



Transformation of Corporate Culture in the Aspect of European Green Deal - Polish Raw Materials Industry

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Abstract

The article presents an overview of the concept of the European Green Deal and the term ESG. The paper presents how these activities can and will affect the shape and level of corporate culture of Polish enterprises, especially those operating in the mining industry. The basic activities that each EU country will have to implement under the European Green Deal, with particular emphasis on those affecting the raw materials industry, have been presented.

Keywords: mining company, corporate culture, European Green Deal, ESG

1. Introduction

Decarbonation, green deal, sustainable development, CSR, CO₂ emissions, ecology - these terms have significantly affected the operation of Polish raw material industry, especially hard coal mines, over the last few years. The executives of these entities have to make difficult decisions to adapt their entities to constantly updated requirements. These changes strongly shape their corporate culture, sometimes even forcing them.

Culture is defined as the totality of principles, rules and human actions, the products of human work and artistic creation and it constitutes the collective output of society. It is created on the basis of specific biological and social characteristics of humans, conditions of their existence, developing and transforming in the historical process. On the other hand, the organizational culture of an enterprise is its element, which in a specific way defines this enterprise. The authors of the article have already discussed this topic in previous publications [1, 7, 8, 10, 11, 12, 13], however, this article includes a brief explanation of this culture.

Its components have been and still are described by many scientists and scholars, but one of the most popular models is the one developed by the American psychologist Edgar H. Schein, who divided culture into 3 levels: assumptions, norms and values and artifacts. In each of these groups there are corporate-specific elements, which together form the culture of the company.

The subject of the authors' research was corporate culture of Polish entities operating in the field of mining industry in Poland, in particular one component of this culture - health and safety culture. The results of the research show that this component always provides an opportunity to shape something as increased awareness among employees makes them identify more and more strongly with the principles and values prevailing in the company. The authors have also conducted a strategic analysis in this area and its results are published in the following articles [4, 5, 12].

However, mining companies today should direct their activities not only towards the health and safety culture of the company. Current trends and indications, arising from inter-

national agreements or actions and regulations of the European Union basically force changes. As part of the work on this subject, but in reference to activities focused on creating corporate culture in terms of sustainable development and CSR, the authors also published the following articles. [8, 9].

This article closely describes the aspect of the most current guidelines for conducting business, related to the EU document adopted last year, which concerns the so-called European Green Deal. The provisions of this document make changes in the area of corporate culture of entities operating in the mining industry an imperative necessity.

2. A new business reality

The primary goal of companies has always been to create added value, especially in recent years. Times when the company value was measured solely on the basis of profit are long gone. In recent decades, the range of factors determining the value of a company has expanded to include full financial information and its impact on society and the environment - from the way resources are obtained, through production, to the distribution of goods and services.

One of the most important concepts that assesses the activities of entities is the ESG criterion. ESG refers to Environment, Social, Governance and is an important indicator of how socially responsible entities are. As corporate social responsibility has already become a fact, the need to integrate it with the corporate culture seems to be just a formality.

The new reality of business is manifested in many levels of entities activities. Industry 4.0 requirements and strive for it, ESG standards, the European Green Deal and the unexpected SARS-COV19 pandemic force changes in management processes and in the organisation of companies' operations in every industry.

Changes, in turn, are connected with the Deming cycle. According to this concept, continuous improvement takes place in several logically consecutive stages. These are: Plan - Do - Check - Act (also understood as improvement), hence this cycle is also called PDCA cycle.

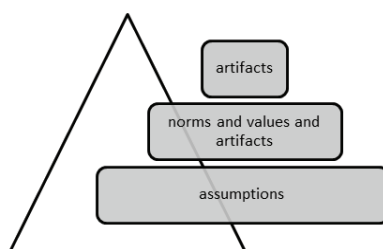


Fig. 1. Schein's corporate culture model. Own study based on [6]
 Rys. 1. Piramida kultury organizacyjnej wg Scheina źródło. Opracowanie własne na podstawie [6]



Fig. 2. Deming cycle. Source: Own elaboration
 Rys. 2. Cykl Deminga. Źródło: Opracowanie własne

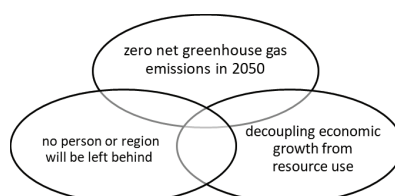


Fig. 3. Assumptions of the European Green Deal. Source: own study based on [14]
 Rys. 3. Założenia Europejskiego Zielonego Ładu. Źródło: opracowanie własne na podstawie: [14]

Deming cycle is currently the basic form of shaping activities related to the introduction of changes, innovations or increasing the effectiveness of operations. Therefore, Deming cycle should be used in cases of transformation or changes in the corporate culture of business entities.

3. European Green Deal

The assumptions of the European Green Deal include the actions of each country towards common EU objectives. Faced with the findings that "Europe needs a new growth strategy to transform the Union into a modern, resource-efficient and competitive economy. Basic assumptions are presented in Figure 3.

