Public Expectations for Corporate Social Responsibility in Poland

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Public Expectations for Corporate Social Responsibility in Poland
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I. Introduction

This report is an analysis of quantitative and qualitative research into public perceptions of Corporate Social Responsibility (CSR) in Poland. It was commissioned by the World Bank Development Communication Division and the World Bank Warsaw Office\(^1\) to assist the Polish Office for Competition and Consumers’ Protection (POCCP) in preparing a program to promote responsible business practices among Polish enterprises and consumers.

This research was undertaken to better understand the complexities of the public/consumer decision-making process when it comes to making purchases, as it relates to companies’ CSR records and practices. On one hand, companies practicing CSR present consumers with a business offer which consumers assess on the basis of quality and price. On the other hand, these companies may simultaneously present consumers with a social/environmental offer—to pass on benefits to the community, various stakeholders and/or the environment—if their products are used, whatever their price and quality. The process through which consumers consider these two “offers” depends on their attitudes and knowledge, and their general expectations of businesses.

The research probed the following issues to attempt to understand how and when consumers could be partners in a program to promote CSR:

- Consumers’ expectations from entrepreneurs;
- Consumers’ perception of entrepreneurs, including the consumers’ evaluation of the compliance of entrepreneurs’ activities with the social and environmental norms;
- Level of understanding of “ethical business issues” as seen by consumers differentiated by age, educational background, social and professional standing, family income per person, family size, place of residence;
- Consumers’ attitudes towards the idea of “codes of best practice” in business and voluntary compliance of entrepreneurs with decisions of arbitration courts;
- Barriers for establishing consumers’ trust in entrepreneurs; and
- Main information sources about CSR.

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CSR is about voluntary business behavior, over and above compliance with legal and regulatory requirements. Typically, large companies dominant in their industries have been the most receptive to and capable of incorporating CSR into their business models.

An impediment to practicing CSR, particularly among smaller and medium-size businesses, has been the fear that they would lose their competitive position if they acted alone. Therefore, CSR has been undertaken through self-regulation by business, and as such, a majority of firms in a sector or industry adopting such responsibilities can pre-empt the need for new legislation and help minimize regulatory burdens. Effective and credible voluntary agreements, codes of conduct and practices covering sectors of the economy and industrial groupings are instruments that can be used as a viable complement to legislation.

Poland is still in the early stages of adopting these approaches compared to other EU member countries. However this research shows that consumers are receptive to seeing these new business models developed, despite their skepticism about efforts to date.
II. Methodology

The research was conducted among samples of the general public/consumers, aged 18 and older, living in urban settings of different sizes. The survey, conducted in the second quarter of 2005, comprised 56 questions asked in face-to-face interviews.

The research included both qualitative and quantitative assessments.

a. Qualitative assessment:
General consumers aged 18 and older were identified to participate in Focus Group Interviews (FGI) by place of residence:
- a large city (more than 500,000 residents)
- a medium-sized city
- a small town

FGI in large and medium-sized cities consisted of:
- 1 FGI: persons with secondary and higher education; 50 percent women, 50 percent men; age 25-39
- 2 FGI: persons with secondary and higher education; 50 percent women, 50 percent men; age 40-55

FGI in small towns consisted of:
- 1 FGI: persons with secondary and vocational education; 50 percent women, 50 percent men; age 25-39
- 2 FGI: persons with secondary and vocational education; 50 percent women, 50 percent men; age 40-55

Each FGI was attended by 8-10 persons. Results of the FGIs provided a basis for modifying the questionnaire to be used in the quantitative phase of the research.

b. Quantitative assessment
The size of the sample was 1,001 persons, aged 18 and older, selected randomly, in compliance with the social and demographic distribution of the general population.

Face-to-face interviews were conducted using a standardized questionnaire (the method of a representative survey). Interviews and data were conducted and gathered in compliance with the norms of ESOMAR, an international organization that specializes in research into markets, consumers and societies.
III. Public Expectations for CSR in Poland

1. Public Understanding of Corporate Social Responsibility

The survey asked consumers to identify three main behaviors that defined the social responsibility image of a company.

