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## The Impact of the Covid-19 Pandemic on Taking up Socially Responsible Actions

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**Abstract:**

**Purpose:** The purpose of this paper was to verify the thesis that the pandemic made it difficult to take socially responsible actions.

**Design/methodology/approach:** In order to analyze the research problem and verify the thesis, primary research was used, an internet questionnaire containing mainly single-choice questions was applied. More than 200 small and medium-sized enterprises, which have a large impact on the economic development of the country, and were significantly affected by the Covid-19 pandemic (due to the restrictions on their functioning), were examined.

**Findings:** Enterprises which undertake socially responsible activities contribute to lots of benefits to the society where they operate. The Covid-19 pandemic had a negative impact on the functioning of many enterprises.

**Practical implications:** Nowadays corporate social responsibility and the principle of sustainable development are very important issues.

**Keywords:** corporate social responsibility, small and medium-sized enterprises, the Covid-19 pandemic.

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## 1. Introduction

Since December 31, 2019, when the China office of the World Health Organization reported a case of pneumonia of unknown etiology in Wuhan, 2019 Coronavirus Disease (COVID-19) started spreading worldwide (World, 2019). On March 11, 2020, the World Health Organization (WHO) announced that the world was facing the coronavirus pandemic – COVID-19 (WHO, 2020). The consequence of this was the introduction of numerous restrictions and blockades that were to limit the spread of the virus. The existence of small and medium-sized enterprises (SMEs) is crucial to economic stability due to their multi-faceted role in the economy. In most world economies, SMEs play a pivotal role in stimulating growth, creating jobs and opening up new markets for sustainable development through the liberalization of internal trade (Puriwat and Tripopsakul, 2021).

The COVID-19 pandemic, as an unexpected global epidemic, has created chaos in the economy and essentially stopped trade, with very negative consequences for sustainable businesses and society. Because of the COVID-19 pandemic companies were forced to come up with new and inventive solutions to the world's most pressing problems. Taking into account the COVID-19 pandemic, SMEs face significant difficulties in terms of both negative financial and non-financial impacts. Therefore, companies are not able to conduct regular economic turnover (Sansa, 2020; Estrada, Koutroufas, and Lee, 2020).

A study by Açıkgöz and Günay (2020) on the economic impact of the pandemic showed that it had severe, adverse effects on workers, customers, supply chains and financial markets, causing the global economic recession. However, the uncertainty about the end of the pandemic makes it impossible to forecast the scale of this recession, which has caused changes in all areas. Last but not least, the OECD (2020) concluded that securing employment and the profitability of firms was essential in view of the contraction in demand. This argument is also valid for the small and medium-sized enterprises (SMEs) that were hardest hit by the coronavirus crisis as most were forced to close, reducing their liquidity and leading to their insolvency (Baker and Judge, 2020). COVID-19 required governments to implement measures based on mitigation or suppression strategies that entailed drastic restrictions (Kraus *et al.*, 2020) with severe impacts on society and the economy (Anderson *et al.*, 2020).

McCloskey and Heymann (2020) argue that the economy can contain economic downturns caused by supply chain disruptions, cessation of trade and reduced market demand. However, the economy in most countries has already experienced serious and negative effects. Every sector of the economy has been severely hit, but the most visible effects are seen in SMEs. SMEs, which contribute to economic development, faced the economic and financial crisis. According to Runyan (2006), SMEs are hit the most severely in crisis situations due to lower levels of knowledge,

greater vulnerability, greater reliance on government and local authorities, and greater financial dependence on owners.

Moreover, Le *et al.* (2020) showed that the current pandemic caused problems for SMEs by tightening financial obligations such as loan payments to financial institutions, stock shortages and operating expenses. Countries experiencing severe economic hardship were also penalized with the COVID-19 outbreak due to prolonged partial or complete suspension. All economic operations had the most severe consequences for low-income citizens who lost their jobs and limited access to food and social safety. The crisis affected businesses of all sizes and sectors; however, most SMEs in the service sector found themselves in the "new normal" operating conditions (Gregurec *et al.*, 2021). The negative effects of the pandemic occurred in various areas and had economic, political, social and psychological consequences (Bretas and Alon, 2020).

