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## Corporate social responsibility and the milk market in Poland

**Summary.** Sustainable development was initially associated only with the protection of the natural environment, and eco-development is now an aspect of corporate social responsibility (CSR). Social responsibility refers to responsibility and service to stakeholders interslators, in which three goals should be reconciled: economic, environmental and social. There are more and more good practices, often innovative ones, which have shaped the competitive advantage of Polish companies on the market for some time. The aim of the publication is to analyze and evaluate the development of the concept of social responsibility in milk processing plants in Poland. The basis of the study is the subject literature and a description of practices on the example of TOP companies – the main centers of the dairy industry in Poland. The article is a contribution and a voice in the discussion about showing opportunities and creating a competitive advantage in the aspect of social innovations and changing business models.

**Key words:** social responsibility, milk market, strategy, effectiveness

### Introduction

World milk production between the period 1990–2017 saw an increased trend. In the European Union milk production increased by 1.8% , ie by 2.7 million tonnes. In the world, milk production increased by 1.7%, with the EU and US having the largest share. An increase in the scale of EU milk exports was important, which in 2017 increased by 14% and the reason was higher demand from China, the USA and Saudi Arabia<sup>1</sup>. The research shows that in the group of countries with the highest production, both the number of dairy cows and their milk yield increased. In the analyzed period, there were large changes in milk prices, which in different regions of the world occurred at similar times. Research also indicates an increasing distance in the foreign trade balance of exporters and importers of dairy products, in both cases the balance of trade in milk and its products grew.

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<sup>1</sup> T. Zdziarska: Rynek mleka, Rynek Rolny 2017, no. 10(320), p. 43.

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The milk and its products were in demand among the growing world population. Milk consumption per capita increased, also in most countries with high milk consumption<sup>2</sup>.

The milk market, its production, feed quality, animal health and management of the entire supply chain are areas in which organizations undertake different practices. The responsibility of companies for the production and processing of dairy products causes many questions on the part of consumers. The article is a contribution, an analysis of the social responsibility of dairy companies on the Polish market.

The aim of the study is to determine the importance of corporate social responsibility as a development potential and competitive advantage of the dairy industry plants in Poland. The detailed objectives of research in this field are:

- how to implement strategies in the field of social responsibility in dairy enterprises,
- the impact of CSR strategies on building a competitive advantage in dairy enterprises.

The following hypotheses were put forward in the work:

- there are very diverse activities in the field of social responsibility in dairy companies,
- CSR activities are positively correlated with economic performance and export activity in dairy enterprises.

The research covered dairy companies from the “Top 10” list. The test results will be presented in graphical and tabular form.

### **New business trends in the aspect of social responsibility**

Sustainable development means that organisational activities are deemed consistent with the needs of present generations, but not undermining the possibilities of future generations to satisfy their needs. Social responsibility is the broadly understood responsibility of the organization as stakeholders, the quality of products, services, environmental protection, information, packaging that reaches consumers, as well as for investments made on a local scale and in the business environment. The most important global premise for the implementation of the megatrend is the growing conviction of societies about the need to protect the environment, resulting from environmental awareness. The increase of consumer awareness and requirements regarding the impact of food on health and quality of life determines the trend of “healthy eating” and promotion of forms such as organic, biodynamic agriculture that harmlessly coexist with the natural environment and provide products free from pollution. Despite the higher price of these products, consumer interest is increasing, the more so because they often improve health or reduce the risk of some diseases. Awareness of sustainable development in the agri-food sector is also consumer demand for information on the composition or place of product manufacture, safety and ethics.

Speaking about social responsibility in Poland, it should be emphasized that this is a country with a relatively “new” market economy.

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<sup>2</sup> T. Zdziarska: Rynek..., op.cit.

With the beginning of 1989, after the experience of the communist system, the nature of Polish entrepreneurship gradually changed, and how the society has noticed the role of business until now. After the fall of chimney, Poland entered a phase of transformation, where at the same time there were no adequate mechanisms that would protect citizens as well as models for the development of entrepreneurship.