Survey responses revealed a diverse public understanding of the concept of CSR. Respondents focused on internal aspects of companies’ operations, such as maintaining good relations between the management and workers (27 percent), observing regulations, and respecting sectoral standards (20 percent). A relatively large number (27 percent) of respondents did not have a clear view of the definition of CSR.

When asked to define “ethical conduct” by a company, 32 percent of respondents answered that it meant that companies acted “honestly” and in the spirit of fair competition. Eighteen percent thought that ethical conduct meant maintaining fair relations with consumers. Only 5 percent considered concern for or treatment of local communities and environment as part of ethical conduct.

Some of these views were confirmed when respondents were asked to select the three most important behaviors manifesting social responsibility of a company: 47 percent of those interviewed stressed good relations in the work place; 42 percent of respondents selected providing jobs for people in the region as the most important, and 42 percent stressed the issue of fair payment for overtime.

Twenty-one percent of respondents thought that ensuring good safety and health conditions in the work place was one of the most important socially responsible activities a company could undertake, while 17 percent thought that paying taxes was among the most important. Again, respondents rated factors such as support to local communities and environmental protection as less important, (12 percent and 10 percent, respectively).

These responses imply that Polish consumers may be at an early stage of understanding the meaning of “corporate social responsibility” as currently used, particularly in the rest of the EU. The response also shows, however, there is a set of concerns that are identified but not articulated under the single concept of “CSR” that could be linked and synthesized under that term. This suggests that an education and publicity campaign could be successful in fixing the concept in public consciousness.
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Figure 1. Three main behaviors giving a socially responsible image to a company

- Respect for employees, good relations at work: 47%
- Providing jobs for people living in the region: 42%
- Fair payment for overtime work: 42%
- Ensuring good quality of products and services: 22%
- Ensuring good safety and health conditions at work: 21%
- Payment of all taxes due: 17%
- Ensuring that prices of goods/services reflect their value: 12%
- Taking actions to support the local community: 12%
- Making profit in compliance with the law: 10%
- Using environment-friendly technologies: 10%
- Not paying bribes: 7%
- Providing full information about the ingredients: 6%
- Providing information about side-effects of using a product by sensitive consumer groups: 6%
- Financial/Organizational assistance in solving local problems: 6%
- Advertising of goods and services always in a responsible way: 4%
- Financial/Organizational support for cultural events in local community: 4%
- Using environment-friendly methods of crop growing: 3%
- Compliance with good practices applicable in independent institutes: 2%
- Having goods and services tested by independent institutes: 2%
- Using renewable resources in production: 2%
- Not testing products on animals: 2%
- Difficult to say: 2%
- None: 2%
- Providing information about problems that may be associated with use of a product: 1%
2. Local Community and Environmental Protection

Although they did not voluntarily identify the external environment as being part of a corporation’s responsibility, when prompted to consider whether companies should have concerns outside their own business, 69 percent of respondents agreed that companies should consider the needs of local communities and the environment, in addition to carrying out their normal business, in compliance with the law.

Figure 2. Should companies, in addition to their ordinary business, consider the needs or problems of the local community?

Figure 3. Should companies, in addition to their ordinary business, consider the needs of the environment?

However, when asked what companies should do to demonstrate concern for local communities, 36 percent of respondents thought the best way was to provide job security, while 19 percent suggested investments in environmental protection.

This evidence again illustrates that the consumer is predisposed to accept that businesses have a responsibility beyond their normal commercial environment. However, it also illustrates that consumers see this responsibility within the limits of traditional business operations and have not begun to fully appreciate that the scope of corporate responsibility may operate beyond this.
3. Encouraging Adoption of CSR Activities

When asked how companies and businesses might be encouraged to exercise their social responsibilities more regularly, 62 percent of respondents considered local authorities the most appropriate bodies to encourage better social and environmental responsibility. Fifty-two percent thought that the central government should also provide such encouragement, 41 percent considered local communities the most appropriate, and 38 percent thought that the best encouragement may come from consumers themselves.

Thirty-five percent of respondents “strongly agreed” and 38 percent “agreed” with the statement that, as consumers, they expect greater involvement in solving social problems by the companies whose products or services they use.

Figure 4. As a consumer, do you expect greater involvement in solving social problems of companies whose products/services you use?