The COVID-19 pandemic has a remarkable impact on the viability itself and long-term viability of SMEs. Several studies recommended that the support of strategic resources, such as technology integration, effective financial intermediation and government incentives was essential to improve their chances of existence during the pandemic (Ratnasingam *et al.*, 2020; Liguori and Pittz, 2020; Fitriyasi, 2020).

To the author's knowledge, no research has been conducted on how the pandemic influenced decision-making in SMEs in Poland. The research conducted and this paper fill the existing research gap. The main purpose of the paper was to present the current views of SMEs owners and managers on the functioning of enterprises during the pandemic, as well as their decisions and actions they have to take. Firstly, in this paper the impact of the pandemic on the functioning of SMEs is measured, and secondly, it shows what actions enterprises take in the field of corporate social responsibility and what impact the pandemic has on their actions.

## **2. Theory Development**

This part briefly presents the main concepts that had the greatest impact on the subject matter of the paper and the direction of research, namely the concept of sustainable development and corporate social responsibility.

### **2.1 The Concept of Sustainable Development**

Criticism of overexploitation of the natural environment, unsustainable use of natural resources, and the degradation and disruption of the global ecosystem contributed to the concept of sustainable development. An interest in the natural environment translated into actions taken by states at the national level (introducing ecological legislation) and at the international level (creating ecological institutions) (Kozłowski, 2002).

There are many definitions of sustainable development, but its basic principle is to ensure sufficiently high ecological, economic and socio-cultural standards within the limits of the Earth's natural endurance, while applying the principle of intra-generational and intergenerational justice (Teneta-Skwiercz, 2013). This concept does not negate an increase in welfare, but only emphasizes the need to balance all the elements: economic, social and environmental.

The concept requires support for the economy on three pillars (Rybak, 2004):

- economic (manifesting itself in the pursuit of an economic growth),
- ecological (expressed in activities for the protection of environment),
- social (leading to an improvement in the quality of life).

The development of a sustainable approach to the functioning of the economy and enterprises contributed (and enabled) to the development of the concept of social responsibility. Environmental CSR activities were triggered by growing awareness of climate change, pollution and limited natural resources (Orlitzky *et al.*, 2011).

## 2.2 Corporate Social Responsibility Concept

Corporate Social Responsibility (CSR) is a concept according to which companies voluntarily take into account social and environmental aspects in their commercial activities and in contacts with their stakeholders. Corporate social responsibility contributes to sustainable development and to taking into consideration the expectations of all stakeholders. European Commission Green Book of 18 July 2001 (Commission, 2001).

A company can use the concept of corporate social responsibility as part of its strategy by optimizing the use of resources and relations with the environment (Jonek-Kowalska and Zieliński, 2020). The benefits of corporate social responsibility implementation can be analyzed according to the following criteria (Bartkowiak, 2011):

- economic and social benefits in a macroeconomic context that require strategic thinking and adopting a specific time perspective;
- benefits considered in the framework of the socio-economic environment, most often relate to building the image of the company as an employer and building a brand;
- benefits resulting from a personnel policy focused on employee interests, including care for the welfare of employees and improving their quality of life;
- benefits from protection of the environment and natural resources - reduction of energy consumption and use of energy from renewable sources;
- potential benefits resulting from meeting the needs and values of stakeholders.

According to research conducted by the Polish Agency for Enterprise Development, entrepreneurs also see the benefits of applying the principles of social responsibility. According to them, these are mainly (Report, 2011):

- an improvement of the company's image (74% of responses);
- an increase in employee motivation (58% of responses);
- an increase in revenues (45% of responses).

Despite the measurable benefits, this concept is still not widely introduced by enterprises. There are many problems with the implementation of the corporate social responsibility concept. The main barriers to implementing corporate social responsibility can be divided into two groups (Teneta-Skwiercz, 2013; Wilewska, 2011):

- material capabilities of an enterprise (including own resources and financial resources);
- intangible opportunities of an enterprise (including the involvement of employees in socially responsible activities and the level of knowledge (awareness) of the concept).

