4 Waryńskiego Street, 45-3701 Opole, Poland

Abstract: The article presents fundamental role of corporate social responsibility idea in the aspect of competitiveness growth of a given organization on the basis of the timber industry. The timber industry according to its various features such as: weak cash flow, its location or number of life threats is a specific market and there is a need to act abiding the principles of CRS.

Keywords: Corporate social responsibility, timber industry, competitiveness

INTRODUCTION

Dynamic changes occurring in the world which are the consequence, both of technological and organizational progress, as well as economic and social one, indicate that the social responsibility is playing an important role in shaping image of the company, which wishes to be reckoned on the market and creates sustainable social and economic development. Polish entrepreneurs realize that their business activity should be based on solid and stable relations with workers, suppliers, investors as well as clients, local community and government administration. Therefore, the concept of social responsibility is gaining more and more popularity and becomes the key element in strategic management. It plays an important role in specific economic branches, which according to its various factors (financial, location), have more difficulty in arising on the local market. One of them is a timber industry, and especially sawmills, where European standards are realized improperly (in the field of ensuring safe and decent working conditions or environmental protection), not to mention anticipated activities desired by the surroundings.

The aim of the article is to characterize the idea of social responsibility and the timber industry. The key element is also to present the correlation between social responsibility and competitiveness growth in the timber industry.

THE IDEA OF CORPORATE SOCIAL RESPONSIBILITY

The idea of corporate social responsibility (CRS), also known as social responsible business, is a concept commonly known in the world. The main assumption of CRS concept is the fact that company functions as a coherent member of society. "CRS can be defined as a conception, thanks to which companies are integrating with social and environmental aspects of day-to-day activities together with stakeholders on the basis of voluntariness"¹.

The proper realization of this concept generates significant benefits both for organization, society and the economy. The most important benefits are: creating positive opinion and image of the company, improving working conditions and life conditions, possibility to acquire new clients and investors, development of human resources, improving natural

¹ M. Żemigła, Społeczna odpowiedzialność przedsiębiorstwa, Oficyna Wolters Kluwer business, Kraków 2007 za European SMEs and social and environmental responsibility [w:] Observatory of European SMEs 2002, nr 4, s. 11.

environment and most of all increasing competitiveness on the global market at the same time forming good conditions for sustainable economic and social development.

POLISH WOOD INDUSTRY

The sawmill industry is one of five fundamental branches in the timber industry in Poland. It plays an important role, the finished products of sawmills are used not only in the other branches of economy (such as mining or building industry) but also in various timber industry branches.

The characteristic feature of polish sawmill industry is vast localization of sawmills, mainly located in the rural areas with large number of constantly changing entities, especially small companies with low production. Nowadays, the sawmill industry is the branch of the timber industry that is systematically and intensively developed. According to National Economy Register, the number of economic subjects operating in the sawmill industry after the transformation process in the early 90's, has dropped drastically at first and then raised up to 12%, and has been at the same level from several years (in 2008 it was almost 8500 entities). The new firms have been mostly established in four polish regions: mazowieckie, podkarpackie, lubelskie and wielkopolskie. In Opole region, there is the smallest number of such firms, even though around 13% of firms is situated in this region of Poland. However the overall number of sawmills operating on polish market is fluctuating between 1200 and 1400 firms. Most of them, are small factories, only 15% of them have been employing more than 49 people, and the consortiums are rather unusual.

Unfortunately the general situation in this branch of economy is rather unsatisfying. This situation is surprising bearing in mind that the timber industry from the early stage of Polish transformation is characterized by huge financial and economic problems. Mainly it is caused by utter reorganization of sawmills in the mid nineties. Until that time, the market had been dominated by more than 30 large enterprises, located in a group in one region. The central managing of them was practically impossible. Usually, the profits from cost-effective entities, instead of increasing the productive and investing abilities of that particular entities, were directed and transferred to enterprises with loses which gain no profit in future. After abolishing command economy, the firms from the timber industry were unable to conduct proper reorganization and in the end they ceased to exist. Most of companies had been already bankrupt and the only rational solution was to close the company. Filling the gap in the market, more small and medium companies were established. They used the old buildings of closed sawmills or other rural buildings. The launching of new businesses occurred after several months of downtime, when most of the property had been already sold out during the auctions, and the best workers had found new job. Currently working sawmills in comparison to those from pre-transformation period can be characterized by limited production (around 200-300 m³).