These results reflect much greater trust in the effectiveness of regulatory methods than in market-driven mechanisms in convincing businesses to act in a more responsible manner, whatever the scope of such behavior might be. This fact is especially interesting considering that the overall level of trust in public institutions in Poland is perceived to be very low.

However the finding does not mean that consumers have no confidence in their purchasing power to influence business decisions. The result may indicate that consumers are not comfortable confronting businesses exclusively through market behavior or individually. Survey results indicate that they rather rely on representatives of the public good to protect consumer interests, beyond other market regulating functions, and extend these to cover social responsibility.

Of additional importance to the POCCP is a demonstrated public acceptance that the practice of motivating corporate social responsibility should be shared by government, consumers and businesses.
4. Drivers Behind CSR

When asked to give their perceptions of the motives that drive the social and environmental responsibility of companies, 65 percent of respondents said that the desire to create a positive image of the company among consumers was probably the most important. Additionally, 46 percent thought that gaining a competitive advantage and maintaining good relations with local communities was the most important driver. About 30 percent thought that companies were implementing CSR agendas because of their sense of duty as corporate citizens, while 29 percent attributed this to pressure from consumers. Only 14 percent of respondents considered pressure from parent (International) companies as the main driver for such behavior.

Figure 5. Reasons for a company to assume social/environmental responsibility
These findings are of central importance in considering the appropriate tone and framework for further development of CSR. Consumers appeared to accept that businesses can be influenced by their image in the market, even if consumers themselves are not fully convinced of this fact (See Section 3). Moreover, a reasonable segment was willing to accept that businesses do take community concerns into account in making corporate decisions, and even accepted that businesses incorporate a degree of altruism in their operating strategies. Consumers appeared to believe that "pressures" are not as significant a determinant of responsible corporate behavior as a corporation’s willingness to accommodate the perceived wishes of others.

This implies that future programs supporting CSR should be based on information sharing, dialogue, and, ultimately, negotiations between businesses, consumers, the community, and government. Conversely, consumers appeared to believe that a program based on conflict and enforcement would be unnecessary and unsuccessful.

5. External and Internal Barriers for Polish Companies to Be More Socially Responsible

If corporations, as suggested above (Section 4), have motives for behaving responsibly, why do consumers believe that they do not act accordingly? Forty-eight percent of respondents considered a company’s desire for short-term profits as the main constraint to implementing a social and environmental agenda in the Polish market. By implication, they believed that companies did not operate with sufficient long-term vision. Only slightly fewer, 42 percent, thought that the government did not enable a supportive environment for these kinds of activities.

Forty percent of respondents thought that companies did not gain any profits from being more socially responsible. The same number of respondents thought that a difficult situation in the market was preventing firms from being more socially and environmentally responsible. Thirty-nine percent of respondents felt that companies did not want to share their profits with other stakeholders, and 9 percent of respondents thought that companies simply do not know that consumers expect them to be engaged in CSR activities.
6. Public Opinion of Companies

The respondents were asked to name the aspects of a company’s behavior that were most important in shaping their opinion of it. Twenty-four percent cited the quality of goods and services provided by a firm, while 15 percent considered the way a company treated its employees as most important. Only 11 percent of respondents felt that the quality of customer service was important, and only 9 percent felt that a company’s reputation in the region was important. Of only marginal influence were compliance with the law (4 percent), ethical conduct (5 percent), price-quality ratio (3 percent), and the way companies take care of the environment (3 percent). Clearly, with current knowledge, consumers view companies according to traditional market factors.
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However, when specifically asked if their opinion would be affected by information about a company’s initiatives to improve the condition of the natural environment, 40 percent stated that this kind of information was “definitely important”, and 43 percent thought it was “rather important” in their perception of a company. Similarly, when asked about initiatives to support local communities, 28 percent definitely considered these actions as having an impact on their opinion of a company.

Moreover, 55 percent of respondents either “rather disagreed” or “definitely disagreed” when asked if they thought companies adequately favored local communities. Fifty-one percent of respondents thought that firms did not do enough for the natural environment, and 61 percent were concerned that overall, Polish firms did not attach enough attention to corporate social responsibility.

Figure 7. To what extent do you agree with following opinions about Polish companies/firms?

In addition, fifty-two percent of respondents were of the opinion that Polish companies did not observe ethical principles, even if 67 percent of respondents “strongly agreed” or “somewhat agreed” with the statement that firms in Poland were doing their best to ensure that consumers were satisfied with their products and services.