An additional factor that influences the failure of enterprises in the field of corporate social responsibility is the Covid pandemic, which introduced great uncertainty in the market. However, so far there has been a research gap in the area of management, there are no systematic literature reviews available (Haghani *et al.*, 2020). Rodrigues *et al.* (2021) state that there is still a lack of research, mainly empirical one, on the impact of the virus on enterprises and their management. This means that scientific research is required from the perspective of management, among others in terms of the short- and long-term impact of the pandemic on businesses (Kraus *et al.*, 2020; Karabag, 2020; Cucculelli and Peruzzi, 2018). Moradian *et al.* (2020), who called for multidisciplinary research, said managers should learn how to make companies more resilient through, inter alia, strategies and operations.

### **3. Materials and Methods**

The primary research covered a group of people selected in the purposeful selection procedure. The respondents in the study were 241 SMEs from south-eastern Poland. The results of empirical research presented in this paper are part of a wider research aimed at identifying the changes that the Covid-19 pandemic forced on companies from the SMEs sector. The research was conducted by employees of the Faculty of Management of the Rzeszow University of Technology in the period from March to June 2021. The data presented is the result of research conducted by means of a questionnaire. The Internet research technique was applied. It consisted in the preparation of a questionnaire which is filled in by the respondents on the website.

The electronic questionnaire was designed to facilitate the work of the respondents. Before the final draft of the survey, a trial was carried out with academic experts and company managers. In order to minimize the probability of errors resulting from the interpretation of the language used, the questionnaire was prepared in Polish. The survey lasted 15 minutes and the respondents were the company owners or managers responsible for making decisions and know all the information and tools required for economic, social and environmental development.

It was checked whether there were differences in the assessment of individual statements in relation to the characteristics of the demographics. The Mann-Whitney U test was used for the company's headquarters, share of foreign capital, CSR, and the change of industry, and for the size of the company and the functioning of the system the Kruskal-Wallis ANOVA test was applied. The research was carried out at the significance level of  $\alpha = 0.05$ .

Characteristics of the selected group: representatives of companies operating in various areas (rural or urban) participated in the research. The majority of the study groups were men (71%). The characteristics of the study group are presented in Table 1.

**Table 1.** *Demographics*

		Cardinality	Percentage
The area of the company operation	Rural area	85	35%
	city	156	65%
Business area	local	69	29%
	regional	75	31%
	national	55	23%
	international	42	17%
Foreign capital share	no	201	83%
	yes	40	17%
Owner's gender	woman	70	29%
	man	171	71%
Have any innovations been implemented	no	108	45%
	yes	132	55%

**Source:** *Prepared by the authors.*

The companies under the survey operated in various sectors, most of them, because as many as 92 enterprises, in the remaining services. These data are presented in Table 2.

**Table 2.** The business sector

	Number
other services	92
trade	41
construction	32
processing industry	19
agriculture	10
education	8
transport	8
healthcare	6
tourism and	5
forestry	4
marketing	4
real estate trade	2
municipal economy	2
insurance	2
scientific research	2
administration	2
banking	1
communication	1

*Source:* Prepared by the authors.

As a result of the pandemic only 20 companies (8%) started a new type of activity, entered a new sector or changed industries. The company's average activity in the market is 15 years. Half of the companies have been operating for 10 years or shorter, and the other half for longer. Most often, companies have been operating in the market for 5 years, there were 21 such companies, which constitutes 9% of the companies surveyed. The shortest period of operation in the market is six months, and the longest 170 years (one company). The volatility index shows that companies are highly diversified in terms of their activities in the market. Skewness informs that most companies (over 50%) have been operating in the market for shorter than 15 years.

The average percentage of employed women is 42%. Half of the companies employ 40% of women and fewer, and half of the companies employ more. Most often companies do not employ women, there were 58 such companies, which constitutes 25% of the enterprises under the survey. There are also companies that employ only women - there are 33 of them (14%). The volatility index shows the diversity of companies in terms of the percentage of employed women. Skewness reports that most companies (over 50%) employ less than 40% of women.