Beyond the changes that had already occurred, the key issue for apt functioning of this branch of economy, will be high prices of lumber. Currently it is one of fundamental problems for production plants, as in the structure of overall costs around 55% of all cost goes to purchase of lumber. The main supplier of wood for polish market is the State Forests National Forest Holding, which possess approximately 78% of all lumber in Poland (where publicly owned forests makes 82%, the rest are private forests). This organization has an ability and power to influence over the structure of polish wood market by shaping the supply of material, which final price, from 2006, is being established on e-portal called E-wood, where wood from all polish forest inspectorates is sold. In this form, the sale is based on three stages. In first two stages the forest inspectorate offers the given material and its final minimal price. Then buyers are placing their offers. The best chances in this stage have the companies which are operating on polish market for few years and previously have already bought the

wood in this way. The different situation is in the third stage, where on the internet auction one can buy wood previously not sold. In this way, the price of wood is created during the bidding, so the price is higher than in the first or second stage, but everyone can purchase it. Currently, the last method is the most popular way of buying lumber. However it is not profitable for all buyers, especially those small companies which cannot raise the price. But still this method is far way better than in previous years, when producers had given amount of wood to buy and the price was usually very high, established by the State Forests National Forest.

Additionally, bad financial situation of timber industry was caused by disability to self-finance the investments and modernization, in order to enlarge the business activity and low interest of foreign capital in investing into this branch of economy. These factors have fundamental impact on low level of company's engagement into the idea of social responsibility, especially in the aspects desired and expected by the society.

Apart from financial problems in the timber industry, there have also appeared organizational and technical problems. They stem from low level of occupational safety and a number of accidents at work and inappropriate work organization from the point of view of employees (irregular usage of occupational safety rules – according to self-study over the quality of working conditions, conducted in chosen companies from the timber industry in 2004 and 2009, noted only 11% in the growth of systematical usage of means of individual protection, currently it is only 66%) and employer (use of obsolete machines).

In Poland, like in many other European countries, the workers from woodworking companies and carpentry business are among 10 professions which are characterized by the highest level of possibility of occupational accidents. The highest number of work accidents is noted while working with sawing machines, millers and shaping machines. The main work injuries are: hand injury, palm injury and injury of abdominal cavity.

In spite of various adversities occurring in the timber industry, that generate its specific character, many producers after 2000 were able to arise on the market and achieve success. Some foreign investments into Polish market were also noted, they positively influence the image of Polish sawmills and increase of their profitability.

CRS IN THE ASPECT OF COMPETITIVENESS GROWTH IN THE TIMBER INDUSTRY (CASE STUDY)

The level of implementing CRS idea is dependent on many factors. In Polish reality, crucial meaning apart from financial situation of the company, have also education and promotion of CRS, as the level of knowledge in this subject is insufficient. The good knowledge of social responsibility idea is a characteristic feature of big concerns, usually with foreign capital, and the study confirms that phenomenon. Small and medium companies rarely take an action in social activities, as the entrepreneurs usually assume that the costs of those actions are too high and unprofitable. This attitude towards social responsibility idea is improper as the costs of actions are not easily reimburse in near future, but they do bring other various benefits for company, the society and economy in long-term aspect.

The analyzed production plant from timber industry is situated in Opole region. Until the restructuration that had been conducted in 1997, the plant was a part of central Opole Wood Industry in Opole, and then after 1997 it has been converted into a joint-stock company under the name Opole Wood Industry OPDREW, created by its employees and strategic investor. In this form, the company stayed on the market until 2001, when due to improper decisions of main investor, declared bankruptcy. The production plants belonging to OPDREW were put up for sale. In 2002, the analyzed company was purchased by the legal adviser of Wood Industry Plant Ltd. Unfortunately; the company still had many problems, starting from financial and ending on problems with gaining lumber, low level of quality of working

conditions, low workers engagement, problems with acquiring new clients and creating the positive image. Due to these factors the position on the market ceased to be competitive. Therefore, the company started to look for strategic partner, who would invest in modernization of the plant and at the same time enhance development of Opole region. At the end of 2006 the company was purchased by Swedish-Finnish corporation which was an integrated company dealing with processing of lumber, production of paper and products environmental friendly, with high quality products produced in safe working conditions. The concern has been undertaking various actions in the field of social responsibility in number of its plants around Europe, which enables to keep good position on the market. In surveyed plant, after taking over, the first concern was to undertake proper actions required by the standards of European Union in the field of:

