Knowledge Management and Corporate Social Responsibility Interactions in Theory and Practice

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Abstract: Knowledge management (KM) in the context of corporate social responsibility (CSR) is a new and challenging topic. The possibilities of effectively introducing this process within an organisation and the global trend of its implementation are signals that the topic is worth taking a closer look at. Knowledge management brings the benefits necessary to effectively conduct business. When designed consciously and appropriately, they can increase the effectiveness of business activities and strengthen a company’s competitive position. On the other hand, many companies have made the principles of sustainable development a part of their strategy. Knowledge management in the area of CSR is related to important challenges. One of them is a commitment of the board of directors. Particular attention should also be paid to the needs of people in various positions and different company departments. Companies spend huge amounts of money to accumulate knowledge in various forms. However, they cannot turn this knowledge into concrete actions. This article aims to identify common areas of KM and CSR. How the application of both of them will enhance company performance. It utilizes the methods of literature analysis and company reports analysis, as well as own observations. The research was conducted in two stages. Stage 1: literature analysis and synthesis. Stage 2: Analysis of non-financial reports of selected entities. The research question is, how to use knowledge management in the context of CSR. The goal of this article is to show the resonance between knowledge management and corporate social responsibility. The conclusions presented in the article can be valuable for business professionals, small business owners, entrepreneurs, academics, researchers, and business students.

Keywords: knowledge management (KM), corporate social responsibility (CSR), sustainability, non-financial reporting

1. Introduction

Global economic development based on sustainability is only possible through broadly understood knowledge. The term sustainability is the result of understanding the three aspects: social, environmental, and economic, taking into account the costs of current decisions for future generations. Sustainability is a contemporary and current issue recognized by researchers (Al-Ali Mubarak, Gorgenyi-Hegyes and Fekete-Farkas, 2020) and is the main derivative of this concept for business. The communication of an organisation's performance in its economic, social, and environmental dimensions to the concerned parties is the principal function of the CSR (Corporate Social Responsibility) reporting process. In this way, an enterprise demonstrates the effectiveness of its actions in the area of social responsibility management. Thus, the CSR reporting should be part of the process of creating an organisation’s strategy, implementation of its action plans (Krištofik, Lament and Musa, 2016). Entrepreneurs should invest in CSR and seek to improve the quality of their relationships with their funders (Mastrangelo, Cruz-Ros and Miquel-Romero, 2019).

Today, knowledge is an elementary component of a company's assets. It is difficult to identify and even more difficult to value. The ability to manage knowledge (KM) becomes critical in today’s knowledge economy. The creation and diffusion of knowledge have become increasingly important factors in competitiveness. More and more, knowledge is being regarded as a valuable commodity that is embedded in products (especially high-technology products) and the tacit knowledge of highly mobile employees (Dalkir, 2013).

CSR and KM are two concepts that have gained popularity. These currents have been developing in isolation for many years. Their intersection seems to be an inevitable process. Being socially responsible is something to be proud of. However, simply being socially responsible is not enough, it is also necessary to pass this information on to a wide range of internal and external stakeholders. Many companies understand this and try to emphasize this attribute. This is where the need for information transfer and knowledge management arises. This means that KM should be an indispensable element of the broadly understood CSR. With increasing frequency, articles combining these two issues appear in the literature. This is the beginning of the process of incorporating knowledge management in CSR on a theoretical basis. This trend should also be followed by economic practice.

Knowledge management is increasingly perceived as a prerequisite for proper and rapid economic and social development. When communicating your CSR activities, it is necessary to remember to maintain the principle of substance over form. Such balance can be ensured by implementing knowledge management.
This article aims to define the category of CSR, in relation to a company's balanced development concept which, at least thus far, constitutes a theoretical gap in the literature. The author has tried to define the implementation of CSR with KM. The paper includes an analysis of the literature of the subject and qualitative research based on secondary sources.

2. Systematic Literature Review

The purpose of the literature review is to briefly define the concepts of CSR and KM. Showing the variety of studies on these concepts. Presentation of the publication gap in the area between these two concepts. The communication of an organisation’s performance in its economic, social, and environmental dimensions to concerned parties is the principal function of the CSR (Corporate Social Responsibility) reporting process. In this way, an enterprise demonstrates the effectiveness of its activities in the area of social responsibility management. Therefore, CSR reporting should be part of an organisation’s process of strategy creation and action plan implementation (Krištofik, Lament and Musa, 2016). Corporate social responsibility requires a company's continued commitment to comply with ethical norms in its operations, while contributing to economic development, as well as improving the quality of life of employees, their families, local communities, and society as a whole. A growing body of literature suggests that an organisation’s involvement in CSR policies and practices tends to not only contribute to improving financial outcomes at the organisational level, but also to non-financial outcomes such as the company’s reputation in the eyes of its consumers, and its attractiveness to investors by satisfying external stakeholder expectations (Liu, 2018).