Many socio-economic factors caused that trust in enterprises remained at a low level. Along with the growing social awareness and the increase of consumer requirements towards business, practices towards social responsibility appeared. In Poland, however, the approach is still dominant – the marketing phase, where CSR is combined with sponsoring and PR actions. Companies do not have a dialogue with stakeholders to a small extent and often lack a person responsible for CSR in the company, or it is identified with a spokesperson or a public relations specialist. The requirements for sustainable development mean that enterprises are dependent on the broadly understood condition of societies to which they direct their products and services. Education, growing environmental awareness of stakeholders, concern for the quality of life and health, that is everything that determines the well-being of society affects the propensity to consume. It is necessary to build a competitive advantage based on the idea of sustainable development. Established goals of sustainable development (SDGs) set the next step to change in the business paradigm. A breakthrough may be the moment when traditional business models will be replaced with new formulas, breakthrough business models that will be a competitive advantage<sup>3</sup>. However, a sustainable development strategy should not refer to an entity, eg an enterprise, but each entity can contribute through socially responsible activities to sustainable development.

Socially responsible activities towards the implementation of 17 sustainable goals in many cases become a competitive advantage on the market. Increasingly, they are about the growth of the company's value, greater trust in the company, creating the position of the CSR leader. The implementation of social responsibility is creating the added value of the enterprise as:

- development of new products, services, technologies, distribution channels,
- a sustainable supply chain,
- stable company development, stable framework,
- strengthening relations with stakeholders, the possibility of cooperation with other companies, markets,
- reduction of business risk, stabilization of markets,
- stronger ties with clients, personification of services, greater involvement,
- new employee competencies and greater involvement of employees, resulting in professional and personal satisfaction<sup>4</sup>.

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<sup>3</sup> N.M.P. Bocken, A.S.W. Short, P. Rana, S. Evans: A value mapping tool for sustainable business modeling, *Corporate Governance: The International Journal of Business in Society* 13(5) 2013, p. 482–497.

<sup>4</sup> J. Hittner: Attaining Sustainable Growth Through Corporate Social Responsibility, IBM Institute for Business Value, IBM Corporation 2008, p. 11.

Increasingly, different approaches to CSR are distinguished, which present the degree of linking socially responsible activities with the company's strategy. According to W. Visser, 2011, five approaches to CSR can be distinguished (tab. 1).

**Table 1.** Trends of activities in the aspect of CSR

Approach to CSR	Type of activities	The attitude of the company
Defensive	Activities focused on society and the environment	Reaction attitude – compliance with standards or standards, eg regarding the environment.
Philanthropic	Sponsoring/philanthropic activities	Attitude of the contribution – transfer of donations, foundations, associations.
Marketing	Activities aimed at improving the reputation and brand recognition.	An attitude of shaping a positive image – sometimes even an ecocheat.
Strategic	CSR activities are a strategy – a combination of economic, social and environmental goals.	Attitude of commitment.
Transformational	CSR activities are a philosophy, creating new business models.	Attitude of social and environmental innovations and building a competitive advantage.

Source: own study based on: W. Visser: Rewolucja w CSR, Harvard Business Review Polska 2011, p. 7.

New business trends also point to groundbreaking formulas that can create radical innovations, products and services as well as increasing social innovations. Traditional models are likely to be replaced with one of four new business formulas. These new approaches will be a competitive advantage. The "Social" model is distinguished, indicating that the competitive advantage will be the companies that focus on the economic effect with particular emphasis on the impact on society, building social values. The "Lean" model, where the main focus will be on optimizing the use of resources and capital. "Integrated" is a model characteristic for companies looking for common values within various economic, social and environmental systems. The "Circular" model is characterized by focusing on the closed circuit with products that live eternally, created using resources acquired in a sustainable way<sup>5</sup>.

Sustainable development will be the determinant and motivator for the emergence of breakthrough strategies and innovations. In practice, many companies are introducing new solutions step by step and already have a competitive advantage. The scale of the phenomenon is noticeable but still small.