These results again illustrate that, while Poles may feel relatively satisfied with the commercial behavior of businesses and are not presently concerned about their broader social and environmental behavior, if provided with more information, they could become mobilized to demand and support corporate social and environmental initiatives.

Sixty percent of respondents admitted that they did not know of Polish companies that were socially and environmentally responsible. Of those respondents who knew of such companies, 50 percent referred to food manufacturers, 29 percent to pharmaceutical...
companies, 22 percent to cosmetics producers, and 21 percent to car manufacturers. Examples of responsible companies in the extractive/energy industry and information technology were much less known.

When asked about specific actions related to corporate social responsibility, only 16 percent of respondents were able to give an example. Of these, 38 percent were related to environmental protection, 49 percent to various types of charities, and 18 percent to healthcare.

Figure 8. Knowledge about companies’ actions supporting the local community and environment?

Thirty-six percent of respondents said they would like to have much more knowledge of CSR practices of Polish enterprises, while 31 percent said they would like to know just a little more. When asked about sources of information on CSR, 72 percent said they obtained information from mass media (TV, radio, press), 19 percent from civil society organizations, 10 percent from companies, and 8 percent from governmental institutions. Fifteen percent of respondents said they did not have any source of information on CSR issues.

This evidence suggests that a strategy for monitoring and reporting on socially and environmentally responsible corporate actions, and communicating this to the general public, could have positive effects in Poland (as it has elsewhere) in promoting CSR. Preferably such monitoring and communications would be voluntary and initiated by businesses, but with independent verification and follow-up, either by consumers, or government, or both, to assure the veracity of the reporting.
7. Consumer Choices

After identifying the factors that influenced their perceptions of corporate behavior, consumers were asked about the factors that would actually influence their decisions to patronize particular firms.

Respondents were asked to assume that they wanted to buy a product that was produced by two different companies, at comparable prices. Next they were asked to consider the most important factors influencing their choice between the two. Thirty-nine percent answered that the most important factor was product brand, 15 percent considered a salesperson’s recommendation the most important, and 12 percent said that awareness that the production of the good did not harm the environment was an important factor. Sixteen percent identified the manufacturer’s CSR-related factors—namely social initiatives, employee/employer relations, and care for the environment—as the most important factor in making a decision.

Figure 9. Decisive factors when choosing between two brands of a product

When asked to consider purchases of specific (rather than general) products (such as coffee, sports equipment and electronic equipment) for which brands are already well known, most respondents stated that they were prepared to pay a premium for goods
that were produced in line with high standards of social responsibility. This was also the case with more expensive goods such as furniture or cars. In these cases, where brands are readily identifiable, and awareness of them created through public communications and advertising, associating the brand with socially responsible behavior appears to have an impact on consumer choice.

In addition, respondents were asked how their choices would be influenced by knowledge that a producer was engaged in a commonly identified antisocial practice, such as using child labor, paying less to its workers than needed to guarantee a decent standard of living, tolerating corruption and bribery among its employees, operating in countries that violate human rights, advertising its products in an unfair manner, preventing its employees from organizing trade unions, reducing the cost of production by exploiting workers from developing countries, harming the natural environment, or discriminating against workers on the basis of race, religion, and gender. In almost all of these cases, most respondents stated that they would either “definitely stop buying”, or at least “rather stop buying” products from these companies.

*Figure 10. Which products would you prefer to buy assuming that those from socially responsible manufacturers are a little more expensive?*

Finally, the respondents were asked how they acted in their daily lives when informed about the social and environmental behavior of companies. Thirty-one percent said they talked to relatives or friends about positive actions of companies toward environment or local communities, 38 percent talked about negative impacts of companies on the environment or local communities, 18 percent recommended products of a company
because of its involvement in supporting local communities or the environment, 35 percent purposefully bought products manufactured in an environmentally friendly way, 29 percent said they rewarded companies by buying their products because of their involvement in environmental protection or support to local communities, 28 percent said they intentionally refrained from buying products or services manufactured using technologies that harm the environment, and 12 percent stated that they felt guilty for buying products/services that were produced by manufacturers violating ethical norms. About 12 percent declared that they sought information on the ethical principles of companies whose products/services they bought.