The content and goals of CSR may differ depending on the country of origin of the company. The implementation of CSR may depend on the macroeconomic conditions in the country and the existing differences in regional economic development, special economic zones, differences in productivity, regional innovation performance, the effectiveness of labor market policy, and productivity convergence in the regions from which the researched companies come from (Piersiala, 2019b). Implementation of a responsible business and sustainable development strategy has a chance of success when it is supported by the management board and people in managerial positions and finds widespread acceptance among the company’s employees of the company. Therefore, the processes and tools of multidimensional knowledge management in the context of CSR should be elements of the strategic vision and mission implementation in companies and constantly accompany other key processes, i.e. internal communication or human resource management.

According to the Global Reporting Initiative, a CSR report can be defined as: “A sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization’s values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy.”

The analysis of reports on CSR implementation in enterprises gives ground to conclude that corporate social responsibility has a significant impact on the functioning of a business. For this reason, companies cannot treat the idea of CSR as a passing fashion and associate it only with the need to incur expenses, but rather should see it as a management strategy based on multidimensional relationships with a wide range of stakeholders, and as such consider it an investment and source of innovation (Piersiala, 2019a). Being a socially responsible entity is a sign of prestige. Social reports based on knowledge management can become an essential tool in this process. Such information should thus be an element of knowledge management within an enterprise.

21st-century organisations must be aware of the importance of non-material factors in building a position or creating a competitive advantage. Knowledge as an intangible resource is of great importance in creating the organisation’s value (Rosińska-Bukowska, 2020; Bencsik, 2021). Effective knowledge management allows organisations to gain many benefits, such as improving organisational quality or quickly transferring and using the right resources in an appropriate manner (Sagan, 2019).

Knowledge can be divided into two major groups. One of these is formalized and easily transferable knowledge, while the other is defined as latent (tacit) (Poór et al., 2018). Intellectual capital is the value of a company’s employee knowledge, skills, business training, or any proprietary information that may provide the company with a competitive advantage. On the other hand, intellectual capital can be divided into human capital and structural capital (Edvinsson and Malone, 1997; Łęgowik-Świącik, 2021).
According to Thomas A. Steward, knowledge resources can be divided into three primary categories: the first is the individual knowledge of employees (their experience, skills, proficiency), the second is knowledge recorded in documentation or databases, and the third is knowledge protected by patents, trademarks, copyrights or trade secrets (Stewart, 1997).

Knowledge is an essential resource for all businesses of the globalisation era (Nonaka and Toyama, 2015; Ding et al., 2017; Abdillah et al., 2018). Knowledge management, as a young field in management sciences, encompasses state-of-the-art methods and techniques to ensure the most effective use of knowledge resources. Over the past decades, knowledge management (KM) has proven itself not simply a trendy movement in research, but a new discipline drawing a growing body of worldwide research. It has been considered a new and influential approach in the science of management. It is KM, a new source of sustainable competitive advantage that makes organisations all over the globe redefine their business strategies (Ngoc-Tan and Gregar, 2018).

The knowledge management system distinguishes three models:

- **The Japanese model.** This model is based on both tacit and formal knowledge - Nonaka and H. Takeuchi.
- **Resource model created by D. Leonard-Barton.** He believed that for a system to function well, there must be a link between five elements, namely: the management system, the knowledge, and skills of employees; experimentation; knowledge transfer; a common solution; the use of new technologies.
- **Process model.** This model is based on studies and practical experience. This approach distinguishes three knowledge management processes: the knowledge codification process; the knowledge transfer process; the knowledge creation process - T.H. Davenport and L. Prusak.

The topic of knowledge management is taken up by many academics. Skuza and Prusak write about knowledge management in the context of integrated management. Their study presents considerations regarding the possibility of including knowledge management in integrated management systems, treating knowledge as a basic element connecting the system (Skuza and Prusak, 2018). Knowledge management combined with the future of artificial intelligence is shown in an article by Bencsik (Bencsik, 2021). Radziszewska writes about the role of social media in the context of sustainable development. She emphasizes the key role of sustainable development in building a company's long-term strategy (Radziszewska, 2021). She attempts to explain how social media can influence consumer knowledge in the field of environmental protection.

Civilizational changes have resulted in the world economy moving from the industrial era to the era of information and knowledge. Information is of very high importance. The concept that organisations consider social and environmental interests and relationships with other actors at the stage of strategy building has existed for two decades. The great importance of information combined with the concept of CSR resulted in the emergence of non-financial reports (Krawczyk, 2019).