### **CSR development trends on the milk market in Poland**

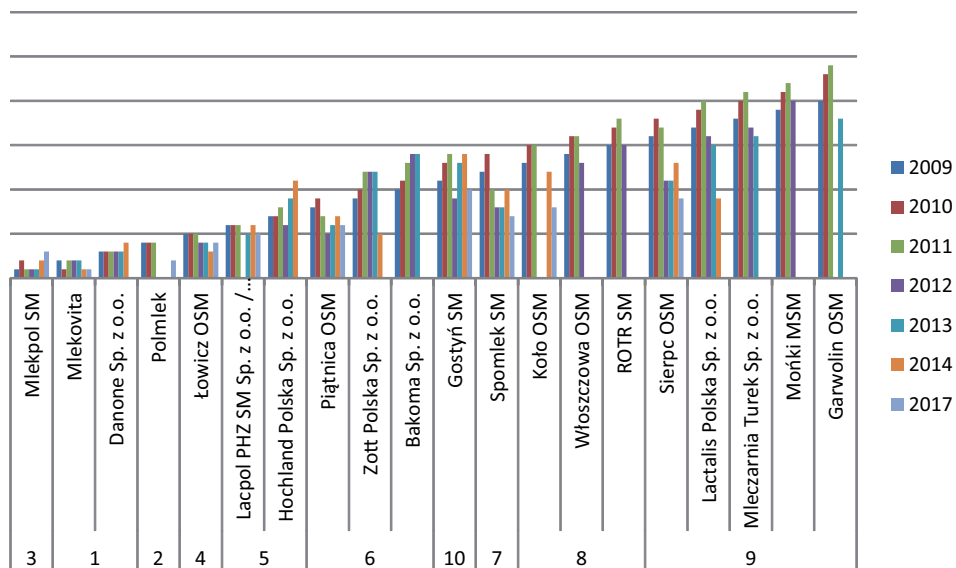
The largest dairy traditions in Poland come from Podlasie, the leaders are Mlekovita and Mlekpól. Mlekovita with headquarters in Wysokie Mazowiecki and Mlekpól with central

<sup>5</sup> Breakthrough Business Models, Exponentially More Social, Lean, Integrated And Circular, Volans, Business and Sustainable Development Commission, 2016, p. 13.

office in Grajewo. Podlasie roots are also District Dairy Cooperative Piątnica, which, like the two previous cooperatives. The most important entities on the milk market also belong: Polmlek, Lactol, Spomlek, Sierpc, Koło, Gostyń and companies with foreign capital such as: Danone or Hochland. Dairy traditions in Podlasie are very long. This is evidenced by the large number of cheeses inscribed on the List of Traditional Products of the Ministry of Agriculture. There are, among others, hajnowski curd, Swiss-type cheese from Wizajn and "koryciński" homely cheese. The trademarks of the Podlasie processing plant, along with traditional specialties, are also innovations. For example, Mlekpól offers lactose-free lactoses and Mlekovita, which offers over 800 products, is the only company in Podlasie that produces ice cream on an industrial scale. Only in 2015, it launched 116 new products.

The aspect of social responsibility as a management strategy becomes more important in the case of the food market. Since the early 1990s, Danone has been the leader in the CSR practices in the dairy industry. On the other hand, Mlekovita has become a leader on the milk market since about 2014. At present, it owes its strong position to a large extent to acquisitions, including 19 production dairy plants. Mlekpól has only 4 less dairy plants. The figure 1 presents the ranking of producers in the dairy industry in 2009–2017 (the lower bar in the figure means a higher position in the ranking, eg place 1).

The graph shows the place of a milk processing enterprise in 2009 to 2017 relative to turnover. In 2017, the top places were in order: Mlekovita, Polmlek, Mlekpól, Łowicz, Lactol, Piątnica, Spomlek, Koło, Lactalis, Gostyń. It seemed that in a clash with Danone, Dr Oetker or Hochland, co-operatives may fall. However, since 2004, after Po-



**Figure 1.** TOP 10 producers of the dairy industry in 2009–2017

Source: own study based on [www.regiohurt.pl](http://www.regiohurt.pl) (accessed: 25.07.2018).

land's accession to the EU, dairy plants have turned out to be a phenomenon and global producers with foreign capital have a problem. They are taken over and pushed out of the market by Mlekovita, Mlekpól and Polmlek, whose total revenues have already exceeded 10 billion PLN<sup>6</sup>.