The European Green Deal is defined as an action plan for the sustainable economy of the entire European Union. The document assumes that this effect can be achieved by ransforming climate and environmental challenges into new opportunities, but in all areas of politics. It is also emphasised that this transformation is supposed to be fair and inclusive.

As a result, the assumption of the European Green Deal include an action plan that allows for:

- efficient functioning of closed economy, which will contribute to more efficient use of resources,
- reduction of contamination levels.

Realisation of the goals set out in the document is undoubtedly connected with a number of necessary actions that will affect every member of the EU. For our country, it will require undertaking actions in all sectors of our economy, such as:

- investments in environmentally friendly technologies,
- supporting industrial innovation,
- introducing cleaner, cheaper and healthier forms of private and public transport,
- decarbonation of the energy sector,
- ensuring greater energy efficiency of buildings,
- working with international partners to improve global environmental standards.

All these activities will be reflected in the functioning of Polish entities, especially those related to the mining industry. This, in turn, forces the introduction of changes that will affect their corporate culture.

The basic assumptions of the transformation of the economies of the EU countries to the assumptions of the European Green Deal are shown in Figure 3. The entry in the top right corner, referring to stimulation of innovations and support for scientific research, seems to be of particular importance for the changes. Innovation linked to Deming cycle may lead to permanent and constructive changes, both in the management and operational sphere of entities operating on the Polish raw materials market, but it may also introduce new quality in the areas of their corporate culture.

One of the areas in which the provisions of the European Green Deal will be of particular importance is the activity related to the provision of clean, affordable and safe energy. The general assumptions in this area are defined by the following provisions [16]:

- Further decarbonation of the energy system is crucial for achieving the climate goals for 2030 and 2050.

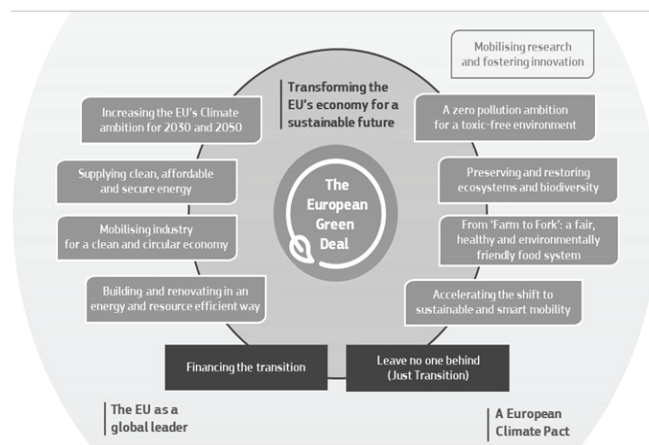


Fig. 4. The European Green Deal. Source: [14]

Rys. 4. Europejski Zielony Ład. Źródło: [14]

- By the end of 2019, Member States will present their revised energy and climate plans, whereas the Commission will assess the level of ambition of these plans and the need for additional measures if the goals set are insufficient.
- The transition to clean energy should involve and benefit consumers. Renewable energy sources will play a key role. Intelligent integration of renewable energy sources, energy efficiency and other sustainable solutions in all sectors will reduce carbon emissions at the lowest possible cost.
- Measures should be put in place to protect households that cannot afford the necessary energy services to ensure a basic standard of living.
- Achieving climate neutrality also requires an intelligent infrastructure. Strengthening cross-border and regional cooperation will help to reap the benefits of switching to clean energy at affordable prices.

The assumptions described above require a number of organisational, management or conceptual changes from Polish entities in the mining industry. This concerns in particular the entities directly related to the mining process, especially hard or brown coal mining. Any change introduced in accordance with the above mentioned assumptions will be followed by changes in the corporate culture of these entities. Thus, the proper implementation of these changes, with a deliberate change in the shape of the corporate culture will allow for a smooth transition through the transformation process.

4. ESG

ESG is an acronym of three words expressing the three aspects of operation of business entities: Environment, Social, Governance.

The environmental aspect is closely related to the environment and can be understood as a continuation of the principles of sustainable development, meaning an action that does not affect the environment. It is related to the concepts of reduction of greenhouse gas emissions, protection of biodiversity, waste water treatment and implementation of closed economy through waste recycling.

Social considerations should be understood as both internal: investments in human capital (employee training) and external: concern for customer satisfaction, relations with the local community.

The Governance aspect refers to the management methods within organisational structure, including its transparency and openness to signal possible irregularities, employee relations, members and wages of the management, and investor relations, i.e. communication with the stock ownership. It also concerns the principles of remuneration, the instances of corruption and shareholders' rights.

In Poland, ESG is still associated with listed companies. Since September 2019, The Warsaw Stock Exchange publishes the WIG-ESG index, which replaced the RESPECT Index [2, 3], calculated over 10 years. The WIG-ESG index is made up of companies from WIG20 and mWIG40, and the shares of companies listed on this index depend on the ESG ranking.