The purpose of this article is to present the characteristics of a learning organisation and offer insight into the idea of CSR, especially in areas linked with the characteristics of a knowledge-based organisation. Considerations have shown that a learning organisation is a space in which the CSR concept can be properly interpreted, appropriated, and implemented. Ethics, in turn, provide sufficient grounds for the implementation of all the principles of social responsibility in an enterprise (Wołoszyn and Ratajczak, 2011). However, there are not many scientific publications combining the subject of KM and CSR. Their compilation is outlined in Table 1.

**Table 1:** List of publications combining CSR and KM

<table>
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<tr>
<th>Author, title, year</th>
<th>Findings</th>
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<td>L. Preuss, J-R. Córdoba, A knowledge management perspective of corporate social responsibility, 2009</td>
<td>&quot;... paper aims to determine how knowledge management (KM) processes can foster (or impede) progress towards corporate social responsibility (CSR). Distinguishing between two related but analytically distinct approaches to knowledge management, namely an element and a process view, the paper develops a conceptual model of how knowledge management can impact on CSR. Distinguishing between elements of knowledge and processes of managing these allows a more systematic and comprehensive approach to managing knowledge around CSR.&quot;</td>
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<tr>
<td>M. Klimczok, A. Tomczyk, CSR - the concept of responsible business in light of knowledge</td>
<td>&quot;... the concept of corporate social responsibility and its importance from the perspective of knowledge management in the company, which is necessary for effective planning and proper functioning of the organisation... Therefore, it seems...&quot;</td>
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However, there is a scarcity of management programs on CSR, creating a void in knowledge concerning the implementation of CSR by modern organisations. Knowledge management comprises a range of strategies used by an organisation to identify and enable the adoption of insights to help managers contribute towards personal, professional, and organisational effectiveness (Rao, 2018). The goal of this article is to show the resonance between knowledge management and corporate social responsibility.

3. Research Results

Corporate social responsibility and knowledge management are two trends in the economic space that have been developing in parallel for many years. Their characteristics are compared in Table 2.

Summarizing the compilation contained in table 2, one may conclude that the greatest development of both concepts took place in the 1990s. The definition of KM places much emphasis on the meaning of information transformed into knowledge. In the case of CSR, the most important issue is sustainable development. The intended effect of implementing both strategies is improved management of resources in general. CSR places much emphasis on looking into the future of an enterprise and ensuring its long-term development. Both trends focus highly on employee development. They can also be a source of benefits for external stakeholders. Many common tools can be utilized by both strategies. One of these is certainly social media activity. Another important element are reports which, from the perspective of KM are a carrier of knowledge. For CSR, they are an element of marketing. Non-financial reports are essentially a product of these two concepts. It is, therefore, worth studying the inclusion level of knowledge management in Corporate Social Responsibility reports.

### Table 2: KM and CSR - comparison of the most important characteristics (components)

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<th>KM</th>
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<td>Ultimately, the concept of knowledge management is dated back to 1987. This was the date of the first conference in the United States entitled Managing the knowledge assets into the 21st Century. The development of knowledge management took place in the second half of the 1990s and was popularized by the Japanese Ikujiro Nonaka. In 1995, together with Hirotaka Takeuchi, he published The knowledge-creating Company - How Japanese Companies Create the Dynamics of Innovation.</td>
<td>The assumptions of the CSR concept have their origins in the United States as early as the end of the 18th century. The social responsibility of business at that time consisted in personal charity activities conducted by entrepreneurs. The 1950s saw the publication of a work by Howard Bowen – &quot;Social Responsibilities of the Businessman&quot;, in which he explained that enterprises should conduct activities following social goals and values because their business activity is directed at ordinary people. An important point was the emergence of new trends and concepts in the 1990s, such as sustainable development or corporate citizenship.</td>
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### Definition

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<th>KM</th>
<th>CSR</th>
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<td>Knowledge management can be defined as the overall activities aimed at identifying, preserving.</td>
<td>Corporate Social Responsibility (CSR) is a management strategy, according to</td>
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<td>KM</td>
<td>CSR</td>
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<td>disseminating, and using the explicit and implicit knowledge of a company’s personnel to improve the efficiency and effectiveness of the employees' activities.</td>
<td>which enterprises in their operations voluntarily consider social interests, environmental aspects, and relations with various groups of stakeholders, their employees in particular.</td>
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<td>Purpose</td>
<td>Shaping the organisation’s knowledge resources and ensuring its efficient flow in individual functional areas of an enterprise.</td>
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<td>Implementation Effect - benefits</td>
<td>The effects of introducing KM at 3 levels: 1. The enterprise level:  - management cost reduction,  - increased management efficiency,  - increased creativity,  - development of the enterprise, 2. The employee level:  - increased competencies and work productivity,  - self-realisation,  - development/growth,  - increased competitiveness of employees in the labour market. 3. The level of benefits for both partners and competitors includes:  - ideas for new products and services  - information exchange,  - understanding the customer’s needs.</td>
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<td>Tools</td>
<td>Open knowledge management tools:  - Project reports  - Post-project analysis with the person in charge of the given area of knowledge.  - Knowledge mapping  - Practitioner groups  - Transfer of best business practices  - Knowledge fairs  - Competence management (regular assessment and competence development planning of individual employees)  - Master-apprentice (mentoring) programs  - Knowledge sharing technologies (e.g. groupware)  - Shared databases</td>
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Patrycja Krawczyk