The aspect of social responsibility is decisive in the food market. When in 1992 Danone appeared on the Polish market, the company was very successful at developing good practices in the field of sustainable development and CSR. Among other things, there were such activities as:

- economic impact on local communities through the purchase of milk, raw materials and packaging - paying attention to non-polluting environment, feeding animals with appropriate feeds, paying attention to the harmful effects of methane;
- environmental and ecological impact, responsible and economical approach to water and energy consumption;
- care for the development of employees, creating a friendly organizational culture, regular payments for farmers, assistance in the development of suppliers;
- responsible transport, e.g. wall to wall factory, for Actimel products, packages are produced next to the yogurt production site; planning transport routes in such a way as to reduce the number of kilometers traveled, optimizing the loading of goods so that no unused vacancies are available in vehicles;
- promoting sales and consumption culture, building long-lasting business relationships, promoting knowledge about the proper storage of products, launching products on the market in response to diagnosed nutritional and health needs of Poles, introducing functional products such as: Danonki, Danacol, Activia, Actimel, i.e. nutrients have beneficial effects on the body;
- initiation of the “Share your meal” campaign – fight against malnutrition of children in Poland;
- appearance of a new trend in innovation – “Milky Start” cereal product created in cooperation with the Mother and Child Institute, Lubella and Biedronka;
- measurable and documented results of reduction of water and energy consumption, creation of a new environmental strategy. Danone initiated the approach to the so-called a new generation of farmers<sup>7</sup>.

It is difficult to say to what extent these practices have also influenced the functioning of Polish dairy cooperatives, which at the present time are economically successful. It may be conditioned by the quality of Polish milk, but also by responsible cooperative practices. For example, the Sierpc OSM cooperative puts a special emphasis on the quantity and quality of protein in milk bought from farmers. Mlekpól from Grajewo promoted the very popular milk “łaciate”, Mlekovita milk products without lactose. Sometimes, however, companies are not fully responsible in practice despite meeting quality criteria. Analyzing dairy plants from the TOP10 list, you can notice various CSR practices and,

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<sup>6</sup> <https://www.forbes.pl/przywodztwo/mlekovita> (accessed: 25.07.2018).

<sup>7</sup> Danone: Raporty społeczne Danone za lata 2006–2009, 2010–2012, Na drodze do współodpowiedzialności, retrieved from: [www.raportyspoleczne.pl](http://www.raportyspoleczne.pl) (accessed: 25.07.2018).

**Table 2.** Approach to social responsibility among dairy plants in Poland

Place in the 2017 ranking	Dairy plant	CSR section on the website	The person responsible for CSR	CSR policy	Mission and values	Social report	CSR products – market	CSR environment/development	CSR employees	CSR Society	Certificates and awards
1	Mlekovita SM	-	-	+	+	-	+	+	+	+	+
2	Mlekpól SM	-	-	+	-	-	+	-	-	+	+
3	Danone Sp. z o.o.	+	+	+	+	+	+	+	+	+	+
4	Polmlek	-	-	+	-	-	+	-	+	+	+
5	Lacpol PHZ SM Sp. z o.o.	-	-	+	-	-	+	-	-	-	-
6	Piątnica OSM	-	-	+	-	-	+	+	+	+	+
7	Spomlek SM	-	-	+	-	-	+	-	+	+	-
8	Koło OSM	-	-	+	-	-	+	-	-	+	+
9	Sierpc OSM	-	-	+	-	-	+	-	-	-	-
10.	Gostyń SM	-	-	+	-	-	+	-	-	+	-

Source: own study based on data sent by financial departments of dairy enterprises. Ranking by turnover for 2017, company websites, update date 27.07.2018.

indirectly and directly, determine the business model of enterprises. The vast majority of enterprises implement CSR in a philanthropic and marketing aspect, to a very small degree a strategic model exists. However, it can be noticed that Danone sp. Z practices may constitute a transformation model. However, this is also due to the advanced approach of multinational enterprises to CSR, due to the OECD guidelines for multinational enterprises. Approach to CSR in Polish dairy plants is presented in table 2.