- Safety and health of workers (the formal safety policy has been implemented; it was design as a system of practical tools used for constant development and improvement of situation in corporation's plants. It helps to ensure acceptable level of risk and to apply the best available technical and organizational knowledge in order to prevent work accidents, occupational diseases and to identify forthcoming risks. The systems works according to international norms of quality concerning the safety and health protection OHSAS 18001, BS 8800).
- Environmental protection (the policy has been implemented in the form of formal document, the systematical trainings in the field of norms ISO of 14000 series have been introduced).
- Improvement of quality of finished goods (all finished goods have a system of verification – Chain-of-Custody, thanks to which it is known that the wood comes from certificated forests).
- Consumer protection (the plant has the system of safety of final goods).

It is worth underlining that actions undertaken in first two areas have significant meaning and impact over shaping of life quality, which takes important position among social targets.

Moreover, the company has also been undertaking various entrepreneurial activities allowing functioning according to social responsibility idea. The most important issue to implement was to introduce the ethical code of running the business (the trainings in that field were introduced for managers and employees) and social engagement by supporting local cultural or sport events.

Management staff and workers of this plant, thanks to proper and regular trainings and good flow of information, are conscious of all aspects of social responsibility and its positive influence. The experience of the foreign investor, who for years has been running the business in the light to CRS in all his companies around Europe, played an important role in this process.

On the basis of twofold surveys that were conducted in polish plant (first one in April 2004, second in December 2009) and data analysis it can be assumed that from the moment of implementation of new rules in 2007, some significant changes for organization and its workers can be noted. Among them, the most important ones are:

- increase of workers motivation and engagement, at the same time increase of their efficiency,
- higher level of organizational culture and improvement of company's image,
- increase of business efficacy,
- better competitiveness on the local and foreign market (the general sale of final goods has increased three times, and significant growth of exporting goods was also noted, from 10% up to 40%),
- recruitment of new clients and deepening of loyalty.

CONCLUSION

Implementation of social responsibility concept into companies is more and more popular, and at the same time indispensable. This process takes on institutionalized forms in European countries as well as in the structures of European Union, becoming a new international trend. Activities undertaken in the field of CRS have become a strategic and priority element of an international policy. Abiding the idea of social responsibility is indispensable factor of every organization that wishes to be reckoned on the national and international market. Thanks to creating proper attitudes in all aspects of social responsibility the organizations are more flexible and can perform better on the market that is constantly changing, as well as undertake new challenges easily.

On the basis of this analysis it can be assumed that functioning according to CRS concept brings significant benefits for the organization, workers and local environment. The confirmation of that is growth of competitiveness on the global level, which is especially important in discussed branch of the timber industry. Presented sawmill can be a good example for other firms which wishes to perform according to principles of sustainable socio-economic development.

REFERENCES

1. Adamczyk J., Społeczna odpowiedzialność przedsiębiorstw. Teoria i praktyka, PWE Warszawa 2009.
2. Polek – Duraj K., Warunki pracy w przemyśle Śląska Opolskiego ze szczególnym uwzględnieniem przemysłu drzewnego i cementowego, OFPO, Opole 2007.
3. Berman S., Jonem T., A.C. Wicke, Convergent Stakeholders Theory [w:] Academy of Management Review 1999, no 24.
4. Żemigła M., Społeczna odpowiedzialność przedsiębiorstwa, Oficyna Wolters Kluwer business, Kraków 2007 za European SMEs and social and environmental responsibility [w:] Observatory of European SMEs 2002, no 4.

Streszczenie: W niniejszym artykule przedstawiono znaczenie społecznej odpowiedzialności w aspekcie wzrostu konkurencyjności przedsiębiorstwa w przemyśle tartacznym. Na przykładzie wybranego zakładu przerobu drewna starano się ukazać korelację pomiędzy działaniami podejmowanymi w ramach CRS, a poprawą sytuacji zakładu prowadzącą w konsekwencji do coraz to lepszej pozycji na rynku.

Corresponding author:

Opole University of Technology
Faculty of Management and Production Engineering,
Department of Labour Market and Human Capital
45-370 Opole, Ul. Waryńskiego 4, Tel. (77) 453 04 072 w. 36
e-mail: k.polek-duraj@po.opole.pl