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<th>KM</th>
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<td>- Knowledge brokers (organisation members responsible for a specific area of knowledge)</td>
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<td>- Social software (wikis, blogs, etc.)</td>
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| Classified knowledge management tools: | -
| - knowledge map, | -
| - e-learning, | -
| - blog, | -
| - social media, | -
| - internal practitioner networks (trade blogs), | -
| - video conferences, | -
| - newsletters, | -
| - corporation websites, | |

Source: own study.

The database for this study is CSRinfo, which is the Polish GRI Data Partner and collects report data for the Global Reporting Initiative. It services the Polish region in order to facilitate access to non-financial reports and promote this form of reporting. CSRinfo handles consulting, training, and education in the area of responsible business and sustainability standards. Reports contained in the database are prepared according to various standards (GRI, SIN, other), some of them are published in PDF format, while some are online - these are integrated or non-integrated reports from various industries.

The qualitative study encompassed 35 reports published in 2020. The reports have been analysed in terms of their references to Knowledge Management. The study sample features reports of entities from various sectors, including banking, insurance, petroleum industry, retail including e-commerce, food industry, media, electromechanical industry, services, and others, construction, chemical industry, metal products industry, information technology, power industry, wholesale, automotive industry, transport and logistics, building material industry, finance, and others. Some of the reports are integrated, while others concern only CSR.

Based on the collected data, it can be concluded that only one entity's report includes references strictly to knowledge management. In the vast majority of reports - 28 - indirectly mention knowledge management practices. These are usually statements concerning knowledge sharing. As many as six entities did not refer to knowledge in any way. Table 3 shows select ways in which entities refer to knowledge management.

**Table 3: Qualitative study results**

| Integrated report of the Orlen group for the year 2019 | Projects are conducted with the purpose of organisational development based on knowledge, unleashing the internal potential, and sharing feedback. In 2019 the company continued its internal employee innovation activation program which motivates employees to submit initiatives and enables identifying solutions with a high innovativeness level, incl. the ORLEN Insight knowledge-sharing platform... |
| PZU annual report 2019 | The knowledge and experience of the PZU Group's employees constitute the company's great potential. Understanding its significance to society and the economy, PZU has introduced new knowledge-sharing standards. Participation in various events, conferences, and symposiums, and activity towards the development of business, science, new technologies, and financial education allow - in consideration of the common good - to share a part of its expert knowledge with employees and the company. |
| Towards fashionable sustainability. LPP S.A Integrated Report for the year 2019/20 | We provide intense training to our employees and promote sharing knowledge, which is why we often speak at industry events or conduct workshops. |
| Kompania Piwowarska sustainability report for the calendar year 2019 | The people employed at our company eagerly share their time, skills, and knowledge with those in need, and we provide financial and organisational support to such activities. |
The results of qualitative research show that in economic practice, few entities refer to knowledge management in their sustainability reports. Simultaneous implementation of the assumptions of sustainability and knowledge management in a company's strategy can provide the entity with many benefits.

4. Conclusion and future work

Corporate social responsibility and knowledge management are two trends in the economic space that have been developing in parallel for some time now. Recent years have given rise to the academic discourse on the interpenetration of these two issues. This was shown in the literature review. Furthermore, economic practice is beginning to notice the relevance of implementing both solutions in parallel. Consideration should be given to how these techniques can be implemented to maximise their mutual permeation.

There is an extensive gap between the key elements of Knowledge Management and CSR. The current role of knowledge management in sustainable development is rather minimal. The ways to fully utilise the potential of knowledge management claimed by academic research are still to be discovered. For this purpose, future research is needed, focusing on practical aspects of knowledge management applications.

This study was conducted based on reports published by CSRInfo. The materials presented through them have a high level of credibility (CSRInfo is a local partner for the Global Reporting Initiative), however, it is a database of reports encompassing one country. Further research should be expanded to include a comparative analysis of reports from other countries. This issue is an area for further research into the interactions between corporate social responsibility and knowledge management.

Enterprises that see the importance of CSR values have quickly noticed that the fact of being socially responsible should be presented. CSR should be an element of knowledge management within an enterprise. Knowledge that should be presented inside and outside the organisation. Knowledge that builds the image of a socially responsible company ensuring its long-term development. Transparency of company knowledge promotes sustainable development.

Reference