For some time now, it seems that the ESG triad has overcome the CSR institution, extending the catalog of non-financial elements related to running a business and giving a new, deeper meaning to the notion of enterprise value. Companies that do not pay enough attention to environmental, social and corporate governance (ESG) standards can be confronted with reluctant investors, especially in the conditions of volatility associated with the coronavirus [17].

ESG aspect is also related to compliance with the requirements under Regulation 2019/2088 on disclosure of information relating to sustainable development in the financial services sector. Recently published draft implementing act for this regulation, which is currently under consultations, presupposes that financial institutions will be required to report on 32 indicators, such as

- carbon footprint
- energy consumption
- relationship with the environment
- water consumption and sewage disposal
- waste production
- indicators of the gender pay gap
- protection of whistleblowers
- human rights protection efforts, including the supply chain
- anti-corruption and anti-bribery efforts

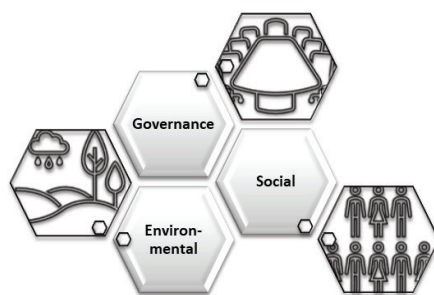


Fig. 5. ESG. Source: Own study
Rys. 5. ESG. Źródło: opracowanie własne

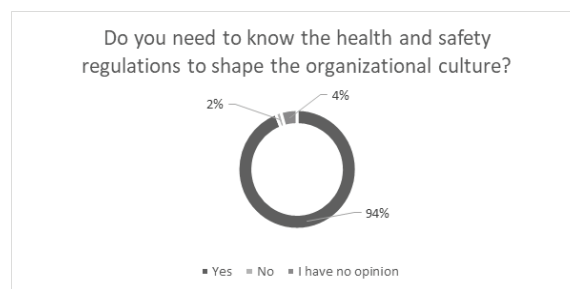


Fig. 6. The results of the survey on the necessity of knowing health and safety regulations to shape corporate culture. Source: own study
Rys. 6. Wyniki badań ankietowych w zakresie potrzeby znajomości przepisów bhp do kształtowania kultury organizacyjnej. źródło: opracowanie własne

These indicators will include data from all companies under the obligation of financial market participants to include the risks for sustainable development and take into account the adverse effects on sustainable development in their activities and presentation of information about financial products. The regulation will be effective from 1 January 2022. This means that financial institutions will require companies to provide relevant data including information for 2021 [18].

Thus, it is clearly visible that the trend related to the European Green Deal is strongly entering the specificity of functioning of Polish entities. A clear translation is already visible in the case of financial institutions. In the case of mining industry entities, these changes will be enforced not only by legal regulations, but also by their desire to achieve a balance in ESG areas. In order for such transformations to smoothly enter the structure of forms, their corporate culture must be properly shaped.

The need for raising awareness of employees and stakeholders about the changes can be confirmed by the results of surveys conducted among employees of the mining industry. As many as 94 percent of those surveyed said that knowledge of health and safety regulations is necessary to shape corporate culture (Figure 6).

6. Summary and conclusions

The European Green Deal provides for the implementation of a number of legal regulations containing new disclosure requirements for ESG information and data by financial

institutions. Their development will require the acquisition of a number of detailed data from corporate clients by banks, insurers and investment funds, and will therefore require the aggregation and development of relevant data by companies using external financing or being capital market participants [18].

The assumptions of the European Green Deal announce a number of important, wide adjustment changes for entities operating on the Polish market, especially for entities operating in the raw materials industry. The need to adapt to these assumptions will force a number of structural, organisational and management changes, also in the area of corporate culture.

Sustainability is a concept known to everyone today. Practically every entity on the market operates on the basis of CSR assumptions. ESG becomes a step forward and a necessity. The European Green Deal is another challenge. Fitting all these elements together and integrating them into the corporate culture can contribute to the success of these entities. As studies [15] show, incorporating the ESG criteria into the company's strategy may have a positive impact on financial performance, increase competitive advantage, reduce operational risk and help to obtain financing. Today, lenders, job applicants, consumers and investors all over the world, including Poland, pay great attention to how the company cares about the environment, society and corporate governance.

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*Transformacja kultury organizacyjnej w aspekcie European Green Deal
– polska branża surowcowa*

W artykule przedstawiono ogólny zarys koncepcji Europejskiego Zielonego Ładu oraz pojęcia ESG. Przedstawiono, w jaki sposób te działania mogą i będą wpływać na kształt i poziom kultury organizacyjnej polskich przedsiębiorstw, zwłaszcza działających w branży wydobywczej. Przybliżono podstawowe działania, jakie każdy kraj unijny będzie musiał przeprowadzić aby wypełnić założenia Europejskiego Zielonego Ładu, ze szczególnym uwzględnieniem tych, które mają istotne znaczenie dla branży surowcowej.

Słowa kluczowe: przedsiębiorstwo górnicze, kultura organizacyjna, Europejski Zielony Ład, ESG