As might be expected, therefore, in the abstract, consumers reported making choices influenced by traditional commercial factors such as brand and relations with salespersons. However, when considering products for which brands were prominent, they tended to be more discriminating when they were informed about the CSR associated with the brand.

**Figure 11. Did you do any of the following things during the last 12 months?**

- Intentionally refrain from buying products/services of a company which treats its employees unfairly: 25% Yes, 66% No, 8% Difficult to say
- Feel guilty because you bought a product whose manufacturer violates the principles of ethics: 12% Yes, 78% No, 10% Difficult to say
- Actively seek information on observing the principles of ethics by companies: 12% Yes, 82% No, 6% Difficult to say
- Buy products or services mainly because their manufacturer observes the principles of ethics: 22% Yes, 67% No, 12% Difficult to say
- Intentionally refrain from buying products/services of a manufacturer using technologies that harm the environment: 28% Yes, 63% No, 9% Difficult to say
- Intentionally refrain from buying products/services of a company whose actions have an adverse effect on the environment/society: 29% Yes, 63% No, 8% Difficult to say
- Intentionally choose products or services of a company involved in the work for the environment/local community: 25% Yes, 64% No, 11% Difficult to say
- Intentionally choose goods produced in an environment-friendly manner (from ecological components): 35% Yes, 58% No, 7% Difficult to say
- Recommend to your friends/relatives a company due to its involvement in the work for environment/local community: 18% Yes, 76% No, 6% Difficult to say
- Comment to your friends the actions of companies having an adverse effect on the environment/local community: 38% Yes, 58% No, 3% Difficult to say
- Comment to your friends on the actions of companies aimed at protecting the environment or helping local community: 31% Yes, 65% No, 4% Difficult to say
- Support your local shopkeepers and suppliers by shopping in a local shop: 64% Yes, 34% No, 3% Difficult to say
8. Perceptions Towards Codes of Good Practice

At the heart of CSR is the concept of voluntary compliance with corporate-driven standards. With their present state of knowledge and perceptions of business, it is important to know the degree to which consumers consider this an adequate method.

Respondents were presented with a list of six opinions about companies that decide to introduce codes of good practices specific to their firm (as the expression of voluntary CSR) in their operations. The majority of respondents (79 percent) felt that when a company was eager to offer high-quality products, codes of good practice were not necessary. Sixty-eight percent thought that the most important thing was for these firms to produce products and services with favorable prices, and in such cases, considering the value of the brand, codes of good practice were considered redundant.

However, 89 percent of respondents “definitely agreed” or “rather agreed” that a firm’s adoption of a particular set of principles that constitute a code of good practice could be beneficial for internal operation of the company. Moreover, 74 percent thought that if a company decided to observe a code of good practice, it meant that it cared for its customers more than those companies that did not observe a code.

Interestingly, 46 percent of respondents associated the introduction of codes of good practice with public relations and profit-seeking, although 42 percent thought that by introducing codes of good practice, companies were not necessarily trying to hide misconduct in their operations. Twenty-nine percent thought companies were trying to hide misconduct.

Figure 12. When buying the following products, you choose those that were manufactured by a company which has...
When asked to consider select business groups already known for heavy company branding and promotion, 49 percent of respondents stated that they would prefer buying coffee from producers that signed a sectoral code (as distinct from an individual business code) of good practices of similar price, while for 48 percent of respondents this fact did not matter. Slightly more important for respondents were sectoral codes of good practice for companies selling sports equipment, furniture, electronic equipment, or cars.

Figure 13. *Which manufacturer of the following products would you prefer to buy from, assuming that products of a company which has signed industrial good practices are more expensive?*

Regarding companies that operate in line with sectoral codes, the number of respondents willing to pay more for such products dropped by about 10 percent in all product categories.

Generally, therefore, consumers consider individual firm-level codes of conduct as re-enforcements of company image and appeal, more than a real commitment to CSR. In contrast, development of and compliance with codes of conduct at the industry level, presumably supported with monitoring and reporting on compliance, are seen as a more firm commitment, although not meriting higher prices.
IV. Conclusions

Polish consumers showed a diverse and somewhat limited view of what constituted responsible corporate behavior. They concentrated on internal expects of corporate operations that were often more important for them as employees than as consumers. Most likely these results are directly linked to the current situation in the labor market, especially to the high level of unemployment. It is possible to predict, based on results from similar surveys conducted in “old” EU member countries, that with improvement in the labor market, consumers will start paying more attention to externalities related to companies’ operations.