The average percentage of people who had COVID in companies is 27%. In half of the companies, 18.5% or less were ill, and in half the percentage of patients was higher. Most often, there was one employee in the company that did not suffer from the illness, there were 66 companies which constitutes 28% of the companies under

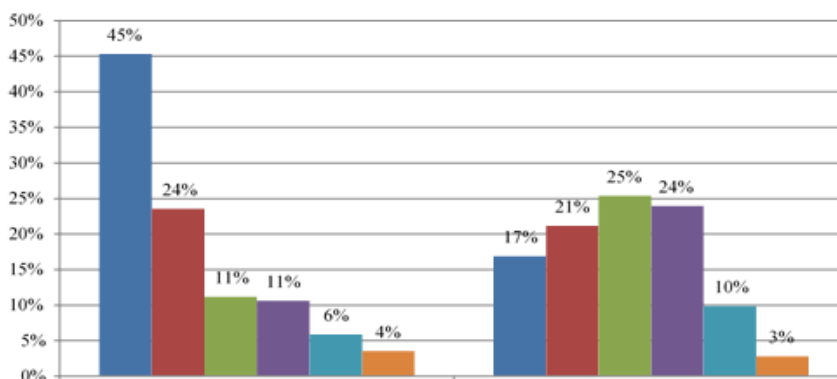
the survey. There are also companies where all employees fell ill - there are 17 of them (7%). The volatility index shows that companies vary widely in terms of the percentage of people who suffered from COVID. Skewness reports that in most companies (over 50%) the percentage of people with COVID was lower than 27%.

#### 4. Results

The research shows that the Covid-19 pandemic had a negative impact on taking up CSR activities among those companies that had already taken such measures before the outbreak of the pandemic. The enterprises that did not take such actions did not start to take them either.

The research also shows the relationship between the size of enterprises, the area of activity, the reach and share of foreign capital and taking CSR activities during the Covid-19 pandemic. In order to check whether there is a relationship, One-Way Anova analysis of variance with the use of the Kruskal-Wallis ANOVA test and the chi-square test were used. The research was carried out at the significance level of  $\alpha = 0.05$ .

**Figure 1.** Difficulties in taking actions within the effective use of own resources caused by the Covid-19 pandemic



*Source:* Prepared by the authors.

The research shows that among enterprises that undertook activities in the area of CSR, related to, inter alia.: linking employee assessment with CSR activities, rewarding employee activities in the field of CSR, ensuring appropriate and favorable working conditions, supporting employees in training and development, taking actions promoting sustainable consumption, assessing suppliers' approach to CSR, providing safe products and services, monitoring the level of customer satisfaction and taking actions for the benefit of the local community; 17% of the Covid-19 pandemic experienced very little obstruction in taking these actions. Almost 40% of enterprises undertaking such activities experienced difficulties to a large or very large extent.



Table 3 presents the results of the pandemic impact on taking up socially responsible activities.

**Table 3.** Taking up CSR activities and the average rating of individual factor

Did the Company undertake activities in the field of corporate social responsibility (CSR) in the period before the pandemic?	no	yes
1.4. Problems with the payment of employee benefits (salaries, overtime, bonuses, etc.)	1.28	1.90
1.5. Necessity to change employment conditions (job cuts, salary reduction)	1.38	2.04
7.1. Effective use of one's resources (including human resources)	1.19	1.97
7.2. Linking the assessment of employee performance with CSR activities	0.75	1.20
7.3. Rewarding employee activities in the field of CSR	0.71	1.25
7.4. Providing proper and favorable working conditions	1.28	1.76
7.6. Supporting employees in training and professional development	1.08	1.79
7.9. Taking actions to promote sustainable consumption (e.g. educating customers, information on the packaging, etc.)	0.89	1.39
7.10. An assessment of key suppliers in terms of their relations with employees, care for the natural environment, etc.	0.84	1.38
7.11. Providing products that are safe for people and the environment	0.98	1.48
7.12. Monitoring the level of customers satisfaction	1.45	2.15
7.13. Engaging in activities for the benefit of the local community or cooperation with local non-governmental organizations	0.98	1.80

*Source:* Prepared by the authors.

## 5. Conclusions

In the research conducted, the main purpose of the paper, which was to present the current views of the owners and management of SMEs on the functioning of enterprises during the pandemic, was achieved. The authors concluded that the pandemic had a significant impact on the functioning of SMEs. The Covid-19 pandemic also prevented companies from taking up CSR activities.

In almost 40% of the pandemic, it was also difficult to undertake socially responsible activities among enterprises that had undertaken such activities in an earlier period. It would also be worth analyzing the impact of the pandemic on the operations of large enterprises.

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