According to the table, only Danone in social reports and on websites, informs about practices, values, and activities in the field of responsible practices. Although all plants more or less declare CSR policy, it very often focuses on the product offer and its high quality. CSR is still treated primarily as marketing and sponsoring activities. The companies focus the most on CSR in the product offer. This is evidenced by the variety of offers and even such examples as the expansion of the product market, eg. HALAL certificate for milk powders and butter in the case of OSM in Koło or the award in the Ranking of the Major Cooperative Exporters of Dairy Products in 2017. Spomlek, on the other hand, wants to function in the HoReCa channel. It is an offer of cheeses in the restaurant menu, on cheese boards offered in hotels. Spomlek, through his cheese, strives for the recommendations of the best chefs and chefs. According to experts, Amber,

Rubin and Szafir are the best Polish long-ripening cheeses. They are created in Radzyń Podlaski under the supervision of experienced cheese makers, according to traditional recipes developed over 15 years<sup>8</sup>. In turn, MLEKOVITA in 2017- was recognized by the President of the Republic of Poland in the 15th edition of the Economic Award in the category "Responsible business"<sup>9</sup>. An interesting innovation is the new Skyr yogurt in the OSM Piątnica offer – it's made according to the traditional recipe, adored, among others, in Europe and the United States, an Icelandic dairy product. The product is distinguished by high protein content, it is also free of fat. A product particularly desirable by consumers, leading an active and healthy lifestyle. The cooperative from Piątnica offers its consumers four flavor versions, as well as natural Skyrnica<sup>10</sup>. An interesting idea rewarding the high quality of milk from farmers is the "Farm of the Year" competition - the flagship initiative Spomlek Cooperative Dairy, which aims to distinguish the most modern and most prospering farms. It emphasizes the success of the dairy in cooperation with suppliers. During the gala, prizes were awarded to cooperating farms for their many years of breeding work, production dynamics and delivery of the highest quality raw material. The winners received the title of "Holding of the Year 2017" and main prizes – "Škoda" brand cars in the colors of "Serenade"<sup>11</sup>.

Changes in the export situation of Polish dairy cooperatives are also noticeable. For example, SM MLEKPOL spends a significant part of its production on export, sending its products to almost all countries of the world. They reach the European Union countries mainly to Italy, France, Germany, the Netherlands, Belgium, Spain, the Czech Republic and Great Britain as well as to Africa and the Far East. The export offer includes hard cheeses, skim milk powder, butter and whey powder<sup>12</sup>.

MLEKOVITA was also successful in export. The value of exports, especially to Germany, accounts for over 20% of all exports. It is the largest and most dynamically growing supported external market. In 2017, MLEKOVITA sold on the German market, among others: 2,905 tons of ripening hard cheeses, 20,615 658 l of UHT milk, 2,620 tons of milk powders, 175 tons of butter. In 2018, during the Gala, held during the International Trade Fair of Food Products Polagra, MLEKOVITA was honored with the title of the Leading Polish Food Exporter – Leading Polish Food Exporter<sup>13</sup>.

However, in the case of Polmlek Group, exports account for 30 to 40 percent. The entire production, sent mainly to Arab countries, Asia and the European Union.

Social responsibility towards sustainable development is becoming an increasingly frequent practice in the dairy industry, which, due to the growing needs of stakeholders, shapes high quality and innovation. These practices increasingly affect growing exports and determine the competitive advantage in the global market.

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<sup>8</sup> <http://www.spomlek.pl/> (accessed: 27.07.2018).

<sup>9</sup> <http://www.mlekovita.com.pl/> (accessed: 27.07.2018).

<sup>10</sup> <http://piatnica.com.pl/data> (accessed: 27.07.2018).

<sup>11</sup> <http://www.spomlek.pl/> (accessed: 30.07.2018).

<sup>12</sup> <http://www.mlekpol.com.pl/> (accessed: 20.08.2018).

<sup>13</sup> <http://www.mlekovita.com.pl/> (accessed: 20.08.2018).



## Summary

Business is becoming an increasingly important partner on the road to achieving sustainable development goals. CSR enterprises in corporate strategies allow not only to assess the level of advancement of a given organization as socially responsible, but also to assess the position, in this case of dairy plants, in the global system. CSR is a set of activities aimed at implementing and implementing sustainable development goals.

The article is a contribution to further in-depth research. At the stage of preliminary analysis, dairy enterprises implement CSR strategies to a greater or lesser extent. In the aspect of the approach to business models, CSR are at the philanthropic and marketing stage, but strategic and transformation approaches are also emerging. The biggest changes related to CSR and the development of Polish companies in the dairy industry appeared after Poland's accession to the European Union. Since then, Polish plants have been systematically becoming more competitive than existing leaders, that is, multinational enterprises.

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