The research findings illustrate that there is limited public knowledge in Poland about good social and environmental practice. However, there are sentiments that could form the basis for further development of demand for CSR practices in the country. There is also a need, as pointed out by respondents, for more information about CSR activities of companies.

The results also show that the majority of respondents were rather sympathetic to social issues, but this did not necessarily translate into active support. Consumers identified local authorities and central government as the main champions promoting better social and environmental behavior among companies. This might reflect greater trust in the effectiveness of regulatory methods, rather than in market-driven mechanisms, in convincing businesses to act in a more responsible manner. This could also mean that the public expects authorities to play the role of guarantor of CSR initiatives by endorsing them and/or acting as a partner in them.

Concerning public choices, it is possible to identify (although this is still within a 3 percent statistical error) a group of people which pays attention to the social and environmental performance of companies. Compared to the public as a whole, this group is more likely to be comprised of people in the young and middle-age range (18-44 years), educated to degree level and above, having a relatively good financial situation, and living in urban areas. However social and environmental expectations also exist in other social groups.

It seems that in order to use consumer purchasing power to influence corporate behavior, there is a substantial need for both the government agencies and consumer organizations to implement educational and awareness-raising programs that explain to the public the main conceptual principles of CSR and the benefits for consumers, local communities, and the environment. Initiatives endorsed by the government seem to have the biggest potential to address these issues.

Such initiatives might in turn raise demand for products produced or sold by CSR-practicing entrepreneurs, which would reinforce efforts on the supply side and spur companies to adopt more CSR policies and practices.
V. Implications for POCCP Strategy

POCCP can readily account for the findings of this research in its strategy to promote greater attention to CSR among Polish businesses, particularly considering the importance that is given to the perceptions and participation of consumers in this effort.

An Enhanced and Pro-Active Role for Consumers

While the research shows that consumers have not fully understood and articulated the concept of CSR as practiced in the rest of the EU, they identified many aspects of CSR that could be linked and unified into such a concept. POCCP could assist them in this through public education specifically targeted to consumer leaders and spokespersons.

Consumers appeared predisposed to having their expectations of good business behavior raised and appear ready to make businesses aware of their views when these expectations are not met.

In Partnership with the State

However, consumers appeared to believe that communicating their expectations to businesses exclusively through their market activities would not be fully effective. Moreover, they appeared to favor a role for the state as an advocate for consumer interests and more responsible businesses. Again, this is an important finding considering that the public has, separately, expressed distrust of the state and its agents.

A POCCP effort to build partnerships with and strengthen the organization and functioning of representative consumer advocacy groups could be a valuable contribution to promoting CSR.

Through Dialogue and Negotiation

Consumers do not appear to believe that applying “pressures” in the form of consumer-business confrontation and regulations are as effective in determining a corporation’s adoption of CSR as voluntary adoption of such practices. This implies that future programs supporting CSR should be based on information sharing, dialogue, and, ultimately negotiations between businesses, consumers, communities and the government to reach agreement on the actions that business could take to be socially responsible.

To be credible, such dialogue and negotiations would have to be supported by monitoring and reporting on corporate actions, transparency in sharing observations, and regularized and institutionalized forums for dialogue. POCCP can be instrumental
in organizing such activities, and would be most successful in doing so in partnership with consumers and business interests.

**With Businesses Seen as Credible Partners**

Consumers believe that businesses are predisposed to adopt CSR practices in their daily operations, but feel that they may not be sufficiently informed to adopt longer-term views of their interests. However, consumers are skeptical of business actions such as mission statements and business codes of conduct masked as CSR, which may be “public relations” or brand image making. In contrast, businesses that contribute to the development and respect of codes of conduct at the industry level, presumably supported with monitoring and reporting on compliance, are seen as affirming commitment to CSR.

POCCP could, within its mandate, facilitate the expansion of business horizons and motivate industry-level behavioral standards, supported by information sharing and verification that standards are being met.